DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Report of:

W. H. Covington

Polkville, North Carolina

pertaining to Contract No. Idm-2450, Docket No. DMEA-2661, for the month of January, 1953, covering a project for the exploration of mica.

My review included an examination of the Monthly Report (Form 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 Regional Field Team and the Government representative who visited and examined the project, and a determination of the reasonableness and propriety of the costs.

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

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		$ 96.00
Exceptions:		
By DMEA Finance Officer	$ - 0 -	
Herewith	- 0 -	-0-
Total Accepted Cost		$ 96.00

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 Eighty-six and 40/100 Dollars,

— $ 86.40 —

is considered valid and proper.

E. D. Talbert, Auditor

April 14, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
DSS
APR 20 1953

Docket No. DMEA-2681 (mica)
Contract Idm-E450
W. H. Covington, Polkville, N. C.

After bulldozing an area 30' x 40' to an average depth of 5 feet, it was seen that a discovery or a development could not be made. The project was terminated by mutual consent and the operator submitted actual costs of the project which amount to $96.00. These costs are very reasonable for the amount of work done.

Wm. A. Beck, Acting Executive Officer
DMEA Field Team, Region 7

Beck

Lynch

Finance Office-3
(attached to
form 104)

xx

Form [redacted]F-1[redacted] (Rev.)
[redacted]il 1952)

FINAL REPORT 99

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

PAID ON VOUCHER AND SCHEDULE
OF PAYMENTS NOR 42

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of January, 1953 Docket No. DMEA 2681 Contract No. IDM-E 450
Operator's Name W. H. Covington
Minerals MICA
Address Pelkville, N. C.
Contract Amount, $ 1490.00 Government Participation 90 % Amount, $ 1341.00

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						
Trenching	80.00	None	80.00	96.00		96.00
(2) Labor and Supervision:						
Labor	8.00	None	8.00			
Supervision	8.00	None	8.00			
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	$ 96.00		$ 96.00	96.00		96.00

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

Date 1-31-53 *Payee W. H. Covington

Per _____ Title Operator

*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:

$ 86.40

Signature Cora A. Piper
(Authorized Certifying Officer)

Date FEB 6 1953 Vou. No. 99

(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. E450 in accordance with the terms of the contract.

Signature W. F. Beck Title Mining Engr. U.S.B.M. Date FEB 4 - 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A. Lawrence Title EXECUTIVE OFFICER DMEA REGION VII Date FEB 4 - 1953

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 [illegible]F-104[illegible]
(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
[illegible] 1953

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of January 1953 Docket No. DMEA 2681 Contract No. IdM-E 450
Operator's Name W. H. Covington Minerals MICA
Address Rockville, N.C.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting		$		$				
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching		80.00	500 cu. yds	80.00	500 cu. yds.	19 2/10 ¢ per cu. yd.		
Test Pits								
Roads and Trails								
Labor & Supervision		16.00		16.00				
TOTAL DISTRIBUTED COSTS		96.00		96.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$96.00		$96.00				

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 1-31-53 Operator W. H. Covington

Per _____ Title Operator

REMARKS:

Trenching $80.00
Labor 8.00
Supervision 8.00
Total $96.00

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.
ROOM 13, POST OFFICE BLDG.
KNOXVILLE 2, TENN.

Mr. W. A. Covington

Polkville, North Carolina

DMA-2681, 1da-150 (nice)

Dear Mr. Covington:

This will acknowledge receipt of your Monthly Report and Voucher which has been forwarded to our Finance Officer for payment.

You neglected to send a narrative with your report. You might use this as your final report.also, this is required under Article 5 (b) of your contract. This narrative need not be lengthy but should show what work was accomplished and what results were obtained.

There is enclosed a copy of The Termination Agreement which was signed by you and by Mr. R. A. Laurence for the Government.

Please send us your final report as soon as possible so that we may close your contract.

Very truly yours,

Robert A. Laurence
Executive Officer, DMA
Field Team, Region 7

RAL/am
ccs
Reek
Lynch
Laurence
Morris
Cor.1

DMEA-2681
Idm-E-45

Operators
Monthly Progress Report
for the
Month of January 1953

Hired two workman:
Measured off place for trenching,
Fixed crossing place at branch,
Bulldozed eight hours
Moved 19 1/5 cu. yd. dirt
Picked up about fifty
pounds scrap mica

W H Covington

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-E52	DMEA-1212	Idm-E	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 BY AGREEMENT
AFTER COMMENCEMENT BUT BEFORE COMPLETION OF THE WORK

Defense 2/1/53

It is agreed this 8th day of January, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and W. H. Covington, Polkville, North Carolina

_____

_____

_____,

hereinafter called the "Operator," parties to that certain Exploration Project Contract I-dm-E 450, Docket No. DMEA-2681, dated 24th November 1952, that the said contract shall be and is hereby terminated as of the first date above written.

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

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

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

UNITED STATES OF AMERICA

EXECUTIVE OFFICE

By Robert A. Lawrence

W H Covington
(Operator)

By _____

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 6 1958

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C. 600

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 24 1952
GOVERNMENT COPY

Exploration Project Contract

W. H. COVINGTON

DOCKET NO. DMEA-2681

AMENDMENT NO. I

It is agreed this 16th day of December 1952, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration and W. H. Covington, each acting in consideration of the agreement of the other to the terms hereinafter set forth that the Exploration Project Contract Idm-E450, Docket No. DMEA-2681, dated November 24, 1952, between the parties hereto be modified and amended as of said date as follows:

In Article 3, in lieu of the words "two months" insert the words "four months".

THE UNITED STATES OF AMERICA

By Robert A Lawrence
Executive Officer, Defense Minerals Exploration Administration Field Team, Region VII

W. H. Covington
W. H. Covington

Docket No. [illegible] - 2621

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 450

Date of Contract or Amendment: November 24, 1952

Name and Address of Operator: U. E. Covington
Pollville, North Carolina

Amount of Government participation $ 1,341.00

Percent of Government participation 90 %

Region: VII State: Rutherford

Please polcade $1,254.60, Authority, Contract Administration and Audit Division.

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

(Title)

Date Delivered to Bureau of Mines, Washington. April 27, 1953 13908

Docket No. DMEA 2681

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 150

Date of Contract ~~or Amendment~~: November 24, 1952

Name and Address of Operator:

W. H. Covington,
Polkville, N. C.

Amount of Government participation $ 1,241.00

Percent of Government participation 90 %

Region: VII State: Rutherford

(Name)

E. D. Talbert,
Acting Chief, Contract Administration and Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington. November 24, 1952

3908

MF-200 (A)
(February 1952)

DOCKET NO. DMEA 2681

COMMODITY Strategic mica
IDM-E 450
Government's copy

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 8 1952

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this 24th day of November, 1952 between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] W. H. Covington
Polkville, 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 Rutherford, described as follows:[3] located about ½ mile west of State Highway 26 about 8 miles northwest of Polkville and one mile west of the Cleveland-Rutherford County line, being the same property recorded in book 155, page 395, in the office of the Registrar of Deeds for Rutherford County at Rutherfordton, N. C.
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 only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached: None

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

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

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

in or upon the described land; and shall bring the project to completion within a period of two 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 ninety (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 $1,341.00, which is ninety(90) percent of $1,490.00, 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.

W. H. COVINGTON
(Operator)

By W. H. Covington

THE UNITED STATES OF AMERICA

By C. O. Mitchell
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
W. H. COVINGTON
DOCKET NO. DMEA-2681

Exhibit "A"

Description of the Work

Stage I

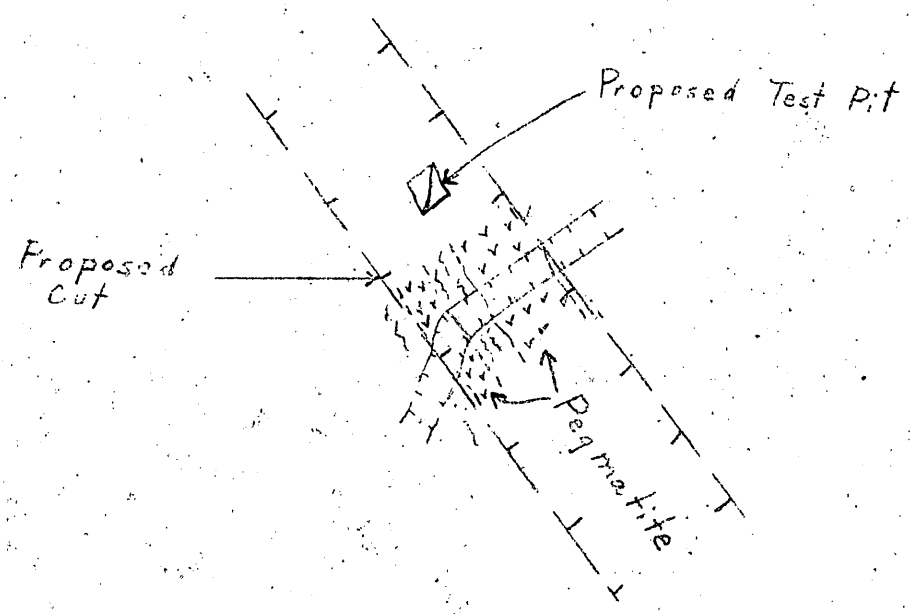
Strip overburden from the pegmatites by bulldozing for a distance of approximately 75 feet as shown on map attached hereto and made a part hereof and entitled "Sketch of W. H. Covington Prospect, Rutherford Co., N.C."

Stage II

Stage II is to be undertaken only after completion of Stage I, and the location of the work is to be dependent upon the results of Stage I and to be undertaken only upon the expressed approval of the Government. The work shall consist of sinking a test pit 25 feet deep and driving 25 feet of drift from it.

Agreed Estimated Costs

Stage I			
Trenching		$ 240.00	
Stage II			
25 foot test pit @ $25.00/ft.	$ 625.00		
25 foot drift @ $25.00/ft.	625.00	1,250.00	
Total estimated costs, Stage I and Stage II			$1,490.00
Government's participation @ 90%			$1,341.00



Sketch of
W. H. Covington Prospect
Rutherford Co., N.C.

0 20' 40'
Scale

DMEA-2681