UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE

Terminated (or cancelled) without certification. DMEA No. 565

This is the official contract file containing all official records of the project. Duplicate material has been removed. The records contained in the files are checked and are arranged in this manner:

Left Side

- ✓ Certificate of Audit (Final).
- Interim Audit(s).
- Report of Review.
- ✓ Termination Notice or Agreement.
- Recision Notice.
- Assignment of Contract.
- ✓ Contract Amendments (latest on top).
- ✓ Contract with all exhibits and annexes.
- Owner's Consent to Lien.
- Subordination Agreement.
- ✓ Leases and assignments of leases.
- ✓ Application and attachments.
- ✓ Schedule of Collections.
- ✓ Operator's monthly reports and all attachments (latest on top).

Right Side

- ✓ Project summary.
- ✓ Work completed analysis.

All other material is filed in chronological order with correspondence including the following reports as checked:

- ✓ Final Field Team Report. (Tab)
- Operator's Final Report.
- ✓ Interim Reports.
- ✓ On-site Exam Report(s). (Tab)
- Settlement Sheets.

If additional folders are required because of volume of records, show folder numbers and contents below:

Maps in folder number _____

Operator's Monthly Reports in folder number _____

wb
Reviewer's Initials

7973

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

AUDIT CERTIFICATE

I have examined the records and transactions of

Castle Lead and Zinc Company
a Montana Corporation
Livingston, Montana

pertaining to Exploration Project Contract No. Idm-E240 with Amendments Nos. 1 and 2, Docket No. DMA 565X, for the period of January 18, 1952 to April 1, 1953, covering an exploration project for lead, zinc and silver ore.

My examination was made in accordance with generally accepted standards applicable in the circumstances.

The audit disclosed the following facts in regard to the amount to be paid the contractor.

Total cost as billed by contractor July 1952 MF-104	$19,092.00
Less salvage for buildings	100.00
	$18,992.00
Exceptions:	
During this audit	2,292.20
Total accepted cost	$16,699.80

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Eight thousand three hundred forty nine and 90/100 Dollars

$8,349.90

is valid and proper.

This certificate is issued on the provision that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

June 25, 1953

C. A. Turner, Auditor

I INTRODUCTION

On June 18, 19 and 20, 1953, an audit and investigation (covering the period of January 18, 1952 to April 1, 1953) was made of the records and accounts of operations pertaining to Contract No. Idm-E240 with Amendments Nos. 1 and 2, Docket No. DMA 565X, with

Castle Lead and Zinc Company
a Montana Corporation
Livingston, Montana

covering a project of exploration for lead, zinc and silver ore.

This audit and investigation was made pursuant to instructions by Mr. C. O. Mittendorf, Administrator, to Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II, dated May 20, 1953, and instructions from Mr. Jay L. Chambers, Chief, Contract Administration and Audit Division, to Mr. Charles A. Turner, DMEA auditor, dated May 20, 1953.

Mr. V. Z. Johnson, DMEA Engineer, represented the Field Team, and Mr. Charles A. Turner, DMEA Auditor, represented the Contract Administration and Audit Division, in performance of the audit and investigation.

During the course of the audit the following officers and stockholders were interviewed:

Martin T. Grande	-	Secretary-Treasurer
George Voldseth	-	Stockholder
P. V. Grande	-	"
A. L. Carter	-	"
H. L. Nichols	-	"
Ed C. Hughes	-	"

Their cooperation and assistance greatly facilitated the audit.

Newland and Blinn, Certified Public Accountants, First National Bank Building, Butte, Montana, also assisted in the audit.

The Castle Lead and Zinc Co. is the outgrowth of claims controlled by A. L. Carter, Livingston, Montana. Mr. A. L. Carter accepted as a partner Mr. H. L. Nichols of Livingston, Montana. Some work was done by this partnership; however, it was soon decided a mining man was necessary to take charge of the mine. Mr. Ed C. Hughes was selected and a corporation was formed July 12, 1950. Mr. Ed C. Hughes was made president and was empowered to manage, operate and promote the mine.

II GENERAL INFORMATION ON RECORDS

The accounting records which cover the cost of the exploration project as well as the Operator's other activities consist of suppliers' invoices, subcontractors' invoices, paid bank checks, and bank statements. A general ledger or cost ledger is not maintained.

The Corporation also keeps a Minute Record and Capital Stock Record.

The firm of Newland and Blinn, Certified Public Accountants, Butte, Montana, prepared a report as of October 31, 1952. This report contained the Balance Sheet, Statement of Income, and the Statement of Cash Receipts and Cash Disbursements. A photostat of that report is attached.

The source documents covering the costs of this project are recorded on a monthly work sheet which forms the basis for preparation of the monthly MF-104 reports. Therefore, this audit involved in general a check of the source documents against the monthly work sheets.

All cash transactions and issues of capital stock were examined in detail. All costs were on a cash basis.

III SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety, and validity of the costs as shown in the "Totals to Date" column of form MF-104, Operator's Monthly Report and Voucher for the month of July 1952. The extent of the audit and findings under each of the "Items of Cost" follow.

(1) Fixtures and Improvements

All charges against this category were checked against the monthly work sheets; an analysis was made to determine propriety of the items charged; all purchases were verified against invoices; all contract work was verified by the subcontractors' invoices, and proof of payment was determined by paid bank checks. Bank checks were traced through the bank statements.

The total costs properly chargeable and allowable under this item were found to be:

(a) Water Supply		
Pipe and fittings	$ 32.82	
Second hand pump	17.00	
Hauling	25.00	
H. L. Nichols, installation	54.00	
Allowed by Audit	$128.82	
(b) Buildings		
H. L. Nichols contract		
Blacksmith shop and compressor house	$833.80	
Winterizing building on property	480.00	
Bunk house	1650.00	
		$2,963.80

(b) Buildings - continued Total brought forward $2,963.80

Outside Toilets		
Lumber and nails	$ 59.00	
Roofing	6.15	
Doors	5.00	
H. L. Nichols	84.00	154.15
Total cost of buildings		$3,117.95
Disallowed by Audit:		
Outside toilets (this item not authorized by contract)		154.15
		$2,963.80
Disallowed by Audit		1,833.55
Allowed by Audit		$1,130.25

H. L. Nichols, contractor, received payment for the buildings as follows:

March 1, 1952 - Check No. 132	$1,130.25
March 10, 1952 - " No. 133	1,833.55
Total	$2,963.80

H. L. Nichols returned the check, No. 133, for $1833.55 to the Castle Lead and Zinc Co. who deposited it in the Flint Creek Valley Bank with the Company's other funds (to be used in the regular course of business) March 22, 1952. The result being a reduction in the cost of the buildings, which is in evidence on the "Balance Sheet" dated October 31, 1952, prepared by the Company's accountants, Newland and Blinn, Certified Public Accountants, Butte, Montana. While it is true that Newland and Blinn did not certify this balance sheet, it was rendered to and accepted by the officers of the Castle Lead and Zinc Co.

(c) Fixtures - Furnishings

Hardware	$ 7.60
Linoleum for floor	47.19
Bed for cook house	30.00
5 second hand chairs	5.00
H. L. Nichols - labor	54.00
Allowed by Audit	$143.79

The Castle Lead and Zinc Co. made an offer of $50.00 to purchase the Government's equity in buildings and improvements on December 8, 1952. This offer was accepted by a letter from A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II, dated December 11, 1952, and a letter from Thomas E. Howard, Chief, DMEA Section, Bureau of Mines, Region II, dated April 1, 1953. Copies of the three letters are attached.

A deduction of $50.00 was made on the final settlement.

(2) Operating Equipment - Rental

The charge in this category was checked against the invoice rendered by the Hash Contracting Co. dated July 30, 1952, which covered rental for the period of July 8, 1952 to July 16, 1952. This invoice was paid by check No. 173, dated August 6, 1952, for $550.00.

The proper and allowable cost for Operating Equipment Rental was found to be:

July 8 to July 16, 1952 44 hours @ $12.50 per hour	$550.00

This amount was allowed by the audit.

(3) Rehabilitation and Repairs

Not applicable to this contract.

(4) Labor)
(5) Supervision)

All charges under the items of labor and supervision authorized by Amendment No. 2 were covered by invoices from those performing the labor and supervision. The company does not maintain a regular payroll.

The audit disclosed that the costs properly chargeable and allowable under the terms of the contract and Amendment No. 2 are:

Labor	
H. L. Nichols - 20 days @ $15.00 per day	$300.00
Supervision	
Ed C. Hughes	350.00
	$650.00
Disallowed by audit	300.00
	$350.00

This labor was disallowed due to the fact that Mr. Nichols returned the check to the Castle Lead and Zinc Co., who deposited it in their bank account and made the funds available for use in the regular course of business. The refund of the $300.00 has the effect of reducing the actual cost to the project.

(6) Supplies

All charges against this category were checked against the suppliers' invoices, and proof of payment was checked by paid bank checks. The Company does not maintain a stores account, and all supplies were purchased direct for the project.

The total costs properly chargeable and allowable under this item as provided by the contract and Amendment No. 2 were found to be:

Explosives	$ 22.50
Livingston Hardware Co.	
Gas and oil	
Continental Oil Co.	113.20
Allowed by Audit	$135.70

No useable supplies remain on hand.

(7) Power - Not applicable to this contract.

(8) Transportation - Not applicable to this contract.

(9) Insurance - Not applicable to this contract.

(10) Contract Work

Not applicable to this contract.

(11) Other: Assaying - Drifting and Crosscutting

All charges against this category were checked against the invoices to determine propriety of the items charged.

The total costs properly chargeable and allowable were found to be:

Assaying - Claimed on MF-104	$22.50
Goodall Bros. - Assayers & Chemists, Helena, Montana - invoice	
Disallowed by Audit	4.50
This deletion was made because the invoice was for $18.00. No other support could be found to cover the $4.50 item.	
Allowed by Audit	$18.00

Drifting and Crosscutting

Drifting and crosscutting as provided for in Amendment No. 1 was subcontracted on a unit cost basis of $53.72 per foot.

It was found that the total costs properly chargeable to and allowable under this item are:

Drifting	47 feet @ $53.72 per foot	$ 2,524.84
Crosscutting	220 feet @ $53.72 per foot	11,818.40
Allowed by Audit		$14,343.24

IV CONCLUSIONS AND RECOMMENDATIONS

This audit has disclosed that all costs, as charged to this project, with the exception of the disallowances itemized under items (1), Buildings, (4) Labor, and (11) Other - Assaying of the preceding sections of this report, are reasonable and proper under the terms of the contract and Amendments Nos. 1 and 2.

C. A. Turner, Auditor

CASTLE LEAD AND ZINC COMPANY
Contract No. Idm-E240

EXHIBIT "A"

	Totals July 1952 MF-104	Distribution corrected	Disallowed by audit	Allowed by audit
(1) Fixtures & Improve.				
a. Facilities - Water Supply	$ 128.82	$ 128.82		$ 128.82
b. Buildings	3,117.95	3,117.95	$ 154.15) 1,833.55)	1,130.25
c. Fixtures - Furnishings	143.79	143.79		143.79
(2) Operating Equipment				
b. Rented - Bulldozer	550.00	550.00		550.00
(4) Labor	300.00	300.00	300.00	-0-
(5) Supervision	350.00	350.00		350.00
(6) Supplies				
b. Explosives	22.50	22.50		22.50
d. Other - Transp. Gas & Oil	113.20	113.20		113.20
(11) Other				
Assaying	22.50	22.50	4.50	18.00
Drifting and crosscutting	14,343.24	14,343.24		14,343.24
	$19,092.00	$19,092.00	$2,292.20	$16,799.80
Salvage - Buildings	100.00	100.00	-0-	100.00
	$18,992.00	$18,992.00	$2,292.20	$16,699.80

CASTLE LEAD AND ZINC COMPANY
Contract No. Idm-E240

EXHIBIT "B"

Bulldozing Authorized by Amendment No. 2

Item		
(2)	Operating Equipment Bulldozer rental	$ 550.00
(4)	Labor	300.00
(5)	Supervision	350.00
(6)	Supplies - Explosives	22.50
	" Gas and Oil	113.20
(11)	Assaying	18.00
		$1,353.70
	Disallowed by Audit	300.00
	Allowed by Audit	$1,053.70
	Authorized costs	1,700.00
	Balance	$ 646.30

December 8,1952
Box 125
Boulder, Montana

Mr. Robert M. Hull
DMEA Auditor
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane, Washington

Re:to your letter of December 2
Castle Lead and Zinc Company

Dear Mr. Hull:

I am sending amendment No.2 of the bulldozing contract on the Castle Lead and Zinc Company.

In regard to liquidating the items jointly owned by the Castle Lead and Zinc Company and the DEMA, we have offered the items for sale and have received no bids. The Castle Lead and Zinc Company is in a position to offer $50.00 for the Government equity in these items.

We have completed 240 feet of crosscut since October in an effort to complete development program on the Yellowstone vein; the balance of the crosscut could be finished by February if it were possible to get some Government aid.

Sincerely yours,

CASTLE LEAD AND ZINC COMPANY

By, Edw Hughes

Please address future mail to the above address.

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

So. 157 Howard Street
Spokane 4, Washington

COPY

December 11, 1952

Memorandum

To: R. J. Hindman, Certifying Officer, DMEA, Region II

From: A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II

Subject: Castle Lead & Zinc Company, Docket DMEA 565X (Lead-Zinc), Contract Idm-E240, Meagher County, Montana.

With reference to Mr. Hughes' letter of December 8, 1952, offering a sum of $50.00 for buildings on the property of the Castle Lead and Zinc Company constructed as part of the DMEA project, it is recommended that we accept this bid for the buildings and that this amount be deducted from the final settlement.

Furthermore, in my opinion inasmuch as any final report prepared by Mr. Hughes would be of somewhat doubtful value and inasmuch as we have already available an adequate amount of technical information concerning the results of the exploration from field engineers, it is recommended that the requirement that Mr. Hughes prepare a final report be waived. This is particularly justified because in order to obtain the fiscal information for a final settlement we had to make repeated attempts to contact Mr. Hughes and only after following this up on several occasions were we able to get the information. Further attempts to get a technical report from Mr. Hughes would only delay the final closure of the contract, which we are anxious to get off the books.

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: DMEA (2)
USBM (2)
Klepper

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

COPY

1201 North Division Street
Spokane 2, Washington

April 1, 1953

Mr. Ed C. Hughes
Castle Lead and Zinc Co.
552 Colorado Street
Butte, Montana

Subject: Docket No. DMEA 565X (lead-zinc)
Contract Idm-E240
Supplemental invoice for June-July, 1952.

Dear Mr. Hughes:

Reference is made to our telephone conversation of March 31, 1953 regarding payment of the subject invoice submitted to cover bulldozing done under Amendment No. 2 to the contract.

Our records indicated that the invoice was approved and forwarded to the Disbursing Officer for payment on March 9, 1953. The approved total of the invoice was $1,353.70 and you should have received by now a check for $626.84 in final settlement of the contract. Your bid of $50 for the Government's equity in a jointly-owned building constructed as part of the project was accepted and this amount was deducted from the Government's share of the approved total.

It is probable that the check was mailed to one of your former addresses and has not yet been forwarded. It would be advisable, therefore, to check with the post offices in Livingston and Boulder.

If, after further investigation, you cannot locate the check, please inform us and we will contact the Disbursing Officer and attempt to trace it.

Sincerely yours,

Thomas E. Howard
Chief, DMEA Section
Bureau of Mines, Region II

CASTLE LEAD AND ZINC COMPANY

NEWLAND AND BLINN

CERTIFIED PUBLIC ACCOUNTANTS

CASTLE LEAD AND ZINC COMPANY

AUDIT REPORT

October 31, 1952

CASTLE LEAD AND ZINC COMPANY

BALANCE SHEET

October 31, 1952

ASSETS

Current Assets:		
Cash in bank	$7,836.70	
Accounts Receivable		
Defence Production Adm. estimate	600.00	
Inventory		
Estimated supplies on hand	500.00	
		$ 8,836.70
Fixed Assets (at cost)		
Buildings	1,130.25	
Auto equipment	1,227.73	
Compressor	750.00	
Gieger counter	102.00	
Total Fixed Assets		3,209.98
		$12,046.68

LIABILITIES

Capital Stock:			
Authorized		$250,000.00	
Less unissued		76,490.00	
		173,510.00	
Deduct:			
Stock issued for miners and mining property	$156,885.00		
Stock issued for incorporation	255.00		
Stock issued for sales	1,500.00		
Promotion		157,640.00	
		15,870.00	
Deduct net operating loss		3,823.32	
Net Capital			$12,046.68

CASTLE LEAD AND ZINC COMPANY

STATEMENT OF INCOME

September 29, 1951 to October 31, 1952

Income		
Net smelter receipts		$ 244.51
Deduct Expenses:		
Wages	$6,884.01	
Supplies	1,671.22	
Travel and auto expense	1,591.25	
Sales expense	1,774.59	
Rent	725.00	
Administrative	90.61	
Attorney fees	46.00	
Mining claims	33.35	
Taxes	21.89	
Interest	19.74	
Total expenses		12,857.66
Net loss on operation		12,613.15
Less money advanced by D.P.A.		8,789.83
Net loss sustained by stockholders		$3,823.32

CASTLE LEAD AND ZINC COMPANY

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

From September 29, 1951 to October 31, 1952

Cash Received:		
Sale of stock	$14,300.00	
Reconstruction finance Corporation	8,789.83	
Smelter returns	244.51	
Total Cash received		$23,334.34
Cash Disbursements:		
Wages	5,814.01	
Supplies	1,671.22	
Travel and auto expense	1,591.25	
Sales expense	1,774.59	
Rent	725.00	
Auto equipment	1,227.73	
Building	1,130.25	
Loan	500.00	
Compressor	750.00	
Cie er counter	102.00	
Administration	90.61	
Attorney Fees	46.00	
Mining claims	33.35	
Taxes	21.89	
Interest	19.74	15,497.64
		$ 7,836.70

June 19, 1953
Butte, Montana

A. J. Weissenborn
Executive Officer
Defense Minerals Administration
157 South Howard Street
Spokane, Washington

Dear Sir:

Mr. C. T. Turner and V. Z. Johnson have been examining the records of the Castle Lead and Zinc Company, of which during the time of their examination, I was president of the company and one of the large stockholders and handled the administrative work.

In the course of their examination they have asked for additional explanation of two checks which were deposited to the credit of the company. The checks were drawn in favor of H. L. Nichols in the amount of $1833.55 and $300.00.

Mr. Nichols is a large stockholder in the company and a building contractor. The company had approval from your administration to build a bunk house, compressor room and overhaul the cook house. Mr. Nichols is a contractor and he was called upon to make an estimate and take a contract for this work. This estimate was for an amount slightly under $3000.00.

When the work was started he advised the officers and stockholders of the company, some of whom were working on the property, that if they would cooperate and help him in every way that all he wished to take from the company was actual reimbursement for monies paid out by him not including any depreciation on his equipment or compensation for himself, although he did include, I believe, some expense money. The work was completed according to schedule and specifications and was approved by your agency. In addition to Mr. Nichols work, the other people interested in the company helped with the construction and received no compensation. After paying all of the bills and such other costs, Mr. Nichols determined that the amount above his actual expense was $1833.55. Mr. Nichols had a check drawn in this amount in his favor which he in turn returned to the company as a donation to the benefit of all interested.

The $300.00 check was drawn to Mr. Nichols for payment for compensation for exploration work for dozer and such other duties in connection with exploration. He spent approximately one month on the property and everyone felt that his agreed price of $300.00 was reasonable. When the check was drawn and given to Mr. Nichols, he in turn refunded the check and asked it be deposited to the credit of the company and for the benefit of all interested in it.

COPY

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

Audit Certificate

I have examined the records and transactions of

Castle Lead and Zinc Company
Livingston, Montana

pertaining to Exploration Project Contract No. Idm-2840, Docket No. DMA 565X, and Amendments 1 and 2, covering an exploration project for lead, zinc and silver ores, for the period of January 18, 1952 to July 25, 1952.

My examination was made in accordance with generally accepted standards applicable in the circumstances.

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

Total cost as billed by contractor	$19,092.00
Less: Salvage value of buildings	100.00
Net cost claimed	$18,992.00
Exceptions prior to audit	158.65
Total accepted cost	$18,833.35

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Nine thousand four hundred sixteen and 67/100 Dollars

$9,416.67

is valid and proper.

This certificate is issued on the provision that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

February 9, 1953

Robert M. Hull
Robert M. Hull, Auditor

I INTRODUCTION

On October 3 and 4, 1952 a final audit (covering the period of January 18, 1952 to July 25, 1952) was made of the records and accounts of operations pertaining to Contract No. Ida-2240, Docket No. 5651, and Amendments 1 and 2 with the

Castle Lead and Zinc Company
Livingston, Montana

covering a project of exploration for lead, zinc and silver ores.

The exploration project was terminated by the Government on July 25, 1952 as operations had not indicated the probability of making any worthwhile discovery, and further operations were not justified.

The Castle Lead and Zinc Company is a Montana corporation, and the exploration project is located in the Castle Mountain mining district, Meagher County, Montana. The accounting records pertaining to this contract are in the offices of Newland & Blinn, Certified Public Accountants, First National Bank Building, Butte, Montana.

During the course of the audit, the President, Mr. E. C. Hughes, was consulted as required and his assistance facilitated the audit.

II GENERAL INFORMATION ON RECORDS

The accounting records for the exploration project consist of monthly work sheets supported by copies of purchase invoices or suppliers' statements and cancelled bank checks. The Operator does not maintain a formal set of books; therefore, the audit involved in

general a check of the source documents and the cancelled bank checks. In some instances the purchase invoices were not available for examination. Such invoices had been attached to the monthly MF-104 form and filed in compliance with the documentation requirements of the DMEA Certifying Officer. The costs were recorded on a cash basis.

III SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs as shown in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher, for June-July 1952. The extent of the audit and the findings under each of the "Items of Cost" follow:

(1) Work Performed at Agreed Unit Costs

Under the terms of Amendment No. 1 the Operator was permitted to subcontract for drifting and crosscutting with the Government's contribution to be on an agreed unit cost basis of $53.72 per foot in lieu of actual cost.

It was found that the total costs properly chargeable to and allowable under this item were:

47 feet drifting	@ $53.72 per foot	$ 2,524.84
220 feet crosscutting	@ $53.72 per foot	11,818.40
Total		$14,343.24

(2) Labor and Supervision

This item was allowable as part of the total cost of $1700.00 authorized by Amendment No. 2, dated June 7, 1952, which provided for the following:

(a) 80 hours of bulldozing @ $15.00 per hour
(b) Cost of moving the bulldozer to and from the site
(c) Cost of supervision
(d) Cost of labor to clean up trenches and take samples and sink additional test pits, if required
(e) Cost of assaying

The sum of $350.00 for Supervision and $300.00 (20 days @ $15.00 per day) for labor was considered proper for the work done after a discussion with the U. S. Bureau of Mines Engineer assigned to the project.

(3) Operating Materials and Supplies

The charges against this category were checked against the invoices submitted and proof of payment ascertained. The costs properly chargeable and allowable as part of the $1700.00 authorized by Amendment No. 2 were found to consist of the following:

Gas and oil	$113.20
Powder	18.00
Total	$131.20

(4) Operating Equipment

The charge for operating equipment consisted of rental of one TD-18 cat and dozer from the Nash Contracting Company. The proper and allowable cost of this item was found to be:

1 cat and dozer 44 hours @ $12.50 $550.00

(6) New Buildings, Improvements, etc.

A subcontract, approved in writing by the Government on January 18, 1952, was entered into between the Castle Lead and Zinc Company and H. L. Nichols for the construction of a blacksmith shop and compressor

house, 16 feet wide and 20 feet long, for the sum of $833.80, the winterizing of a building located on the property for the sum of $480.00, and the construction of a bunkhouse 18'x24' for the sum of $1650.00.

The subcontractor agreed to furnish all labor, materials, transportation, insurance and excavating to complete the three buildings for a total cost of $2,963.80.

The items of water supply, in the amount of $128.82, and furnishings in the amount of $143.79 are properly allowable as provided for in Exhibit "A" of the exploration contract.

The Castle Lead and Zinc Company offered $50.00 for the Government's equity in the buildings, in a letter dated December 8, 1952, and this bid was accepted by the Executive Officer, DMEA Field Team, Region II, in a memorandum to the Certifying Officer dated December 11, 1952.

(7) Miscellaneous (Assaying)

The Operator claimed $22.50 for this item; however, the supporting invoice covered only $18.00, therefore the sum of $4.50 was properly disallowed by the Certifying Officer.

IV CONCLUSIONS AND RECOMMENDATIONS

The audit has disclosed that all costs as charged to this project, as reflected in Exhibit "A" attached, are in accordance with the contract and amendments thereto.

During the course of the exploration project the Certifying Officer made the following disallowances:

MF-104

April	1952	2 outside toilets 5x5x8	$154.15
June-July	1952	Assaying (over charged)	4.50
		Total	$158.65

These deletions are concurred in.

CASTLE LEAD AND ZINC COMPANY
Contract Idm-K240

Exhibit "A"

	Totals to date June-July MF-104	Distribution corrected	Disallowed by Certifying Officer	Allowed by audit
(1) Independent contracts				
Drifting & crosscutting	$14,343.24			
Drifting		$ 2,524.84		$ 2,524.84
Crosscutting		11,818.40		11,818.40
(2) Labor and Supervision				
Labor	300.00	300.00		300.00
Supervision	350.00	350.00		350.00
(3) Operating Materials and Supplies				
Explosives	22.50	22.50		22.50
Other - oil and gas	113.20	113.20		113.20
(4) Operating equipment				
Rented	550.00	550.00		550.00
(6) New buildings, improvements, installations	3,390.56	3,390.56	$154.15	3,236.41
(7) Miscellaneous				
Assaying	22.50	22.50	4.50	18.00
Totals	$19,092.00	$19,092.00	$158.65	$18,933.35
Less: Salvage value of buildings				100.00
				$18,833.35

Robert M. Hull

Robert M. Hull, Auditor

COPY

December 8, 1952
Box 125
Boulder, Montana

Mr. Robert M. Hull
DMEA Auditor
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane, Washington

Re: to your letter of December 2
Castle Lead and Zinc Company

Dear Mr. Hull:

I am sending amendment No. 2 of the bulldozing contract on the Castle Lead and Zinc Company.

In regard to liquidating the items jointly owned by the Castle Lead and Zinc Company and the DMEA, we have offered the items for sale and have received no bids. The Castle Lead and Zinc Company is in a position to offer $50.00 for the Government equity in these items.

Sincerely yours,

CASLTE LEAD AND ZINC COMPANY

By, /s/ Ed. C. Hughes

cc:Mr. A. E. Weissenborn
Please address future mail to the above address.

COPY

XXXXXXXXXXXXXXXXX
So. 157 Howard Street
Spokane 4, Washington

December 11, 1952

Memorandum

To: R. J. Hindman, Certifying Officer, DMEA, Region II

From: A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II

Subject: Castle Lead & Zinc Company, Docket DMEA-565X (Lead-Zinc), Contract Idm-E240, Meagher County, Montana.

With reference to Mr. Hughes' letter of December 8, 1952, offering a sum of $50.00 for buildings on the property of the Castle Lead and Zinc Company constructed as part of the DMEA project, it is recommended that we accept this bid for the buildings and that this amount be deducted from the final settlement.

Furthermore, in my opinion inasmuch as any final report prepared by Mr. Hughes would be of somewhat doubtful value and inasmuch as we have already available an adequate amount of technical information concerning the results of the exploration from field engineers, it is recommended that the requirement that Mr. Hughes prepare a final report be waived. This is particularly justified because in order to obtain the fiscal information for a final settlement we had to make repeated attempts to contact Mr. Hughes and only after following this up on several occasions were we able to get the information. Further attempts to get a technical report from Mr. Hughes would only delay the final closure of the contract, which we are anxious to get off the books.

/s/ A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: DMEA (2)
USBM (2)
Klepper

NOTICE OF TERMINATION OF EXPLORATION PROJECT CONTRACT, UNDER THE TERMS OF THE CONTRACT, BEFORE THE COMPLETION OF THE WORK

To: Mr. Ed C. Hughes, President

Castle Lead and Zinc Company
P. O. Box 145
Livingston, Montana

Operator under Exploration Project Contract I-dm-E 240, Docket No. DMEA- 565X, dated January 18, 1952.

The United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, under the terms of the above-mentioned contract, hereby terminated the contract on the following grounds: 1/

~~(a) Your failure to provide your share of the money necessary to prosecute operations pursuant to the terms of the contract.~~

~~(b) In the opinion of the Government, you have failed to prosecute operations pursuant to the terms of the contract.~~

(c) In the opinion of the Government, operations up to the time of this notice have not indicated the porbability of making any worthwhile discovery and in the opinion of the Government further operations are not justified.

Upon receipt of this notice, as provided in said contract, you are required to dispose of any remaining materials, supplies, facilities, buildings, fixtures, equipment, or other items, in which the Government has an interest, for the joint account of yourself and the Government; and to render to the Government a full and final accounting of your operations under the contract and of your expenditures of money on account thereof.

Any work prosecuted or costs incurred by you after the receipt of this notice shall be for your sole account, except for (a) such necessary and reasonable costs and expenses as may be incurred in preserving and disposing of any facilities, buildings, fixtures,

---

1/ Strike out any grounds not applicable.

DEPARTMENT OF THE INTERIOR
Bureau Lands Administration
LIBRARY
SEP 2 1952

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.

Dated this 25th day of July, 195 2.

UNITED STATES OF AMERICA

By A E Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Government Copy
Lead. Zinc

Amendment No. 2

Exploration Project Contract No. Idm-E240

Exploration Project Contract, docket No. DMA 565X, lead and zinc, Idm-E240, dated January 18, 1952, between the United States of America and the Castle Lead and Zinc Company is amended as follows:

1. No further work shall be done under the contract in the Smuggler adit beyond the totals (drifting 47 feet, cross-cutting 220 feet) reported in the Operator's approved April 1952 invoice without specific authorization of the Field Team.

2. In order to better determine the attitude, form, and extent of mineralization of the Yellowstone structure, a maximum of 80 hours of bulldozing at a maximum cost of $15 per hour shall be allowed. The bulldozing shall consist of excavating cross-trenches to bedrock, starting as close as practical to the Yellowstone shaft and proceeding to the north and south at intervals not to exceed 100 feet until the desired information has been obtained. Additional test pits may be sunk by hand, if required. Total cost of this work shall not exceed $1,700 and shall include:

   (a) the bulldozing,
   (b) the cost of moving the bulldozer to and from the site,
   (c) the cost of supervision,
   (d) the cost of labor to clean up trenches and take samples and sink additional test pits, if required, and
   (e) the cost of assaying.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
JUL 21 1952

3. Upon completion of the bulldozing, the program will be re-evaluated, and further exploratory work, if it is deemed justifiable, may be authorized by the Field Team.

This Amendment No. 2 to the Contract shall not be construed as increasing the estimated total cost of the project, the total amount which the Government may pay, or the percentage of the costs which the Government may pay, under the provisions of Article 13 of the contract form.

Dated June 7, 1952.

UNITED STATES OF AMERICA

By A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
DMEA Field Team, Region II

CASTLE LEAD AND ZINC COMPANY

By Ed C Hughes Pres

AMENDMENT NO. 1

Exploration Project Contract No. Idm-E240

Exploration Project Contract, Docket No. DMA-565X, lead and zinc, Idm-E240, dated January 18, 1952, between the United States of America and the Castle Lead and Zinc Company is amended as follows:

1. The first sentence of Article 4 is deleted and, in lieu thereof, a sentence is added reading as follows: The Operator may, in his discretion, subcontract for drifting, crosscutting and diamond drilling on a unit cost basis.

2. A new paragraph is added at the end of Article 10 reading as follows: "$53.72 per foot shall be considered as the allowable costs of drifting and crosscutting to be done on the project, in lieu of actual cost. The drift and crosscut shall be 5' x 7' in the clear and timbered where necessary. Six dollars ($6.00) per foot shall be considered as the allowable cost for diamond drilling (AX size unless smaller size is approved by Field Team) to be done on the project in lieu of actual cost. Unit or allowable costs stipulated above include all costs and therefore all items and costs under 'Summary of Estimated Costs' in Exhibit 'A' of the Exploration Project Contract with the exception of 'Installation and Construction------$8,500.00', are deleted."

2. (a) The adit site chosen was the only practicable one due to the topography. It was necessary to crosscut from portal site to intersect the vein structure sought. The following change is to allow the necessary crosscutting: In Exhibit A of the Exploration Project Contract, delete the first sentence and substitute, "The work to be done under this contract shall consist of crosscutting (not to exceed 250 feet) from a portal site near bottom of Hamilton gulch (see plan sketch appended to contract) to intersect the Smuggler vein structure. Drift on the structure approximately 750 feet to a point opposite the Yellowstone workings."

3. That part of the second sentence in Article 15 of the contract which precedes the colon, is amended to read as follows:

> If and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be obligated to pay to the Government a percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal mined or produced within ten (10) years from the date of this contract, including any mined or produced before the certification, until the total amount contributed by the Government, without interest, is fully repaid or said ten (10) years have elapsed, whichever occurs first, as follows:

APR 25 1952

AMENDMENT NO. 1 (continued)

Exploration Project Contract No. Idm-E240

This Amendment No. 1 to the Contract shall not be construed as increasing the estimated total cost of the project, the total amount which the Government may pay, or the percentage of the costs which the Government may pay, under the provisions of Article 13 of the contract form.

Dated April 22, 1952.

UNITED STATES OF AMERICA

By A. E. Weissborn

CASTLE LEAD AND ZINC COMPANY

By Ed C. Hughes

DMEA-565
Lead, zinc

APPROVAL

Contract dated January 10 19 52, between Castle Lead and Zinc Company, Lennup, Montana

and H. L. Nichols, Livingston, Montana

for carrying out certain specified work under the provisions of Exploration Project Contract Idm-E240 between the United States of America and Castle Lead and Zinc Company, Lennup, Montana

is hereby approved.

This approval shall not be construed to increase the estimated total cost of the project, the aggregate total amount that the Government may pay, or the percentage of the costs that the Government may pay, under the provisions of Article 13 of the Contract form.

Dated January 18 19 52.

The United States of America

By A. E. Weissenborn

A. E. Weissenborn, Exec. Officer
DMEA Field Team, Region II

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 17 1952

RECEIVED
MAR 26 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

CONTRACT BETWEEN

CASTLE LEAD & ZINC COMPANY, LEMNUP, MONTANA
AND
H.L.NICHOLS, LIVINGSTON, MONTANA
JANUARY 10, 1952

THIS AGREEMENT, entered into this 10th day of January 1952.

I, H.L.Nichols, agree to furnish all labor, materials, transporation, insurance and excavating to complete the following buildings on or before February 30, 1952, to the specifications listed below.

BLACKSMITH SHOP AND COMPRESSOR HOUSE, 16 ft. wide and 20 ft. long

1, Ground to be leveled for dirt floor.

2, Plates 2 X 4 bottom single, top doubled.

3, Studs 2" X 4" X 8' 16" O.C.

4, Ceiling joist on ties 2 X 4

5, Outside walls to be covered with 1/2" asphalt, empregnated celetex.

6, Rafters 2 X 6' - 2' O.C. stripped for sheet iron roof. Approx. 2' O.C.

7, Roof, corrogated iron. Approx. 6" overhang.

8, Service doors, one each end of building. 3'0" X 6'8".

9, Window - 1, West side, Approx. 30" X 36", 1 South side, approx. 28 X 24" - O.R.

Building complete for the sum of - $ 833.80

WINTERIZING BUILDING NOW LOCATED ON PROPERTY

1, Install ceiling joist 2 X 4 X 2' on centers

2, Insulation, standard balsom wool outside walls and ceiling

3, Inside - to be lined with 1/2" celetex walls & ceiling

4, Check door and windows

continued next page

Building Completed for the sum of - - - - - - - - - - - - - - $480.00

BUNKHOUSE 18' X 24'

1, Foundation to be log skids placed so building can be moved at a later date.

2, Floor joist 2 X 8 #1 fir 16" O.C.

3, Sub floor, 1 X 8 sq. edge solid, #3 pine.

4, Plates 2 X 4, single at bottom, doubled at top

5, Studds 2 X 4, 16" O.C. ceiling

6, Outside sheeting - 1/2" asphalt empregnated celetox.

7, Ceiling joist 2 X 4 - 16" O.C. every third joist fastened to rafters.

8, Rafters - 2 X 6 24 " O.C.

9, Roof, corragated iron, nailers, approx. 24" O.C.

10, Windows 3, - 24 X 20" ~~O.R.~~ C R and frames

11, Door, 1 door 2'8" X 6'8" and frame

12, Inside lining, walls and ceiling 1/2" celetex

13, Finish floor, 1 X 4 fir and larch flooring on 15 lb. felt

14, Inside casing 1 X 3 #3 pine

15, 1 X 4 band over bunks for clothes hooks

16, Build table, approx. 42" X 54" X 31"high

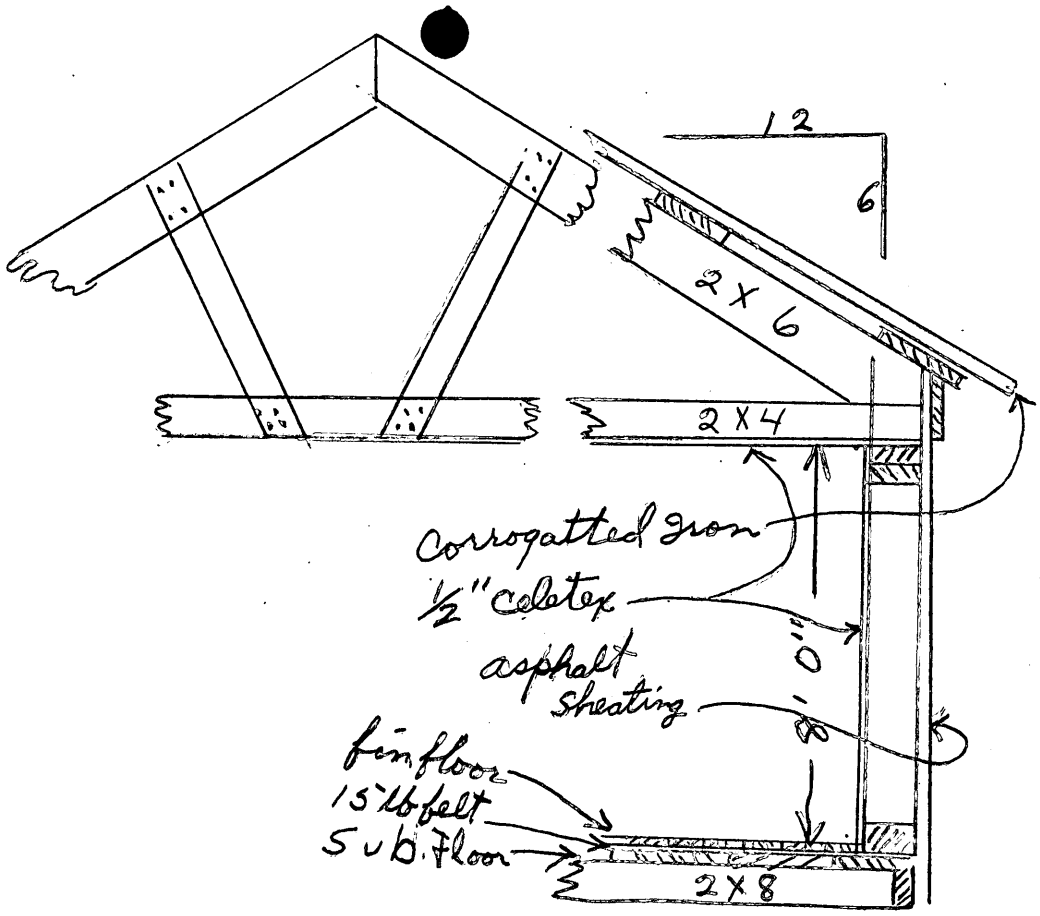
17, Ceiling to be insulated with balsom wool

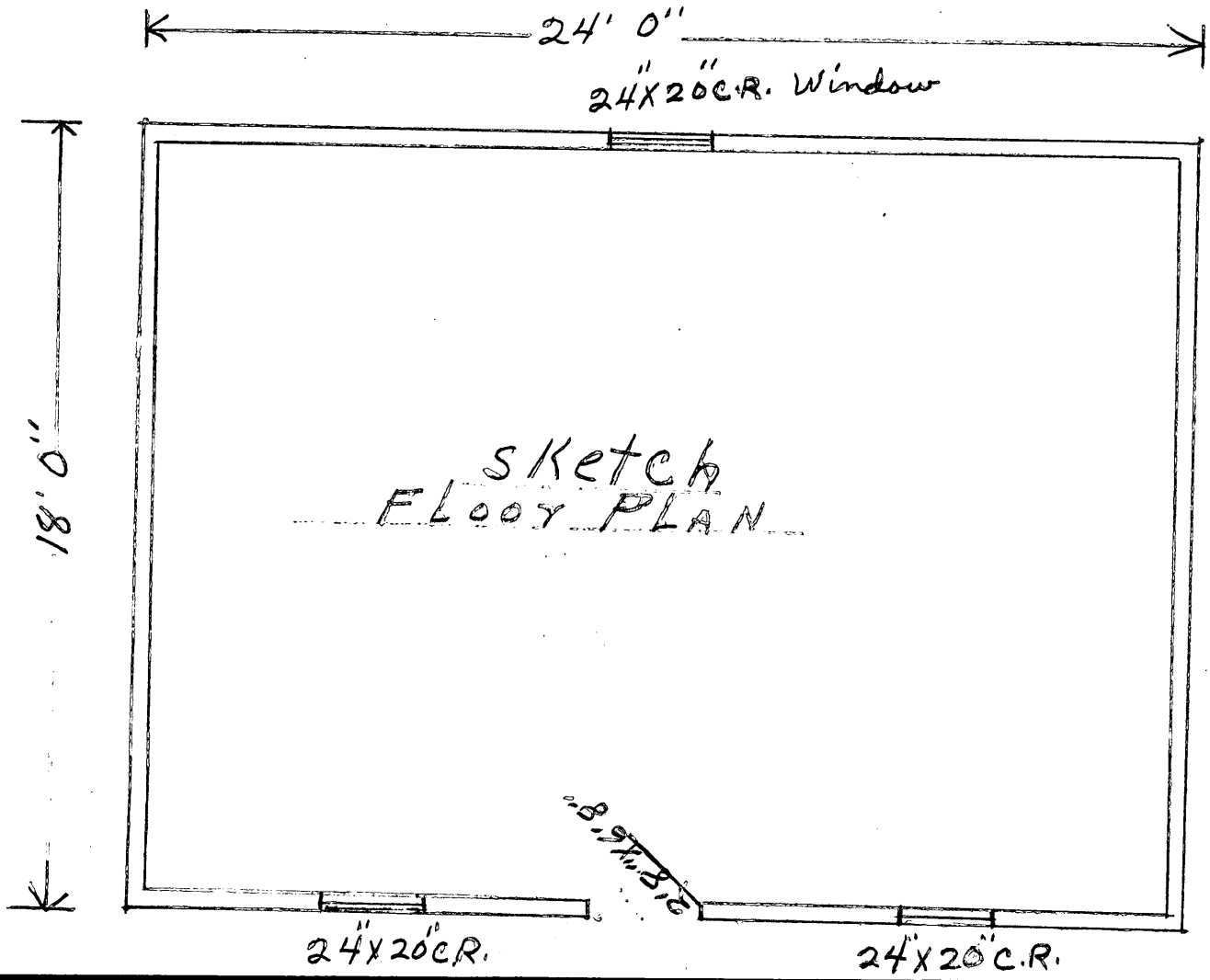
Building complete for the total sum of - - - - - - - - - - - - $ 1650.25

Total Contract for 3 buildings - - - $ 2,963.80

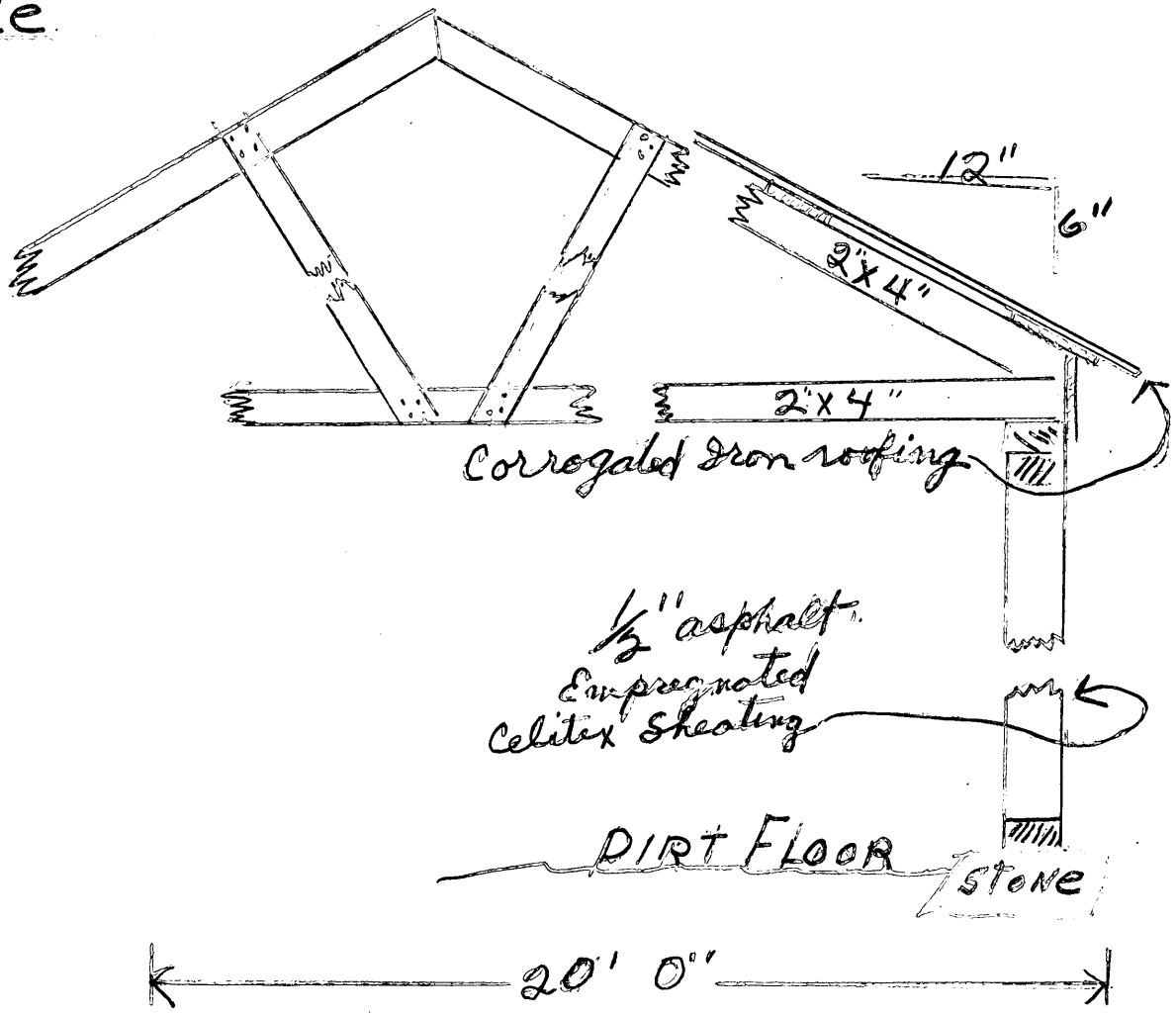
SIGNED H L Nichols
H.L.Nichols, contractor

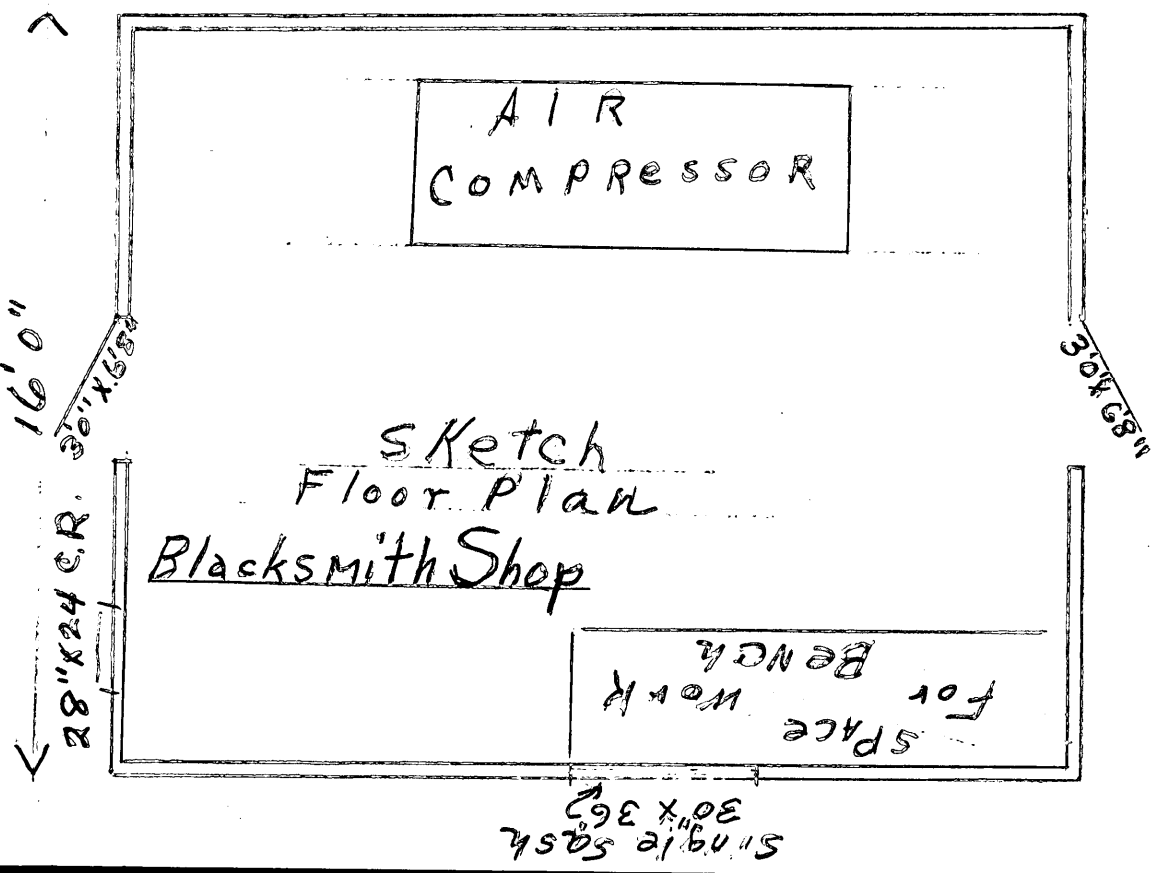
BUNK HOUSE
18' X 24'
NO SCALE





COMPRESSOR
House
No. SCALE





Sketch
Floor Plan
Blacksmith Shop

MF-200
(June 1951)

Docket No. DMA 565X
Commodity Lead-Zinc

Idm-E240

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION Contracts & Audit Branch

EXPLORATION PROJECT CONTRACT [1]

It is agreed this 18th day of January, 1952, between the United States of America, acting through the Department of the Interior, Defense Minerals Administration, hereinafter called the "Government," and [2] Castle Lead & Zinc Company (a Corporation) Livingston, Montana

hereinafter called the "Operator," as follows:

1. *Authority for contract.* This agreement is entered into under the authority of the Defense Production Act of 1950, pursuant to Mineral Order 5, entitled "Regulations Governing Government Aid in Defense Exploration Projects."

2. *Operator's property rights.* The exploration project shall be conducted on that certain property situated in the State of Montana, County of Meagher described as follows: [3] The Iron Mountain, Buckhorn, Ace in the Hole, Brockway and Yellowstone all being unpatented mining claims situated in the Castle Mountain Mining District, Township 8 North, Range 8 East, Section 11

with respect to which the Operator represents and undertakes: [4]

(*a*) That he is the sole owner, in possession and entitled to possession, and that the property is subject only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached: None except lease and bond on Yellowstone claim.

(*b*) ~~[illegible]~~

3. *Exploration project.* The Operator, within 90 days from the date of this contract shall commence work on a project of exploration for [5] lead, zinc, silver ore; shall prosecute the work efficiently, expertly, in a workmanlike manner, in accordance with good mining standards, with suitable and adequate equipment, materials, and labor, all properly designed to bring the project to completion within a period of [6] 2 years from the date of this contract. The exploration project and the work to be performed are more fully described on Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, is made a part of this contract.

4. *Performance of the work.* The work shall be performed by the Operator, under his sole direction and control: *Provided,* That with the consent of the Government and its written approval of the contract or contracts, all or any part of the work may be performed by the Operator through contract or contracts with independent contractors. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

5. *Fixtures and improvements.* The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof. Any additional facilities, buildings, and fixtures, to be purchased, installed, or erected by the Operator, with the estimated cost of each, to which the Government will contribute currently its agreed pro rata share, are listed in Exhibit "A" attached hereto. The difference between the cost of such additional facilities, buildings, or fixtures, and the salvage value thereof at the conclusion of the work, shall be charged as a cost of the project to which the Government has contributed its pro rata share.

6. *Operating equipment.* Any operating equipment to be rented, purchased, or furnished by the Operator, with the allowable rental, purchase price, or depreciation, as the case may be, is listed under appropriate headings in Exhibit "A" attached hereto. As to equipment purchased for the project, the Government will contribute its agreed pro rata share of the cost thereof, and the difference between the cost and the salvage value at the conclusion of the work shall be charged as a cost of the project to which the Government has contributed its pro rata share.

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property.
[4] Strike out the provision not applicable.
[5] Name of mineral.
[6] Not in excess of 2 years.

7. *Title to and disposition of property.* All facilities, buildings, fixtures, equipment, or other items costing more than $50 each, paid for or purchased with funds contributed jointly by the Operator and the Government, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the termination of the contract, if they have any salvage value, shall be disposed of for their joint account unless the Government, in writing, waives its interest in any such items. The Government may require the dismantling, severance from land, and removal of any such items in order to realize its interest in the salvage value thereof, and the cost of any such removal and of the disposal of the items shall be for the joint account of the parties in proportion to their respective interests.

8. *Labor and supervision.* An itemized schedule of labor, by numbers and classes (miners, muckers, millmen, etc.), and of supervisors, by numbers and positions, with the maximum wages or salaries that may be paid to each as an allowable cost of the project is set forth in Exhibit "A" attached hereto.

9. *Rehabilitation and repairs.* A statement of the cost of any necessary rehabilitation or repairs to put existing facilities, buildings, installations, and fixtures into useful and operable condition and which are to be allowed as costs of the project is included in Exhibit "A."

10. *Allowable costs of the project.* The costs of the project in which the Government will participate are limited to the necessary, reasonable, direct costs of performing the exploration work, including the costs of materials, supplies, engineering, power, water, analytical work, accounting, and utilities, including items of equipment costing less than $50 each; and the costs referred to in Articles 5, 6, 8, and 9, and the exhibits annexed to and referred to in this contract. Although the Government may pay part of the cost of new or additional facilities, structures, buildings, and equipment, only the depreciation on such items, computed as indicated in Articles 5 and 6, will be charged as a cost of the project. No items of general overhead, corporate management, interest, taxes, or any other indirect costs not expressly allowed by these provisions, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

11. *Accounts and audits.* The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract.

12. *Progress reports.* The Operator shall provide the Government with monthly reports of work performed under the contract upon forms to be provided by the Government. Each monthly progress report shall bear the certification of the Operator and shall constitute the Operator's invoice of costs incurred on the project during the period covered by the report.

13. *Payment to the Operator.* The monthly progress report (invoice), to the extent approved by the Government, shall be processed for payment by the Government. Payment shall be made in the amount of 50 percent of the approved costs incurred; *Provided,* That the aggregate total of all sums paid by the Government under this agreement shall not exceed $49,925, which is 50 percent of the agreed estimated total cost of this project, $99,850.

14. *Final reports by Operator.* Upon completion of the project or termination of this contract, the Operator shall provide the Government with a comprehensive geologic and engineering report, including an estimate of ore reserves, to the best of his ability. Four copies of all reports shall be furnished to the Government.

15. *Repayment by Operator.* If, upon the completion of the exploration project or termination of the contract, the Government considers that a discovery or development has resulted from the work from which commercial production of ore may be made, the Government, within 6 months thereafter, shall so certify to the Operator, particularly describing and delimiting its estimate of the discovery or the development. Thereafter, if and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be and become obligated to pay to the Government a percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal produced within ten (10) years from the date of this contract, until the total amount contributed by the Government, without interest, is fully repaid or said 10 years have elapsed, whichever occurs first, as follows:

Of net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent.

Of net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent for each additional full fifty cents ($0.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five (5) percent.

This obligation to repay from net returns or proceeds shall be and remain a claim and lien upon the mineral deposit which is the subject of the exploration project and upon any production resulting from such discovery or development, in favor of the Government, until fully paid, or until said 10-year period has elapsed; and this claim and lien and the Government's right to repayment shall survive any termination of the contract, whether by completion of the exploration project or otherwise. This article is not to be construed as imposing any obligation on the Operator or his successor in interest to produce ore from any such discovery or development.

16. *No assignment of contract.* Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder.

17. *Termination and completion.* The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worthwhile discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; shall dispose of any unused materials, supplies, and equipment for the joint account of the Operator and the Government in the proportion of their respective interests; and shall pay to the Government its pro-rata share of any money remaining.

Executed in sextuplicate the day and year first above written.

Castle Lead & Zinc Co. (a Corporation)
(Operator)

By E. C. Bryson President

A. L. Carter Vice Pres.

THE UNITED STATES OF AMERICA

By C. O. Mitteudorf

Acting Administrator
Defense Minerals Exploration
Administration

U. S. GOVERNMENT PRINTING OFFICE 16—64060-2

EXHIBIT "A"

Exploration project:

1. The work to be done under this contract is to drift along the Smuggler Vein to a point opposite the Yellowstone workings, approximately one thousand (1000) feet. At this point crosscut approximately two hundred and fifty (250) feet, to fully explore ~~explore~~ the Yellowstone structure and vein system, see attached "Plan View." Additional exploratory work will be done with at least one thousand (1000) feet of Diamond Drilling; location, depth and attitude to be mutually agreeable to the Contractor and the Regional Field Team.

Summary of Estimated Cost

2.

1250 feet of drifting and crosscutting at 47.71 per foot*	$59,640
2000 feet of diamond drilling at 6.00 per foot*	12,000
Installation and Construction	8,500
Equipment to be purchased	10,750
Equipment to be rented	8,960
Total	$ 99,850

*Includes Labor, supplies, supervision, engineering, sampling, and assaying.

Estimated Time Schedule*

3.

1st quarter--Installation of water supply, construction of camp, purchase and installation of equipment, road repairs, preparation for mining	$28,075
2nd quarter--Drift 400 feet	19,925
3rd quarter--Drift and crosscut 425 feet and diamond drill 1000 feet	25,925
4th quarter--Drift and crosscut 425 feet and diamond drill 1000 feet	25,925
	$99,850

*Weather conditions and labor supply may require extension of the project beyond the proposed 12-month period, but in no event will the time exceed 2 years.

Fixtures and improvements:

Water Supply Lines		$1000.00
Black Smith Shop	12 x 20	1000.00
Supply House	12 x 16	800.00
Bunk House	16 x 24	1700.00
Cook House	16 x 24	1500.00
Furnishings and Equipment for the above Bldgs.		2500.00
	Total	$8500.00

Operating equipment:

Items to be rented:

1 compressor 310 cu. ft. ($400.00 pr. month)	$4800.00
Bulldozer R. D. 6 ($10.00 pr. hour) 8 hr. Pr. wk. 52 weeks	4160.00
	$8960.00

Items to be purchased:

2 Air receivers ($250.00 ea.)	500.00
2 Drifters and accessories ($750.00 ea.)	1500.00
1 Mucking Machine	3500.00
1 Blower and 1200 ft. vent tubing	3000.00
1 Pickup truck - 4 wheel drive	2250.00
	$10,750.00

Labor and supervision:

Itemized schedule of labor and supervision*
based on one year operation

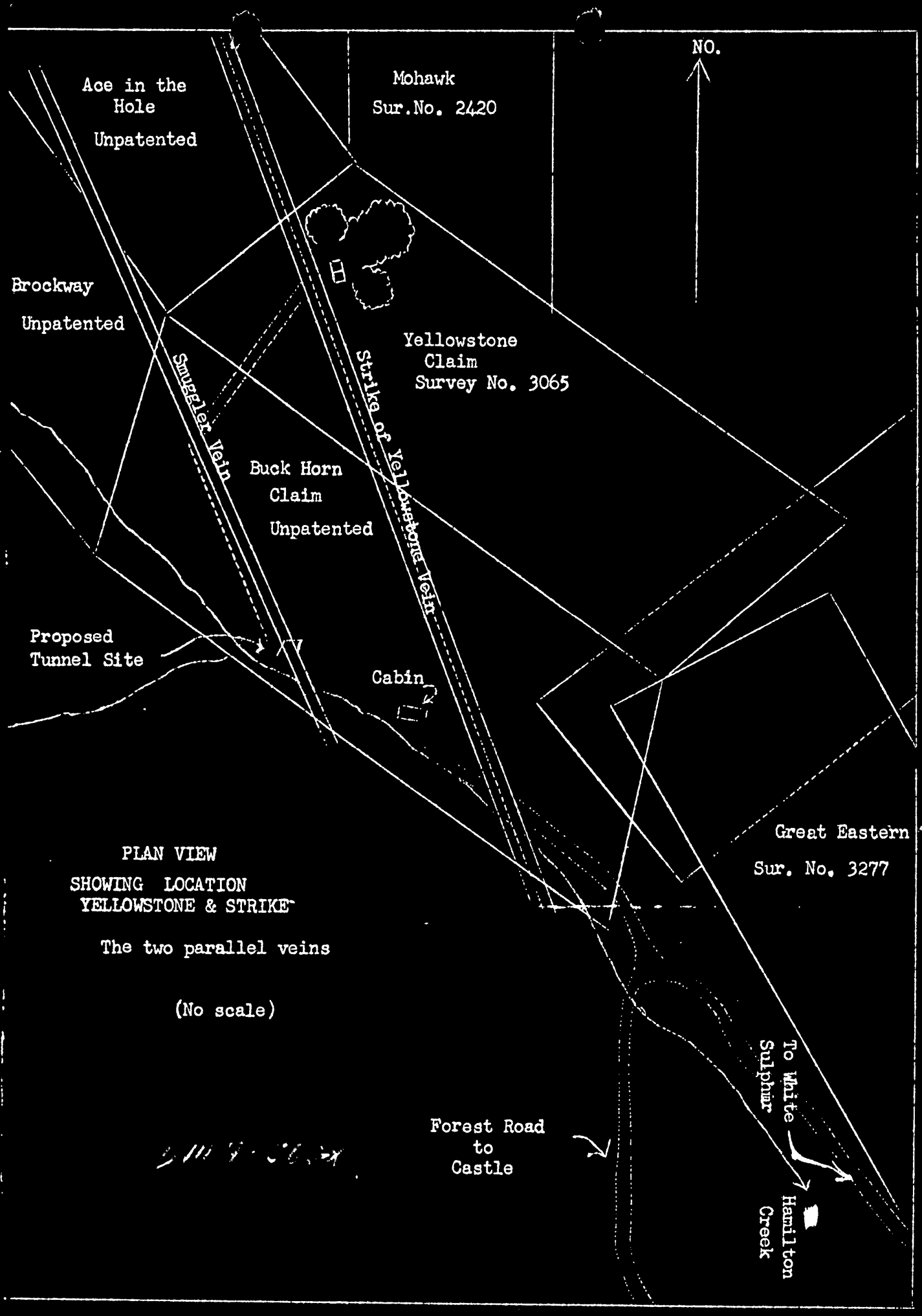
2 carpenters--At prevailing rate ($16-$18 pr. day) included in cost of installation and construction

1 manager--rate $500.00 per mo.--half time	$3000.00
1 foreman--rate $500.00 per mo.--full time	6000.00
1 engineer--geologist--rate $450 per month, part time--not to exceed	2000.00
1 bookkeeper--rate $300 per month, part time--not to exceed	1200.00
4 miners--rate $15.00 per shift for 9 months	13500.00
1 timberman--rate $15.00 per shift for 9 months	3375.00
1 compressorman--rate $15.00 per shift for 9 months	3375.00
1 laborer--rate $13.00 per shift for 6 months	1950.00
1 truck driver--rate $15.00 per shift for 1 year	4500.00
Total	$38900.00

*Tax and Insurance is included in these figures.

Rehabilitation and repairs:

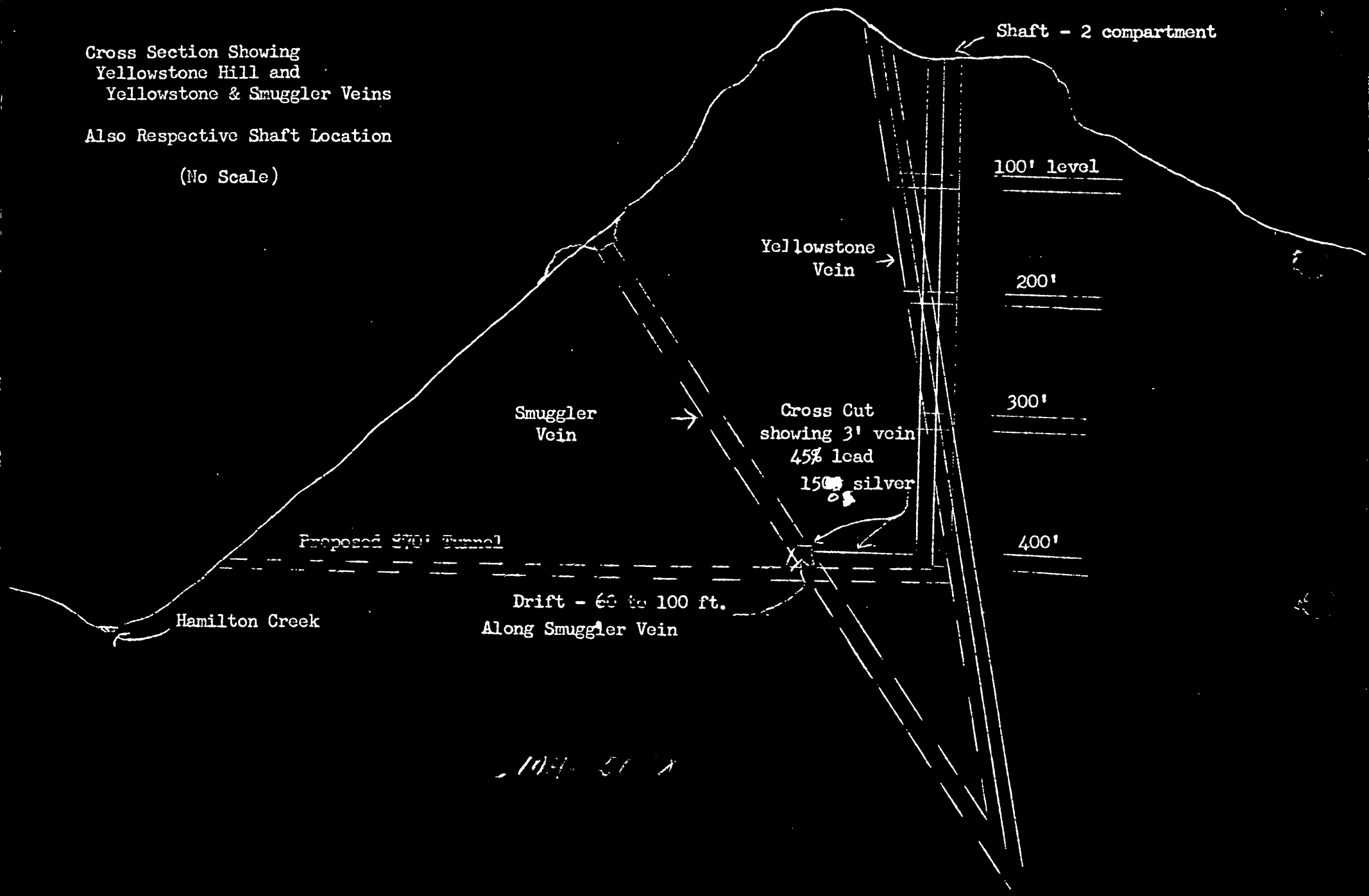
One house now on property will be used for housing manager and foreman and as office. No repairs needed.


NO.
Ace in the Hole
Unpatented
Mohawk
Sur.No. 2420
Brockway
Unpatented
Yellowstone
Claim
Survey No. 3065
Smuggler Vein
Strike or Yellowstone Vein
Buck Horn
Claim
Unpatented
Proposed
Tunnel Site
Cabin
Great Eastern
Sur. No. 3277
PLAN VIEW
SHOWING LOCATION
YELLOWSTONE & STRIKE
The two parallel veins
(No scale)
Forest Road
to
Castle
To White
Sulphur
Hamilton
Creek

Cross Section Showing
Yellowstone Hill and
Yellowstone & Smuggler Veins

Also Respective Shaft Location

(No Scale)



MF-200
(April 1951)

Docket No. DMA 565-X
Commodity Lead-zinc
Idm-E223

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

EXPLORATION PROJECT CONTRACT[1]

It is agreed this 5th day of December, 1951, between the United States of America, acting through the Department of the Interior, Defense Minerals Administration, hereinafter called the "Government," and[2] Castle Lead & Zinc Company (a Corporation) Livingston, Montana

hereinafter called the "Operator," as follows:

1. *Authority for contract.* This agreement is entered into under the authority of the Defense Production Act of 1950, pursuant to Mineral Order 5, entitled "Regulations Governing Government Aid in Defense Exploration Projects."

2. *Operator's property rights.* The exploration project shall be conducted on that certain property situated in the State of Montana, County of Meagher described as follows:[3] The Castle Mt. Mining District, Township 8 North, Range 8 East, Section 11

with respect to which the Operator represents and undertakes:[4]

(*a*) That he is the sole owner, in possession and entitled to possession, and that the property is subject only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached: Buckhorn claim, none
Lease and bond on Yellowstone claim, copy of which is enclosed.

(*b*) That he is a lessee, in possession and entitled to possession, and the subordination agreement of the lessor is attached.

3. *Exploration project.* The Operator, within 90 days from the date of this contract shall commence work on a project of exploration for[5] lead, zinc, silver ore; shall prosecute the work efficiently, expertly, in a workmanlike manner, in accordance with good mining standards, with suitable and adequate equipment, materials, and labor, all properly designed to bring the project to completion within a period of[6] 2 years from the date of this contract. The exploration project and the work to be performed are more fully described on Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, is made a part of this contract.

4. *Performance of the work.* The work shall be performed by the Operator, under his sole direction and control: *Provided,* That with the consent of the Government and its written approval of the contract or contracts, all or any part of the work may be performed by the Operator through contract or contracts with independent contractors. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

5. *Fixtures and improvements.* The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof. Attached hereto, marked "Exhibit 'B'," is a detailed list of additional facilities, buildings, and fixtures, to be purchased, installed, or erected by the Operator, with the estimated cost of each, to which the Government will contribute its agreed pro-rata share of the cost. The difference between the cost of such additional facilities, buildings, or fixtures, and the salvage value thereof at the conclusion of the work, shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

6. *Operating equipment.* Attached hereto, marked "Exhibit 'C'," is a detailed list of operating equipment divided into categories of items to be rented, purchased, or furnished by the Operator, with the allowable rental, purchase price, or rental value, as the case may be, annexed to each. As to equipment purchased for the project, the Government will contribute its agreed pro-rata share of the cost thereof, and the difference between the cost and the salvage value at the conclusion of the work shall be charged as a cost of the project to which the Government has contributed its pro-rata share.

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property.
[4] Strike out the provision not applicable.
[5] Name of mineral.
[6] Not in excess of 2 years.

7. *Title to and disposition of prope*[illegible] All facilities, buildings, fixtures, equipmen[illegible] other items costing more than $50 each, paid for or purchased with funds contributed jointly by the Operator and the Government, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the termination of the contract, if they have any salvage value, shall be disposed of for their joint account unless the Government, in writing, waives its interest in any such items. The Government may require the dismantling, severance from land, and removal of any such items in order to realize its interest in the salvage value thereof, and the cost of any such removal and of the disposal of the items shall be for the joint account of the parties in proportion to their respective interests.

8. *Labor and supervision.* Attached hereto, marked "Exhibit 'D'," is an itemized schedule of labor, by numbers and classes (miners, muckers, millmen, etc.), and of supervisors, by numbers and positions, with the maximum wages or salaries that may be paid to each as an allowable cost of the project.

9. *Rehabilitation and repairs.* Attached hereto, marked "Exhibit 'E'," is a detailed schedule of existing facilities, buildings, installations, and fixtures, with a statement of the cost of any necessary rehabilitation or repairs to put into useful and operable condition, which cost shall be allowed as a cost of the project.

10. *Allowable costs of the project.* The allowable costs of the project in which the Government will participate are limited to the necessary, reasonable, direct costs of performing the exploration work, including the costs of materials, supplies, engineering, power, water, and utilities, including items of equipment costing less than $50 each; and the costs referred to in Articles 5, 6, 8, and 9, and the exhibits annexed to and referred to in the contract. Although the Government may pay part of the cost of new or additional facilities, structures, buildings, and equipment, only the depreciation on such items, computed as indicated in Articles 5 and 6, will be charged as a cost of the project. No items of general overhead, corporate management, interest, or any other indirect costs not expressly allowed by these regulations, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

11. *Participation by the Government.* At the end of the first full calendar month after the Operator has commenced work under the project, and at the end of each succeeding calendar month, the Operator shall submit to the Government a voucher for payment with a detailed statement of work done and allowable costs (as defined in Article 10 of this agreement) incurred, in a form and with supporting data acceptable to the Government. After approving the voucher, the Government shall pay to the Operator 50 percent of the sum of such costs incurred; *Provided,* That the aggregate total of all sums paid by the Government under this agreement shall not exceed $ 49,925, which is 50 percent of the agreed estimated total cost of this project, $ 99,850.

12. *Accounts and audits.* The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract.

13. *Progress reports.* The Operator shall provide the Government with monthly reports of progress in form and content satisfactory to the Government, and upon the completion of the project or termination of the contract shall provide the Government with a comprehensive geologic and engineering report, including an estimate of ore reserves, to the best of his ability. Four copies of all reports shall be furnished to the Government.

14. *Repayment by Operator.* If, upon the completion of the exploration project or termination of the contract, the Government considers that a discovery or development has resulted from the work from which commercial production of ore may be made, the Government, within 6 months thereafter shall so certify to the Operator, particularly describing and delimiting its estimate of the discovery or the development. Thereafter, if and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be and become obligated to pay to the Government a percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal produced within ten (10) years from the date of this contract, until the total amount contributed by the Government, without interest, is fully repaid or said 10 years have elapsed, whichever occurs first, as follows:

Of net smelter returns or other net proceeds not in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent.

Of net smelter returns or other net proceeds in excess of eight dollars ($8.00) per ton of ore: One and one-half (1½) percent, plus one-half (½) percent additional for each full fifty cents ($0.50) in excess of eight dollars ($8.00) per ton of ore, but not in excess of a maximum of five (5) percent.

This obligation to repay from net returns or proceeds shall be and remain a claim and lien upon the property which is the subject of the exploration project and upon any production resulting from such discovery or development, in favor of the Government, until fully paid, or until said 10-year period has elapsed; and this claim and lien and the Government's right to repayment shall survive any termination of the contract, whether by completion of the exploration project or otherwise. This article is not to be construed as imposing any obligation on the Operator or his successor in interest to produce ore from any such discovery or development.

15. *No assignment of contract.* Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder.

16. *Termination and completion.* The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worthwhile discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; shall dispose of any unused materials, supplies, and equipment for the joint account of the Operator and the Government in the proportion of their respective interests; and shall pay to the Government its pro-rata share of any money remaining.

Executed in triplicate the day and year first above written.

Castle Lead + Zinc Co
(Operator) (a Corporation)

By P. L. Carter Ed C Hughes
V Pres. Pres

THE UNITED STATES OF AMERICA

By _____
Acting Administrator
Defense Minerals Exploration
Administration

U. S. GOVERNMENT PRINTING OFFICE 16-61066-1

C
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P
Y

ANNEX 1

WHEREAS, the subordination agreement of the lessor, required by paragraph numbered 2(b) of the annexed contract, has not been obtained; and

WHEREAS, the United States of America has agreed to waive requirement of the lessor's subordination agreement.

NOW THEREFORE, in consideration of said exploration project contract and of the foregoing, the Operator hereby undertakes and agrees to pay all sums that may fall due and owing to the United States of America under the terms of said contract in the same manner and to the same extent as if the subordination agreement of the lessor had been given. If for any reason the net smelter returns from operations that would be subject under said contract to such payments to the Government are not available as a means of measuring the amount of such payments, then the Operator agrees and undertakes to make such payments according to the best estimates of the amounts that can reasonably be made, and in the event of dispute as to such estimates, the Operator agrees that the determination thereof be either the Administrator of Defense Minerals Administration or by the Director of the United States Bureau of Mines shall be final and binding upon the Operator.

Docket
Commodity 5657
Line

~~Form MF-200~~

Exploration project:

Exhibit "A"

1. It is proposed to drive a drift along the Smuggler Vein to a point opposite the Yellowstone workings approximately one thousand (1000) feet. At this point it is proposed to cross cut approximately two hundred and fifty (250) feet, to fully explore the Yellowstone Structure and vein system. Additional exploratory work will be done with at least one thousand (1000) feet of Diamond Drilling. It is proposed to do an additional one thousand (1000) feet of Diamond drilling at selected intervals, along the thousand foot drift. These drill holes may range from fifty (50) to four hundred (400) feet each depending on advice of our Geologist.

Change

~~Exhibit A~~

Summary of Estimated Cost

2.

1250 feet of drifting and crosscutting at 47.71 per foot*	$59,640
2000 feet of diamond drilling at 6.00 per foot*	12,000
Installation and Construction	8,500
Equipment to be purchased	10,750
Equipment to be rented	8,960
Total	$99,850

*Includes Labor, supplies, supervision, engineering, sampling, and assaying.

Estimated Time Schedule*

~~(Same as #24)~~

3.

1st quarter--Installation of water supply, construction of camp, purchase and installation of equipment, road repairs, preparation for mining	$28,075
2nd quarter--Drift 400 feet	19,925
3rd quarter--Drift and crosscut 425 feet and diamond drill 1000 feet	25,925
4th quarter--Drift and crosscut 425 feet and diamond drill 1000 feet	25,925
	$99,850

*Weather conditions and labor supply may require extension of the project beyond the proposed 12-month period, but in no event will the time exceed 2 years.

~~Form MF 200~~

~~Exhibit B~~

Fixtures and improvements:

Water Supply Lines		$1000.00
Black Smith Shop	12 x 20	1000.00
Supply House	12 x 16	800.00
Bunk House	16 x 24	1700.00
Cook House	16 x 24	1500.00
Furnishings and Equipment for the above Bldgs.		2500.00
	Total	$8500.00

~~Exhibit C~~

Operating equipment:

Items to be rented:

1 compressor 310 cu. ft. ($400.00 pr. month)	$4800.00
Bulldozer R. D. 6 ($10.00 pr. hour) 8 hr. Pr. wk. 52 weeks	4160.00
	$8960.00

Items to be purchased:

2 Air receivers ($250.00 ea.)	500.00
2 Drifters and accessories ($750.00 ea.)	1500.00
1 Mucking Machine	3500.00
1 Blower and 1200 ft. vent tubing	3000.00
1 Pickup truck - 4 wheel drive	2250.00
	$10750.00

~~Form MM 200~~

~~Exhibit B~~

Labor and supervision:

Itemized schedule of labor and supervision*

based on one year operation

2 carpenters--At prevailing rate ($16-$18 pr. day) included in cost of installation and construction ~~(Exhibit B)~~	~~$ 1600.00~~
1 manager--rate $500.00 per mo.--half time	$ 3000.00
1 foreman--rate $500.00 per mo.--full time	6000.00
1 engineer--geologist--rate $450 per month, part time--not to exceed	2000.00
1 bookkeeper--rate $300 per month, part time--not to exceed	1200.00
4 miners--rate $15.00 per shift for 9 months	13500.00
1 timberman--rate $15.00 per shift for 9 months	3375.00
1 compressorman--rate $15.00 per shift for 9 months	3375.00
1 laborer--rate $13.00 per shift for 6 months	1950.00
1 truck driver--rate $15.00 per shift for 1 year	4500.00
Total	$38900.00

*Tax and Insurance is included in these figures.

Rehabilitation and repairs: ~~Exhibit E~~

One house now on property will be used for housing manager and foreman and as office. No repairs needed.

A G R E E M E N T

THIS AGREEMENT, made and entered into this 15th day of September, 1951, by and between the CASTLE LEAD AND ZINC COMPANY, a Montana corporation, party of the first part, and ROBERT I. BENNETT, whose post office address is P. O. Box #560, Butte, Montana, and ROBERT L. LUND, whose post office address is Reserve, Montana, parties of the second part, WITNESSETH:

For and in consideration of the terms, covenants and agreements hereinafter set forth the party of the first part does hereby give and grant unto the parties of the second part the right and privilege to enter in and upon the mining claims and premises of the party of the first part situated in the county of Meager, State of Montana, and the parties of the second part hereby agree to drift one thousand (1,000) feet of exploratory drift beginning at a certain point upon said premises which the said party of the first part will designate in writing; the parties of the second part agree to enter in and upon said premises and to start preparatory work on or before October 1, 1951 and to start actual drifting on or before November 1, 1951; it is agreed by the parties hereto said drift will run in a northerly direction along the strike of the Smuggler vein and will intersect the Smuggler vein and then follow the strike of said vein towards the Yellowstone shaft to a point designated in writing by the party of the first part, at which point a crosscut will then be driven to intersect the Yellowatone structure proper.

It is agreed and understood by the parties hereto that the parties of the second part will under no condition be required to drive more than one thousand (1,000) feet of drift or crosscut under terms of this agreement; the parties of the second part agree that they will complete the one thousand (1,000) feet of

drift by April 1, 1952, unless said contract shall have been cancelled after two hundred (200) feet of drift has been completed, as hereinafter provided; In the event the parties of the second part shall be prevented from completing this work by accidents or conditions which are beyond the contral of the parties of the second part, it is agreed and understood by the parties hereto that a sixty (60) day extension for the completion of said drift shall be granted to the said parties of the second part.

The parties of the second part agree to furnish all labor, material, equipment, lumber and other mining supplies in connection with this drift; all operations of the parties of the second part shall be conducted at the sole cost and expense of said parties of the second part and said parties of the second part agree to hold the party of the first part harmless from any and all liens or claims which might be or become liens on the property arising out of such operations and will furnish a statement each month to the party of the first part showing all accounts are fully paid; and in the performance of said work the parties of the second part shall conduct all operations in their own name and not under the name of the party of the first part.

And it is further covenanted and agreed between the parties hereto that the said parties of the second part will at all times during the life hereof comply with the Workmen's Compensation Act in the State of Montana and at their own cost and expense carry all compensation and insurance on employees and on persons who may work on or in the property herein referred to.

It is further covenanted and agreed that upon taking possession of said premises the parties of the second part guarantee the completion of not less than two hundred (200) feet of drift and for the faithful performance of this covenant the parties of the

second part will post a bond or a check in the sum of not less than One Thousand ($1,000.00) Dollars. When two hundred (200) feet of drift has been completed, the party of the first part agrees to release said bond or check; upon the completion of two hundred (200) feet of drift, the parties of the second part shall have the right to cancel this agreement and be released from all obligations under the terms hereof, but in the event the said parties of the second part cancel this agreement after completing two hundred (200) feet of drift, as herein provided, they shall receive no compensation for the work done. It is agreed and understood, however, that all ore taken from the development work during the period of this agreement shall be divided fifty (50%) per cent to the party of the first part and fifty (50%) to the parties of the second part. Upon completion of a proposed mill upon the property, the party of the first part agrees to treat any ores obtained from the development work contemplated by this agreement at cost, it being understood, however, that the party of the first part does not agree to construct a mill upon the company's property for the treatment of ore.

It is further agreed and understood between the parties hereto that the party of the first part will purchase all rails and pipe at every one hundred (100) foot interval at invoice cost. Upon completion of the said two hundred (200) feet of drift or the cancellation of this agreement by the parties of the second part, the party of the first part shall have the privilege to purchase any and all equipment including cars, compressors, drilling machines or any other equipment, the property of the parties of the second part, and which the said parties of the second part have placed upon the premises of the Yellowstone Mine, at a price to be mutually agreed upon between the parties hereto.

It is agreed between the parties hereto all operations of the parties of the second part shall be conducted in a minerlike manner in accordance with approved practices. The drift, hereinabove mentioned, must be driven five (5) feet wide, seven (7) feet high (minimum dimensions) and track grade shall not exceed one-half (½) of one (1%) percent grade; the party of the first part, or their agent, shall at all reasonable times have the privilege of entering upon and examining all of the workings of said property and shall be given free and ready access thereto, so long as the same does not interfere with the mining operations conducted upon the premises by the parties of the second part and in the event the mining operations of the parties of the second part are not conducted in a minerlike fashion, upon notice from the party of the first part, the said parties of the second part shall have ten (10) days in which to remedy any such complaint of the party of the first part.

The party of the first part agrees that when the said parties of the second part have completed one thousand (1000) feet of exploratory drift, as herein provided, the party of the first part will deliver to the parties of the second part four hundred thousand (400,000) shares of the capitol stock of the Castle Lead & Zinc Co., a Montana corporation, fully paid and non-assessible, as compensation for the said work done under the terms of this agreement.

In consideration of the foregoing provisions and the sum of One ($1.00) Dollars, lawful money of the United States, in hand paid and receipt whereof is hereby acknowledged, the said party of the first part does hereby give and grant to the parties of the second part the right and privilege to purchase one hundred-thirty thousand (130,000) shaires of the capitol stock

of the Castle Lead and Zinc Co. upon the following terms, to-wit; on or before July 1, 1952, for the sum of Twenty Thousand ($20,000.00) Dollars.

IN WITNESS WHEREOF, the party of the first part has caused these presents to be executed and it corporate seal to be hereto affixed by its officers hereunto duly authorized and the parties of the second part have hereunto set their hands and seals the day and year in this certificate first above written.

CASTLE LEAD & ZINC COMPANY

BY_____
President

ATTEST_____
Secretary

Party of the first part.

_____

_____
Parties of the second part.

DMA - 5657

LEASE AND OPTION

on the

YELLOWSTONE MINE

MEAGHER COUNTY, MONTANA

This agreement, made this 31st day of January, 1950, by and between C. B. POWER, of Helena, Montana, Trustee for the Creditors and Stockholders of the YELLOWSTONE MINING COMPANY, a dissolved Montana corporation, First Party, and A. L. CARTER and H. L. NICHOLS, P. O. Box 145, Livingston, Montana, and ED C. HUGHES, of Jens, Montana, Second Parties, WITNESSETH:

That for valuable considerations, and with the approval of the District Court of Meagher County, Montana, in the Matter of the dissolution of said Yellowstone Mining Company pending in said Court, first party hereby agrees with second parties as follows:

1. First party hereby grants to second parties the exclusive rights and option to purchase, within the time, at the price, and upon the terms and conditions hereinafter specified, those certain mining claims, situated in Castle Mountain District, in Meagher County, Montana, described as follows, to-wit:

> The Yellowstone Quartz Lode mining claim, patented, U. S. Survey No. 3065A; the Yellowstone Millsite, patented, U. S. Survey No. 3065B; and the Hensley Millsite, patented, U. S. Survey No. 3173; together with the appurtenances.

2. The price to be paid first party by second parties for the property above described, in the event of the exercise of this option, is the sum of One Hundred and Fifty Thousand Dollars ($150,000.00), payable on or before December 31, 1959.

3. Second parties shall have the right of possession of said mining claims during the life of this agreement, and during such time may install upon said mining claims such machinery, equipment, mills, and other facilities, and make such improvements, for the purpose of mining, milling, and otherwise operating upon said mining property, as they may desire, and may mine and extract ore therefrom, and mill, concentrate, or otherwise treat for market any ores so extracted therefrom, or now severed and upon the surface or in the workings thereon, and may ship any of such ores and any concentrates or other products of such milling or other treatment thereof, to a smelter or smelters for sale, and shall retain the proceeds thereof, subject to the payment of royalties as hereinafter provided.

4. Until said purchase price shall have been paid in full to first party, second parties shall pay to first party royalties as follows:

(a) $7\frac{1}{2}$% of the net smelter returns from all concentrates, plus $7\frac{1}{2}$% of any premium payments made by the government of the United States, if such payment is not prohibited by law or regulation.

(b) 10% of the net smelter returns from all ores shipped crude, but not less than $2.50 per ton; plus 10% of any premium payments made by the government of the United States, if such payment is not prohibited by law or regulation.

"Net smelter returns" as the term is used herein means the amount paid by the smelter after deducting all smelting charges and deductions and railroad freight, plus $1.50 per wet ton for trucking to railroad shipping point. In case of shipment to the smelter entirely by truck the same deductions for transportation shall be made as though trucked to shipping point and shipped by rail.

5. All royalties shall when paid be credited as payments upon the purchase price. All payments, whether of royalties or otherwise, shall be made to the Union Bank and Trust Company, at Helena, Montana, to the credit of first party.

6. No ores, concentrates, or other products requiring smelting shall be shipped outside the State of Montana except for sale, nor unless and until second parties shall notify first party in writing of the name and address of the smelter or other purchaser to which the same are to be shipped. Any smelter or other purchaser of ores, concentrates or other products is hereby instructed to deduct from all returns the royalties herein provided for and transmit the same to said Bank for the credit of first party, together with a copy of the returns from each shipment, and to transmit a copy of such returns to first party at Helena, Montana.

7. Except during the calendar months between November 30, 1950, and May 1, 1951, and between November 30, 1951, and May 1, 1952, and except during any other months when prevented by weather conditions or other Acts of God, strikes, when not due to the fault of second parties, or other causes beyond their control, other than lack of financial means, second parties shall, during each calendar month beginning with the calendar month of May, 1950, cause to be performed upon said Yellowstone

Quartz Lode Mining Claim, in exploration, development, and/or mining, at least 400 man-hours of work, or make equivalent expenditure for such purpose, so long as this agreement shall continue in force.

8. If second parties shall drive a crosscut tunnel through ground adjoining said Yellowstone Claim to contact the main ore bodies within the Yellowstone Claim, they shall, before entering said Claim with such tunnel, convey to first party good title (except as against the paramount title of the United States while such ground is unpatented) to said tunnel and a right of way for the maintenance thereof, over such adjoining ground, together with a right of way for a truck road at least 50 feet wide over the surfact of such adjoining ground from the portal of such tunnel to or toward the nearest public road; all for the use of first party and/or his contractees in the operation of said Yellowstone Claim if this option and lease shall be forfeited or surrendered.

All ores, waste, tailings, and other residues of operations hereunder shall be deposited upon ground now owned by first party as such trustee, or upon ground good title to the surfact of which (with the exception noted in connection with the conveyance of such tunnel) shall, before such deposit, be conveyed to first party, with adequate right of ingress to and egress from the same.

All such tunnel, road, and other rights and title conveyed as in this Paragraph 8 provided shall form a part of the property hereby optioned and leased, and in the event of the purchase of said optioned property by second parties shall be included in the conveyance to them hereinafter provided for, without additional cost.

No credit shall be allowed second parties upon the work requirement contained in Paragraph 7 hereof for such work done upon such adjoining ground until the conveyance to first party of such tunnel and rights of way; but when such tunnel is driven to said Yellowstone Claim and such conveyance is made second parties shall be entitled to credit upon such work requirement for the cost of driving such tunnel upon such adjoining ground, not exceeding Thirty Dollars (30.00) per linear foot thereof, which credit may be spread over then suceeding months; but first party shall

not, nor shall said optioned property, in any event be liable to second parties for any part of the cost of such crosscut tunnel.

9. All work done upon said optioned property by second parties shall be performed in a good, miner-like manner, timbering to be done where necessary to preserve access tunnels, drifts and other workings, all consistently with good mining practice, and with due regard to the future operation of said mine.

10. No ore, concentrates, or other products of operations hereunder, shall be removed from the property hereby optioned except for market; and any ore, concentrates, or other products remaining upon said optioned property at the time of the termination of this agreement, if terminated without the purchase herein contemplated, shall belong to first party, but the proceeds of any such ore, concentrates, or other products then in transit to market, shall, after deduction and payment to first party of the royalty herein provided for, belong to second parties.

11. First party shall have the right, at all reasonable hours, either personally or through his attorney or agent, to enter upon said mining property and into the workings therein or appurtenant thereto, and into the mills and other structures thereon, for the purpose of inspection and taking samples.

12. Second parties shall pay all state and county taxes lawfully levied upon improvements and other property placed upon said optioned property by second parties, or against their operations hereunder, or against the products of such operations, including Gross Metal Mines taxes and net proceeds taxes, during the life of this agreement, all such taxes to be paid before they shall become delinquent.

13. Second parties shall at all times during the life of this agreement comply with one of the Plans of the Montana Workmens Compensation Act, so that all accidental injuries to workmen shall be compensated under said act.

14. Second parties shall keep a record of all sampling data, which record shall be open at any reasonable times to inspection by first party, his attorney or agent; and beginning with the year 1950, on or before January 15 and July 15 of each year second parties shall file with first party (or mail to him at Helena, Montana)

a written report of the work done in each of the months in the then immediately preceding 6 months' period, showing the amount of money expended and the character and extent of the work so performed.

15. Second parties shall conduct operations hereunder in such manner as not to subject first party or any of said optioned property to any liability for debts or other obligations, nor to liability for damages; and second parties shall hold first party and said property harmless from any and all such debts or other obligations and liability, and all costs and expenses arising therefrom; it being distinctly understood that second parties are not partners or agents of first party.

16. Time is of the essence hereof. In the event second parties shall fail to keep, observe and perform each and every term and condition hereof on their part, as and when herein required, first party may, at his election, give second parties written notice of his intention to apply to said District Court for the cancellation of this operation and lease, stating in such notice the alleged defaults of second parties; and if second parties do not, within 30 days after service of such notice, cure and correct and defaults of which they may then be guilty, then first party may apply to said Court, upon at least 10 days' written notice to second parties, for an order terminating and cancelling this option and lease. In the event of the termination of this agreement without the payment of the purchase price in full, all payments theretofore made shall be retained by first party as liquidated damages and as rental. Failure of first party to take advantage of any particular default shall not be construed as a waiver of any other default.

Service of notice upon one of second parties by personal delivery to him shall be sufficient. Notice may be served by mailing, in an

envelope securely sealed, bearing the necessary postage and registered, and deposited in the United States Post Office at Helena, Montana. One such notice shall be addressed to Ed. C. Hughes, at Jens, Montana, one to him at Lennep, Montana, one to A.L. Carter at Livingston, Montana, P. O. Box 145, one to him at Lennep, one to H. L. Nichols at Livingston, P. O. Box 145, and one to him at Lennep, Montana. In case of service by mail service shall be complete upon such deposit in the post office.

17. In case of the termination of this agreement without the purchase of said optioned property by second parties, second parties shall have 60 days thereafter in which to remove from said optioned property any machinery or other equipment and personal property placed thereon by them, except that buildings and other similar improvements set on permanent foundations, mine timbering, and trackage in the main tunnels shall become a part of the real estate and shall not be removed in any event; and all property removable under the foregoing provisions and not removed by second parties within the time herein allowed shall become the property of first party; provided, however, that if second parties shall be prevented from making such removal within said 60 days be weather or road conditions, then the time for such removal shall be extended so that second parties shall have 60 days during which such preventing conditions shall not exist in which to make such removal, but they shall so dispose said removable property upon the ground hereby optioned as not to interfere with another operation thereon.

18. Second parties may, at their option, at any time prior to January 1, 1955, and while this option and lease is in full force and effect, purchase the property hereby optioned at the price of One Hundred Thousand Dollars ($100,000.00); but failure to exercise such option shall not impair their right to continue hereunder for the full term specified in Paragraph 2 hereof.

19. Upon the payment of the purchase price of $100,000.00 on or before December 31, 1954, under the conditions above specified, or upon the payment of the purchase price of $150,000.00 on or before December 31, 1959, while this option and lease is in full force and effect, first party will make return to

said District Court and apply for an order authorizing him to execute and deliver to second parties a conveyance to them of said optioned property.

20. Second parties may assign this option and lease to a corporation which will operate hereunder, but second parties shall, before making such assignment, give first party thirty (30) days notice in writing of their intention to make such assignment, giving the name and address of the corporation to which they propose to assign, the state in which organized, and pertinent data concerning its character and responsibility. Such assignment must be approved by said District Court. Subject to the foregoing provisions this agreement shall be bending upon and insure to the benefit of such corporation, and shall be binding upon and insure to the benefit of first party and his successors as such trustee.

21. This instrument is executed and delivered by first party in pursuance of an order of the above named district court, entered in a proceeding pending therein, entitled: "In the Matter of the Dissolution of the Yellowstone Mining Company, a Montana corporation dissolved by the lapse of time."

IN WITNESS WHEREOF these presents have been executed by the parties hereto the day and year hereinabove first written.

COPY

C. B. BOWER

Trustee for the Creditors and Stockholders of the Yellowstone Mining Company, a Montana Corporation dissolved by the lapse of time.

First Party.

A. L. CARTER

H. L. NICHOLS

ED C. HUGHES

Second Parties.

COPY

State of Montana,)
ss.
County of Lewis and Clark (

On this 31st day of January, 1950, before me, C. E. PEW, a Notary Public for the State of Montana, personally appeared C. B. Power, known to me to be the person whose name is subscribed to the within instrument as Trustee for the Creditors and Stockholders of the Yellowstone Mining Company, a Montana corporation dissolved by the lapse of time, and acknowledged to me that he executed the same as such Trustee.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my notarial seal the day and year in this certificate first above written.

C. E. PEW
Notary Public for the State of Montana,
residing at Helena, Montana.
My commission expires Sept. 30, 1950.

(Notarial seal)

Form MF-103
(April 1951)

U. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.
Approval expires 6-30-51.

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

DO NOT FILL IN THIS BLOCK

Docket No. DMA 565X

Date received 7-2-51

Participation

Castle Lead and Zinc Inc.
Box 145
Livingston, Montana

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 2 1951
LANDON F. STROBEL
Executive Secretary

Name and address of applicant

Date June 25, 1951

supplement to application filed by A. L. Carter in January, 1951
original application filed by A. L. Carter for Castle Lead and Zinc Company

FILL IN THIS BLOCK

Date of application January 30, 1951

Estimated cost $99,850 (alto)

Mineral or metal Lead Zinc and Silver

Percentage of Government participation 50%

Location of mine Castle Mountain Mining District
Meagher County, Montana

Date of filing MF-100 June 25, 1951

DMA Docket Number, if available 565 X

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four signed copies of the application to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive officer thereof, with your name and address on each sheet of the application and all accompanying papers. If any question is inapplicable, or if you cannot answer it, so state on the form. Where the space provided for answer is insufficient, answer on a separate sheet, annex it to the application form, and refer to it in space for answer. If the application is approved, you will be presented with an exploration project contract on Form MF-200, for your signature.

THE APPLICANT

*1. Is applicant an individual, partnership, or corporation?
*2. If a partnership, state names and addresses of partners.
*3. If a corporation, state names and addresses of officers, directors, and five largest stockholders.
*4. Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who will manage the project.
*5. Are you the owner or the lessee of the property?
6. If owner, state what claims, liens, or encumbrances, if any, are against the property.
7. If lessee, attach a copy of the lease and state if it is in good standing.

NOTE.—It will be necessary to procure and attach to the exploration project contract agreements of claimants, lienors, encumbrances and lessors subordinating their interests in the property to the interest of the Government under the contract.

8. Furnish current financial statement, showing assets and liabilities, and a profit and loss statement.
9. How much money is applicant prepared to invest in proposed project? Is it sufficient to pay your part of the cost of the project as detailed in question 23 of this application form, in accordance with the regulations on Government participation (Section 9 of Mineral Order 5)?

*If you have already answered these questions on MF-100, you are not required to answer the questions for this application.

16—64067-1

THE PROPERTY

10. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.
    (*b*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

    NOTE.—If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*b*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

*11. State the present and former names of the property, if any.
*12. State, in detail, the location of the property with reference to towns, railroads, roads, shipping points, including distances and directions and kinds and conditions of roads.
*13. State source and quantity of water available for operations and its sufficiency at all seasons.
State amount of power to be used, rate per hour or other cost, and source.
*14. Describe any existing useable facilities, equipment, buildings, or structure now on the property that will be devoted to the exploration work.
15. State in detail how the ore could be shipped and how and where milled.
*16. History:
    (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for any past suspensions of operations.
    (*b*) State briefly the known history and production of adjoining and neighboring properties.
    (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.
*17. Production:
    (*a*) If mine is in production, furnish the following information:

	Tons per day	*Grade or analysis*	*Cost per ton*	*Net value per ton*
(1) Mining				
(2) Milling				
(3) Shipped or sold				

*18. Ore or mineral reserves: (If property is or has been operating.)
    (*a*) Describe the ore or mineral deposits briefly.
    (*b*) Submit available maps and assay data.
    (*c*) Give estimated tonnage and grade of each class of ore reserves.
19. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

THE EXPLORATION

20. For what mineral or minerals and for what types of deposits and ores will the exploration be conducted?
21. Describe briefly, but concisely, the proposed work and the estimated time required to complete it.

    NOTE.—The Government will not participate in a project that will require more than 2 years to complete.

22. Furnish statement of the geological basis of the project with particular emphasis on factors leading the operator to expect the finding of commercial ore bodies. This statement should be accompanied by supporting maps such as geological maps, maps of the proposed openings and assay maps, sample lists, and other pertinent data.

THE REQUIREMENTS AND COSTS

23. Tabulate in the form of an itemized statement with a sum for each item the estimated requirements and costs of the project so that the total will give the estimated cost of the project in which the Government will participate, as follows:
    (*a*) Labor, by numbers and classes (miners, muckers, millmen, etc.), with wages of each.
    (*b*) Supervisors, by numbers and positions, with salaries of each.
    (*c*) Cost of necessary repairs to existing facilities, structures, and buildings.
    (*d*) Cost of necessary installation or construction of additional facilities, structures, and buildings.
    (*e*) Cost of items of equipment, not now owned by the applicant which must be purchased for operations at a cost of $50 or more each.
    (*f*) Cost of rental for equipment which the operator proposes to rent.
    (*g*) Rental value of items of equipment which the operator now owns and which will be devoted to the work.
    (*h*) Cost of materials and supplies, including items of equipment costing less than $50 each.
    (*i*) Cost of power, water, utilities, and any other items not provided for above.
24. Furnish a time schedule of the project, stated in terms of months after project is approved, showing progress expected to be accomplished and the money expected to be spent.

CERTIFICATION

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

Castle Lead + Zinc Co. (Name of company) By Ed C. Hughes (Signature of authorized official)

A. L. Carter (Date) Pres (Title)

V. Pres

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

*Same as footnote on page 1.

16—64007-1 U. S. GOVERNMENT PRINTING OFFICE

No. 1 Corporation

No. 2 Not applicable

No. 3 Names and addresses of officers of Corporation, who are also largest stockholders.

Ed. C. Hughes, President, Maxville, Montana

A. L. Carter, Vice-President, Livingston, Montana

H. L. Nichols, Director, Livingston, Montana

E. C. Ecklesdafer, Sec. Treas., Drummond, Montana

E. Culver Hughes, Director, Maxville, Montana

No. 4 -A- Ed. C. Hughes, General Manager, has followed the mining business for the past twenty-five (25) years. From 1940 to 1946 he was general manager of the Forest Rose mine, Jens, Montana. This was a lead-zinc property, with a production record of over two million (2,000,000) dollars during his supervision.

-B- Mr. A. L. Carter who will be foreman for the Castle Lead Zinc project has been in the mining business for the past fifteen (15) years and has a thorough knowledge of good economical mining methods.

No. 5 Applicant is lessee of Yellowstone mining claim U. S. Patent No. 3065 and owner of Buck Horn Mining Claim held by valid location (unpatented) recorded at White Sulphur Springs Court House, Meagher Co., Montana.

No. 6 None

No. 7 Copy of lease and Bond attached. This lease has been checked by our attorney and is in good standing.

No. 8 2,500,000 shares of Capital Stock in the Corporation with 1,500,000 shares in the treasury. Stock has a ten cent (10¢) par value or one hundred fifty thousand (150,000) dollars capital assets. Liabilities, none.

No. 9 The applicant is prepared to invest $49,925. This is sufficient to pay our part of the cost of the project as detailed in question 23.

No. 10. Description of real property on which the work will be done.

-A- and -B- All exploration work will be done on the following two claims: The Yellowstone, U. S. Patent No. 3065, and the Buck Horn Claim, unpatented, recorded the 16th day of May 1949, in Book 13 of Lode Location at pages 455-456, White Sulphur Springs Court House, Meagher County, Montana. Both of these claims are in Castle Mt. Mining District, Meagher County, Montana as shown in sketch A.

No. 11. The Yellowstone mining claim is an original location, U. S. Patent No. 3065. The Buck Horn mining claim covers portions of former Smugglers and Tom Pain mining claims, which were abondoned years ago.

No. 12. The Yellowstone mine is located ten (10) miles from Lennep, Montana (a railroad station on the Chicago, Milwaukee R. R. with general store and post office). Seven miles of the road are maintained by Meagher County; the remaining three (3) miles are maintained by the U. S. Forest Service. It is an average mountain road that can be used the year around with some winter maintenance. Claims are on divide and slopes between Hamilton and Hensley creeks, in Sec. 11, Township 8 North, Range 8 East, Castle Mt. Mining District, Meagher County, Montana.

No. 13. In excess of one hundred (100) miners inches of water is available in Hamilton creek, for mining and milling operations at all seasons. Hamilton creek flows across the Buck Horn mining claim as shown in sketch A. All the power used at present will be Diesel power.

No. 14. One cabin, size 16' x 24', is now located on the Buck Horn mining claim. It will be used as an office and living quarters for the foreman.

No. 15. High grade ore can be shipped to the A. S. & R. Smelter at East Helena, Montana by railroad, a distance of approximately eighty (80) miles. Also the applicant has a one hundred (100) ton mill which it owns, and can move to the property when sufficient milling grade ore is developed.

No. 16. Page one and page two or Carter report. (attached)

-A- Refer to Carter report, page 2.

-B- Production of neighboring property:

Cumberland mine one (1) mile So. of Yellowstone had a production of 18-20 million lbs. of lead and 615,000 oz. of silver during the years 1888-1893 with an average grade of 20-60 per cent lead, and 12-27 oz. silver per ton. The Great Eastern, adjoing the Yellowstone claim on the Southeast had a recorded production of 500 tons ranging from 10-50 per cent lead per ton of ore. This information is taken from the Bureau of Mines circular No. 7540 by Robert N. Roby, U. S. Dept. of Interior, date, Jan., 1950.

-C- Refer to report of A. L. Carter, and also to Dept. of Interior, Bureau of Mines Information Circular No. 7540.

No. 17. Mine is not in production.

No. 18.-A- See Sketch A attached. The Yellowstone vein, from best available information, is a replacement deposit in fractured limestone at or near a pocphyry contact. The Smuggler vein is a replacement along a sheared bedding zone in the limestone, near a pocphyry contact. It has been exposed on the surface intermittently by open cuts and trenches for at least fifteen hundred (1500) feet. The Smuggler vein averaged about five (5) feet in width and contains abundant limonite and specular Hemitite, and has given low grade assays in lead, zinc and silver.

-B- No accurate survey or any maps are available. Sketch by applicant is attached (Sketch A).

-C- No ore reserves developed at present. Exploration is planned to develop ore reserves in heretofore unexplored Smuggler vein, and to make available for mining, mill-grade ore reported remaining in the Yellowstone vein.

19. None

20. Lead, Zinc, and Silver. Replacement in limestone near a contact with pocphyry.

FORM MF-103

No. 21. Drifting one thousand (1000) feet, cross cutting two hundred and fifty (250) feet. Diamond drilling two thousand (2000) feet. One year to complete project, unless weather conditions or shortage of labor require a longer period. In no case will it be more than two (2) years.

No. 22. Refer to Carter report.

No. 23.

-A-	4 miners	$15.00 per shift for 9 months	$13,500
	1 timberman	$15.00 per shift for 9 months	3,375
	1 truck driver	$15.00 per shift for 12 months	4,500
	1 compressor man	$15.00 per shift for 9 months	3,375
	1 general laborer	$13.00 per shift for 6 months	1,950
		Above wages include tax and insurance	$26,700
-B-	1 manager	rate $500 per mo. Half time	$ 3,000
	1 foreman	rate $500 per mo. Full time	6,000
	1 engineer and geologist	rate $450 per mo., not to exceed $2,000 for project. Part time	2,000
	1 bookkeeper	rate $300 per mo. Part time not to exceed $1200.00 for project.	1,200
			$12,200

-C- None

-D-	Water Supply lines	$ 1,000
	Black Smith Shop, 12 x 20	1,000
	Supply House, 12 x 16	800
	Bunk House, 16 x 24	1,700
	Cook House, 16 x 24	1,500
	Furnishings and Equipment for the above buildings	2,500
	Total	$ 8,500

FORM MF-103

To be Purchased

-E-	2 Air receivers ($250 ea.)	$ 500
	2 Drifters and accessories ($750 ea.)	1,500
	1 Mucking machine	3,500
	1 Blower and 1200 ft. vent tubing	3,000
	1 pick-up truck four-wheel drive	2,250
	Total	$10,750

To be Rented

-F-	1 Compressor 310 cu. ft. ($400 per mo.)	4,800
	Bulldozer R. D. 6 ($10 per hour) 8 hr. per week 52 weeks	4,160
	Total	$8,960

-G- None

-H- Supplies

Pits and Steel	$1,800
Powder Fuse Caps	6,000
Timber	2,000
Rail Plate Spike	1,000
Pipe 1500--3"	1,500
" 1500--1"	750
" Fitting	250
Ties	750
Fuel and Oil for Compressor	1,200
Vehicle Maint. and Gasoline	1,500
Miscellaneous Transportation	1,500
Total	$18,340

-I- $1,000 for installation of water supply as scheduled in D above ---

Grand Total $99,850

REPORT BY

A. L. CARTER

on the

YELLOWSTONE MINE

CASTLE MOUNTAIN MINING DISTRICT

MEAGHER COUNTY, MONTANA

LOCATION:

The Yellowstone Mine is located ten (10) miles North and West of Lennep, Montana, a railroad station with general store and post office, in the Castle Mountain Mining District.

The first seven (7) miles of road from Lennep is maintained by Meagher County, the remaining three (3) miles is forest road. All of which could be used throughout the year at a nominal cost.

HISTORY:

The Castle Mountain Mining District was the largest Lead, Silver Camp in the State of Montana from 1885 to 1893. A profitable production was possible only by mining and shipping the high grade ore, as the closest railroad was seventy six miles, with ore hauling done by horse and wagon, with cost averaging fifty dollars ($50.00) per ton. Due to these conditions, only the high grade ore could be mined profitably. All mining being done by hand. Even so, with these primitive methods, The Yellowstone Mine made a sizeable profit; until the crash of 1893 and the demonetization of silver which closed all the mines in the district.

In 1896 the railroad was built to Lennep, Montana and later a branch line was extended to within five (5) miles of the Yellowstone mine. Reports are that two other railroads made survey with the intention of coming into the Castle Mining District, there being quite a race on as to who would get there first.

The Yellowstone Mine was then purshased by a group of mining men in Helena, Montana, at a reported price of $125,000.00 (one hundred and twenty five thousand dollars). This group formed the Yellowstone C., Inc. and first shipment was made Sept. 1899 and continued regular shipments up to and including the year 1901 when the low metal prices again forced the mine to close down, and have never been reopened. Although some shipments of slag and dump ore have been made at intervals since that time.

PHYSICAL FEATURES & CLIMATE:

The country is a mountaineous area, of steeply tilted sedimentary rocks of cambrain age, intruded by porphyrys and granite.

The altitude ranges from about 6200 feet to about 9000 feet. At the collar of the Yellowstone Shaft, the altitude being at about 7000 feet. Temperatures vary from --30 degrees in winter to 90 degrees in summer. The summers are generally cool and pleasant. The snow varies in winter from one to three feet. There is ample timber, fir, tamarack, spruce, and Lodge Pole Pine. Abundance of water for mining, and milling purposes on the property.

ORE RESERVES:

There are two parallel vein systems, one known as the Yellowstone vein, which has an average of 16 feet in width. The four to six feet of shipping ore being on the hanging wall side of the vein, removed to the three hundred (300) feet level, for horizontal width of about six hundred (600) feet and developed between the three and four hundred foot level, but only partially removed. The remaining ten to twelve feet consist of a two foot parting and the rest a low grade milling ore, reported to average about 9% lead, 7% zinc and 5 oz. in silver between 50.000 and 60,000 tons developed ore remaining in the mine. The lower and Northern extremity of the ore body was not determined. The other vein known as the Smuggler was revealed by a crosscut tunnel from the 400 foot level of the Yellowstone shaft on the opposite side of the shaft from the Yellowstone lead. Drifting was done on this vein for a distance of some 60 to 1 0 feet, equidistant each way from crosscut drift. In excess of 3 feet of ore was showing in each face, which was reported to assay 45% Lead and 15 oz. in silver, zinc content not known. Open cuts on the surface prove an extention of these veins for a distance of over 2000 feet, indicating a very sizeable ore reserve. Reports are that the Yellowstone vein was the onl true and continuous vein developed in the

district the others being pods and pockets. The Great Eastern and Cumberland being examples of the latter.

The Smuggler vein was discovered just a short time before the mine was forced to close down. Allowing that this 100 feet ore shoot extends 50 ft. further each way and goes to the surface of zone of oxidation as is indicated by open cuts, a 200 ft. section three feet wide and 300 feet high equals 180,000 cubic feet, and allowing 10 cubic feet to a ton, would give 18,000 tons. Twelve cent lead and ninety cent silver shows gross value of in excess of $2,250,000.00. Blocked ore in Yellowstone vein shows a gross value of about $2,500,000.00 giving a total gross value of ore reserves from both veins of $4,750,000.00.

PROPOSED DEVELOPMENT:

As no work has been done in the Yellowstone Mine since 1901 the 400 foot shaft is caved at the portal and no doubt will have to be retimbered to the water level. It is proposed to drive a 870 foot cross cut tunnel to intersect the workings at the 400 foot level of shaft, open and retimber the shaft, thus giving two exits which will comply with the mining laws of the State of Montana. It will also insure the company of economical mining.

There is now on the property a 16x24 foot cabin, suitable for housing, for all preliminary work. Living quarters and other necessary buildings would have to be constructed.

Mill building and power transmission line of about 4 miles is proposed to insure economical operation and treatment of the lower grade ores when development justifies same.

FINANCES:

It is proposed to allocate the necessary funds for opening shaft and driving the 870 foot cross cut tunnel from funds raised from an offering of shares at ten cents (10¢) per share. Upon completion of this work, the balance of the funds needed to put the mine in operation will be offered at one dollar ($1.00) per share.

CONCLUSION:

In view of the past production record of the Yellowstone Mine. The present high prices of metals today, with over $4,750,000.00 indicated ore reserves and with some three quarters (3/4) of the vein system unexplored, it is the opinion of the writer that the Yellowstone Mine will make a very profitable operation.

A. L. Carter,

P.S. The records of the zinc content of the Yellowstone ore is very incomplete as at the time it was operated zinc was an unimportant metal.

One shipment listed zinc as 17.2%, the highest I have any record of. However, from sampling dump ore and from some 20 tons of dump ore I shipped, indications are that the zinc content will run in excess of 8%.

STATEMENT OF SHIPMENTS FROM YELLOWSTONE MINE RECEIVED AT EAST HELENA SMELTER

Date	Lot No.	Oz. Silver	% Lead	% Silica	Net Proceeds	Dry Pounds	Cars
8/7/1899	1204-1	4.5	17.5	34.4	$ 125.29	37,014	
8/11/1899	1237-2	4.6	17.4	34.4	164.09	48,618	
8/14/1899	1270-3	4.6	13.0	44.6	23.83	14,399	
8/12/1899	1275-4	3.4	13.4	39.6	113.8[illegible]	77,458	2
8/15/1899	1292-5	4.2	14.1	40.2	56.66	28,761	
8/15/1899	1330-6	2.3	14.6	37.0	132.[illegible]4	42,879	
8/18/1899	1364-7	3.8	14.0	40.4	75.81	41,7[illegible]9	
8/19/1899	1388-8	4.4	14.6	38.4	197.11	88,788	2
8/22/1899	1420-9	3.8	13.3	41.[illegible]	119.07	77,572	2
8/23/1899	1455-10	4.4	14.7	41.6	81.57	36,173	
8/29/1899	1527-12	4.8	13.2	40.0	192.81	108,628	3
8/25/1899	1487-11	3.8	14.5	38.[illegible]	227.41	113,705	3
8/30/1899	1565-13	3.8	14.0	39.0	187.3[illegible]	104,385	3
9/4/1899	1616-14	3.2	14.2	47.8	126.16	7[illegible],[illegible]	2
9/5/1899	1634-15	3.4	14.0	39.[illegible]	300.37	103.[illegible]4	3
9/7/1899	1644-16	3.4	13.7	40.6	194.63	119,406	3
9/10/1899	1691-17	4.0	15.4	38.6	234.51	94,943	3
9/12/1899	1733-18	4.0	14.7	38.0	170.03	77,639	2
9/14/1899	1746-19	4.0	13.0	39.4	144.63	95,150	2
9/16/1899	1755-20	5.	36.0	30.6	92.76	18,854	
9/14/1899	175[illegible]-21	3.9	13.[illegible]	43.2	98.80	66,308	2
9/16/1899	1776022	4.2	13.2	42.8	232.7[illegible]	85,126	2
9/20/1899	1803-23	4.5	12.0	43.0	90.35	71,993	2
9/22/1899	1810-24	6.2	13.5	42.0	149.88	64,745	2
9/25/1899	1853-25	4.0	23.5	41.2	159.25	121,103	3
9/26/1899	1909-26	4.4	12.8	41.2	161.99	[illegible]	3
9/28/1899	1940-27	7.6	22.0	--	545.00	142,931[illegible]	3
9/29/1899	1968-28	11.2	22.2	35.4	401.94	82,028	2
9/30/1899	1981-29	7.0	19.4	37.2	281.53	77.770	2
10/3/1899	2005-30	6.9	15.6	39.4	230.10	110,623	3
10/3/1899	2051-31	7.4	18.0	37.0	425.18	133,915	3
10/8/189	2075-32	7.0	17.6	37.6	105.25	38,574	
10/10/1899	2105-33	7.4	17.6	38.2	241.[illegible]0	80,132	2
10/11/1899	2113-34	7.0	17.6	37.4	235.[illegible]8	81,129	2
10/14/1899	2167-35	7.0	16.4	37.4	98.58	40,608	
10/17/189	2186-36	5.4	16.5	36.4	67.69	33,509	
10/16/1899	2197-37	4.8	15.7	44.0	60.93	39,694	
10/20/1899	2224-38	4.6	13.5	40.6	185.78	99,880	2
10/20/1899	2230-39	5.4	14.6	38.2	85.45	33,978	
10/21/1899	2239-40	5.0	14.8	39.8	162.95	65,493	2
10/29/1899	2272-41	6.6	16.0	38.0	51.50	24,692	

STATEMENT OF SHIPMENTS FROM YELLOWSTONE MINE (continued--page 2)

Date	Lot No.	Oz. Silver	% Lead	% Silica	Net Proceeds	Dry Pounds	Cars
11/2/1899	2373-42	6.0	15.2	37.6	$ 176.65	59,026	2
11/3/1899	2396-43	5.0	14.9	39.8	93.99	37,149	
11/8/1899	2449-44	4.6	14.3	40.4	163.81	70,235	2
11/14/1899	2550-45	5.0	14.0	38.2	164.16	75,475	2
11/19/1899	2595-46	5.2	12.8	39.2	211.74	119,964	3
11/20/1899	2647-47	3.8	11.0	40.8	27.44	41,582	
11/20/1899	2669-48	4.0	11.5	40.6	35.58	38,882	
11/25/1899	2752-49	5.2	15.7	38.2	199.47	68,310	2
11/28/1899	2784-50	4.4	14.4	39.6	170.48	78,204	2
12/1/1899	2862-51	4.0	13.0	38.2	135.44	82,799	2
12/5/1899	2872-52	4.8	14.8	39.4	178.16	72,720	2
12/10/1899	2987-53	4.4	14.3	36.6	101.54	47,228	
12/15/1899	3024-54	4.6	14.4	35.2	206.81	89,530	2
12/23/1899	3061-55	6.0	19.3	33.4	268.63	92,807	2
12/30/1899	3078-56	6.0	15.5	37.8	168.65	47,642	
12/24/1899	3112-57	5.5	17.1	38.2	239.22	100,725	2
12/28/1899	3176-58	4.4	14.1	37.2	10,24	40,949	
12/29/1899	3177-59	5.5	15.8	38.4	230.31	96,973	2
12/30/1899	3212-60	5.6	18.3	35.0	281.88	97,033	3
1/5/1900	3245-61	5.5	16.0	39.6	191.79	81,100	2
1/7/1900	11-62	5.6	15.0	38.0	212.00	102,171	2
1/11/1900	53-63	6.5	17.6	39.0	442.31	154,673	4
1/14/1900	117-64	6.4	17.7	39.2	178.93	62,828	2
1/16/1900	124-65	7.0	20.7	38.2	291.90	89,540	2
1/23/1900	256-66	7.0	19.7	39.4	511.48	131,656	3
1/26/1900	257-67	6.0	19.0	39.3	355.28	107,013	3
1/29/1900	308-68	6.0	17.7	40.6	191.08	68,388	2
1/31/1900	337-69	6.4	17.7	40.0	304.51	104,283	3
2/5/1900	381-70	7.3	17.4	39.0	327.84	95,080	2
2/7/1900	410-71	7.0	18.3	37.8	146.26	44,254	
2/12/1900	444-72	6.2	15.2	38.0	349.74	101,228	2
2/13/1900	469-73	6.6	15.3	40.4	179.17	89,536	2
2/17/1900	505-74	6.0	17.2	40.0	226.92	87,407	2
2/22/1900	548-75	5.8	16.0	41.2	189.09	92,240	2
3/4/1900	665-76	6.2	17.4	41.0	400.57	163,630	3
3/6/1900	703-77	9.0	24.0	36.8	482.84	93,573	2
6/4/1900	1568-78	3.7	19.0	31.4	98.63	58,706	
6/4/1900	1569-79	5.7	18.2	38.0	126.72	64,323	
8/28/1900	2325-80	9.2	28.7	32.6	251.18	45,504	
9/4/1900	2410-81	6.4	17.4	42.4	106.37	49,475	
9/4/1900	2411-82	6.2	19.9	38.9	127.42	42,617	
9/25/1901	1200-83	5.0	14.2	45.0	33.46	30,283	

STATEMENT OF SHIPMENTS FROM YELLOWSTONE MINE (continued--page 3)

Date	Lot No.	Oz. Silver	% Lead	% Silica	% Zinc	Net Proceeds	Dry Pounds	Cars
9/29/1901	1224-34	4.2	12.7	43.6		$ 33.46	30,293	[illegible]
9/2/1901	1265-75	4.3	12.8	44.6		25.02	44,383	
9/3/1901	1269-76	4.0	14.2	40.4		32.30	38,918	
9/27/1901	1507-37	4.4	13.9	42.3		89.09	103,592	3
9/27/1901	1508-38	4.6	14.5	42.0		130.90	136,630	3
1/22/1902	2917-89	5.2	27.5	26.6		53.15	34,069	
12/6/1901	2415-2	5.4	32.7	24.8		130.46	32,574	
10/9/1917	1925-1	9.4	25.2		3.8	523.31	44,362	
*11/16/1926	2715-1	2.6	9.3		5.3	none	62,160	
*11/16/1926	2892-2	1.8	6.6	[illegible]	1.3	none	26,016	
*12/1/1926	3030-3	3.1	12.0		4.3	278.18	72,938	
*7/19/1927	177[illegible]-1	.4	8.0		1.8	303.29	125,710	
*7/21/1927	1793-2	.4	6.8		1.8	710.26	317,351	3
*7/29/1927	1832-3	.5	7.3		2.3	741.77	321,473	3
*7/30/1927	1895-4	.5	6.8		1.0	745.46	332,814	3
*8/7/1927	1908-5	.4	8.4		1.6	310.66	316.735	3
*9/17/1927	1958-6	.5	8.3		2.0	345.58	317,078	3
*9/17/1927	2017-7	.5	8.9		1.4	1010.72	375,357	3
*9/30/1927	2051-8	.5	8.5		1.3	867.01	377,017	3
*9/17/1927	2172-9	.8	9.3		1.4	759.91	275,464	2
						$ 24,175.57	9,754.221	192

* Indicates Slag

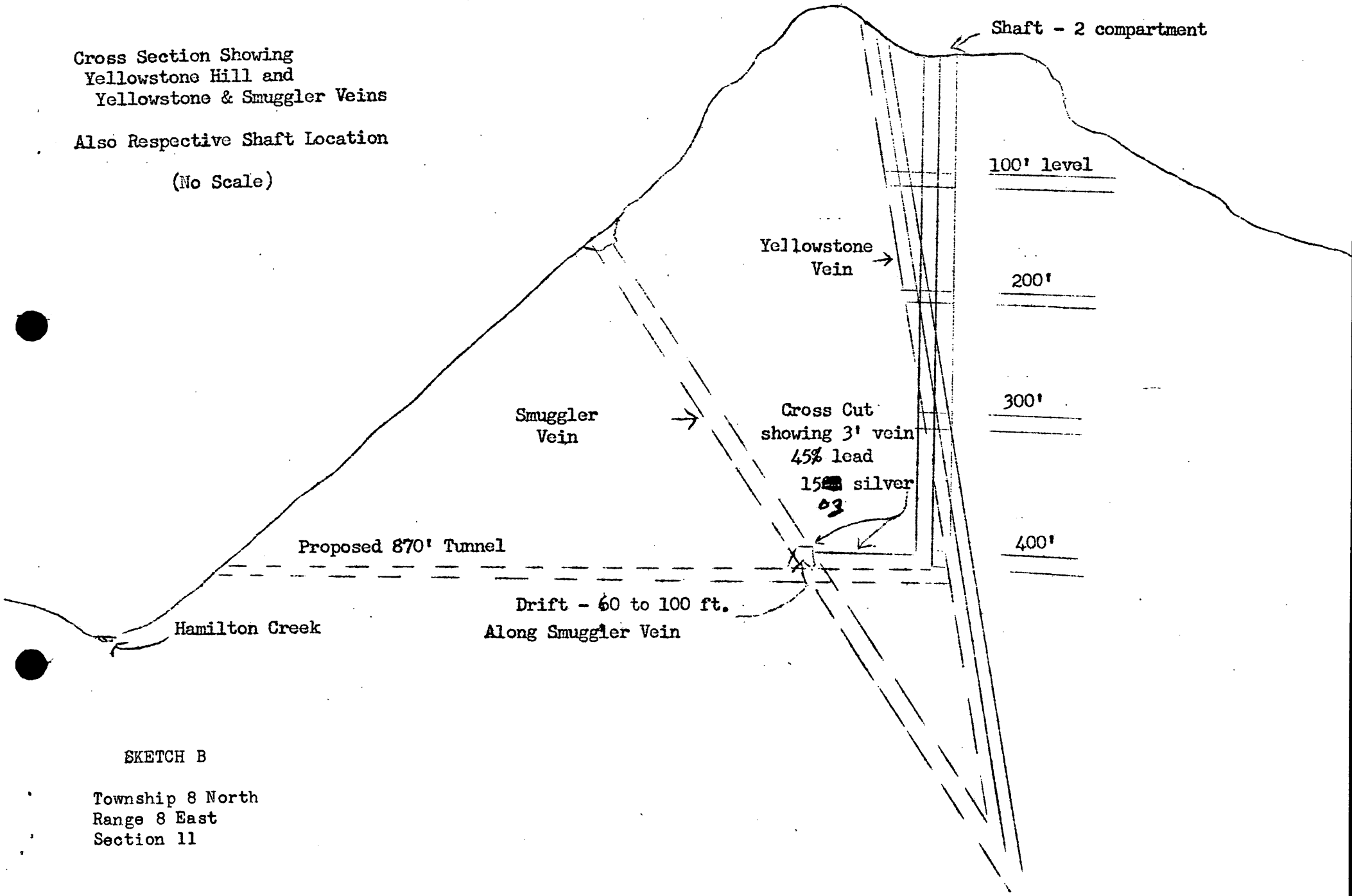
Average Less Slag Shipments	6.7	16.53

American Smelting & Refining Company
East Helena Plant
East Helena, Montana

Cross Section Showing
Yellowstone Hill and
Yellowstone & Smuggler Veins

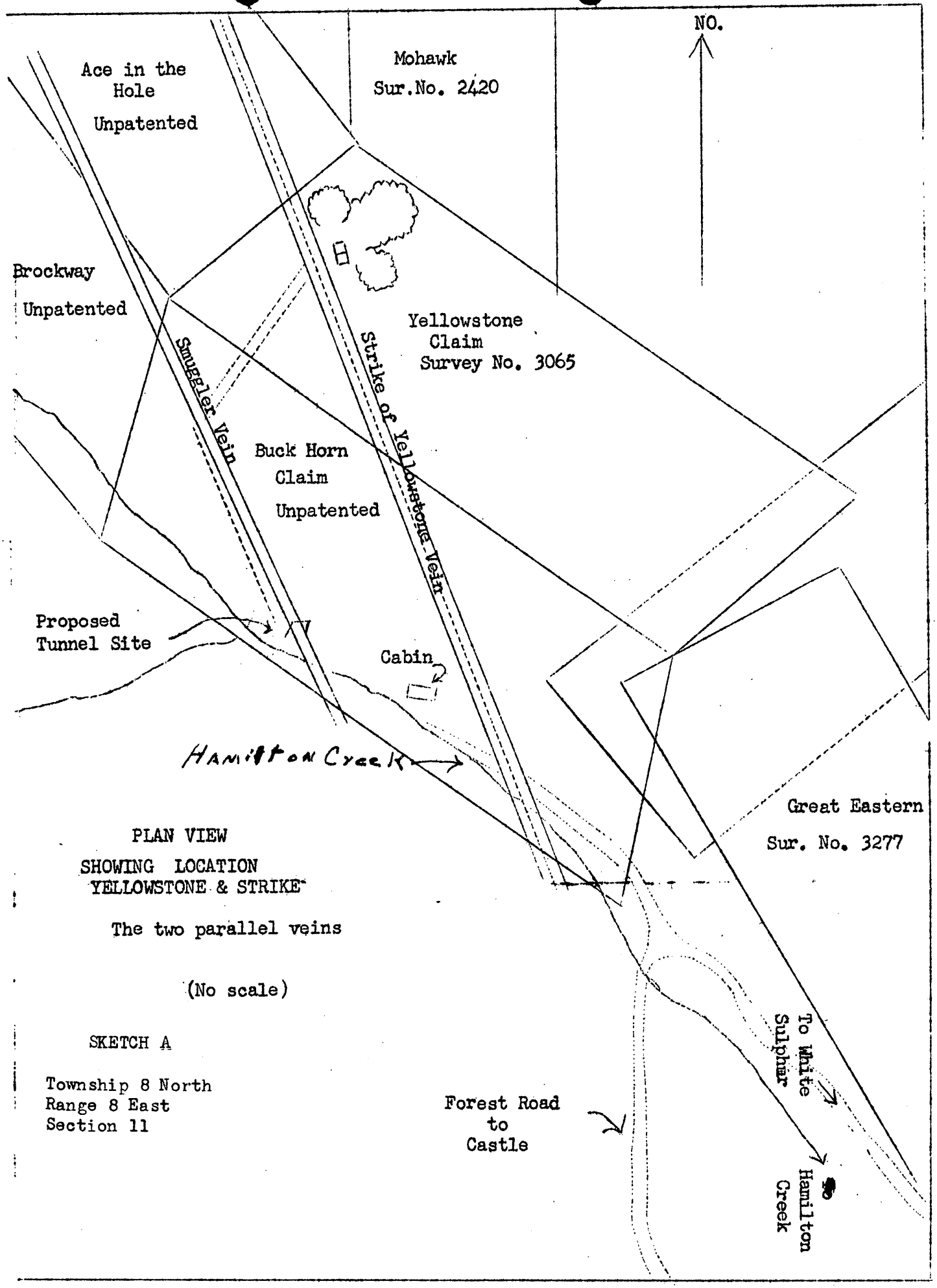
Also Respective Shaft Location

(No Scale)



SKETCH B

Township 8 North
Range 8 East
Section 11



PLAN VIEW
SHOWING LOCATION
YELLOWSTONE & STRIKE

The two parallel veins

(No scale)

SKETCH A

Township 8 North
Range 8 East
Section 11

For Schedule of Collections No. DMA-86, dated October 14, 1953, giving rebate of overpayment of $440.53, see E-41.

Standard Form No. 1098

Schedule No. 1

SCHEDULE OF CANCELED CHECKS

Sheet No. 1.

Department of the Interior

A. O. Wahlers, Regional Disbursing Officer — Portland, Oregon

October
xMarchx - 1953 — 14-23-020 — 420

3/10/53- 13,728,452	Castle Lead and Zinc Company P. O. Box 145 Livingston, Montana Contract No. Idm-8240	Recent audit by DMEA auditor Mr. C. A. Turner, revised figures so that operator owes Government more than check being returned.	$626.84	14X4401 Revolving Fund, Defense Minerals Production Act, Interior

SUMMARY

14X4401 - $626.84

$626.84

October 53

October 22, 1953

R. J. Hindman
Authorized Certifying Officer

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 29 1953

MR-104
(August 1951)

Budget Bureau No. 42-R1036.2.
Approval Expires 6-30-52.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Contract No.
Idm-E 240

Name of Operator Castle Lead & Zinc Company
Docket No. DMA 565X
Total Contract Amount $ 99,850.00
Government Participation: 50 % Amount, $ 49,925.00
Distribution of Expenditures for Month of June & July 1952
Amendment No.2

Grusvoed
Betty

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

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

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

Maps.—Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

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

CERTIFICATION

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

Castle Lead & Zinc Company
(Name of Company)

By Ed C Hughes
(Signature of Authorized Official)

11-5-1952
(Date)

President
(Title)

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

16—64068-3

MONTHLY SUMMARY COST STATEMENT

List as Shown on Exhibits Attached to Contract

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only		
				Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
1. Fixtures and Improvements:						
(a) Facilities					128.82	128.82
(b) Buildings					2963.80	2963.80
(c) Fixtures					143.79	143.79
2. Operating Equipment:						
(a) Purchased[1]						
(b) Rented[2]						
Bulldozing @ $12.50 per hour	550.00	none	550.00	550.00		550.00
(c) Furnished by operator						
3. Rehabilitation and Repairs:						
(a) Facilities						
(b) Buildings						
(c) Installations						

MONTHLY SUMMARY COST STATEMENT—Continued

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(d) Fixtures						
4. Labor[3]	300.00			300.00		300.00
5. Supervision	350.00			350.00		350.00
6. Supplies						
(a) Timber						
(b) Explosives	22.50			22.50		22.50
(c) Repair Parts						
(d) Other transportation						
7. Power gas-oil	113.20			113.20		113.20
8. Transportation						
9. Insurance						
(a) Fire						
(b) Public Liability						
(c) Workmen's Compensation						
10. Contract Work						
11. Other (specify)						
assaying	22.50			18.00		18.00
Dr. Fly + Carpenter					14343.24	14343.24
Total	1358.20			1353.70	17579.65	18933.35
Deletions	Bldg. salvage			100.00		100.00
Adjusted totals						
Totals previously reported		17,733.80	19,092.00			
Totals to date				1253.70	17579.65	18833.35

[1] Enter amount paid during month toward total purchase price.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.
[3] Submit copy of the Social Security form filed under the Old Age Insurance system showing complete wage and salary data or furnish copy of payroll sheet giving same data.

NOTE.—Indicate that portion of supervisory, office, and engineering salaries that is chargeable to this project.

9,416.67

FOR GOVERNMENT USE ONLY

Checked by E. Erickson
Entered by
Approved by Thomas Howard
Amount approved for payment 626.84 Conforms to audit. 3/5/53 Voucher #672
Remarks

16—64068-3

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF June - July 1952

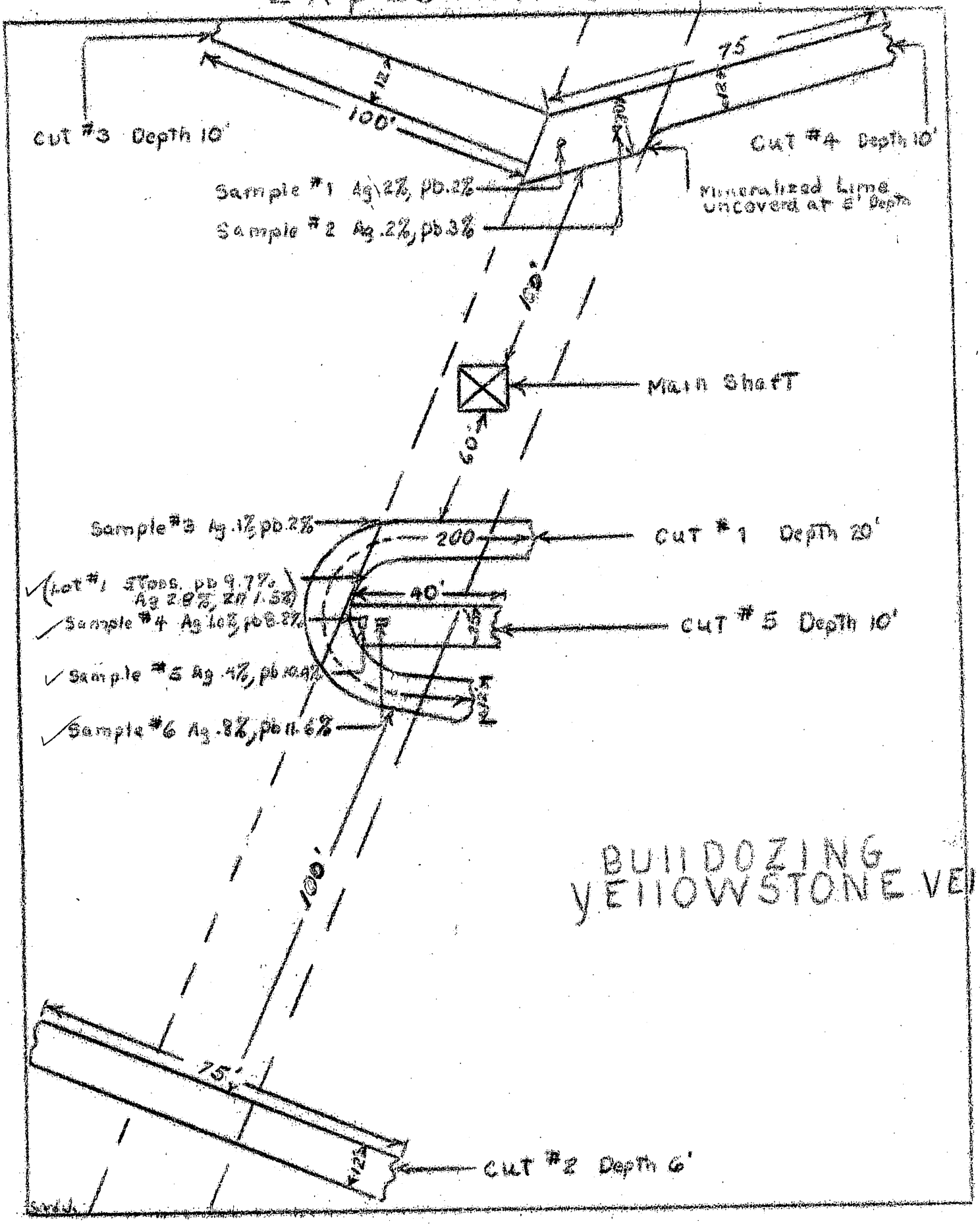
(Supply Data Below Applicable Only to Your Operations)

Item	Costs					Progress [4]				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3]	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract (Exhibit A)
Drifting										~~amendment No. 2~~
Crosscutting										~~1700.00~~
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching	300.00		22.50	550.00	872.50					
Sampling and assaying	200.00			22.50	222.50					
Roads and trails										
Test pits	150.00				150.00					
Other (specify)				113.20	113.20					
Totals	650.00		22.50	685.70	1358.20					1700.00

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

16—64068-3 U. S. GOVERNMENT PRINTING OFFICE

CASTLE LEAD AND ZINC CO.
EXPLORATION PROJECT



Standard Form No. 1034a—Revised
Form prescribed by
Comptroller General, U. S.
September 7, 1950
(Gen. Reg. No. 51, Supp. No. 11)

[redacted]C VOUCHER FOR PURCHASES A[redacted] SERVICES OTHER THAN PERSONAL

D. O. Vou. No. .....

Bu. Vou. No. DMA-252

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

Voucher prepared at Albany, Oregon 6/19/52
(Give place and date)

PAID BY

(For use of Paying Office)

THE UNITED STATES, Dr., Payee's Account No. Idm-E 240

To Castle Lead and Zinc Company,
(Payee)

208 S. K. Street, Livingston, Montana
(Address) (City) (State)

No. and Date of Order	Date of Delivery or Service	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary) Discount Terms net	QUANTITY	UNIT PRICE Cost	UNIT PRICE Per	AMOUNT Dollars	AMOUNT Cts.
	April 1952	As per attached certified from MF-104 dated May 14, 1952				2,469	33
PAYMENT: Complete ☐ Partial ☐ Final ☐		Use continuation sheet(s) if necessary					
Shipped from	to	Weight	Government B/L No.		Total	2,469	33

(Payee must NOT use this space)

Differences .....

Account verified; correct for 2,469 33

(Signature or initials) .....

Contract No. Idm-E 240 Date Req. No. Date Invoice Rec'd.

2,469.33

MEMORANDUM

ACCOUNTING CLASSIFICATION (For completion by Administrative Office)

Appropriation, limitation, or project symbol	Appropriation title	Limit'n. or Proj't. Amount	Appropriation Amount
14X4401	Revolving Fund, Defense Production Act, Interior	2,469.33	2,469.33

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

Paid by { Check No. ..... dated ....., 19....., for $..... } on Treasurer of the United States in favor of payee named above.
{ Cash, $....., on ....., 19.....

16—22900a-2

METHOD OF OR ABSENCE OF ADVERTISING

METHOD OF ADVERTISING

1. Advertising in newspapers Yes ☐ No ☐.
2. (*a*) Advertising by circular letters sent to ..... dealers.
   (*b*) And by notices posted in public places Yes ☐ No ☐.

   (If notices were not posted in addition to advertising by circular letters sent to dealers, explanation of such omission must be made below.).

ABSENCE OF ADVERTISING

3. Without advertising, under an exigency of the service which existed prior to the order and would not admit of the delay incident to advertising.
4. Without advertising in accordance with .....
5. Without advertising, it being impracticable to secure competition because of .....

.....

.....

.....

.....

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

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

U. S. GOVERNMENT PRINTING OFFICE : 1950 O—75805

16—22000a-2

MF-104
(August 1951)

Budget Bureau No. 42-R1036.2.
Approval Expires 6-30-52.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Contract No. Idm-E 240

Name of Operator CASTLE LEAD AND ZINC COMPANY
Docket No. DMA 565X
Total Contract Amount $ 99,850.00
Government Participation: 50% % Amount, $ 49,925.00
Distribution of Expenditures for Month of April, 1952

$2,469.33

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

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

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

Maps.—Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

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

CERTIFICATION

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

Castle Lead and Zinc Company
(Name of Company)

By Ed C Hughes
(Signature of Authorized Official)

5-14-52
(Date)

President
(Title)

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

16—64068-8

MONTHLY SUMMARY COST STATEMENT

List as Shown on Exhibits Attached to Contract

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only		
				Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
1. Fixtures and Improvements:						
(a) Facilities						
water-supply	128.82	none	128.82			
(b) Buildings	154.15	2963.80	3117.95	— 0 —	2963.80	2963.80
(c) Fixtures						
furnishings	136.19	7.60	143.79			
2. Operating Equipment:						
(a) Purchased[1]						
(b) Rented[2]						
(c) Furnished by operator						
3. Rehabilitation and Repairs:						
(a) Facilities						
(b) Buildings						
(c) Installations						

CASTLE ROAD AND MINE COMPANY
200 SOUTH K STREET
LIVINGSTON, MONTANA
MAY 19, 1952

IDM-E240

United States of America
Department of the Interior
Defense Minerals Administration
Bureau of Mines
1201 North Division Street
Spokane, Washington

Gentlemen:

Enclosed you will find Invoices covering buildings, furnishings and water supply from March 1, 1952 to May 2, 1952:

BUILDING		
2 outside toilets 5 X 5 X 8		
W.J.Kennick Lumber Company, lumber-nails	$ 59.00	
120 ft. rubberoid roofing	6.15	
2 doors, second hand	9.00	
labor and insurance	84.00	
Charged to item 13	$ 154.15	$154.15
FURNISHINGS		
Install linoleum		
Install folding bed in cookhouse		
Montgomery Ward Company - floor covering	$ 47.19	
Inner-spring folding bed - for cook-house	50.00	
5 chairs, second hand	5.00	
labor and insurance	34.00	
Charged to item 10	$ 136.19	$136.19
WATER SUPPLY		
Livingston Hardware Co. pipe & fittings	$ 32.02	
Pump - second hand	17.00	
Hauling	25.00	
labor and insurance	46.00	
Charged to item 1A	$ 120.02	$120.02
		$419.16

Yours truly,
CASTLE ROAD AND MINE COMPANY
By Ed C Hughes, President

IDM-E240

MONTHLY SUMMARY COST STATEMENT—Continued

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(d) Fixtures						
4. Labor[3]						
5. Supervision						
6. Supplies						
(a) Timber						
(b) Explosives						
(c) Repair Parts						
(d) Other						
7. Power						
8. Transportation						
9. Insurance						
(a) Fire						
(b) Public Liability						
(c) Workmen's Compensation						
10. Contract Work						
11. Other (specify)						
87' @ $53.72/ft. (As per amendment No. 1)	4673.64	9669.60	14,343.24			
Total	5092.80					
Deletions						
Adjusted totals						
Totals previously reported		12,641.00	17,733.80			
Totals to date				4938.65	12,641.00	17,579.65

[1] Enter amount paid during month toward total purchase price.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.
[3] Submit copy of the Social Security form filed under the Old Age Insurance system showing complete wage and salary data or furnish copy of payroll sheet giving same data.

NOTE.—Indicate that portion of supervisory, office, and engineering salaries that is chargeable to this project.

FOR GOVERNMENT USE ONLY

Checked by J. Sandino

Entered by

Approved by Eric D. Enochsen

Amount approved for payment $2,469.33

Remarks Item 1 (b) not covered by Contract & deducted from this summary of expense.

16—64068-3

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF April 1952

(Supply Data Below Applicable Only to Your Operations)

Item	Costs					Progress [4]				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3]	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract (Exhibit A)
Drifting				2524.84	2524.84	feet	47	none	47	750 ft.
Crosscutting				2148.80	2148.80	"	40	180	220	500 ft.
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails buildings	84.00		70.15	154.15	154.15					
Test pits fixtures	54.00		82.19	136.19	136.19					
Other (specify) water-supply	54.00		74.82	128.82	128.82					
Totals	192.00		227.16	5092.80	5092.80					

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

16—64068-3 U. S. GOVERNMENT PRINTING OFFICE

May 14,1952
208 South K Street
Livingston, Montana

United States of America
Department of the Interior
Defense Minerals Administration
Bureau of Mines
1201 North Division Street
Spokane, Washington

Gentlemen:

Enclosed you will find a report and a sketch map of the cross-cut and drifting that has been completed by the Castle Lead and Zinc Company during the month of April 1952.

This report includes all the drifting and cross-cutting up to, and including May 3rd. when the drift was shut down.

$419.16 was spent on the camp which included the following:

1, two outside toilets
2, installing linoleum on the cookhouse floor
3, installing a water system in the cookhouse

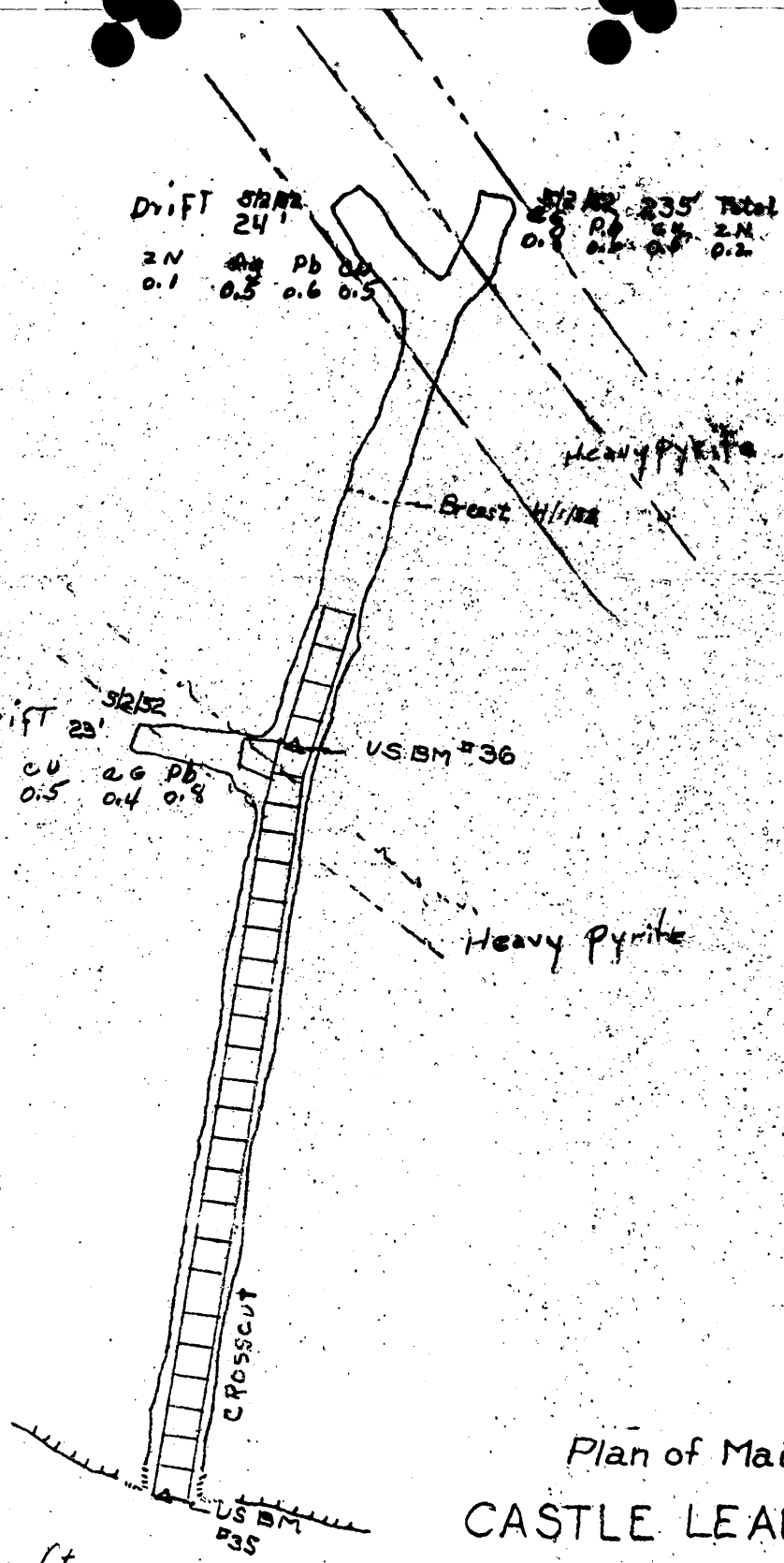
Upon receipt of a letter from Mr.Weissenborn and Mr.M.E.Volin on May 15th. that the Government has withdrawn from the Smuggler adit, but that amendment may provide for the re-opening of the Yellowstone shaft.

Yours very truly,

CASTLE LEAD AND ZINC COMPANY
IdM-E240

By, Ed C. Hughes
Ed C. Hughes, President

ECH:nh
Enc.



Drifting 47 ft.
Crosscutting 235 ft.

Plan of Main Adit

CASTLE LEAD & ZINC CO.

Scale: 1" = 30'

May 3, 1952

A. V. TRENT,
Owner-Manager

GOODALL BROTHERS

ASSAYERS AND METALLURGICAL CHEMISTS

46 SO. MAIN ST., HELENA, MONTANA

TEL. 628
P. O. BOX 537

Small shaft Co. acct.

Date MAY 17 1952

UMPIRE ASSAY..... CONTROL ASSAY..... HAND SAMPLE.....

ASSAYED FOR: Castle Lead & Zinc Co. 208 Ash St. Livingston, Montana

MARKS:

Sample No.	DESCRIPTION	GOLD Ozs. Per Ton	SILVER Ozs. Per Ton	WET LEAD Per Cent	COPPER Per Cent	ZINC Per Cent	IRON Per Cent	INSOL. Per Cent	Per Cent	Total Value Per Ton
103	Dump of shaft		0.5	13.0		1.6				
104	[illegible]		6.6	16.8						
105	3 ft of gouge		6.0	12.6		0.9				

Gold not deducted:.....

Charges $..... Report assays

GOODALL BROS.

By A. V. Trent

NPCo. B-8027—Form 1

MF-104
(August 1951)

Budget Bureau No. 42-R1036.2.
Approval Expires 6-30-52.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Contract No. 240
Idm-E

Name of Operator Castle Lead and Zinc Company
Docket No. DMA 565X
Total Contract Amount $ 99,850.00
Government Participation: 50% % Amount $ 49,925.00
Distribution of Expenditures for Month of March, 1952

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

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

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

Maps.—Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

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

CERTIFICATION

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

Castle Lead and Zinc Company
(Name of Company)

By Ed C Hughes
(Signature of Authorized Official)

4-17-52
(Date)

President
(Title)

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

16—64068-3

MONTHLY SUMMARY COST STATEMENT

List as Shown on Exhibits Attached to Contract

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only		
				Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
1. Fixtures and Improvements:						
(a) Facilities						
(b) Buildings	2963.80	None	2963.80			
(c) Fixtures						
Furnishings and equipment for buildings	7.60	None	7.60			
2. Operating Equipment:						
(a) Purchased[1]						
(b) Rented[2]						
(c) Furnished by operator						
3. Rehabilitation and Repairs:						
(a) Facilities						
(b) Buildings						
(c) Installations						

MONTH[illegible] SUMMARY COST STATEMENT—C[illegible]inued

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(d) Fixtures						
4. Labor[3]						
5. Supervision						
6. Supplies						
(a) Timber						
(b) Explosives						
(c) Repair Parts						
(d) Other						
7. Power						
8. Transportation						
9. Insurance						
(a) Fire						
(b) Public Liability						
(c) Workmen's Compensation						
10. Contract Work						
11. Other (specify)						
62' @ $53.72/ft. (As per Amendment No. 1)	3330.64	6338.96	9669.60			
Total	6302.04					
Deletions						
Adjusted totals						
Totals previously reported		6338.96				
Totals to date			12,641.00			

[1] Enter amount paid during month toward total purchase price.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.
[3] Submit copy of the Social Security form filed under the Old Age Insurance system showing complete wage and salary data or furnish copy of payroll sheet giving same data.

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

FOR GOVERNMENT USE ONLY

Checked by W R Lee
Entered by
Approved by Eric G. Erickson
Amount approved for payment $3151.07
Remarks

16—64068-3

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF March , 1952

(Supply Data Below Applicable Only to Your Operations)

Item	Costs					Progress [4]				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3]	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract (Exhibit A)
Drifting										
Crosscutting				3330.64	3330.60	feet	62	118	180	500
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails										
Test pits										
Other (specify) Const. of Buildings				2963.80	2963.80					
Furnishings for Buildings				7.60	7.60					
Totals				6302.04	6302.04					

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

16—64068-3 U. S. GOVERNMENT PRINTING OFFICE

208 South K Street
Livingston, Montana
April 1, 1952

United States of America
Department of the Interior
Defense Minerals Administration
Bureau of Mines
1201 North Division Street
Spokane, Washington

Gentlemen:

Enclosed you will find a sketch map of the crosscut which has been completed by the Castle Lead and Zinc Company during the month of March. The advance was 62 feet, making a total of 194.7 feet of crosscut.

A heavy mineralized zone has been encountered at 185 feet, showing heavy pyrite.

Yours truly,

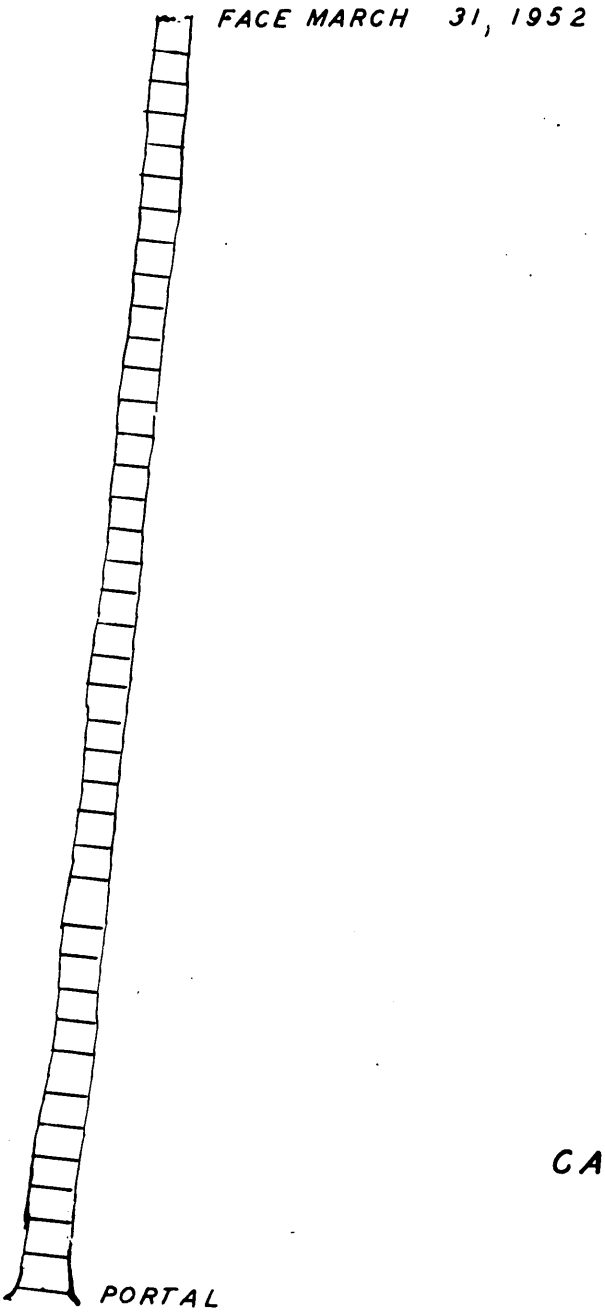
CASTLE LEAD AND ZINC COMPANY

By Ed C Hughes
Ed C. Hughes, President

ECH:bm
Enc.

Advance 62'
Heavy pyrite mineralization
No ore

I d M E 240



UNDERGROUND WORKINGS
CASTLE LEAD AND ZINC COMPANY
MEAGHER COUNTY MONTANA
SCALE 30 FEET TO 1 INCH

I d M E 240

MF-104
(August 1951)

Budget Bureau No. 42-R1036.2.
Approval Expires 6-30-52.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Contract No. 240
Idm-E

Name of Operator Castle Lead and Zinc Company
Docket No. DMA 565X
Total Contract Amount $ 99,850.00
Government Participation: 50% Amount, $ 49,925.00
Distribution of Expenditures for Month of February, 1952

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

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

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

Maps.—Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

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

CERTIFICATION

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

Castle Lead and Zinc Company
(Name of Company)

By Ed C Hughes
(Signature of Authorized Official)

4-17-52
(Date)

President
(Title)

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

16—64068-3

MONTHLY SUMMARY COST STATEMENT

List as Shown on Exhibits Attached to Contract

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only		
				Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
1. Fixtures and Improvements:						
(*a*) Facilities						
(*b*) Buildings						
(*c*) Fixtures						
2. Operating Equipment:						
(*a*) Purchased[1]						
(*b*) Rented[2]						
(*c*) Furnished by operator						
3. Rehabilitation and Repairs:						
(*a*) Facilities						
(*b*) Buildings						
(*c*) Installations						

MONTH[illegible] SUMMARY COST STATEMENT—[illegible]inued

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(d) Fixtures						
4. Labor[3]						
5. Supervision						
6. Supplies						
(a) Timber						
(b) Explosives						
(c) Repair Parts						
(d) Other						
7. Power						
8. Transportation						
9. Insurance						
(a) Fire						
(b) Public Liability						
(c) Workmen's Compensation						
10. Contract Work						
11. Other (specify)						
80' @ $53.72/ft. (as per contract Amendment No. 1)	4297.60	2041.36	6338.96			
Total	4297.60					
Deletions						
Adjusted totals						
Totals previously reported		2041.36				
Totals to date	✓	✓	6338.96 ✓			

[1] Enter amount paid during month toward total purchase price.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.
[3] Submit copy of the Social Security form filed under the Old Age Insurance system showing complete wage and salary data or furnish copy of payroll sheet giving same data.

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

FOR GOVERNMENT USE ONLY

Checked by WDR Lee
Entered by
Approved by Eric G. Erickson
Amount approved for payment $2148.00
Remarks

16—64068-3

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF February, 1952

(Supply Data Below Applicable Only to Your Operations)

Item	Costs					Progress [4]				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3]	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract (Exhibit A)
Drifting										
Crosscutting				4297.60	4297.60	feet	80	38	118	500
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails										
Test pits										
Other (specify)										
Totals				4297.60	4297.60					

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

16—64068-3 U. S. GOVERNMENT PRINTING OFFICE

208 South K Street
Livingston, Montana
March 1, 1952

United States of America
Department of the Interior
Defense Minerals Administration
Bureau of Mines
1201 North Division Street
Spokane, Washington

Gentlemen:

Enclosed you will find a sketch map of the crosscut that has been completed by the Castle Lead and Zinc Company during the month of February. Our advance was 80 feet, making a total of 132.7 feet of crosscut.

The following buildings have been completed:

Bunk House - 18x24,	at a cost of	$1,650.00
Blacksmith Shop -16x30	Cost of	833.80
1 Building - 16x24, which was located on the ground and was winterized and is being used temporarily as a cook house --	at a cost of	400.00

Yours truly,

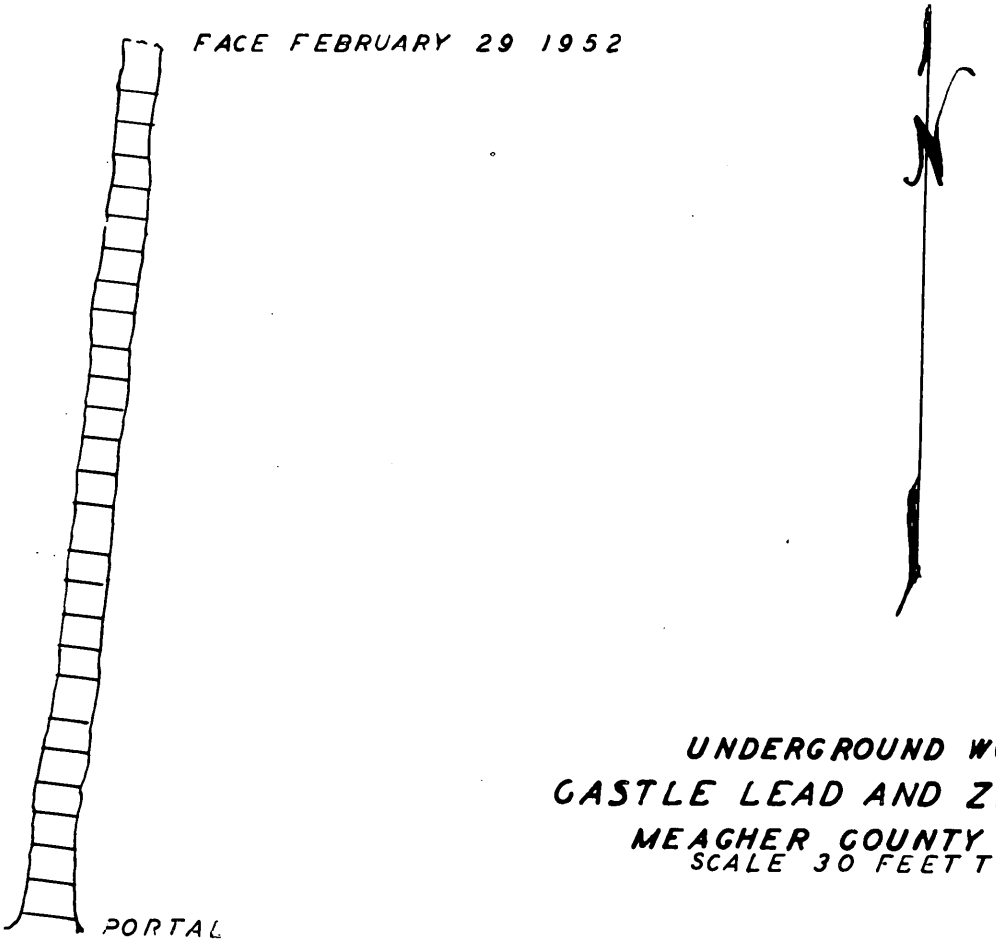
CASTLE LEAD AND ZINC COMPANY

By Ed C. Hughes
Ed C. Hughes, President

ECH:bm
Enc.

Advanced 80' no ore

IdM E 240



UNDERGROUND WORKINGS
CASTLE LEAD AND ZINC COMPANY
MEAGHER COUNTY MONTANA
SCALE 30 FEET TO 1 INCH

I dM E 240

MF-104
(August 1951)

Budget Bureau No. 42-R1036.2.
Approval Expires 6-30-52.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Contract No. 220
Idm-E

Name of Operator [illegible]
Docket No. DMA [illegible]
Total Contract Amount $ [illegible]
Government Participation: [illegible] % Amount, $ [illegible]
Distribution of Expenditures for Month of [illegible]

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

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

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

Maps.—Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

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

CERTIFICATION

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

[illegible] By Ed C Hughes
(Name of Company) (Signature of Authorized Official)

4-17-52 [illegible]
(Date) (Title)

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

16—64068-3

MONTHLY SUMMARY COST STATEMENT

List as Shown on Exhibits Attached to Contract

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only		
				Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
1. Fixtures and Improvements:						
(*a*) Facilities						
(*b*) Buildings						
(*c*) Fixtures						
2. Operating Equipment:						
(*a*) Purchased[1]						
(*b*) Rented[2]						
(*c*) Furnished by operator						
3. Rehabilitation and Repairs:						
(*a*) Facilities						
(*b*) Buildings						
(*c*) Installations						

MONTHLY SUMMARY COST STATEMENT—Continued

Item	Monthly Total	Totals Previously Reported	Totals to Date	For Government Use Only: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(d) Fixtures						
4. Labor [3]						
5. Supervision						
6. Supplies						
(a) Timber						
(b) Explosives						
(c) Repair Parts						
(d) Other						
7. Power						
8. Transportation						
9. Insurance						
(a) Fire						
(b) Public Liability						
(c) Workmen's Compensation						
10. Contract Work						
11. Other (specify)						
[illegible] 72/[illegible] (As per [illegible] Form No. 1)	2042.36	None	2042.36			
Total	2042.36					
Deletions						
Adjusted totals						
Totals previously reported		None				
Totals to date			2042.36			

[1] Enter amount paid during month toward total purchase price.
[2] Payments for rental of equipment or prorated depreciation on equipment owned by contractor.
[3] Submit copy of the Social Security form filed under the Old Age Insurance system showing complete wage and salary data or furnish copy of payroll sheet giving same data.

NOTE.—Indicate that portion of supervisory, office, and engineering salaries that is chargeable to this project.

FOR GOVERNMENT USE ONLY

Checked by W R Lee
Entered by
Approved by Eric A. Erickson
Amount approved for payment $1020.68
Remarks

16—64068-3

EXPLORATION UNIT COST AND PROGRESS REPORT FOR MONTH OF January, 1952

(Supply Data Below Applicable Only to Your Operations)

Item	Costs					Progress [4]				
	Wages [1] and salaries	Equipment [2]	Supplies	Other [3]	Total	Unit	Units this month	Units previously reported	Units to date	Units authorized by contract (Exhibit A)
Drifting										
Crosscutting				2041.36	2041.36	Feet	38	None	38	500
Raising										
Shafts										
Winzes										
Drill holes										
Overburden										
Rehabilitation and preparation										
Geology and geophysics										
Trenching										
Sampling and assaying										
Roads and trails										
Test pits										
Other (specify)										
Totals				2041.36	2041.36					

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

16—64068-3 U. S. GOVERNMENT PRINTING OFFICE

208 South R Street
Livingston, Montana
February 1, 1952

I dM E 240

United States of America
Department of the Interior
Defense Minerals Administration
Bureau of Mines
1201 North Division Street
Spokane, Washington

Gentlemen:

Enclosed you will find sketch map of the crosscut that has been completed by the Castle Lead and Zinc Company during the month of January, 1952.

Beginning January 18, to January 31, a tunnel was advanced 38 feet. Prior to January 18, there was 14.7 feet of crosscut, which does not apply to the government contract, making a total footage of 52.7 feet of crosscut to date.

Due to the severe winter weather, drifting will probably be slow.

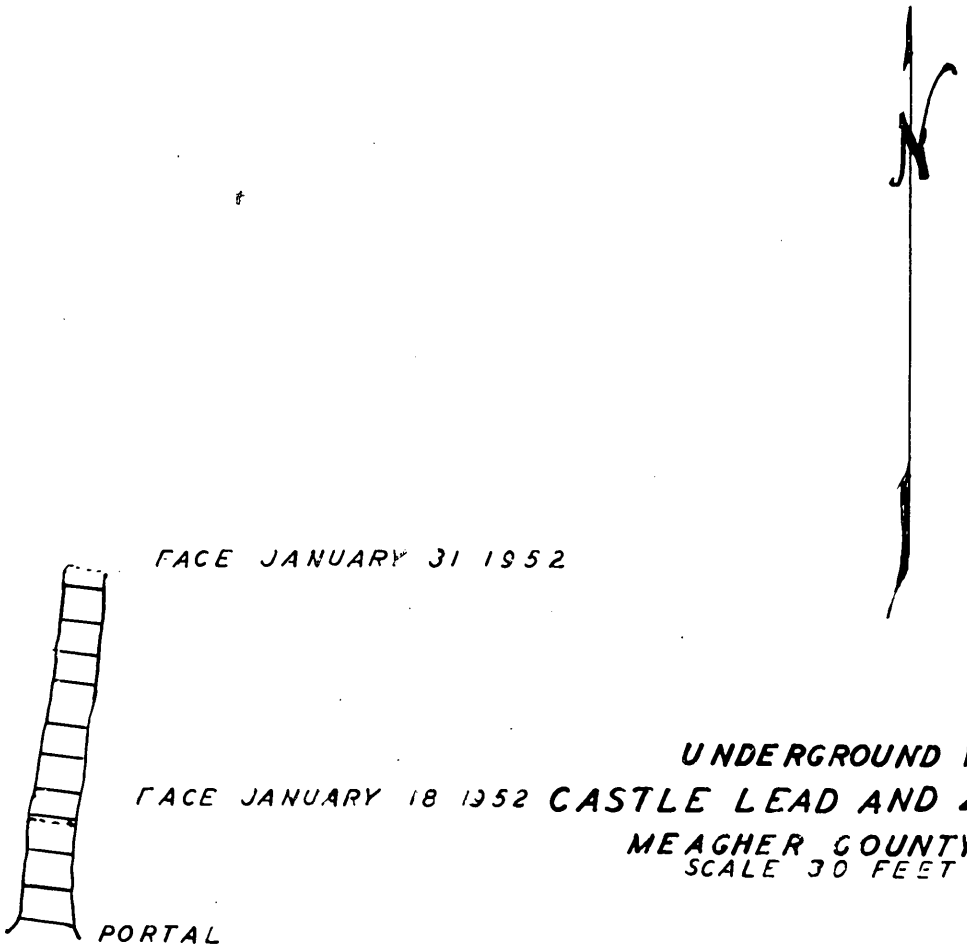
Yours truly,

CASTLE LEAD AND ZINC COMPANY

By Ed C. Hughes
Ed C. Hughes, President

ECH:bm
Enc.

38' advanced
no ore



UNDERGROUND WORKINGS
CASTLE LEAD AND ZINC COMPANY
MEAGHER COUNTY MONTANA
SCALE 30 FEET TO 1 INCH

IdM E240

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

PROJECT SUMMARY REPORT

By: W. R. Griswold May 26, 1954

1. Docket No. DMA-565 (Lead-Zinc)
   Contract No. Idm-E240
   Property: Yellowstone, et al. Claims
   Location: Meagher County, Montana

   Operator: Operator was the owner of the group of unpatented claims cited in the Contract, except for the Yellowstone claim, which was held under lease and purchase option dated September 15, 1951.

2. Contract dated January 18, 1952.

Work Authorized

1,250 ft drifting and crosscutting at $47.71	$ 59,640.00
2,000 ft diamond drilling at $6.00	12,000.00
Installation and construction of surface buildings	8,500.00
Equipment to be purchased	10,750.00
Equipment to be rented	8,960.00
Total	$ 99,850.00
Government participation, 50%	$ 49,925.00

Amendments

No. 1 Dated May 1, 1952

Permits subcontracting of mine work and diamond drilling.

Increases allowable drifting and crosscutting costs to $53.72.

Delineates where drifting and crosscutting shall be done.

No increase in total project cost.

No. 2 Dated June 7, 1952

Stipulates no further work to be done in Smuggler Adit

Allows bulldozing.

No increase in project total cost.

Work Completed

267 ft of crosscutting and drifting @ $53.72	$ 14,343.24
Construction, bulldozing, etc.	2,356.56
Total	$ 16,699.80
Government participation, 50%	$ 8,349.90

The project was terminated July 25, 1952, due to the disappointing results of the work done to that time.

3. Audit Certificate - Dated June 25, 1953.

4. No certification

5. The claims are underlain by metamorphosed upper Cambrian and Devonian carbonate rocks that have been intruded by thick sheets and irregular masses of granite porphyry and are bordered to the west by the large stock of granite or quartz monzonite that forms the core of the Castle Mountains. The metasedimentary rocks trend northwestward and dip approximately 45 degrees to the northeast. The largest bodies of porphyry also have a northwest trend and at least locally conform to the dip of the metasediments (see map).

The Yellowstone ore body appears to have been a steeply pitching chimmey-like replacement in recrystallized dolomite in a small embayment along the east margin of a thick mass of porphyry (~~see map~~). The body was explored by a discovery shaft and later was mined from a working shaft collared in porphyry and reported to have been sunk to a depth of 400 feet and to have had appended four levels totalling 500 feet of drifts and crosscuts. All of these workings have been inaccessible for many years. The ore consisted of galena and cerussite in a gangue of brown jasper. A little magnetite and unidentified secondary zinc minerals occur locally.

The Smuggler Zone consists of discontinuous exposures of limonitic gossan associated with epidote, coarse garnet, and other high temperature silicate minerals and locally with specular hematite. These showings occur at about the same stratigraphic position near the top of an elongate septum of argillite and hornfels between two thick sill-like bodies of porphyry (see map). The zone trends northwest and dips about 45 degrees northeast. Samples collected by the operator from some of the exposures of gossan contained traces of lead, zinc, and silver.

The work of the DMEA project disproved any reasonable likelihood of ore in the Smuggler Zone. Furthermore such work also disproved any reasonable likelihood of additional shallow ore in the Yellowstone area. Apparently the only remaining possibility would be to explore for ores below the bottom level of the old Yellowstone shaft, a project which would involve excessively high expenditures not warranted by the scant information available.

W. R. Griswold

W. R. Griswold

[X] Audited

[ ] Certified

ANALYSIS SHEET - DMEA PROJECT

Analysis as of 12/9/54.
Incl. Voucher for July 1952.

[ ] Actual Cost

[X] Agreed Unit Costs

Name Castle Lead and Zinc Co.

Docket No. DMEA-565

State Montana.

Commodity Lead-Zinc

Idn-E No. 340

OPERATION	AUTHORIZED Units	AUTHORIZED Cost	COMPLETED Units	COMPLETED Cost	NET COST
Drifting & Crosscutting	1250'	$67,150.00	267'	$14,343.24	$14,343.24
Raising					
Shafts					
Winzes					
Drilling (Specify) Diamond (Core)	2,000'	12,000.00			
Surface Excavation					
Underground Excavation					
Roads and Trails					
Operating Equipment Purchased					
Surface Rehabilitation & Repairs					
Underground Rehabilitation					
New Building, Improvements, etc.		8,500.00		1,130.25	1,030.25
Other (Specify) Bulldozing etc		12,200.00		1,326.31	1,326.31
Totals		$99,850.00		$16,799.80	$16,699.80
Building Salvage Value					$100.00

Prepared by W. P. Klugscheid

Greenwold
Betty

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 18 1953

Note - Bg 8

NOTE Please refer to our letr. dated 11/4/53 to Mr. Ed. C. Hughes President, Castle Lead & Zinc Co., transmitting a copy of an audit Certificate and Audit Report. Would you please destroy your copy of this letter as it did not reach Mr. Hughes. We re-called it from the P.O. before it was delivered because it was sent to Hughes in error. (signed EMR, reg. II

Mr. [illegible]
[illegible]
[illegible]

[illegible]

Dear Mr. [illegible]:

Enclosed herewith is a copy of an audit certificate and audit report pertaining to the subject contract for the period January 10, 1952, to April 1, 1952. One copy of this report is for your files and information.

[illegible]

[illegible]
[illegible]
[illegible]

Enclosure

cc: DMEA (2)
U.S.BM (1)
[illegible]
[illegible]
[illegible]
[illegible]

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D. C.~~
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 5 1953

November 4, 1953

Mr. [illegible] C. Hughes, President
Castle Lead & Zinc Company
Box 125
Boulder, Montana

Re: Docket No. DM[illegible]-369 (Lead-Zinc)
Castle Lead & Zinc property
Meagher County, Montana
Contract No. Idm-[illegible]240 (Terminated)

Dear Mr. Hughes:

Enclosed herewith is a copy of an Audit Certificate and Audit Report pertaining to the subject contract for the period of January 18, 1952, to April 1, 1953. This copy of the report is for your files and information.

Sincerely yours,

Thor E. Killsgaard
Acting Member, DMEA
Field Team, Region II

Enclosure

cc: DMEA (2)
USBM (2)
Con. Adm. & Aud. Div., Wash., D. C.
C. A. Turner
R. M. Hull
Weeks

FILE COPY
SURNAME: 800

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

OCT 20 1953

Mr. Charles A. Turner
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

AIR MAIL

Re: Docket No. DMEA-565
Castle Lead & Zinc Company
Meagher County, Montana
Contract No. Idm-1240

Dear Mr. Turner:

Receipt is acknowledged of your letter of October 15, 1953, requesting advice as to whether distribution of the Audit Report, covering your audit of the referenced project, is in order.

By letter of September 3, 1953, I advised Mr. Hull, in your absence, as follows:

> "You are therefore requested to make the regular distribution of Mr. Turner's audit report and certificate and arrange to have the copies of your original report and certificate marked "void, see audit report and certificate of June 25, 1953." In transmitting the Operator's copy of the report you might explain that information furnished by the Company led to a further investigation and revised audit report and certificate and that the old audit report and certificate have been voided. If you care to you can explain that the new audit was made on the recommendation of the Chief of the Contract Administration and Audit Division and approved by the General Counsel of DMEA."

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
October 20, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.C.G.
10-20-53

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
1201 N. Division Street
Spokane 2, Washington

Defense Minerals Exploration Administration
RECEIVED
OCT 19 1953

October 15, 1953

AIR MAIL

Mr. Jay L. Chambers, Chief,
Contract Administration and Audit Division,
Defense Minerals Exploration Administration,
Department of the Interior,
Washington 25, D. C.

Re: Castle Lead and Zinc Co.
Docket No. DMA 565X
Contract Idm-E240

Dear Mr. Chambers:

The Castle Lead and Zinc Co. have repaid to the Government the amount indicated by my audit of June 25, 1953. Mr. Weissenborn, being instrumental in making this collection, is anxious to close the case. I have not, however, had any authority to release the audit and was wondering if it would be in order to do so.

Mr. Hull is in Southern Idaho on a field trip and is scheduled to return about October 22, 1953.

Yours truly,

C. A. Turner
Auditor

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

So. 157 Howard Street
Spokane 4, Washington

Department of the Interior
Defense Minerals Exploration
Received
OCT 12 1953

October 8, 1953

Mr. Ray Hindman
Certifying Officer
DMEA, Region II
1201 N. Division
Spokane, Washington

Re: Docket No. DMEA-565X (lead-zinc)
Castle Lead and Zinc Company
Meagher County, Montana
Contract Idm-E240 (terminated)

Dear Ray:

In connection with the Field Team's letter of September 4, 1953, to Mr. George Voldseth, Vice-President of the subject mining company, the following checks are enclosed:

Treasury check No. 13,728,452 in the amount of $626.84 dated March 10, 1953, drawn against the account of the Regional Disbursing Officer of Portland, Oregon - No. 420.

Personal check of the Castle Lead and Zinc Company in the amount of $440.53 (No. 11), dated September 29, 1953 drawn against the company account of the Continental National Bank, Harlowton, Montana, and endorsed by George Voldseth, Vice-President, and Martin T. Grande, Secretary.

The first check was issued to cover the Government's participation in project work invoiced by the operator for the months of June and July 1952. Payment of this check was subsequently withheld pending an audit investigation and clarification of the company's transactions in some instances, and remains a credit to the account of the operator.

The second check represents the net amount owed to the Government because the operator was overpaid in the amount of $440.53.

Will you please make proper disposition of these checks so that this account can be cleared off the books.

Very truly yours,

A. E. Weissenborn, Exec. Officer
DMEA Field Team, Region II

cc: DMEA(2); USBM(2); Auditor Hall(1)

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
1201 N. Division Street
Spokane 2, Washington
September 8, 1953

File-JL

Mr. Jay L. Chambers, Chief
Contract Administration and Audit Division
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Dear Mr. Chambers:

Reference is made to your letter of September 3, 1953 concerning the audit of the Castle Lead and Zinc Co., Docket No. DMEA-565, Contract No. Idm-E240. Mr. Turner's audit report and certificate have not been signed; therefor, I cannot make the regular distribution. At such time as the distribution is made, the original audit and certificate of February 9, 1953 will be marked "Void, see audit report and certificate of June 25, 1953."

Sincerely yours,

Robert M. Hull

Robert M. Hull
Auditor

RB

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D.C.
So. 157 Howard Street
Spokane 4, Washington

file in Project folder

SEP 6 1953

September 4, 1953

Mr. George Voldseth
Lennep,
Montana

Subject: Docket DMA-565X (lead-zinc)
Castle Lead and Zinc Company
Contract No. Idm-E240 (terminated)

Dear Mr. Voldseth:

This letter is being directed to you inasmuch as you are familiar with the investigation of company records by DMEA auditors, and as it is assumed you are still interested in the company, and that you will direct this letter to the attention of the proper company officials. A copy of this letter is being forwarded to Mr. Martin T. Grande, Secretary-Treasurer, Castle Lead and Zinc Company; however, we are not sure of his address but we are sending it to the only address we have for the company - Livingston, Montana.

From an examination of DMEA auditors' reports, it appears that the Castle Lead and Zinc Company, hereafter referred to as the Operator, gave to one of its principal stockholders a contract to move and reconstruct or construct some buildings for the contracted sum of $2,963.80 as part of the necessary work on the subject DMEA project. The Operator actually paid the contract sum of $2,963.80, but the stockholder repaid to the Operator the sum of $1,833.55, so that the net cost to the Operator, and the only cost reflected on its books, is the sum of $1,130.25. In short, the Operator has claimed contribution from DMEA on the basis of the gross amount of $2,963.80 instead of the actual net cost of $1,130.25.

The Government, as well as the Operator, should share in all discounts, rebates, and other benefits received in the ordinary course of contract business. It therefore has been concluded by the DMEA Administrator that the Government should participate only in the sum of $1,130.25, which means the Operator owes the Government the sum of $916.77 or 50 percent of $1,833.55, 50 percent of the difference between the gross amount billed and the actual cost of the work involved.

NB

There is also the matter of $300.00 in wages paid to N. L. Nichols for bulldozing work performed under authority of Amendment No. 2 of the contract. The DMEA audit shows that check No. 188 dated December 2, 1952, in the amount of $300.00 was issued in payment to Mr. Nichols who accepted, endorsed, and returned the check to the Operator, who accepted and deposited it in the company bank account on May 24, 1953. The Government should also participate in the benefits of this work; therefore, the Operator owes the Government 50 percent of $300.00 or $150.00.

On March 5, 1953 the DMEA Certifying Officer for this region forwarded to our DMEA Disbursing Officer the recommendation that the Operator be issued a check for the sum of $626.84 to cover the Government's participation in project work invoiced by the Operator for the months of June and July 1952, this being the last invoice received from the Operator. It was subsequently recommended by the Executive Officer that payment on this check be withheld, consequently the Government still owes this money to the Operator.

According to the foregoing discussion, we calculate the sum of money owed the Government by the Operator as follows:

	Debit		Credit
50% of $1,833.55-	$ 916.77		
50% of 300.00-	150.00		$626.24
Total	$1066.77	Total	$626.24

Therefore

$1,066.77
Less 626.24

$ 440.53 - Net amount owed to the Government

By deleting $626.24, the amount owed the Operator, from the total owed the Government, we find the Operator has been overpaid by the sum of $440.53.

Before the contract may be closed, it will be necessary for the Operator to pay the Government the amount owed. We suggest this be done by a check payable to the Treasurer of the United States but mailed to this office, in care of the Executive Officer.

We wish to thank you for the attention you have given this case and for the honest and forthright manner in which you have helped in correcting the Operator's account.

By Field Team Region II

~~A. B. Weissenborn, Exec. Officer~~
(U. S. Geological Survey)

M. E. Volin, Member
(U. S. Bureau of Mines)

cc: Martin T. Grande DMEA(2); USBM(2); Auditor Hull

FILE COPY
SURNAME:
800

Chambers

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

SEP 3 1953

Mr. Robert Hull
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: Docket No. DMEA-565
Castle Lead & Zinc Company
Meagher County, Montana
Contract No. Ida-3240

Dear Mr. Hull:

Reference again is made to your audit of February 9, 1953 of the above-cited contract. Information which came to DMEA after your audit indicated that certain project expenses allowed by the audit were questionable. As a result of this information Mr. C. A. Tuttner was assigned to make a new audit and particularly to investigate the two transactions where a part or all of the money paid to a contractor and employee who was also a stockholder of the Company was returned as a gift to the Company. This office held that the Company should not prosper at the expense of the Government on a mutual undertaking and that profits earned on the contract work should not be returned to the Company but should be a project benefit. Mr. Tuttner recommended that these two items of cost not be allowed as project cost. His recommendation was approved by this office and by the General Counsel of DMEA; hence, it appears that your audit of February 9, 1953 should be voided and the audit made by Mr. Tuttner under date of June 25, 1953 be accepted.

You are therefore requested to make the regular distribution of Mr. Tuttner's audit report and certificate and arrange to have the copies of your original report and certificate marked "void, see audit report and certificate of June 25, 1953." In transmitting the Operator's copy of the report you might explain that information furnished by the Company led to a further investigation and revised audit report and certificate and that the old audit report and certificate have been voided. If you care to you can explain that the new audit was made on the recommendation of the Chief of the Contract Administration and Audit Division and approved by the General Counsel of DMEA.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
September 3, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.C.B.
9-3-53

FILE COPY
SURNAME:

Chambers
Hofflund

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

AUG 12 1953

Mr. A. E. Weisenborn
Executive Officer
DMEA Field Team, Region II
South 197 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-565 (Lead-Zinc)
Castle Lead & Zinc Company
Meagher County, Montana
Contract No. Idm-E240

Dear Mr. Weisenborn:

Receipt is acknowledged of your letter of August 6, 1953, in which you ask whether or not the $300.00 in wages paid to Mr. N. L. Nichols for work done in connection with bulldozing and stripping on the above-cited contract is subject to reclaim of 50 percent by the Government, similarly to the reclaim of the more than $1,800.00 refund on the construction of buildings.

The General Counsel and the Chief of the Contract Administration and Audit Division believe that the principles in the two instances are similar and that the Government should participate in its share of the $300.00 of wages earned on the contract and returned to the Company.

Sincerely yours,

C. O. Mittendorf (fw)

Administrator

JLChambers/wb
August 11, 1953

Copy to: Docket
Admr. Reading File
Mr. Hofflund
Mr. Griswold
Mr. Chambers

R.C.G.
8-12-53

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

So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 11 1953

August 6, 1953

Mr. C. O. Mittendorf
Administrator, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-565 (lead-zinc)
Castle Lead & Zinc Company
Meagher County, Montana
Contract No. Idm-E240 (Terminated)

Dear Mr. Mittendorf:

I have your letter of July 30, 1953, referring to the contributions made by one of the principal stockholders to the subject company. I concur -- as I have stated previously -- with the conclusion that the Government should participate only in the sum of $1,130.25, the net amount paid by the company to its principal stockholder for the construction of the buildings.

There is also a matter of $300 wages paid to H. L. Nichols for work done in connection with bulldozing and stripping. I had suggested that there might be a different interpretation on whether the Government had a claim to this amount or not, but you do not mention this in your letter. I am somewhat uncertain about this point but will assume that the Government should not participate in this payment either, and we will attempt to recover the amount due us on this basis. If I am not correct in this assumption, I would appreciate your advice immediately.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: USBM (2)

FILE COPY
SURNAME:

140

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

JUL 30 1953

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-565 (Lead-Zinc)
Castle Lead and Zinc Company
Meagher County, Montana
Contract No. Idm-E240

Dear Mr. Weissenborn:

In your letter to me of July 1 you make some inquiries as to the propriety of allowing the full amount of payments made by the Operator to one of its officers and stockholders for services performed, in view of the fact that all or some part of the money paid was returned to the corporation.

It appears that the Operator gave to one of its own principal stockholders a contract to move and reconstruct or construct some buildings as part of the necessary work on a DMEA project, for the contract sum of $2,963.80. The Operator did actually pay the contract price to its stockholder in the sum of $2,963.80; but the stockholder repaid to the Operator the sum of $1,833.55, so that the net cost to the Operator, and the only cost reflected by its books, is the sum of $1,130.25. The Operator has claimed contribution from the Government on the basis of the gross amount paid to the stockholder in the sum of $2,963.80, instead of on the basis of the actual net cost to the Operator in the sum of $1,130.25.

It is plain that the Government as well as an Operator should share in all discounts, rebates, or other benefits received in the ordinary course of business. Although this transaction between the Operator and its own principal stockholder cannot readily be viewed as one in the ordinary course of business, yet in the absence of some affirmative showing by the Operator justifying the transaction, the Government should not participate in anything but the actual net costs to the Operator. The Government

should not participate on the basis of the gross amount originally paid by the Operator to its stockholder in the absence of an affirmative showing by the Operator that the transaction was bonafide and for the best interest of the Government even on the basis of the gross amount paid to its stockholder. Such a showing would have to negative any inference that the work could have been procured from some other subcontractor for the net amount that was actually paid by the Operator to its stockholder.

In short, from what I have before me and in the absence of any affirmative showing to the contrary by the Operator, I conclude that the Government should participate only in the sum of $1,130.25, the net amount paid by the company to its principal stockholder.

None of the foregoing is intended to indicate that in a suitable case and upon a proper showing by an operator reflected in his books and accounts, the operator may not have the benefit of such gifts, contributions, or other benefits as he may receive in connection with the exploration work other than in the ordinary course of business.

This letter has the approval of the Chief Counsel and the Chief of the Contract Administration and Audit Division.

Sincerely yours,

C. O. Mittendorf

Administrator

JLHofflund/emd
7/29/53
Copy to: Docket
C. O. Mittendorf
J. L. Chambers
W. R. Griswold
J. L. Hofflund
Operating Committee
J. H. Hedges
T. P. Thayer
chron.
pending

7/30/53

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

This letter has been rewritten by Hoffman and myself. See my memo JLF

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMEA-565 (Lead-Zinc)
Castle Lead and Zinc Company
Meagher County, Montana
Contract No. Idm-E240

Dear Mr. Weissenborn:

In your letter to me of July 1 you make some inquiries as to the propriety of allowing the full amount of payments made by the Operator to one of its officers and stockholders for services performed, in view of the fact that all or some part of the money paid was returned to the corporation.

Attached hereto is a copy of a draft of a circular entitled "'Costs Incurred'--Gifts, Contributions, Rebates, etc.," which has been prepared by the Chief Counsel and which you may accept at least for application to this particular case which inspired the circular. I believe that the circular will answer all of your inquiries.

The Chief Counsel's office advises me that employment by a corporate-operator of one of its principal stockholders and an officer would not be considered procurement "in the ordinary course of business" as that expression is used in the circular. It follows, that this corporation may have the benefit of the money turned back by the corporate officer which was paid to him on account of the services performed. All that you have to determine is that the services performed are reasonably worth the amount claimed for them. The file seems to indicate that this is the case, and if it is the case the full amount may be allowed as costs of the exploration work in spite of the fact that the corporation received back some of the amount paid.

For the sake of the record, we should require that the voucher for payment should disclose the full transaction, i.e., that it should show on its face the amounts

paid to the officer and stockholder and the amounts returned by the officer and stockholder, and that the full amount is allowed as the reasonable value of the services performed.

Sincerely yours,

Administrator

Enclosure

FILE COPY
SURNAME:

140

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

Hoffmeyer
Ackane

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMEA-565 (Lead-Zinc)
Castle Lead and Zinc Company
Meagher County, Montana
Contract No. Idm-E240

Dear Mr. Weissenborn:

In your letter to me of July 1 you make some inquiries as to the propriety of allowing the full amount of payments made by the Operator to one of its officers and stockholders for services performed, in view of the fact that all or some part of the money paid was returned to the corporation.

Attached hereto is a copy of a draft of a circular entitled "'Costs Incurred'--Gifts, Contributions, Rebates, etc.," which has been prepared by the Chief Counsel and which you may accept at least for application to this particular case which inspired the circular. I believe that the circular will answer all of your inquiries.

The Chief Counsel's office advises me that employment by a corporate operator of one of its principal stockholders and an officer would not be considered procurement "in the ordinary course of business" as that expression is used in the circular. It follows, that this corporation may have the benefit of the money turned back by the corporate officer which was paid to him on account of the services performed. All that you have to determine is that the services performed are reasonably worth the amount claimed for them. The file seems to indicate that this is the case, and if it is the case the full amount may be allowed as costs of the exploration work in spite of the fact that the corporation received back some of the amount paid.

For the sake of the record, we should require that the voucher for payment should disclose the full transaction, i.e., that it should show on its face the amounts

paid to the officer and stockholder and the amounts returned by the officer and stockholder, and that the full amount is allowed as the reasonable value of the services performed.

Sincerely yours,

Administrator

Enclosure

JLHofflund/emd
7/21/53

Copy to: Mails and Files
C. O. Mittendorf
J. L. Chambers
W. R. Griswold
J. L. Hofflund
Operating Committee
J. H. Hedges
T. P. Thayer
chron.
pending

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG - 4 1953

July 25, 1953

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMA-565 (lead-zinc)
Castle Lead & Zinc Company
Meagher County, Montana
Contract No. Idm-E240

Dear Mr. Mittendorf:

This will acknowledge your letter of July 21 regarding our difficulties with the subject contract.

As you point out, the motive of Mr. Nichols taking this job and giving his earnings to the company is difficult to understand and the reasons for this are as incomprehensible to me as they are to you. The legal aspects of this matter are baffling to me, for as far as I can see there was undoubted advantage to the company in these machinations. As far as I can determine there was no personal gain to any individual and therefore I have been hesitant to believe that there are grounds for any legal action. The whole thing is somewhat baffling to me and I will await Mr. Hofflund's appraisal of the situation with interest.

In regard to the postscript to your letter concerning how we can justify the sale of the buildings to the company for $100 when our engineer appraised them at $3,500 as of June 18, 1953. I wish to point out that the value that our engineer has put on the building is essentially their replacement value. However, the actual value of buildings at an isolated mine far removed from any town is something else again and depends entirely on the market, which in this case is practically non-existent. The only possible market would be another mine in the vicinity, which is not the case, or some rancher who could use the buildings, and as we know of none the buildings are of no value whatsoever. At least we are unable to find anyone who is willing to make us an offer for them. We therefore are at the mercy of the company who could make any nominal offer they pleased and therefore we felt that we had no recourse but to accept their nominal offer of $100. Possibly had we put a man on the job of disposing of these buildings we might have been able to have sold them for their salvage value but we doubt seriously whether the amount that we would have recovered would have repaid the mans salary; therefore, we felt that we might as well turn

the buildings over to the company for the nominal $100 which they offered.

Since Mr. Ed Hughes has been relieved of his responsibilities as president of the organization and as any legal action that we might take would only punish the stockholders who have brought this matter to our attention, my feeling is that we should merely recover such monies as the legal division may decide are justly due us and take no further legal action beyond this point.

Sincerely yours,

A. E. Weissenborn, T.H.K.

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: USBM (2)
Auditor

FILE COPY
SURNAME: 9/8

140

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

N.S. in R.R.

July 21, 1953

O'Kane

Memorandum

To: Mr. Jay L. Chambers, Chief
Contract Administration and Audit Division

From: Chief Counsel

Subject: Castle Lead and Zinc Company, Docket No. DMEA-565 (Lead-Zinc)

Reference is made to your memorandum to me of July 9 making some inquiries as to the propriety of allowing for contribution by the Government payments made to an officer of the corporate-operator, part of which were returned to the corporation.

Attached hereto is a copy of a proposed letter for the signature of the Administrator to Mr. Weissenborn, together with a copy of the proposed circular referred to therein. I believe that the circular and the letter will answer your inquiry, but if not, please advise me further. Of course, the circular and the letter to Mr. Weissenborn would probably have been referred to you for your approval, but you now have them in advance.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

Attachments

JLHofflund/emd

Copy to: Docket
J. L. Hofflund
chron.

FILE COPY
SURNAME:
800

Chambers
Journal

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

JUL 21 1953

Mr. A. E. Weissenborn
Executive Officer
DMA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMA-5651 (Lead-Zinc)
Castle Lead and Zinc Company
Meagher County, Montana
Contract No. Ida-F240

Dear Mr. Weissenborn:

Reference is made to your letter of July 1, 1953, in regard to certain transactions on the above-cited contract. I shall attempt to cover the points mentioned in your letter by paragraphs.

The initiation of a second audit of this contract was made as a result of a request from Mr. Chambers. He was not satisfied with the investigation made by Mr. Hull, because it was based entirely upon information in regard to check clearances and did not attempt in any way to obtain the circumstances which would produce such peculiar types of transactions on a Government project.

In regard to the value of the property as outlined in your second paragraph and the accompanying engineer's report, it would seem that at least one of these buildings, and maybe others, were purchased and moved to the site of the project without entirely dismantling them. Mr. Chambers contends that if this is the case, there must have been some idea of the final cost to the project of these buildings and therefore the contract let by Mr. Hughes to a stockholder of the company may have been based upon foreknowledge that a large profit was possible, a profit which actually resulted in more than 150 percent.

In the third paragraph you mention a $300 gift to the company by Mr. Nichols. The $300 gift is a little harder to fathom than the $1800 one. The question arises as to whether or not Mr. Nichols was actually a bonafide employee of the project. The motive of his taking a job and giving his earnings to the company is difficult to understand.

The remainder of your letter deals in general with what should be done in the way of making a claim against the company for the disallowances taken in the second audit. On this point I am in agreement with you that all the facts should be presented to the

Mails and Files:

The incoming letter to which this is in answer to is in Mr. Hofflund's office. As soon as Legal returns it to this office I shall forward it to you for attachment to this reply.

WBorovies

Chief Counsel for advice, and this has been done by the Contract Administration and Audit Division. Mr. Chambers tells me that a copy of his transmittal memorandum to the Chief Counsel has been sent to Mr. Turner with a request that Mr. Turner make it available to you. I will send you a copy of the Chief Counsel's decision as soon as it is made.

I wish to take this opportunity to thank you for your fine cooperation in this case. I am sorry that there was a little misunderstanding on the part of the auditor in regard to furnishing you a copy of the audit report. I am glad to know, however, that he did give you a copy later upon your request. The subject of making copies of audit reports available to the Field Teams was discussed in my letter to you under date of July 15. It is hoped that the proposed procedure will prevent the reoccurrence of any further misunderstandings in regard to the distribution of audit reports.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

JLChambers/wb
July 17, 1953

Copy to: Docket
Admr. Reading File
Administrator
Mr. Griswold
Mr. Chambers

P. S. Since your engineer appraised the buildings at $3500, as of June 18, 1953, how can the Administration justify their sale to the Company for $100?

C. O. Mittendorf (for)

FILE COPY
SURNAME: 800

Chamber
pc

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

JUL 1 0 1953

Mr. Charles A. Turner
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: Idm-E240, DMA-565X
Castle Lead and Zinc Co.

Dear Mr. Turner:

Reference is made to your audit of the above-cited contract and various correspondence relating thereto.

I am sending you a copy of a memorandum from me to the Chief Counsel requesting legal advice on the action which should be taken by the Government on this account.

Will you please let Mr. Weissenborn see the enclosed memorandum.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosure

JLChambers/wb
July 10, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.C.S.
7-10-53

Docket

FILE COPY
SURNAME:
800

Re

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

N.S. in R.R.

July 9, 1953

Memorandum

To: Mr. J. L. Koffhand
Chief Counsel

(Signed) J. L. Chambers

From: Jay L. Chambers, Chief
Contract Administration and Audit Division

Subject: Docket DMA-565X, Contract Idm-E240
Castle Lead and Zinc Company

On February 9, 1953 Mr. Robert K. Hull, one of the DMEA auditors stationed in Region II, transmitted an Audit Certificate and Report on the above-cited contract and determined that the total accepted cost of the project was $18,833.35, after a salvage value of three buildings was subtracted in the amount of $100.00.

In early May Mr. C. O. Mittendorf, Administrator, received a letter from Mr. George Veldorth, a stockholder of the above-cited company, dated May 10, 1953, in which he questioned certain activities of the president of the company in regard to the exploration contract. A copy of this letter is marked in the contract folder attached hereto as Exhibit 1.

On May 20, 1953 Mr. Mittendorf wrote to Mr. A. L. Weissenborn, Executive Officer in Region II, requesting that an auditor "make a thorough investigation of the activities of the Castle Lead and Zinc Company under our contract, giving especial attention to examining all check payments and invoices and making such contacts with persons as may seem advisable." Marked in folder as Exhibit 2.

On May 20, 1953 I wrote a letter to Mr. Charles A. Turner, requesting him in cooperation with the Executive Officer of Region II, to make a further investigation of the activities of the contractor. Marked in folder as Exhibit 3. Prior to the receipt of my letter directing Mr. Turner to make the investigation, Mr. Weissenborn requested Mr. Hull, also an auditor in Region II, to further investigate the Castle Lead and Zinc activities. A copy of Mr. Hull's report is marked as Exhibit 4. See also a memorandum from Mr. Hull to the DMEA Field Team, under date of May 27, 1953, marked as Exhibit 5, in explanation of his report.

On May 27, 1953 Mr. Weissenborn wrote a letter to Mr. Mittendorf in which he expressed the opinion that it was not necessary to make further investigations of the Castle Lead and Zinc Company, Contract Idm-E240. Marked in the folder as Exhibit 6.

Mr. Weissenborn wrote Mr. Mittendorf under date of June 17, 1953, and enclosed a copy of a letter received by him from Mr. Voldseth, stockholder in the above company. A copy of Mr. Weissenborn's letter is marked as Exhibit 7 and a copy of Mr. Voldseth's letter is marked as Exhibit 8.

There is also attached a report from Mr. C. A. Turner, auditor in Region II, containing (1) a transmittal letter; (2) a copy of a letter written by Mr. Ed C. Hughes, President of Castle Lead and Zinc at the time the exploration contract was in force; and (3) an Audit Certificate and Audit Report issued by Mr. Charles A. Turner. As a part of the Audit Report you will find some correspondence over the signature of Ed C. Hughes, T. C. Howard of the Bureau of Mines and an Audit Report of the company made by a Certified Public Accounting firm, all of which is attached as Exhibit 9. There is also attached as Exhibit 10 a letter from Mr. Weissenborn to Mr. Mittendorf under date of July 1, 1953, and a report on the buildings by representatives of the Bureau of Mines.

Will you examine the information attached in Exhibits 1 to 10 with a view of giving me an opinion on this case, which should include along with any other points you may wish to consider, (1) has an overpayment under the contract been made to the Castle Lead and Zinc Company, and (2) did the company make a fraudulent claim or an erroneous claim against the Government?

Attachments

JIChambers/wb
July 9, 1953

Copy to: Docket
Admre.RReading File
Administrator
Mr. Chambers

FILE COPY
SURNAME:
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Chamber
file

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

JUL 8 1953

Mr. Charles A. Turner
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: Ida-F240, DMA-565X
Castle Lead and Zinc Company

Dear Mr. Turner:

Reference is made to your letter of June 30, 1953, in regard to furnishing Mr. Weissenborn a copy of your Audit Report of the Castle Lead and Zinc Company's accounts. Under the circumstances Mr. Weissenborn needed a copy of the Report prior to its approval by this Division. The Executive Officer should be acquainted with an audit report, but he should not be given a copy for action until it has been approved by this office. We have had at least one sad experience in a case where an Executive Officer took action on an unapproved audit report.

There are a number of questions growing out of the reported activities of this Company which need to be given very serious consideration, not only by the Audit Division, but also by the General Counsel of DMEA. The question arises as to the motives of a large stockholder of a Company taking a contract for his Company and making a 100 percent profit on the deal, then enriching the Company apparently at the expense of the Government by donating the profit. This large stockholder also did other work for the project which under the circumstances may have been done primarily for the purpose of enriching the Company at the Government's expense, because he donated his payment to the Company. These are points, of course, which our Legal Division will have to determine.

There are also other points which give me some concern. There is a possibility it seems to me that one or more of these buildings were purchased as a structure and sawed into two parts and moved to the site of operation. The $333.80 check may have been the purchase price of these buildings. In case this is true there certainly must have been some foreknowledge on the part of the Company officials as to the total cost of moving and re-establishing the buildings. If my hypothesis should be correct then there must have been some collusion between Company officials. I shall let you know the developments of this case after its full consideration by the officials of DMEA.

I want to thank you for your efforts in getting the facts on the transactions which were questioned by a stockholder of the Company.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
July 8, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

FILE COPY
SURNAME:
800

Chambers

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

JUL 2 1953

Mr. Robert M. Hull
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: Docket No. DMA-565X
Contract No. Idm-E240
Castle Lead and Zinc Company

Dear Mr. Hull:

Reference is made to previous correspondence under the signature of the Administrator and also a letter signed by me in regard to the above-cited contract.

No doubt Mr. Weissenborn has shown you a letter signed by George Voldseth under date of June 11, 1953, in regard to certain questionable activities of the previous president of the Castle Lead and Zinc Company, Mr. E. D. Hughes. To say the least it is no star in the crown of the Contract Administration and Audit Division that a thorough investigation of this case was not made based upon the information furnished by a stockholder of the company who is now president. An alert auditor would have done a better job on his investigation, than it appears you did. This case has all the earmarks of a "kick back" between a subcontractor and the administrative authorities of the Castle Lead and Zinc Company, and an auditor should not rest until there is conclusive evidence that the transactions were legitimate or that they resulted in false claims against the Government.

In your memorandum of May 27, 1953 to the DMEA Field Team, Region II, you made the following statements: "These checks are not to be considered questionable as far as they relate to the exploration project, but they could possibly be questioned by the stockholders", and, "It would appear that we have no further concern as to what was done with the money after Mr. Nichols endorsed the checks." To me these statements clearly reveal that you do not have a full comprehension of the responsibilities of this Division. One of the prime functions of the Division is to see that the Government does not pay costs which are not true costs. Money is appropriated by the Government to assist in the discovery of strategic and critical minerals and is not to be used to enrich anyone unjustly. Therefore, every questionable transaction should be cleared to the entire satisfaction of the Government.

R.C.G.
7-2-53

I hope the above experience will be an incentive for you to be more inquisitive and less credulous in future audits.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
July 1, 1953

cc: Docket
Admr. Reading File
Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Business Administration
RECEIVED
JUL 3 1953

July 1, 1953

Air Mail

Mr. C. O. Mittendorf
Acting Administrator, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMA-565X (Lead-Zinc)
Castle Lead and Zinc Company
Meagher County, Montana
Contract Idm-E240

Dear Mr. Mittendorf:

Reference is made to your letter of June 30 and several other letters on the subject contract. As requested by you, Mr. Turner was asked to review the Castle Lead and Zinc account and to check for any evidence of irregularity. Mr. Turner has made an audit report which, with an accompanying letter, has been mailed to Mr. J. L. Chambers, Chief of the Contract Administration and Audit Division. I had expected that this letter and report would be forwarded to you through me as it was you who had requested me to have this examination made. Mr. Turner, however, felt that his instructions from the Contract Administration and Audit Division required that he send his report direct to Mr. Chambers pending its release by Mr. Chambers. This, I ~~feel~~ learn, is the standard procedure with all audit reports. As a result, there has been a delay in my reply to your letter, as I did not know immediately that Mr. Turner's report had been completed. I am not enclosing copies of Turner's report, but you should be able to obtain them from Mr. Chambers.

Also attached is a memorandum on the physical condition of the buildings prepared by Mr. V. Z. Johnson, Bureau of Mines engineer. Mr. Johnson accompanied Mr. Turner on part of the investigation, and in addition, made a special trip to the property to inspect the buildings. You will note that two engineers have appraised the buildings as being worth substantially more than $1,130.25 book value which is discussed below.

Mr. Turner found that two checks given to Mr. H. L. Nichols had been turned back to the company; one in the amount of $1,833.55

and one in the amount of $300.00. This had previously been pointed out by Mr. Hull. In a letter to me dated June 19, a copy of which is attached to Mr. Turner's report, Mr. Hughes explains that these checks were returned to the company by Mr. Nichols as a "gift" to the company. Mr. Nichols is a substantial stockholder and has, therefore, a strong interest in the financial welfare of the company. This is a rather interesting explanation, and I presume that there is nothing illegal in Mr. Nichols' making a gift to the company if he so desires, although we might question his good judgment in doing so. Nevertheless, Mr. Nichols' "gifts" have obviously reduced the cost of the work done under the DMEA contract; the question then arises as to what extent, if any, is the Government entitled to share in the savings that resulted.

In the case of the $1,833.55 which Mr. Nichols turned back on the building contract, it would appear to me that the Government has a valid claim to its appropriate share of the amount turned back. As Mr. Turner points out, the company carries the buildings on its books at evaluation of only $1,130.25, and by its own records, admits that this was the cost of the buildings to the company. Since the buildings were built on subcontract, the Government would seem to be obligated to share only in the actual costs and I believe that the company's own books show clearly that an overpayment has been made and, therefore, the Government should recover half of $1,833.55 even though two of our own engineers are convinced the buildings are worth much more than the $1,130.25 valuation. It should be pointed out that these facts were not determinable at the time of Mr. Hull's audit because at that time, Newland and Blinn had not compiled the company's financial records into a set of "books." The inclusion of check no. 112 in the amount of $333.80 in the discussion may be somewhat confusing to you inasmuch as this check was in payment of services and purchases rendered before the start of the contract on January 18. Mr. Turner has included this, however, to show that there were some additional costs of the building, although it has no direct bearing on the contract. I am not so sure, however, with respect to the $300 check, as this represents money paid not for the fullfillment of a subcontract but for wages, which we must presume were honestly earned. The $300 "gift" has obviously benefited the company, but I suppose it could be argued that once a man is paid his wages he is entitled to do as he pleases with the money, and if he chooses to give the money back to the company, it is no concern of ours. The situation is sufficiently muddled so that we obviously should have the advice of the Legal Division before attempting to recover <u>any</u> of the money.

If it is decided that facts now available to us substantiate that an overpayment has been made, steps must be taken to recover the amount due the Government. Since an audit has been made, an audit certificate issued, and a check for final payment of the account sent to the company, the overpayment cannot be recovered merely by "disallowing" the overpayment on the audit. However, it was brought to our attention that the check in the amount of $626.84 in payment of the final 104 voucher had not been cashed. We have attempted stopping payment on this check; the Disbursing Officer in Portland

has not been able to tell us yet whether payment was stopped before the check cleared the bank, but we believe that payment was stopped in time.

As I mentioned in my last letter to you on this subject, a new set of officers has been installed and Mr. Hughes is no longer an official of the company. The new officers are understandably anxious to have the present difficulties straightened out, and I would appreciate your advice and instructions as soon as possible.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: USBM (2)
DMEA Op. Comm. (2)
Weeks

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL - 2 1953

1201 N. Division St.
Spokane 2, Washington
June 30, 1953

VIA AIR MAIL

Mr. Jay L. Chambers, Chief
Contract Administration and Audit Division
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Re: Castle Lead and Zinc Co.
Contract No. Idm-E240
Docket No. DMA 565X

Dear Mr. Chambers:

Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II, today requested a copy of the Audit Report concerning the Castle Lead and Zinc Co., Contract No. Idm-E240, Docket No. DMA 565X, to enable him to make his report to Mr. Mittendorf. A copy was given to him.

Sincerely yours,

C. A. Turner, Auditor

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

1201 N. Division St.
Spokane 2, Washington
June 30, 1953

Defense Minerals Administration
RECEIVED
1953

Mr. A. E. Weissenborn, Executive Officer
DMEA Field Team, Region II
157 South Howard Street
Spokane, Washington

Re: Castle Lead and Zinc Co.
Contract No. Idm-E240
Docket No. DMA 565X

Dear Mr. Weissenborn:

Herewith is a copy of my letter to Mr. J. L. Chambers, Chief, Contract Administration and Audit Division, Defense Minerals Exploration Administration, Washington, D. C., and a copy of the Audit Certificate and Audit Report pertaining to Castle Lead and Zinc Company, Contract No. Idm-E240, Docket No. DMA 565X, as requested by you today.

Sincerely yours,

Enclosures

C. A. Turner, Auditor

Exhibit #12

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
L - 1 1953

1201 N. Division St.
Spokane 2, Washington
June 29, 1953

VIA AIR MAIL

Mr. Jay L. Chambers, Chief
Contract Administration and Audit Division
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Re: Castle Lead and Zinc Co.
Contract Idm-E240
Docket No. DMA 565X

Dear Mr. Chambers:

Enclosed is audit report on the Castle Lead and Zinc Co., Contract Idm-E240, Docket No. DMA 565X.

The following information is in addition to the audit report.

The records which were in the custody of Newland and Blinn, Certified Public Accountants, were examined June 18, 1953, by Charles A. Turner and V. Z. Johnson. Particular attention was given the cash receipts and cash disbursements, keeping in mind the questions raised by Mr. C. O. Mittendorf, Administrator, in his letter of May 20, 1953, to Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II. Certain findings disclosed by the audit were discussed with Mr. Ed C. Hughes, past president of the Company.

On June 19, 1953, Mr. H. L. Nichols, Mr. A. L. Carter, and Mr. P. V. Grande (stockholders residing in Livingston, Montana) were interviewed and certain findings of the audit were discussed with them at Livingston, Montana.

On June 20, 1953, further examination was made of the records in the offices of Newland and Blinn in Butte, Montana. Certain facts disclosed by the audit were discussed with Mr. Ed C. Hughes, Mr. George Voldseth, Mr. Martin T. Grande, and Mr. Mike Blinn.

The following checks which were issued to H. L. Nichols raised pertinent questions.

Dec. 20, 1951	No. 112	Harley Nichols	$333.80
Mar. 1, 1952	No. 133	H. L. Nichols	1833.55
Dec. 2, 1952	No. 188	Harley Nichols	300.00

In a discussion with Mr. H. L. Nichols, Mr. A. L. Carter, and Mr. P. V. Grande, they stated that check No. 112 in the amount of $333.80 was in payment of materials and labor for the compressor house as follows:

11-7-51	A. W. Miles Lumber Co. Building Materials	$112.20
No date	Cash purchase - Harlowton, Montana	25.35
" "	Truck hire	21.25
" "	Material furnished by H. L. Nichols	75.00
" "	Labor	100.00
	Total	$333.80

This transaction was completed prior to the existence of the exploration contract, which was January 18, 1952.

The building contract with H. L. Nichols, amounting to $2963.80, was paid as follows:

Mar. 1, 1952	Check No. 132	$1130.25
Mar. 10, 1952	Check No. 133	1833.55
Total		$2963.80

The first check, amounting to $1130.25, was accepted and cashed by Nichols. The second check, amounting to $1833.55, was accepted, endorsed by Nichols, and returned to the Castle Lead and Zinc Co. who deposited it in their regular bank account on March 22, 1952 (March 1952 bank statement) and used the money in the regular course of business. The returning of this check to the Company has the effect of reducing the actual cost of the buildings to the Castle Lead and Zinc Co. Newland and Blinn's report of October 31, 1952 to the Castle Lead and Zinc Co. has taken into account this reduction in building costs by indicating on the Balance Sheet the item of Buildings $1130.25.

H. L. Nichols rendered an invoice for 20 days labor @ $15.00 per day, total $300.00. This labor was performed under the authority of Amendment No. 2 of the contract. Check No. 188, dated December 2, 1952, in amount of $300.00 was issued in payment. Mr. Nichols accepted, endorsed, and returned this check to the Castle Lead and Zinc Co. who deposited it in their bank account on May 24, 1953 and used the funds in the regular course of their business. This item was disallowed by the audit. Interviews with the stockholders established the fact that the money was for work performed under Amendment No. 2. The return of the check to Castle Lead and Zinc Co. has the effect of reducing the actual cost of the work performed on the project.

Attached is copy of letter by Mr. E. C. Hughes, stating these two checks were gifts to the Company. I am not sure as to the legality of these items as gifts. The disallowances were made because they had the effect of reducing the actual costs of the project.

Sincerely yours,

C. A. Turner, Auditor

Enclosures

June 1, 1953
Butte, Montana

A. J. Weissenborn
Executive Officer
Defense Minerals Administration
157 South Howard Street
Spokane, Washington

Dear Sir:

Mr. C. T. Turner and W. Z. Johnson have been examining the records of the Castle Lead and Zinc Company, of which during the time of their examination, I was president of the company and one of the large stockholders and handled the administrative work.

In the course of their examination they have asked for additional explanation of two checks which were deposited to the credit of the company. The checks were drawn in favor of H. L. Michols in the amount of $1833.55 and $300.00.

Mr. Michols is a large stockholder in the company and a building contractor. The company had approval from your administration to build a bunk house, compressor room and overhaul the cook house. Mr. Michols is a contractor and he was called upon to make an estimate and take a contract for this work. This estimate was for an amount slightly under $3000.00.

When the work was started he advised the officers and stockholders of the company, some of whom were working on the property, that if they would cooperate and help him in every way that all he wished to take from the company was actual reimbursement for monies paid out by him not including any depreciation on his equipment or compensation for himself, although he did include, I believe, some expense money. The work was completed according to schedule and specifications and was approved by your agency. In addition to Mr. Michols work, the other people interested in the company helped with the construction and received no compensation. After paying all of the bills and such other costs, Mr. Michols determined that the amount above his actual expense was $1833.55. Mr. Michols had a check drawn in this amount in his favor which he in turn returned to the company as a donation to the benefit of all interested.

The $300.00 check was drawn to Mr. Michols for payment for compensation for exploration work for dozer and such other duties in connection with exploration. He spent approximately one month on the property and everyone felt that his agreed price of $300.00 was reasonable. When the check was drawn and given to Mr. Michols, he in turn refunded the check and asked it be deposited to the credit of the company and for the benefit of all interested in it.

The monies were used by the company in furthering the interest of the the mine and Mr. Nichols and the other stockholders of the company believed he was in his rights to make such a contribution if he so desired.

Since the government has withdrawn from the property, the company has been able to do considerable work including extending a drift more than 200 feet and there is possibly enough money available to extend the drift an additional fifty feet which will bring it to the projected ore body. You can understand this work would not have been possible had it not been through the kind cooperation of Mr. Nichols in donating the two checks explained above which we feel were in payment or reasonable compensation to him for work done.

Very truly yours,

E. C. Hughes

em

cc: Castle Lead and Zinc Co.
Mr. H. L. Nichols

COPY

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

1201 N. Division St.
Spokane 2, Washington
June 25, 1953

MEMORANDUM

To: DMEA Field Team, Region II

From: V. Z. Johnson, Mining Engineer, Bureau of Mines

Subject: Inspection of buildings and review of their costs, Castle Lead and Zinc Co. exploration project contract Idm-E240, Docket No. DMEA 565 (lead-zinc)

In company with Mr. Charles Turner, DMEA auditor, a visit was made on June 18, 1953, to the office of Newlund and Blinn, accountants for the Castle Lead and Zinc Co., Butte, Montana. The bills, statements and invoices related to the subject project were made available, as well as records of bank deposits, ledger of stock certificates, minutes of stockholders and reports of audits.

Mr. Turner was able to find most of the desired items for audit. A check for $1833.55 returned to the company by building contractor, Mr. Harland Nichols, was the object of some questions. Mr. Newlund and Mr. Blinn expressed their belief that no stock deal or fraudulent payment was connected with the check being endorsed back to the company.

Mr. Edward C. Hughes was contacted during the evening of June 18, and building costs at the project were discussed. When Mr. Hughes was questioned regarding the returned check from Mr. Nichols for the buildings, he described the difficult operating conditions experienced by the share holders, including Mr. Nichols who had a deep personal interest in the success of the operation and who was willing to contribute a substantial gift by reducing the charge to the company for the subject buildings. Mr. Hughes was informed that since the company's actual building costs had been reduced by the $1833.55 check to and from Mr. Harland Nichols, the amount submitted as costs to which the Government would participate should be correspondingly reduced. Further, it was suggested he explain the details by letter to the Regional DMEA officials so as to avoid an interpretation of intended fraud. The circumstances indicate that although the Castle Lead and Zinc Co. was billed $2963.80 originally for the buildings, and that this charge was submitted to the Government on

1952 monthly reports and invoices to the DMEA Field Team, Region II, the check returned by Mr. Nichols actually reduced this cost to around $1130.00.

On June 19, 1953, an interview with Mr. Nichols at Livingston, Montana, substantiated Mr. Hughes' statements and, in addition, Mr. Nichols called attention to the $333.80 check of December 20, 1951 as an advance to purchase building materials and the assistance of the company employees and equipment while opening the road and erecting the buildings in deep snow. He stated that the above items of assistance would probably not total in value the $1833.55 check returned to the company, but that he was interested in the success of the operation and the Operators were in need of cash. If the above is correct and road opening is not considered, the actual cost to the Operator was $1463.00.

Mr. Carter, another share holder and official, was contacted in Livingston, and he expressed dissatisfaction with Mr. Hughes in organizing and operating the company - the purposes for which Mr. Hughes was engaged and given controlling interest in the company. Recent transactions are supposed to have reduced Mr. Hughes' official status and holdings of shares, according to all those interviewed.

The buildings were inspected at Lennep, Montana, during the evening of June 19, 1953 and were found to be as follows:

2 two-room buildings 24 ft. x 18 ft. - bunk house and cook house. Of standard acceptable construction studs @ 16. in. c.c., diagonal sheathing, lap siding painted white, wll board lined and partitioned, with shingled roof painted red on 24-in. and 16-in. c.c. 2x4 roof rafters, with double floor, diagonal sheathing and fir finish over 2x6-in. joists @ 16 in. c.c.

Saw cut through ends along the center line with lengthwise 2"x6" doubled stringers indicates these buildings were constructed or prefabricated elsewhere, then the halves were brought to the camp for erection.

1 flat roof shack 20 ft. x 16 ft. - compressor house. Studs and roof rafter 24 in. c.c., cane fiber siding partially covered with light weight corrugated aluminum sheathing. Roofed with sheathing and corrugated aluminum - no ceiling. An incomplete center partition. Rough single floor of sheathing.

1 Tool shed 9 ft. x 16 ft. Vertical boards on light 2x4-in. frame.

The attached photos show arrangement of windows and other features as well as the saw cut which halved the buildings. Regardless of whether the buildings were constructed or procured, then divided for moving and reassembled, their worth at the camp would be at least $3500.00.

V. Z. Johnson

Orig. & 3 cys - Wash.
USGS (2)
DMEA
C. A. Turner
VZJ/he

FILE COPY
SURNAME:

Chambers
Forward
F.L. Johnson

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

JUN 23 1953

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMA-565I
Contract No. Ida-1240 (Lead-Zinc)
Castle Lead and Zinc Company

Dear Mr. Weissenborn:

Reference is made to your letter of June 17, 1953, in reply to my letter of June 3, 1953, re contract cited above.

Mr. Hall is correct in stating that Amendment No. 1 to the contract placed the crosscutting, drifting and diamond drilling on a unit cost basis. This amendment was not distributed to the Contract Administration and Audit Division by the Washington office so that division naturally concluded that the main contract was still in force.

This office has not concluded that a fraud was committed against the Government by the contractor. An interested stockholder of the Company, however, appears to question some of the financial transactions. For this reason it is important for the Government to make a special effort to find out the facts in the case. The work of the auditor in this instance will be concerned not only in the auditing of the books but investigating the questionable transactions. To this end he should get statements, if possible, from the subcontractor as to the amount billed the operator and the net amount received from him.

Sincerely yours,

C. O. Mittendorf

Administrator

JIChambers/wb
June 22, 1953

Copy to: Docket
Admr. Reading File
Administrator
Mr. Griswold
Mr. Chambers

6-23-53

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D. C.~~
So. 157 Howard Street
Spokane 4, Washington

June 17, 1953

Mr. C. O. Mittendorf, Administrator
Defense Mineral Exploration Administration
Department of the Interior
Washington 25, D. C.

Re: Docket No. 565X (Lead-Zinc)
Castle Lead and Zinc Company
Meagher Co., Montana
Contract No. Idm-E240

Dear Mr. Mittendorf:

This will acknowledge receipt of your letter of June 3, 1953, requesting us to have Mr. Charles Turner of the Contract Administration and Audit Division make another investigation of the activities of the Castle Lead and Zinc Company. We have delayed taking action on this until we heard from Mr. George Voldseth, with whom you have previously had correspondence on this subject, regarding the results of the annual meeting of the company which was held at Deer Lodge, Montana, on the 29th of May.

In his letter to me of June 11, 1953, a copy of which is attached, Mr. Voldseth discusses the results of this meeting. On the basis of this information, I am requesting Mr. Charles Turner, DMEA auditor, and Mr. V. Z. Johnson, Bureau of Mines engineer, to make another investigation of the company books during the term of the DMEA exploration contract.

In your letter of May 3 you take issue with Mr. Hull's statement: "The majority of the work done under this contract was performed on a footage basis and the Operator, at his discretion, was allowed to subcontract the drifting, crosscutting and diamond drilling as provided for in Amendment No. 1." You state that the project is on an estimated cost basis and the Government is obligated to pay the Operator only the amount of actual incurred cost. I wish to call your attention to Amendment 1 dated April 22, 1952, which does place the drifting and crosscutting on a unit cost basis. This amendment was patterned with slight revisions on an amendment suggested by Mr. Hofflund and made necessary because on reviewing, at our request, a subcontract submitted by the Operator, Mr. Hofflund determined that the subcontract (which provided for the payment to the subcontractor by the Operator in stock) did not provide a proper cost basis on which to determine the extent of the contribution by the Government. It is my opinion, therefore, that on the basis of Amendment 1, we need not concern ourselves too much as to how payment for the drifting was made.

The matter of the two checks for the payment for the building is, however, another matter. The mine buildings were erected by H. L. Nichols of Livingston, Montana, who built them on a subcontract approved by me as Executive Officer on January 10, 1952. This subcontract provided for the following:

1.	Erection of a 24X18 foot bunkhouse	$ 1,650.00
2.	Erecting a 20X16 foot compressor house	833.80
3.	Repairing of a cookhouse	480.00

It was, and still is the opinion of our examining engineers in which I concur, that this is not an excessive price for the erection of buildings of this type in such an inaccessible location as the property of the Castle Lead and Zinc mine. If the contractor made an excessive profit on this deal, this would perhaps reflect on the judgment of the Field Team but would not in itself be considered as a fraudulent action on the part of the contractor or of the Castle Lead and Zinc Company. However, regardless of the approval of the subcontract, the Government is obligated in this case to pay the Castle Lead and Zinc Company only the amount actually billed it by the contractor. If, as contended by Mr. Voldseth, it can be shown that Nichols billed the company for $2,953.80 for the buildings but actually "kicked back" $1,833.55 to the company and the company presented the full amount of the bill as $2,953.80, then it would appear there is indeed evidence of an attempt to defraud the Government. It would have been extremely difficult for us to detect this in a normal examination of the company books, for since we believe that the cost of the buildings was not excessive we would have had little reason to suspect fraud. It is hard to believe that the buildings actually cost only 1,100 odd dollars; if they did, Castle Lead and Zinc got them at a great bargain. The audit will review all of the activities of the company under the contract thoroughly and will review ~~this~~ Nichols' part of it with special care. If it is possible, the buildings will be reinspected and their value reappraised.

A check for $628.00 in final settlement of the contract is still outstanding and payment on this check has been stopped until the matter is settled.

We will advise you as soon as possible of the results of the audit.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosure
cc: DMEA(2)
USBM(2)
Weeks

Mittendorf

COPY

COPY

THE T O RANCH
MINA AND [illegible] VOLDSETH - OWNERS
LEWIS - MONTANA

June 11, 1953

Mr. A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Subject: Docket No. DMEA 565X
Castle Lead & Zinc Co.
Contract No. Idm-224D

Dear Mr. Weissenborn:

Had meant to write to you sooner about the Annual Meeting of the Castle Lead and Zinc which was held as scheduled in Deer Lodge, Montana, May 29th, however, Mr. Mittendorf in his letter of May 19, stated that he had ordered an investigation and I have sort of been expecting a call from some of his investigators ever since.

As for the meeting, I brought up several transactions appearing on the company report which were of an irregular nature including the $1833.55 Check to Mr. Nichols which was deposited back into the company account.

The discussion on this particular point went somewhat as follows:

I asked Mr. Hughes to explain the circumstances surrounding the two checks drawn to Mr. Nichols in payment of a building contract.

Mr. Hughes stated that the first check represented the actual cost of performing the contract and that the second check, No. 133 represented the profit on the contract.

Then I asked Mr. Hughes if the actual cost of the buildings to the Castle Lead and Zinc Co. was the amount of the first check or $1130.25.

He answered very obligingly 'Yes'.

Then I stated that 'Net the cost to the United States was the total of the two checks or $2963.80'

To this he also answered 'Yes'.

Then I stated; "Then it appears to me that this second check was issued for the sole purpose of padding the books to the government", "and that the company has been involved in fraud.

Of course Mr. Hughes tried to shrug this off with "Oh, No, Anybody is entitled to make a profit."

At this point, Mr. Howard Johnson, the attorney who is paid by the company but only represents Mr. Hughes, even admitted that there might be a question of fraud in this particular transaction.

Then I questioned Mr. Hughes as to why this check (no. 133) and also check no.188 had not cleared the bank. This he denied and as you remember I was not positive on this point, therefore, I did not feel in a position to press this point further at the time.

The big surprise of the whole day, however, was the election of officers. The group of stockholders which I represented received all the members on the board of Directors. Due to the fact Mr. Hughes controlled a majority of the stock, he must have decided that he was at the end of his rope, or that the company was, with him in the drivers seat, therefore to try to salvage what he could, he put us in.

The new board however, were in no mood to take on the responsibility of managing the company affairs as they stood, so yesterday, we met with him in Butte and tried to get things straightened out. The result was that we got 246,666 shares of stock returned to the treasury and because of the fact that he would not release the company from a bill of $8000.00 for back wages, Mr. Bob Lund and Myself bought out the balance of his stock interest. The deal is tentatively scheduled to be closed in Butte Saturday morning. Of course a waiver for his wages is in the deal.

He did intimate that he was in a hurry to get the deal closed because he wanted to go to Canada. I now wondered at the time if the fact that at least three Internal Revenue Gov't. agencies were investigating him, had anything to do with his hurried time schedule.

If I can be of further service to you on this matter please let me know. Would certainly appreciate any information that you might feel free to difulge concerning your investigation.

Yours truly,

/s/ GEORGE VOLDSETH
George Voldseth

FILE COPY
SURNAME:
800

Chamb

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

June 22, 1953

Memorandum

To: Mr. Robert E. Adams, Chief
Operations Control and Statistics Division

From: Jay L. Chambers, Chief (Signed) J. L. Chambers
Contract Administration and Audit Division

N.S. in R.V.R.

I am sending you a copy of a letter prepared for Mr. Mittendorf's signature, which will call your attention to an embarrassing situation which has arisen in this office as a result of Mails & Files not making the proper distribution of an amendment to Contract No. Idm-2240, Docket No. DMA-565X, Castle Lead and Zinc Company.

There were an original and two copies of the amendment filed in the docket folder. I have pulled one of these copies for the Contract Administration and Audit Division.

Attachment

JLChambers/wb
June 22, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

June 16, 1953

Mr. Martin T. Grande
Martindale
Montana

Re: Docket No. DMEA-565 (lead-zinc)
Castle Lead and Zinc Company
Meagher County, Montana
Contract Idm-8240

Dear Mr. Grande:

In reply to your letter, this is to inform you that payment on the check for $628.00 which was for the final settlement of the Castle Lead DMEA contract was stopped at the request of Mr. Hughes. A new check in this amount cannot be issued until a re-examination of the Company books is made. This examination will be made by one of our auditors this week.

Sincerely yours

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: DMEA (2)
USBM (2)
Weeks

COPY

DMEA (2)

COPY

THE T G RANCH
MINA AND NELS VOLDSETH - OWNERS
LENNEP - MONTANA

DOCKET COPY

June 11, 1953

Mr. A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Subject: Docket No. DMEA 565X
Castle Lead & Zinc Co.
Contract No. Idm-E240

Dear Mr. Weissenborn:

Had meant to write to you sooner about the Annual Meeting of the Castle Lead and Zinc which was held as scheduled in Deer Lodge, Montana, May 29th, however, Mr. Mittendorf in his letter of May 19, stated that he had ordered an investigation and I have sort of been expecting a call from some of his investigators ever since.

As for the meeting, I brought up several transactions appearing on the company report which were of an irregular nature including the $1833.55 Check to Mr. Nichols which was deposited back into the company account.

The discussion on this particular point went somewhat as follows:

I asked Mr. Hughes to explain the circumstances surrounding the two checks drawn to Mr. Nichols in payment of a building contract.

Mr. Hughes stated that the first check represented the actual cost of performing the contract and that the second check, No. 133 represented the profit on the contract.

Then I asked Mr. Hughes if the actual cost of the buildings to the Castle Lead and Zinc Co. was the amount of the first check or $1130.25.

He answered very obligingly 'Yes'.

Then I stated that 'Yet the cost to the United States was the total of the two checks or $2963.80'

To this he also answered 'Yes'.

Then I stated; "Then it appears to me that this second check was issued for the sole purpose of padding the books to the government", "and that the company has been involved in fraud.

Of course Mr. Hughes tried to shrug this off with "Oh, No, Anybody is entitled to make a profit."

At this point, Mr. Howard Johnston, the attorney who is paid by the company but only represents Mr. Hughes, even admitted that there might be a question of fraud in this particular transaction.

Then I questioned Mr. Hughes as to why this check (no. 133) and also check no.188 had not cleared the bank. This he denied and as you remember I was not positive on this point, therefore, I did not feel in a position to press this point further at the time.

The big surprise of the whole day, however, was the election of officers. The group of stockholders which I represented received all the members on the board of Directors. Due to the fact Mr. Hughes controlled a majority of the stock, he must have decided that he was at the end of his rope, or that the company was, with him in the drivers seat, therefore to try to salvage what he could, he put us in.

The new board however, were in no mood to take on the responsibility of managing the company affairs as they stood, so yesterday, we met with him in Butte and tried to get things straightened out. The result was that we got 246,666 shares of stock returned to the treasury and because of the fact that he would not release the company from a bill of $8000.00 for back wages, Mr. Bob Lund and Myself bought out the balance of his stock interest. The deal is tentatively scheduled to be closed in Butte Saturday morning. Of course a waiver for his wages is in the deal.

He did intimate that he was in a hurry to get the deal closed because he wanted to go to Canada. I wondered at the time if the fact that at least three Gov't. agencies were investigating him, had anything to do with his hurried time schedule.

DMEA, Internal Revenue S.E.C.

If I can be of further service to you on this matter please let me know. Would certainly appreciate any information that you might feel free to divulge concerning your investigation.

Yours truly,

/s/ GEORGE VOLDSETH

George Voldseth

FILE COPY
SURNAME:

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

JUN 3 1953

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMA-365X
Contract No. Idm-X240 (~~Lead-Zinc~~)
Castle Lead and Zinc Company

Dear Mr. Weissenborn:

Reference is made to your letter of May 27, 1953, in regard to certain payment transactions on the above-cited contract.

The Contract Administration and Audit Division believes that a more thorough investigation of the activities of the Operator, the Castle Lead and Zinc Company, should be made. It is suggested that one of the auditors contact the subcontractors and get statements from them as to the amount they billed the Operator under their subcontracts and the amount received from the Operator, either in cash, by check, or in company stock. (See my letter to you under date of May 20, 1953.)

It appears that Mr. Hull is under the impression that the Castle Lead and Zinc Company contract with the Government was on an agreed unit cost basis. Note the last paragraph of Mr. Hull's memorandum to you under date of May 27, 1953, as follows:

> "The majority of the work done under this contract was performed on a footage basis and the Operator, at his discretion, was allowed to subcontract the drifting, crosscutting and diamond drilling as provided for in Amendment No. 1."

The project is on an estimated cost basis and the Government is obligated to pay the Operator only the amount of actual incurred cost.

I believe that our investigation should be thorough enough to conclude that all of the transactions were legal and proper or that the evidence would call for a refund of certain amounts paid to the Operator as being improper. In more simple terms, were there any "kickbacks" to any official of the company?

JLChambers/wb
June 2, 1953

Sincerely yours,

C. O. Mittendorf (for)
Administrator

J.N.
6-3-53

Copy to: Docket
Admr. Reading File
Administrator
Mr. Griswold
Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~XXXXXXXXXXXXXXXXXX~~
So. 157 Howard Street
Spokane 4, Washington

Department of the Interior
Defense Minerals Exploration Administration
JUN 1 1953

May 27, 1953
Air mail

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMA-565X (Lead-Zinc)
Castle Lead and Zinc Co.
Contract Idm-E240

Dear Mr. Mittendorf:

I have your letter of May 20 with reference to an additional audit of the Castel Lead and Zinc Company, Docket No. DMA-565X (Lead-Zinc), Contract No. Idm-E240, as well as a copy of Mr. Chamber's letter to Mr. Turner on the same subject.

Mr. Voldseth was in to see me on the 15th of May, and we discussed the matter with Mr. Hull. Mr. Voldseth pointed out that he thought that one of the checks had not cleared the bank, namely, one of the checks for the construction of buildings. On the basis of this conversation, I suggested to Mr. Hull that the matter should be reviewed. Consequently, Mr. Hull went to Butte that night and reviewed the account, examining all checks on Saturday morning, May 16. Attached are two memoranda from Mr. Hull describing the results of his findings.

As a result of his investigation, Mr. Hull points out that some of the checks, after being endorsed by various individuals to whom they were paid, were endorsed back to Mr. Hughes and deposited to the credit of the company. However, inasmuch as all checks of this nature were in payment of work done on subcontracts, either for driving the drift or for building a specified set of buildings, and as our engineers have informed us that the work has been done and the buildings have been constructed according to specifications, it does not appear to be any concern of the Government as to what happens to the checks after they have been received and endorsed by the men to whom they were paid. If some of the men chose to turn back their checks to the company in payment of money advanced or for the sale of stock, which we are given to understand a number of the men bought, it would again

seem to be no concern of ours, but a matter of concern to the management, the employees, and the stockholders.

In view of the above conclusions, I do not believe that it would be necessary to have Mr. Turner make an additional audit of the Castle Lead and Zinc Company books, especially, in view of the great amount of work which is facing the auditors. Will you please advise by wire, when in receipt of this, if you are in agreement.

Sincerely yours

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures 2
cc: Operating Committee, DMEA (2)
USBM (2)
Hull
C. A. Turner, Philipsburg, Mont.
c/o Taylor-Knapp Co.

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

1201 N. Division St.
Spokane 2, Washington
May 26, 1953

MEMORANDUM

To: DMEA Field Team, Region II

From: Robert M. Hull, Auditor

Subject: Castle Lead and Zinc Co., Exploration Project Contract Idm-E240, Docket No. DMEA 565

As the result of the meeting on May 15, 1953, between Mr. George Voldseth, Mr. A. E. Weissenborn, and myself, I went to Butte, Montana, on May 16 and reviewed the cancelled checks pertaining to the subject contract. These checks were in the possession of Mr. Ed C. Hughes, president of the Castle Lead and Zinc Co., Inc., at 552 Colorado Street, Butte, Montana. Mr. Hughes made available to me all of the documents and records in his files pertaining to the Castle Lead and Zinc Co.

Mr. Hughes, who had no forewarning of my arrival, had previous engagements and was on the verge of leaving his home at the time I arrived. He delayed his departure a few minutes in order to get the Castle Lead and Zinc files for me. Immediately upon giving me the files Mr. Hughes left his home, and I did not see him again nor did I have time to discuss the reasons for my visit or ask him any questions concerning the Castle Lead and Zinc Co.

Some of the cancelled checks were with the monthly bank statements in envelopes and others were loose in a cardboard box. The majority of the stubs remained in the company check book.

I reviewed checks numbered 100, dated 11/21/51, through 190, dated 1/17/53. There were also several unnumbered counter checks dated 10/29/51, 10/31/51, 11/29/51, 11/30/51 and 11/31/51. These appeared to be all of the checks pertaining to the exploration project.

The following checks appeared to be questionable and this information is submitted concerning them.

Check No. 101
Drawn by Castle Lead and Zinc Co. on Flint Creek Valley Bank of Philipsburg, Mont.
Dated at Butte, Mont., November 21, 1951.
Paid to Culver Hughes in the amount of $398.00 for "labor."
This check was signed by Ed C. Hughes.
It was endorsed: Culver Hughes
For deposit only in
The Old National Bank of Spokane
Stamped below the endorsement is:
Deposit to the credit of

_____
The Old National Bank
In the blank space, signed in ink, is: Ed C. Hughes

Check No. 114
Drawn by Castle Lead and Zinc Co. on Flint Creek Valley Bank of Philipsburg, Mont.
Dated at Butte, Mont., December 28, 1951.
Paid to Earl T. Ellis in the amount of $600.00 for "sales commission."
This check was signed by Ed C. Hughes, president, and Nellie Hughes, secretary.
It was endorsed by Earl T. Ellis. Also, under the endorsement there appeared a stamped form which read:
Credit account of

_____
First National Bank of Butte
Written in ink in the blank space was the name: Ed C. Hughes

On the January 1952 bank statement of the Flint Creek Valley Bank there is a withdrawal in the amount of $600.00 on January 5.

Check No. 118
Drawn by Castle Lead and Zinc Co. on Flint Creek Valley Bank of Philipsburg, Mont.
dated at Butte, Mont., January 14, 1952.
Drawn to the order of Cash in the amount of $518.58 for "4-wheel drive truck purchased from Norman Toweley, Helena, Mont."
This check was signed by Ed C. Hughes, president, and Nellie Hughes, secretary.
On the endorsement side there appears: "For deposit only, Ed C. Hughes."
The check is perforated with

P A I D
1 16 52

There also appears an unnumbered check of the First National Bank of Butte, Montana, dated January 12, 1952, payable to Norman Toweley in the amount of $500.00. On the check it states: "In full for weapons carrier." The check is signed by Ed C. Hughes.

Check No. 132
Drawn by Castle Lead and Zinc Co. on Flint Creek Valley Bank of Philipsburg, Mont.
Dated at Butte, Mont., March 1, 1952.
Paid to H. L. Nichols in the amount of $1130.25 for "building contract."
This check was signed by Ed C. Hughes, president, and Nellie Hughes, secretary.
On the endorsement side it was signed in ink by H. L. Nichols and it passed through the National Park Bank, Livingston, Mont. on March 18, 1952.

Check No. 133
Drawn by Castle Lead and Zinc Co. on Flint Creek Valley Bank of Philipsburg, Mont.
Dated at Butte, Mont., March 10, 1952.
Paid to H. L. Nichols in the amount of $1833.55 for "building contract."
This check was signed by Ed C. Hughes, president, and Nellie Hughes, secretary.
This check was endorsed in ink by H. L. Nichols and directly below Mr. Nichols' signature the following statement appears: "For deposit only, Castle Lead and Zinc Co. by Ed C. Hughes."
The check had been perforated with

P A I D
3 24 52

The following is a tabulation of the Castle Lead and Zinc Co.'s bank statement for the month of March 1952 and an acknowledgment of a deposit:

Name: Castle Lead and Zinc Co.
Ed C. Hughes

Address: Maxville, Montana

in account with
Flint Creek Valley Bank

Date	Checks in	Detail	Deposits	Date	New Balance Feb. 29, 52
			Balance Brought Forward		4935.03
Mar 3 '52	100.00			Mar 3 '52	4835.03
" 4 '52	1.50			" 4 '52	4833.53
" 11 '52	7.60			"11 '52	4825.93
" 14 '52	350.00			"14 '52	4475.93
" 21 '52	1130.25			"21 '52	3345.68
" 24 '52	1833.55		2833.55	"24 '52	4345.68
" 28 '52	60.30			"28 '52	4285.38
" 29 '52	113.56			"29 '52	4171.82

Last entry

Acknowledgement - Advice

Flint Creek Valley Bank
Philipsburg, Montana 3/24/52

Your favor of the 3/22 has been received with enclosures as stated.

Yours respectfully,
B. G. Paige, Cashier

We credit you
$2833.55 - Thanks
G

To: Castle Lead and Zinc
Ed C. Hughes - 208 South K
Livingston, Mont.

Check No. 152
Drawn by the Castle Lead and Zinc Co. on the Flint Creek Valley Bank of Philipsburg, Mont.
Dated at Butte, Mont., May 10, 1952.
Drawn to Cash in the amount of $750.00 for"315 cfm compressor."
Check was signed by Ed C. Hughes, president, and Nellie Hughes, secretary.
It was endorsed: For deposit only
Ed C. Hughes

On the bank statement of May 1952, there is shown a withdrawal of $750.00 on May 19; also a deposit of $6320.50.

Check No. 162
Drawn by the Castle Lead and Zinc Co. on the Flint Creek Valley Bank of Philipsburg, Mont.
Dated at Butte, Mont., June 24, 1952.
Drawn to the order of Forest Rose Syndicate in the amount of $175.00 for "mucking machine rental."
This check was signed by Ed C. Hughes, president, and Nellie Hughes, secretary.
It was endorsed: Forest Rose Syndicate
by Ed C. Hughes

Check No. 181
Drawn by the Castle Lead and Zinc Co. on the Flint Creek Valley Bank of Philipsburg, Mont.
Dated at Butte, Mont., on October 23, 1952.
Paid to Cash in the amount of $8.63 for "telephone."
This check was signed by Ed C. Hughes, president, and Nellie Hughes, secretary.
It was endorsed: For deposit only
Ed C. Hughes

The remainder of the checks appeared to be in order.

Robert M. Hull

Robert M. Hull

cc: M. E. Volin
Jay L. Chambers (2)
C. A. Turner

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

1201 N. Division St.
Spokane 2, Washington
May 27, 1953

MEMORANDUM

To: DMEA Field Team, Region II

From: Robert M. Hull, Auditor

Subject: Castle Lead and Zinc Co.
Exploration Project Contract Idm-E240
Docket No. DMEA 565

To clarify my memorandum of May 26, I would point out that the checks which I stated appeared to be "questionable" are classified as such only as pertains to the viewpoint of the stockholders. My investigation of May 16 was made with this idea in mind, which was set forth in Mr. Voldseth's letter of May 10 to the Administrator, and that is the reason these checks were given emphasis and explained in detail. These checks are not to be considered questionable as far as they relate to the exploration project, but they could possibly be questioned by the stockholders.

To further amplify this, checks Nos. 132 and 133, specifically mentioned by Mr. Voldseth, were in payment for the items set forth and approved in writing by the Field Team on January 18, 1952, covering work to be done by H. L. Nichols. This work was properly vouchered and paid by checks drawn to Mr. Nichols and endorsed by him. It would appear that we have no further concern as to what was done with the money after Mr. Nichols endorsed the checks.

The majority of the work done under this contract was performed on a footage basis and the Operator, at his discretion, was allowed to subcontract the drifting, crosscutting and diamond drilling as provided for in Amendment No. 1.

Robert M. Hull

Robert M. Hull

cc: M. E. Volin
Jay L. Chambers (2)
C. A. Turner

RECEIVED
MAY 28 1953
U. S. G. S.
SPOKANE WASH.

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

1201 N. Division St.
Spokane 2, Washington
May 27, 1953

Defense Minerals Administration
MAY 28 1953

MEMORANDUM

To: DMEA Field Team, Region II

From: Robert M. Hull, Auditor

Subject: Castle Lead and Zinc Co.
Exploration Project Contract Idm-E240
Docket No. DMEA 565

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Robert M. Hull

cc: M. E. Volin
Jay L. Chambers (2)
C. A. Turner

XXXXXXXXXXXXXXXXXX
1201 N. Division Street
Spokane 2, Washington
May 26, 1953

VIA AIR MAIL

Mr. Jay L. Chambers, Chief
Contract Administration and Audit Division
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Dear Mr. Chambers:

Thank you very much for your letter of May 20, 1953, covering contract Idm-E30, Western Montana Exploration and Development Co., (Key-Durand). The audit report and certificate covering this project will be issued and submitted to you as soon as the Operator submits an offer for the mine cars, mine buildings, and mine supplies, and such offer is accepted in writing by the DMEA Field Team, Region II.

On Friday, May 15, 1953, I attended a meeting in Mr. Weissenborn's office with Mr. George Voldseth, a stockholder in the Castle Lead and Zinc Co. Mr. Voldseth had written to Mr. C. O. Mittendorf on May 10, 1953, concerning some "irregularities and indications of fraud on the part of Mr. Ed C. Hughes with respect to his exploration contract". We discussed the case with Mr. Voldseth and explained the results of the audit that was made on October 3 and 4, 1952, covering the period of January 18, 1952 to July 25, 1952.

As a result of the meeting, and at Mr. Weissenborn's request, I went to Butte on Friday evening, May 15, 1953. Unannounced, I arrived at the home of Mr. Ed. C. Hughes, President of the Castle Lead and Zinc Co. Mr. Hughes was just ready to leave his home for a business appointment, but delayed long enough to give me the existing records which included the cancelled checks pertaining to the contract. Mr. Hughes did not remain long enough, however, for me to discuss with him, nor did he inquire as to my reasons for asking to see the records. I stayed at Mr. Hughes' home for several hours while I thoroughly reviewed the available records. I am enclosing a copy of my memorandum to Mr. Weissenborn covering the subject.

These facts are submitted for your information.

Yours very truly,

Robert M. Hull
DMEA Auditor, Region II

Enclosure
2 copies memo to
A. E. Weissenborn

CXXXXXXXXXXXXXXXX
1201 N. Division St.
Spokane, Washington
May 26, 1953

Mr. A. E. Weissemborn,
Executive Officer, DMEA Field Team, Region II
157 S. Howard Street,
Spokane, Wash.

Dear Mr. Weissemborn:

I am enclosing a copy of letter from Mr. Jay L. Chambers, dated May 20, 1953, having reference to the Castle Lead and Zinc Co., contract Idm-E240.

Mr. Chambers also refers to a letter addressed to you and signed by the Administrator in which another examination is to be made of the Castle Lead and Zinc Co., contract Idm-E240.

Will you please advise me of the Field Team plans, that I may schedule an examination in compliance with Mr. Chambers' letter?

Yours very truly,

C. A. Turner
DMEA Auditor, Region II

Enclosure

cc: Jay L. Chambers
2 CAT

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

1201 N. Division St.
Spokane 2, Washington
May 21, 1953

Mr. Ed C. Hughes, President
Castle Lead and Zinc Company
552 Colorado Street
Butte, Montana

Subject: Docket No. DMEA 565 (lead-zinc)
Contract Ida-E240

Dear Mr. Hughes:

Returned herewith is your check for $50.00 sent to Mr. Weissenborn on May 18, 1953, in payment for the Government's equity in a building purchased under the contract.

As indicated in Mr. Howard's letter to you of April 1, 1953, the amount of $50.00 already has been deducted from the Government's share of the approved total of the payment to your company in settlement of your final invoice.

Sincerely yours,

M. E. Velin
Acting Executive Officer
DMEA Field Team, Region II

Enclosure

cc: DMEA Wash. (2)
USGS (2)

FILE COPY
SURNAME:

800
Chambers

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

MAY 20 1953

Mr. Charles A. Turner
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: Docket No. DMA-565X (Lead-Zinc)
Exploration Contract No. Idm-E240
Castle Lead and Zinc Company

Dear Mr. Turner:

I am sending you a letter addressed to Mr. Weissenborn, signed by the Administrator, and a copy of a letter received from Mr. George Veldzeth, in regard to project E240, which will give you the background to a situation ~~on~~ which no doubt Mr. Weissenborn will assist in investigating.

I am designating you to represent the Contract Administration and Audit Division so that the Audit Division will have been represented by two persons on this project, since Mr. Hull first audited this project account.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

5-20-53

Enclosure

JLChambers/wb
May 20, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

FILE COPY
SURNAME:

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

Clearance
Initialed

MAY 2 0 1953

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMA-565X (Lead-Zinc)
Exploration Contract No. Idm-5240
Castle Lead and Zinc Company

Dear Mr. Weissenborn:

I have just received a letter under date of May 10, 1953, from Mr. George Voldseth, stockholder in the above-cited Company, in regard to certain activities between the Company and Mr. Harley L. Nichols, subcontractor under the project. Mr. Voldseth indicated in his letter that he had sent you a copy but for ready reference I am including a copy of his letter.

I think it would be wise to have one of your men who has some knowledge of the cost of buildings of the type described in our contract, and Mr. Charles A. Turner of our Audit Division, make a thorough investigation of the activities of the Castle Lead and Zinc Company under our contract, giving especial attention to examining all check payments and invoices and making such contacts with persons as may seem advisable.

This assignment, it seems to me, should take precedence over any other audit work now being pursued. The investigation should be such that it will prove beyond reasonable doubt that false claims on the Government have been made or have not been made by the Castle Lead and Zinc Company.

Sincerely yours,

C. O. Mittendorf

Administrator

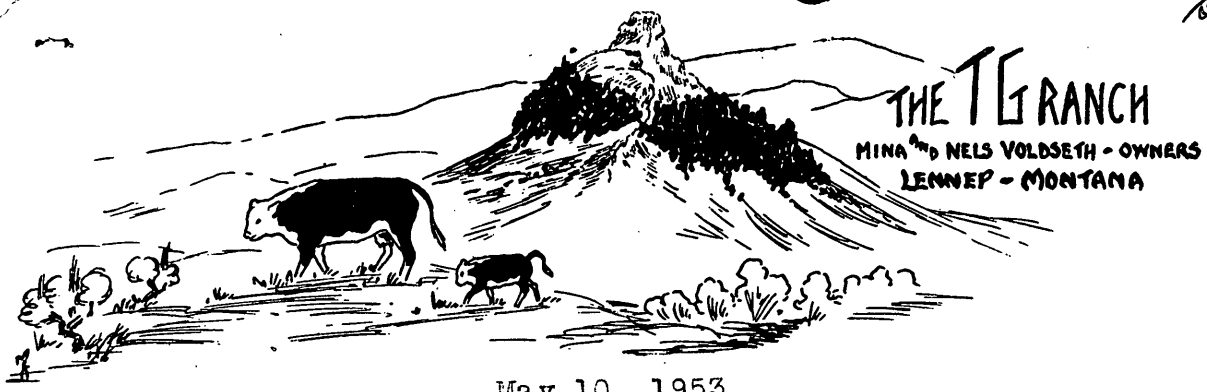
P.H.
5-20-53

Enclosure

JIChambers/vb
May 19, 1953

Copy to: Docket
Admr. Reading File
Administrator
Mr. Griswold
Mr. Turner
Mr. Chambers

Gnsewold
Betty



May 10, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 13 1953

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

Re: Docket No. DMA-565X (Lead Zinc)
Castle Lead and Zinc Company
Exploration Contract No. Idm-E240

Dear Mr. Mittendorf:-

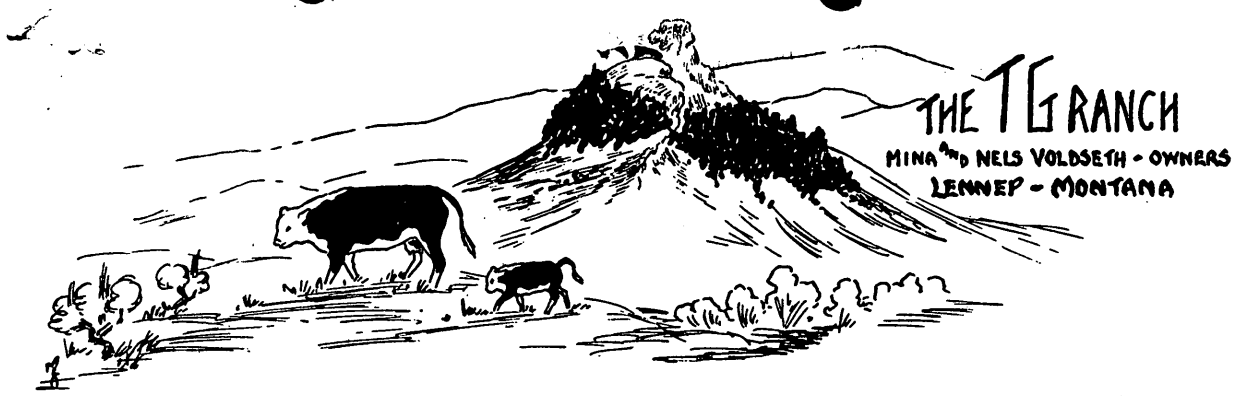
I have your letter of Apr. 29, 1953 wherein you state that any factual data of irregularities or indications of fraud on the part of Mr. Ed. C. Hughes with respect to his exploration contract, should be forwarded to your office.

Since my original letter of April 6, 1953 to the Defense Minerals Exploration Administration, Spokane, Washington, I have had the opportunity of getting some of the information requested in that letter directly from the Castle Lead and Zinc Company records in Butte, Montana.

During the brief time that I had available for examining these records, I found at least one item that in my opinion might bear further investigation.

It was in the matter of a certain building contract between Mr. Harley L. Nichols and the Castle Lead and Zinc Co. The total amount of this contract as shown on the Monthly Summary Cost Statements submitted to DMEA was $2963.80. In payment of this contract, the Castle Lead and Zinc Co. issued two checks drawn on the Flint Creek Valley Bank of Phillipsburg, Montana in the following amounts. Check no. 132 dated 3/1/52, payable to H. L. Nichols in the amount of $1130.25 and check no. 133, dated 3/10/52 payable to H. L. Nichols in the amount of $1833.55.

The first check (no. 132) was endorsed by Mr. Nichols and cleared through a Livingston, Montana bank before payment by the Phillipsburg bank. The second check (no. 133), however, was endorsed by Mr. Nichols first, and then endorsed for deposit only for the Castle Lead and Zinc Co. by Ed C. Hughes, Pres., and it is my recollection that this check carried no cancellation or payment stamp of any bank. Therefore it is my opinion that this check was issued to deliberately pad the



company's expense account to DMEA.

It is difficult for me to give you the complete picture in a letter but if you feel that the information that I have given you warrants further investigation, I would be glad to meet with a representative of your legal staff.

There is to be a stockholders meeting of the Castle Lead and Zinc Co. held in Deer Lodge, Montana on May 29th, 1953, and if you feel that anything could be gained by having one of your representatives attend this meeting, I am sure that I could arrange for a proxy.

Yours truly,

George Voldseth

George Voldseth

Copy to:
A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

FILE COPY
SURNAME:

Chambers
Grimwood

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

MAY 19 1953

Mr. George Veldseth
The T G Ranch
Lennep, Montana

Re: Docket No. IMA-565X (Lead-Zinc)
Exploration Contract No. Idm-2240
Castle Lead and Zinc Company

Dear Mr. Veldseth:

Receipt is acknowledged of your letter of May 10, 1953, in regard to the above-cited contract.

I wish to thank you for your interest in this account and advise that I have ordered an investigation of the contract operations of the Castle Lead and Zinc Company in regard to their contract with the Government. The investigators may wish to talk to you further on this matter.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

JLChambers/wb
May 19, 1953

P.H.
5-19-53

Copy to: Docket
Admr. Reading File
Administrator
Mr. Grimwold
Mr. Chambers

pb

FILE COPY
SURNAME:

500

Griswold

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

May 15, 1953

Memorandum

To: Administrator

From: Chief, Base Metals Division M. S. R. R.

Subject: Docket No. DM-565, Castle Lead & Zinc Company, Contract No. Idm-1240

The attached letter is in reply to Mr. Weissenborn's letter dated April 24 (copy of this letter in attached docket).

Since this letter constitutes a formal charge of fraudulent procedure, it perhaps should be handled in your office.

W. R. Griswold
W. R. Griswold

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

WRGriswold/bjl

C
O
P-
Y

THE T G RANCH
Mina and Nels Voldseth-Owners
Lennep-Montana

May 10, 1953

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

Re: Docket No. DMA-565X (Lead Zinc)
Castle Lead and Zinc Company
Exploration Contract No. Idm-E240

Dear Mr. Mittendorf:-

I have your letter of Apr. 29, 1953 wherein you state that any factual data of irregularities or indications of fraud on the part of Mr. Ed. C. Hughes with respect to his exploration contract, should be forwarded to your office.

Since my original letter of April 6, 1953 to the Defense Minerals Exploration Administration, Spokane, Washington, I have had the opportunity of getting some of the information requested in that letter directly from the Castle Lead and Zinc Company records in Butte, Montana.

During the brief time that I had available for examining these records, I found at least one item that in my opinion might bear further investigation.

It was in the matter of a certain building contract between Mr. Harley L. Nichols and the Castle Lead and Zinc Co. The total amount of this contract as shown on the Monthly Summary Cost Statements submitted to DMEA was $2963.80. In payment of this contract, the Castle Lead and Zinc Co. issued two checks drawn on the Flint Creek Valley Bank of Phillipsburg, Montana in the following amounts. Check no. 132 dated 3/1/52, payable to H. L. Nichols in the amount of $1130.25 and check no. 133 dated 3/10/52 payable to H. L. Nichols in the amount of $1833.55.

The first check (no. 132) was endorsed by Mr. Nichols and cleared through a Livingston, Montana bank before payment by the Phillipsburg bank. The second check (no. 133), however, was endorsed by Mr. Nichols first, and then endorsed for deposit only for the Castle Lead and Zinc Co. by Ed C. Hughes, Pres., and it is my recollection that this check carried no cancellation or payment stamp of any bank. Therefore it is my opinion that this check was issued to deliberately pad the company's expense account to DMEA.

It is difficult for me to give you the complete picture in a letter but if you feel that the information that I have given you warrants further investigation, I would be glad to meet with a representative of your legal staff.

There is to be a stockholders meeting of the Castle Lead and Zinc Co. held in Deer Lodge, Montana on May 29th, 1953, and if you feel that anything could be gained by having one of your representatives attend this meeting, I am sure that I could arrange for a proxy.

Yours truly,

s/ George Voldseth
George Voldseth

FILE COPY
SURNAME:

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

APR 29 1953

Mr. George Voldseth
The T G Ranch
Lennep, Montana

Re: Docket No. DMA-565X (Lead-Zinc)
Castle Lead and Zinc Company
Exploration Contract No. Idm-X240

Dear Mr. Voldseth:

Your letter of April 6, 1953 concerning the subject contract, addressed to the Defense Minerals Exploration Administration, Spokane, Washington, has been referred to this office. You state that you are a stockholder of the Castle Lead and Zinc Company, and you believe that you have reasons to question the integrity of Mr. Ed C. Hughes, Sr., President of the Company.

In response to your request for copies of the Monthly Progress Reports submitted by Mr. Hughes, please be advised that we are not in a position to furnish you with copies of these reports. However, if you will furnish us with a letter signed by the Secretary of the Castle Lead and Zinc Company, stating that you are a stockholder, or some other evidence of this fact, we will have no objection to your inspecting the Monthly Reports, either in our Spokane office or here in Washington.

If you have any factual data indicating fraud on the part of Mr. Hughes with respect to his exploration contract, you should forward such information promptly to this office so that we may refer it to our Legal Division.

Sincerely yours,

C. O. Mittendorf

Administrator

FEJohnson/bih
4/28/53
cc to: Docket
Admr. Reading File
Region II (2)
Messrs. Mittendorf
FEJohnson
Hofflund
Griswold

4-29-53

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION
~~WASHINGTON 25, D. C.~~
So. 157 Howard Street
Spokane 4, Washington

Answered
Betty

April 24, 1953

Defense Minerals Administration
RECEIVED
MAY 4 1953

Mr. George Voldseth
T-G Ranch
Lennep, Montana

Dear Mr. Voldseth:

I have your letter in which you state that you are a stockholder of the Castle Lead and Zinc Company and ask whether we can supply you with copies of the monthly summary cost statements submitted by Mr. Hughes in connection with Docket No. DMA-565X, Castle Lead and Zinc Company. This contract has now been terminated as you apparently are aware. Matters regarding details of the contract are usually held confidential between the operator and the DMEA. However, I happen to be going into Washington and I am taking your letter with me to discuss the matter with the Administrator of the Defense Minerals Exploration Administration so as to determine whether, in this case, an exception can be made.

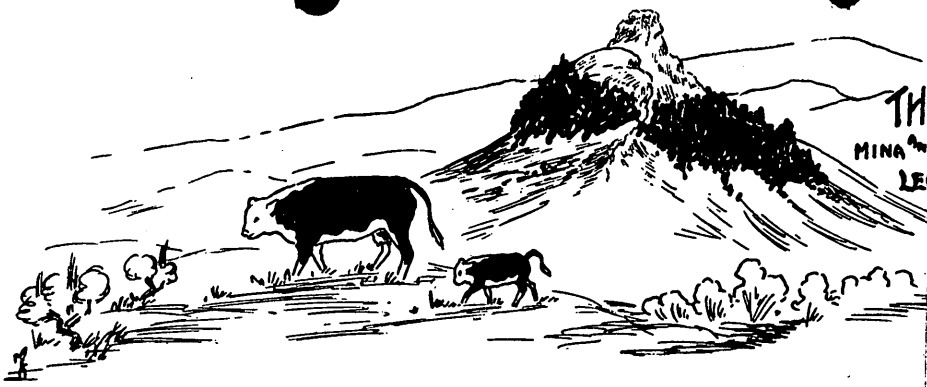
If you know of anything irregular in the operation of the contract, you should contact either me or C. O. Mittendorf, Administrator, Defense Minerals Exploration Administration, Washington 25, D. C.

I expect to return from Washington in about a week, and I will inform you at that time.

Sincerely yours

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: USBM (2)
DMEA (2)
Weeks



THE TG RANCH
MINA AND NELS VOLDSETH - OWNERS
LENNEP - MONTANA

REFER TO	ACTION	NOTED	DATE
GL			
Flow			
ANSWERED			

Apr 6, 1953

Defense Minerals Administration
Spokane, Washington

Gentlemen:-

As a stockholder of the Castle Lead and Zinc Co., a Montana Mining Corporation, I am writing you concerning a loan which our company obtained from your agency which was referred to as Docket No. DMA 565X, Approved Jan. 18, 1951.

From some of the dealings we as stockholders have had with Mr. Ed C. Hughes Sr., President of the Castle Lead and Zinc Company, I believe that we have reason to question his integrity.

Therefore, I am writing you to see if you could furnish me with copies of the Monthly Summary Cost Statements submitted by Mr. Hughes in connection with the above loan from the date of its approval till the present time, so that we may ascertain whether anything of a fraudulent nature has taken place between Mr. Hughes and the Gov't.

Also, in the event that we should uncover anything of this nature, who would be the proper authority to notify.

Yours truly,

George Voldseth

George Voldseth

RECEIVED
APR 6 1953
U. S. G. S.
SPOKANE, WASH.

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

1201 North Division Street
Spokane 2, Washington

Brought Betty

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 9 1953

April 1, 1953

Mr. Ed C. Hughes
Castle Lead and Zinc Co.
552 Colorado Street
Butte, Montana

Subject: Docket No. DMEA 565X (lead-zinc)
Contract Idm-E240
Supplemental invoice for June-July, 1952.

Dear Mr. Hughes:

Reference is made to our telephone conversation of March 31, 1953 regarding payment of the subject invoice submitted to cover bulldozing done under Amendment No. 2 to the contract.

Our records indicated that the invoice was approved and forwarded to the Disbursing Officer for payment on March 9, 1953. The approved total of the invoice was $1,353.70 and you should have received by now a check for $626.84 in final settlement of the contract. Your bid of $50 for the Government's equity in a jointly-owned building constructed as part of the project was accepted and this amount was deducted from the Government's share of the approved total.

It is probable that the check was mailed to one of your former addresses and has not yet been forwarded. It would be advisable, therefore, to check with the post offices in Livingston and Boulder.

If, after further investigation, you cannot locate the check, please inform us and we will contact the Disbursing Officer and attempt to trace it.

Sincerely yours,

Thomas E. Howard
Chief, DMEA Section
Bureau of Mines, Region II

TEH/vf

cc: DMEA - Wash. - 2
USGS - 2
DMEA
A/D
D/F

FILE COPY
SURNAME:

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

140

Rewritten by

~~Griswold~~ WRG
JLChambers
Rubin
DeKane
Chamberlin
Fohrman

MAR 25 1953

Mr. E. C. Hughes, President
Castle Lead and Zinc Co.
Box 125
Boulder, Montana

Re: Docket No. DMEA-565 (Lead-Zinc)
Castle Lead & Zinc Co.
Meagher County, Montana
Contract No. Idm-E240

Dear Mr. Hughes:

J.C. 3/25/53

This is with reference to the subject exploration contract between your company and the Government.

The final audit 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 $99,850.00 authorized under the contract, the sum of $18,833.35 was expended, 50 percent of which, or $9,416.67, represented the Government's share. There ~~were~~ are no unused materials, supplies, or equipment to be disposed of for the joint account of the Operator and the Government. The exploration work performed under this contract was done in a satisfactory manner.

Because the results of the exploration were unfavorable, the Government did not certify that a discovery or development resulted from the exploration work and no lien for repayment of the Government's contribution exists against any property subject of the exploration project. We are, therefore, closing our books and records with respect to this project. Your attention is called, however, to Article 11 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,

C. O. Mittendorf (for)

Administrator

WRGriswold/HCRubin/em
Copy to: Mails & Files
Mr. Kinkel — Adm. R. File
Mr. Bishop — Op. Committee
Mr. Hofflund — Region II (2)
Mr. Kane — Mr. Griswold

500
FILE COPY
SURNAME:

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

Original
H Chandler

Rewritten 3/23/53
HCR/em

Mr. E. C. Hughes, President
Castle Lead and Zinc Co.,
Box 125
Boulder, Montana

Re: Docket No. DMA 565 (Lead-Zinc)
Castle Lead & Zinc Co.
Meagher County, Montana
Contract No. Idm-E240

Dear Mr. Hughes:

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

The final audit 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 $99,850.00 approved under the contract, the sum of $18,833.35 was expended, 50 percent of which, or $9,416.67, 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 11 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,

Administrator

WRGriswold/hmj
(3-18-53)
CC to: Docket
Admin. R. File
Op. Committee
Base Metals Division
Region II (2)
Mr. Kinkel
Mr. Bishop
Mr. Griswold
Chron.

FILE COPY
SURNAME:

800

Talbert
Chambers

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

FEB 26 1953

Mr. Robert M. Hall
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: Castle Lead and Zinc Company
Contract Ida-R240
Docket DMA-365X

Dear Bob:

Returned herewith are the three copies of the Audit Certificate and three copies of the Audit Report covering the above-cited project, which was forwarded by your letter dated February 19, 1953.

Both your Audit Certificate and Audit Report disclose that you have deducted $50.00 as the salvage value of buildings. Furthermore, on page four of the Audit Report there is the following statement: "The Castle Lead and Zinc Company offered $50.00 for the buildings in a letter dated December 8, 1952, and this bid was accepted by the Executive Officer, DMEA Field Team, Region II, in a memorandum to the Certifying Officer dated December 11, 1952." However, the Operator's letter of December 8, 1952 made an offer of "$50.00 for the Government equity", and subsequently by letter dated December 11, 1952 the Executive Officer accepted this "offer of $50.00 for the Government's equity in these items."

It would appear from the above that the salvage value of the building is $100.00 rather than $50.00, since this is a contract calling for a Government participation of 50 percent. It is suggested that the necessary corrections be made in both the Audit Certificate and Audit Report.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

J.H.
2-26-53

Enclosure

KETalbert/wb 2-26-53

Copy to: Docket
Admr. Reading File
Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

January 9, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 20 1953

Mr. F. E. Johnson, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

FINAL
F.T. REP.

Re: Docket No. DMEA-565X (lead-zinc)
Castle Lead and Zinc Do.
Meagher County, Montana
Contract No. Idm-E240
Final report

Dear Mr. Johnson:

Enclosed is a report by Mr. M. R. Klepper, Geologist, U. S. Geological Survey and Mr. H. T. Reno, Mining Engineer, U. S. Bureau of Mines which is the final report on the Castle Lead and Zinc Company exploration in Meagher County, Montana.

Exploration done to date has indicated that the Smuggler structure is not likely to contain significant concentrations of base or precious metals and that although there exists possibilities of finding additional ore in the Yellowstone property, any plan submitted by the Operator for the rehabilitation and exploration of the property is prohibitively costly.

The total amount of the contract was for $99,850.00; of this amount only $19,092.00 had been expended when the contract was terminated. Half of this amount expended was the Governments's share of the exploration cost.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosure
cc: USBM(2)
Klepper

Call 1-14-53

Reviewed by
DMEA OPERATING COMMITTEE
1-26-53
(date)

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 20 1953

December 31, 1952

Memorandum

To: DMEA Field Team, Region II

From: M. R. Klepper, Geologist, U. S. Geological Survey
H. T. Reno, Mining Engineer, U. S. Bureau of Mines

Subject: Docket No. DMEA 565X (Lead-Zinc) Final Report, Castle Lead and Zinc Co., Meagher County, Montana, Terminated Contract No. IDM-E240.

SUMMARY

A contract for exploration on the Yellowstone and adjacent claims in Meagher Co., Mont. was let to Castle Lead and Zinc Co. on January 18, 1952. Under this contract an adit was driven to and along the Smuggler Zone and a bulldozer cut was excavated and a shallow shaft sunk on the Yellowstone ore body. The work on the Smuggler Zone disclosed only massive and disseminated pyritic replacements in calc-silicate rock, and no target suitable for exploration was outlined by the preliminary work in the Yellowstone. Consequently, at the recommendation of the Field Team geologists, the project was terminated on July 25, 1952, before completion of the work.

LOCATION

The Yellowstone and adjacent claims are located in the NE $\frac{1}{4}$ Sec. 11, T.8N., R.3W., Meagher Co., Mont., about one mile west of the abandoned town of Robinson and about 9 miles by dirt road northwest of Lennep, a village on the Milwaukee Railroad. The Yellowstone ore body crops out just east of the crest of the low ridge between Hensley and Hamilton Creeks, and the outcrop of the Smuggler Zone angles northwestward up the slope from Hamilton Creek, several hundred feet west of the Yellowstone ore body.

OWNERSHIP

The Yellowstone claim is owned by the Yellowstone Mining and Smelting Co. and leased to the Castle Lead and Zinc Co. The Iron Mountain, Buckhorn, Ace in the Hole, and Brockway claims are held by location by the Castle Lead and Zinc Co.

Reviewed by
DMEA OPERATING COMMITTEE

1-26-53
(date)

GEOLOGY

The claims are underlain by metamorphosed upper Cambrian and Devonian carbonate rocks that have been intruded by thick sheets and irregular masses of granite porphyry and are bordered to the west by the large stock of granite or quartz monzonite that forms the core of the Castle Mountains. The metasedimentary rocks trend northwestward and dip approximately 45 degrees to the northeast. The largest bodies of porphyry also have a northwest trend and at least locally conform to the dip of the metasediments (see map).

MINERAL DEPOSITS

The Yellowstone ore body appears to have been a steeply pitching chimney-like replacement in recrystallized dolomite in a small embayment along the east margin of a thick mass of porphyry (see map). The body was explored by a discovery shaft and later was mined from a working shaft collared in porphyry and reported to have been sunk to a depth of 400 feet and to have had appended four levels totalling 500 feet of drifts and crosscuts. All of these workings have been inaccessible for many years. The ore consisted of galena and cerussite in a gangue of brown jasper. A little magnetite and unidentified secondary zinc minerals occur locally.

The Smuggler Zone consists of discontinuous exposures of limonitic gossan associated with epidote, coarse garnet, and other high temperature silicate minerals and locally with specular hematite. These showings occur at about the same stratigraphic position near the top of an elongate septum of argillite and hornfels between two thick sill-like bodies of porphyry (see map). The zone trends northwest and dips about 45 degrees northeast. Samples collected by the operator from some of the exposures of gossan contained traces of lead, zinc, and silver.

DMEA EXPLORATION

An exploration program with a two-fold objective was approved: (1) to drive an adit along the Smuggler structure to determine the nature of the unoxidized material beneath the gossan zone, and (2) to crosscut from this adit to the Yellowstone ore body, and, if additional work then appeared to be justified, to explore it by drifting, raising, sinking, and drilling. The Smuggler adit was to be driven at the elevation of the bottom of the Yellowstone shaft (refer to Operator's sketch map and section accompanying contract) in order to drain the Yellowstone workings and to intersect the lower part of the Yellowstone ore body, where, according to verbal information furnished to the Operator by former employees of the mine, substantial quantities of relatively low-grade lead ore had been developed and not mined in operations prior to 1900.

Work under the contract commenced in January 1952, and by May 1 the Smuggler adit had been advanced 272 feet and had disclosed two zones of pyritic replacement in metasediments beneath the most conspicuous outcrop of gossan (see map and section).

The pyrite contained only traces of base or precious metals and consequently, was judged to be a poor target for further exploration by drifting.

On May 1 and 2 geologists representing the Field Team mapped the Smuggler workings and made a plane-table geologic map of the Smuggler-Yellowstone area. This map showed that the Smuggler adit was being driven at an elevation 125 feet higher than the bottom of the Yellowstone shaft and would neither drain the deeper Yellowstone workings nor provide direct access to the lowest Yellowstone level, which was the second objective of the project. The survey also indicated that about 640 feet of crosscut would have to be driven to connect the Smuggler adit with the Yellowstone shaft. As the Smuggler Zone proved to be an unsuitable target to be followed in drifting toward the Yellowstone shaft, and as the cost of crosscutting directly to the shaft appeared to be excessive in view of the fact that it would not intersect the shaft at the depth desired, the examining geologists recommended that work in the Smuggler adit be terminated (Memo of May 13 by Klepper and Quinlan). They also recommended that a limited amount ($1700) of bulldozing and test pitting be permitted at and adjacent to the outcrop of the Yellowstone ore body in order to obtain more information on this ore body and, if possible, to outline an extension of the Yellowstone structure that might provide a suitable target for exploration. This work demonstrated that the outcrop of the Yellowstone ore body was in elliptical mass of brown jasper with intergrown cerussite and some unoxidized kernels of galena; it also showed that the near surface part of the ore body had been virtually stoped out, and corroborated the original opinion that the only suitable target in the Yellowstone ore body was at or near the bottom of the shaft. The Operator's estimate of $33,147 to rehabilitate the caved Yellowstone shaft was judged to be prohibitive in view of the lack of factual information concerning the Yellowstone ore body. In view of this and in view of the negative results on the Smuggler structure, it was recommended that the contract be terminated before completion of the work.

This recommendation should not be construed as condemning the Yellowstone property as a potential future exploration target. It merely indicates that in the opinion of the Field Team geologists, the program originally laid out, or any program subsequently suggested by the Operator, involves a larger expenditure of public funds than is warranted by the meager factual information that could be obtained concerning the Yellowstone ore body. The exploration of the Smuggler Zone, however, is believed to have been adequate to demonstrate that it is not likely to contain significant concentrations of base or precious metals.

EXPENDITURES

Amendment No. 1 of the contract dated April 22, 1952, changed the contract to provide Government participation in the drifting and crosscutting on the basis of an estimated cost of $53.72 per linear foot in lieu of actual costs incurred.

Other parts of the project were subcontracted. Therefore, details of cost are not available.

Total Amount of Contract	$99,850.00
Amount Expended	* 19,092.00
Government's Share Authorized	49,925.00
Government's Share of Cost	* 9,546.00
Government's Share Unexpended	* 40,379.00
Vaule of Production During Operation	none

*Subject to Audit.

EQUIPMENT PURCHASED FOR PROJECT

None

Three temporary buildings were constructed on the project for a total approved cost of $2,963.80, over half of which was labor. The operator has offered to buy the Government's equity in these buildings for $50.00. The buildings are remote from possible buyers, therefore, as it probably would cost more to recoup them than the material is worth, the possibility is very doubtful that other bids will be received. It is recommended, therefore, that the Operator's offer be accepted.

Enclosure 1
Dist:
Orig & 3-DMEA
USBM (2)
USGS (SRO)
Docket
Klepper

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

[redacted]
So. 157 Howard Street
Spokane 4, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 13 1952

December 11, 1952

5654

Mr. E. C. Hughes, President
Castle Lead & Zinc Company
Box ~~145~~ 125
~~Livingston,~~ Montana
Boulder,

Re: Contract Idm-E240

Dear Mr. Hughes:

This is to advise you that the Government will accept your bid for the items on Contract Idm-E240 jointly owned by the Castle Lead & Zinc Company and the DMEA, and will accept your offer of $50.00 for the Government's equity in these items. These items consist of water supply, buildings, and furnishings.

We are interested to learn that you are continuing the crosscut at your own expense. We do not feel that you have pointed out any evidence to change the recommendation of our field examiners made last July that the contract be terminated. However, should the results of your work disclose additional evidence which suggests that further prospecting would be warranted, we would at any time be glad to consider a proposal from you for another exploration contract. This would, however, be a new contract, distinct from the present one.

Sincerely,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: DMEA (2)
USBM (2)
Klepper

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 16 1952

[redacted]
So. 157 Howard Street
Spokane 4, Washington

December 11, 1952

Keller
Petty

Memorandum

To: R J. Hindman, Certifying Officer, DMEA, Region II

From: A. E. Weissenborn, Executive Officer, DMEA Field Team, Region II

Subject: Castle Lead & Zinc Company, Docket DMEA-565X (Lead-Zinc), Contract Idm-E240, Meagher County, Montana.

With reference to Mr. Hughes' letter of December 8, 1952, offering a sum of $50.00 for buildings on the property of the Castle Lead and Zinc Company constructed as part of the DMEA project, it is recommended that we accept this bid for the buildings and that this amount be deducted from the final settlement.

Furthermore, in my opinion inasmuch as any final report prepared by Mr. Hughes would be of somewhat doubtful value and inasmuch as we have already available an adequate amount of technical information concerning the results of the exploration from field engineers, it is recommended that the requirement that Mr. Hughes prepare a final report be waived. This is particularly justified because in order to obtain the fiscal information for a final settlement we had to make repeated attempts to contact Mr. Hughes and only after following this up on several occasions were we able to get the information. Further attempts to get a technical report from Mr. Hughes would only delay the final closure of the contract, which we are anxious to get off the books.

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

cc: DMEA (2)
USBM (2)
Klepper

COPY

December 8, 1952
Box 125
Boulder, Montana

Mr. Robert M. Hull
DMEA Auditor
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane, Washington

Re: to your letter of December 2
Castle Lead and Zinc Company

Dear Mr. Hull:

I am sending amendment No. 2 of the bulldozing contract on the Castle Lead and Zinc Company.

In regard to liquidating the items jointly owned by the Castle Lead and Zinc Company and the DMEA, we have offered the items for sale and have received no bids. The Castle Lead and Zinc Company is in a position to offer $50.00 for the Government equity in these items.

Sincerely yours,

CASLTE LEAD AND ZINC COMPANY

By, /s/ Ed. C. Hughes

cc:Mr. A. E. Weissenborn
Please address future mail to the above address.

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

1201 North Division St.
Spokane 2, Washington
December 2, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
DEC 4 1952

Sas

Keller
Betty

REGISTERED MAIL
RETURN RECEIPT REQUESTED

Castle Lead & Zinc Company
Livingston, Montana
c/o Mr. Ed. C. Hughes

Subject: Contract Idm-E240
Docket No. DMEA 565X (lead-zinc)

Dear Mr. Hughes:

Reference is made to Defense Minerals Exploration Administration Contract Idm-E169 and Amendments 1 and 2.

The DMEA Field Team has no record of receiving Form MF-104, Operator's Monthly Progress Report, since April, 1952. Please furnish such Monthly Progress Reports, Form MF-104 as have not already been submitted.

Reference is further made to the audit on October 3, 1952, of Castle Lead & Zinc Co. In order to complete the audit report and certificate required to close this contract, it is necessary that you furnish the DMEA Field Team a written statement of the action taken to liquidate the items in which a jointly owned equity has been established.

It will be appreciated if you will take the necessary steps so that this contract may be closed as soon as possible. Please address your reply to the Executive Officer, DMEA Field Team, South 157 Howard Street, Spokane, Washington.

Sincerely yours,

Robert M. Hull
DMEA Auditor

cc: USGS (2)
DMEA - Wash. (2)
DMEA
A/D
D/F
RMH

MK

OFFICE OF THE ADMINISTRAT

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

So. 157 Howard Street
Spokane 4, Washington

August 26, 1952

Mr. Frank E. Johnson
Chairman, Operating Committee
Defense Minerals Exploration Administration
Department of Interior
Washington 25, D. C.

Re: Docket No. DMA-565X
Contract No. Idm-E240
Castle Lead Project
Meagher County, Montana

Dear Mr. Johnson:

Reference is made to Mr. Selfridge's letter of August 21, 1952.

Enclosed is an original copy of "Notice of Termination of Exploration Project Contract, under Terms of the Contract, before the Completion of the Work" in accordance with your request.

Hereafter we shall send the originals in all cases. However, since this form is directed to the Operator it has been treated the same as a piece of correspondence. Apparently the form was not designed or intended to be used in that manner.

Very truly yours,

Thor H. Kiilsgaard
Acting Member, DMEA
Field Team, Region II

Enclosure
cc: USBM(2)

S d S
9-5-52

FILE COPY
SURNAME:

HFKeller

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

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region II
South 157 Howard Street
Spokane 4, Washington

AUG 21 1952

Re: Docket No. DMA-565X
Contract No. Idm-E240
Castle Lead Project
Meagher County, Montana

Dear Mr. Weissenborn:

In your letter of August 5, 1952, you enclosed three executed copies of "Notice of Termination of Exploration Project Contract, under Terms of the Contract, before the Completion of the Work" on the subject contract.

We are returning one of the copies of the notice of termination, with the request that the original be sent to replace it. In accordance with the Operating Committee's Memorandum No. 10, the original of documents such as the above should be sent to this office. This procedure is necessary so that all original contract documents can be attached to the original of the contract, which is the Government's copy.

Sincerely yours,

R.C. Seyfridge (HB) 8/21

ACTING Chairman, Operating Committee

APPROVED:

C. N. Johnson (HB)
Member, Bureau of Mines

D. M. Lemmon (HB)
Member, Geological Survey

HFKeller/bjl (written 8/20/52)

Copy to: Docket
Admr. R. File
Oper. Committee
H. F. Keller (2)
Mr. Bishop
Mr. McKnight
Chron.

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

C
O
P
Y

AUG 17 1952

Mr. Robert M. Hull
c/o Mr. A. E. Weissenborn,
South 157 Howard Street
Spokane 8, Washington

Re: Contract No. Idm-E169
Docket No. DMA-1535X
Columbia Mining Co., Inc.
and
Contract No. Idm-E240
Docket No. DMA-565X
Castle Lead & Zinc Co.

Dear BoB:

If there are no more payments to be made to the contractors of the above cases, please give us clearance to release the balance of the allotted funds. Our cumulative expenditures on E169 are $6,745.80 and on E240, $8,789.83

Sincerely yours,

Signed:

Jay L. Chambers, Chief
Contract Administration and
Audit Division

JLChambers/wb
August 14, 1952

Copy to: Mails & files
Admr. reading file
Mr. Chambers

AUG 14 1952

Mr. Robert M. Hull
c/o Mr. L. E. Weissenborn
South 157 Howard Street
Spokane 8, Washington

Re: Contract No. Idm-E169
Docket No. DMA-1535X
Columbia Mining Company, Inc.
and
Contract No. Idm-E240
Docket No. DMA-565X
Castle Lead & Zinc Company

Dear Bob:

If there are no more payments to be made to the contractors of the above cases, please give us clearance to release the balance of the allotted funds. Our cumulative expenditures on E169 are $6,745.80 and on E240, $8,789.83.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration and
Audit Division

JLChambers/wb
August 14, 1952

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

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

So. 157 Howard Street
Spokane 4, Washington

AUG 11 1952

August 5, 1952

RECEIVED
AUG 13 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

Mr. Frank E. Johnson
Chairman, Operating Committee
Defense Minerals Exploration Administration
Washington 25, D. C.

Re: Castle Lead Project
Meagher County, Montana
Docket DMEA 565X
Contract Idm-E240, Lead-Zinc

Dear Mr. Johnson:

Attached hereto is a memorandum on the subject property by M. R. Klepper, Geologist, U. S. Geological Survey, that reviews the problem involved in the exploration program as amended June 7, 1952 (Amendment No. 2).

Amendment No. 2 calls for the stoppage of work on the Smuggler adit, which has been proven of no value, and the substitution of bulldozing, and trenching to determine the nature of the Yellowstone ore structure. Further work on the Yellowstone structure is dependent upon the evaluation of results of the trenching and bulldozing and Klepper's memorandum gives this evaluation. Klepper reports that the bulldozing and trenching has not disclosed any information on the basis of which new targets for exploration can be recommended. The only possible objective is the lower part of the Yellowstone pipe. However, the pipe is small, an unknown amount of it has already been mined, no information is available to delineate a target for drilling and the cost of work to adequately explore for the postulated lower end of the pipe is estimated in excess of $33,000. The expectable discovery is not commensurate with the estimated cost.

In view of these factors, the contract has been terminated effective July 25, 1952, and 3 copies of the termination are enclosed.

By DMEA Field Team, Region II

Glenn O. Reed
M.E. Volin, Acting Exec. Officer
(U. S. Bureau of Mines)

S. Warren Hobbs
S. Warren Hobbs, Acting Member
(U. S. Geological Survey)

Encls.:
1. Termination (in trip.)
2. Memo fr. Klepper-Weissenborn dtd 7-19-52

cc: USBM, Spokane (2)w/encl.
USBM, Albany (1)w/encl.
M.R.Klepper (encl.already mailed)

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

So. 157 Howard Street
Spokane 4, Washington

AUG 11 1952

July 19, 1952

Memorandum

To: A. E. Weissenborn, Exec. Officer, DMEA Field Team, Region II

From: M. R. Klepper, Geologist, U. S. Geological Survey

Subject: Inspection of Castle Lead project, Meagher County, Montana, Docket DMEA-565X, Contract Idm-E240, Lead-Zinc

On July 15 I examined subject property in company with George Aronis, George Marinos, and Harley Nichols, an official of Castle Lead and Zinc Company. The examination was made at the request of Ed Hughes, President of the company.

Prior to this examination, a prospect shaft had been sunk to a depth of 15 feet adjacent to the original Yellowstone discovery shaft and bulldozer trenches had been excavated adjacent thereto in an attempt to define the nature of the Yellowstone deposit. These new workings have been added to the Klepper-Quinlan map of the Yellowstone-Smuggler area dated May 2, 1952.

The bulldozer excavation discloses an area of jasper that contains sporadically distributed galena, cerussite, and manganese oxide and is approximately 35 feet long by 20 or 25 feet wide. This jasper mass, which replaces dolomite at or near the margin of a large porphyry intrusive, is probably the outcrop of the Yellowstone ore body. The prospect shaft sunk along the north margin of the jasper body encountered an old partly filled or caved stope at a depth of 15 feet. This work appears to demonstrate that the Yellowstone ore body was a steeply dipping pipe-like mass formed in dolomite adjacent to a convex curve in the dolomite-porphyry contact. Presumably, the richer part of the pipe has been stoped, at least down to water level. No vein structure or other "leads" that would warrant additional exploration were found. The Yellowstone shaft was probably sunk in porphyry as a working shaft after the nature of the ore body had been determined by work in the discovery shaft, the depth of which is unknown.

The work done in the Smuggler adit indicates that the Smuggler structure is not likely to contain significant amounts of base metals, and the surface work at the Yellowstone herein described has not disclosed any new targets for exploration. Therefore, the only remaining exploration possibility appears to be a test of the lower part of the Yellowstone pipe. In my opinion the probable high cost of reopening and rehabilitating the Yellowstone shaft to make such a test possible (Hughes' estimate quoted in Erickson's routine inspection reported dated June 16, 1952, is $33,147.58) would not be justified unless more specific evidence can be produced regarding the nature of the target and the basis for the belief that a large tonnage of ore remains in this pipe. I don't think diamond drilling would be feasible in this case where we know virtually nothing about the attitude, shape, or size of the target--if there is any target that has not been mined out. It appears that more specific evidence on the deposit is unobtainable except at unwarranted cost, in which case the only alternative is to close the contract.

Enclosure 1

M. R. Klepper
Geologist

cc: DMEA (orig. & 3)
USBM, Spokane (1)
USBM, Albany (1)
USGS (SRO)
M. R. Klepper

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.
So. 157 Howard Street
Spokane, Washington

Department of the Interior
Defense Minerals Administration
RECEIVED
JUL 21 1952

July 16, 1952

Memorandum

To: Frank E. Johnson, Chairman, Operating Committee, DMEA

From: DMEA Field Team, Region II

Subject: Amendment to No. 2, Exploration Project Contract Idm-E240, DMEA Docket No. 565x (Lead-Zinc), Castle Lead and Zinc Co., Cascade County, Montana.

Enclosed are the original and two copies of Amendment No. 2 for subject contract.

This amendment stops work on the Smuggler adit, and allows a trenching program to determine the nature of the Yellowstone ore structure. The total cost of the trenching is not to exceed $1,700. Upon completion of trenching, the program is to be re-evaluated to determine whether further work is justified.

The original exploration program was planned with a two-fold objective. The contract allowed funds to explore the Smuggler structure by 1,000 feet of drifting to a point opposite the bottom of the Yellowstone shaft and thence crosscut to the Yellowstone are structure and drift along it.

Work completed to date has shown that sulfide beneath the strong Smuggler gossan zone is pyritic without significant base metal content. The Smuggler adit is at an elevation 150 feet above the bottom of the Yellowstone shaft, and therefore will not drain and make the lower Yellowstone workings accessible. Consequently, the cost of driving the Smuggler adit along a zone now demonstrated to be devoid of base metals to reach a joint well above the bottom of the Yellowstone shaft does not appear to be justified.

Exploration to date has explored only the Smuggler structure. Since the program was designed to explore the Yellowstone structure also, a trenching program has been authorized. This program is designed

565
7-21-52

to determine whether the Yellowstone ore structure is a pipe-like structure or a true vein, as reported by the operator. If the trenching program demonstrates that the Yellowstone structure merits further exploration at depth and the costs are commensurate with the target, a new program will be devised.

By DMEA Field Team, Region II

A. E. Weissenborn

A. E. Weissenborn, Exec. Officer
(U. S. Geological Survey)

M. E. Volin

M. E. Volin, Member
(U. S. Bureau of Mines)

Enclosure 1 (in trip.)

cc: USBM, Spokane
USBM, Albany

M. E. Volin, Member, DMEA Field Team, Reg. II July 9, 1952

E. G. Erickson, Mining Engineer, Bureau of Mines

Routine inspection of Castle Lead Mining Co., Contract Idm-E240, Meagher County, Mont., Docket No. DMEA 565X (lead-zinc)

Mr. Ed C. Hughes, president and operator of the Castle Lead Mining Company, was contacted in Basin, Montana, June 22, 1952. He informed me that a dozer was being hauled to the property and that no work had been done under the contract since the last inspection.

The contract has been limited to a surface exploration program to expose more of the structure so that feasibility of further participation by the Government in exploring the property can be determined.

Mr. Klepper of the USGS was notified of the status of curtailed program and will visit property in near future.

E. G. Erickson

Orig. to files
cc: USGS (2)
Wash. (2)
EGE

M. E. Volin, Member, DMEA Field Team, Reg. II June 16, 1952

E. G. Erickson, Mining Engineer, Bureau of Mines

Routine inspection of Castle Lead Mining Co.'s exploration project, Contract Idm-E240, Docket No. DMEA 565 (Lead-zinc), Meagher County, Mont.

Inspection of the project was made May 10, 1952. Virtually all improvements allowed in the contract had been made. Two outhouses had been completed, water system installed, and some furnishings had been added since my last visit.

Crosscutting to date (235 feet -- 220 feet under the contract) has disclosed only pyrite mineralization and a small amount of drifting (47 feet) on this showing has been discouraging. USGS geologists mapped the work to date and the overall picture does not justify continuing the drifting on the Smuggler structure. Operator has been informed that Government will not participate in further work in Smuggler adit at this time. Consequently, Mr. Hughes has directed his efforts toward working out a feasible program for opening the Yellowstone shaft.

I inspected the old Yellowstone shaft site with Mr. Hughes (the Operator) during my inspection. The shaft collar has caved and glory-hole indicates considerable slough muck has fallen in shaft. All original timbers are out for as far down as shaft is open, which is about 20 feet. There was snow in shaft and present opening was made a few years hence and timbering is of a temporary nature and would have to be replaced with a more permanent timbering job.

It is thought that all timber not under water will be dry-rotted and have to be replaced should shaft be opened. Lack of maps of workings and shaft makes it very difficult to estimate a reopening cost.

Mr. Hughes was asked to submit his estimate for reopening the shaft. He estimates it would cost $33,147.58 for rehabilitating the 400-foot shaft. The job may well cost that amount if water he anticipates is a reality.

A reevaluation of the project since exploration of Smuggler structure has been discarded must be based almost entirely on the merits of the Yellowstone. Lack of records makes it almost impossible to ascertain how much of the ore was mined and how much virgin vein may be left to explore or mine. Therefore, it appears that what might be found hardly justifies Mr. Hughes' estimated cost for reopening the shaft.

The Operator had (on his own account) sunk down 20 feet in an old stope that had broken through to surface about 100 feet south of the shaft. He found that the earlier operators had left about 3 feet of ore on one wall. The ore is a jasper carrying lead and silver. A sample taken by Operator of this jasper ore that contained no visible galena was assayed, and it was found to contain 6.0 oz. Ag, 12.6% Pb and 0.9% zinc. A sample of similar ore taken by a USGS geologist was found to run about the same. The low zinc appears odd but may increase with a little depth.

Mr. Hughes has been allowed (by an amendment to the contract) funds for a small dozing program on the Yellowstone structure. This was allowed to disclose more of the structure in lateral extent and thereby facilitate reevaluation of the project so a revised program may be set up if results are encouraging.

As soon as trenching is finished the project will be reevaluated and a decision will be reached as to further exploration.

The Operator has subcontracted the work done under the contract and the standard has been good.

E. G. Erickson

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
JUL 7 1952

Orig. to files
cc: USGS (2)
Wash. (2)
EGE

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

No. 157 Howard Street
Spokane 4, Washington

May 13, 1952

Mr. Ed Hughes, President
Castle Lead and Zinc Company
P. O. Box 145
Livingston, Montana

Re: DMEA Docket No. 565X (Lead-Zinc)
Exploration Project Contract Idm-[illegible]

Dear Mr. Hughes:

On the recommendation of the examining Geologist, The Field Team herewith notifies you that the Government will not participate in further advance of the Smuggler adit now being driven under Exploration Project Contract Idm-[illegible]. If an acceptable proposal to reopen, sample, and map the Yellowstone shaft and upended levels can be worked out with Mr. Erickson, the Field Team will draft an amendment to provide for that work.

The withdrawal of Government participation in the Smuggler adit is motivated by two considerations: (1) the work to date has indicated that the sulfide mineralization beneath the strongest gossan on the Smuggler zone is pyritic without significant base metal content, and (2) the Smuggler adit is at an elevation 1[illegible] feet above the bottom of the Yellowstone shaft, and therefore will not drain and make accessible the lower Yellowstone workings, where ore is believed to remain. Consequently, the cost of driving the Smuggler adit along a zone now demonstrated to be devoid of base metals to reach a point well above the bottom of the Yellowstone shaft does not appear to be justified.

By Field Team, Region [illegible]

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 1[illegible] 1952

A. E. Weissenborn, Executive Officer
(U. S. Geological Survey)

M. S. Volin, Member
(U. S. Bureau of Mines)

cc: USBM
DMEA
USGS - (SRC)

Ad

SDS

M. E. Volin, Member, DMEA Field Team, Region II May 8, 1952

E. G. Erickson, Mining Engineer, Mining Division, Region II

Routine Inspection, Contract Idm-E240, Docket 565X (lead and zinc)
Castle Lead Mining Company, Meagher County, Montana.

The project site was inspected March 28, 1952 with the operator, Mr. Ed Hughes and Mr. J. Quinlon of the U. S. G. S.

A compressor house (20 ft. by 16 ft.), a bunkhouse (24 ft. by 18 ft.) had been constructed at camp site. An existing building (cookhouse 24 ft. by 16 ft.) had been rehabilitated and winterized in lieu of building a new cookhouse. All buildings are frame construction.

Brunton survey of the adit was made, survey station tags set, and initial starting point determined. Due to sheared condition of the ground, timbered sets were necessary to date and rounds were "over breaking" the desired cross-section. The crosscut had advanced a total of 164 feet under the contract.

Operator's sub-contract contained several unusual conditions which led Mr. Hofflund, DMEA legal counsel, to recommend the contract be amended to allow payment on a footage basis. The amendment, drawn up by Mr. Hofflund, was revised in part and forwarded to Washington by Field Team for approval. Mr. A. E. Weissenborn has had telephone conversations of late with Washington, whereb unit prices set forth in the amendment have been approved, but some changes were made in the wording of the amendment.

Due to topography and heavy overburden, the outcrop of the vein near elevation of creek bottom was not disclosed. The adit was started on a structure that operator sampled and claims contained values. From adit site it will be necessary to crosscut approximately 250 feet to determine if the Smuggler vein actually exists at this elevation. The original data used in outlining the program is somewhat sketchy and the U. S. G. S. will make a detailed surface map of the area to be explored as soon as snow disappears.

E. G. Erickson

Orig. to files
cc: U.S.G.S.
2 Washington ✓
EGE

FILE COPY
SURNAME:

Robin Hoffman

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

May 7, 1952

Mr. S. H. Finger, Vice-President
The National Park Bank
Livingston, Montana

My dear Mr. Finger:

This responds to your letter dated April 12, 1952, to the Chief Counsel requesting the consent of the Government to an assignment of moneys due or to become due from the United States to Castle Lead and Zinc Company under Exploration Project Contract, Docket No. DMEA-565X, Idm-E240, and requesting approval of the form which you submitted.

The consent of the Government to the assignment to The National Park Bank is hereby granted.

The form of assignment is approved. It is not necessary for the United States to consent to the assignment again on the "Consent to Assignment" form submitted by you.

The procedure to be followed after the assignment is executed, is as follows:

1. Execute the enclosed Notice of Assignment form in quadruplicate, attach a true copy of the instrument of assignment to each Notice of Assignment, and send them to the Acting Administrator, Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C.

2. Three of the Notice of Assignment forms will be receipted and returned to you. Attach two of them to the first monthly progress report (voucher) submitted.

Sa

The stricken material at the top of the form is a reference to instructions on the reverse side of it. The reference has been deleted because of a different procedure for processing the form outlined in this letter.

Sincerely yours,

C. O. Mittendorf (for) 5/8

Acting Administrator

Enclosure

HCRubin/ema
cc: ✓Mails & Files
C. O. Mittendorf
Adm. Reading File
Contract Audit Division
Regional Finance Officer
J. L. Hofflund
H. C. Rubin
Chron.
Pending

5/2

Mr. Chambers:

The attached draft of letter and "Notice of Assignment" form, were prepared pursuant to G.S.A. Circular No. 35, dated December 18, 1951, which was transmitted within the Department by Budget and Finance Letter No. 54.

Please review them and indicate whether the procedure outlined in the draft of letter will satisfy DMEA requirements.

J. H. Hofflund

This appears OK. Pls. furnish Contr. Adm. & Audit Div. with copy of your ltr. Also suggest a copy be fwd. to Regional Finance Officer as notice of pending assignment.

E. H. Talbert
5/5/52

THE NATIONAL PARK BANK

AFFILIATED WITH
FIRST BANK STOCK CORPORATION

LIVINGSTON, MONTANA

April 12, 1952

Ans. 5/7/52
H.C. Rubinfeld

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 15 1952

Mr. J. L. Hofflund, Chief Counsel
U.S. Department of the Interior
Defense Minerals Administration
Washington 25, D. C.

Dear Mr. Hofflund:

In keeping with your letter of March 17th, our attorney has prepared an Assignment and Consent to Assignment of monies due or to become due the Castle Lead and Zinc Company under Exploration Project Contract, Docket No. DMA-565X, Idm-E240.

Will you please review this and advise us whether or not it is acceptable?

Yours very truly,

S. H. Finger
Vice President

enc.
SHF:BH

RECEIVED
APR 16 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

That whereas, Exploration Project Contract_____ _____, dated January 18, 1952, was made and entered into be and between the UNITED STATES OF AMERICA, acting through the Department of the Interior, Defense Minerals Administration, hereinafter called the Government, and CASTLE LEAD & ZINC COMPANY, a corporation, of Livingston, Montana, hereinafter called the Operator, relative to the exploration and development of certain premises located in the Castle Mt. Mining District in Township 8 North, Range 8 East, M.P.M.;

And whereas, the said contract provided for the payment by the Government of not to exceed 50 per cent of the agreed estimated total cost of the project, or not to exceed the sum of $49,925.00 upon the approval of vouchers with detailed statements of work done, and allowable costs to be submitted by the said Operator;

And whereas, the said Operator is desirous of borrowing from The National Park Bank in Livingston, a national banking association, of Livingston, Montana, hereinafter called the Bank from time to time, divers sums of money to assist the Operator in the financing of the work contemplated by the said contract, and of securing the said Bank for the repayment of sums so borrowed from the said Bank, by an assignment or assignments of the sums payable and to become payable from the Government to the said Operator on account of the said contract, and of securing the written consent of the Government to such assignment;

NOW, THEREFORE, the said Operator, for and in consideration of the sum of $1.00, and other valuable considerations in hand paid by the said Bank, does, by these presents, sell, assign, transfer, and set over unto the said Bank, all moneys due and to become due to the said Operator on account of the said contract,

and the said Operator does hereby authorize and empower the said Bank to receive and receipt for all sums due and to become due to the said Operator, under and by virtue of the terms and provisions of the said contract.

And the said Operator does hereby covenant and agree to make and furnish to the said Government, promptly, and in due season as contemplated by the said contract, vouchers for payment, with detailed statements of work done and allowable costs (as defined in Article 10 of the said contract) in forms and with supporting data acceptable to the Government, as required by the said contract.

This assignment is executed as collateral security for the payment to the said Bank of all sums to be loaned to the said Operator by the said Bank, and of all notes to be given by the said Operator to the said Bank, according to their terms and tenor.

This assignment is made subject to the written consent of the Government thereto, and shall be of no force or effect unless and until such consent is given.

And, upon the written consent of the Government to this assignment, no liability of any nature of the said Operator to the United States or any department or agency thereof, whether arising from or independently of such contract, shall create or impose any liability on the part of the said Bank to make restitution, refund or repayment to the United States of any amount hereafter received by the said Bank under this assignment, or to which the said Bank shall become entitled for payment of amounts loaned and advanced by it to the said Operator.

IN WITNESS WHEREOF, the said Operator has caused its corporate name to be hereunto subscribed, and its corporate seal to be hereto affixed, by its proper officers thereunto duly authorized, all this _____day of_____, 1952.

CASTLE LEAD & ZINC COMPANY,

By_____

Its_____.

(CORPORATE SEAL)

ATTEST:

_____

Its_____Secretary.

CONSENT TO ASSIGNMENT

Comes now the undersigned, the United States of America, hereinafter called the Government, and consents and agrees to the assignment by Castle Lead & Zinc Company, hereinafter called the Operator, to The National Park Bank in Livingston, a national banking association, of Livingston, Montana, hereinafter called the Bank, of all moneys due and to become due to the said Operator on account of that certain Exploration Project Contract No._____, dated January 18, 1952, made and entered into by the said Government and the said Operator, relative to the exploration and development of certain premises located in the Castle Mt. Mining District, in Township 8 North, Range 8 East, M.P.M., in Montana.

DATED: This_____day of_____, 1952.

THE UNITED STATES OF AMERICA

By_____

Its_____

_____.

FILE COPY
SURNAME:

140

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

MAY 2 1952
Rewritten by
5/1/52

Rubin
Hofflund
Moulds
Lemmon
Hedges
Cotton
Hofflund

Memorandum

To: Executive Officer, DMEA Field Team, Region II

From: Acting Administrator

Subject: Amendment No. 1 to Contract Idm-E-240, Castle Lead and Zinc Company (Docket No. 565X)

Reference is made to your letter to me dated April 17, concerning Amendment No. 1 to the subject contract, and to your letter dated April 22, to the Chairman of the Operating Committee enclosing copies of an executed Amendment No. 1.

There is attached an Amendment No. 1 drafted along the lines of the amendment which you executed. This amendment should be executed and substituted for the amendment which already has been executed, if it is possible to do so, because of the ambiguity in the last sentence of paragraph 2 of the executed amendment concerning "all costs", and the omission of the item of 2000 feet of drilling which results from the deletion of all items under the "Summary of Estimated Costs" in Exhibit "A" except the item for Fixtures and Improvements.

Your letter dated April 17, does not indicate that the unit cost per foot of diamond drilling is less than the actual cost would have been or is otherwise reasonable. Approval of the amendment is subject to such determination.

C. O. Mittendorf (for)

cc
5/2

C. O. Mittendorf
Acting Administrator

HCRubin/ema
cc: J. L. Hofflund
H. C. Rubin
Attachment

Mails & Files
C. O. Mittendorf
Adm. Reading File
Chron.

AMENDMENT NO. 1

Exploration Project Contract No. Idm-1240

Exploration Project Contract, Docket No. DMA-565X, lead and zinc, Idm-1240, dated January 18, 1952, between the United States of America and the Castle Lead and Zinc Company is amended as follows:

1. The first sentence of Article 4 is deleted and, in lieu thereof, a sentence is added reading as follows: The Operator may subcontract for drifting, crosscutting and diamond drilling on a unit cost basis, or perform all or any part of this work itself.

2. A new paragraph is added at the end of Article 10 reading as follows: "$53.72 per foot shall be considered as the allowable costs of drifting and crosscutting to be done on the project, in lieu of actual cost. The drift and crosscut shall be 5' x 7' in the clear and timbered where necessary. Six dollars ($6.00) per foot shall be considered as the allowable cost for diamond drilling (AX size unless smaller size is approved by Field Team) to be done on the project in lieu of actual cost. The unit costs set forth above, and the estimated costs of installation and construction itemized under the heading 'Fixtures and improvements' in the amount of $8,500.00, constitute the entire allowable costs under the contract. Therefore, all items and estimated costs under the heading 'Summary of Estimated Costs' in Exhibit 'A' are deleted, except the estimated costs itemized under the heading 'Fixtures and improvements', totaling $8,500.00."

3. The description of the work is amended by deleting paragraph 1 of Exhibit "A", and substituting the following: "The work to be done under this contract shall consist of crosscutting (not to exceed 250 feet) from a portal site near the bottom of Hamilton Gulch (see plan sketch appended to contract) to intersect the Smuggler vein structure. Drift on the structure approximately 750 feet to a point opposite the Yellowstone workings. At this point crosscut approximately two hundred fifty (250) feet, to fully explore the Yellowstone structure and vein system, see attached "Plan View". Additional exploratory work will be done with at least one thousand (1,000) feet and not in excess of two thousand (2,000) feet of diamond drilling; location, depth and attitude to be mutually agreeable to the Contractor and the Regional Field Team.

4. That part of the second sentence in Article 15 of the contract which precedes the colon, is amended to read as follows:

> If and as ore is produced as a result of such discovery or development, the Operator and his successor in interest shall be obligated to pay to the Government a

percentage royalty on the net smelter returns or other net proceeds realized from such ore, concentrates, or metal mined or produced within ten (10) years from the date of this contract, including any mined or produced before the certification, until the total amount contributed by the Government, without interest, is fully repaid or said ten (10) years have elapsed, whichever occurs first, as follows:

This Amendment No. 1 to the Contract shall not be construed as increasing the estimated total cost of the project, the total amount which the Government may pay, or the percentage of the costs which the Government may pay, under the provisions of Article 13 of the contract form.

Dated May 1, 1952.

UNITED STATES OF AMERICA

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

CASTLE LEAD AND ZINC COMPANY

By _____

FILE COPY
SURNAME:

Rubin

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

May 1, 1952

Memorandum

To: C. O. Mittendorf
Acting Administrator

From: J. L. Hofflund
Chief Counsel

n. s. in R. & R.

Subject: Amendment No. 1 to Contract Idm-E-240, Castle Lead and Zinc Company (Docket No. DMRA-565X)

We have reviewed the subject Amendment No. 1, which has already been executed by the Executive Officer, Field Team, Region II, and suggest that the Amendment No. 1 which we have drafted, and which is attached, be executed to replace it, for two reasons. First, the last sentence in paragraph 2 of the executed Amendment No. 1 is ambiguous as to what "all costs" of the contract are. Second, in the same sentence in paragraph 2, in deleting "all items and costs under the 'Summary of Estimated Costs' in Exhibit 'A'"except the item of $8,500, the item of 2000 feet of drilling is also deleted and no provision made for it in the executed Amendment No. 1.

J. L. Hofflund
J. L. Hofflund
Chief Counsel

HCRubin/ema
cc: Mails & Files
H.C.Rubin
J.L.Hofflund
Chron.

Sol

OFFICE OF THE ADMINISTRATOR

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS ADMINISTRATION

WASHINGTON 25, D. C.

So. 157 Howard Street
Spokane 4, Washington

April 22, 1952

Chairman, Operating Committee
Defense Minerals Exploration Administration
Department of the Interior
Washington 25, D. C.

Re: Contract Idm-E240
Castle Lead and Zinc Company

Attention: D. Moulds

Dear Sir:

Enclosed are three copies of Amendment No. 1 to the subject contract. These contract changes were discussed today in a telephone conversation between Mr. Moulds and Mr. Kiilsgaard of this office.

Sincerely yours,

K H Gray
Kathryn Gray
For: A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures.

cc: USBM

RECEIVED
APR 30 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane 4, Washington

Ans. J L A Pyle 4/24/52

April 17, 1952

Mr. C. O. Mittendorf
Acting Administrator
Defense Minerals Exploration Administration
Department of Interior
Washington 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 21 1952

Dear Mr. Mittendorf:

Referring to our phone conversation of this morning regarding the amendment to the Castle Lead and Zinc contract (Idm-E-240), I am enclosing the following:

1. Proposed amendment drawn up by Mr. Hofflund (attached to his letter of March 17);
2. A revision of the above, drawn up by the Field Team.

It will be noted that we have followed almost the exact wording of Mr. Hofflund's amendment, but we have expanded paragraph 2. Mr. Hofflund put the drifting and crosscutting on a unit basis but allowed the original figures for equipment rental and purchase to stand. We have deleted any specific items for equipment, but have increased the allowance per foot to allow for equipment depreciation. It will be noted that the total cost is less than estimated in the original contract.

There are two obvious advantages to the government:

1. With payment for drifting on an overall-footage basis (including the cost of equipment depreciation), bookkeeping will be simplified and there will be no problem of the disposal of the equipment when the work is finished;
2. The work can be done if desired on subcontract with a subcontractor furnishing his own equipment. The type and size of the equipment will not be any concern of ours.

RECEIVED
APR 21
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

Please advise us as soon as possible whether or not this amendment is agreeable to you. We are anxious to have the matter settled, as payment of the contractor's first month's voucher is being withheld pending this or a similar amendment.

Sincerely yours
A E Weissenborn
A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosures

cc: USBM

Docket

500
FILE COPY
SURNAME:

Moulds

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

APR 1 1 1952

Mr. A. E. Weissenborn
Executive Officer, Region II
DMEA Field Team
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMEA 565
Castle Lead and Zinc Co.
Idm-E240

Dear Mr. Weissenborn:

With reference to your teletype of April 7, 1952 and the subject contract; we are transmitting herewith a copy of the subcontract previously supplied with the docket and which was the subject of Amendment 1 recently sent to you for approval.

If the equipment which the Operator was originally required to supply is now to be supplied by the subcontracter, Exhibit "A" of this Amendment will require modification accordingly.

Sincerely yours,

D. E. Moulds (meh) 4/11

D. E. Moulds, Chief
Base Metals Division
Defense Minerals Exploration
Administration

Enclosures

DEMoulds/meh/hmj
4-11-52
CC to: Adm. Reading File
Docket File Copy
Region II
Mr. Moulds

FILE COPY
SURNAME:

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

April 10, 1952

Memorandum

To: Donald E. Moulds, Chief
Base Metals Division

From: J. L. Hofflund
Chief Counsel

Subject: Castle Lead and Zinc Co. - DMEA-565X - Contract Idm-E240

n.s
R+R

The subject docket is returned to you herewith.

The subcontract for drifting which Mr. Weissenborn desires to have returned to him, is near the top. I suggest that you send the subcontract to Mr. Weissenborn as he has requested.

In Mr. Weissenborn's teletype message of April 7, he says "Minor changes are required in your proposed amendment because subcontractor will provide some equipment now listed under equipment to be rented and purchased." The point is, of course, that if equipment which the operator was originally required to supply is now to be supplied by the subcontractor, Exhibit "A" must be modified accordingly.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

JLHofflund/ema
Copy to: Mails & Files
J. L. Hofflund
Chron.

438 WA SP /I-GS-G/

SPOKANE 4-7-52 1215OP

MR. C. O. MITTENDORF

ACTING ADMINISTRATOR DEFENSE MINERALS EXPLORATION ADMIN,

DEPARTMENT OF INTERIOD

WA

PLEASE AIRMAIL YOUR COPY OF OPERATORS SUBCONTRACT RELATIVE TO IDM-E-240 CASTLE LEAD AND ZINC. MINOR CHANGES ARE REQUIRED IN YOUR PROPOSED AMENDMENT BECAUSE SUBCONTRACTOR WILL PROVIDE SOME EQUIPMENT NOW LISTED UNDER EQUIPMENT TO BE RENTED AND PURCHASED. YOU HAVE OUR ONLY COPY OF SUBCONTRACT AND OPERATOR CAN NOT BE READILY CONTACTED.

A. E. WEISSENBORN, EXECUTIVE OFFICER, DMEA FIELD TEAM, REGION II

IDM-E-240

VA 1210P

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 8 1952

APR 7 4 11 PM '52

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

140

FILE COPY
SURNAME:

Boutin
Moulder
Thayer
Hechers
Johnson

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

March 17, 1952

Memorandum

To: Acting Executive Officer, Field Team, Region II

Through: Operating Committee

From: Chief Counsel

Subject: Contract Idm-E240, Castle Lead and Zinc Company (Docket No. DMA-565X), approval of subcontract.

Your memorandum dated February 21, 1952, to the Chairman of the Operating Committee of DMFA concerning a subcontract under the above described contract, has been referred to me for response.

I have reviewed the subcontract and am of the opinion that it should not be approved. My opinion is based, in part, upon the facts that (1) the provision in the subcontract for the transfer of stock by the Operator to the subcontractor does not provide a proper basis of cost from which to determine the extent of the contribution to be made by the Government; and (2) the royalty arrangement in the subcontract does not contemplate the payment of a percentage royalty to the Government.

However, in lieu of approving the subcontract, we have prepared an Amendment No. 1 to the contract, which will enable the Operator to subcontract the drifting and crosscutting work without the necessity of seeking the Government's consent. The first provision in Amendment No. 1 permits subcontracting without the consent of the Government. The second provision authorizes the use of a fixed unit cost for drifting and crosscutting as the basis for contribution by the Government, in lieu of actual cost. The third provision clarifies the obligation of the Operator, and his successor in interest, under the contract to pay a percentage royalty on all ore mined and produced, including ore mined and produced prior to the certification.

It is noted that the subcontract was executed on September 15, 1951. In this regard, as the Exploration Project Contract is dated January 18, 1952, care should be taken to insure that no work

done or costs which may have been incurred by the contractor prior to the date of the Exploration Project Contract are allowed as costs of the project in which the Government will participate.

It is noted also that you have not indicated that the amount of $40.00 per foot is a proper unit cost for drifting and crosscutting. Accordingly, approval of Amendment No. 1 assumes and is subject to your determination that the unit cost price is certainly not more than the actual costs would have been.

Please make the same distribution of copies of the Amendment as was made of the copies of the contract.

J. L. Hofflund
Chief Counsel

3/20

Attachments

H. Rubin/bjl

Copy to: Mails & Files
Admin. Reading File
J. L. Hofflund
H. Rubin
Docket
Division File
C. O. Mittendorf
Chron.
Operating Com.

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

REFERRED TO: DATE 2-26-52

1. ~~Mr. Frank Johnson~~
2. ~~Mr. Hufford~~ R. 4627
3.
4.

FOR:

- Action
- Approval
- Comment
- Conference
- Consideration
- Filing
- Instructions
- Investigation
- Initials
- Mailing
- Previous correspondence
- Recommendation
- Record of
- Referring to
- Reply for signature of
- Rewriting
- Signature
- Suggestions
- Your information

REMARKS:

Check (X) before the items needing attention.

GPO 16—63815-1

Initials of sender.

TES
IE INTERIOR
INES
on St.
lash.
, 1952

DMEA-565X
Lead, Zinc

ittee, DMEA, Washington, D. C.

utive Officer, Field Team,

le Lead and Zinc Co., Meager
al of subcontract for drifting.

sed subject subcontract contains
basis for referral to you for
l section and contingent approval.

cted to the provision that the
d only by company stock on
ct. Meanwhile, the Operator will
basis at the rate of $40 per foot
undoubtedly has been devised to
ally borne by the Operator.
subcontract are so evident that
visable to refer the matter to you.

Actual cost?

What if government & Meager Co. DMEA contributes all costs & only Eitel?

How about payment of royalty C&R payments on government's share of ore from property that goes to subcontractor?

The Operator has presented his initial invoice and requests immediate action because of a deficiency of funds.

M. E. Volin

DEFENSE MINERALS ADMINISTRATION WASHINGTON, D. C.
FEB 25 8 44 PM '52

RECEIVED
FEB 26 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

cc: USGS, Spokane

VIA AIR MAIL
SPECIAL DELIVERY

FILE COPY
SURNAME:

140

Rubin

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

March 17, 1952

Mr. S. H. Finger, Vice-President
Federal National Park Bank
Livingston, Montana

My dear Mr. Finger:

This responds to your letter dated March 5, to the Acting Administrator inquiring whether the Government may properly consent to an assignment to your bank of payments of amounts which are due or may become due to the Castle Lead and Zinc Company, under Exploration Project Contract, Docket No. DMA-565X, Idm-E240.

Your attention is directed to the Act of March 27, 1908, as amended by the Act of October 9, 1940, and the Act of July 26, 1947 (31 U.S.C., 1946 ed., sec. 203), concerning assignments of claims against the Government which permits, under certain conditions, assignments to banks of moneys due or to become due under Government contracts. It is suggested that you draft, for our review and consideration, a proposed assignment along the lines you have in mind, taking into consideration the requirements outlined in the statutes cited above.

If your draft is satisfactory we foresee no objection to executing it.

J. L. Hofflund

N.S
R+R

J. L. Hofflund
Chief Counsel

HRubin/bjl

Copy to: Mails & Files
Admin. Read. File
J. L. Hofflund
H. Rubin
Docket
Division File
C. O. Mittendorf
M. E. Volin (Reg. II)
Chron.

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 3/11

REFERRED TO:

1. ~~Mr. Hoffland - 4627~~
2.
3.
4.

FOR:

	Action		Recommendation
	Approval		Record
	Comment		of
	Conference		Referring
x	Consideration		to
	Filing		Reply for signa-
	Instructions		ture of
	Investigation		Rewriting
	Initials		Signature
	Mailing		Suggestions
	Previous correspondence		Your information

RECEIVED
MAR 11 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

REMARKS: Since you have a subcontract on this case under review, we would appreciate your reviewing this matter at the same time.

Check (X) before the items needing attention.

D. E. Moulds

D. E. Moulds *Dem*
Initials of sender.

GPO 16—63815-1

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 3-10-52

REFERRED TO:

1. Code 500-Rm. 2614
2.
3.
4.

FOR:

..... Action	..... Recommendation
..... Approval	..... Record of .....
..... Comment	..... Referring to .....
..... Conference	..... Reply for signature of .....
..... Consideration	..... Rewriting
..... Filing	..... Signature
..... Instructions	..... Suggestions
..... Investigation	..... Your information
..... Initials	
..... Mailing	
..... Previous correspondence	

REMARKS: .....

Check (X) before the items needing attention.

Adams (AL)
Initials of sender.

GPO 16—63815-1

THE NATIONAL PARK BANK
AFFILIATED WITH
FIRST BANK STOCK CORPORATION
LIVINGSTON, MONTANA

March 5, 1952

ans. 3/17/52
JJ H/lyl

Re: Castle Lead & Zinc Co.
Docket No. DMA 565 X
Lead & Zinc
Idm E 240
Exploration Project Contract

Mr. C. O. Mittendorf, Acting Administrator
Defense Minerals
Exploration Administration
U. S. Department of Interior
Washington, D. C.

Dear Sir:

The subject company has inquired of us whether it would be possible for them to obtain temporary loans from time to time secured by an assignment of funds due to them by your department for completed work. At the present time they have sufficient operating capital and the need for borrowing may not occur until 90 or 120 days from now. Their contract with your department has been given to us for review and we notice that assignments of the contract may be made with your department's consent. As an aid to assisting the subject, will you please tell us what procedure must be followed in connection with assignments?

Yours very truly,

S. H. Finger
Vice President

SHF:BH

RECEIVED
MAR 11 1952
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 10 1952

C
O
P
Y

February 15, 1952

M. E. Volin, Acting Executive Officer
DMFA Field Teams, Region II
U. S. Bureau of Mines
1201 No. Division 51
Spokane, Washington

Dear Sir:

Reference is made to Exploration Project Contract Idm-E240 between the United States of America, Department of Interior and Castle Lead and Zinc Company (a corporation) dated January 18, 1952.

It is respectfully requested that approval of the attached contract be granted as per (4) of page 1 of the contract between the United States of America and Castle Lead and Zinc Company. The contract provided that 1000 feet of drifting be performed for Castle Lead and Zinc Company at the rate of $40.00 per foot.

The contract for the drift was entered into after the date of the loan application and before approval of the loan was made, and performance under the contract was begun before the loan was approved. It is submitted that the cost of drifting as provided by the contractor is reasonable and that the work will be expediously performed there under.

Your immediate attention to this matter will be greatly appreciated.

Yours truly,

CASTLE LEAD AND ZINC COMPANY

/s/ Ed. C. High

President

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

So. 157 Howard Street
Spokane 4, Washington

February 13, 1952

565

Defense Minerals Exploration
FEB 20 1952

Mr. Frank E. Johnson
Chairman, Operating Committee
Defense Minerals Exploration Administration
Department of Interior
Washington 25, D. C.

Re: Contract Idm-E240, Castle Lead and Zinc Company, Livingston, Montana.

Dear Mr. Johnson:

Recently this office forwarded three signed copies of Exploration Project Contract Idm-E240, Castle Lead and Zinc Company, Livingston, Montana. In the enclosed letter we noted that only three copies were being forwarded, inasmuch as the operator had retained the original signed copy of the contract. We also noted that we were returning one carbon copy of the contract to the operator and suggesting that he send us the original.

The original copy of the contract has now been received from the operator, and is forwarded herewith to be placed in the Government files.

Sincerely yours,

Thor H. Kiilsgaard

Thor H. Kiilsgaard
For: A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region II

Enclosure.

Omea Docket

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

[illegible]

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 7 1952

[illegible]

[illegible]

Dear Sir:

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Enclosure.

FILE COPY
SURNAME:

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

Moulds

JAN 22 1952

Mr. A. E. Weissenborn
Executive Officer, Region II
South 157 Howard Street
Spokane 8, Washington

re: Docket No. DMA 565X
Castle Lead and Zinc Co.

Dear Mr. Weissenborn:

Your letter of January 7, summarizing your discussions with Mr. M. C. Hughes, President of the Castle Lead and Zinc Company, relative to his objection to signing the guaranty in lieu of the Subordination Agreement for the Yellowstone Claim, Docket DMA 565, and returning the six unsigned contracts, has been reviewed by the General Counsel of DMA. In consideration of the addition of the Ace in the Hole, Brockway, and Iron Mountain, unpatented claims now owned by the company and, also, that retaining of the lease on the Yellowstone Claim involves only the accomplishing of a stipulated amount of work until 1959, it appears that the Government will be protected by Section 15 of the Contract Form and can waive Subordination and the guaranty on the Yellowstone Claim.

We have, therefore, added the above claims to the property description in Section 2 of the Exploration Project Contract, and have treated the Yellowstone Claim as a claim owned by the company but subject to lease and bond. The exploration work to be done as originally laid out and approved in the contract, therefore, remains within the property, and the modification that you have suggested, which would necessitate an additional 250 feet of drifting and an increase in the estimated amount of the contract above the $99,850.00 originally approved, is not required.

We are returning herewith the original and five copies of the contract which, if approved by you, are to be presented to the applicant for his approval and signature.

After signing the contracts, one copy is to be retained by the operator, one copy for your files, and return the original and three copies to this office in the normal manner.

Sincerely yours,

DMA/meh/hmj 1-17-52
cc to: Adm. R. Dile
Docket File
Mr. Moulds
Bishop
McKnight
Region II

Enclosures-6
APPROVED:

(Signed) FRANK E. JOHNSON fw
Chairman, Operating Committee
Defense Minerals Exploration
Administration.

F.N.
1-22-52

Member, Bureau of Mines

Member, Geological Survey

140

FILE COPY
SURNAME:
Guthrie

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

January 11, 1952

Memorandum

To: Mr. D. E. Moulds

From: Chief Counsel

Subject: Castle Lead and Zinc Company, Docket No. DMRA-565X

Reference is made to your memorandum of January 9, on this subject.

It appears to us that it would be well to modify or redraft the contract so as to include the claims to which the applicant has recently acquired title and provide for appropriate parts of the project to be performed upon such recently acquired claims. We would not, however, remove the Yellowstone claim from the contract or from a place in the project. As Mr. Weissenborn's letter of January 2 indicated, if the Yellowstone claim contains valuable ore, the applicant will probably find it as a result of this project and will mine it under the option running to 1959. It is therefore to the Government's advantage to have the claim included in the contract even though there is no accompanying subordination from the owner or guarantee from the operator. Such inclusion will insure the Government of its royalty on any ore taken from the claim by the operator, whereas if the claim is not specifically included in the contract, we would not be sure of that. Under the circumstances of this case it would be more beneficial to the Government to leave the Yellowstone claim in, add the other claims, and waive any subordination or guarantee on the Yellowstone claim.

Your file is returned herewith.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

~~xxHoffxxxxxxxx~~ RRGuthrie/em
Copy to: Reports & Records
J. L. Hofflund
R. R. Guthrie

chron

N S R R

DEFENSE MINERALS
ADMINISTRATION
WASHINGTON, D.C.

JAN 15 1 57 PM '52

JAN 15 1 57 PM '52

500

FILE COPY
SURNAME:

Moulds

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

not stripped in R. & R.

January 9, 1951

Memorandum

To: Mr. J. L. Hoffland, General Counsel

From: D. E. Moulds

Subject: Docket No. DMEA 565X, Castle Lead and Zinc Company

The applicant was unable to obtain landlord's subordination for one of the claims involved in the exploration project. A guaranty agreement was therefore attached to the contract and the contract transmitted to the Field for signing of agreement and contract.

As explained by attached letter, the contract has been returned by the applicant along with a suggestion for modifying the contract to avoid unlimited guaranty of production from the claim now being leased.

It appears that the project could be worked out from the exploration viewpoint if the suggestions advanced by the applicant in regard to repayment are satisfactory to the Government.

Kindly review and recommend action to be taken on the applicant's proposals presented by the Region Office.

Signed (meh)
D. E. Moulds

DEMoulds/meh
1/9/52
cc to: Mr. Mittendorf
Mails and Files
Mr. Moulds
Docket

3d

FILE COPY
SURNAME:

Moulds

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

not stripped in R. R.

D. M. E. A.

140137 Salaries and Expenses, Defense Production Activities, Interior 1952.
January 8, 1952

5369

D. E. Moulds
4070

Mr. A. E. Weissenborn, Exec. Officer, Reg. II, South 157 Howard St. Spokane Washington
Re: Docket 505X Castle Lead and Zinc Company

YOUR LETTER JANUARY SECOND, ADVISE IF BROADWAY CLAIM IS SAME AS BROCKWAY UNPATENTED SHOWN ON SKETCH MAP. IF SO WILL NEED CORRECTED MAPS IN EVENT SUGGESTED MODIFICATION MEETS LEGAL REQUIREMENT.

Signed (mch)
D. E. MOULDS, ACTING CHIEF
BASE METALS DIVISION
DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEMoulds/hmj
1-8-52
cc to: Adm. Reading File
Mails and Files Br.
Mr. Mittendorf
Mr. Moulds
Docket

BL

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

So. 157 Howard Street
Spokane 4, Washington

January 2, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 7 1952

Mr. Frank E. Johnson
Chairman, Operating Committee
Defense Minerals Exploration Administration
Washington 25, D. C.

Dear Mr. Johnson:

Your letter of December 18, referring to an exploration contract for the Castle Lead and Zinc Co., Livingston, Montana, (Docket DMA 565X), has been discussed with Mr. Ed. C. Hughes, President of the Castle Lead and Zinc Co. Inasmuch as the company is not at present an operating company, loss of the lease to the Yellowstone claim could conceivably make Mr. Hughes and Mr. Carter personally liable to repay the government's share of the exploration costs, even though the ore might be produced by somebody else. Mr. Hughes, therefore, feels that he is not in a position to sign the Annex I, which you have appended to the contract, in lieu of a subordination agreement for the Yellowstone claim.

The situation has changed somewhat since the original application was submitted, in that in addition to the Buckhorn unpatented claim, the company has attained clear title to the Ace in the Hole, Broadway and Iron Mountains unpatented claims (see sketch map attached to contract). It would, therefore, be possible by making slight changes in the program to carry out the proposed exploration without actually doing any work in the Yellowstone claim itself. This could be done by continuing the drift on the Smuggler vein an additional 250 feet and crosscutting to the Yellowstone vein beyond the end lines of the Yellowstone claim. Such work is legitimate exploration (Mr. Hughes states that work done last summer on the Smuggler vein has yielded encouraging results) but would, of course, benefit the Yellowstone claim and would put the contractor in a position to explore the Yellowstone claim itself at minimum cost and with no obligation to repay the government, should the bulk of the ore be found in the Yellowstone claim.

Mr. Hughes recognizes this, and to protect the government, he states that he would be willing to sign an agreement by which any ore produced by him from the property, whether it came from the Yellowstone claim or from the other four claims, would pay its share of the royalty due the government as provided for in the contract. In short, the Yellowstone claim would be excluded from the exploration contract,

and any exploration on the Yellowstone claim would be wholly at the expense of the Castle Lead & Zinc Co., but any ore from the Yellowstone claim would count toward repaying the cost of exploration as long as this claim is controlled by the Castle Lead & Zinc Co. I do not know whether the legal division will regard Mr. Hughes' proposal favorably, but it is the only practicable solution to the problem. It seems to be fair to both parties to the contract and would permit a desirable piece of exploration to get underway. If Hughes, et al, mine ore from Yellowstone ground, it will count toward repayment; if Castle Lead & Zinc can't mine the Yellowstone ore profitably, the probability is that no one else can either, so that the Government is not likely to lose out in any royalties due it.

If the proposal is accepted, the contract would remain essentially unchanged except that an additional 250 feet of drifting would be required, which if figured at the $47.71, provided for in the contract for drifting and crosscutting, would amount to an additional $11,927.50, thus bringing the total cost of the contract to $110,777.50. Also the contract would have to be changed to include the Buckhorn, Ace in the Hole, Broadway and Iron Mountain claims, and to exclude the Yellowstone claim. The original contract, therefore, is returned herewith.

If the plan suggested above is acceptable, will you make the necessary changes on the contract and have the legal division draw up a suitable form of agreement for the Castle Lead & Zinc Co. to sign.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn,
Executive Officer

Enclosures

c.c. to: U. S. Bureau of Mines

Ed Hughes

FILE COPY
SURNAME:

Ellis
Frank
Bishop
McKnight (Ryans)

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

AIR MAIL

DEC 18 1951

Mr. A. H. Weissenborn
Executive Officer DMEA
South 157 Howard Street
Spokane 8, Washington

Re: Docket No. DMA-565X, (Lead-zinc)
Castle Lead and Zinc Company
Livingston, Montana

Dear Mr. Weissenborn:

Enclosed find six copies of the above captioned exploration contract. The wording under "Exploration Project - 1" is the only change made in the contract submitted by you. This contract will be given an Idm-X number and dated when returned to Washington for the Administrator's signature.

You will note from our letter to the Applicant (copy enclosed) that we are requiring an assignment of the Yellowstone lease to the Corporation.

By letter from the Applicant dated November 24, 1951, it is stated that the Landlord's Subordination Agreement is unobtainable. This is probably due to the fact that the property is a Trust Estate. Accordingly we have included in the contract Annex 1 which is to be used only in cases where the Applicant is financially competent. We have no information as to the latter but possibly your office does have. If you feel that the Subordination Agreement may be safely waived in this case have the contract signed by the Applicant and return all six copies to this office.

Kindly see that the lease assignment is attached to the contract before returning same to Washington.

Sincerely yours,

(signed) FRANK E. JOHNSON (fw)
Chairman, Operating Committee
Defense Minerals Exploration
Administration

Enclosures

APPROVED:

BL

Member, Bureau of Mines

Member, Geological Survey

EWEllis/mp 12/10/51
cc to: Adm. Reading File
Mails and Files Branch
Docket
Messrs. Mittendorf
McKnight
Mote
Ellis
Field Team, Region II

JCD 12-18-51

Castle Lead & Zinc Co.
Box 148, Livingston
Mont.
DMA-565A

1. Assignment of lease to applicant.

A. L. Carter
H. L. Nichols } Livingston, Mont.

Ed. R. Hughes, Jens, Mont.

2. Land lords sub-ord. agreement on Jackstone claim.

7-23-57 2:15 p.m.

Asked Spokane to obtain:
6 copies of assignment of lease to the Applicant
& 6 copies of sub-ord. agreement.

Castle Lead & Zinc Co.
DMA-565A

12-18-'51

DMA-565-X

Hold until signed contracts come back from Field

EWR

8-8 C.T.S.

DMA-565X

Al. Weissenberg in Washington. Asked him why the delay on this contract. He replied that the company was unable to obtain a Subordination Agreement. They would probably write.

EWR

FILE COPY
SURNAME:

Ellis
Krontz

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

AIR MAIL

December 17, 1951

Mr. J. L. Carter, Vice Pres.
Castle Lead & Zinc Company
P. O. Box 145
Livingston, Montana

Re: Docket No. DMA-5652, (Lead-zinc)

Dear Mr. Carter:

This will acknowledge receipt of your letter dated November 24, 1951 appertaining to the above captioned docket.

In order to prevent any further loss of time we are forwarding the Contract to Mr. A. E. Meisenborn, Executive Officer DMA Field Team Region II whose address is South 157 Howard Street, Spokane 8, Washington, with the request that an assignment of the Yellowstone lease agreement to subject Contractor be obtained and made a part of said Contract.

We believe you will see the advisability of such requirement since notwithstanding the fact that the officers of the corporation are also the lessees, that fact alone does not give the corporation exploration privileges.

It is suggested you contact Mr. Meissenborn regarding said assignment.

Sincerely yours,

SIGNED

JCD 12-18-51

Ernest Wm. Ellis, Acting Chief
Rare and Misc. Metals Division

EWEllis/jem 12-5-51
cc to: Adm. Reading File
Mails & Files Branch
Docket
Messrs. Mittendorf
McKnight
Mote
Ellis
Field Team, Reg. II (2)

Livingston Mont.
Nov 24 1951

DEFENSE MINERALS ADMINISTRATION WASHINGTON, D.C.
NOV 30 2 27 PM '51

DEPARTMENT OF THE INTERIOR
RECEIVED
DEC 3 1951
Defense Minerals Administration,
Production Expansion Division.
DMEA-389
LEAD

Mr. T. P. Billings Chief,
Lead Zinc Branch. D.M.A.,
Washington D.C.

Mr. Ellis

Dear Mr. Billings

When in Spokane some time back, I stopped in to see Mr. A.C. Wessenbom. Executive officer D.M.A. Field team, Region 11. in regard to my application for Loan (D.M.A. 565). I explained to him that we were unable to obtain signature of Landlords, Subordination Agreement. + wondered if there was any other way, that we may obtain finicial assistance on the exploration program as outlined in my application.

Mr. Wessenbom suggested that I write you + see if you have any suggestions to offer.

We are going ahead with the exploration program as far as funds permit. have complete mechanized equipment on the property. and plan to work two shifts per day, through out the winter months, or untill funds are exhausted

I've never rec'd any confirmation, that my application has been approved, but have been lead to believe it has. + was only waiting Landlords Subomdination Agreement. Would like this confirmed if possible. + would appreciate any help or suggestion you may have to offer.

Yours Truly.
A. L. Carter.

For Castle Lead + Zinc Co.

FILE COPY
SURNAME:

Jones

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

July 20, 1951

Del'd by hand

CO Mittendorf

Memorandum

To: Chief, Production Expansion Division

From: General Counsel

Subject: Castle Lead and Zinc Company exploration contract--Docket No. DMA-565X

I am unable to approve the subject contract as to legal form or content for the following reasons:

1. The lease to the Yellowstone claim runs to three individuals rather than to the applicant, a corporation. It is true that these individuals are officers and stockholders of the corporation, but that fact does not give the corporation any right to engage in exploration for minerals on the land.

2. The subordination agreement of the lessor of the Yellowstone claim is missing.

3. The fact that the applicant is a corporation should be indicated in the contract after the name of the applicant, both in the first paragraph and on the signature line.

Your file is returned herewith.

J. L. Hofflund

J. L. Hofflund
General Counsel

Attachment
W.C.Jones/em
Copy to: J. L. Hofflund
W. C. Jones
Files

} del'd by hand

DMA 565

856

7-10-51 6/5/51

Defense Minerals Administration

Review of Application for Exploration Assistance

Docket No. 565X

To: Director, Production Expansion Division

Commodity Lead-zinc

From: Director, Supply Division

Total Amount $99,850

Govt. Participation 50%

1. Name and Address of Applicant Castle Lead Zinc, Incorporation

Box 145, Livingston, Montana

2. Location of Property Castle Mountain Mining District, Meagher County, Montana

3. Mineral or metal Zinc, lead Is it listed in Section 9 of MO-5?

If not, application will be rejected.

4. Geologic probability of discovery—based on data in application (question #16, 17, 18, 20 and 22)*

Mines or Survey reports, etc., do you rate chances:

a) Good Risk is great, but worth the gamble

b) Poor

c) None

d) Don't know—needs field examination

e) Is there an alternative and favorable project? No
(If so, attach an explanation)

5. Is the applicant's right to the property clearly stated? Yes
(question 5, 6, 7)*

6. If applicant is a lessee, is a copy of the lease attached? Yes

Does the lease have sufficient time to run to cover a future productive period? Yes - see lease and option to purchase

*question numbers are those of MF-103

7. Are subordination agreements necessary? _____

a) MF-201? _____

b) MF-202 _____

8. From the data presented, does the proposed project appear feasible from the point of view of:

a) Available manpower Adequate for project

b) Equipment and supplies There are small ~~supplies~~ items and are probably available.
(Question 14 plus general knowledge of availability)*

c) Accessibility (question 12)* Average mountain roads

d) Water (question 13)* In excess of 100 miners inches of water for mining and milling.

e) Power (question 13)* Diesel

Is a field check needed on any of these points? No, already made

9. Does the experience of the applicant appear to be adequate to assure that he can properly conduct the proposed project? (question 4)* Yes

_____

Is a field check needed on this point? No

10. Exhibit A. (questions 21 and 22)*

a) Is the project adequately described? Yes

If not, are there sufficient data given so that you can describe the project? See field team report and contract If so, attach a draft.

b) Is there an adequate map or sketch of the proposed work? Yes

_____

c) Is the proposed work "exploration" under the definition of Section 8, MO-5? Yes

If not, what part of it is? _____

_____

_____

_____

Is this part a worthwhile exploration project?_____

d) Are the cost estimates detailed? Yes - see contract

Can they be summarized, as on page 2 of Procedural Instruction 5-A, from the available data?_____ If so, attach a draft. Draft attached to contract

e) Are the cost estimates reasonable? Yes

f) Should more information be requested from applicant?_____

g) Is a field examination necessary to complete Exhibit A? No

11. Exhibit B (question 23-d)*

a) Is it applicable? Yes

b) If so, are sufficient data furnished? Yes If so, attach a draft. See exhibit "B" attached

c) Is a field check needed? Already checked

12. Exhibit C (question 23-e, f and g)*

a) Is it applicable? Yes

b) Sufficient data? Yes If so, attach a draft. See exhibit "C"

c) Are rents and charges reasonable? Yes

d) Is a field check needed?_____ Field check made

13. Exhibit D (question 23-a, b)*

a) Are there sufficient data? Yes

b) Is the schedule adequate for the work proposed? Yes

c) Is the schedule excessive for the work proposed? No

d) Are the proposed wages and salaries reasonable? Yes

e) Is a field check needed? Checked by field team

14. Exhibit E (question 23-c)*

a) Is it applicable? Not applicable

b) Sufficient data?

c) Reasonable?

d) Field check needed?

15. In your judgment, can the proposed work be done in the proposed time? Yes. See schedule and field team report

(All exploration must be completed within two years)

16. If field examination is not needed, attach your recommendation.
Lead-Zinc Branch concurs with field team for approval.

17. If field examination is needed, do you have any special instructions for the field team not indicated by your answers to the foregoing question?

Reviewed by: A. L. Brokaw GS

G. A. Apell BM

Date 7-10-51

97692

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

South 157 Howard Street,
Spokane, Washington
June 27, 1951

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 2 1951
LANDON F. STROBEL
Executive Secretary

MEMORANDUM

To: L. F. Strobel, Executive Secretary, Defense Minerals Adm.

From: Field Team, Region II

Subject: Transmittal of Application and Contract - Docket DMA 565.

Enclosed are six copies each of an application for exploration project and contract forms prepared by Castle Lead and Zinc, Inc. The applicant proposes to expend $99,850 to explore the Smuggler "vein" and the Yellowstone "vein" in the Castle Mountain Mining District of Meagher County, Montana, half of the cost of the project to be borne by the Government.

The applicant proposes to drive a drift along the Smuggler "vein" to a point opposite the Yellowstone shaft and thence to crosscut to the Yellowstone "vein" and drift along it. Although no accurate survey has been made, it is believed that the exploratory drift and crosscut will be at about the same elevation as the bottom of the Yellowstone shaft. The applicant also believes that the Smuggler and Yellowstone structures converge down dip and may intersect not far beneath the bottom of the Yellowstone shaft. His views are depicted on the sketches attached to his application.

M. R. Klepper and Val Freeman of the U. S. Geological Survey examined the property on June 18. A synopsis of their observations follows:

The Smuggler "vein" is a persistent zone of sheared and mineralized impure limestone beds on the west side of, but not in contact with, a porphyry mass of unknown configuration. The mineralized structure has been traced for at least 1500 feet by pits and bulldozer cuts. It trends approximately N. 20° W., dips 45-60° E. and appears to follow a definite stratigraphic zone from 4 to 8 feet in thickness. Limonite and jasper occur in all excavations, and specularite, epidote, and other silicate minerals are present in a few. Samples taken by the applicant at several localities along the zone assayed very small amounts of zinc, lead and silver. There is little doubt of the strength and continuity of the Smuggler structure. The persistent gossan containing traces of valuable metals suggests the possibility that significant concentrations of zinc, lead, or silver may be found beneath the oxidized zone.

The Yellowstone "vein" is nowhere exposed at the surface. It appears to have been a replacement deposit in limestone at or near the east margin of

On Site Rpt

JUL 3 1951

the porphyry mass mentioned above. No maps or factual information concerning the nature of the Yellowstone deposit could be obtained. The applicant's description and sketch maps are based on his conversations with former employees of the Yellowstone Corp., all now deceased. His investigating over a period of years has convinced him that a large tonnage of mill-grade zinc-lead ore was left above the bottom level of the Yellowstone mine. He also is convinced that a high-grade lead vein reported to have been intersected in the west crosscut from the bottom level of the Yellowstone mine is the Smuggler "vein". Projections of the Smuggler "vein" downward from the known outcrop at the observed dips do suggest this as a reasonable hypothesis, but if this be the case the body of porphyry that occupies most of the interval between the Smuggler "vein" and the Yellowstone "vein" must taper or die out downward.

In this connection it should be mentioned that the Yellowstone mine was a substantial producer of lead prior to 1902. It is interesting to note that the grade of the last two shipments made before the mine closed down in January 1902 was almost double that of any recorded shipments made during 1889-1901. This evidence lends some support to the belief that a high-grade lead vein was encountered in the last work done on the bottom level of the Yellowstone mine.

The Smuggler structure because of its continuity and presistent gossan-like outcrop does seem to warrant exploration beneath the oxidized zone. The desirability of exploring the Yellowstone structure is not so readily demonstrable, but cannot be summarily dismissed.

The applicant's proposal is an ambitious one, but it will be costly to conclusively test the Smuggler and Yellowstone structures by any method, whether it be the one proposed by the applicant or diamond drilling, to which the topographic situation is adverse, or reopening the caved Yellowstone shaft and then crosscutting to the Smuggler.

The proposal must be regarded as one involving a very considerable amount of risk. The geologic structural condition and the presence of formerly productive ore bodies on the property and in the near vicinity (Cumberland and Great Eastern mine) suggest that the risk is not too great, provided the need for lead and zinc is real. If the exploration is successful a very appreciable tonnage would be developed. The management appears to be sound.

FIELD TEAM, REGION II

A. E. Weissenborn

A. E. Weissenborn, Executive Officer
(Geological Survey)

M. E. Volin

M. E. Volin, Member
(Bureau of Mines)

Mr. Herres
Files

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane 8, Washington

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED 1951
MAY 21 1951
LANDON F. STROHL
Executive Secretary

Memorandum

Tom Lyons

To: Coordinating Committee

From: Executive Officer, Field Team, Region II

Subject: Application of Castle Lead and Zinc Company, Livingston, Montana.

This memorandum is in reply to your letter of May 1 to the Field Team, Region II.

A field team attempted to examine the Yellowstone mine in Meagher County, Montana on April 24. Due to the snow conditions in the vicinity of the mine the property at that time was not accessible for examination.

Mr. A. L. Carter was interviewed at his home at Livingston, Montana. A recently completed report containing the history of the property, smelter shipments and maps showing the proposed exploration program were supplied the field team.

Financing of the project on a 50-50 basis was discussed with Mr. Carter. He indicated to the field team that there was some doubt about his ability to carry out his share of an exploration program unless past work upon the claims could be considered part of his share of the total cost.

Another examination of the property will be attempted when snow conditions are favorable. This may be possible in late June but it is not certain that the property can be reached before July. We will hold the docket here pending a further examination.

A. E. Weissenborn
A. E. Weissenborn
Executive Officer, DMA
Field Team, Region II

cc: U.S. Bureau of Mines

MAY 21 1951

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

MAY 21 1951

DATE _____

REFERRED TO:

1. ~~[illegible]~~
2. Files DMA
3. _____
4. _____

Rm 3618

FOR:

- ---------- Action
- ---------- Approval
- ---------- Comment
- ---------- Conference
- ---------- Consideration
- ---------- Filing
- ---------- Instructions
- ---------- Investigation
- ---------- Initials
- ---------- Mailing
- ---------- Previous correspondence
- ---------- Recommendation
- ---------- Record of _____
- ---------- Referring to _____
- X Reply for signature of _____
- ---------- Rewriting
- ---------- Signature
- ---------- Suggestions
- ---------- Your information

REMARKS: No reply required

Check (X) before the items needing attention.

LANDON F. STROBEL

_____
Initials of sender.

GPO 16—63815-1

FILE COPY
SURNAME:

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

A. E. Wilson [illegible]

May 1, 1951

Memorandum File Lent 10

To: Executive Officer of Field Team, Region II

From: Coordinating Committee

Subject: Application of
Castle Lead and Zinc Company
Livingston, Montana

Re: Locket DMA-565

Re: McKnight Motes Hekras

The Lead-Zinc Branch has reviewed the application submitted by A. L. Carter in behalf of the Castle Lead and Zinc Company for a loan to open up the Yellowstone mine in Meagher County, Montana.

There are two veins on the property, the Yellowstone and the Buckhorn. The Yellowstone vein has been opened up by a shaft and four levels at 100 ft. intervals. The 400 ft. level was driven over to the Buckhorn vein which parallels the Yellowstone vein in strike but converges toward it down dip. At present the shaft is caved and the workings inaccessible.

According to U.S.B.M. Information Circular 7540, 48 tons of ore assaying 1.0 oz. Au, 193 oz. Ag, 0.156% Pb, and 1.6% Zn were shipped in 1946. This probably was from dumps as the mine was closed in 1901. The applicant claims that the average assay of the ore shipped from the mine was 6.7 oz. Ag, 16.53% Pb. Although the zinc records are incomplete, the highest zinc assay was 17.2%. It is estimated by the applicant that 32,000 tons of milling ore assaying 4.4 oz. Ag, 6.9% Pb, and 4.5% Zn were left in the stopes of the Yellowstone vein. The Buckhorn vein was undeveloped except by the crosscut from the Yellowstone shaft.

The company's original application was for $100,000 to drive a 870 ft. tunnel, open and retimber the Yellowstone shaft for an airway, build a four mile transmission line, provide living quarters for the employees, and to erect a mill building and shop. The expenditures were not itemized.

The applicant has been informed that at least that part of his proposal to drive the tunnel and open up the shaft could be considered under the exploration program and he has signified that he is willing to furnish his part of the cost insofar as he is able, but no statement is made as to the amount or means.

The Lead-Zinc Branch recommends that a geological examination be made of the property to determine if an exploration program would be advisable. If the decision is favorable from a geologic viewpoint, an appraisal should be made of the methods and costs and as many of the negotiations as possible completed in the field.

Tom Lyon
Chairman

Approved:
DMA Coordinating Committee

Lowell B. Moon
L. B. Moon

Olaf N. Rove

Olaf N. Rove

EJLyons:emp
G 5/1/51
Copies to A. E. Weissenborn Region II (2)
Chief, Lead-Zinc Br.
E. T. McKnight
L. B. Moon
R. H. Mote
L. F. Strobel
T. Lyon
Files

FILE COPY
SURNAME:

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

Lyon
McKnight
Mote
Strobel
Ron
Moon

May 1, 1951

Re: Docket DMA-565

Mr. A. L. Carter, Vice President
Castle Lead and Zinc Company
Livingston, Montana

Dear Mr. Carter:

Your letter of April 21 indicating your willingness to participate in the exploration program has been received.

According to the last paragraph of Section 13 of Form MO-5, which was sent to you with our letter of April 12, no credit can be allowed for work which has already been performed. However, credit in the form of rental can be obtained for machinery or equipment which is owned by the applicant and which is required to carry out the project.

Your application has been sent to the Executive Officer of the Field Team, Mr. A. E. Weissenborn, S. 157 Howard Street, Spokane 8, Washington for review.

Very truly yours,

Tom Lyon, Director
Supply Division

EJLyons:emp
G 5/1/51
Copies to: A. E. Weissenborn Region II (2)
Chief, Lead-Zinc Br.
E. T. McKnight
L. B. Moon
R. H. Mote
L. F. Strobel
T. Lyon
Files

FILE COPY
SURNAME:

McKnight
Mote
Herres

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

April 17, 1951

Airmail

Mr. A. E. Weissenborn
U. S. Geological Survey
South 157 Howard Street
Spokane 8, Washington

Dear Mr. Weissenborn:

In reply to your letter of April 5 the application of Mr. A. L. Carter of Livingstone, Montana, with reference to the Yellowstone Mine in Meagher County, Montana, is numbered DMA-565. It is a request for exploration assistance. A letter was sent to Mr. Carter on April 12 enclosing the exploration forms and asking if he wished to participate in an exploration loan. A carbon of this letter should have reached you by this time.

The statement from Mr. J. F. Featherstone of the Commonwealth Lead Mining Company that his application had been forwarded to your office represents a slight error on our part. In sending NSRB Form 146 to him in early January we stated that his application would be forwarded to the field team for further consideration. However, by the time we had received the form filled out by him it seemed that the exploration program would be out almost any time and we held his application in order to clear with him first as to whether he would be willing to participate under the exploration program. A letter was sent to him on April 12 requesting this decision from him. A copy of this letter should have reached you by this time. The docket number is DMA-49.

In view of your statement that you expect to have a party in the vicinity of this mine in the near future we will transmit the docket immediately through the Coordinating Committee and will let you know as promptly as we can what Mr. Featherstone's reply to our April 12 letter is.

Very truly yours,

Otto Herres

OTTO HERRES, Chief
Lead-Zinc Branch

ETMcKnight:emp
G 4/17/51
Copies to: Chief Lead-Zinc Br.
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
C. O. Mittendorf
Files

DMA-565

856

FILE COPY
SURNAME:

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

APR 12 1951

In reply please refer to DMA-565

Mr. A. L. Carter, Vice President
Castle Lead and Zinc Company
Livingston, Montana

Dear Mr. Carter:

One of the purposes of the Defense Production Act of 1950 is the encouragement of exploration, development and mining of strategic minerals and metals. Where an applicant has proven reserves of strategic materials, Federal aid in mining can be given through procurement contracts for such materials as are in short supply. On the strength of these contracts, the applicant can obtain private financing in most instances.

The program recently approved for encouragement of exploration of strategic materials calls for participation on the part of the applicant. For zinc and lead deposits it will be necessary to match Government funds on an equal basis. Funds advanced by the Government will be considered a loan, to be repaid if the exploration is profitable, but to be canceled if unsuccessful. The details of the plan, explaining the projects that will be eligible for assistance, the terms and schedules of financing, repayment, and other pertinent information, are enclosed.

A review of your application (DMA-565) for financial aid in exploring the Buckhorn vein and reopening the old Yellowstone shaft indicates that part of your proposal may be considered under this exploration program. Details concerning expenditures that will be considered chargeable to exploration aid will be subject to a final determination by negotiation. As a preliminary appraisal, we believe that the program will apply to only that part of your application related to driving the 870 ft. crosscut and reopening the shaft.

Before we can proceed further with consideration of your application, which may or may not require a field examination, please indicate your willingness to provide your share of the funds needed to carry out the proposed exploration. Any modification of your original proposal that you may wish to make will be considered, but you should be specific concerning the work you wish to undertake.

ALBrokaw:emp G 4/4/51

Very truly yours,

Otto Herres

OTTO HERRES, Chief
Lead-Zinc Branch

Copies to: 2 - A. E. Weissenborn
Region II
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
L. B. Moon
R. H. Mote
L. F. Strobel
C. O. Mittendorf

Enclosures

Files

DMA 565

LANDON F. STROBEL

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane 8, Washington

Ans 4/17-DH.

April 6, 1951

Mr. L. F. Strobel
Executive Secretary
Defense Minerals Administration
Department of Interior
Washington 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 12 1951
LANDON F. STROBEL
Executive Secretary

Dear Mr. Strobel:

It has come to our attention that a number of applicants have received letters from the Defense Minerals Administration, stating that their loan application has been referred to this office. In some cases this has been as long as two weeks ago, but to date we have not received copies of this correspondence nor of the docket.

Specifically we have just received a letter from Mr. Featherstone of the Commonwealth Lead Mining Company, stating that the application in connection with the loan on the Calvin mine near Melrose, Montana, has been referred to this office. To date we have received no further information on this. We have also been advised by the Pacific Mining Company, which is applying for a loan on a tungsten property in the Bluegrass Mountain area, Stevens County, Washington, that their application has been denied. We have not received official word of this either.

#DMA 49

688

I would appreciate it if you would check to determine why some of this mail is not reaching us.

We are particularly anxious to receive the docket in the Calvin mine as we will have a crew in the field in that general vicinity next week and this would be an opportune time to examine the property.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMA
Field Team, Region II

APR 17 1951

5

BUREAU OF MINES
WASHINGTON, D. C.

APR 12 9 07 AM '51

LANDON F. SIMONTL

dma 565

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane 8, Washington

ans OH - 4/17

April 5, 1951

APR 10 3 28 PM '51
BUREAU OF MINES
WASHINGTON, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 11 1951
LANDON F. SIMONTL
Executive Secretary

DMA 565

Mr. Tom Lyon
Chief, Supply Division
Defense Minerals Administration
Washington 25, D. C.

Dear Mr. Lyon:

I had a letter from Mr. A. L. Carter of Livingston, Montana, with reference to an application for the Castle Lead and Zinc Company, which has under lease and bond the Yellowstone mine and other adjoining claims in the Castle Mountain district, Meagher County, Montana. We do not have the Docket number of the application. This apparently is an exploration proposal and I would appreciate it if you would advise me of the status of the application as it has not yet been received here and Mr. Carter is pressing us. Furthermore, within the next few weeks we may have a field crew in the general vicinity and we might save time by looking at Mr. Carter's property now.

Sincerely yours,

A. E. Weissenborn
A. E. Weissenborn
Executive Officer, DMA
Field Team, Region II

DMA 565
april 12

P

APR 13 1951

24

Herres

Livingston Mont.
March 26 1951

Mr Otto Herres, chief
Lead + Zinc Branch D.M.A

DMA-565

Dear Mr. Herres.

I mailed to Mr James. Boyd. first of February. 1950 application for a mine loan, for a Lead Zinc mine, that has a very good production record. Has been abandoded for some 40 years. according to information I have + reports of engineers. will justify a good examination by D.M.A. Idea being to re open same Description and other required information was mailed to Mr Boyd. + should be on file in your office. as Lead + Zinc were the chief metals produced in this property.

As yet I have had no reply. from Mr Boyd's office. Would like to know if your office is going consider this application

This property is some 80 mi N of Livingston Mont. in the Mountains and if any action is going be taken on my application for Loan. it should be me as soon as possible as it is important to get ted to work as early in spring + weather will permit. as to get all outside work done in the short working son.

Please let me hear from you at your earliest convenience. Yours Truly,

A. L. Carter

APR 2 1951

wered by letter of
12 E.T.M.

5

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR - 2 1951
LANDON F. STROBEL
Executive Secretary

BUREAU OF MINES
WASHINGTON, D. C.
1951 MAR 30 PM 4 12

3-6-51 Mining
DMA-56

LANDON F. STROBEL

Livingston Mont.
Jan 31 1951

Mr James Boyd. Acting Director
Minerals Administration for Defense
Washington D.C.

Dear Mr Boyd.

I was advised by the Manager of the Reconstruction Finance Corp. in Helena Mont to write you in regard to obtaining a mining loan

I am making this loan request for the Castle Lead + Zinc Co. (a corp.) Organized July 1950 for the purpose of developing + operating, The Yellow stone Mine + along with other adjoining property. Located in the Castle Mining District Meagher Co. Mont.

Sec. 11 - T 8 N. - R 8 E.

The Yellow stone mine was operated in the 90's thru a vertical shaft, reported to be 400 ft deep, now caved at portal. Shipping records show a production of some 6000 tons shipped to custom smelter at East Helena + treated in their own smelter. near the old town of Castle

The Yellow stone mine closed down in 1901 due to the low price of metals. The last shipment of record, under date of 12/6/1901, 32,574 dry lbs.

sheet 2 Mr. Boyd, cont.

Silver 5.4 oz. Lead 32.7 %, (Zinc not recorded) gave a net smelter return of $130.46

Reports indicate the mineralized vein to be 12-16 ft in width, including a 2 ft parting, 4 to 6 ft of shipping ore which was removed to the 200 ft level, partially removed to the 300 ft level, developed to the 400 ft level but not removed. Average assay values of ore shipped to custom smelter Lead 16.53 %, Silver 6.7 oz. (records of Zinc in complete) Highest Zinc assay recorded being 17.2 %. Dump shipments & sampling indicate an average Zinc content of 7 to 8 %.

The remaining 6 to 8 ft of the mineralized area listed as milling ore reported to be still in place except where drifts went through same. Average assay values of this milling ore, Silver 4.4 oz, Lead 8.9 %, Zinc 4.5 % of which some 52 000 tons developed ore remain in place in the mine

There is also a parallel vein some 200 feet at right angles from Yellow stone vein and out croping on adjoining property (under cont. to Pacific Lead + Zinc Co.) undeveloped, except by cross cut tunnel from the 400 ft level of the Yellow stone shaft. Drifting of 30 ft each way on strike of vein No + So. in one all way, both faces showing in excess of 3 ft. of galena ore reported to assay, 45 % Lead, 15 oz. Silver Zinc content if any: not stated.

Sketch elevation + Plan view attached to Letter shows relative location of veins.

This Parallel vein to Yellowstone vein is a strong well defined lead, of highly oxidized material. proven by open cut to be in excess of 2000 ft in length along out crop of vein, and running from 4 to 6 ft in width

200 ft of Drift should come into stiffing ore

The Pacific Lead + Zinc Co have a Lease + Bond on the Yellowstone Claim which is Patented Survey No 3065, & have under contract the Black Prince claim unpatented and an agreement on the other adjoining claims unpatented.

The Collar of the adit on the Yellowstone is about 7000 ft elevation.

This group of Claims are located 9 mi from Lennep, shipping point on Chicago Milwaukee, St Paul + Pacific and also N.P. Freight rate from Lennep to East Helena $4.41 per Ton on $30.00 ship ore. Trucking from mine to Lennep $2.00 + $4.00 per ton. Truck hauling from mine to smelter can be contracted for $5.00 per ton.

The purpose of this loan is

1st. To drive a 874 ft cross cut Tunnel (with grade

2. To open + re timber shaft. to be used as an air course

3. to provide living quarters for employees

4. To build transmission line (about 4 mi) to connect with Present Montana Power line.

Sheet 4 Mr Boyd Cont.

5th For construction of mill building & shop when one development justifies same.

One of the men in this organization has now 20 lbs, complete mining equipment out side of rails also complete 131 ft. mill available for this type ore which can be added on some other equipment arrangement.

The amount requested on this loan is $100,000.00 One hundred thousand dollars. To be paid back out of earnings or proceeds of production. All of which may not be needed. depending on developments as progress is made.

Program will be executed by capable & experienced mining men.

Have some mining conditions as we should be able to prove by 1st of July or first of May as to [illegible] be made.

If this loan is to be considered by your office at once. All preliminary work should be done as soon as possible. so as not to delay getting started as early in spring as possible.

Would like a reply from upon at your earliest convenience as to the chances of obtaining this loan.

Sheet 5 Mr. Bo[illegible] of Cont.

The information given you in this letter is true & exact to the best of my knowledge & belief. Statements of Person or Persons that worked in or at the mine or otherwise had information as to facts, compiled over a period of several years. All were supported by physical facts on the premises. So far as I have been able to determine there are no maps or reports of the underground workings

This property will need by careful & thorough examination of a competent mining engineer, as to its potential possibilities.

Thanking you for your early consideration of this proposition I remain

Yours very truly.

A. L. Carter,
Vice Pres.
Seattle Lead & Zinc Co.

January 9, 1952

Memorandum

To: Mr. J. L. Hoffhand, General Counsel

From: D. E. Moulds

Subject: Docket No. DMEA 565X, Castle Lead and Zinc Company

The applicant was unable to obtain landlord's subordination for one of the claims involved in the exploration project. A guaranty agreement was therefore attached to the contract and the contract transmitted to the Field for signing of agreement and contract.

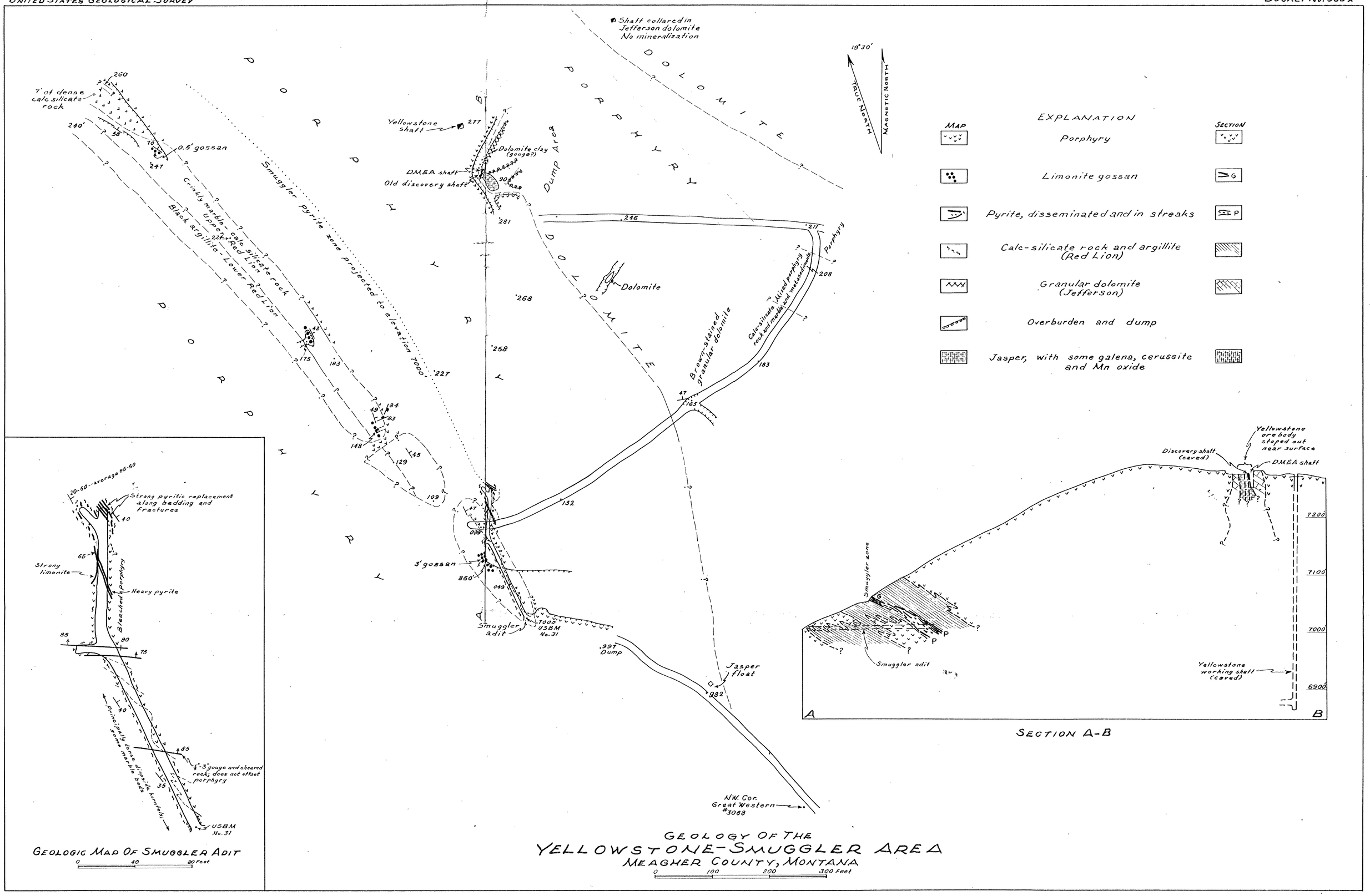
As explained by attached letter, the contract has been returned by the applicant along with a suggestion for modifying the contract to avoid unlimited guaranty of production from the claim now being leased.

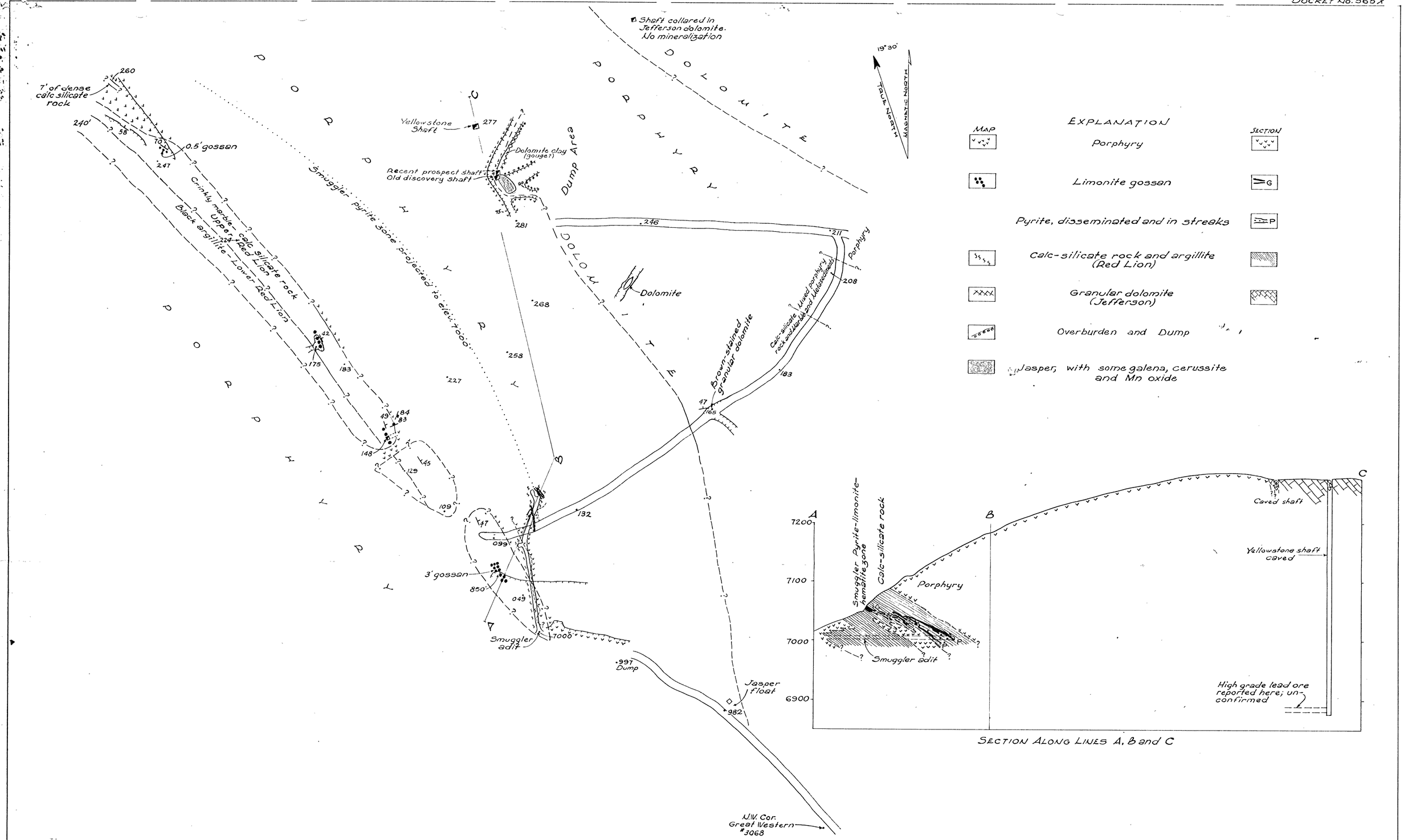
It appears that the project could be worked out from the exploration viewpoint if the suggestions advanced by the applicant in regard to repayment are satisfactory to the Government.

Kindly review and recommend action to be taken on the applicant's proposals presented by the Region Office.

D. E. Moulds

DEMoulds/mch
1/9/52
cc to: Mr. Mittendorf
Mails and Files
Mr. Moulds
Docket


Shaft collared in Jefferson dolomite No mineralization
DOLOMITE
PORPHYRY
19°30'
TRUE NORTH
MAGNETIC NORTH
EXPLANATION
MAP
SECTION
Porphyry
Limonite gossan
Pyrite, disseminated and in streaks
Calc-silicate rock and argillite (Red Lion)
Granular dolomite (Jefferson)
Overburden and dump
Jasper, with some galena, cerussite and Mn oxide
T of dense calc silicate rock
0.5' gossan
Smuggler pyrite zone projected to elevation 7000'
Crinkly marble - calc silicate rock
Upper - Red Lion
Black argillite - Lower Red Lion
Yellowstone shaft
Dolomite clay (gouge?)
DMEA shaft
Old discovery shaft
Dump Area
Dolomite
Brown-stained granular dolomite
Calc-silicate rock and marble
Altered porphyry and metasediments
Porphyry
3' gossan
Smuggler adit
7000 USBM No. 31
997 Dump
Jasper float
NW. Cor. Great Western #3088
Strong pyritic replacement along bedding and fractures
Strong limonite
Heavy pyrite
Bleached porphyry
Principally dense diopsite tremolite some marble beds
4"-3" gouge and sheared rock; does not offset porphyry
USBM No. 31
GEOLOGIC MAP OF SMUGGLER ADIT
0 40 80 Feet
Yellowstone ore body stoped out near surface
Discovery shaft (caved)
DMEA shaft
Smuggler zone
Smuggler adit
Yellowstone working shaft (caved)
7200
7100
7000
6900
A
B
SECTION A-B
GEOLOGY OF THE
YELLOWSTONE-SMUGGLER AREA
MEAGHER COUNTY, MONTANA
0 100 200 300 Feet



GEOLOGY OF THE YELLOWSTONE-SMUGGLER AREA

MEAGHER COUNTY, MONTANA

0 100 200 300 FEET

SURVEY and GEOLOGY BY
MONTIS R. KLEPPER and JAMES P. QUINLAN

MAY 2, 1952 Revised 7-15-52