E 692 7/30/54 DMEA-3260 Sam L. Phillips

Yancey County, N.C. W. A. McKinney, McKinney No. 1 Mine

Last reported Depot sale 11/21/57 $152.74

Other known parties of possible interest:

John Phillips W. A. McKinney

Lin Carpenter Beaver Mining Company ✓ Sale 11/21/57 $152.74

Charlie Carpenter B. & B. Mining Company ✓ Sale 11/5/57 $481.70

Superior Mica Company W. A. McKinney Mining Co.

D. W. Burleson McKinney Mining Co. Lot AR 1178 6/28/57 $122.52

Superior Mica, Inc. J. R. Wyatt

Superior Mica Company, Inc. Hawk Mining Co.

Troy Beaver

Sales by Superior Mica Co.

Block 216.50 lbs $2,859.32 Last sale Lot 266 9/28/55

Cobbed 12,435 lbs 2,595.97 " " " 66 8/3/55

Unpaid royalty $272.76

No additional purchases of production from this property were found in S. P. Depot records.

CEP

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
6/26		800
		500
		120
		110
		100
		220

June 26, 1962

Memorandum

To: [illegible] File

From: [illegible] Fisher, OME Auditor

Subject: [illegible] of Spruce Pine Mica Purchase Depot [illegible]
[illegible] 18 - 22, 1962

[illegible] period of June 18 to 22, 1962, I examined the purchase [illegible] at the U.S.A. Mica Purchase Depot at Spruce Pine, North [illegible], for the purpose of ascertaining any unreported production [illegible] exploration project contracts. My examination did not [illegible] any unreported production subject to royalty under the following contracts:

Contract No.	Docket No.	Operator	Mine Names
[illegible]84	3244	Alex Deague	Old Denson (Denis[illegible])
687	3256	Glenn [illegible]. Rathburn	Fox, Busby Creek
692	3260	Sam L. Phillips	[illegible]. A. McKinney, McKinney No. 1
[illegible]6	3[illegible]	[illegible]. Chrisawn	[illegible]. (W. H.) Westall
712	3410	Rock Mining Company	Rock
37	3469	A. Ward	Gilmore
[illegible]	35[illegible]	C. S. Phillips, et al.	Sugar Dave, Ralph
762	3[illegible]	Keller Mining Co.	Royster
805	3[illegible]	Alvin White, et al.	Howard
830	3265	Mines and Mining, Inc.	Farlow Gap
835	3813	T. [illegible]. Vance	Shuffle Vance, Red, Charlie Burleson
840	3799	J. [illegible]. Beam	Bennett, Mica Field
865	3867	Ed Boone	Hog Rock
[illegible]	3924	J. [illegible]. Beam & John Phillips	Little Ray, Pat
[illegible]1	3947	Buchanan Minerals, Inc.	Buchanan, Dream
900	3942	Sam O. Smith	Joe Hill, Sam Smith
962	4147	Sam L. Phillips	Old Buchanan
1005	4239	John Phillips	Roby (Robby)
1008	4332	John Phillips	John (John's) Brown
1037	4268	Murphy Mining Co.	Murphy, Murphy Rock
1042	4449	Clifton D. Buchanan	Boone, Phillips
1039	4554	Sam L. Phillips	Black Mountain

[illegible]ting File

[illegible]Fisher/[illegible]
6-26-62

[illegible]

August 9, 1957

Memorandum to the file

From: Lawrence G. Houk, Director, Division of Nonmetallic Minerals

Subject: Closing the docket.

Docket No. DMEA-3260-Mica
John Phillips, et al
McKinney Mine
Yancey County, North Carolina
Contract No. Idm-E692

Legal has advised this Division that the Termination Agreement, executed on November 24, 1954, effective October 31, 1954, relieved the partnership John Phillips, Sam L. Phillips, Lin Carpenter and Charlie Carpenter, and the owners W. A. McKinney and Mrs. W. A. McKinney of all obligations to pay royalty on future production.

According to previous legal advice this was not the intent but due to the omission of a clause in the Termination Agreement reserving the Government's right to certify, the Government probably lost the legal basis for demanding payment of royalty. Legal, also advised that we could accept royalty payments if made.

It is not clear as to whether the owner or the operators would be liable for any royalties due under the contract and a determination could only be made by going to court. The owner has stated that he is financially unable to pay royalties on ore produced after the operators abandoned the property; but is willing. The operators maintain they are not liable for such royalty, have suggested litigation, and have stated they are willing to pay this money, if it is our wish. However, they have not paid it or answered our requests for payment. The royalties on production since abandonment by the operators are nominal. The outlook for the future production is meager, and therefore, royalties, if paid, would be small. The cost of litigation or policing this contract would, no doubt, be considerably more than the royalties involved.

Under the circumstances the case should be considered as closed.

LGHouk:FEJohnson:gad 8/9/57
Copy to: Admr. R. File
Mr. Houk

Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
ROOM 13 POST OFFICE BLDG.
KNOXVILLE 2, TENN.

April 12, 1958

RECEIVED APR 23		
DATE		CODE
		800

Mr. W. A. McKinney

Newdale, North Carolina

Re: DMEA-3260, Idm-E692-mica
John Phillips, et al
McKinney Mine, Yancey County,
North Carolina

Dear Mr. McKinney:

On February 10, 1958 this office wrote you acknowledging receipt of your check in the amount of $30 as part payment for the Government's royalty on production from the subject mine. In that letter it was pointed out that $295.96 was still due on back royalties. Over two months have passed since that letter and no additional payments have been made. It is not within the authority of this office to postpone indefinitely such action as may be necessary to collect the amounts properly due the Government.

Accordingly, I must advise you that unless a substantial payment is received within thirty days from the date of this letter we will have to refer this to our Washington office to take such action as it deems necessary to effect collection of the royalty due.

Very truly yours,

Robert A. Laurence
Executive Officer, DMEA
Region V

WAB/zm
cc
Lynch
Files

Opr. Com-2

TRIPLICATE

STANDARD FORM 201 (Formerly Cert. of Deposit, Form 1)
Promulgated Oct. 1949 by Treasury Dept., Fiscal Service

THIS DEPOSIT IS NOT SUBJECT TO CHECK

Oak Ridge, Tennessee

DEPOSIT NO. 14-23-070-68

For credit of 5369 Br. Trsy. Regional Office, Oak Ridge, Tenn. 2/11/58
(Name, title, and disbursing or [illegible] identification symbol of accountable officer) [illegible]ate sent)

deposited with Hamilton National Bank, Knoxville, Tennessee
(Name and location of depositary)

$ 30.00

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	Idm-E692 John Phillips (Royalty Payment)	$30.00

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Defense Minerals Exploration Administration
Bureau of Mines, Dept. of Interior
Helen R. Miller, Personal Assistant
P. O. Box 217
Norris, Tennessee

SPACE BELOW TO BE USED BY DEPOSITARY ONLY

I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

FEB 11 1958
(Date of credit in Treasurer's account)

DEPOSITARY WILL DATE, SIGN, AND RETURN THIS TO DEPOSITOR FOR HIS RETAINED COPY

16—59686b-1 GPO

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
ROOM 13 POST OFFICE BLDG.
KNOXVILLE 2, TENN.

EXTRA COPY
DMEA
RECEIVED FEB 12 1958

DATE	INITIALS	CODE
2/24	EEP	800

February 10, 1958

Mr. W. A. McKinney

Newland, North Carolina

Re: DMEA-3260, Idm-E692-mica
John Phillips, et al
McKinney Mine, Yancey County,
North Carolina

Dear Mr. McKinney:

Thank you for your check dated February 7, 1958 in the amount of $30.00 for the Government's royalty on production from the subject mine. Also transmitted with the check was a settlement sheet from the Government Mica Buying Depot showing the initial payment of $89.03 on a sale of 11.37 pounds of mica made November 21, 1957 by the Beaver Mining Co. On the reverse of the settlement sheet was the notation "this check covers this statement and some back pay."

When Mr. Wm. A. Beck, our engineer called on you October 11, 1957 he gave you a statement showing the mica sales to the Government Depot on which royalty had not been paid. Royalty on these sales amounted to $294.24. Since that time at least two sales have been made to the Government. One was made by B & B Mining Company on November 5, 1957 and totaled $481.70. The second was made by the Beaver Mining Company on November 21, 1957 and totaled $152.74. As the sum of these two sales amounts to $634.44 the royalty on them is $31.72. If the $30.00 payment we received today is applied to these two sales your royalty account is now $295.96 in arrears.

We would appreciate your making payments promptly upon receipt of your royalty as land owner and would suggest that you make an effort to cut down the balance due rather than allowing it to increase.

Very truly yours,

Robert A. Laurence
Executive Officer, DMEA
Region V

WAB/zm
cc
Lynch
Laurence
Opr. Com.-2
Finance

E-692

For Certificate of Deposit No. 38, dated October 29, 1957, giving royalty payment of $49.00, see E-98.

Sale by Hawk Mg. Co.
9/3/57

J. L. Chambers

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

AUG 17 1956

Mr. John Phillips

Spruce Pine, North Carolina

Re: Docket No. DMEA-3260 (Mica)
John Phillips, et al.
McKinney Mine
Yancey County, North Carolina
Contract No. Ida-2692

Dear Mr. Phillips:

Thank you for your letter dated July 27, 1956, informing us of your position with respect to the payment of royalty under the subject contract, as requested in Mr. Lawrence's letter dated May 4 to you.

Your letter expresses the opinion that in general the Government must pursue its remedy against a landlord, who has executed a Consent to Lien, rather than against the operator, and that, under the terms of a contract that are present in the subject case, the Government has no recourse against an operator who has relinquished possession of the property when it accepts a Consent to Lien. This position is entirely at odds with the view of the Government as to the requirements of the contract, as we shall indicate below:

The subject contract provides (Annex II, paragraph b.) that:

> "The Operator, as principal, if the Operator is the producer, or as surety, if the Operator is not the producer, shall pay to the Government a royalty on all minerals mined or produced from the land . . . (2) if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first."

This language, in our judgment, clearly factors upon an operator at the time he executes the contract the liability for payment of all royalty due the Government under an exploration project contract. In addition,

the Government requires the landowner "to secure the payment of the percentage royalty on production provided for under the terms of said exploration project contract . . ." by granting a lien upon the land and upon any production therefrom. (Paragraph 2, Owner's-Consent-to-Lien form, Revised July 1, 1954.) This undertaking by the landowner runs to the Government and is for the benefit of the Government, and does not benefit the operator. Accordingly, it is our judgment that the contention that the Government must pursue its remedy against the landowner is erroneous.

In view of this understanding you will probably want to close the matter by forwarding your check for the balance of royalty due—$272.76.

Sincerely yours,

Administrator

HCRubin/JLChambers/wb
August 15, 1956

Copy to: Docket
Admr. Reading File
Operating Committee
Field Team, Reg. V (2)
T. H. Kiilsgaard
W. F. Dietrich
L. C. Hank
J. L. Chambers
R. P. Dwyer

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

August 8, 1956

Memorandum

To: Chairman, Operating Committee

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

Subject: Docket No. DMEA-3260 (Mica)
John Phillips, et al
McKinney Mine
Yancey County, North Carolina
Contract No. Idm-E692

Should the Government take the position of a beggar for this paltry sum? If we don't have a legal claim for this money we should not become indebted to the Operator who may use his payment as a favor to ask for future favors from us.

Attachment

JLChambers/wb
August 8, 1956

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

600

MAY 1 1956

Mr. Robert A. Lawrence
Executive Officer, DMEA
Field Team, Region V
Room 13, Post Office Bldg.
Knoxville 2, Tennessee

Subject: Docket No. DMEA-3260-Mica
John Phillips, Sam L. Phillips,
Lin Carpenter, and Charlie
Carpenter
W. A. McKinney Mine
Yancey County, North Carolina
Contract No. Idm-E692

Dear Mr. Lawrence:

Reference is made to your letters of February 1 and March 27, 1956, to Mr. W. A. McKinney, requesting payment of royalties due on sales of mica to the Government Depot by the Superior Mica Company, Inc.

It is suggested that you make a demand upon the signers of the contract for payment of the royalties due, $272.76, since under this contract (Annex II) they remain liable as surety even though they are not the producers. In the usual case, where there is no expressed assumption of the Government's royalty by the transferee of the land, this is the procedure.

In connection with the amount of royalty due, it would be well to inform the Operator of receipt of certain royalty from Mr. W. A. McKinney, owner of the land. For your information the Government subsequently may look to Mr. McKinney for further payment if the Operator does not pay.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Approved:

P. F. Yopes

Member, Bureau of Mines

N. E. Nelson

Member, Geological Survey

LGHouk/HCRubin/gad 4/30/56
Copy to: Admr. R. File
Docket
Operating Committee
Mr. Chambers
Mr. Kiilsgaard, 5222
Mr. Dietrich, 3061
Mr. Rubin
Mr. Houk

UNITED STATES 140
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

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

Re: Docket No. DMEA-3260 (Mica)
John Phillips, Sam L. Phillips,
Lin Carpenter and Charlie
Carpenter
W. A. McKinney Mine
Yancey County, North Carolina
Contract No. Idm-8692

Dear Mr. Lawrence:

Reference is made to your letters of February 1 and March 27, 1956, to Mr. W. A. McKinney, requesting payment of royalties due on sales of mica to the Government Depot by the Superior Mica Company, Inc.

It is suggested that you make a demand upon the signers of the contract for payment of the royalties due, $272.76, since they have the prior liability. In the usual case, where there is no express assumption of the Government's royalty by a transferee of land, this is the appropriate procedure. The abandonment provision has been deleted from the contract, and Annex II provides that the Operator remains liable as surety. It would be well to inform the Operator of the receipt of certain royalty from Mr. W. A. McKinney, owner of the land, to whom the Government can look for further payment, in this case, if the Operator doesn't pay.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

LGHauk/MGRubin/cmd 4/24/56
Copy to: DMEA Docket
Operating Committee
Adm. R. File
J. L. Chambers
Mr. Kiilsgaard, GSA
Mr. Dietrich, B.M.
Mr. Hauk

Approved:

/s/ Robert W. Geehan

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

Mr. Dwyer
Mr. Rubin
chron.
pending

Payment Rec'd 4-30-56

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

April 19, 1956

Memorandum

To: Mr. Robert P. Dwyer, Associate Solicitor
Division of Mineral Resources

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

Subject: Docket No. DMEA-3260 (Mica
John Phillips, Sam L. Phillips, Lin Carpenter and
Charlie Carpenter, W. A. McKinney Mine
Yancey County, North Carolina, Contract No. Idm-8692

Please note Lawrence's previous letters to McKinney, McKinney's payment of one delinquency and his promise to pay this one.

Of course, we should have written to the original operators first, but since we did not, it appears to me that we should tell Phillip, et al., that they are surety under Annex III, but also give them the information regarding our demands on McKinney and his promises and actions.

Attachment

JLChambers/wb
April 19, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
ROOM 25, POST OFFICE BLDG.
KNOXVILLE 2, TENN.

RECEIVED
FEB - 3 1956

February 1, 1956

Mr. W. A. McKinney

Mocksville, North Carolina

Re: Docket No. DMEA-3260 (mica)
John Phillips, Sam Phillips,
Lin Carpenter and Charlie Carpenter
W. A. McKinney Mine, Yancey County, N. C.
Idn-[illegible]

Dear Mr. McKinney:

On November 16 and 17, 1955, Mr. Wm. A. Beck, Mining Engineer, U. S. Bureau of Mines and C. E. Fisher, Auditor, Defense Minerals Exploration Administration, called upon you and advised that you were indebted to the Government in the amount of $272.[illegible] for its 5 percent royalty on 11 sales of mica to the Government Mica Buying Depot by the Superior Mica Company, Inc. The net proceeds from these sales amounted to $5,455.89. At that time you told the above men that you would make the above payment within 10 days.

Please send your check in the above amount made payable to the Defense Minerals Exploration to this office at once.

Very truly yours,

Robert A. Laurence
Executive Officer, DMEA
Region V

WAB/sm
cc:
Opr. Com.
Lynch
Shirley
Files

REPORT OF
ROYALTY REVIEW

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

SECOND REPORT OF ROYALTY REVIEW

I have reviewed the files of the Executive Officer, DMEA Field Team, Region V, Knoxville, Tennessee, pertaining to Contract Idm-5692, Docket No. DMEA-3260, dated July 30, 1954, with

John Phillips, Sam L. Phillips,
Lim Carpenter and Charlie Carpenter
Spruce Pine, North Carolina

for the purpose of determining the amount of royalties due the United States Government on sales of mica from property referred to as W. A. McKinney Mine located in Yancey County, North Carolina, during the period July 30, 1954, to November 16, 1955.

My review included an inspection and comparison of the records of General Services Administration Mica Purchase Depot, Spruce Pine, with the records of Mr. W. A. McKinney, Newdale, North Carolina, owner of the property; recomputation and tabulation of all mica settlement sheets; and a conference with Mr. W. A. Beck, Mining Engineer, who is thoroughly familiar with this project. Information respecting the status of this contract is shown in the attached Exhibit "A".

This review was made in lieu of an on-site audit of the accounts and records of the Operators for the following reasons:

(a) The Operators paid royalties on the production and sales by them during the exploration period;
(b) Subsequent mining operations have been performed by Superior Mica, Inc., under an agreement whereby the landowner assumed the liability for the DMEA royalties; and
(c) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible additional royalty which might be disclosed.

The review established the total net sales of mica to be $9,292.16. Royalty due the United States Government at the contract rate of 5 percent is $464.60. The royalty paid and balance due are as follows:

Total Royalty Due	$464.60
Total Royalty Paid	191.84
Balance of Royalty Due (Exhibit "B")	$272.76

C. E. Fisher
C. E. Fisher, Auditor

November 29, 1955

EXHIBIT "A"

Status of Contract Idm-#692, Docket No. DMEA-3260

The exploration contract provides that should the Government, within 6 months after completion of the exploration, certify that a discovery or development has resulted from the work, the operator and his successor in interest shall be obligated to pay a percentage royalty on the net smelter returns or other net proceeds realized from the ore, concentrates, or metals produced within 10 years from the date of the contract, until the total amount contributed by the Government, without interest, is fully repaid or said 10 years shall have elapsed, whichever occurs first. Mr. W. A. McKinney, owner of the land on which the exploration was performed, has granted the Government a lien upon the land and upon the production of minerals therefrom until said royalty is fully paid or 10 years have elapsed from the date of the contract, whichever occurs first. A certification of discovery or development was issued on February 11, 1955.

According to a Report of Review, in lieu of final cost audit, dated December 1, 1954, prepared by Mr. E. D. Talbert, Auditor, the total accepted costs of the exploration amounted to $2,878.00, with the Government's contribution, on a 75 percent basis, being $2,158.50.

EXHIBIT "B"

Balance of Royalty Due
Contract Ydm-E692, Docket No. DMEA-3260

Sales by Superior Mica, Inc., to General Services Administration Mica Purchase Depot, Spruce Pine, North Carolina

G.S.A. Lot

No.	Date	Pounds	Net Proceeds
	Block or Film Mica		
1518	6/7/55	65.99	$1,039.81
1550	6/17/55	53.18	832.53
37	7/11/55	32.12	185.83
165	8/25/55	20.97	273.48
266	9/28/55	44.24	527.67
Totals		216.50	$2,859.32
	Hand-Cobbed Mica		
17	6/7/55	5,525	$1,306.32
27	6/17/55	1,685	123.00
36	7/18/55	1,515	456.33
49	7/26/55	1,250	218.66
59	7/29/55	1,180	210.33
66	8/3/55	1,280	281.33
Totals		12,435	$2,595.97
Total Net Proceeds		12,651.50	$5,455.29
Royalty Due - 5%			$ 272.76

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

DEC 1 1955

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

Re: Report of Royalty Review
Docket No. DMEA-3260
Phillips, Phillips,
Carpenter & Carpenter
W. A. McKinney Mine
Contract Idm-[illegible]

Dear Mr. Lawrence:

Enclosed herewith are the original and one copy of Second Report of Royalty Review pertaining to the above-cited project.

If you concur with the facts stated therein the original of the report should be forwarded to the Regional Finance Officer and the copy retained in your file.

Sincerely yours,

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosure

CEFisher/wb
December 1, 1955

Copy to: Docket
Admr. Reading File
Mr. Chambers

QUADRUPLICATE

STANDARD FORM 209c (Formerly Cert. of Deposit, Form 6599)
Promulgated August 1951 by Treasury Department, Fiscal Service

CERTIFICATE OF DEPOSIT FOR CHECKING ACCOUNT

DEPOSIT NO.
14-23-070-109

Deposited with Hamilton National Bank, Knoxville, Tennessee 6/14/55
(Name and location of depositary) (Date sent)

$ 2,020.48

the sum shown opposite for credit, subject to check, in the disbursing account of—

SYMBOL NO.
1422

G. A. Hudson, Oak Ridge, Tennessee
(Name and address of officer to be credited)

On account of—

14-4401 $2,820.48 Royalty Payments

Kem-D-719 Mine Creek Mica Mines
Kem-D-692 John Phillips, et al

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Helen R. Miller, Adm. Asst.
Department of Interior, Bureau of Mines
P. O. Box 1909
Knoxville 1, Tennessee

SPACE BELOW TO BE USED BY DEPOSITARY ONLY
I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

R. C. Clay
(Authorized signature)

JUN 14 1955
(Date of credit in Treasurer's account)

DEPOSITARY WILL DATE, SIGN, AND RETURN THIS TO DEPOSITOR FOR HIS RETAINED COPY

Idm-I-719	Mine Creek Mica Miners	$ 2,680.50
Idm-I-692	John Phillips, et al	139.98

JUN 17 1955
U. S. BUREAU OF MINES
ELECTROTECHNICAL LABORATORY
NORRIS, TENNESSEE

RECEIVED
JUN 16 1955
TREASURY DEPARTMENT

REPORT OF
ROYALTY REVIEW

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed all copies of settlement sheets on file with the Executive Officer, DMEA Field Team, Region V, applicable to royalties collected on the sales of mica for the period July 30, 1954, to March 9, 1955, by:

John Phillips, Sam L. Phillips,
Lin Carpenter and Charlie Carpenter
Spruce Pine, North Carolina

produced from property referred to as the W. A. McKinney Mine located in Yancey County, North Carolina, under terms of Contract Idm-8692, Docket No. DMEA-3260.

My review included a conference with Mr. William A. Beck, Mining Engineer, U. S. Bureau of Mines, Knoxville, Tennessee, who is thoroughly familiar with the project.

This review was made in lieu of an on-site audit of the Operator's accounts and records for the following reasons:

(1) The production involved was incidental to the exploration operations;

(2) A review of the records of General Services Administration Mica Purchase Depot, Spruce Pine, North Carolina, did not disclose any other sales of mica from this mine since the effective date of the exploration contract; and

(3) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible additional royalty which might be disclosed.

The audit established the total sales of mica for this period to be $1,037.37. Royalty due the U. S. Government at the contract rate of 5 percent is $51.86. The royalty paid and balance due are as follows:

Total Royalties Due	$51.86
Total Royalties Paid	51.86
Balance of Royalties Due	$ -0-

C. E. Fisher
C. E. Fisher, Auditor

March 21, 1955

For Certificate of Deposit No. 44, dated December 3, 1954, giving royalty repayment of $4.52, see E-410.

QUADRUPLICATE

STANDARD FORM 209c (Formerly Cert. of Deposit, Form 6599)
Promulgated August 1951 by Treasury Department, Fiscal Service

CERTIFICATE OF DEPOSIT FOR CHECKING ACCOUNT

DEPOSIT NO.
14-23-070-39

Deposited with Hamilton National Bank, Knoxville, Tenn. 12/3/54
(Name and location of depositary) (Date sent)

$ 18.50

the sum shown opposite for credit, subject to check, in the disbursing account of—

SYMBOL NO.
1123

E. A. Hudson, Oak Ridge, Tennessee
(Name and address of officer to be credited)

On account of— Method 818.50 Royalty payment, 1-1-52 W. A. McKinney Mining Co.

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Tora A. Piper, Fiscal Officer
Bureau of Mines
Department of the Interior
Knoxville, Tennessee

SPACE BELOW TO BE USED BY DEPOSITARY ONLY
I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

W. C. Clay Cop
(Authorized signature)

(Date of credit in Treasurer's account)

DEPOSITARY WILL DATE, SIGN, AND RETURN THIS TO DEPOSITOR FOR HIS RETAINED COPY

SEXTUPLICATE

STANDARD FORM 209e (Formerly Cert. of Deposit, Form 6599)
Promulgated August 1951 by Treasury Department, Fiscal Service

CERTIFICATE OF DEPOSIT FOR CHECKING ACCOUNT

Deposited with Hamilton National Bank, Knoxville, Tenn. 10/25/[illegible]
(Name and location of depositary) (Date sent)

DEPOSIT NO. [illegible]

$ [illegible]

the sum shown opposite for credit, subject to check, in the disbursing account of—

[illegible], Oak Ridge, Tennessee
(Name and address of officer to be credited)

SYMBOL NO. [illegible]

On account of—Ration $10.76 (see reverse)

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

[illegible], Fiscal Officer
Bureau of Mines
Department of the Interior
Knoxville, Tennessee

SPACE BELOW TO BE USED BY DEPOSITARY ONLY

I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

(Date of credit in Treasurer's account)

DEPOSITOR WILL RETAIN THIS COPY

Royalty Payments:

IDM-E-692 $28.84
Phillips & Carpenter

IDM-E-674 $20.92
Mud Cut Mine

REPORT
OF REVIEW

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

John Phillips, Sam L. Phillips,
Lin Carpenter & Charlie Carpenter
d/b/a W. A. McKinney Mining Co.
Spruce Pine, North Carolina

pertaining to Exploration Project Contract No. Idm-E692, Docket No. DMEA-3260, for the months of August, 1954 to October, 1954, inclusive, covering a project for the exploration of mica on property, known as the W. A. McKinney Mine, located in Yancey County, North Carolina.

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, verification of work performed by reference to reports of DMEA Field Team representatives, 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:

all of the costs incurred were under a contract provision 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		$2,878.00
Exceptions:		
By DMEA Finance Officer	$ -0-	
Herewith	-0-	-0-
Total Accepted Cost		$2,878.00

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Two thousand one hundred fifty-eight and 50/100 Dollars,

$2,158.50

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

E. D. Talbert

E. D. Talbert, Auditor

December 1, 1954

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

Final Report

Budget Bureau No. 42-R1036.5

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

Month of October 1954 Docket No. DMEA 3260 Contract No. Idm-E692
Operator's Name John Phillips, et al. Minerals Mica
Address W.A.McKinney Mining Co., Spruce Pine, N. C.
Contract Amount, $ 3613.00 Government Participation: 75% Amount, $ 2709.75

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						
24' Drifting @ 35.00	840.00	1925.00	2765.00			
(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						
Tool House		75.00	75.00			
Powder Magazine		25.00	25.00			
(8) Contingencies (specify):						
Exploder Magazine		13.00	13.00			
TOTALS	840.00	2038.00	2878.00	840.00	2,038.00	2,878.00

PAID ON SE 1081
Key 22

RECEIVED
OCT 26 1954
U. S. BUREAU OF MINES
Reg. VII Administrative Office
Knoxville, Tennessee

I certify that the above bill is correct and just and that payment therefor has not been received.
Date 10-22-54 *Payee W. A. McKinney Mining Co.
Per [signature] 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:
$ 630.00
Signature [signature]
(Authorized Certifying Officer)
Date OCT 26 1954 Vou. No. 76
(See other side)

210.00

(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. Dm E692 in accordance with the terms of the contract.

Signature Lawrence E. Shirley Title Mining Engr. U.S.B.M. Date Oct. 25, 1954

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A. Laurence Title EXECUTIVE OFFICER DMEA REGION VII Date OCT 26 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 872893

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

DEPT. OF THE INTERIOR
Defense Minerals Administration
RECEIVED

Month of Oct. 195 4 Docket No. DMEA 3260 Contract No. Ion- D692

Operator's Name John Phillips et al Minerals Mica

Address W. A. McKinney Mining Co., Spruce Pine, 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
241 Drifting 035.00	Ft.	840.00	24	2765.00	79	35.00	100	35.00
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		840.00		2765.00				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				113.00				
Total Costs		840.00		2878.00				

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 10-22-54 Operator W.A.McKinney Mining Co.

Per John A. Phillips Title Partner

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)

Remarks:

(For Government use only)

RECEIVED
OCT 26 1954
U. S. BUREAU OF MINES
Reg. VII Administrative Office
Knoxville, Tennessee

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 872894

OPERATOR'S

MONTHLY REPORT OF PROGRESS

DMEA-3260

Idm- E692

Work Accomplished:

We completed 24 feet of drifting during October, (until date of cancellation, October 21). All of this distance was in vein of feldspar, flint and mica. We recovered about 600 lbs. of mica. Solid slate was hit at the 50' point in the drift and the Field Team advised us that the contract would be cancelled.

Daily Notes:

October 4 - 8	Drilled, did some shooting. In vein material with some mica in small pieces. Mucked.
October 11- 15	Pumped water, continued in same direction with the drift. Recovering some mica of poor quality as we progress. Drilled and shot.
October 18 - 21	Pumped water, mucked, recovered mica. Mica became much smaller, and at the 50' point in the drift we hit hard slate. Field Team visited mine on Oct. 21 and advised cancellation of the contract.

RECEIVED
OCT 26 1951
U. S. BUREAU OF MINES
Reg. VII Administrative Office
Knoxville, Tennessee

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

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

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

Month of September, 1954 Docket No. DMEA 3260 Contract No. Idm-E692
Operator's Name John Phillips, et al. Minerals Mica
Address W. A. McKinney Mining Co., Spruce Pine, N. C.
Contract Amount, $ 3613.00 Government Participation: 75 % Amount, $ 2709.75

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						
55' Drifting @ 35.00	1925.00	None	1925.00			
(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						
Tool House		75.00	75.00			
Powder Magazine		25.00	25.00			
(8) Contingencies (specify): Exploder Magazine		13.00	13.00			
TOTALS	1925.00	113.00	2038.00	1925.00	113.00	2038.00

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

Date 10-1-54 *Payee W. A. McKinney Mining Co.

Per John Phillips 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:

$1443.75

Signature Cora A. Spears
(Authorized Certifying Officer)

Date OCT 8 1954 Vou. No. 67

(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. Tdm-E6[illegible] in accordance with the terms of the contract.

Signature Laurence E. Shirley Title Mining Engr. U.S.B.M. Date Oct. 5, 1954

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A. Lawrence Title EXECUTIVE OFFICER DMEA REGION VII Date OCT 7 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of September 1954 Docket No. DMEA 3260 Contract No. Idm-E692

Operator's Name John Phillips, et al. Minerals Mica

Address W. A. McKinney Mining Co., Spruce Pine, 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
55' Drifting @ 35.00	Ft.	1925.00	55	1925.00	55	35.00	100	35.00
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		1925.00	55	1925.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				113.00				
TOTAL COSTS		1925.00		2038.00				

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 10-1-54 Operator W. A. McKinney Mining Co.

Per John Phillips Title Partner

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

REMARKS:

(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 872894

OPERATOR'S
Monthly Report of Progress

Month of Sept., 1954

DMEA-3260

Idm-E-692 (Mica)

Work Accomplished:

We completed 55 feet of drifting; part of which was done in August but was not reported in that month because the footage had not been measured. Most of the 55 feet was in vein, and about one ton of mica was recovered. The mica is cut up and not of a very high quality. The drifting has been done in three directions; the field team stopped the drift in two and advised a Northwest direction which we are now following.

Daily Notes:

Sept. 1 - 3 - We drove a drift about 16' to the Northeast, in vein material until we hit slate. We found scattered mica and recovered about 100 lbs. Field team stopped this direction.

Sept. 6 - 10 - Pumped water, drilled and shot. Began heading in Southwest direction, in vein material. Recovered some mica, but again field team suggested we stop.

Sept. 13 -17 - Pumped water, began a drift in a Northwest direction. Drilled, shot and mucked. In vein material, and finding more mica than in previous directions. Recovered about 300-400 lbs. Mica poor quality but improving.

Sept. 20 - 24 - Pumped water, shot and mucked. Continued in N. W. direction in vein material. Still recovering mica of about same quality.

Sept. 27 - 30 - Drilled, mucked; pumped water. Recovered more mica, total for the month now about one ton.

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

SEP 17 1954

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of August, 1954 Docket No. DMEA3260 Contract No. Ion-2692
Operator's Name John Phillips et al, W.A.McKinney Mining Co. Minerals Mica
Address Spruce Pine, North Carolina
Contract Amount, $ 3013.00 Government Participation: 75 % Amount, $ 2709.75

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						
(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						
Tool House	75.00	None	75.00			
Powder & Exploder Magazine	38.00		38.00			
(8) Contingencies (specify):						
TOTALS	113.00		113.00	113.00		113.00

PAID ON VOUCHER & SCHEDULE OF PAYMENTS K-14

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

Date 9-1-54 *Payee John Phillips et al.
W.A.McKinney Mining Co.
Per John Phillips 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:

$ 84.75

Signature Cora A. Pope
(Authorized Certifying Officer)

Date SEP 10 1954 Vou. No. 51

(See other side)

28.25

(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. Dm-E692 in accordance with the terms of the contract.

Signature Lawrence E. Shirley Title Mining Engr. U.S.B.M. Date Sept. 2, 1954

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Robert A. Lawrence Title EXECUTIVE OFFICER DMEA REGION VII Date SEP 8 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

SEP 17 1954

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of August 195 4 Docket No. DMEA 3260 Contract No. Idm-2692
Operator's Name John Phillips et al, W.A.McKinney Mining Co. Minerals Mica
Address Spruce Pine, 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								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
								TOTAL COSTS AUTHORIZED BY CONTRACT
TOTAL DISTRIBUTED COSTS								
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc. Toolhouse, Powder and Exploder Magazines		113.00		113.00				113.00
TOTAL COSTS		113.00		113.00				113.00

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 9-1-54 Operator John Phillips et al.
W.A.McKinney Mining Co.
Per John Phillips Title Partner

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

REMARKS:

(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

OPERATOR'S

MONTHLY REPORT OF PROGRESS

Month of August, 1954

DMEA-3260, Idm-E692

W. A. McKinney Mine

Work Began: Aug. 17,1954

Work Accomplished:

Moved in machinery, constructed tool and hoist house, powder and exploder magazines. Completed laying track, car and car line in. Began a loft at point where heading shows.

Daily Notes:

August 17 - 20 - Moved machinery, etc. up to mine site. Began the construction of tool and hoist house and magazines.

August 23 - 27 - Finished magazines, worked on laying tract. Put in car line.

August 30 - 31 - Prepared to begin with the drift at point where heading shows. Moved materials and supplies to site, etc.

Two men working during the month, on one shift.

GOVERNMENT COPY

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

CERTIFICATION BY THE UNITED STATES OF AMERICA
OF A DISCOVERY OR DEVELOPMENT UNDER
AN EXPLORATION PROJECT CONTRACT

To: Messrs. John Phillips, Sam L. Phillips,
Lin Carpenter and Charlie Carpenter
Spruce Pine, North Carolina

Pursuant to the provisions of Exploration Project Contract No. Idm-2692, dated July 30, 1954 (Docket No. DMEA-3260), hereinafter called the "contract" between you and the United States of America, hereinafter called the "Government"; to establish and fix the Government's percentage royalty on production and its lien thereon and on the land described in the contract, the Government considers and therefore certifies that discovery or development from which production may be made has resulted from the exploration work.

The nature of said discovery or development is described broadly or indicated as follows:

A zoned, pipe shaped pegmatite in biotite gneiss showed concentrations of strategic mica on the 45-foot level.

THE UNITED STATES OF AMERICA

By [signature]
Administrator, Defense Minerals
Exploration Administration

Dated: FEB 1 1 1955

WCAnderson:gad 2/7/55
Copy to: Mr. Irving Gumbel, EPS, GSA
Docket
Admr. R. File
Mr. Hodges, 4604
Mr. Chambers
Mr. Johnson
Field Team, Region V
Mr. Kiilsgaard, 5222
Operating Committee
Finance Office
Mr. Houk
Mr. and Mrs. W. A. McKinney (Attached to Field Team copy for mailing).

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

FEB 1 1 1955

Messrs. John Phillips, Sam L. Phillips
Lin Carpenter and Charlie Carpenter
Spruce Pine, North Carolina

Re: Docket No. DMEA-3260 - Mine
John Phillips, Sam L. Phillips
Lin Carpenter and Charlie Carpenter
W. A. McKinney Mine
Yancey County, North Carolina
Contract No. Idm-2692

Gentlemen:

Transmitted herewith is a certification of discovery or development on Contract No. Idm-2692 on the W. A. McKinney Mine, Yancey County, North Carolina.

By the terms of the Exploration Project Contract and of the certification, all production from the property from the date of the Exploration Project Contract, July 30, 1954, is subject to the Government's percentage royalty as set forth in the contract until the sum of $2,709.75 is paid or until July 30, 1964, whichever occurs first.

Payments should be made to Mr. Robert A. Laurence, Executive Officer, Defense Minerals Exploration Administration Field Team, Region V, Room 13, Post Office Building, Knoxville 2, Tennessee. Checks should be drawn payable to the Defense Minerals Exploration Administration. The purchaser should be advised to deduct the royalties from the amount due on each shipment and forward check to the Executive Officer.

Royalty payments to the Government should be accompanied by suitable evidence, such as copies of settlement sheets showing quantity and grade of ore sold, the name of the purchaser, and the price and charges certified to be correct by the purchaser.

You are requested to notify Mr. Laurence of any changes in ownership or production rights that may have any effect on the Government's right to its percentage royalty. Also, if production ceases at any time for any extended period, please notify Mr. Laurence at six-month intervals that no production has been made.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

WCAnderson:gad 2/8/55

Mr. and Mrs. W. A. McKinney (Attached to Field Team copy for mailing.)
Admr. R. File
Docket
Mr. Johnson
Mr. Chambers
Mr. Houk
Mr. Hodges, 4604
Mr. Kilsgaard, 5222
Field Team, Region V
Operating Committee

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

600

Mr. Irving Gumbel, Acting Director
Materials Division
Emergency Procurement Service
General Services Administration
Washington 25, D. C.

FEB 1 1 1955

Re: Docket No. DMEA-3260 - Mica
John Phillips, Sam L. Phillips,
Lim Carpenter and Charlie Carpenter
W. A. McKinney Mine
Yancey County, North Carolina
Contract No. Idm-E692

Dear Mr. Gumbel:

I am enclosing one copy of a certification of discovery or development relating to the subject contract.

The exploration contract was signed on July 30, 1954, with the Government participating to the extent of 75% of $3,613.00, or $2,709.75.

The project was started on August 17, 1954, and completed October 21, 1954, after the expenditure of $2,878.00 which is the total net accepted cost according to the Audit Review. The Government paid 75% of the total accepted cost or $2,158.50.

The work performed on this project consisted of driving 79 feet of drift on the 45-foot level from an existing incline. The drift was driven in the upper portion of a pipe-shaped zoned pegmatite in biotite gneiss, resulting in the discovery of concentration of strategic mica from which the following reserves were calculated:

Indicated	- 12.5 tons "mine run" mica @ $600.00/ton	$7,500.00
Inferred	- 20.0 tons "mine run" mica @ $600.00/ton	12,000.00

About 5,000 pounds of "mine run" mica was recovered during the operation from which $1,037.37 worth of trimmed sheet mica was sold.

The DMEA concurs with the field team's evaluation of the work performed and has certified that a discovery or development has resulted from the work under this contract.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

WCAnderson:gad 2/8/55

Copy to: Admr. R. File
Docket
Mr. Johnson
Mr. Chambers
Mr. Houk
Mr. Hedges, 4604
Mr. Killsgaard, 5222
Operating Committee
Field Team, Region V

Government's copy

TERMINATION AGREEMENT

It is agreed this 24th day of November, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and John Phillips, Sam L. Phillips, Lin Carpenter, and Charlie Carpenter, hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E692, Docket No. DMEA-3260, dated July 30, 1954, hereinafter called the "Contract," that:

1. Effective October 21, 1954, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government shall contribute only to the fixed unit costs of work performed prior to said effective date.

3. The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including the rendering of the final report and final account.

4. The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of said Contract, except as otherwise provided in this termination agreement.

IN WITNESS WHEREOF, these parties have executed this agreement as of the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mitchell Dow
Administrator, Defense Minerals Exploration Administration

John Phillips
John Phillips

Sam L. Phillips
Sam L. Phillips

Lin Carpenter
Lin Carpenter

Charlie Carpenter
Charlie Carpenter

Docket No. 9260

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 692

Date of Contract or ~~Amendment~~: July 30, 1954

Name and Address of Operator:
John Phillips, Sam L. Phillips, Lin Carpenter
Charlie Carpenter
Spruce Pine, N.C.

Amount of Government participation _____ $2,709.75

Percent of Government participation 75 %

Region: VII State: N.C.

Please release 0551.25: Advice Contract Administration & Audit Div.

J.L. Chambers, Chief,
Contract Administration & Audit Div.
(Name)

(Title)

Date Delivered to Bureau of Mines, Washington. 12/8/54

54458

Docket No. 3260

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 692

Date of Contract ~~or Amendment:~~ July 30, 1954

Name and Address of Operator:
John Phillips, Sam L. Phillips, Lin Carpenter and Charlie Carpenter
Spruce Pine, N. C.

Amount of Government participation _____ $ 2,709.75

Percent of Government participation 75 %

Region: VII State: N. C.

(Name)

J. L. Chenberg,
Chief, Contract Administration and Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington. 7/30/54

54458

MF-200 (A)
(February 1952)

DOCKET NO. [redacted]A-3260

COMMODITY Mica

Government copy
IDM-E 692

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 July, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] John Phillips, Sam L. Phillips, Lin Carpenter, and Charlie Carpenter
Spruce Pine, North Carolina

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

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of North Carolina, County of Yancey, described ~~as follows:~~ as 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 only 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 Six(6)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 75 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 $2,709.75, which is 75 percent of $3,613.00, 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. See Annex II, substituted for Article 6.

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* That part of the second sentence in Article 7 beginning with the word "Provided" is deleted.

Executed in sextuplicate the day and year first above written.

John Phillips
Frank P. Phillips
XXXXXX
BY Lin Carpenter
Charlie Carpenter

THE UNITED STATES OF AMERICA

By O. Meredith
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
JOHN PHILLIPS, SAM L. PHILLIPS,
LIN CARPENTER and CHARLIE CARPENTER
DOCKET NO. DMEA-3260

ANNEX I

The land referred to in Article 2 of the contract form and in Annex II is known as the W. A. McKinney Mine and was leased for mining purposes to John Phillips, Sam L. Phillips, Lin Carpenter, and Charlie Carpenter for a period of five years by W. A. McKinney and wife, by an instrument dated May 7, 1954. The W. A. McKinney Mine is located on the northeast side of Edd Young Road, 1/8 miles northeast of Newdale, Yancey County, North Carolina, and is bounded as follows:

Beginning at a poplar in the Mills Edge line and running S. 3° W. 152 feet, thence S. 66° W. 298 feet, thence S. 78° W. 242 feet to a birch, thence S. 72° 30' W. 269 feet to a stake in Estel Peak's line, thence N. 20° E. 125 feet, thence N. 15° W. 197 feet to an iron pipe, thence N. 47° 30' E. 347 feet, thence S. 47° E. 190 feet to a large stone, thence S. 89° E. 395 feet to the beginning.

EXPLORATION PROJECT CONTRACT
JOHN PHILLIPS, SAM L. PHILLIPS,
LIN CARPENTER and CHARLIE CARPENTER
DOCKET NO. DMEA-3260

ANNEX II

The following provisions are in lieu of Article 6 :

Repayment by Operator.--a. Certification.--If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

b. Royalty on production.--The Operator, as principal, if the Operator is the producer, or as surety, if the Operator is not the producer, shall pay to the Government a royalty on all minerals mined or produced from the land, as follows: (1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first; or (2) if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

c. Basis for computation.--The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight paid by the buyer to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the

Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the raw ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

d. Unsold production.--If any production (ore, concentrates, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance, if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrates, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time when it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

e. Percentages of royalty.--The percentages of the Government's royalty shall be as follows:

> One and one-half ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.
>
> (For instance: the royalty on an amount of five dollars ($5.00) per ton, would be one and one-half ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

f. Lien for payment.--To secure the payment of its percentage royalty, there is hereby granted to the Government a lien upon the land or the Operator's interest in the land and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

g. Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Administrator, Defense Minerals Exploration Administration, or his successor, and his estimate thereof shall be final and binding upon the Operator.

h. No obligation to produce.--Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

i. Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

EXPLORATION PROJECT CONTRACT
JOHN PHILLIPS, SAM L. PHILLIPS,
LIN CARPENTER and CHARLIE CARPENTER
DOCKET NO. DMEA-3260

EXHIBIT "A"

Description of the Work

Exploration for concentrations of strategic mica shall be accomplished in the area indicated on the attached map entitled "Sketch of W. A. McKinney Mine, Yancey Co., N.C. DMEA-3260 (mica)," as follows:

1. Construct a toolhouse, a powder magazine,and an exploder magazine.

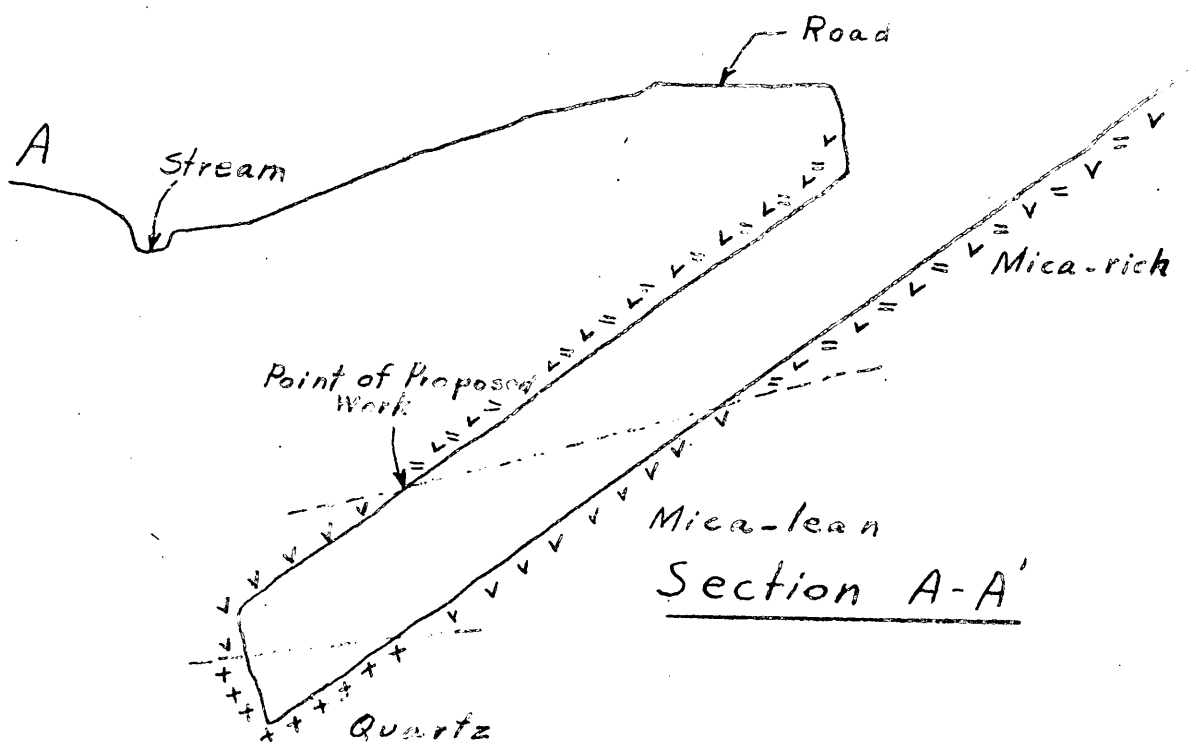
2. Drive 100 feet of drift and/or crosscut, timbered where necessary, with a cross-sectional dimension of 5 feet by 7 feet in the clear of timber.

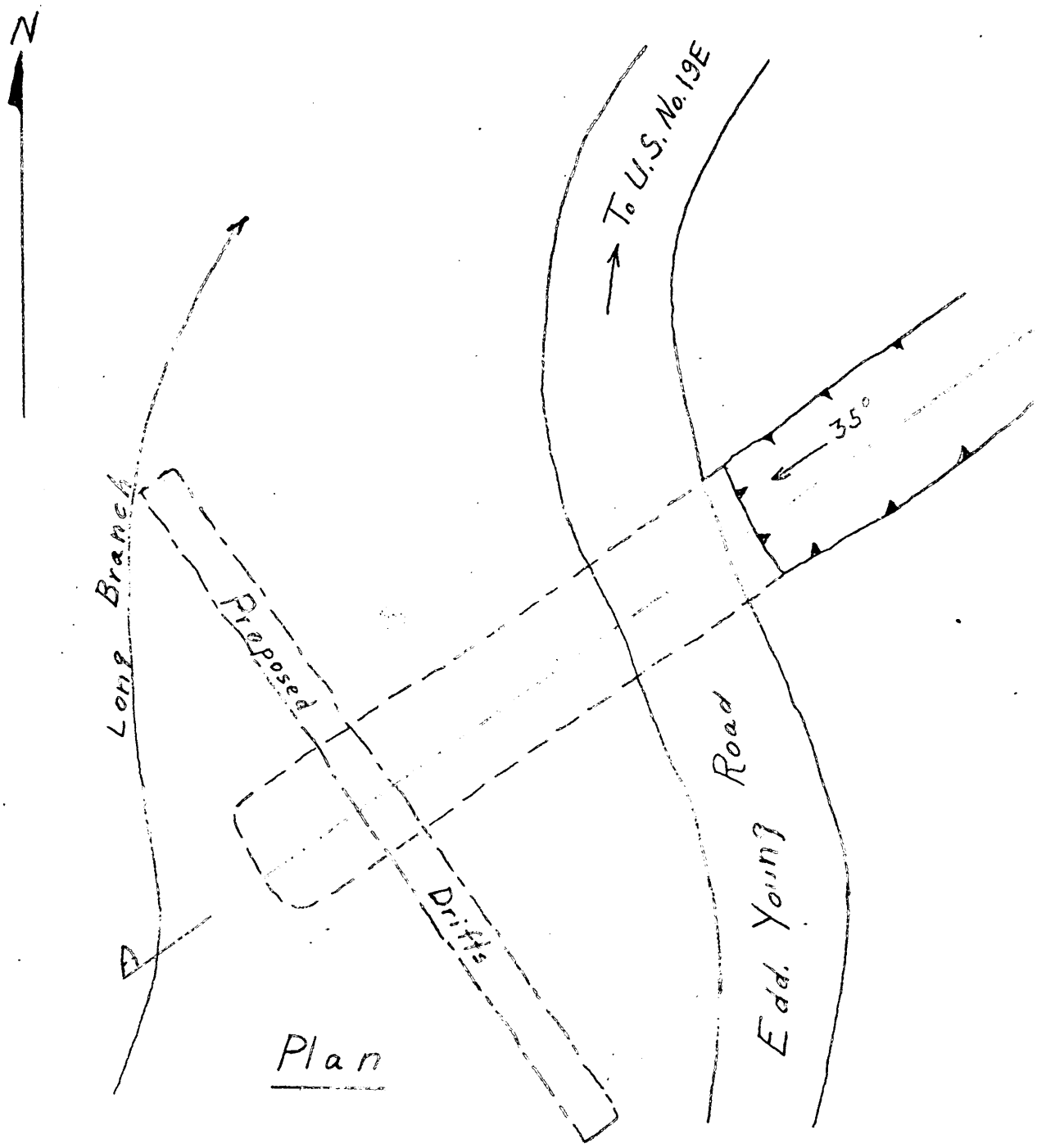
The location, inclination, direction, and extent of all work are subject to the approval of the Government.

Agreed Unit Costs

Constructing - Toolhouse 1/	$75.00	
Powder magazine 1/	25.00	
Exploder magazine 1/	13.00	
Drifting and/or crosscutting 100 Feet @ $35.00/ft.	3,500.00	
Agreed Estimated Total Cost of Project		$3,613.00
Government Participation @ 75%		$2,709.75

1/ The completed work constitutes the unit.





Sketch of
W. A. McKinney Mine
Yancey Co., N.C.

0 20' 40'
Scale

DMEA-3260 (mica)

MF-203
(Revised July 1, 1954)

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 Yancey, described as follows: 1/ Beginning at a poplar in the Mills Edge line and running S. 3° W. 152 feet thence S. 66° W. 298 feet, thence S. 78° W. 242 feet to a birch, thence S. 72° 30' W. 269 feet to a stake in Estel Peak's line, thence N. 20° E. 125 feet, thence N. 15° W. 197 feet to an iron pipe, thence N. 47° 30' E. 347 feet, thence S. 47° E. 190 feet to a large stone, thence S. 89° E. 395 feet to the beginning.

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/ John Phillips, Sam L. Phillips, Lin Carpenter and Charlie Carpenter, of Spruce Pine, North Carolina

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production and to other rights and equities which do or may conflict with or be adverse to the rights of the undersigned:

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

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

2. To secure the payment to the Government of the percentage royalty on production 3/ provided for under the terms of said exploration project contract or any amendment thereof there is hereby granted to the Government a lien upon the land above referred to and upon any production of minerals therefrom until said royalty is fully paid or ten years have elapsed from the date of the contract, whichever occurs first.

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.

(OVER)

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

4. Changes and added provisions _____

_____

_____

_____

Dated this _____ day of _____, 195___.

W. A. McKinney [Seal]

Mrs W A McKinney [Seal]

_____ [Seal]