DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Ottis L. Buchanan & Ira Buchanan

d/b/a Buchanan & Buchanan

Hawk, North Carolina

pertaining to Exploration Project Contract No. Idm-E430, Docket No. DMEA-2524, including Amendment No. 1, for the months of November, 1952 to January, 1953, inclusive, covering a project for the exploration of mica.

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

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

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

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

Total cost as billed by Contractor		$1,700.00
Exceptions:		
By DMEA Finance Officer	-0-	
Herewith, in accordance with the determination of the Chairman, Operating Committee, as stated in letter of May 28, 1953 to the Executive Officer of the DMEA Field Team (copy attached)	$450.00	450.00
Total Accepted Cost		$1,250.00

The contract calls for a 90 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Eleven hundred twenty-five and no/100 Dollars

$1,125.00

is considered valid and proper, in view of the decision of the DMEA Chief Counsel as stated in memorandum of July 6, 1953 to the Chief, Contract Administration and Audit Division.

Date: JUL 14 1953

Auditor

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

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May 28, 1953

Subject: Docket No. DMEA-2524
(Mica)
Buchanan & Buchanan
Joe Stevenson Mine
Mitchell County, N. C.
Contract No. Idm-E430

Mr. Reobert A. Laurence
Executive Officer, DMEA
Field Team, Region VII
Room 13, Post Office Building
Knoxville 2, Tennessee

Dear Mr. Laurence:

In response to your memorandum dated May 14 to the Chief Counsel concerning termination of the above-cited project, there is attached a form of termination notice under the provisions of the contract, which you may use in this case.

The Operator's January voucher should not be paid.

In addition to sending the termination notice to the Operator, you should follow up your letter dated May 14 to the Operator's attorney, Warren H. Pritchard, informing him that the contract has been terminated under the provisions of the contract.

Sincerely yours,

s/ George C. Selfridge

Chairman, Operating Committee

Enclosures

Approved:

s/ J. H. Hedges
Member, Bureau of Mines

s/ A. R. Kinkel, Jr.
Member, Geological Survey

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

July 6, 1953

Memorandum

To: Chief, Contract Administration and Audit Division

From: Chief Counsel

Subject: Termination of Exploration Project Contracts

Reference is made to your memoranda to me of May 14, on the general subject above indicated, and of May 22, on the same subject in its application to Buchanan and Buchanan, Docket No. DMEA-2524, Contract No. Idm-E430.

The current Exploration Project Contract forms (MF-200 and MF-200A) provide that the Government may terminate the contract:

(a) If the Operator fails to provide his share of the money;

(b) If the Operator, in the opinion of the Government, fails to prosecute operations pursuant to 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.

(Item (a) above, is really nothing but one element of Item (b) and the statement of these items will be revised in the new contract form. Both of these items refer to a default or breach of the contract on the part of the Operator. The third item, (c), does not refer to a breach by the Operator, but gives the Government the right to terminate even though the Operator may be performing pursuant to the terms of the contract.

It is plain that termination of a contract on account of breach by the Operator should have a different effect from termination because the Government is of the opinion that the operations will not result in a discovery or development. In the first case, the Government may be justified in terminating or rescinding the contract and demanding repayment of money already contributed, and possibly damages in addition. In the second case, where the Operator is not in default, it is manifest that it is not intended that the Government may recover any money already contributed, but that it may merely refrain from contributing any more.

Your two memoranda raise the question of whether it is ever proper for the Government to terminate the contract and not demand the repayment of any contribution theretofore made.

The answer will depend upon the grounds relied upon for termination of the contract and the nature of the notice of termination. The Government would have the right to terminate an exploration project contract for the serious default or breach of an Operator, without the aid of any special provisions in the contract for termination. The termination provision in the contract forms gives the Government a much broader right of termination than it otherwise would have had. As stated in the contract, the Government may terminat "if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract." It was not intended that a termination under this provision would give the Government the right to recover money previously contributed, but only to relieve the Government of the obligation to contribute any more.

On the other hand, if the default or breach by the Operator is so gross and plain that there is no question about it (such as abandonment of the work without any excuse), and the Government wishes to terminate the contract and to recover the money already contributed, the notice of termination should not be given as under the terms of the contract ("in the opinion of the Government"), but should be given as a notice of rescission for breach of the contract by the Operator, with demand for the repayment of all money contributed. In a proper case, in addition to money contributed, the Government might recover damages for the Operator's failure to complete the work. I believe that to date any notices of termination that have been given have been notices under the provisions of the contract, without demand for the repayment of money previously contributed, and without any intention of recovering any money previously contributed. In connection with such terminations, it is my opinion that the Government may not recover the money contributed at the time the notice was given.

You have suggested that these considerations should be set forth in an amendment or supplement to DMEA Circular No. 22. I agree with you in this, and will shortly revise DMEA Circular No. 22 to conform with what is above stated and with the provisions of the revised contract forms now pending.

None of the foregoing has anything to do with the termination of contracts by agreement. I have frequently pointed out that it is preferable to terminate by agreement where a suitable agreement can be worked out with the Operator. Termination by notice is to be made only where a satisfactory agreement cannot be negotiated.

/s/ J. L. Hofflund
J. L. Hofflund
Chief Counsel

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

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

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

Month of December, 1952 Docket No. DMEA-2524 Contract No. IDM. E436
Operator's Name Ottis Buchanan Minerals Mica
Address H 2 wk. NC.
Contract Amount, $3800.00 Government Participation: 90 % Amount, $3420.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Shaft	$850.00	$400.00	$1250.00	850.00	400.00	1250.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	$850.00	$400.00	$1250.00	850.00	400.00	1250.00

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

Date Jan. 6, 1953 *Payee Ottis Buchanan

Per Ira Buchanan Title Partner

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

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

(Instructions on reverse)

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

$765.00

Signature
(Authorized Certifying Officer)

Date Vou. No.
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Tm-E430 in accordance with the terms of the contract.

Signature Lawrence E. Shirley Title Mining Engr. U.S.B.M. Date Jan. 12, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature W. T. Beck Title Acting Exec. Officer Region VII Date 1-19-53

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Dec. 1952 Docket No. DMEA-2524 Contract No. IDM-E430
Operator's Name Ottis Buchanan Minerals Mica
Address Hawk, N.C.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts (incline)	ft	$850.00	17	$1250.00	25	50.00	34	$50.00
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$850.00		$1250.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$850.00		$1250.00				

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

Date Jan. 6, 1953 Operator Ottis L. Buchanan
Per Ira Buchanan Title Partner

REMARKS:

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

Dec. 8 - Drilled one V round - used 18 sticks of dynamite.

Dec. 9 - Mucked out down 2 feet.

Dec. 10 - Out due to bad weather

Dec. 11 - Out due to bad weather

Dec 12 - drilled 24 ft. used 18 sticks of dynamite on side holes.

Dec. 15 - Out due to bad weather

Dec. 16 - Out due to bad weather

Dec. 17 - Mucked out

Dec. 18 - drilled 8-2 ft. holes - used 12 sticks of dynamite - mucked out - down 2 ft.

Dec. 19 - drilled 3 side holes - mucked out.

Dec. 22 - drilled

Dec. 23 - drilled

Dec. 24 - loaded holes with 100 lb. dynamite - shot

Dec. 26 - mucked out - down 6 ½ ft.

Dec. 29 - drilled

Dec. 30 - drilled

Dec. 31 - Shot 100 lbs. dynamite - mucked out - down 6 ½ ft.

Daily report of -
Otis Buchanan (Stevenson Mine)
Hawk, N.C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 1 8 1952

INTERIM REPORT

IMEA-2524 Idm-E430 (mica) JOE STEVENSON MINE

OPERATORS: Otis L. Buchanan and Ira Buchanan, Hawk, North Carolina.

LOCATION: 6.1 miles by road a little south of East Bakersville, Mitchell County, North Carolina. It is about 1.5 miles S 40° E of Hawk and occurs along the north side of White Rock Ridge.

Work has begun on the incline shaft which is now down to about 9'. The majority of time spent on this project during the month of November consisted of setting up equipment for starting operations. Material encountered is principally pegmatite which consists of feldspar with quartz lenses, pink to red finely disseminated garnets, and a few pieces of muscovite mica. Mica recovered is flat, hard and ruby colored and appears to be of strategic grade. An air compressor, hoisting equipment and drilling equipment are all on the site.

L. E. Shirley

L. E. Shirley, Mining Engineer
U. S. Bureau of Mines

K. H. Teague

K. H. Teague, Geologist
U. S. Geological Survey

December 5, 1952

Form MF-104 (Rev.)
April 1952)

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R013.3.
Approval expires 6-30-53.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 18 1952

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of November, 1952 / Docket No. DMEA 2524 Contract No. IDM-E 430
Operator's Name Otto S. Buchanan Minerals Mica
Address Hauk n.e.
Contract Amount, $ 3800.00 Government Participation: 90 % Amount, $ 3420.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent / Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Shaft	400.00		400.00	400.00	—	400.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	400.00		400.00	400.00		400.00

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

Date November 29 1952 *Payee Otto S. Buchanan

Per _____ Title Partner

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

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

(Instructions on reverse)

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

$ 360.00

Signature _____
(Authorized Certifying Officer)

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

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E430 in accordance with the terms of the contract.

Signature Lawrence E. Shirley Title Mining Engr. U.S.B.M. Date Dec. 11, 1952

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A. Lawrence Title Executive Officer Date 12-15-52

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U. S. GOVERNMENT PRINTING OFFICE 205675

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 18 1952

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of November 1952 Docket No. DMEA-2524 Contract No. IDM-E 430
Operator's Name Ottis L Buchanan Minerals Mica
Address Hawkins

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts (incline)	ft.	$400.00	8	$400.00	8	50.00	34	$50.00
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$400.00		$400.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$400.00		$400.00				

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

Date November 29 1952 Operator Ottis Buchanan
Per Ira Buchanan Title Partner

REMARKS:

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

U. S. GOVERNMENT PRINTING OFFICE 205676

November 1952

DMEA-2524 Idm-E 430

Joe Stevenson Mine

10 Hired 2 men and moved in compressor
11 Cut boom and mast pole
12 went to get hoist and had to wait 3 days before I could get it
13 off till 17
17 moved in hoist
18 set up poles and laid pipe lines
19 Cleaned out pit drilled one round of 2 ft. holes used 18 sticks of dynamite
20 mucked out
21 out due to bad weather
24 out due to bad weather
25 drilled 3-5 ft side holes to square up used 9 sticks of dynamite
26 mucked out
27 drilled 12-6 ft holes used 48 sticks of dynamite
28 hoist broke down

Daily Report _ Othis L. Buchanan
Stevenson Mine Hawk, N. C.

COPY

March 4, 1955

Memorandum

To: Mr. Jay L. Chambers

From: Lawrence G. Houk

Subject: Closing dockets

The Nonmetallic Minerals Division have reviewed the following contracts and do not intend to make certifications of discovery or development:

Idm-[illegible]52	DMEA-1212	Idm-[illegible]	DMEA-
40	1213	217	1969
13	1679	244	1955
73	519	253	2134
74	1390	257	2077
78	1664	272	2360
93	812B	288	2344
97	1224	324	2255
121	1517	344	2156
124	1318	373	2439
125	1720	411	2528
129	1665	430	2524
134	1732	433	2620
140	1813	444	2646
179	1122	450	2681
180	1250	480	2725
191	1914	497	2778
195	1812	507	2840
198	1929	518	2785
211	1721	524	2909
216	2104	543	2950
		565	3030

Government Copy

TERMINATION OF EXPLORATION PROJECT CONTRACT

To: Ottis L. Buchanan

Ira Buchanan

Hawk, North Carolina

Operator under Exploration Project
Contract I-dm-E430, Docket No.
DMEA-2524, dated October 30, 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 terminates the contract on the following grounds:

(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.

THE UNITED STATES OF AMERICA

JUN 2 - 1953

By Robert A. Lawrence
Executive Officer
DMEA Field Team
Region VII

MAY 2 8 1953

Subject: Docket No. DMEA-2524
(Rice)
Buchanan & Buchanan
Joe Stevenson Mine
Mitchell County, N. C.
Contract No. Idm-1430

Mr. Robert A. Laurence
Executive Officer, DMEA
Field Team, Region VII
Room 13, Post Office Building
Knoxville 2, Tennessee

Mr. Rubin
Chron.
Pending

Dear Mr. Laurence:

In response to your memorandum dated May 14 to the Chief Counsel concerning termination of the above-described project, there is attached a form of termination notice under the provisions of the contract which you may use in this case.

The Operator's January voucher should not be paid.

In addition to sending the termination notice to the Operator, you should follow up your letter dated May 14 to the Operator's attorney, Warren H. Pritchard, informing him that the contract has been terminated under the provisions of the contract.

Mr. Thayer
Mr. Hedges
Mr. Houk
Mr. Hoffland

Sincerely yours,

George C. Selfridge

Chairman Operating Committee

Enclosures

Approved:

J. H. Hedges
Member, Bureau of Mines

A. R. Kinkel, Jr.
Member, Geological Survey

Copy to: Mails & Files
Admr. R. File
Docket
Oper.Comm.

HCRubin:ep 5-21-53

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

July 6, 1953

Memorandum

To: Chief, Contract Administration and Audit Division

From: Chief Counsel

Subject: Termination of Exploration Project Contracts

Reference is made to your memoranda to me of May 14, on the general subject above indicated, and of May 22, on the same subject in its application to Buchanan and Buchanan, Docket No. DMEA-2524, Contract No. Idm-E430.

The current Exploration Project Contract forms (NF-200 and NF-200A) provide that the Government may terminate the contract:

(a) If the Operator fails to provide his share of the money;

(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.

Item (a) above, is really nothing but one element of Item (b) and the statement of these items will be revised in the new contract form. Both of these items refer to a default or breach of the contract on the part of the Operator. The third item, (c), does not refer to a breach by the Operator, but gives the Government the right to terminate even though the Operator may be performing pursuant to the terms of the contract.

It is plain that termination of a contract on account of breach by the Operator should have a different

effect from termination because the Government is of the opinion that the operations will not result in a discovery or development. In the first case, the Government may be justified in terminating or rescinding the contract and demanding repayment of money already contributed, and possibly damages in addition. In the second case, where the Operator is not in default, it is manifest that it is not intended that the Government may recover any money already contributed, but that it may merely refrain from contributing any more.

Your two memoranda raise the question of whether it is ever proper for the Government to terminate the contract and not demand the repayment of any contribution theretofore made.

The answer will depend upon the grounds relied upon for termination of the contract and the nature of the notice of termination. The Government would have the right to terminate an exploration project contract for the serious default or breach of an Operator, without the aid of any special provisions in the contract for termination. The termination provision in the contract forms gives the Government a much broader right of termination than it otherwise would have had. As stated in the contract, the Government may terminate "if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract." It was not intended that a termination under this provision would give the Government the right to recover money previously contributed, but only to relieve the Government of the obligation to contribute any more.

On the other hand, if the default or breach by the Operator is so gross and plain that there is no question about it (such as abandonment of the work without any excuse), and the Government wishes to terminate the contract and to recover the money already contributed, the notice of termination should not be given as under the terms of the contract ("in the opinion of the Government"), but should be given as a notice of rescission for breach of the contract by the Operator, with demand for the repayment of all money contributed. In a proper case, in addition to money contributed, the Government might recover damages for the Operator's failure to complete the work. I believe that to date any notices of termination that have been given have been notices under the provisions of the contract, without demand for the repayment of money previously contributed, and without any intention of recovering any money previously contributed. In connection with such terminations, it is my opinion

that the Government may not recover the money contributed at the time the notice was given.

You have suggested that these considerations should be set forth in an amendment or supplement to DMEA Circular No. 22. I agree with you in this, and will shortly revise DMEA Circular No. 22 to conform with what is above stated and with the provisions of the revised contract forms now pending.

None of the foregoing has anything to do with the termination of contracts by agreement. I have frequently pointed out that it is preferable to terminate by agreement where a suitable agreement can be worked out with the Operator. Termination by notice is to be made only where a satisfactory agreement cannot be negotiated.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

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

May 22, 1953

Memorandum

To: Mr. J. L. Hoffland
Chief Counsel

From: Jay L. Chambers, Chief (Signed) J. L. Chambers
Contract Administration and Audit Division

Subject: Contract No. Idm-E430, Docket No. DMEA-2524 (Mica)
Buchanan & Buchanan, Joe Stevenson Mine
Mitchell County, North Carolina

I am forwarding the covering letter and attachments regarding the above-cited contract for advice on the following points.

This is a short-form contract. Does the Government have the right to terminate this project for cause which is not necessarily in the interest of the Government without making a claim for repayment of monies advanced to the Operator under the terms of the contract? Would it not be better to terminate this contract by mutual agreement? Surely, sufficient reasons could be had to show that the Government would in the long run be benefitted by closing the contract. Under the proposed termination, I wonder what basis the Contract Administration and Audit Division would have to approve the payments under this contract when a Report of Review is issued.

Attachment

JLChambers/wb
May 22, 1953

Copy to: Docket
Admr. Reading File
Mr. Houk
Mr. Chambers

CONTRACT AMENDMENT NO.1

Contract Docket No. DMEA-2524, Idm-E430, dated the 30th day of October 1952, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Otis L. Buchanan and Ira Buchanan, partners, doing business as Buchanan and Buchanan, Hawk, North Carolina, is hereby amended as follows:

1. Article 3 is amended to read, "The Operator, ...; and shall bring the project to completion within a period of 9 months from the date of contract" instead of 5 months as stated in the original contract.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be obligated to pay, or the percentage of the cost which the Government may be obligated to pay, under the provisions of Article 4 of the contract form.

Dated: March 17, 1953

UNITED STATES OF AMERICA

By Robert A. Lawrence
Executive Officer, DMEA-Region 7

BUCHANAN AND BUCHANAN

By Ottis L. Buchanan
Ottis L. Buchanan, Partner

By Ira Buchanan
Ira Buchanan, Partner

765
360
1123

DEPARTMENT OF THE ARMY
Defense Department Declassification
APR 6 1989

Document No. DMEA 2524

Commodity Mica

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

TERMINATED

Contract No. Idm-E 420

Date of Contract ~~or Amendment~~: October 30, 1953

Name and Address of Operator:

Buchanan & Buchanan
Hawk, D. C.

Amount of Government participation $ 3,420.00

Percent of Government participation 90 %

Region: VII State: D. C.

Note: Please release (2,737.00) Advise Contract Administration and Audit Division.

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

(Title)
July 20, 1953

Date Delivered to Bureau of Mines, Washington.

13908

Docket No. DMEA 2524

Commodity Mica

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E 130

Date of Contract ~~or Amendment~~: October 30, 1952

Name and Address of Operator:
Otis L. Buchanan and Ira Buchanan d/b/a
Buchanan and Buchanan,
Kwk, N. C.

Amount of Government
participation ____ $3,420.00

Percent of Government
participation 90 %

Region: VII State: N. C.

(Name)

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

(Title)

Date Delivered to Bureau of Mines, Washington. Oct. 30, 1952

13908

MF-200 (A)
(February 1952)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 12 1952

DOCKET NO. DMEA 2524

COMMODITY Mica

Government's Copy

IDM-E 430

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

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this 30th day of October, 1952, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Otis L. Buchanan and Ira Buchanan, partners, doing business as Buchanan and Buchanan, Hawk, North Carolina

hereinafter called the "Operator," as follows:

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of North Carolina, County of Mitchell, described as ~~xxxxxx~~[3] set forth in Annex I

the Operator represents and undertakes:[4]

(*a*) ~~That the Operator is the owner in possession and entitled to possession, and that the property is subject and subordinate to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached:~~

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

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

ARTICLE 3. *Exploration project.*—The Operator, within 30 days from the date of this contract shall commence work on a project of exploration for[5] Mica

in or upon the described land; and shall bring the project to completion within a period of 5 months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided. The work shall be performed by the Operator or by independent contractor or contractors efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 4. *Costs of the project.*—The agreed, estimated costs of performing the work, expressed in terms of units of work to be performed (per foot of drifting, per foot of drilling, per cubic yard of material to be moved, etc.) are set forth in Exhibit "A," attached hereto. The Government will pay 90 percent of these agreed, estimated costs, as they accrue, for units of work actually performed that conform with the description or specifications for the work set forth in this contract, in an aggregate total amount not in excess of $3420.00, which is 90 percent of $3800.00, the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 9. *Changes and added provisions* .....

.....

.....

.....

.....

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By Otto B. Buchanan (Partner)
(Operator)

By Ira Buchanan (Partner)

By O. P. Mitteudorf
Administrator, Defense Minerals Exploration Administration

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

..... [CORPORATE SEAL]

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

EXPLORATION PROJECT CONTRACT
BUCHANAN AND BUCHANAN
DOCKET NO. DMEA-2524

ANNEX I

The property referred to in Article 2 hereof is described in a lease dated January 3, 1952, from Arthur Stevenson and Electa Stevenson, his wife, to the Operator, recorded January 3, 1952, in the Office of the Registrar of Deeds for Mitchell County, North Carolina, in Deed Book No. 11, page 75, and its beginning point is indicated on the map attached hereto and made a part hereof and entitled "Surface Map, W. C. Burleson Mica Mine, DMEA-2524", and its detailed description is as follows:

Beginning at a point where the small stream encounters the old mine dump and running thence due north for 300 feet to a stake; thence, due west 300 feet to a stake; thence 600 feet due south to a stake; thence 600 feet due east to a stake; thence 600 feet due north to a stake; thence 300 feet due west to a stake (point of closure).

EXPLORATION PROJECT CONTRACT
BUCHANAN AND BUCHANAN
DOCKET NO. DMEA-2524

EXHIBIT "A"

Description of the Work

At the site of the proposed inclined shaft, as indicated on the attached map described in Annex I, deepen the existing test pit which is now 15 feet deep to a total depth of approximately 49 feet. The shaft as sunk from the bottom of the above-mentioned test pit shall be 5' x 7' in cross section and approximately 34 feet deep.

Drift a maximum of 60 feet along the hanging wall of the pegmatite from the bottom of the shaft, as indicated on the above-mentioned map.

The exact location, direction, and extent of the work is to be specified by the Government.

Agreed Estimated Costs

Sink 34 feet of shaft @ $50/ft.	$1,700.00	
Drift 60 feet @ $35/ft.	2,100.00	
Total Agreed Estimated Costs		$3,800.00
Government Participation @ 90%		$3,420.00

MF-203

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of North Carolina, County of Mitchell, ~~described as follows:1/~~ leased to Ira Buchanan and Otis L. Buchanan, in lease dated January 3, 1952, recorded in Deed Book 11, page 75, and more particularly described as follows:
BEGINNING at a point where the small stream encounters the old mine dump (point shown ~~on map identified as "Surface Map - W. G. Burleson Mine DMEA-2524" attached to the~~ contract between the United States of America and Otis L. and Ira Buchanan), and running thence; due north for 300 feet to a stake; thence, due west 300 feet to a stake; thence 600 feet due south to a stake; thence, 600 feet due east to a stake; thence, 600 feet due north to a stake; thence, 300 feet due west to a stake (point of closure).

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

2/ _____

_____

_____

hereinafter called the "Operator"; and

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

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

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

2. To secure the payment to the Government of the percentage royalty on production3/ provided for under the terms of said exploration project contract, or any amendment thereof ~~which does not increase the maximum amount of the Government's claim here stated or alter the provisions for repayment~~, there is hereby granted to the Government a lien upon the land herein described and upon any production of minerals therefrom, until the royalty claim is fully paid ~~in the amount of the Government's contribution, not in excess of 4/$_____~~ or ten years have elapsed from the date of the contract.

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

Dated this _____ day of October 13, 1952.

_____ [Seal]

Arthur Stevenson [Seal]

Electa Stevenson [Seal]

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

2/ Insert the name of the Operator as it will appear in the exploration project contract.

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

4/ Insert the maximum amount of the Government's contribution.

RELEVANT CONTRACT PROVISIONS

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

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

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

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

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

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

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

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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