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

OCT 23 1953

Mr. Thomas H. Brading
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Dear Mr. Brading:

Receipt is acknowledged of your letter of October 19, 1951 in reference to certain completed contracts, and also your letter of the same date transmitting copies of your Audit Report and Certificate on Idm-E16, DMA-1094, Naildriver Mining Company.

With reference to Idm-F260, DMEA-1931, White Canyon Mining Company and Idm-E458, DMEA-1549, Mathis & Mathis, it appears that the wrong form was used by the Executive Officer in closing these contracts. The Notice of Termination **** Before Completion of Work infers that the work was started and it has been our procedure to withhold release of the obligated funds and the closing of the Operator's account until receipt of the final Audit Certificate or Report of Review.

In these two cases, however, it appears from your letter that no work was done and no costs were incurred on these projects, with the result that no Audit Certificates or Reports of Review are required. Accordingly, we will use your letter as the basis for releasing the obligated funds and closing the accounts the same as if the Rescission of Exploration Project Contract form had been used.

Your Audit Report and Certificate on Idm-E16, DMA-1094, Naildriver Mining Company is acceptable and may be distributed. Also, please advise Mr. Finch that his Report and Certificate on Idm-E100, DMA-1099, United Park City Mines also has been accepted and distribution may be effected.

Sincerely yours,

(Signed) E. D. Talbert

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

EDTalbert/wb
October 23, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

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

224 New Customhouse
Denver 2, Colorado

October 19, 1953

Mr. Jay L. Chambers, Chief
Contract Adm. & Audit Div.
Defense Minerals Exploration Adm.
Interior Building
Denver 2, Colorado

Dear Mr. Chambers:

The following is the status of the "Be Whiskered" completed exploration contracts in Region IV.

Idm-E260 DMEA Docket 1931-White Canyon Mining Co.
Idm-E458 DMEA Docket 1549-Mathis and Mathis.

No work was started on either of the above contracts, consequently no disbursements were made. Inasmuch as you have probably had similar cases to these in other regions, you, no doubt, have developed a form of report to handle them. Please advise me the form of report to use in these two instances, and I will be happy to comply with your instructions.

Idm-E71-DMEA 789-Erickson and Baer-One of the examining engineers contacted Mr. Baer at Telluride about sixty days ago, and he promised immediate action on the disposition of the equipment under this contract. An effort will be made to see Mr. Baer in the immediate future, and definite steps taken to close this deal.

Idm-E124-DMEA 1318-Kenneth L. Porter-Attached are copies of letters regarding this contract:

(1) Letter dated September 21, 1953-Frank E. Johnson, Acting Administrator to Mr. Porter.
(2) Memo regarding inspection of deposits under subject contract, and statement regarding certain materials in storage.

Sincerely yours,

/s/ T. H. Brading

DMEA Auditor

Enclosures

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

GOVERNMENT COPY

To: Mathis and Mathis
P. O. Box 452
Silver City, New Mexico

Operator under Exploration Project
Contract Idm-E458, Docket No.
DMA 1549X, dated October 23, 1952

O.E.Kane
3/19/53
Rutin

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

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

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

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

Dated this 6th day of March, 1953.

UNITED STATES OF AMERICA

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

Doc[illegible]t No. [illegible]

Commodity [illegible]

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

[illegible]

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 [illegible]

Date of Contract or Amendment: [illegible]

Name and Address of Operator:

[illegible]

Amount of Government participation ____ $ [illegible]

Percent of Government participation [illegible] %

Region: [illegible] State: [illegible]

[illegible]

E. H. Talbot
(Name)

for [illegible]
[illegible]

(Title)

[illegible]

Date Delivered to Bureau of Mines, Washington.

13808

Docket No. DTA 3549 X

Commodity Zinc-Lead

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 158

Date of Contract or Amendment: October 23, 1952

Name and Address of Operator:

R. W. Mathis and Lettie Mae Mathis
d/b/a Mathis and Mathis,
P. O. Box 452,
Silver City, New Mexico

Amount of Government participation $14,200.00

Percent of Government participation 50 %

Region: IV State: New Mexico

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

(Title)

Date Delivered to Bureau of Mines, Washington. December 9, 1952

13908

MF-200 (A)
(February 1952)

DOCKET NO. DMEA 1549X

COMMODITY Zinc, Lead

Idm-E458

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 15 1952

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

EXPLORATION PROJECT CONTRACT[1]
(Short Form)

IT IS AGREED this 23rd day of October, 1952, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] a partnership consisting of R. W. Mathis and Lettie Mae Mathis, doing business as Mathis and Mathis, P. O. Box 452, Silver City, New Mexico

hereinafter called the "Operator," as follows:

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of New Mexico, County of Grant, described as follows:[3] The following patented mining claims: Lafayette, Manilla, Alpha, Omega, Florida, Caribou, Atlas, all No. 1211; Bauxite No. 1497; Calcite, Quartzite, Rocker, all No. 1489; Maverick, No. 1580; Opher, Tunnelsite, No. 1490; Klondyke, No. 1583

the Operator represents and undertakes:[4]

(*a*) ~~That the Operator owns or possesses and entitled to possession, and that the property is subject only to the following liens, mortgages or encumbrances as to each of which the subordination agreement of the holder is attached:~~

Landlord's Subordination Agreement

(*b*) That the Operator is a lessee, in possession and entitled to possession, and the ~~O~~ 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 sixty (60) days from the date of this contract shall commence work on a project of exploration for[5] Zinc, Lead

in or upon the described land; and shall bring the project to completion within a period of twelve (12) 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 fifty (50) 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 $14,200.00, which is fifty (50) percent of $28,400.00 the agreed, estimated total cost of the project in which the Government will participate: *Provided,* That until the Operator's final report and final accounting have been rendered to the Government and any final check or auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract. The Government may, as it sees fit, make payments direct to the Operator's independent contractors, if any, for the account of the Operator, rather than to the Operator.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 9. *Changes and added provisions* A certified drill log must accompany each Monthly Progress Report. Reimbursement will be made only for diamond drill holes completed to the satisfaction of the DMEA Representative. Drill cores must be properly stored in acceptable core boxes. Cores must be split and one-half retained for the use of the DMEA.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

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

MATHIS AND MATHIS
(Operator)

By R W Mathis

By Lettie Mae Mathis

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

MF-202

DEFENSE MINERALS
ADMINISTRATION
WASHINGTON, D. C.

NOV 13 1 33 PM '51

LANDLORD'S SUBORDINATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned is the owner in fee simple of that certain parcel of ground in the county of Grant, State of New Mexico, described in a certain Exploration Project Contract dated _____, 195__, between Mathis and Mathis, the Lessee of said property, and the United States of America;

NOW, THEREFORE, the undersigned, as Lessor of said property under lease dated July 1, 1946, does by these presents subordinate all of his right, title, and interest under the provisions of said lease to the right, title, and interest of the United States of America under the provisions of said Exploration Project Contract, and agrees that the lien and claim of the United States of America under the provisions of said contract shall be prior to the undersigned's rights to rentals or royalties under the terms of said lease; and

The undersigned further agrees that if said leasehold interest should be surrendered or if said lease should terminate at any time prior to the expiration of the rights of the United States of America under said Exploration Project Contract, the undersigned shall assume and does hereby assume all of the obligations of the Lessee under said Exploration Project Contract to make repayment to the United States of America according to the terms of said contract; and

The undersigned agrees to commit no act, nor assert any claim under judicial process or otherwise that may contravene or conflict with the prior lien and claim of the United States of America under the provisions of said Exploration Project Contract.

This undertaking and covenant shall be binding upon the heirs, successors, and assigns of the undersigned.

Dated this 31st day of October, 1951

Louise B. Stewart
Mrs. Louise B. Stewart

U. S. GOVERNMENT PRINTING OFFICE 940768

John D. Finch
John D. Finch

Daniel P. Nolting
Daniel P. Nolting

EXHIBIT A

Description of the Work

The project consists of diamond core drilling approximately 15 holes, ranging in depth from 100 to approximately 350 feet for an estimated total of approximately 5,000 feet. The attached map shows the approximate locations of 15 proposed holes. The locations and directions of any of these holes may be changed if the proposed locations and directions are acceptable to the DMEA representative.

Estimated Costs of Project

5,000 feet of diamond drilling @ $5.68 per foot	$28,400.00
Cost of Project	$28,400.00
Government's participation @ 50%	$14,200.00

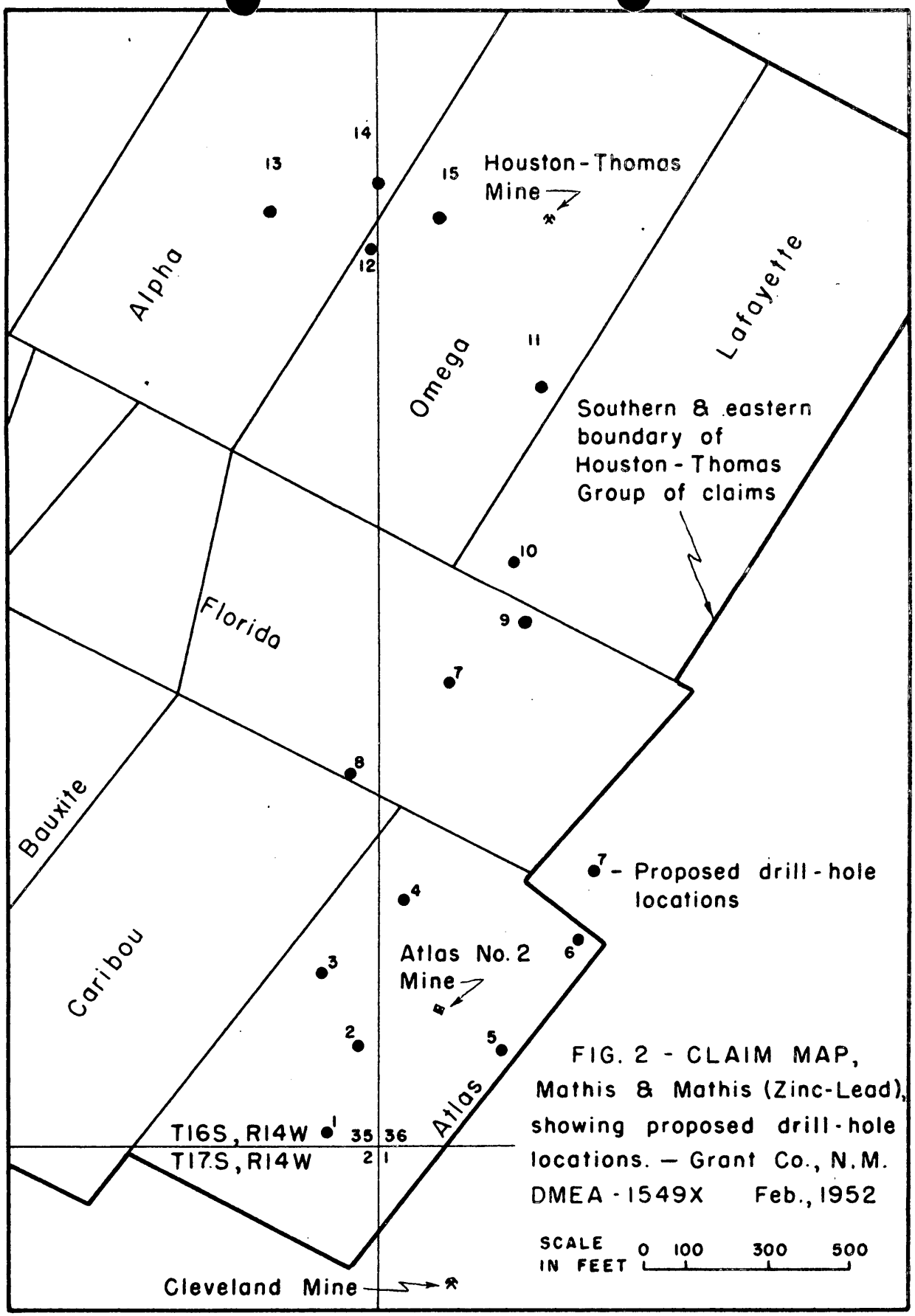

FIG. 2 - CLAIM MAP, Mathis & Mathis (Zinc-Lead), showing proposed drill-hole locations. — Grant Co., N.M.
DMEA - 1549X Feb., 1952