500

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

February 4, 1954

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Request for royalty deferment, DMEA-1 & 1A, Chief Consolidated Mining Company, Contract Idm-E4

It would be futile for me to try to answer the attached letter. Little could be added by me to your January 18 letter to Mr. Swope.

Yet no one could quarrel with Mr. Swope's statement that:

> "A general order from DMEA changing the conditions of repayment could be issued with propriety if all the many government interests could agree."

That truly is a wide and sweeping statement, which covers a lot of territory. Almost anything on earth could be done "if all the many government interests would agree" to it.

Incidentally, it is worth mentioning that actions which we are presently taking will have the effect of adding to this Operator's financial obligations to the Government. We have just written Mr. King to send an engineer to the property to check up on past and present production of ores subject to royalty. We are presently writing a recessing amendment which will contain Annex I (royalty annex) and also contain a rental charge of $2,000 monthly, payable by the Operator to the Government. This covers use of pumping equipment during recess period.

The Operator's contention that he needs to retain the royalty funds is unsound since he is already receiving substantial Government assistance via the DMPA loans. It would be very difficult for this Operator to deny that the Government, via DMEA and DMPA, has dealt most kindly with him as of now.

perhaps credited back to cost of work - (same effect) check with DMPA + RFC

Are they paying royalties to DMPA, " " " payments to RFC on hoist? - Have they also requested deferment from those agencies?

I must point out that one of the important reasons for the substantial amount of DMEA assistance being granted, was the feeling that existing ore bodies would provide sufficient royalty to liquidate the loans.

However, if we should now grant a moritorium on royalty payments for a period of time, the ore reserves could meanwhile become seriously depleted. Hence, a royalty deferment would not only delay loan repayment but would also undoubtedly impair the security of the loan to a very marked degree.

W. R. Griswold

W. R. Griswold

CHIEF CONSOLIDATED MINING CO.
608 Dooly Building
SALT LAKE CITY, UTAH

C
O
P
Y

January 25, 1954

Mr. Felix Wormser
Assistant Secretary of the Interior
New Interior Building
Washington, D. C.

Dear Mr. Wormser:

This Company through its Washington counsel, Mr. Harold W. Swope, by letter dated December 22, 1953 and by personal contact, formally requested the Administrator of the Defense Minerals Exploration Administration to consider the feasibility of granting us a moratorium in royalty payments to the Government which result from the terms of an exploration contract now in effect between the Government and our Company.

In justification of this request, the Administrator's attention was called to the following:

1. During the past 18 months, the low market price received for lead and zinc has been insufficient to allow this Company to operate at a profit. There appears to be no immediate relief in sight. A continuation of these losses will eventually close our properties permanently.

2. For some time the royalty payments paid the Government monthly have been greater than the amounts the Government is contributing under the contract terms for work accomplished on the exploration program. This results in an exchange of checks each month and is defeating the original intention of the contract which is to assist the Company in financing an exploration project.

3. If we are permitted to retain these royalty payments for a period of time, the funds would be used in more rapid development of the ore bodies which have resulted from the exploration program, and consequently, the ultimate repayment to the Government of the funds advanced would, in our opinion, be considerably accelerated.

The Administrator replied by letter dated January 18, 1954 to the effect that while he was aware of the conditions under which the lead-zinc mining industry was working, and that he was also sympathetic toward any solution of the industries' problems, he was of the opinion that no legal authority existed which would permit a moratorium or deferment of the royalty payments due.

Our counsel agrees with the Administrator, but he is also of the opinion that a general order providing for such a moratorium could be effected with propriety if the proper parties in Government would agree.

We think the matter should be called to your attention, and if you feel our request isrreasonable under the circumstances, we would suggest steps be taken to implement the necessary orders.

With kindest personal regards,

Sincerely yours

CHIEF CONSOLIDATED MINING CO.

/s/

Cecil Fitch, Jr.
Vice President and General Manager

FILE COPY
SURNAME:

500

Griswold

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

N.S. in P.R.

February 3, 1954

Memorandum

To: Chief Counsel

From: Chief, Base Metals

Subject: Docket No. DMEA-1 & 1A, Chief Consolidated Mining Company, Contract No. Ida-E4

Will you kindly prepare an amendment No. 2 to the Second Amended Contract to provide as follows:

1. Recess period from January 15, 1954 to September 15, 1954

2. Extend contract completion time from December 13, 1954 to September 13, 1955

3. Charge the Operator the sum of $2,005.88 monthly for rental of pumping equipment. This sum is derived as follows:

   Total cost of pumping equipment, $240,705.59

   Government's equity, 50 per cent, $120,352.78

   Since the Operator plans to use such pumping equipment for his current and ordinary mining operation while the exploration project is recessed, he shall pay to the Government 1/60 of cost per month as rental. When the property account is settled at end of contract, such rental sums as may have been paid by the Operator to the Government shall constitute a credit for the Operator when liquidating property accounts.

4. Include Annex I on royalty payments.

W. R. Griswold

WRGriswold/bjl

Copy to: Docket
Base Metals
Chron.

FILE COPY
SURNAME:

500

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

JAN 28 1954

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-1 & 1A (Lead-Zinc)
Chief Consolidated Mining Company
Chief No. 1 Mine
Juab and Utah Counties, Utah
Contract No. [illegible]

Dear Mr. King:

On December 29, 1953, Mr. Mittendorf had a phone conversation with Mr. Fiot relative to the above project. He was advised that this company had requested a six-month recess for the exploration project, and that a memorandum was being prepared by your office with recommendations. On February 25, 1954, we received your teletype stating that the operator requests a nine-month recess, with a nine-month extension of time for completion of the project.

Until the recommendations are received, it is difficult for us to comment upon the matter in other than a cursory manner. However, it does appear that there may be some question as to the advisability of sinking beyond the 2900 level. Mr. . . Young, on September 10, 1953, states:

> "The over-all picture of the curve . . . indicates it may resolve itself into a nearly horizontal 'run' at about the 2900 level. If this should be the case, it may not be necessary to sink beyond the 2900 level."

If it should therefore appear to you that the project had reached a natural and logical point of conclusion, we could terminate it and make certification. Conversely, if you should feel that more work is advisable, after a reasonable period of recess, there would be no objection on our part to such an amendment.

We are somewhat concerned over the question of royalty payments which are currently being made and which have been made to date. It is obviously to the best interests of the Government that royalty payments be maintained in a paid-up condition, within sensible limits. While it is true that this project has not yet

R.C.G.
1-28-54

been certified, this, of course, could be done at any time. At the very least, we should be kept advised by the Operator as to the status of ore shipments subject to royalty payment.

We recently had a request from counsel for the Operator for "a moratorium in royalty payments for a period of not less than six months". He was advised, under date of January 18, 1954 (copy to your office) that such an arrangement was out of the question.

There can be no question as to the ores which are subject to royalty payments. This matter has been covered clearly and specifically in the original and in the amended contracts, and has been confirmed repeatedly by both your office and ourselves. However, we are not at all sure whether or not royalty payments are actually being made, or have been made in the past, upon all ores which were properly subject to royalty. There seems to be some reason to believe that the Operator has been producing from a good ore body on the 2600 level south of the Fault, which it contends was already known and so not subject to royalty. Any such contention would, of course, be completely unwarranted in view of Appendix "A" of the original contract and the provisions of the amended contracts.

As you know, the amended contracts were executed only after long and exhaustive consultation with the Operator and the Operator's counsel, and it is inconceivable that the contract provisions were not clearly understood by all parties concerned.

In view of the magnitude of this project and the present uncertainties as to its status, we believe it advisable that you have one of your engineers go to the property and make a comprehensive review of the DMEA project. He should cover the work done to date, with comments upon the over-all efficiency of the work, work remaining, and any pertinent recommendations. He also should go into the matter of ore production since the original contract date, with a view of advising whether royalty payments have properly been made on all ores subject to royalty under the contract.

It would be well that he investigate and report upon the method by which project ores are segregated from non-project ore, whether monthly stope progress maps are maintained so that at least an approximate check could be made at any time against previously reported tonnages, etc.

He should also clarify to the Operator any possible misunderstanding which might exist.

Sincerely yours,

George C. Selfridge (JHB)
Chairman, Operating Committee

APPROVED:

J. H. Hedges
Member, Bureau of Mines (JHB)

s/ Philip W. Guild
Member, Geological Survey (JHB)

P.S. We have just received your letter of January 22, with enclosures, regarding this project. It confirms what we had already assumed, that, due to structural changes, it was desirable to drive the 2800 and 2900 level drifts before undertaking any deeper work. ~~We shall therefore prepare the amendment as requested~~ We shall give careful consideration to the requested amendment

WRGriswold/bjl (1/26/54)

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals
Mr. Mittendorf
Mr. Bishop
Mr. Kinkel
Chron.

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

Bureau of Reclamation
RECEIVED
JAN 25 1954

224 New Customhouse
Denver 2, Colorado

January 22, 1954

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA-1 and 1A (Lead-Zinc), Contract Idm-E4, Chief Consolidated Mining Co., Juab and Utah Counties, Utah

Enclosed is the following material relative to a nine months' recess of operations under the subject contract and a nine months' extension of the period for completion of the project work:

1. Original and one copy of a request from W. W. Watson, Secretary, Chief Consolidated Mining Company, dated December 15, 1953, with attached report from Max T. Evans, Geologist, and five maps.

2. Original and three copies of a memorandum report from W.E. Young of the Bureau of Mines, dated January 8, 1954, and transmittal thereof from the Chief, Minerals Development Branch, Mining Division, Region IV, dated January 12, 1954.

3. Original and three copies of a memorandum report from Ralph J. Roberts, U.S. Geological Survey, dated January 18, 1954, and transmittal thereof from A.H. Koschmann dated January 21, 1954.

We are forwarding the above material for your consideration and appropriate action with the recommendation that the amendment be prepared as requested by the operator.

W. H. King

Enclosures

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 1, UTAH

January 12, 1954

Mining Division
Date Rec'd
JAN 14 1954
BUREAU OF MINES
Denver, Colorado

Memorandum

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

From: Chief, Minerals Development Branch, Mining Division
Region IV

Subject: Docket No. DMEA 1 and 1A (Lead-zinc), Contract Idm-E4, Chief Consolidated Mining Co., Juab and Utah Counties, Utah. Your memorandum of December 17, 1953.

Attached are six copies of a memorandum prepared by W. E. Young concerning amendment requests made by the subject contractor in a letter dated December 10, 1953. Also included are copies of two letters with maps, which were transmitted to this office by your memorandum of subject date.

It is recommended that amendments to the contract be drawn as requested by the operator and described in the inspecting engineer's memorandum.

Stephen R. Wilson

Stephen R. Wilson

S. R. Wilson January 8, 1954

W. E. Young

Docket No. DMEA 1 and 1A (Lead-zinc), Contract Idm-24, Chief Consolidated Mining Co., Juab County, Utah. Request for contract amendments.

The Chief Consolidated Mining Company requests that an amendment be granted to discontinue operation under the contract for a period of nine months, or until September 15, 1954. Contingent upon approval of this first amendment is a request for a second amendment. In this the operator requests an extension of time of nine months to complete the contract. This will change the date of completion of the contract from December 13, 1954 to September 13, 1955.

The 18/411 winze has been sunk to the 2950-foot level. The company requests permission to discontinue this work until the 2800-foot level drift can be driven far enough to verify the attitude of the ore bodies at this elevation. Sections submitted indicate a change in the trend of mineralization on the north side of the Beck fault-Leadville dike zone. The dip of the "ore run" has flattened considerably north of Leadville dike. There is a possibility the dip of the "ore run" may flatten enough to resolve itself into a nearly horizontal "run" at about the 2900-foot level. If this condition can be verified by driving the 2800-foot and 2900-foot level drifts, it may not be necessary to sink the winze beyond the present depth.

It is recommended that the company be granted the two requests to keep the contract in force while this drifting work is being done. The periods of time requested should be sufficient to complete the work.

W. E. Young

W. E. Young

Mining Division
Date Rec'd.
DEC 16 1953
BUREAU OF MINES
Denver, Colorado

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

December 15, 1953

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Re: Contract No. IDM-E4

Dear Mr. King:

This is a formal request for two amendments to this Company's DMEA Contract No. IDM-E4, second amended dated June 16, 1953.

The first amendment is for permission to cease operations under the terms of the contract for a period of nine months, starting December 15, 1953.

In justification of this amendment, we are attaching hereto copy of a letter our Company's resident geologist, Mr. Max Evans, has addressed to Mr. Cecil Fitch, Jr., General Manager, in which he calls attention to a possible change in the structural environment of the ore channels north of the Leadville Fault. Mr. Evans' letter outlines the problem and is fully explanatory. It is accompanied with a plan map of the 2700 ft. level together with sections of the several ore channels involved.

It is our opinion that further exploration of the ore habits of these channels should be pursued on the 2800 ft. level and possibly on the 2900 ft. level before we will be justified in spending more of our money or the Government funds allowable to us under the terms of the above captioned contract in the further deepening of our 18-411 winze hoist shaft.

The second amendment is conditioned upon the granting of the first amendment. It is a request for a nine months' extension to the second amended contract of June 16, 1953. In effect, it will allow the operator until September 13, 1955 to complete the contract. It is obvious that sufficient time in which to complete the work outlined in the second amended contract will not be available to the operator if the nine months' recession of work is allowed.

Four sets of the material comprising this request are enclosed.

Your early action in this matter will be greatly appreciated.

Yours very truly

W. W. Watson

W. W. Watson, Secretary

WWW:ALC

cc: Mr. Cecil Fitch, Jr.
General Manager

Encs.

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., TREASURER
W. W. WATSON, SECRETARY
AUDREY L. CHRISTENSON, ASST. SECTY.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

EUREKA, UTAH

December 10, 1953

Mr. Cecil Fitch, Jr.,
Vice President & General Manager,
Chief Consolidated Mining Company,
Eureka, Utah.

Dear Mr. Fitch: Re: Geological summation of lower level development work, Chief No. 1 Mine.

The structural picture, along with ore habits, has materially changed as we have progressed with lower level development work north of the Leadville fault-dike in the Chief No. 1 Mine.

Ore deposition from the 1800 foot level to the 2600 foot level has been mainly confined to the Beck Fault - Leadville fault-dike wedge and subsidiary northeast fissure systems prevailing within this wedge. At the 2600 foot level the ore channels have penetrated north of Leadville and have assumed a new structural environment which has effected the trend, size and grade of the ore. Development work between the 2600 and 2700 foot levels, along with ore blocked out below 2700 foot level, shows the ore channels to be striking and plunging northeasterly. This new trend is apparently due to the ore being controlled by the strike of relatively flat bedding north of Leadville. This feature has resulted in long flat lying ore bodies, which greatly increase our tonnage outlook over the previous estimated tonnages for lower level development work.

A very encouraging feature in our lower level development work has been the increase in grade of the sulphide ore developed.

It is, therefore, my recommendation that the 2800 level development should precede any deeper development at this time. By using this approach, we can more accurately outline our ore channel areas below the 2800 foot level.

The attached plan map of 2700 foot level, along with a series of cross sections showing geology and stoping, bears out the above report.

Yours very truly

/s/ Max T. Evans
Geologist.

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Defense Minerals Exploration Administration
Denver Federal Center
Denver 2, Colorado

January 21, 1954

Memorandum

To: DMEA Field Team, Region IV

From: A. H. Koschmann

Subject: Proposed amendments to DMEA Docket I and I-A (lead-zinc), Contract Idm-E4, second amended, Chief Consolidated Mining Company, Juab and Utah Counties, Utah

Enclosed are 9 copies of a memorandum report by Ralph J. Roberts of the U. S. Geological Survey covering proposed amendments to the above docket.

A. H. Koschmann
A. H. Koschmann
Supervising Geologist
Colorado-Wyoming

Enclosures (9)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Room 208 - 222 So. West Temple
Salt Lake City 1, Utah
January 18, 1954

Memorandum

To: A. H. Koschmann
Geological Survey Representative
Field Team, Region IV
Defense Minerals Exploration Administration

Through: Ralph J. Roberts
U. S. Geological Survey

From: Hal T. Morris
U. S. Geological Survey

Subject: Proposed amendments to Docket No. DMEA 1 and 1-A (Lead-Zinc), Contract Idm-E4, second amended, Chief Consolidated Mining Company, Juab and Utah Counties, Utah.

Recommendations:

It is recommended that the Chief Consolidated Mining Company be granted permission to temporarily cease operations under the terms of DMEA Contract Idm-E4 until such time as the ore habits and ore locallization controls on the 2,800 and 2,900 levels of the Chief No. 1 mine are more fully known. It will be to the mutual benefit of the Government and the Chief Consolidated Company not to undertake further deepening of the 18:411 winze, the principal interior shaft of the mine, at this time inasmuch as a pronounced flattening of the ore zone recently has been recognized north of the Leadville fault. It now appears probable on geologic evidence that the ore zone may not extend downward to the proposed 3,100 level of the mine in the area explored and mined through the 18:411 winze, but may flatten and extend to the north at about the elevation of the 2,800 and 2,900 levels of the mine.

To insure successful completion of the project and repayment of the DMEA loan, provision should be made, however, to resume and complete the exploration as originally proposed, in the event that the plunge of the ore zone steepens beyond the limits of the presently explored ground and it becomes likely that commercial ore will extend to the 3,100 level.

Introduction:

The Chief Consolidated Mining Company is currently carrying out an exploration project under a Defense Minerals Exploration Administration loan which consists of the following work: 1) installation of a new pumping and electrical system in the mine, 2) drifting, crosscutting, and raising on the 2,700 level a total of 2,100 feet, 3) sinking of the 18:411 winze, 4 compartment, 400 feet from the 2,700 level to the 3,100 level, and 4) crosscutting, drifting and raising on the 3,100 level a total of 3,300 feet. To date, the installation of the pumping and electrical system and all the work on the 2,700 level has been completed and the deepening of the 18:411 winze has been completed to the 2,900 level.

Concurrently, under a 25 percent government participation DMPA loan, the Chief Consolidated Company is driving north on the 2,800 and 2,900 levels to develop ore bodies discovered and mined on the 2,700 level as a result of the DMEA project. The first of these ore bodies should be intercepted in approximately 1 1/2 months and the second in approximately 5 months from January 1, 1954.

Two prior examinations of the Chief No. 1 mine have been made by the writer relative to loans extended the Chief Consolidated Company by the Defense Minerals Exploration Administration and the Defense Minerals Production Authority. The reports covering these examinations are part of

Docket No. DMEA 1 and 1-A (Lead-Zinc) Contract Idm-E4 and of Docket No. DMPA-87, Chief Consolidated Mining Company, Juab County, Utah and should be referred to in connection with this memorandum report.

Ore Locallization in the Chief Ore Zone:

The ore bodies of the Chief No. 1 mine are typical of the highly irregular ore bodies of the limestone replacement type. They do, however, show in detail pronounced evidence of structural and stratigraphic control, and it is on the basis of these controls observed underground in the mine that the recommendations here presented have been made.

The Chief No. 1 ore bodies constitute the northern extension of the Mammoth-Chief ore zone, ore of the 5 major ore zones of the Tintic district. This zone is actually a series of irregularly shaped pods, columns and pipes of replacement ore which are connected by veins, stringers and small masses of ore and low grade jasperoid. Although it is locally compound and consists of two or more sub-parallel channels, the Mammoth-Chief ore zone is remarkably linear in vertical projection and its total width, except within the area of complex faulting in the northern part of the Chief No. 1 mine, is rarely more than 1/20th of its total length of 11,200 feet.

The Mammoth-Chief zone (Fig. 1) properly has its beginning 7,000 feet south of the Chief No. 1 mine at the Mammoth ore chimney, a steeply plunging pipe of mineralization over 2,300 feet in vertical extent, which occurs at the intersection of a series of northeasterly striking fissures and the Sioux-Ajax fault zone. The ore bodies extend northward from this pipe along dolomite beds on the east side of the Mammoth fault zone to a point where they cross the fault and follow northerly along bedding plane faults in the steeply dipping Bluebell dolomite.

Where it leaves the Mammoth fault the ore zone lies at an elevation of about 7,000 feet. From this point it plunges steeply northward along bedding

to the Grand Central 800 level which is at an elevation of about 6,400 feet. From this point northward the zone flattens and for about 3,000 feet the ore bodies occur between the elevations of 5,800 feet and 6,500 feet still apparently controlled by bedding plane faults and steeply dipping dolomite beds. Near the Grand Central-Bingham Mines end line the ore zone again plunges to the north along bedding until the Centennial fault zone at the Chief Consolidated property line is reached. At this intersection another great pipe of ore is formed which has a vertical height of approximately 800 feet occurring between elevations 5,000 feet and 5,800 feet. The ore zone crosses the Centennial fault and enters the lower Gardner formation where the southernmost ore bodies of the Chief No. 1 mine are locallized. As the ore zone follows northerly along the strike of the Gardner beds, it plunges again to the north to an elevation of about 4,600 feet in the area where it intersects the Beck fault zone. Here the mineralization spreads over a large area, and a series of complexly developed ore bodies extend northeasterly, following the fractures related to the Beck fault. These ore bodies extend up the Beck fault zone to the 1,200 level (elevation of about 5,400 feet) and are locallized as steeply plunging shoots in the highly faulted and brecciated dolomite adjacent to the main fault.

Between the elevations of 4,400 and 4,600 feet the ore zone divides into two sub zones, the "C Sump" channel and the "Beck-Northeaster" channel. Each of these sub-zones pass through the Beck fault on north-northeasterly fractures of small displacement and plunge downward to an elevation of 4,040 feet (the 2,600 level of the mine). Here the two ore zones intersect the Leadville fault and dike. It was upon the basis of the possible continuation of these ore zones through the Leadville fault and dike zone that the Chief Consolidated Company entered into an exploration agreement with the Defense Minerals Exploration Administration in 1951.

Within the wedge-shaped fault block defined by the Beck and Leadville faults, the "C Sump" and "Beck-Northeaster" ore sub-zones show complex development. The "C Sump" sub-zone is apparently locallized where an obscure north-northeasterly trending fissure intersects the hanging wall breccias of the Leadville fault. This ore body plunges nearly vertically from the 2,100 level (4,525 elevation) to the 2,500 level (4,140 elevation) and less steeply to the 2,600 level (4,040 elevation) where it crosses the Leadville fault. The "Beck-Northeaster" sub-zone is chiefly locallized along the Beck fault to an elevation of 4,100 to 4,300 feet; from this point it turns north-northeasterly on a small fault and plunges at a low angle to the Leadville fault. In planning the original exploration in relatively unknown block of ground north of the Leadville fault the average plunge of these ore zones was used to establish the target areas.

Exploration and mine development carried out under the DMEA and DMPA projects since July 1951, however, has shown the following facts: 1) the ore zone successfully passes through the Leadville fault and dike zone with no diminution of size but with a small to moderate increase in the grade of the ore; 2) the ore zone north of the Leadville fault is locallized between the elevations of 4,040 feet and 3,940 feet in a relatively unfaulted block of gently dipping dolomites; 3) the ore zone flattens abruptly in this area and appears to be chiefly locallized within shattered dolomite beds bounded by bedding plane faults that dip to the north at 15° to 20°; 4) the trend and shape of the ore bodies are apparently controlled by fissures and joints that are limited between bedding plane faults; and 5) no steep, transverse faults are known for over 4,000 feet north of these ore bodies. (See Fig. 2).

In consideration of the geologic relations described above it may be assumed, until otherwise demonstrated by additional mine development, that the northerly extensions of the ore bodies currently being mined will essentially follow the general dip of the bedding and may not be expected to plunge to the elevation of the proposed 3,100 level of the mine within close proximity of the 18:411 winze. It therefore seems inadvisable to sink the 18:411 winze below its present bottom on the 2,900 level until more is known concerning the ore habits and controls in this section of the mine. On the other hand, if development on the 2,800 and 2,900 levels indicates a steepening of plunge the proposed exploration in the 3,100 should be carried out as originally planned to insure successful completion of the original exploration project and repayment of the DMEA loan.

Summary:

1. The geologic features that locallize ore in the Chief No. 1 mine include bedding plane and strike faults, favorable dolomite beds and steeply inclined north-northeasterly, northeasterly and easterly trending faults of small, moderate and large displacement.

2. Within the wedge of rock between the converging Beck and Leadville fault zones the major ore bodies are locallized along steeply dipping faults and fissures and plunge steeply to the north and northeast.

3. North of the Leadville fault in a relatively undisturbed area in which the favorable dolomite beds dip to the north at 20°-30°, the ore bodies are apparently locallized beneath and between bedding plane faults, and plunge to the north-northeast at a low angle.

Therefore, the request made by the Chief Consolidated Mining Company for permission to cease operations under the terms of DMEA contract Idm-E4 for a period of 9 months until further exploration of the ore habits of

of the channels north of the Leadville fault can be pursued on the 2,800 level and possibly on the 2,900 level is within the best interests of the Government and should be granted.

Acknowledgments:

The field examination was made on January 6 and 7, 1954 by Hal T. Morris in company with A. E. Disbrow and R. E. Lehner of the Geological Survey and Mr. Max T. Evans, resident geologist at the Chief mine.

The officers and employees of the Chief Consolidated Mining Company offered every courtesy and facility of the Company to the examining party.

Hal T. Morris

Hal T. Morris

LARGE FORMAT DOCUMENTS AT END OF FILE

7750 N
7500N
7250N
7000N
7750 E
8000E
8250E
8500E
8750E
N
Bedding plane fault
Leadville fault and dike
North strand
South strand
Beck
fault
zone
Obl.
Oop.
Oop ?
D
U
18-411 Winze.
El. 3940
EXPLANATION
Obl. Ordovician Bluebell dolomite.
Oop. Ordovician Opohonga limestone.
Ore bodies between elevations 4040-3940.
Faults, dashed where not observed.
Plan of geology
at elevation of 3940 feet.
CHIEF NO. 1 MINE
Juab Co., Utah.
50 0 100 200 300
SCALE
JAN. 7, 1954.

FIG. 2

Mr. C. O. Mittendorf
Jan. 22, 1954
(unattended service after 4:15)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 25 1954

DLR MINES DM 235 1-22-54 4-20 PM

C O MITTENDORF

RE - DOCKET DMEA 1 AND 1A, CONTRACT IDM-E4, CHIEF CONSOLIDATED MINING COMPANY. YOUR TELEPHONE INQUIRY TODAY RELATIVE TO REQUEST FROM OPERATOR FOR AUTHORIZATION OF RECESS OF OPERATIONS. OPERATOR REQUESTS NINE MONTHS RECESS EFFECTIVE DECEMBER 15,1953, AND NINE MONTHS EXTENSION OF PERIOD FOR COMPLETION OF PROJECT WORK. DATA WILL BE FORWARDED TO YOU NEXT WEEK.

W H KING

Ouray, Colo.

JAN 25 9 55 AM '54

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

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

224 New Customhouse
Denver 2, Colorado

January 20, 1954

Memorandum

To: Clarence A. Fredell, Chairman, Operating Committee, Emergency Procurement Service, General Service Adm. Room 5020 Federal Supply Bldg., 7th and D Streets, S. W., Washington, D. C.

From: J. H. East Jr., Regional Director, Region IV, Bureau of Mines

Subject: DMPA royalty payments-Chief Consolidated Mining Co., Juab and Utah Counties, Utah

Enclosed are five copies of settlement sheets covering Lot No. DMPA-Dev. 1 GPU pertaining to ore shipped by Chief Consolidated Mining Company. Payment of royalty in the amount of $6.22 due the U. S. Government on this lot was included in a check from United States Smelting, Refining, and Mining Company with royalty applicable to DMEA Contract Idm-E4, Chief Consolidated Mining Company.

The collection of royalties in connection with Contract DMP-87 is not within the jurisdiction of this office. We are forwarding all copies of settlement sheets to you and $6.22 of the check received (that part applicable to DMPA royalty) has been deposited in a separate suspense account pending advice from you as to its final disposition.

Please inform the Chief Consolidated Mining Company how future DMPA royalty are to be handled and furnish a copy of your letter to this office.

J. H. East Jr.

J. H. East, Jr.

Enclosure
RDB:es
cc: Royalty file, Wilson, Christensen
Chron, Otto Kline (2), Sec. Oper. Comm. DMEA (2), Sec. Oper. Comm.
DMPA (2), Berk.

FILE COPY
SURNAME:

Attached

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

JAN 1 8 1954

Mr. Harold W. Swope
Daniels, Swope and First
Commerce Building
Harrisburg, Pennsylvania

Re: Docket DMA-1 and 1A
(Lead-Zinc)
Chief Consolidated Mining Co.
Juab and Utah Counties, Utah
Contract Idm-E4

Dear Mr. Swope:

Reference is made to your letter dated December 22, 1953, in which you request "a moratorium in royalty payments for a period not less than six months" on the above-cited contract. You have explained that abnormally low metal prices have created financial and operating problems and that the approval of your request would help to alleviate the situation by making approximately $3000 per month available to accelerate development work, which I presume is being financed in part by other Government funds.

Neither DMEA Order-1 nor the subject contract makes any provision for the waiver of royalty payments once the project has been certified. You are aware, of course, that the Government, with respect to the Chief Consolidated Mining project, has not made a Certification of Discovery or Development; however, the project has already progressed sufficiently to make it clear that a certification will be made, and can be made at any time.

Although I am well aware of the effect of present economic conditions on the lead and zinc mining industry in general, and am sympathetic toward a solution of its problems, I am of the opinion that no legal authority exists to defer royalty payments due, or to become due, to the Government on production resulting from a DMEA project.

Sincerely yours,

C. O. Mittendorf (fw)

Administrator

JLHofflund/COMittendorf/emd/fw
1/18/54
cc: Docket
Adm. R. File
C. O. Mittendorf
Operating Committee
W. R. Griswold
Field Team, Reg. IV (2)
J. L. Hofflund

R.C.G. 1-18-54

140

FILE COPY
SURNAME:

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

Mr. Harold W. Swope
Daniels, Swope and First
Commerce Building
Harrisburg, Pennsylvania

Re: Docket No. DMA-1 and 1A
(Lead-Zinc)
Chief Consolidated Mining Co.
Juab and Utah Counties, Utah
Contract No. Idm-E4

Dear Mr. Swope:

In your letter to me dated December 22, 1953, you request that a "moratorium" be granted with respect to royalty payments under the subject contract, for a period of not less than six months.

Neither DMEA Order-1, nor the subject contract contemplate any deferment in royalty payments after they fall due. To be sure, we have not yet made a certification of discovery or development with respect to your project, but it is plain that such certification will be made and can be made at any time. No doubt it is with this in view that your company has been and is paying the required royalties.

No other operator has requested relief from the obligation to pay royalties as provided in the exploration project contract. It seems impracticable to me to make such a beneficial grant to any one operator among the many with whom we have exploration contracts. It would seem only somewhat less practicable to grant such a benefit to the whole group of operators under contracts dealing with any one mineral, such as lead-zinc. Obviously, as soon as one operator or group of operators receive such a benefit, other operators either singly or by groups will feel that they are entitled to the same treatment.

I am convinced that it would not be proper for me to grant any such special consideration or "moratorium" as you have suggested for the benefit of Chief Consolidated Mining Company. Benefits to the mining industry under our

exploration program will have to be on a broader basis than that, and be of uniform application to all operators.

Sincerely yours,

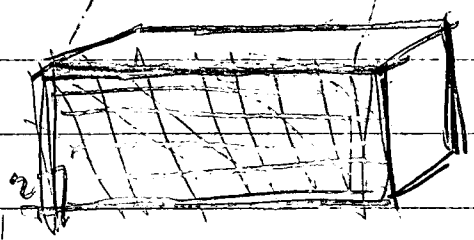
Administrator

JLHofflund/emd 1/12/54

Copy to: Docket
Adm. R. File
C. O. Mittendorf
Operating Committee
W. R. Griswold
Field Team, Reg. IV (2)
J. L. Hofflund
chron.
pending

Legally cannot enter into
lease agreement -

phone Fore
of GSA



they have not received similar
request -

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 1, UTAH

January 12, 1954

Memorandum

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

From: Chief, Minerals Development Branch, Mining Division Region IV

Subject: Docket No. DMEA 1 and 1A (Lead-zinc), Contract Idm-E4, Chief Consolidated Mining Co., Juab and Utah Counties, Utah. Your memorandum of December 17, 1953.

Attached are six copies of a memorandum prepared by W. E. Young concerning amendment requests made by the subject contractor in a letter dated December 10, 1953. Also included are copies of two letters with maps, which were transmitted to this office by your memorandum of subject date.

It is recommended that amendments to the contract be drawn as requested by the operator and described in the inspecting engineer's memorandum.

Stephen R. Wilson

Stephen R. Wilson

S. R. Wilson January 8, 1954

W. E. Young

Docket No. DMA 1 and 1A (Lead-zinc), Contract Idm-54, Chief Consolidated Mining Co., Juab County, Utah. Request for contract amendments.

The Chief Consolidated Mining Company requests that an amendment be granted to discontinue operation under the contract for a period of nine months, or until September 15, 1954. Contingent upon approval of this first amendment is a request for a second amendment. In this the operator requests an extension of time of nine months to complete the contract. This will change the date of completion of the contract from December 13, 1954 to September 13, 1955.

The 18/411 winze has been sunk to the 2950-foot level. The company requests permission to discontinue this work until the 2800-foot level drift can be driven far enough to verify the attitude of the ore bodies at this elevation. Sections submitted indicate a change in the trend of mineralization on the north side of the Beck fault-Leadville dike zone. The dip of the "ore run" has flattened considerably north of Leadville dike. There is a possibility the dip of the "ore run" may flatten enough to resolve itself into a nearly horizontal "run" at about the 2900-foot level. If this condition can be verified by driving the 2800-foot and 2900-foot level drifts, it may not be necessary to sink the winze beyond the present depth.

It is recommended that the company be granted the two requests to keep the contract in force while this drifting work is being done. The periods of time requested should be sufficient to complete the work.

W. E. Young
W. E. Young
SRW

FILE COPY
SURNAME:

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

N.S. in R.R.

January 8, 1954

Memorandum

To: Administrator

From: Chief, Base Metals Division

Subject: Docket No. DMEA-1 and 1A, Chief Consolidated Mining Company, Contract No. Idm-E4

I have glanced over the Chief Consolidated Mining Company report which pertains to progress under D&P Contract 87. Since it deals primarily with progress of such projects it is not of main concern to us.

However, it is noted that the ore tonnage handled at the mine is much greater than the tonnage upon which this company is paying royalty to us. For example, it is reported that ore hoisted from the mine in September totalled 14,159 "cars". October "cars of ore" hoisted were 9,589.

We are given no breakdown as to the source of such ore. Under our exploration project with this company, ore above the 2450 level is exempt from royalty, and it may very well be that the ore tonnage difference did come from above the 2450 level. September figures show that royalty was paid on 3,134 tons and on 3,303 tons in October.

It might be well that this matter be looked into by one of the field engineers.

W. R. Griswold

WRGriswold/bjl (1/8/54)0

Copy to: Docket
Base Metals
Chron.

LAW OFFICES
DANIELS, SWOPE AND FIRST
COMMERCE BUILDING
HARRISBURG, PENNA.

TELEPHONE 8-8161

WILLIS F. DANIELS
HAROLD W. SWOPE
EDWARD C. FIRST, JR.
ROSE DANIELS

WASHINGTON OFFICES:
1156 19TH ST., N. W.
WASHINGTON 6, D. C.
TELEPHONE ADAMS 2-3304

REPLY TO:

December 22, 1953

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

Re: Chief Consolidated Mining Co.
Salt Lake City, Utah

Dear Sir:

The above company is presently uperating under an exploration contract. Under the terms of that contract the company has received funds from the D.M.E.A. through November, 1953 in the amount of approximately $168,000. To the same date the company has, under the terms of its contract, made repayments to the D.M.E.A. in the form of royalties of approximately $32,000. Royalty payments are currently being made at the rate of $3,000 per month.

We request that this letter be considered an application to the D.M.E.A. for a moratorium in royalty payments for a period of not less than six months. You are well aware of the distressed prices for lead and zinc which presently exist. We enclose for your consideration a consolidated Balance Sheet and P & L Statement for the company for the nine months ending September 30, 1953 which demonstrate the effect that these prices have had on the company's operations.

If the D.M.E.A. will grant this moratorium, the funds thus released will be used to speed up the development program in the mine, thus insuring the production of additional ores much sooner than would otherwise be possible. The ultimate repayment of the loan will be accelerated thereby.

Action of the type here requested would tend to alleviate to a certain extent the financial and operating problems forced upon this company by the abnormally low lead and zinc prices. We trust that you will give this matter your earliest consideration.

Very truly yours,

DANIELS, SWOPE & FIRST

By Harold W. Swope
Harold W. Swope

HWS/db
encls.

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Statement showing funds received from Defense Minerals Exploration Agency resulting from terms of Contract IDM-E4 and royalty repayments made from June 13, 1951 to October 31, 1953

Month	Funds Received from D. M. E. A. (1)	Royalty Repayments
1951		
September	---	$217.71
October	$123,768.54	128.41
November	3,148.36	64.62
December	2,326.19	--
	$129,243.09	$410.74
1952		
January	$ 1,840.45	$1,011.58
February	815.91	2,172.45
March	1,489.14	2,334.35
April	7,723.10	3,127.49
May	---	4,141.45
June	7,613.29	1,385.76
July	6,341.52	---
August	---	---
September	7,039.25	---
October	---	38.00
November	---	167.74
December	---	534.63
	$ 32,862.66	$14,913.45
1953		
January	---	$ 844.63
February	---	305.93
March	---	371.30
April	---	1,180.86
May	---	1,710.54
June	---	1,457.78
July	---	2,926.47
August	---	2,665.35
September	1,557.89	2,696.35
October	2,205.00	2,674.00 (Estimated)
November	2,205.00 (accrued Oct.)	---
	$ 5,967.89	$ 16,833.21
1951	$129,243.09	$ 410.74
1952	32,862.66	14,913.45
1953	5,967.89	16,833.21
Total	$168,073.64	$32,157.40
Balance due D.M.E.A. as at Nov. 1, 1953		$135,916.24

(1) Month in which funds were actually received.

LARGE FORMAT DOCUMENTS AT END OF FILE

EXHIBIT "B"

CHIEF CONSOLIDATED MINING COMPANY, PLUTUS MINING COMPANY
AND EUREKA MACHINERY & SUPPLY COMPANY
608 Dooly Building
Salt Lake City, Utah

Consolidated Statement of Income and Surplus
for the nine months ending September 30, 1953

INCOME:		
Sales and Royalties from Ore		$678,303.58
EXPENSES:		
Operating and Administrative	$778,605.20	
General Taxes	22,143.09	
Payroll Taxes	10,687.67	
Total		811,435.96
Net Operating Loss before Depreciation		133,132.38
Less: Depreciation		42,457.14
Net Operating Loss		175,589.52
Less: Net Interest Expense		5,088.23
Net Loss before Provision for Federal Income Taxes		180,677.75
Add: Refund of Prior Years Federal Income Taxes		97.00
Net Loss to Surplus		180,580.75
Consolidated Surplus - January 1, 1953		1,859,564.58
Consolidated Surplus - September 30, 1953		$1,678,983.83

Segregated as follows:

Minority Stockholders of Plutus Mining Company	$ 20,582.23
Applicable to Chief Consolidated Mining Company	1,699,566.06
	$1,678,983.83

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 28 1953

224 New Customhouse
Denver 2, Colorado

October 26, 1953

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMA-1 and 1A (Lead-Zinc), Contract IDM-E4, Chief Consolidated Mining Company, Juab and Utah Counties, Utah

Enclosed are the original and two copies of Amendment No. 1 to the Second Amended Exploration Project Contract IDM-E4 which has been executed to authorize a recess of operations, effective August 27, 1953, with work to be resumed on or before November 1, 1953. This amendment was prepared in conformance with authority contained in a teletype from the Chairman of the Operating Committee dated October 9, 1953. Also enclosed are three sets of data relevant to the amendment.

Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King
W. H. King

Enclosures

cor 10-28

RECEIVED
NOV - 9 1953
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

CHIEF CONSOLIDATED MINING CO.
608 Booly Building
Salt Lake City, Utah

COPY

October 6, 1953

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Re: Docket No. DMEA 1 & 1A
Contract No. Idm-R4

Dear Mr. King:

An answer to your letter of September 24 was delayed pending Mr. Fitch's return from Seattle.

We are now able to advise you that we ceased work under the above referred to contract on August 27, 1953. It is our intention to resume the sinking operation on October 15, 1953, but because of possible unforeseeable delays that may occur, we suggest the amendment to our contract read that work will resume on or before November 1, 1953.

Yours very truly,

(signed)

W. W. Watson, Secretary

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 1, UTAH

September 10, 1953

Memorandum

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

From: Chief, Minerals Development Branch, Mining Division, Region IV

Subject: Docket No. DMEA 1 & 1A (Lead-zinc), Contract Ldz-E4, Chief Consolidated Mining Co., Juab County, Utah.

Attached are six copies of a letter received from the subject operator requesting a 30-day recess period under the contract.

The operator desires to cut a station on the 2800-foot level to permit drifting at this level while also sinking the winze under the contract. After completion of the station, drifting on the 2800-foot level and sinking below the 2800-foot level will be done simultaneously.

It is recommended that the recess period be granted as requested.

Stephen R. Wilson

Stephen R. Wilson

Enclosure

S. R. Wilson Sept. 10, 1953

W. E. Young

Docket No. DMEA 1 & 1A (Lead-zinc), Contract Idm-24, Chief Consolidated Mining Co., Juab County, Utah. Request for consent to change the plan of procedure in following out the contract

A letter has been received requesting permission to temporarily suspend the shaft sinking operation while the company makes preparation for driving out on the 2800-foot level to cut the ore on its downward projection. They estimate this work, which amounts to excavating a station on the 2800-foot level, will require 30 days. It is presumed that after this preparatory work is completed, the 2800-foot level drifting and shaft sinking can be done simultaneously. At least preparations are under way for doing balanced hoisting in the two compartments of 18-4ll winze at this time. When this is accomplished, much of the bottleneck in production will be relieved and drifting and sinking at the same time will be possible.

As stated in the letter, one very good reason for doing the drifting on the 2800-foot level is to determine the attitude of the ore body. Sections recently prepared by company geologists show the over-all trend of the Mammoth-Chief "ore-run." Between the 600-foot level and the Back fault a fairly even dip of -30° is seen. Between the Back fault and the Leadville fault the dip steepens to 90° and actually overturns slightly. North of the Leadville fault it flattens again to -15°. The over-all picture of the curve from three different sections indicates it may resolve itself into a nearly horizontal "run" at about the 2900-foot level. If this should be the case, it may not be necessary to sink beyond the 2900-foot level. For this reason, it would be very desirable to have the 2800-foot level drifting completed before sinking beyond the 2900-foot level. Information obtained would be valuable in ascertaining the required depth for sinking.

For this reason it is recommended that the company be permitted to temporarily suspend the shaft-sinking operation while preparing a station excavation on the 2800-foot level.

W. E. Young

W. E. Young

COPY

CHIEF CONSOLIDATED MINING CO.

608 Dooly Building

Salt Lake City, Utah

September 8, 1953

Mr. S. R. Wilson
Chief, Mining Division
U. S. Bureau of Mines
1600 East 1st South
Salt Lake City, Utah

Dear Mr. Wilson:

We wish to advise your office that we ceased sinking operations on the 18-411 winze portion of our D.M.E.A. contract during the month of August and have commenced excavation of a station on the 2800 ft. level, which will take approximately 30 days to complete, after which we intend to take the 18-411 winze down another 100 feet below its present bottom.

There are two reasons for this decision. First, and most important, the development work on our 2700 ft. level has indicated a possible flattening out of the ore channels, consequently we wish to explore this possibility on the 2800 ft. level before completing the 18-411 winze and subsequent exploration work on the 3100 ft. level.

Second, all of our production and most of our development work at the present time is confined to the 2700 ft. level off the 18-411 winze. The congestion resulting has produced a bottleneck in our production which is beginning to hurt us financially. It is, therefore, very important that we proceed to drift on the 2800 level and contact the ore at this point as rapidly as possible. Consent of your organization to this change in our plans is most urgently requested.

Yours very truly,

/s/ W. W. Watson

W. W. Watson, Secretary

WWW: ALC
cc: Mr. Cecil Fitch, Jr.

500 FILE COPY
SURNAME

Keating
Selfridge

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

OCT 1 4 1953

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA 1 and 1A (Lead-Zinc)
Chief Consolidated Mining Company
Juab & Utah Counties, Utah
Contract No. Idm-E4

Dear Mr. King:

This refers to your letter dated October 5, 1953, in which you advise that your copy of the cited contract does not contain the date for completion of the project.

Your attention is called to our letter of transmittal dated June 16, 1953, in which we called your attention to the spaces left blank for insertion of the correct agreed dates, to be filled in at the time the Amended Contracts were executed by the Operator. While it was our intention to relate to all the spaces for dates left blank, it may not have been made clear to you.

Enclosed is a copy of a letter dated August 19, 1953, from the Administrator to Mr. W. W. Watson, requesting him to fill in the dates previously agreed upon as set forth in the letter. The letter with its approval form has been signed by the Operator and is now in our files.

We are also enclosing a copy of a memorandum by our Chief Counsel which will serve to explain the dates to be written into the amended contracts. Through inadvertence, copies of the above memorandum were not sent you. Therefore, will you please see that the proper dates are inserted in the spaces in the contract as designated in the above mentioned letter from the Administrator.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee

Enclosures - 2

APPROVED:

J. H. Hedges
Member, Bureau of Mines

T. P. Thayer
Member, Geological Survey

AGKeating/hmj (10/13/53)
CC to: Docket
Adm. R. File
Op. Committee
Mr. Kinkel
Mr. Bishop
Base Metals Division
Chron.

FILE COPY
SURNAME

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

Original
Selfridge
Attorney

AGENCY DMEA ORIGINATOR: W. R. Griswold
Date: Oct. 9, 1953 EXT: 3669 Room 4058

To: W. H. King Executive Officer, DMEA, Region IV, Denver, Colorado

Reurtt October 8, Docket DMA No. 1 and 1A Chief Consolidated Mining Company, Contract Idm-E4 this will be your authority to grant requested recess period.

George C. Selfridge (for)

Chairman, Operating Committee

WRGriswold/hmj
(10-9-53)
CC to: Docket
Adm. R. File
Op. Committee
Audits
Base Metels, DMEA, 4058
Mr. Kinkel, USGS
Mr. Bishop, USBM
Chron.

SENT
OCT 9 1953
Clerical Service Section

T.C.G.
10-9-53

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT - 8 1953

Mr. C. O. Mittendorf
October 8, 1953
12:30 P.M.
MDr

BUR MINES DN 235 10-8-53 9-58 AM

C O MITTENDORF

REFERENCE DOCKET 1 AND 1A, CONTRACT IDM-E4, CHIEF CONSOLIDATED MINING COMPANY, OPERATOR, REQUESTS AUTHORIZATION OF RECESS OF OPERATIONS UNDER THE CONTRACT FROM AUGUST 27,1953, WIT H WORK TO BE RESUMED ON OR BEFORE NOVEMBER 1,1953; TO ENABLE CUTTING A STSXXXX STATION ON THE 2800 LEVEL BEFORE CONTINUING SINKING OPERATIONS. PLEASE TELETYPE AUTOXXXX AUTOHXXXX AUTHORITY FOR US TO PREPARE USUAL AMENDMENT.

W H KING

Glenner, Colo.

OCT 8 1 38 PM '53
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

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

224 New Customhouse
Denver 2, Colorado

October 5, 1953

Air Mail

Memorandum

To: C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA 1 & 1A, (Lead-Zinc), Contract IDM-E4, Chief Consolidated Mining Company, Juab and Utah Counties, Utah.

Reference is made to Article 3, Exploration Project, of Second Amended Exploration Project Contract Form MF-200(A). Our copy of the above contract does not contain the date for completion of the contract.

Please advise the date for insertion in our copy of the contract.

W. H. King
W. H. King

Copy to: A. H. Koschmann
S. R. Wilson
J. W. Townsend

File Cy

140

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

AUG 12 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 19 1953

Mr. W. W. Watson
Secretary
Chief Consolidated Mining Co.
608 Dooly Building
Salt Lake City, Utah

Dear Mr. Watson:

Mr. George Keating of this office has brought to your attention by telephone the fact that through some inadvertence the blanks in Article 3 of both the first and second amended exploration project contracts dated June 16, 1953, were not filled in before the contracts were executed. These blanks are to fix the time for resuming and continuing the exploration work and also the time for completing it.

Article 3 of the first amended contract states that the Operator shall "resume" the work, while Article 3 in the second amended contract states that the Operator shall "continue" the work. This, of course, is because of the suspension of operations since July 1, 1952, which operations you will now "resume" under the first amended contract and "continue" under the second amended contract.

As previously understood, therefore, you will please fill in the two time periods in Article 3 in your copy of both the first and second amended contracts, as follows:

1. In Article 3, after the opening words, "the Operator," strike out the words "within _____ days from the date of this contract," and substitute the words "on or before August 15, 1953."

2. In Article 3, after the words, "shall bring the project to completion," strike out the words "within a period of _____ from the date of this contract," and substitute the words "on or before December 13, 1954."

The Government will make the same insertions in its copies of the contracts.

Please signify your approval of the foregoing by executing the approval form at the bottom of the two copies of this letter, which are enclosed for the purpose, and return to this office in the self-addressed envelope, also enclosed.

Very truly yours,

O Mittendorf

Administrator

Enclosures 3

Approval Form

The completion of the time periods in the contracts above referred to is hereby approved and confirmed this 15th day of August, 1953.

CHIEF CONSOLIDATED MINING CO.

By W. W. Watson

Secretary

Mr. Keating

August 11, 1953

Memorandum

To: DMEA Files

From: Chief Counsel

Subject: Chief Consolidated Mining Company, Docket Nos. DMEA-1 and 1A, (Lead-Zinc)

The original contract is dated June 13, 1951, on the old form. Work was suspended beginning July 1, 1952, on account of a strike, and remained in suspension until about July 1, 1953.

The first amended contract, dated "the 16th day of June, 1953, as of June 13, 1951," is for the purpose of superseding the contract on the old form by the same contract on the new long form; and for fixing the amount of allowable costs for the period June 13, 1951, to July 1, 1953, the date of the resumption of work. This will preclude the Company from claiming any costs incurred during the period of suspension, which is the intention of the parties.

The second amended contract is dated "this 16th day of June, 1953, as of July 1, 1952." The purpose of the second amended contract is to place all of the work beginning with July 1, 1952, the date of suspension, on an agreed unit-cost basis. Inasmuch as no units of work were performed during the period of suspension, July 1, 1952, to July 1, 1953, the Company cannot claim for any costs incurred during this period, which is the intention of the parties.

With no recitals in the contract concerning the period of suspension, it is difficult to understand, upon casual reading, why the second amended contract is dated as of July 1, 1952," when the first amended contract settles the account up to July 1, 1953.

Although neither of the amended contracts refers expressly to the period of suspension, the fact of the suspension is indicated in Article 3 of the first amended contract which recites that the Operator "shall resume work," and the second amended contract, Article 3, states that the Operator "shall continue work."

The contracts were sent to the field without filling in the dates when the Operator must "resume" the work under the first amended contract and "continue" the work under the second amended contract; and the Operator executed the contracts and returned the Government's copies without these dates being filled in. Similarly, the time allowed for completion was left blank.

The Operator agrees that the understanding was that it would have 3½ years from the date of the original contract, or until December 13, 1954, in which to complete; and it requests (by phone) that the time for resuming be fixed at August 15, 1953, as it will be engaged in preparatory work up to that time. We will write to the Operator accepting these dates. The Operator may claim some costs for the period from July 1, 1953, to August 15, 1953, but there may properly be some allowable costs in this period.

Pursuant to the foregoing, the dates to be written into the executed contracts are the following:

In Article 3 of both the first and second amended contracts, strike out the words "within _____ days from the date of this contract" and insert the words "on or before August 15, 1953"; and strike out the words "within a period of _____ from the date of this contract" and insert the words "on or before December 13, 1954."

J. L. Hofflund

J. L. Hofflund
Chief Counsel

JLHofflund:ep

Copy to: Mails & Files
Admr. R. File
Mr. Chambers
Mr. Keating
Mr. Hofflund
Chron.

FILE COPY 9B
SURNAME: 200

adm

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

AUG 10 1953

Mr. W. H. King
Executive Officer
224 New Customhouse Building
Denver 2, Colorado

Dear Mr. King:

DMEA-1

Attached herewith are amended contracts Nos. 1 and 2, and Amendment No. 4 to contract Idm-E4. These "extra copies are for use of your office in making a report on these projects.

Sincerely yours,

C. O. Mittendorf (fw)

Administrator

Attachments - 3
REAdams/meb
8-7-53
cc to: Adm.Reading File
Mails & Files Br.

Chief Consolidated Mining Co

R.C.G. 8-10-53

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

Department of the Interior
Defense Minerals Administration
RECEIVED
JUL 20 1953

224 New Customhouse
Denver 2, Colorado

July 16, 1953

REGISTERED

Memorandum

To: C.O. Mittendorf, Administrator, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA-1 and 1A (Lead-Zinc), Contract IDM-E 4, Chief Consolidated Mining Company, Juab County, Utah

Enclosed are the original and two copies each of the First and Second Amended Contracts which have been executed by the operator in compliance with your instructions by telephone.

Also enclosed are three copies of a memorandum report from W.E. Young of the Bureau of Mines, dated July 8, 1953, and transmittal thereof from the Chief, Minerals Development Branch, Mining Division, Region IV, dated July 9, 1953, pertaining to the change in ground subordinated between the Original Contract and the Second Amended Contract. You will note in Young's report that certain blocks of ground subordinated under the original contract are not owned by the Chief Consolidated Mining Company.

Copies of the First and Second Amended Contracts have been given to the operator, the Fiscal Officer, Region IV, and a copy has been retained for our files.

W. H. King

W. H. King

Enclosures

cee
7-20

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 1, UTAH

July 9, 1953

Air Mail
Special Delivery
Registered

Memorandum

To: W. H. King, Chief, Mining Division, Region IV

From: Chief, Minerals Development Branch, Mining Division, Region IV

Subject: DMEA-1 and 1A, Contract I-DMA-X4, First Amended and Second Amended Contracts, Chief Consolidated Mining Co., Juab County, Utah - your memorandum of June 30, 1953

Attached are six copies of a memorandum concerning the subject, prepared by W. E. Young. The information was obtained from conversations with company officials in Salt Lake and at the mine office, and from a study of mine maps and company property.

The First Amended Contract is satisfactory to this office. This contract approves all allowable costs to date and in addition permits sinking the 18-411 winze in three compartments instead of four, as required in the original contract. The First Amended Contract also allows construction of a pump and sump station on the 3,100-foot level.

Exhibit "A" of the Second Amended Contract grants additional funds for expenditures already incurred for work completed. Exhibit "A" also increases the allowable costs for sinking, drifting, and raising, as well as permitting an increase in necessary work which was omitted from the original contract.

Exhibit "B" of the Second Amended Contract alters the encumbered property as established in the original contract. Available maps are not sufficiently detailed to illustrate the exact acreage involved in the change. However, the Second Amended Contract definitely decreases the total encumbered acreage as compared to the encumbrance in the original contract, "10,000 acres of mineral lands owned in fee simple." The original contract has but one exclusion from the above 10,000 acres. This exclusion involves presently known ore bodies situated south of the Leadville fault and above the 2,450-foot level. The original contract includes a map illustrating the encumbered property in color. The Second Amended Contract includes the same map, with two exclusions and several deletions as compared to the original map.

The two exclusions in the Second Amended Contract are the Millbank and the Victoria Lots exclusions. These may have an effect upon the possible royalty over the 15-year period of the contract, but actually should have been excluded from the original contract. The Millbank exclusion is that described in the second amended contract as "a subsurface block, with vertical exterior boundaries, between the 1800- and 2000-foot levels of the 18-411 winze." This excluded block is in some way related to an agreement between Chief Consolidated Mining Co. and RFC. This relationship has not been determined.

The Victoria Lots exclusion is that described in the Second Amended Contract as "Part of lot 10 and all of lots 7-11 and 12 in block 3, Plate C, Eureka Townsite Survey, 2.521 acres." The Chief Consolidated Mining Co. does not own this block.

The above two exclusions are in the near area of the present DMEA work, but none of the work has been conducted on either block.

Other blocks of ground excluded from acreage of the map attached to the Second Amended Contract and not owned by Chief Consolidated Mining Co. are the American Star, which is the uncolored area at the south border of the Eureka Townsite, the Cannon, near the north border of the Eureka Townsite, and the Beecher and Eagle, northeast of the Eureka Townsite.

Blocks of ground, owned by Chief Consolidated Mining Co. and which were included in the original 10,000 acres, but deleted from the map accompanying the Second Amended Contract, include a large block under Plutus Mining Co. southeast of the Eureka Townsite; large, unnamed blocks near the northwest and northeast corners of the map; the Eureka Mines block southwest of Eureka Townsite; the East Crown Point block; and the Apex Standard block.

Actually, there is no exchange of ground between the original contract and the Second Amended Contract, with the possible exception that the area on the east side of the Eureka Townsite, shown on the map attached to the original contract as leased to the International Smelting and Refining Co., may not have been included in the original 10,000 acres. This area is encumbered in the Second Amended Contract. The reduction in acreage in the Second Amended Contract may not be detrimental to the Government because of the 15-year royalty term, and the important ore discoveries made to date. The company undoubtedly desires release of the large blocks of ground to permit agreements with others for exploration.

A request will be made to Chief Consolidated Mining Co. to furnish a more detailed map for our file. A map showing the immediate area of exploration will be prepared in this office from the print accompanying the Second Amended Contract.

Copies of the two amended contracts are returned herewith.

Stephen R. Wilson

Stephen R. Wilson

Enclosures

S. R. Wilson

July 8, 1953

W. E. Young

DMEA 1 and 1A, Contract Idm-E4, Chief Consolidated Mining Co., Eureka, Utah. New contract to complete work outlined under contract dated June 13, 1951

The original contract was essentially divided into three phases. Phase 1 consisted of installation of the pumping and electrical system and was virtually completed at the time the contract came into our hands. Phase 2 consisted of drifting and raising on the 2,700-foot level. This work was completed with the exception of 137 feet of drifting, but costs had exceeded the allowable maximum, so this phase of the contract was terminated. Phase 3 consisted of sinking a three-compartment shaft 400 feet to the 3,100-foot level and driving 1,800 feet of drift and 1,500 feet of raises on the 3,100-foot level. Only 77 feet of the shaft sinking was completed.

The First Amended Contract covers all work completed at this time and sanctions all allowable costs as shown to date. It also permits driving a three-compartment shaft and authorizes construction of a sump and pump station on the 3,100-foot level.

The Second Amended Contract recapitulates and grants additional costs incurred in work completed. It also allows additional costs for work to be done. The original estimated cost and all additional estimated costs are than tabulated and allowed. This increases the estimated total cost of the project. The footage costs for sinking, drifting and raising have been increased. There are included costs for additional necessary work not anticipated in the original contract. In effect, the Second Amended Contract increases the total allowable cost of the original contract from $463,420.00 to $518,040.71, or an increase of $54,620.71.

Exhibit "B" of the Second Amended Contract deals with the block of ground encumbered. The original contract encumbered "10,000 acres of mineral lands owned in fee simple," with the exception of presently known ore bodies south of the Leadville fault and above the 2,450 level of the 18-411 winze. No mention is made of any other exclusions in the original contract except the known ore bodies south of the Leadville fault and above the 2,450 level. A map was submitted with the original contract showing the encumbered acreage shaded in yellow. Exhibit "B" of the Second Amended Contract submits the same map with numerous exclusions.* Two of the exclusions are in the area

*A map will be submitted showing the coordinate location of these areas. A request will be made of the Chief Consolidated Mining Co. for a more detailed map of the area of mining and to include property boundaries and exclusions.

of mining under the DMEA contract and likely will be the only ones that may have any effect on the contract in its life of 15 years. These are the Millbank exclusion and the Victoria Lots exclusion. Others are, in the order of their possible importance, the American Star exclusion, the Cannon exclusion, and the Beecher and Eagle exclusion. These are within the solid-yellow shaded area. With the exception of the Millbank exclusion, they are small parcels of town lots that the Chief Consolidated Mining Co. has not been able to acquire. They are owned by the U. S. Smelting and Refining Co., the Bingham Mines Co., and the Denver and Rio Grande Railroad Co. The Millbank exclusion is a block approximately 2,000 feet by 1,100 feet from the 1,800-foot level to the 2,000-foot level, shown shaded in lighter yellow. It is owned by the Chief Consolidated Mining Co. and is understood to be under lease or contract to the RFC. This block of ground is partially south of the Leadville fault and partially north of it. All ores mined north of the Leadville fault in this block will be excluded also from royalty under the Second Amended Contract.

Other excluded areas outside the solid shaded area are: The Plutus Mining Co. claims, a large block of claims in the northeast corner of the map, a large block of claims in the northwest corner of the map, the Eureka Mines block of claims, an area on the East Crown Point Consolidated claims, and the Apex Standard group of claims.

Actually, a large area has been deleted under the Second Amended Contract. However, it is considered that the deletion of these areas will have very little affect on the contract in its life of 15 years. It is understood that the company asked for these deletions in order to lease these various blocks for development. With respect to the Chief Consolidated Mine itself, and the block of ground being developed by DMEA, the only exclusions likely to affect the contract within its 15 years of life are the Millbank and Victoria Lots exclusions. The Victoria Lots area never did belong to the Chief Consolidated Mining Co., and it is understood that the Millbank exclusion has been under contract to the RFC for some time. Technically, they should have been excluded under the original contract.

With respect to the deleted areas under the new contract, it cannot be said that the Government will benefit in any way. However, when consideration is given to the relatively large block of ground encumbered in the area of actual DMEA development, the excellent results obtained from development done to date, and the possibility of repayment of the loan from this area within the 15-year life of the contract, these deletions will likely have very little affect. Furthermore, it is considered unnecessary to tie up these deleted blocks or encumber them if it will adversely affect their development.

W. E. Young

W. E. Young

SEW

Memorandum for Files July 16, 1953

From: C. O. Mittendorf
Administrator

Subject: DMA-1 and 1A - Chief Consolidated Mining Company

In a telephone conversation with W. H. King, of Region IV, on June 30, we discussed his memo. of June 23 regarding the Chief Con case. I explained fully why the terms of the original and amended contracts, insofar as the description of the ground was concerned, could not be identical. I told him that the Government is in much more secure position under the description in the amended contract than it would be under the old contract.

I also told him that Harold Swope, Counsel for Chief Con, had recently reviewed the proposed contract in my office and he, too, recognized that the Government's position was greatly strengthened by the new contract, and that he mentioned that he might even advise his client to reject the amended contract and operate under existing agreements.

King seemed to regret his action of holding up the contracts in his office and admitted that they just did not understand the case. He offered to release the contracts for Chief Con's consideration, but I reminded him that we had only today issued instructions to the Field Teams to withdraw all pending contracts until Congress acts on the bill to extend the authority of DMEA. King wondered what could be done, in the circumstances, and I told him no action was permissible at this late date, and suggested that he hold the contracts pending further instructions from Washington as to the continuance of the DMEA program.

It is presumed that King forwarded the amended contracts to Chief Con shortly after he received our teletype dated July 1, which lifted the suspension on new contracts and advised the Field Teams to proceed with processing of all applications and pending contracts.

C. O. Mittendorf

Administrator

COMittendorf/fw

c: Admr Reading File
Mails & Files
Base Metals Division
Mr. Mittendorf

Executive 3-4900
Extension 4511

1+1A

Mr. Mullenbach

DEFENSE MATERIALS PROCUREMENT AGENCY

Washington, D. C.

Chief Con File

FOR IMMEDIATE RELEASE FRIDAY, JULY 3, 1953

DMPA-109

Properties of the Chief Consolidated Mining Company in the Tintic Mining District, Utah, will be put in condition to resume large scale production of lead and zinc under terms of a contract between the company and the Defense Materials Procurement Agency, it was announced today.

The company, a Salt Lake City firm, plans to develop ore bodies containing an estimated 487,000 tons of ore by the projected program. The estimated cost of the project is $1,416,865, of which DMPA will advance up to $283,373, to be repaid with interest out of returns from the contemplated new production.

The development program, which is in part an extension of an exploration contract between the company and the Defense Minerals Exploration Administration, Department of the Interior, will extend over a period of three years.

Mines covered by the exploration and development contracts have been producers of lead, zinc, copper, gold and silver for many years. Development under the company's contract with DMPA will be between the 1,200-foot and the 3,100-foot levels.

****

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

Reviewed Reading Daily

224 New Customhouse
Denver 2, Colorado

June 23, 1953

Handled by phone - Attorney to King for

Memorandum

To: Secretary to the Operating Committee
Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA-1 and 1A (Lead-Zinc), Contract Idm-E4, Chief Consolidated Mining Company, Juab County, Utah

Reference is made to your letter dated June 16, 1953, transmitting the original and five copies of the first and second amended contracts to Contract I-DMA-E4. The second amended contract excludes from royalty payments certain areas of ground which were subject to royalty payments under the terms of the original contract. We believe that the ground subject to royalty under the first and second amended contracts should be the same as the ground subject to royalty in the original contract. In all other respects these two proposed amended contracts are satisfactory.

All copies of both amended contracts are being retained in this office pending your final decision in this matter.

W. H. King
W. H. King

JTS:ld

cc: JWEast
JTTownsend
AEKoschmann
EWWilson
sub
chron

FILE COPY
SURNAME:

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

Keating
Johnson
Hedges
Griswold
Selfridge
Thayer

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

JUN 16 1953

Re: Docket No. DMA-1 and 1A (Lead-Zinc)
Chief Consolidated Mining Company
Juab County, Utah
Contract No. Idm-E4

Dear Mr. King:

Enclosed are the original and five copies of the first and second amended contracts to the above numbered contract which have been signed by the Government. We call your attention to the spaces for insertion of the correct agreed date of the amended contracts which have been left blank to be filled in at the time the amended contracts are executed by the Operator.

In view of the unique character of this project, we have departed from the usual practice in amending contracts and have prepared two amending contracts. After a thorough study of the case, this was done on advice of our Legal Division and with the concurrence of the Operator's Counsel.

With reference to the larger area to be excluded from the Eureka Townsite, please note that on the plan map titled "Claims and Mining Rights of the Chief Consolidated Mining Company" attached to the copies of the second amended contract we have inserted, in ink, "1800 ft. level to" so that it will conform to the map previously submitted. This previous map is attached to the original copy of the second amended contract enclosed.

If you find the provisions of the contracts satisfactory, please present them to the Operator for approval and execution and, upon obtaining the required signatures, distribute in the usual manner. If you do not find them satisfactory, please advise us promptly.

Sincerely yours,

Enclosures 6

George C. Selfridge
6/16
Chairman, Operating Committee

APPROVED:

J. H. Hedges
Member, Bureau of Mines

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

AGKeating/FEJohnson/hmj/bih - 6/16/53
cc to: Docket - Admr. Reading File
Operating Committee
Messrs. Thayer - Hedges
Griswold - Johnson

Docket

FILE COPY 500
SURNAME:

Keating

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

June 15, 1953

Memorandum

To: The Administrator

From: Chief, Base Metals Division

Subject: Docket No. DMA-1 and 1A, (Lead-Zinc)
Chief Consolidated Mining Company
Juab County, Utah, Contract No. Idm-54

Attached are the original and five copies of the first and second amended contracts to the above-numbered contract which are to be executed by the Government.

The negotiations leading up to the preparation of contracts to properly effect the amendments requested by the Operator have required many conferences with the Operator and others and, hence, there has been unavoidable and unusual delay in completing the matter.

The principal delay has been caused by negotiations with the General Accounting Office necessary to determine the legalities involving the cost of $231,420.00 for a pumping, electrical system, sump and drainage, which had been included in the initial contract by amendment. Further progress could not be made until this matter was adjudicated, since any subsequent consideration depended upon the G. A. O. ruling. After several months this finally was resolved by the G. A. O. ruling that this amendment was legal.

Immediately upon receipt of the G. A. O. ruling, the Base Metals Division undertook to straighten out the very complicated details necessary to proper preparation of an amended contract. The original contract was one of the first contracts drawn under DMA and it was not sufficiently descriptive to properly fulfill the requirements of the present DMEA contract forms. This was particularly true as to paragraph 2 of the initial contract "Operator's property rights", which were described only as "10,000 acres of mineral lands owned in fee simple".

Negotiations were immediately undertaken to reach agreement with the Operator regarding a proper delineation of the ground to be included in the new DMEA contract form. Considerable time was required by the Operator to prepare maps and descriptions. Then more time was

required in Washington for consideration and analysis of the matter and further negotiation with the Operator to make the changes believed to be necessary.

Among other adjustments required was the matter of Appendix A of the initial contract, which described ground subject to royalty which the DMEA work may have resulted in opening to development and production the presently known bodies of ore south of the Leadville fault, below the 2,450 level. This involved further delay required to reach agreement with the Operator. Another adjustment required negotiations to settle the cost and percentage of participation by the Government in sinking the winze.

In order to expedite agreements with the Operator, telephone calls were made when practical. Copies of memorandums covering these communications are in the files. Continuing consultations were necessary with Mr. Frank Johnson, Mr. Hofflund and Mr. Chambers. Many changes were considered and finally a draft of a proposed amendment was sent to the Chief Counsel, together with copies of memorandums which would help to clarify the complications. Consultations were also held with the Operator's attorney.

Chief Counsel determined that, because of the inadequate terms of the initial contract, amended contracts should be prepared to correct omissions and properly transfer the initial contract to the new DMEA form.

Page 2 of the second Amended Contract describes costs incurred under the original and first Amended Contracts, plus costs to be incurred. The additional work consists only of "Sump and pump station at the 3,100-foot level". The other additional costs result from additional actual costs, retroactive wage increases, an increase from $350.00 to $360.00 per foot for sinking the incompleted 323 feet of winze and an increase from $30.00 to $34.00 a foot for drifting, raising and crosscutting.

The total estimated cost of the original contract has been raised from $463,420.00 to $518,040.71, an increase of $54,620.71

W. R. Griswold

W. R. Griswold

AGKeating/hmj
(6/15/53) CC to: Docket
Op. Committee
Base Metals.

GSA FORM 14
JANUARY 1950

GENERAL SERVICES ADMINISTRATION

ROUTING SLIP

TO— NAME	BUILDING, ROOM NUMBER, ETC.
1. Mr. Geo. Keating	Rm. 4058
2.	New Interior Bldg
3.	
4.	
5.	

FOR—

- [ ] APPROVAL
- [ ] AS REQUESTED
- [ ] CORRECTION
- [ ] FILING
- [ ] FULL REPORT
- [ ] HANDLE DIRECTLY
- [ ] PREPARE REPLY FOR
- [ ] IMMEDIATE ACTION
- [ ] INITIALS
- [ ] NECESSARY ACTION
- [ ] NOTE AND RETURN
- [ ] READ AND DESTROY
- [ ] _____
- [ ] RECOMMENDATION
- [ ] SEE ME
- [ ] SIGNATURE
- [ ] YOUR COMMENT
- [ ] YOUR INFORMATION
- [ ] _____

SIGNATURE OF _____

ANSWER OR ACKNOWLEDGE BEFORE _____

FROM Gunnard Johnson

DATE 6-15-53

REMARKS

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 16 1953

DEFENSE MATERIALS PROCUREMENT AGENCY

JUN 15 1953

John G. Ford, Director
Contract Negotiations Division

J. B. Gowen, Acting Director
Domestic Expansion Division J. B. Gowen

Chief Consolidated Mining Company Development Loan - $295,636
Application DMPA-2771

This memorandum will acknowledge receipt of yours of May 21, 1953, concerning the above project.

In reply to your three questions which, for sake of easy reading, we repeat:

1. You match up the proposed development program with the exploration program as now approved or in prospect, to determine when each project within the development program could reasonably expect to be started by the contractor.

In answer to this question, there is attached a copy of "Notes to the Files" which outlines in detail the result of conferences concerning this question. These conferences have lead to the conclusion that development Nos. 3 to 8 inclusive, can be started and completed at any time convenient to the applicant, without in any way involving a conflict with DMEA exploration project.

It is important to note that development project No. 1 "Ore Channels North of the Leadville Fault" will be entirely dependent upon the completion of the 18-411 winze shaft sinking and the 3100 foot level south, since that block needs to be dewatered before work can be started. This understanding confirms the memorandum submitted by Chief Consolidated Mining Company under the heading "Revised Timing Schedule of Completion Dates for Development Projects Nos. 1 through 8." To avoid conflict it would be desirable to have all the DMEA exploration work on the 3100 level drift completed before any of the DMPA development work is started.

The DMPA development work for project No. 2, "Millionaire Row Ore Channels" on the 2700 level drift can be started at any time at the convenience of the applicant. It will be well to study the attached "Notes to the Files" explaining the factors involved in the Millionaire Row Ore Development.

2. Devise a proper percentage and method of allocation of costs between mining by Chief Consolidated, exploration under DMEA contracts, and development under a DMPA contract.

Considerable thought has been given to this question and repeated discussions have clarified a number of points. At the beginning, it is well to point out, that the hoisting and mining capacity of Chief Consolidated is limited to an average of somewhere between 700 to 800 tons of rock (ore plus waste) per operating day. As long as mining, exploration and development are continued jointly the total amount of rock hoisted will be limited by the hoisting capacity. It has also been assumed that the DMEA and DMPA are not concerned if their projects are, or, should be expedited in event mining by Chief Consolidated were temporarily discontinued.

With these basic assumptions it has been decided that a drifting and, or, raising cost of $34.00 per foot for work done below the 1800 foot level would be satisfactory.

The $34.00 cost includes $3.33 per foot for pumping to keep the mine workings dry. This pumping is not required for the development work above the 1800 foot level. For any development work above the 1800 foot level, the $3.33 per foot is deducted from the agreed $34.00 per foot abd a figure of $30.67 per foot is agreed as the cost to be allowed.

For any diamond drilling required under DMPA a cost of $3.50 per foot will be allowed above the 1800 foot level and $2.50 dollars per foot below the 1800 foot level.

The use of these unit costs for work done under a DMPA contract, eliminates the necessity to establish a definite percentage for the work done by the mining, exploration and development, nor is a method of allocation of costs between these three operations necessary.

Any ore mined in connection with the development project would be a credit to the cost of development. Specifically, it is proposed that the net smelting value of any ore mined from the development project be deducted from the cost of development. Careful consideration should be given to the details of such a credit procedure. It is very desirable that the credit be based upon the actual net income to the Chief Consolidated for any ore mined in connection with development.

3. Make a determination that it is advisable for two Government Agencies to reimburse the proposed contractor for doing the same sort of work, but under two names, i.e. exploration and development at the same time.

A detailed study of the DMEA exploration projedt and the DMPA development application indicates that it should be possible and quite feasible

to have the exploration work by DMEA carried on in many cases at the same time but not in the same immediate area with the development work by DMPA.

Specifically, any development work to be done by DMPA above the 2500 foot level, as outlined in the application, could be carried on independent of the DMEA exploration project, which begins at the 2700 feet level and continues to the 3100 feet level.

There is in the area north of the Leadville fault and from the 2700 to the 3100 foot level, work to be done by both DMPA and DMEA. For this particular area in the mine, it is recommended, that all of the DMEA exploration work be completed before DMPA development work begins. This recommendation probably will prove practical and desirable for other reasons since the area needs to be dewatered and the work of completing the DMEA exploration should be continued at a maximum rate until completed.

Attachment

GEJOHNSON:mem - 6/12/53
cc: DMPA Files
Mr. Lyon - rm. 7131
Mr. Ford (Mr. Robinson) - rm. 7016
Mr. Greene - rm. G-133
Mr. Jordan (Mr. Saftlas) - rm. 7207
Mr. Johnston Russell, Director, Financial Analysis DMPA
Mr. Kinkel, USGS, rm. B-242-B GSA Bldg.
Mr. George Keating, DMEA, Rm. 4058 New Interior Bldg.
Mr. Hal Morris, USGS Bldg., Agric. Research Center, Beltsville, Md.
Mr. Johnson - rm. 7006

DEFENSE MATERIALS PROCUREMENT AGENCY
WASHINGTON 25, D. C.

FILES

June 10, 1953

Gunnard E. Johnson, Chief
Lead-Zinc Branch

Chief Consolidated Mining Company - DMPA-2771
Development Loan - $295,696

Several conferences have been held with Mr. Hal Morris of the USGS, Messrs. Robinson, Contract Negotiations Division, Dave Saftlas, Controller's Office and George Keeting, Lead-Zinc Branch, DMEA. The purpose of these conferences was to ascertain if there would be any conflict in the work or duplication between the DMEA exploration contract No. DMA-4, and the recent application for a development loan, DMPA-2771.

At this point it may be well to refer to page 1 of the typewritten summary of drifting, crosscutting, raising and diamond drill footages essential to proposed development projects No. 1 through No. 8 in Chief Consolidated Mine Company's No. 1 mine and Plutus mine. It will also be helpful to refer to the maps which are listed on the title page preceding the above mentioned summary. As a background, to the description, it might be well to briefly outline the work authorized in the DMEA exploration project No. DMA-4. This consists of sinking the 18-all winze from the 2700 to the 3100 feet level of the Chief Consolidated mine, crosscutting to the north of the Leadville fault on the 2700 feet level, with a restricted amount of drifting and raising from this level and a parallel amount of development work on the 3100 level, including crosscutting north of the Leadville fault, drifting and raising from this 3100 feet level.

A study of both DMEA and DMPA projects reveals that the only project in the DMPA-2771 application that might conflict with DMEA exploration is development project No. 2 "Millionaire Row ore channels." Map - Project 2, Exhibit A.

The Millionaire Row ore channels development involve drifting, cross-cutting, raising and diamond drilling from the 2700, 2900 and 3100 feet levels. The development from the 2700 level begins from existing mine workings and no conflict is expected with the DMEA exploration work on this level. The DMPA development of the 2900 level also will not conflict with any DMEA exploratory work. Development work on the 3100 level under the DMPA loan will continue some workings driven under the DMEA exploration loan, on completion of the DMEA exploration on this level. Any possible conflict could be avoided in this

Memo to Files - Chief Consolidated Mining Company
Development Loan - $205.636

particular part of the development project by assuring that all development work below the 2700 foot level under the DMPA loan must not begin until all exploration work under the DMEA is completed.

In the development projects No. 3 to No. 8, inclusive, there appears to be no reason for conflict or confusion with the DMEA exploration project because the work outlined in development projects 3 to 8 inclusive are all south of the Leadville fault and all above the 2500 foot level.

GEJOHNSON:mem - 6/10/53
cc: DMPA FILES
Mr. Lyon - rm. 7131
Mr. Ford (Mr. Robinson) - rm. 7016
Mr. Greene - rm. G-133
Mr. Jordan (Mr. Saftlas) - rm. 7207
Mr. Johnston Russell, Director, Financial Analysis DMPA
Mr. Kinkel, USGS, rm. B-242-B GSA Bldg.
Mr. George Keating, DMEA, Rm. 4058 New Interior Bldg.
Mr. Hal Morris, USGS Bldg., Agric. Research Center, Beltsville, Md.
Mr. Johnson - rm. 7006

Draft - 6/9/53

OK for Final Typing. MEG

NOTES TO FILE:

Chief Consolidated Mining Company - DMPA-2771
Development Loan - $295,636

Several conferences have been held with Mr. Hal Morris of the USGS, Messrs. Robinson, Contract Negotiations Division, Dave Saftlas, Controller's Office and George Keating, Lead-Zinc Branch, DMEA. The purpose of these conferences was to ascertain if there would be any conflict in the work or duplication between the DMEA exploration contract No. DMA-4, and the recent application for a development loan, DMPA-2771.

At this point it may be well to refer to page 1 of the typewritten summary of drifting, crosscutting, raising and diamond drill footages essential to proposed development projects No. 1 through No. 8 in Chief Consolidated Mine Company's No. 1 mine and Plutus mine. It will also be helpful to refer to the maps which are listed on the title page preceeding the above mentioned summary. As a background, to the description, it might be well to briefly outline the work authorized in the DMEA exploration project No. DMA-4. This consists of sinking the 18-411 winze from the 2700 to the 3100 foot level of the Chief Consolidated mine, crosscutting to the north of the Leadville fault on the 2700 foot level, with a restricted amount of drifting, and raising from this level and a parallel amount of development work on the 3100 level, including crosscutting north of the Leadville fault, drifting and raising from this 3100 foot level.

all development below 2700 level should be subsequent to exploration

F. E. Johnson

Some work under the development program appear to be a continuation of exploration. Development should be confined to ore.

F. E. Johnson

A study of both DMEA and DMPA projects reveals that the only project in the DMPA-2771 application that might conflict with DMEA exploration is development project No. 2 "Millionaire Row ore channels." Map - Project 2, Exhibit A.

The Millionaire Row ore channels development involve drifting, crosscutting, raising and diamond drilling from the 2700, 2900 and 3100 foot levels. The development from the 2700 level begins from existing mine workings and no conflict is expected with the DMEA exploration work on this level. The DMPA development of the 2900 level also will not conflict with any DMEA exploratory work. Development work on the 3100 level under the DMPA loan will continue some workings driven under the DMEA exploration loan, on completion of the DMEA exploration on this level. Any possible conflict could be avoided in this particular part of the development project by assuring that all development work below the 2700 ft level under the DMPA loan must not begin until all exploration work under the DMEA ~~exploration loan~~ is completed.

In the development projects No. 3 to No. 8, inclusive, there appears to be no reason for conflict or confusion with the DMEA exploration project because the work outlined in development projects 3 to 8 inclusive are all south of the Leadville fault and all above the ~~3000~~ 2700 foot level.

Some work under the development program appears to be a continuation of exploration. Development programs should be confined to ore.

Gunnard E. Johnson, Chief
Lead-Zinc Branch

George:

I made a few notes in draft.

Development costs should be lower than exploration, - since we pay for overhead, pumping, and other indirect costs.

FEJ

George: I made a few notes on draft. Dev. ext should be shown thru Ex. — since we say Jos worked, pumping, & Rad induced exit. PLJ

GSA FORM 14
JANUARY 1950

GENERAL SERVICES ADMINISTRATION

ROUTING SLIP

TO— NAME	BUILDING, ROOM NUMBER, ETC.
1. George	40-58 New
2. Keistring	Interior Bldg.
3.	
4.	
5.	

FOR—

- [x] APPROVAL
- [ ] AS REQUESTED
- [ ] CORRECTION
- [ ] FILING
- [ ] FULL REPORT
- [ ] HANDLE DIRECTLY
- [ ] PREPARE REPLY FOR
- [x] IMMEDIATE ACTION
- [ ] INITIALS
- [ ] NECESSARY ACTION
- [x] NOTE AND RETURN
- [ ] READ AND DESTROY
- [ ] _____
- [ ] RECOMMENDATION
- [ ] SEE ME
- [ ] SIGNATURE
- [x] YOUR COMMENT
- [ ] YOUR INFORMATION
- [ ] _____

SIGNATURE OF _____

ANSWER OR ACKNOWLEDGE BEFORE _____

FROM Leonard Johnson

DATE 6/11/53

REMARKS

U. S. GOVERNMENT PRINTING OFFICE 16—66576-1

Surmised:

Dusted
on Red
Morris No. 9.

This is fine
Pollie

DRAFT - 6/10/53

Conference Re Ohers Memo. 6/12/53

To: John G. Ford, Director
Contract Negotiations Division

From: J. B. Gowen, Acting Director
Domestic Expansion Division

Subject: Chief Consolidated Mining Company Development Loan - $295,636
Application DMPA-2771

This memorandum will acknowledge receipt of yours of May 21, 1953, concerning the above subject.

In reply to your three questions which, for sake of easy reading, we repeat:

Gave Cons? (questions?)

1. You match up the proposed development program with the exploration program as now approved or in prospect, to determine when each project within the development program could reasonably expect to be started by the contractor.

In answer to this question, there is attached a copy of "Notes to the Files" which outlines in detail the result of conferences concerning this question. These conferences have lead to the conclusion that development project Nos. 3 to 8 inclusive, can be started and completed at any time convenient to the applicant, without in any way involving a conflict with DMEA exploration project.

It is important to note that development project No. 1 ore channels north of the Leadville fault will be entirely dependent upon the completion of the 18-411 winze shaft sinking and the 3100 foot level south, since that block needs to be dewatered before work can be started. This understanding confirms the memorandum submitted by Chief Consolidated Mining Company under the heading "Revised Timing Schedule of Completion Dates for Development Projects Nos. 1 through 8." To avoid conflict it would be desirable to have all the DMEA exploration work on the 3100 level drift completed before any of the DMPA development work is started.

development work should be less than exploration rate, if carried on concurrently, since the exploration pays for pumping cost, supervision, etc.

F. E. Johnson

The DMPA development work for project No. 2, Millionaire Row ore channels, on the 2700 left drift can be started at any time at the convenience of the ~~company~~ applicant. It will be well to study the notes to the file explaining the factors involved in the Millionaire Row Ore development.

2. Devise a proper percentage and method of allocation of costs between mining by Chief Consolidated, exploration under DMEA contracts, and development under a DMPA contract. Considerable thought has been given to this question and repeated discussions have clarified a number of points.

At the beginning, it is well to point out, that the hoisting and mining capacity of Chief Consolidated is limited to an average of somewhere between 700 to 800 tons of rock (ore plus waste) per operating day. As long as mining, exploration and development are continued jointly the total amount of rock hoisted will be limited by the hoisting capacity. It has also been assumed that the DMEA and DMPA are not concerned if their projects are, or, should be expedited in event mining by Chief Consolidated were temporarily discontinued.

With these basic assumptions it has been decided that a drifting and, or, raising cost of $34.00 per foot for work done below the 1800 foot level would be satisfactory.

The $34.00 cost includes $3.33 per foot for pumping to keep the mine workings dry. This pumping is not required for the development work above the 1800 foot level. For any development work above the 1800 foot level, the $3.33 per foot is deducted from the agreed $34.00 per foot and a figure of $30.67 per foot is agreed as the cost to be allowed.

[illegible]

For any diamond drilling required under DMPA a cost of $3.50 per foot will be allowed above the 1800 foot level and $2.50 dollars per foot below the 1800 foot level.

The use of these unit costs for work done under a DMPA contract, eliminates the necessity to establish a definite percentage for the work done by the mining, exploration and development, nor is a method of allocation of costs between these three operations necessary.

Any ore mined in connection with the development project would be a credit to the cost of development. Specifically, it is proposed that the net smelting value of any ore mined from the development project be deducted from the cost of development. Careful consideration should be given to the details of such a credit procedure. It is very desirable that the credit be based upon the actual net income to the Chief Consolidated for any ore mined in connection with development.

3. Make a determination that it is advisable for two Government Agencies to reimburse the proposed contractor for doing the same sort of work, but under two names, i.e. exploration and development at the same time.

should not be done in same area

F.E. Johnson

A detailed study of the DMEA exploration project and the DMPA development application indicates that it should be possible and quite feasible to have the exploration work by DMEA carried on in many cases ~~simultaneously~~ at the same time but not in the same immediate area. with the development work by DMPA. (should not be done in same mine.

Specifically, any development work to be done by DMPA above the 2500 foot level, as outlined in the application, could be carried on independent of the DMEA exploration project, which begins at the 2700 foot level and continues to the 3100 foot level.

There is in the area north of the Leadville fault and from the 2700 to the 3100 foot level, work to be done by both DMPA and DMEA. For this particular area in the mine it is recommended that all of the DMEA exploration work be completed before DMPA development work begins. This recommendation probably will prove practical and desirable for other reasons since the area needs to be dewatered and the work of completing the DMEA exploration should be continued at a maximum rate until completed.

GEJ

GEJOHNSON:mem
cc: DMPA Files
Mr. Lyon
Mr. Greene
Mr. Johnson

FILE COPY
SURNAME:
800

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

JUN 12 1953

Mr. Thomas W. Fruding
DMEA Auditor
224 New Custorhouse Building
Denver 2, Colorado

Re: Idm-F4, DM4-1&1A
Chief Consolidated
Mining Company

Dear Mr. Fruding:

Reference is made to your letter of June 4, 1953, transmitting three copies of Audit Certificate and two copies of Audit Report on the above-cited contract.

The Certificate and Report have been approved and may be distributed in the usual manner. The departure from the normal Certificate form is approved for this audit.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

6-12-53

JLChambers/wb
June 12, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., SECRETARY, TREAS.
W. W. WATSON, ASST. SECTY.-TREAS. ACCT.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L. SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

EUREKA, UTAH

June 5, 1953

Mr. George Keating
Defense Materials Production Agency
Lead-Zinc Division
New Interior Building
Washington, D. C.

Dear Sir:

In accordance with oral instructions from our Mr. W. W. Watson, June 4, 1953, I am submitting six copies of the Chief Consolidated Mining Company property map delineating the proposed sub-surface lein.

Very truly yours,

Robert E. Steele
Chief Engineer

JUN 9 1953

FILE COPY
SURNAME:

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

June 4, 1953

Memorandum for Files

Subject: Chief Consolidated Mining Company DMEA-1 and 1A,
Telephone to Watson, Secretary, Chief Consolidated
Re: title to exclude property areas
(Telephone, Salt Lake 52815 - Mr. Watson)

Map with excluded areas all of which are on lease or other ownership.

The Victoria - U. S. Smelting, Refining & Mining - owner.
American Star " " " " " " " "
Plutus - Separate corporation but controlled by Chief Consolidated.
Cannon Badger - Denver and Rio Grand Railroad.
Eureka Mines - separate corporation controlled by Chief Consolidated.

Watson to send us 6 copies of maps showing excluded areas.

A. G. Keating

AGKeating/hmj
(6/11/53)
CC to: Administrator
Op. Committee
Docket
Chron.

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

RECEIVED
JUN 4 1953
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

Memorandum

To: Chief Counsel

From: Base Metals Division

Subject: Areas to be included in Amended Contract - Chief Consolidated Mining & Milling Co., Docket No. DMEA-1 and 1A.

For the purposes of the contract it is suggested that the property to be included and certain areas which are to be excluded in the contract be described as shown on the yellow shaded areas of the map attached hereto titled "Claims and Mining Rights of the Chief Consolidated Mining Company in the Tentec and North Tentec Mining Districts, Juab County, Utah." The Operator is sending us, by air mail, six additional copies of this map.

(The map indicates that the above-described areas lie in T 9 S R 2 W, T 10 S R 2 W and T 10 S R 3 W, all Salt Lake Base and Meridian if additional detailed description is required)

Area to be Excluded

As shown on the attached map in unshaded areas, are certain areas to be excluded from the exploration contract by reason of leases or those owned and controlled by others. Certain of these areas, particularly those situated in the townsite, may be approached or perhaps remotely benefited by the DMEA exploration contract and it may be advisable to more particularly describe them, a description follows:

The rectangular area to be excluded as shown on the map as the "Eureka Townsite" is described as follows:

Part of lot 10 and all of lots 7-11 and 12 in block 3, Plate C Eureka Townsite Survey, 2.521 acres

The sub-surface block to be excluded between the 1,800-foot level and 2,000-foot level is described as follows:

Also excluding a sub-surface block ~~of said "net area,"~~ now under long time lease to one Jeremiah Milbank, described as follows: A sub-surface block of mining ground (21.52 acres), extending from the ~~sill of the~~ 1,000 Ft. Level ~~(elevation 5620')~~ to ~~the sill of~~ the 2000 Ft. Level ~~(elevation 4585')~~ of the Chief No. 1 Mine (elevation of the collar of Chief No. 1 Shaft is 6577') with vertical exterior boundaries: Begin at the northwest corner of said sub-surface block, whence the northwest corner of the "net area" tract bears North 953.9 feet, and run thence East 719.94 feet, thence South 1100. feet, thence S. 60° 38½' W. 826.02 feet, thence North 1505. feet to the place of beginning.

A. G. Keating

A. G. Keating

FILE COPY
SURNAME:

140

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

June 3, 1953

n.s. in R.v.R.

Memorandum

To: The Administrator
Through: A. G. Keating

From: Chief Counsel

Subject: Chief Consolidated Mining Company, Docket No. DMA-1 and 1A, Contract No. Idm-E4

I set forth herewith some notes on the description of land which we might accept for inclusion in the amended contract. The only purpose is to make a memorandum for the file and docket while I have it in mind.

1. The original contract describes the land simply as "10,000 acres of mineral lands owned in fee simple." The area of exploration is cut by the Leadville Fault, which runs easterly and westerly, and also by a "dike" which roughly parallels the Fault and is near it. The dike holds the water back to the north of it, so that when the exploration work was commenced the water level north of the dike was at the 2350-level of the 18-411 winze, while south of the dike the water was at the 2700-level of the 18-411 winze. Therefore, Exhibit "A" of the contract recites that existing pumping facilities are adequate to enable the Operator to produce from the 2700-level south of the dike. It also recites that the mine pumping system is inadequate to handle the flow of water from the mine workings proposed north of the dike and below the 2700 level. (This might raise an inference that the pumping system was adequate to handle the water north of the dike and <u>above</u> the 2700-level, but

the fact is that the water level north of the dike was then at the 2350-level, and could not be further reduced.)

2. Except for Appendix "A", the Government would be able to certify the entire 10,000 acres except south of the Leadville Fault and above the 2700-level of the 18-411 winze, which was then being worked. Appendix "A" adds to this right "presently known bodies of ore situated south of the Leadville Fault and below the 2450-foot level of the 18-411 winze and which lies outside of the exploration project described in this contract" (the last clause recognizes the fact that the area between the 2450-level and the 2700-level are "outside the exploration project described in this contract," because that area was already available for production; but is nevertheless included).

3. It follows that under the original contract, without Appendix "A", the Government's right of certification extends to the whole 10,000 acres except the area south of the Leadville Fault from the 2700-level of the 18-411 winze up (because this area was already available for production), plus the area "south of the Leadville Fault and below the 2450-level of the 18-411 winze" particularly added by Appendix "A".

NOTE: Mr. Swope contended that because Appendix "A" particularly gives the Government the area below the 2450-level south of the Leadville Fault, it follows that we must not have the area

below the 2450-level north of the Leadville Fault. This contention is without validity because the water level north of the Fault was at the 2450-level, while south of the Fault it was at the 2700-level.

4. Since the dewatering, the Operator has been producing from a good ore body on the 2600-level south of the Fault, which it contends was already known, and so not subject to royalty. It has also been producing from the 2700-level from newly discovered ore, upon which it pays a royalty. Of course, in view of Appendix "A", production from both levels south of the Fault is subject to the Government's royalty regardless of any benefits from the work. However, inasmuch as no certification has been made to date, the Company has owed no royalty, but will owe it if and when certification is made "within 10 years from the date of this contract," under the old contract form. If there is any question of the Operator's obligation to pay royalty on production made prior to the date of certification, this will be resolved when the contract is transferred to the new form.

5. Of course, the 10,000 acres is much more extensive than is required for the interest of the Government as far as certification under the old contract form is concerned. Inasmuch as all production from the land to be described in the new contract will be subject to the

Government's royalty, it would be unreasonable to require the Company to include in the new description, for the new contract form, anything more extensive than the Government might reasonably certify under the original contract. Although there is primarily plenty of consideration running to the Government for accepting a new description in the new contract form of lesser extent than the original 10,000 acres, yet it seems preferable not to permit the exclusion of any areas which clearly would have been subject to certification under the original contract. Therefore, we should not permit the exclusion from the new description of anything "south of the Leadville Fault and below the 2450-foot level of the 18-411 winze" which is particularly granted to the Government by Appendix "A", regardless of benefit derived from the exploration work.

6. The 18-411 winze starts at the 1800-level of the No. 1 shaft, i.e., the levels of the shaft and the levels of the winze coincide. The deepening of the winze under the exploration contract started at the 2700-level, which was then the water level south of the dike (it was at the 2350-level north of the dike). It has been suggested that we might accept for the new description the

10,000 acres below the 2350-level both north and south of the dike. However, on account of the plunge of the system of ore formations, this would not do, since very extensive workings, extending for a great distance from the winze, lie well above the 2350-level of the winze.

7. CONCLUSION: We could accept as a new description the following:

> Of 10,000 acres of mineral lands owned in fee simple, everything north of the Leadville Fault, and everything south of the Leadville Fault below the 2450-level of the 18-411 winze.

The "10,000 acres" in the above statement could be made anything less than 10,000 acres that does not exclude areas that might reasonably be subject to certification under the original contract. It also could exclude small areas (which the Company says are under lease) if we regard them as of small significance.

J. L. Hofflund

J. L. Hofflund
Chief Counsel

JLHofflund/em

Copy to: Docket
Base Metals Div.
J. L. Hofflund
chron.

FILE COPY
SURNAME:
800
Chambers

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

JUN 2 1953

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

Re: Idm-F4, DMA-1&1A
Chief Consolidated Mining
Company

Dear Mr. Brading:

Reference is made to your audit of July 3, 1952 on above-cited contract.

The Comptroller General of the United States has issued an advisory memorandum to the Audit Division of the General Accounting Office to the effect that Amendment No. 1 is not to be questioned further in regard to its legality. As a result of this memorandum you may release your audit report. Before doing so, however, please prepare a new audit certificate consolidating the certificate of July 3, 1952, and an undated certificate issued sometime after July 3, 1952.

In order that you may have the complete file I am returning the copies transmitted to this office. When you have revised the certificate you may return our copies of both the certificate and report.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosure

JLChambers/wb
June 2, 1953

Copy to: Docket
Admr. Reading File
Mr. Chambers

FILE COPY
SURNAME:

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

Memorandum for the files

Subject: Chief Consolidated Mining Co., DMEA 1 and 1A

Attached hereto is a metes and bounds description together with a map of the area submitted by the Operator to be included in the amended contract for the purpose of delimiting the block of ground upon which royalties are to be paid. Our study of the project has been benefited by conferences with Mr. H. T. Morris, USGS, who is thoroughly familiar with the mine and prepared a report on the geology and ore reserves of the Chief No. 1 mine in May 1952. Mr. Erwin Lyons, USGS, Washington Commodity member, has also been present at the conferences and concurs with the conclusions reached. Mr. Morris confirms the opinion that the area described of 197-plus acres 2,900 ft. X 3,000 ft. in lateral extent and vertically from the 1,800 foot level downward, is sufficient in size to properly encompass the ground required in connection with the DMEA contract. At the time of Mr. Morris' examination a proposed DMEA block of ground was outlined containing approximately 60.48 acres with vertical dimensions of 500 feet extending from the 2,600 ft. level of the Chief No. 1 mine to the 3,100 foot level.

There is presented herewith a redraft of amended contracts which includes a 25% Government participation in sinking the 18-411 winze 325 feet at $360 per foot which, together with other proposed additions, would increase the estimated cost of the project by $54,620.71, or a new total estimated cost of the project of $518,040.71.

Based on the total production reports of the Chief No. 1 mine and using a factor of 1,000 tons of ore per vertical foot in all ore runs, the area between the 1,800 ft. and 3,100 ft. levels to be benefited by the DMEA project is calculated to contain approximately 600,000 tons of inferred ore. This tonnage is estimated to have an average grade of .02 oz, Au, 6.87 oz. Ag, 5.5%Pb, 7.3% Zn. Estimates based on the present price of metals, Au, $35.00; Ag., 90 cents; Pb, 12 cents; and Zn, 11 cents indicate that net smelter returns should return $20.30 per ton. This figure when applied to the estimated inferred tonnage equals over $12,000,000.00, with royalty payments at 5% equaling $600,000.00 which would be more than twice the amount necessary to liquidate the Government's participating interest of $259,020.00.

AGKeating/hmj
(6/1/53)
CC to: Docket
Adm. R. File
Op. Committee
Chron.

A. G. Keating

FILE COPY
500 SURNAME:

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

May 26, 1953

Memorandum for the files

Re: Docket No. DMA 1 and 1A, Chief Consolidated Mining Co.

A telephone call was made to Mr. Fitch, President, Mr. Watson, Secretary of this company. The general terms and conditions of a proposed amended contract were discussed; principal among these was the question of 10,000 acres included in the initial contract. Mr. Fitch was not available but Mr. Watson, who is thoroughly conversant with the affairs of the company, reported that he would confer with Mr. Fitch regarding all matters discussed and would call us and discuss the matters further.

The amendments as outlined in the present draft of the proposed amended contracts were acceptable to the company, except that Mr. Watson contended that if the 10,000-acre block of ground was incorporated in the amended contracts it would seriously injure the company's operations outside the DMEA exploration area. These operations involved leases to others and necessarily excluded ground.

As a result of the discussion with Mr. Watson, a conference was held with Mr. Chambers, Mr. Hofflund and the writer, results of which will be reported later.

/s/
A. G. Keating

AGKeating/hmj
(5/26/53)
CC to: Docket
Adm. R. File
Operating Committee
Base Metals Division
Chron.

FILE COPY
SURNAME:
ACO

Chambers

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

Memorandum n. s. m R & R. May 22, 1953

To: Mr. E. F. Rice, Chief
Administrative Division, Bureau of Mines

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

Subject: Exploration Project Contract No. Idm-24, Docket No. IM-1 and 1A, Chief Consolidated Mining Company

Mr. Humphrey, Attorney in the General Accounting Office, notified me this morning by telephone, that the Comptroller General had signed a release advising the Audit Division of General Accounting Office not to question further the amendment to Contract No. Idm-24, Chief Consolidated Mining Company, and to withdraw any temporary suspensions on this account now pending.

This Memorandum is written at your request so that you may advise the Certifying Officer in Region IV.

JLChambers/wb
May 22, 1953

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

GENERAL ACCOUNTING OFFICE

WASHINGTON

OFFICE OF GENERAL COUNSEL

B-113462

May 21, 1953

Mr. Jay L. Chambers, Chief

Contract Administration and Audit Division

Defense Minerals Exploration Administration

Department of the Interior

Dear Mr. Chambers:

Returned herewith is the application or proposal which was filed with your Agency by Chief Consolidated Mining Company under date of November 3, 1950, which was furnished to this Office informally by you. Your cooperation and assistance in the matter is appreciated.

Very truly yours,

J. E. Welch

Assistant General Counsel

Enclosure

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration

MAY 28 1953

LAW OFFICES

DANIELS, SWOPE AND FIRST
Commerce Bldg.
Harrisburg, Penna.

Washington Offices:
1156 - 19th St., N.W.
Washington 6, D. C.

c o p y

May 20, 1953

Contract Negotiation Division
Defense Minerals Production Agency
Room 7207, G.S.A. Building
Washington 25, D. C.

Attention: Mr. Robinson

Re: Development Program
C hief Consolidated Mining Company

Dear Mr. Robinson:

Enclosed please find two copies of a description of the underground mining rights which Chief Consolidated suggests be delineated as the area from which the government will be repaid from ores produced in accordance with the terms of our D.M.P.A. development project.

If you have any further questions in regard to this matter please do not hesitate to call upon me.

Very truly yours,

DANIELS, SWOPE & FIRST

By /s/ Harold W. Swope
DB
Harold W. Swope

HWS/db
encls. 2

copy

UNDERGROUND MINING RIGHTS: 197.329 Acres, "net area," property of the Chief Consolidated Mining Company, a corporation of Arizona, in Section 18, Township 10 South, Range 2 West, Salt Lake Base & Meridian, in Tintic Mining District, Juab County, State of Utah, bounded and described as follows; to-wit:-

The underground mining rights below 1800 foot level, elevation 4831 ft.; Begin at the northwest corner of the tract, which is 1000. feet West and 2000 feet North of the "18/411 Winze" in the Chief No. 1 Mine, whence the ¼ Section Corner, common to Sections 7 and 18, T. 10 S., R. 2W., S.L.B. & M., bears N. 82° 38' E. 1943.2 feet, and run thence East 3000. feet, thence South 2900. feet, thence West 3000. feet, thence North 2900. feet to the place of beginning, not including, however, the following described areas which are not the property of the said Company:

(1) Part of Lot 10 and all of Lots 7, 11 and 12 in Block 3, Plat C, Eureka Townsite Survey: Begin at the northwest corner of said Lot 7, whence the said ¼ Section Corner, common to said Sections7 and 18, bears N. 17° 59' E. 2608.2 feet, and run thence N. 63° 52' E. 65.23 feet, thence N. 61° 20' E. 51.36 feet, thence N. 60° 09' E. 43.10 feet, thence S. 25° 40' E. 189.28 feet, thence N. 68° 43' E. 250. feet, thence S. 26° 10' E. 169.8 feet, thence S. 68° 49' W. 481.97 feet, thence N. 14° 51' W. 80.26 feet, thence N. 85° 10' E. 1.65 feet, thence N. 13° 50' W. 261.48 feet to the place of beginning, containing 2.521 acres.

(2) Part of Lot 16, Block 1, Plat C. Eureka Townsite Survey (0.022 acres) described as beginning at the southeast corner of said Lot 16 and running thence N. 6° 59' W. 87.93 feet, thence S. 79° 23' W. 5. feet, thence S. 10° 37' E. 12. feet, thence S. 79° 23' W. 10. feet, thence S. 10° 37' E. 75 feet, thence N. 79° 23' E. 8164 feet to the place of beginning.

(3) Part of Lot 25, Block 3, Plat C, Eureka Townsite Survey (0.023 acres) described as beginning at a point N. 61° 04' E. 20. feet from the northwest corner of Lot 5, Block 3, Plat C, E. T. S., and running thence N. 61° 04' E. 111. feet, thence S. 69° 23' W. 116. feet, thence S. 29° E. 16.5 feet to the place of beginning.

Also excluding a sub-surface block of said "net area," now under long time lease to one Jeremiah Milbank, described as follows: A sub-surface block of mining ground (21.52 acres), extending from the sill of the 1000 Ft. Level (elevation 5620') to the sill of the 2000 Ft. Level (elevation 4585') of the Chief No. 1 Mine (elevation of the collar of Chief No. 1 Shaft is 6577') with vertical exterior boundaries: Begin at the northwest corner of said sub-surface block, whence the northwest corner of the "net area" tract bears North 953.9 feet, and run thence East 719.94 feet, thence South 1100. feet, thence S. 60° 38½' W. 826.02 fee t, thence North 1505. feet to the place of beginning.

The "net area" herein above described includes the following patented lands: Parts of the NE¼ of NW¼, of NE¼, SW¼ of NE¼ and Lots 2, 3 and 6, and all of Lot 5 of Section 18, T. 10 S., R. 2 W., S.L.B. & M., less those excluded areas described above; also part of Survey No. 4800, Climax Placer;

Underground Mining Rights

also part of Survey No. 4536, Tamarack, Curacoa, Aurora and Aurora No. 1 lode mining claims; also part of Lot No.163-B, W. W. C. Mill Site; also all of Lot No. 247-B, Boom Mill Site; also part of Survey No. 6400, Oro lode Mining claim; also part of Survey No. 5308, Topsy lode mining claim; also part of Survey No. 3896, Crusader lode mining claim; also part of Survey No. 5307, Smuggler No. 2 lode mining claim; and

Part of Wigwam lode location, un-patented, located by Chief Consolidated Mining Company, March 26, 1919, and recorded April 1st, 1919, in Book 89 at page 190 in the office of the Recorder of Juab County at Nephi, Utah.

Reference is made to the official plats and records of Eureka Townsite Survey, and to the records of mining claims, on file in the said office of the said Recorder of Juab County.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 20 1953

LAW OFFICES
DANIELS, SWOPE AND FIRST
COMMERCE BUILDING
HARRISBURG, PENNA.
TELEPHONE 6-8161

WILLIS F. DANIELS
HAROLD W. SWOPE
EDWARD C. FIRST, JR.
ROSE DANIELS

WASHINGTON OFFICES:
1156 19TH ST., N. W.
WASHINGTON 6, D. C.
TELEPHONE ADAMS 2-3304

REPLY TO:

May 19, 1953

Mr. C. O. Mittendorf, Director
Defense Minerals Exploration Administration
U. S. Department of Interior
Washington 25, D. C.

Dear Sir:

Enclosed are copies of a description of the underground mining rights which Chief Consolidated suggests should be delineated as the area from which the government will be repaid on its D.M.E.A. exploration contract.

We trust that this will be satisfactory to you and your engineers. If you have any questions please do not hesitate to call on me.

Very truly yours,

DANIELS, SWOPE & FIRST

By Harold W. Swope
Harold W. Swope

HWS/db
encls.

Copy

UNDERGROUND MINING RIGHTS: 197.329 Acres, "net area," property of the Chief Consolidated Mining Company, a corporation of Arizona, in Section 18, Township 10 South, Range 2 West, Salt Lake Base & Meridian, in Tintic Mining District, Juab County, State of Utah, bounded and described as follows, to-wit:-

The underground mining rights below 1800 foot level, elevation 4831 ft.; Begin at the northwest corner of the tract, which is 1000. feet West and 2000 feet North of the "18/411 Winze" in the Chief No. 1 Mine, whence the $\frac{1}{4}$ Section Corner, common to Sections 7 and 18, T. 10 S., R. 2W., S.L.B. & M., bears N. 82° 38' E. 1943.2 feet, and run thence East 3000. feet, thence South 2900. feet, thence West 3000. feet, thence North 2900. feet to the place of beginning, not including, however, the following described areas which are not the property of the said Company:

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(3) Part of Lot 25, Block 3, Plat C, Eureka Townsite Survey (0.023 acres) described as beginning at a point N. 61° 04' E. 20. feet from the northwest corner of Lot 5, Block 3, Plat C, E. T. S., and running thence N. 61° 04' E. 111. feet, thence S. 69° 23' W. 116. feet, thence S. 29° E. 16.5 feet to the place of beginning.

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The "net area" herein above described includes the following patented lands: Parts of the NE$\frac{1}{4}$ of NW$\frac{1}{4}$, NW$\frac{1}{4}$ of NE$\frac{1}{4}$, SW$\frac{1}{4}$ of NE$\frac{1}{4}$ and Lots 2, 3 and 6, and all of Lot 5 of Section 18, T. 10 S., R. 2 W., S.L.B. & M., less those excluded areas described above; also part of Survey No. 4800, Climax Placer;

also part of Survey No. 4536, Tamarack, Curacoa, Aurora and Aurora No. 1 lode mining claims; also part of Lot No. 163-B, W. W. C. Mill Site; also all of Lot No. 247-B, Boom Mill Site; also part of Survey No. 6400, Oro lode mining claim; also part of Survey No. 5308, Topsy lode mining claim; also part of Survey No. 3896, Crusader lode mining claim; also part of Survey No. 5307, Smuggler No. 2 lode mining claim; and

Part of Wigwam lode location, un-patented, located by Chief Consolidated Mining Company, March 26, 1919, and recorded April 1st, 1919, in Book 89 at page 190 in the office of the Recorder of Juab County at Nephi, Utah.

Reference is made to the official plats and records of Eureka Townsite Survey, and to the records of mining claims, on file in the said office of the said Recorder of Juab County.

FILE COPY
SURNAME:

500

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

May 15, 1953

Memorandum

To: Administrator

From: Base Metals Division

Subject: Docket No. DMA-1 and 1A, Chief Consolidated Mining Company

M. S. in R.P.

A conference was held May 14, 1953, in the office of M. C. Robinson, Chief, Contract Negotiation Division, DMPA. The subject company has made application to them for a loan based on a total cost of the project of $1,182,543.96, of which DMPA, under a special development fund, favorably considers advancing 25 per cent, or $295,636.00. This fund is for development, a greater part of which is for drifting, crosscutting, raising and diamond drilling on the 2900 and 3100 foot levels of the present 18-411 winze. The existing DMPA contract, together with the requested amendments would provide funds to sink the winze from its present depth of 2,777 feet to 3,100 feet.

If both the DMPA contract and the DMPA loan were effective concurrently there would be a possibility that the Operator could use the funds from both agencies for the same purposes.

As a result of the conference, it was the opinion of DMPA that they would necessarily have to defer further action on the application for a loan until DMPA had determined its course of action, and probably DMPA would also defer approval of the loan until work under the DMPA contract had been completed.

DMPA also informs us that Chief Consolidated has already obtain a loan from RFC of $120,000.00 for the purchase of hoisting equipment.

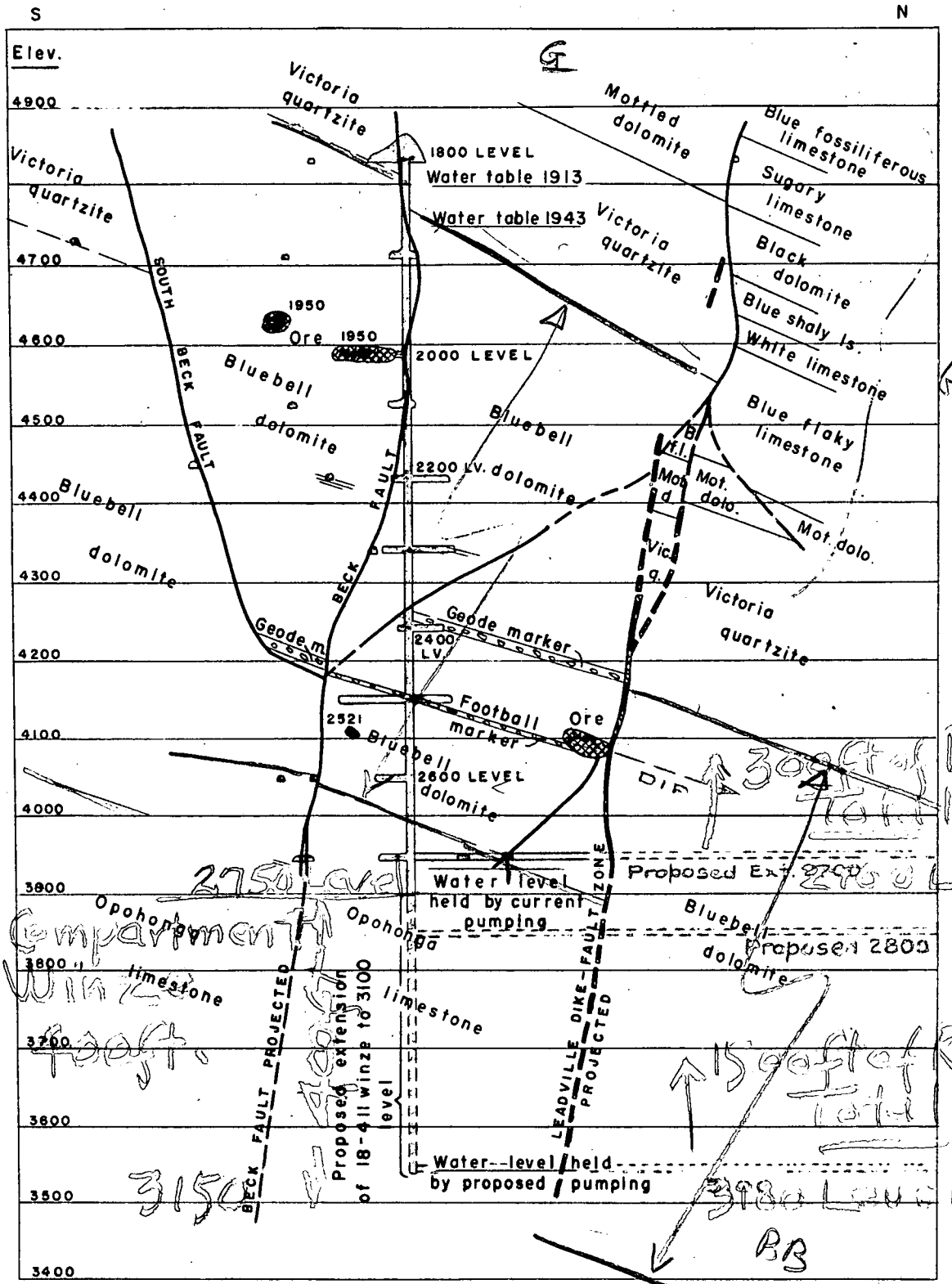
/s/

A. G. Keating

AGKeating/bjl

Copy to: Docket
Admr. R. File
Op. Committee
Base Metals Div.
Chron.

Exhibit A



GEOLOGIC SECTION THROUGH CHIEF CONSOLIDATED 18-411 WINZE

0 100 200 300 400 500 FEET
Scale

Fig. 4

Raising and Sinking to be done Under this Contract.

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

May 14, 1953

Memorandum

Re: DMA-1A
Chief Consolidated Mining Co.
Chief Consolidated mine,
Juab and Utah Counties, Utah
Zinc-lead

To: Mr. W. R. Griswold

From: Erwin J. Lyons

Subject: Amendment of Docket DMA-1A.

It may be necessary, because of insufficient funds, to curtail the exploration work at the Chief Consolidated mine, Eureka, Utah (Docket DMA-1A).

The present program consists of deepening the 18-411 winze about 400 feet to the 3100 level and driving about 3000 feet of drifts and crosscuts. It has been suggested that the winze be deepened only 200 feet to the 2900 level, and the drifting and crosscutting reduced to 1800 feet.

It is the opinion of Hal. T. Morris of the U. S. Geological Survey, who made the original field analysis of the project, that geologically there is no objection to such a reduction in the work, but that the amount of ore that might be disclosed will be only about half that anticipated under the original project.

Erwin J. Lyons

Erwin J. Lyons
Geologist

May 14, 1953

Memorandum for Mr. Mittendorf

Subject: Chief Consolidate Mining & Milling Co., Docket No. DMPA-1 & 1A

As a result of a conference with Mr. Robinson, DMPA Contract Negotiations Division, he permitted us to have the proposed DMPA contract for your examination.

Mr. Robinson has an appointment early tomorrow afternoon with Fitch and Swone and must have the contract back early tomorrow morning.

I feel that the contract is better than attempting a description in a memorandum.

A. G. Keating

FILE COPY
SURNAME:

500

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

M. S. in R. & R. May 12, 1953

Memorandum to the Administrator

Subject: Chief Consolidated Mining Company, Docket No. DMEA-1 & 1A

I have consulted Hal Morris and Erwin Lyons of the USGS regarding a restricted exploration program — sinking winze 200 feet instead of 400 and drifting, crosscutting and raising 1,800 feet instead of 3,300 feet. Morris is very familiar with the district and the mine. He was one of the geologists who examined the project and made the report and recommendations at the time of the Company's application.

Morris and Lyons both express an opinion that while it would be desirable to explore at greater depth, 200 feet of additional sinking will provide an advantageous horizon, except that it may disclose only one half as much ore as would the 400 feet additional depth.

I can find no memorandums or recommendations in the docket which would be adverse to limiting sinking the winze 200 feet rather than 400 feet.

(s/
A. G. Keating

AGKeating/bjl

Copy to: Docket
~~Admxxxxxxxxx~~
Base Metals Div.
Chron.

FILE COPY
SURNAME:

500

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

Approved

May 12, 1953

Memorandum to the Administrator N.S. in R.R.

Subject: Chief Consolidated Mining Company, Docket No. DMEA-1 & 1A

Mr. W. W. Watson, secretary of the company, telephoned May 11 in response to our request to Mr. Cecil Fitch and himself to more particularly describe an area to be subject to royalty payments within the 10,000 acres included in the initial contract.

Mr. Watson stated that they had outlined a block of 197 acres which he believed would be satisfactory to the Government. Mr. Watson generally described this block as encompassing an area in lateral extent 2,000 feet north — 1,000 feet east and 1,000 feet west of the 18-411 winze, and in vertical extent all below the 1800-foot level within those boundaries. A small area of 3 acres and some leased ground were to be excluded.

In this connection, Mr. Watson stated that Mr. Fitch, accompanied by Mr. Harold W. Swope, planned to be in Washington to attend a congressional hearing toward the end of this week and would present the detailed description of the delineated ground in person.

The Operator's request for $41.00 per foot for timbered drifts and crosscuts was discussed. It was explained to Mr. Watson that an amended contract was well along in preparation and that unless the increase for timbering was important, considerable delay would be avoided by not including such provision. Mr. Watson stated that it had been their experience that very little ground requiring timbering would be encountered and, therefore, $34.00 per foot for crosscutting and drifting, timbered or untimbered, would be satisfactory to them.

The initial contract provides for a period of two years for completion of the work and it is suggested that the amended contracts allow three and one half years, with the time for royalty repayments extended from ten years to fifteen years. Mr. Fitch and Mr. Watson expressed satisfaction at the 3½-year extension of time for completion and agreed to an extension of time for repayment, but the length of time (15 years) was not determined. The length of time for continuance of the work has not been determined.

The amended contracts have been prepared with above-mentioned item left in blank.

AGKeating;bjl
Copy to: Docket
Base Metals Div.
Chron.

/S/
A. G. Keating

May 5, 1953

MEMORANDUM for Mr. Hofflund

Subject: Docket No. DMA-1 and 1A, Chief Consolidated Mining Company

In a recent telephone conversation with the officials of this company, they requested that they be allowed $41.00 per foot for timbered drifts and crosscuts. ~~While~~ It is true that it was agreed that $34.00 per foot was acceptable for both timbered and untimbered drifts and crosscuts. We have, in numerous instances, allowed the differentiation and I believe it may appear discriminatory unless we allow the $41.00 of timbered workings in this instance. The Operator says there will be a very small amount of ground requiring timber.

If it does not disturb the amendments as you have drawn them, I recommend that we allow the $41.00 per foot.

Keating

A. G. Keating

RECEIVED
MAY 5 1953
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

Per phone. Keating says it
Bear on u.s. 334.

LAW OFFICES
DANIELS, SWOPE AND FIRST
COMMERCE BUILDING
HARRISBURG, PENNA.

TELEPHONE 8-8161

WILLIS F. DANIELS
HAROLD W. SWOPE
EDWARD C. FIRST, JR.
ROSE DANIELS

WASHINGTON OFFICES:
1156 19TH ST., N. W.
WASHINGTON 6, D. C.
TELEPHONE ADAMS 2-3304

REPLY TO:

April 20, 1953

Mr. C. O. Mittendorf, Director
Defense Minerals Exploration Administration
U. S. Department of Interior
Washington 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 21 1953

Re: Chief Consolidated Mining Company

Dear Mitt:

Some time ago the above Company submitted to you a request for certain amendments to its Exploration Projects.

In one of the amendments a request for a six month extension of the termination date of the projects was made. In view of the latest developments, we desire to amend that request to change the time extension from six months to eighteen months. The change is dictated by the strike delays which the Company encountered and the delay in processing the amendments heretofore submitted.

It is our hope that we can complete the projects prior to the end of the eighteen month period. We feel, however, that an extension of eighteen months would cover all eventualities.

With kindest regards.

Very sincerely yours,

DANIELS, SWOPE & FIRST

By: Harold W. Swope
Harold W. Swope

HWS:ll

cc: Mr. W. W. Watson

FILE COPY
SURNAME:

Keating

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

April 16, 1953

Memorandum

To: The Administrator

From: Chief, Base Metals Division

Subject: Amendments - Chief Consolidated Mining Company.
Lockot No. [illegible]-1 and 1[illegible], Contract No. [illegible]- [illegible] (Gold- Inc)

This contract was signed on June 13, 1951, the project to be brought to completion within two years, aggregating a total estimated cost of $463,[illegible].30.

The Chief Consolidated Mining Company is at present reported to be producing ore from a limited operation above the 2,450 level. They have paid back to the Government in royalties through January 20, 1953, $15,324.19.

Project 1 under this contract was completed during June 1952. All funds allotted to this project were expended and the approximate estimated footage of exploratory work was completed.

The mine was closed by labor strife July 1952 and the lower levels of the mine were permitted to flood, thus placing the area of the exploration under water. No work has been done since then on project 1[illegible], the winze sinking project. The work completed under the contract comprises 1,663' of drifting and 300 of raising on the 2,700 level. The winze was sunk 77 feet of a proposed 400 feet when work stopped, leaving 325 feet yet to be completed.

The company now plans to resume work and seeks to amend the contract as shown below:

Amendment No. 1: To extend completion time seven months: recommended as necessary.

Amendment No. 2: To increase the total estimated cost of the project to absorb negotiated labor contract retroactive pay, and increased rates and supplies, which are now higher than the prices used

as a basis for the original estimate of costs when the contract was prepared. There follows a schedule which shows the comparison and the additional funds involved.

Work Category	Estimated Cost per ft. used in Contract	Revised Estimated Cost per ft.	Increased Cost per ft.	Footage to be Completed	Funds Involved	Government Participation
Drifts & Raises	$30.00	$33.56	$ 3.56	3,300	$11,748.00	$ 5,874.00
Winze Sinking	350.00	401.70	51.70	323	16,699.10	4,174.77
					$28,447.10	$10,048.77

MF-104 Reports submitted by the Operator indicate that 1,963 feet of drifts and raises cost $32.60 per foot and that 77 feet of winze sinking cost $458.69 per foot. Recommended subject to revision.

Amendment No. 3: Request that the Government participate in retroactive wage payments covering the period from July 1, 1951 through June 30, 1952, amounting to $2,407.66: It appears that the Government is obligated to participate in the costs incurred, therefore the amendment is recommended.

Amendment No. 4: Request for authorization to construct a sump and pump station at the 3,100 level. Total estimated cost $20,482.50, Government participation $10,241.25. This is recommended by the inspecting engineer as a necessary facility for the safety of the operation. We concur in the engineer's recommendation.

Amendment No. 5: Request that the Government participate 50 per cent in the cost of sinking a three-compartment shaft in lieu of the 25 per cent participation for a four-compartment shaft provided in the contract:

(1) Experience has indicated that a flow of 1,000 gallons per minute will be encountered in sinking the shaft and that in case of power failure the great increase in overflow from the 2,700 level from above would require confinement to one of the shaft compartments to permit the workman to escape. A three-compartment shaft is justified as necessary to comply with the safety laws of the State of Utah. One compartment will be completely filled with pump columns, ventilation pipes, and water lines. A second compartment will be necessary for a tightly bagged manway with ladders. The third compartment will be necessary for hoisting. A three-compartment winze is justified and it is recommended that allowance be made on a unit cost basis of $360.00 a foot.

The request for an increase in the total estimated cost of the project appears to be justified. However, it is recommended that the contract be amended by transferring to the new form on a unit foot basis at $34.00 per foot for drifts and raises and $360.00 per foot for winze sinking. The Operator agrees to these costs.

The matter of Government equity in the pump and electrical installations in the shaft is being considered currently. This equipment, valued at $231,420.00, was installed prior to the contract date. The ore which will be subject to royalty for repayment of the Government loan is now under discussion. The present contract provides for royalty repayment from all ore north of the Leadville fault and all areas below the 2,400-foot level south of the Leadville fault.

Attachment

AGKeating/hmj
(4/16/53)
CC to: Docket
Base Metals
Chron.

SUMMARY OF EXISTING CONTRACT

Docket DMA-1 and 1A, Contract Idm-E4, dated June 13, 1951
Total Estimated Cost $463,420.00 (50% - $231,710.00)

Project Work - as provided in contract

Project I: 2,700 foot level

Drift North from 18-411 winze 600 ft. @ $30.00/ft	$18,000.00	
Drift East and West, North of the Leadville fault 1,200 ft. @ $30.00/ft.	36,000.00	
Raises: East, West & North drift, 300 ft. @ $30.00/ft.	9,000.00	
		$63,000.00

Project 1A: 3,100 foot level.

Sink 18-411 Winze, 4 compartment 400 ft. @ 25% of $350.00/ft. (See Amendment to Contract)	70,000.00	
Drift North from 18-411 winze 600 ft. @ $30.00/ft.	18,000.00	
Drift East and West, North of Leadville fault 1,200 ft. @ $30.00/ft.	36,000.00	
Raises North, East and West 1,500 ft. @ $30.00/ft.	45,000.00	
		169,000.00
Total Project 1 and 1A		$232,000.00

Exhibits B & C

Electric system installed	$ 7,800.00	
Pumping Equipment installed	126,000.00	
Pump and drainage	26,500.00	
Total Exhibits B & C		$231,420.00
Total Project 1 & 1A, Exhibits B & C		$463,420.00 1/

(A portion of Exhibit B & C was expended items, were made after contract was signed.)

Project Work Completed - as reported on MF-104's through June 1952.

Project 1 - 2,700 foot level

1,663 ft. of drifting at $30.00/ft.	$ 56,596.21	
300 feet of raising at $30.00/ft.	7,403.33	

Project 1A - 3,100-foot level

77 feet of sinking at $459.69/ft.	35,385.52	
Pumping system	240,784.88	
		$ 340,169.94
Certifying Officer has allowed		$ 304,881.91

Our Audit Division reports that an audit of this company has been made but all papers were left at the Field Office so that the above figures may be subject to correction.

Proposed Amendments:

(1) Extension of the present two year contract for a period of seven months from June 13, 1953, the present date of expiration, to January 13, 1954.

Recommended for approval — period of extension should be 16 months instead of 7 months as requested.

Project 1A - 3,100-foot level	
Sinking 323 feet @ 50 ft./month	6 months
Drifting 1,800 feet	
Raising 1,500 feet	
Work can be concurrent @ 330 ft./mo.	10 months
	16 months

(2) Revise prospectively the allowable costs to include increases of labor, material and power from November 1950, date of original application.

Recommended for approval but limited to increased labor costs resulting from negotiated labor contract and increased power costs ordered by Utah State Public Service Commission.

Estimated cost including labor, material and power	$28,447.08

(3) Additional costs resulting from retroactive provision negotiated labor contract September 1952

Estimated costs	5,256.37

Recommended for approval.

(4) Additional provision to construct sump and pump station 3,100-foot level of 18-411 winze.

Estimated costs	20,482.50

Recommended for approval.

(5) Provision to allow Government 50% participation Sinking 3-compartment 18-411 winze

Estimated costs	37,000.00
Total Additional Estimated Costs	$ 91,186.45

Total estimated costs will be reduced in accord with final determination regarding Amendment 2.

SUMMARY

Original contract as amended, total estimated costs	$432,000.00
Additional costs requested by Operator	91,186.45
Total	$523,386.45

FILE COPY
SURNAME:

500

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

April 15, 1953

MEMORANDUM FOR FILES

From: Base Metals Division

Subject: Telephone conversation with Chief Consolidated Mining Co. Docket No. DMEA-1 and 1A.

Mr. Fitch, President, and Mr. Watson, Secretary, both on the telephone called the writer.

They discussed the pumping load which had not been clearly described in their application. They are presently pumping 7,000 gallons per minute from the 2,700 foot level and experience causes them to believe that they will encounter at least 1,000 gallons per minute when sinking. If a fracture is crossed by the sinking then the 7,000 gallons per minute on the 2,700-foot level may draw to the shaft.

Mr. Fitch and Mr. Watson both confirm an agreed unit price of $34.00 per foot for drifting and crosscutting, both timbered and untimbered, and $360.00 per foot for sinking.

Mr. Watson also discussed the time to be allowed for completion of the project and requested that it be generous due to uncertainties of water conditions in sinking.

Mr. Watson requested a modification of the provision in the present contract which includes 10,000 acres. Mr. Fitch asked that this be reconsidered and reduced -- to a reasonable area of surface and to include any ore handled through any of the work accomplished under DMEA exploration contract.

The writer asked them if they would agree to an increase in the period of 10 years for royalty repayment to the Government. Fitch and Watson agreed that any reasonable extension would be acceptable since it was their sincere intention to repay the Government in full.

Mr. Watson wanted to discuss the delineation of ore areas which would be subject to royalties. He suggested that all ore on both sides of

the Leadville fault, vertical to the 1,800-foot level, be made subject to royalties, but wanted to make these areas subject after a reasonable retroactive date. Mr. Fitch stated his greatest concern was having to set up a contingent liability which might be serious because of their limited financial condition. The writer called attention to the provisions of the present contract which provided that royalty was to be paid on all ore north of the Leadville Fault and all ore below the 2,400-foot level south of the Leadville fault.

Mr. Watson also brought up the matter of settlement in re pumping installations. He suggested a lump sum agreement estimated on a salvage value based upon its value to an operating mine at the completion of the UMEA exploration project. Mr. Fitch appeared to be very reasonable and expressed a desire to arrange only such compromise agreements as would not be too damaging to their company.

A. G. Keating

AGKeating/hmj
(4/15/53)
CC to: Docket
Adm. R. File
Op. Committee
Base Metals Div.
Mr. Keating
Chron.

Groswold
Keating
Betty

1 DE
2 DEZ

Chief Consolidated Mining Co.

608 Dooly Building
Salt Lake City, Utah

April 14, 1953

Mr. George Keating
Defense Materials Production Agency
Lead-Zinc Division
New Interior Building
Washington, D. C.

Dear Mr. Keating:

We are pleased to enclose two copies of our petition to the Wage Stabilization Board and their approval of this petition, which is the basis of our present wage scale, and in which you will note was made retroactive to July 1, 1951.

With kindest regards

Sincerely yours

W. W. Watson

W. W. Watson, Secretary

WWW:ALC
Encs.

266320

RECEIVED
APR 16 11 09 AM '53
DEFENSE MATERIALS
PROCUREMENT AGENCY

Wage Stabilization Board
Denver, Colorado

HWB
W11-CA/11-01873
November 14,1952

Regional Chairman

Mr. C Jay Parkinson, Counsel,
Chief Consolidated Mining Co.,
608 Dooly Bldg.,
Salt Lake City. Utah

Mr. George Wilde, Staff Repr.,
United Steelworkers of America
Union Local No. 4260, CIO
524 Beason Bldg.,
Salt Lake City Utah

Gentlemen:

We are pleased to advise you that the Eleventh Regional Wage Stabilization Board has approved in full the proposed adjustments as set forth in the narrative statement accompanying the petition submitted by you (Case No. 11-01873). These adjustments were approved retroactively to July 1,1951 except for the holiday and vacation plan proposals. The proposal to grant full vacation rights to employees who work at least 10/12 of their work shifts per year is approved retroactively to July 1,1952. In addition your proposal to grant labor Day of September 1,1952 as a paid holiday is approved.

Any wage increases herewith approved must be charged against any unused portion remaining under the self-administrative provisions of General Wage Regulations 6 and 8.

Present procedures require us to advise you that insofar as this decision was based upon information supplied by the petitioner, any subsequent finding that such information was false will deprive the decision of any force or effect.

We trust that this action will facilitate your operations,

Sincerely,

signed (Edward J Allen)

CC Chief Consolidated Mining Co.,
Eureka, Utah

"Copy"

Postcard

October 17-1952

Chief Consolidated Mining Co.,
Eureka, Utah

Receipt is acknowledged of your petition which has been assigned Case No 11-01873 Please use this number in future communications when referring to this case.

Wage Stabilization Board

"Copy"

Wage Stabilization Board

Petition for approval of Compensation Adjustment

Name- Chief Consolidated Mining Company. Filed by Company- Union

Address of establishment - Eureka, Utah

Main Office address- 608 Dooly Bldg., Salt Lake City,Utah

Type of Establishment - Mine Identify principal product - Lead,Zinc,Silver Ore.

Is there a recognized or Certified Collective bargaining agent for Employees covered by petition: Yes

Identify Labor Union - United Steelworkers of America, CIO on behalf of Local No. 4260.

Is a representation petition pending before the NLRB or similar state Agency - No.

Is a representation election pending as the result of an action of the NLRB or similar state agency: No

Is an unfair labor practice complaint now pending before the NLRB or similar state agency: No.

Total number of employees on payroll of establishment. If this is a petition for a new plant under regulation 9, estimate number when in full operation - Approx. 80 (10/13-52)

Total number of employees affected by proposed adjustments; Approximately 170 (with turn over during period)

Is this a petition for a new plant. - No.

Proposed effective date of these adjustments- See Supplementary statement attached.

Have any of these proposed adjustments been put into effect - No.

Date and WSB case number of any previous petitions, Etc. - None

Are you filing or do you plan to file a petition with the salary stabilization board or other agencies for similar or related increases to other employees in your firm.- Yes - Probably.

Number of supplementary sheets attached to this petition. - 15

"Copy"

"Supplementary Statement"

1-Description of Unit:

The unit of employees under union contract has been found ty National Labor relations board to be proper. The unit is fully described in the Master Labor Agreement hereto attached as Exhibit "A" hereof:

11-Increases for which approval is requested:

(a) A general increase of eight cents (8¢) per hour for all day's pay employees subject to the jurisdiction of the union retroactive to July 1,1951, for all eligible employees as defined in Amendment of Agreement hereto attached as part of Exhibit "A", and subject to the terms and conditions thereof as to payment.

"Copy"

"Supplementary Statement"

(b)- An additional increase based on job evaluation of all classifications, as hereinafter more fully described retroactive to July 1,1951, amounting to a weighted average straight time hourly increase of approximately eleven cents (.11¢) per hour, for all eligible employees as defined in said amendment of Agreement and subject to the terms and conditions thereof as to payment.

(c) Beginning September 2,1952, to pay all employees the wage rates contained in Schedule "A" of said Amendment of Agreement, and in addition to pay red circle rates for certain jobs pursuant to that certain letter agreement dated October 3,1952 marked Exhibit "B" hereto attached.

(d) There was a strike at petitioners properties beginning June 25,1952, and ending September 2,1952, and in the settlement the company agreed to grant a full vacation to employees otherwise eligible who worked at least ten-twelfths (1o/12) of the qualifying shifts under Section 12 of the Master Labor Agreement. (see clause 5 of Amendment of Agreement.) The cost of this concession is not subject to calculation at this time. Likewise, in said settlement, the Labor Day holiday was paid for even though employees under a strict interpretation of the contract would not have been eligible for such holiday pay. (The calculated cost to the company of this concession is $1.73 per hour or a total of approximately 60 men times average rate of $1.73 per hour times 8 hours equals $830.40)

Retroactivity

(a) and (b) above are retroactive to July1,1951, whereas (c) is retroactive only until September 2,1952. Said retroactivity is, in petitioners opinion, approvable for the reasons that:

(a) All contracts between the employees involved and the company were reopened for negotiation and adjustments in wages and other items July 1,1951.

(b) The parties have agreed to paid retroactive dates through collective bargaining across the table.

(c) The Board has recognized that where the parties have agreed to an effective date not earlier than the date of the expiration of the contract or the date of a reopening for adjustments in wages and other items,such agreement should be approved.

(d) Other companies in the industry have almost without exception agreed to retroactivity to the expiration date of their last contract or the date of reopening for negotiations on wages.

III- Basis of Request for Wage Increase:

Practically all of the nonferrous industry in western United States, other than the Lead- Zinc companies in the State of Utah, represented by the Steelworkers made a settlement effective July 1,1951, which was approved by the Board (see for example N W S B Cases N-14483, N-14831 and N-14852) (See also Exhibit "C" hereto attached) amounting to an 8¢ per hour general across the board increase and between 7¢ and 8¢ per hour additional increase for job reclassification. The Steelworkers Union in the Utah lead-zinc operations insisted on a complete job evaluation rather than a negotiated job reclassification as concluded in all other operations. It has taken approximately one year to conclude said study based upon the evaluation manual and criteria approved by the N W S B in cases No. D-22-V and No. D-31-V, involving Combined Metals Reduction Company, New Park Mining Company and United States Smelting, Refining & Mining Co. Your petitioner company, after a complete job study and evaluation, conducted jointly with the union, finally was able to slot and evaluate its jobs into 16 job classes and the parties then agreed to apply the $11.30 per shift to job class No. 1 and $14.16 per shift to job class No. 14

as benchmarks and a 2-3/4¢ per hour increment between each of the 16 job classes as approved by the Board in said case No. D-22-V. above cited. Consequently, there is justification for the increases for which approval is asked upon the basis of approved industry settlements. However, in addition almost the entire nonferrous industry has settled their contracts as of July 1,1952 granting an additional 8¢ per hour across the board increase, which settlements are pending approval by the Wage Stabilization Board. (See Exhibit "C" hereto attached.)

It is the intention and desire of the parties to use in justification of the increases asked for herein all permissable and still available amounts under G.W.R. Nos. 6 and 8 . See the following calculations:

(a) Average hourly rate 1-15-50	$	1.39
(b) Permissable average hourly increase under G.W.R.No. 6(10% of a)		0.139
(c) Increase granted 7-1-50		0.050
(d) Increase granted 11-16-50		0.100
(e) Permissible increase under G.W.R.No. 6 on July 1,1951 (b minus c and d)	(minus	0.011)
(f) Present straight time hourly earnings		1.54
(g) Percentage increase in B.L.S. Index (old) as of June 15,1952		5.23%
(h) Total permissible cost of living increase since 1-15-51		0.087
(i) Credit under (e) above subtracted from (h) 0.087 minus 0.011 equals 0.076		0.076
(j) The increase granted 7-1-50 of 5¢ per hour was granted by most of the industry Jan.1-1950 and did not enter into their calculations and therefore should not here. In similar cases it was ruled out by N W S B See case N-14483. Hence 5¢ per hour credit should be added to (i) above. For permissible increase as of 7-1-52 under G W R Nos. 6 and 8		0.126

The remaining money to effect the increases as set forth herein by petitioners isnot permissible under the provisions of G W R Nos. 6 and 8, but are justified on the basis of the above cited Utah lead-zinc cases and as a result of the jobevaluation and job reclassification effected in the industry retroactive to July 1,1951 and approved by the Board.

The wage rates in effect in petitioners operations on the various dates stated are all contained in Exhibit "B" of the Master Labor Contract hereto attached. The wage rates, approval on which is asked herein, are set forth in Schedule "A" of the Amendment of Agreement (Exhibit "A" hereof.)

Your particular attention is directed to Section 3 of said Amendment of Agreement which provides that said wage increase for which petitioners herein seek approval for the period July 1,1951 to Sept. 2,1952 is payable as in said agreement contained to described eligible employees as follows: Five cents per hour in cash upon approval by W.S.B. and the balance if and when earned and available out of 10% of future profits as in said contract set forth. The reason for such provision is that this company did not have money available, except for the sum of $26,000. to pay said retroactive pay and will have to make the balance of said retroactive increase from profits, as stated, before paying any balance remaining unpaid. If there is any money available from said $26,000. after paying said 5¢ per hour in cash as aforesaid, such remaining amount will be placed in the fund and used to help pay future retroactivity wage installments, if any. The wage scale set forth in the schedule attached to said Amendment of Agreement will, subject to W.S.B. approval, be paid in by the company to employees prospectively beginning September 2,1952 (See. Exhibit "D" hereto attached)

"Copy"

"Supplementary Statement"

In these operations miners and certain other employees are paid on an incentive or contract system whereby such employees are guaranteed an established shift rate for their classification as a minimum. Prices have been established for various types of work, for example, footage advance in headings, or tonnage of ore or waste removed, and there are established rates for other types of work as well. The amount of work and the class of work are measured or determined for each period and the earnings of the employee thus calculated. Obviously, the contractor who accomplishes an amount of work in excess of the average will receive greater incentive earnings than the employee who accomplishes less. The earnings of the contractor will vary from week to week. The average increase in contract earnings for a miner, for example, will amount to approximately $2.11 per day. In order to take care of the retroactive pay for contractors it is proposed that the amount of increase for said classification involved be added to their earnings for the entire retroactive period.

IV - Conclusions:

Your petitioners, therefore, believe that the increase for which approval is asked herein should be granted partially on the basis of a cost-of-living increase and the remainder on the basis of a tandem relationship with all of the other principal companies in the nonferrous metals industry and particularly by reason of the decision in case D-22-V entitled "In the matter of Combined Metals Reduction Company, New Park Mining Company and United Steelworkers of America, CIO, Utah Locals 4331, 4344, and 4264" decided by the National Wage Stabilization Board on or about July 3,1952.

DMEA-1

LAW OFFICES
DANIELS, SWOPE AND FIRST
COMMERCE BUILDING
HARRISBURG, PENNA.
TELEPHONE 8-8161

WILLIS F. DANIELS
HAROLD W. SWOPE
EDWARD C. FIRST, JR.
ROSE DANIELS

WASHINGTON OFFICES:
1156 19TH ST., N. W.
WASHINGTON 6, D. C.
TELEPHONE ADAMS 2-3304

REPLY TO:

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 15 1953

April 14, 1953

Mr. C. O. Mittendorf, Director
Defense Minerals Exploration Administration
U. S. Department of Interior
Washington 25, D. C.

Re: Chief Consolidated Mining Company

Dear Mitt:

In accordance with our conversation of today I am enclosing two copies of a breakdown of the shaft costs at the Chief No. 1 Mine.

I trust that this will be of some help in your deliberations on our amendments. If you need any further information please let me know.

Kindest regards,

Very truly yours,

DANIELS, SWOPE & FIRST

By Harold
Harold W. Swope

HWS/db
encls. 2

Comparative Estimated Costs of Sinking 3-Compartment Winze Shaft and 4-Compartment Winze Shaft as of April 1, 1953

Chief No. 1 Mine
(18-411 Winze Shaft)

	Estimated Cost per foot 4-Compartment	Per Cent of Decrease	Estimated Cost per foot 3-Compartment
Costs contracted to Centennial Development Company:			
Labor	$ 239.30	10	$ 215.37
Supervision	6.99		6.99
Explosives and Accessories	14.24	25	10.68
Timber, Guides Etc.	18.23	10	16.41
Pipe & Fittings	3.96		3.96
Small Tools	3.09		3.09
Drill Steel and Bits	1.51		1.51
Machine Parts	.42		.42
Air and Water Hose	2.40		2.40
Oils and Greases	.06		.06
Sinking Pump Parts	4.57		4.57
Ventilation Tubing	.55		.55
Rubber Clothing	3.53		3.53
Electrical Supplies	3.38		3.38
Trigger Cable and Fittings	1.02		1.02
Miscellaneous Supplies	2.22		2.22
Taxes, Insurance, Equipment Rentals and General Expense	20.88		20.88
Surcharge(Cost plus 10%)	28.33		25.40
Total Direct Costs	354.68		322.44
Cost of Services furnished by Chief Company:			
Compressed Air	3.52	16	2.96
Steel Sharpening	.60	16	.50
1800 Level Tramming	5.70	16	4.79
Main Hoist	6.61	16	5.55
Surface Tramming	3.83	16	3.22
18-411 Winze Hoisting	6.61	16	5.55
Safety and Ventilation	2.10	16	1.76
Pumping	9.99	16	8.39
Proportion Shop Overhead	2.97	16	2.49
Watchmen, Water, Etc.	1.05	16	.88
Engineering and Geology	1.08	16	.91
Supervision	3.04	16	2.55
Total Indirect Costs	47.10	16	39.55
Total Costs	$ 401.78		$ 361.99

Comparative Estimated Costs of Sinking 3-Compartment Winze Shaft and 4-Compartment Winze Shaft as of April 1, 1953

Chief No. 1 Mine
(18-411 Winze Shaft)

	Estimated Cost per foot 4-Compartment	Per Cent of Decrease	Estimated Cost per foot 3-Compartment
Costs contracted to Centennial Development Company:			
Labor	$ 239.30	10	$ 215.37
Supervision	6.99		6.99
Explosives and Accessories	14.24	25	10.68
Timber, Guides Etc.	18.23	10	16.41
Pipe & Fittings	3.96		3.96
Small Tools	3.09		3.09
Drill Steel and Bits	1.51		1.51
Machine Parts	.42		.42
Air and Water Hose	2.40		2.40
Oils and Greases	.06		.06
Sinking Pump Parts	4.57		4.57
Ventilation Tubing	.55		.55
Rubber Clothing	3.53		3.53
Electrical Supplies	3.38		3.38
Trigger Cable and Fittings	1.02		1.02
Miscellaneous Supplies	2.22		2.22
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18-411 Winze Hoisting	6.61	16	5.55
Safety and Ventilation	2.10	16	1.76
Pumping	9.99	16	8.39
Proportion Shop Overhead	2.97	16	2.49
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Engineering and Geology	1.08	16	.91
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Total Indirect Costs	47.10	16	39.55
Total Costs	$ 401.78		$ 361.99

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

April 13, 1953

MEMORANDUM FOR FILES

From: Base Metals Division

Subject: Telephone conversation with Chief Consolidated Mining Company
Docket No. DMEA- 1 & 1A

Mr. Cecil Fitch, President, was not available. Mr. W. W. Watson, Secretary, said he could speak for Mr. Fitch. The discussion was concerned with the proposed amendments as to agreed unit costs, areas from which royalties were to be paid and substantiation of Amendment 2 request with reference to retroactive pay. Mr. Watson said he would send us a letter stating that this was the result of a negotiated labor contract.

Watson stated that a cost of $34.00 for drifting and cross-cutting and $360.00 for a three-compartment shaft would be satisfactory to his company. He appeared to be very reasonable and expressed a desire to cooperate with us in every way.

Relative to the areas to be delimited for royalty payment, his principal worry was the difficulty of setting up a retroactive liability, which would seriously affect the limited financial position of the company.

A. G. Keating

AGKeating/hmj
(4/14/53)

CC to: Docket
Adm. R. File
Operating Committee
Base Metals
Chron.

RECEIVED

APR - 8, 1953

GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

Chief Consolidated Mining Co.
608 DOOLY BUILDING
SALT LAKE CITY, UTAH 5-2815

April 2, 1953

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 6 1953

Dear Mr. Mittendorf:

Re: Docket No. 1 and 1A, Contract I-DMA-E4

We wish to acknowledge your letter of March 26 in which you advise that the General Accounting Office has questioned the legality of a certain recitation contained in the amendment of August 13, 1951 to the above referred to DMA contract.

We wish to assure you that it is our desire to cooporate wholeheartedly with you in this matter. We have asked Mr. Harold W. Swope of Harrisburg, Pennsylvania, who is regularly retained by us and who represented us at the time this amendment was formulated, to continue to act in that capacity.

We will within the next few days forward to you, through Mr. Swope, copies of all correspondence we have, which we deem relevant to the issue involved.

We shall, of course, be glad to meet with Mr. King and any other Government representatives at such time as is mutually agreeable.

It is my opinion sufficient evidence can be established to justify the representations and intentions referred to in the questioned recitation within the amendment. Consequently, I would suggest DMPA continue to process the pending amendments to our present contract. I am sure you can easily realize that under present market conditions an extension of the expiration date of the present exploration contract is essential if we are to complete our part of the agreement and that recognition of changing conditions also contained in these requested amendments will only be equitable.

With kindest personal regards,

Sincerely yours

Cecil Fitch

Cecil Fitch, President

CF:ALC
cc: Mr. W. H. King, Executive Officer
Region IV, DMEA

Mr. Harold W. Swope
Harrisburg, Penna.

AIR MAIL

FILE COPY
SURNAME:

Hofflund

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

MAR 2 6 1953

Mr. Cecil Fitch, President
Chief Consolidated Mining Company
608 Dealy Building
Salt Lake City, Utah

n.s. in R. v R. BV

Re: Docket DMA-1 and 1A
Contract Idm-84

Dear Mr. Fitch:

Attached hereto is a copy of a letter dated March 17 from the General Accounting Office to Mr. Alfred K. Olson, Authorized Certifying Officer for the Bureau of Mines at Denver, making inquiry as to "the legal authority for the payment covering work or costs incurred before the date of the contract."

The recitation in the amendment of August 13, 1951, referred to by the General Accounting Office, is:

> "WHEREAS, the installation of said pumping system was actually completed in whole or in part before June 13, 1951, on the strength of the representations of the Government and the intentions of the parties that the cost thereof should be included as a part of the Exploration Project Contract."

General Accounting Office does not appear to question the facts stated in this recital, but rather questions whether these facts, assuming they are true, furnish a legal basis for allowing the costs incurred before the date of the contract. Thus, the matter at this stage seems to be purely legalistic, and has been referred to the Chief Counsel of DMEA, Mr. J. L. Hofflund, to formulate a reply to the General Accounting Office. At the same time, it is possible that the General Accounting Office will want some evidence supporting the allegations of fact in the subject recital. Please provide us with copies of any correspondence or writings which you deem relevant to this issue.

Mr. Hofflund spoke on the telephone yesterday with Mr. Harold Swope, attorney at Harrisburg, Pennsylvania, who has represented you on several occasions in matters arising out of this contract. Mr. Swope indicated that he deemed it proper to forward this letter directly to you. A copy of the letter is being sent to Mr. Swope.

In view of the foregoing, please advise me whether you wish to proceed at this time with pending amendments of the present contract. So far as DMEA is concerned, we can proceed with the proposed amendments on the assumption that some equitable solution can be reached with regard to existing points of controversy and which can first be discussed by arranging for an early meeting between your representative and the Executive Officer of Region IV, and possibly a staff member of the Washington office of DMEA, representing the Government.

Kindly furnish Mr. W. H. King, Executive Officer of DMEA, Denver, Colorado, with a copy of your reply.

With kindest personal regards,

Sincerely yours,

C. O. Mittendorf (for)

Administrator

Enclosure

JLHofflund/COMittendorf/e/m/fw

cc: Mails & Files
Admr. Reading File
C. O. Mittendorf
Operating Committee
J. H. Hedges
T. P. Thayer
Base Metals Division
Field Team, Reg. IV (2) (AIR MAIL)
Harold Swope, Commerce Bldg., Harrisburg, Pa.
J. L.Hofflund

GENERAL ACCOUNTING OFFICE
WASHINGTON 25

C O P Y

Division of Audits
Informal Inquiry No. DMEA4-1

March 17, 1953

D. O. Voucher: 52-21
Bureau Voucher: 30
Voucher date: Sept. 26, 1951
D. O.: C. E. Evans
Denver, Colorado
D. O. Symbol: 413

Mr. Alfred E. Olson
Authorized Certifying Officer
Bureau of Mines, Region IV
224 New Customhouse Building
Denver 2, Colorado

Payee: Chief Consolidated Mining Co.
Eureka, Utah
Contract: IDMA-E4, dated June 13, 1951
Amount of inquiry: $120,352.80 Amount of voucher $121,110.17

There appears no authority for government participation in the cost of the pumping system shown to have been installed before the date of Contract IDMA-E4 as provided by amendment thereto dated August 13, 1951.

Recitations in the amendment of August 13, 1951 in justification of the government participation in question furnish no legal basis for disregarding the express terms of Article 10 of the contract and section 12(d) of DMA Regulation MO-5 prohibiting such participations. In view thereof, it is requested that the legal authority for the payment covering work or costs incurred before the date of the contract be furnished.

Yours very truly,

/s/ James H. Rogers

James H. Rogers
Supervisor

JHR:hc

FILE COPY
SURNAME:

140(A)
L-7

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

Mr. Hathaway
Mr. Johnson

March 26, 1953

Mr. James H. Rogers, Supervisor
Division of Audits
General Accounting Office
Washington 25, D. C.

n.s. in R. v. R.

Re: Informal Inquiry No. DMEA4-1
Chief Consolidated Mining Co.
Eureka, Utah
Contract IDMA-E4
Docket No. DMEA-1 and 1A

Dear Mr. Rogers:

In your letter of March 17 to Mr. Alfred M. Olson, Authorized Certifying Officer, Bureau of Mines, Region IV, you inquire as to "... the legal authority for the payment covering work or costs incurred before the date of the contract ..." In behalf of the Certifying Officer and of Defense Minerals Exploration Administration (successor to Defense Minerals Administration) I will respond to your request.

The relevant facts are as follows:

Under date of November 3, 1950, the Operator presented to DMA its proposals for the expansion of production of lead and zinc ores ... This was long before DMA's program for exploration had been instituted under MO-5, which is dated April 6, 1951. The original application contemplated loans to develop production rather than financial aid for exploration. After considerable negotiations and correspondence, it was determined that the project should be treated as one for exploration, and that the Operator should revise its application with this in view. The Operator made various representations as to the necessity for placing its orders for pumping equipment well in advance in order to have the equipment available for the purposes of the proposed exploration project. At that time, the exploration program of DMA had not been developed by the publication of MO-5 and the issuance of application and contract forms. However, the necessities with respect to placing orders in advance for the procurement of equipment were recognized by both parties, and there was an oral understanding between the Government and the Operator that the cost of the equipment could

and would be included as a part of the costs of the exploration project. The exploration project contract was finally drafted and executed under date of June 13, 1951, with the total cost of the pumping equipment expressly included as an allowable cost of the project. It was well understood between the parties on that date that some part of this cost had been incurred prior to that date, yet the total cost was provided for as allowable pursuant to the previous oral understanding. Through inadvertence, a conflicting provision was allowed to remain in the contract as it was signed on June 13, 1951, that provision being the statement in Article 10 of the printed contract form that "... costs incurred before the date of this contract shall not be allowed as costs of the project in which the Government will participate."

To correct this inadvertent conflict in the provisions of the original contract, the amendment of August 13, 1951, was entered into. This amendment might have taken the form of simply changing the date of the contract from June 13, 1951, to whatever date would have been required to cover the costs incurred prior to June 13, 1951. Instead, the amendment by recitals expressly refers to that provision of Article 10 and then states that "... the installation of said pumping system was actually completed in whole or in part before June 13, 1951, on the strength of the representations of the Government and the intentions of the parties that the cost thereof should be included as a part of the Exploration Project Contract."

This contract departs in several ways from the ordinary exploration project contracts that are contemplated by MO-5 and the contract form. It was recognized at the outset that much of the preliminary work, although necessary to accomplish the proposed exploration, would be beneficial also to operations for production both from the ore bodies which were the subject of the exploration and from known existing ore bodies. With this in view, the contract provides that the Government will contribute only 25 per cent instead of 50 per cent to the costs of some phases of the work, and that the Government's royalty on production shall not be limited to production from ore bodies discovered as a result of the exploration work.

The propositions of law which must be maintained in order to support DMA's actions as stated above, are:

1. DMA had at all times the authority to enter into an exploration project contract on terms outside of those contemplated by MO-5 and the published contract forms.

2. The inclusion of costs incurred prior to the date of the written contract was not actually outside of the provisions of MO-5 or of the contract form, because such inclusion was contemplated and agreed to in advance by the parties.

3. It was the intention of the parties to this contract to provide and the contract actually does provide (even without any amendment) for participation by the Government in the cost of installing the pumping equipment, some part of which was incurred prior to the date of the written contract; although through inadvertence the express provision of Article 10 of the contract form (providing that "... costs incurred before the date of this contract shall not be allowed as costs of the project in which the Government will participate"), was not modified to correspond.

4. Any agency has the authority to amend a contract to make it express the manifest intention of the parties when the contract was entered into.

The four propositions above stated will be discussed here in the order in which they are stated under their respective numbers.

-1-

The authority of DMEA to enter into exploration project contracts is not questioned, the only question being the authority to depart from the provisions of MO-5 and of the published contract forms. There is nothing whatever in the Defense Production Act or in the provisions of MO-5 to indicate that DMA could not "encourage exploration" by any means other than those set forth in MO-5. MO-5 was issued by the Administrator simply to provide the public

with a convenient means of applying for aid and entering into exploration project contracts in the form in which such aid could and would ordinarily be granted. It was never contemplated but what particular situations might require treatment and agreements that would depart from the general provisions of MO-5. In the vast majority of cases, the exploration work is beneficial only to the possible discovery or related development of a new ore body, and the liability to repay the Government is limited to production from such ore body. It would be unrealistic to construe MO-5 so narrowly as to not permit the making of special contracts where the work is unavoidably beneficial to production from known ore bodies as well as to the possibility of discovering new ones. Obviously, such conditions justify and necessitate special provisions for the benefit of the Government. One such special provision might well be the inclusion of some costs incurred prior to the date of the contract as a consideration for the operator's liability to repay from production from the bodies that are not the subject of the exploration work.

MO-5 is not a "regulation" that is in the nature of or has the effect of a statute. It was published, to be sure, for the convenience of the public, but it is plain that the provision forbidding the allowance of costs incurred before the date of the contract is for the benefit of the Government. The Government can always waive such a requirement for its own benefit. This is illustrated in the recent case of Adelhardt Construction Company vs. United States (U.S. Court of Claims, No. 49938, Oct. 7, 1952). In this case a bidder failed to accompany his bid with a bid bond, as required by the invitation to bid. The contract was awarded nevertheless to the bidder. The court held that the Government could waive this requirement for its own benefit. The court says: "Regardless of factual variations, which may define the limits of such principle, it is well-established that there are circumstances in which a party for whose protection a requirement is made may waive that requirement."

-2-

Even if it should be held that DMA did not have authority to provide for participation in costs incurred before the date of an exploration project contract, yet the fact is, as indicated in the opening statement of facts, that the parties actually agreed with respect to these costs

prior to the date signified by the written contract. All that the written contract did was to express the oral understanding of the parties, and the written contract might have been dated to correspond to the date of this oral understanding.

-3-

It seems plain that the inclusion of the estimated total cost of the pumping equipment in the contract as originally written, without any deduction for costs incurred with respect thereto prior to the date of the contract, is sufficient evidence that it was the intention of the parties to include such costs previously incurred. It is only in Article 10 of the printed contract form that there is any conflict, the provision there being that "... costs incurred before the date of this contract shall not be allowed ..." Certainly, this formal printed provision cannot be held to prevail over the express typewritten allowance of these costs as set forth in Exhibit "A" attached to the contract. The amendment of August 13, 1951, merely resolves this conflict to make the contract conform to the obvious intention of the parties.

-4-

No arguments nor citations of authority should be required to support the proposition that it is proper for agencies of the Government to amend contracts to express the manifest intentions of the parties when the contract was entered into.

Sincerely yours,

J. L. Hofflund

J. L. Hofflund
Chief Counsel

JLHofflund/em
Copy to: Mails and Files
Adm. R. File
C. O. Mittendorf
~~Operating Committee~~
Field Team, Region IV
Alfred K. Olson, Bu. Mines, Denver
Base Metals Division
~~J. H. Hodges~~
~~L. P. Thayer~~
J. L. Hofflund
chron.

J. L. Hofflund

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

224 New Customhouse
Denver 2, Colorado

March 24, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
DENVER
MAR 25 1953

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMA 1 and 1A, Chief Consolidated Mining Co., Eureka, Utah, Contract Idm-E4 (Lead-Zinc)

Reference is made to your letter of March 17 concerning Dockets No. DMA 1 and 1A, Chief Consolidated Mining Company, Eureka, Utah, Contract No. Idm-E4. Your letter specifically concerns the pumping equipment and installation in the shaft at a reported cost of $231,420.00.

Administrator C.O. Mittendorf sent a teletype dated March 19 which appears to supersede instructions contained in your letter of March 17. The teletype is quoted:

> "Reference Operating Committee letter to you dated March 16 and Jack East memorandum to Mittendorf same date and subject. Now expect GAO informal ruling in few days. Consider inadvisable to schedule discussions re equipment with company until GAO ruling first received and discussed. Will keep you fully advised developments."

W. H. King

W. H. King

FILE COPY
SURNAME:

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

DEFENSE MINERALS EXPLORATION ADMINISTRATION
C. O. Mittendorf
4624

5371

14X3923, Working Fund, Interior
March 19, 1953

BEW

Mr. W. H. King, Executive Officer, DMEA Field Team, Region IV,
224 New Customhouse Bldg., Denver, Colorado

Chief Consolidated Contract E-4, Disposition equipment

N.S. in R.R.

Reference Operating Committee letter to you dated March 16 and Jack East memorandum to Mittendorf same date and subject. Now expect GAO informal ruling in few days. Consider inadvisable to schedule discussions re equipment with company until GAO ruling first received and discussed. Will keep you fully advised developments.

C. O. Mittendorf (fw)

C. O. Mittendorf, Administrator

COMittendorf/fw

cc: Admr Reading File
Mails & Files
Base Metals Div.
Mr. Mittendorf

SENT
MAR 19 1953
Clerical Service Section

C
O
P
Y

GENERAL ACCOUNTING OFFICE
WASHINGTON 25

Division of Audits
Informal Inquiry No. DMEA4-1

March 17, 1953

D. O. Voucher: 52-21
Bureau Voucher: 30
Voucher date: Sept. 26, 1951
D. O.: C. E. Evans
Denver, Colorado
D. O. Symbol: 413

Mr. Alfred K. Olson
Authorized Certifying Officer
Bureau of Mines, Region IV
224 New Customhouse Building
Denver 2, Colorado

Payee: Chief Consolidated Mining Co.
Eureka, Utah
Contract: IDMA-E4, dated June 13, 1951
Amount of inquiry: $120,352.80 Amount of voucher $121,110.17

There appears no authority for government participation in the cost of the pumping system shown to have been installed before the date of Contract IDMA-E4 as provided by amendment thereto dated August 13, 1951.

Recitations in the amendment of August 13, 1951 in justification of the government participation in question furnish no legal basis for disregarding the express terms of Article 10 of the contract and section 12(d) of DMA Regulation MO-5 prohibiting such participations. In view thereof, it is requested that the legal authority for the payment covering work or costs incurred before the date of the contract be furnished.

Yours very truly,

/s/ James H. Rogers

James H. Rogers
Supervisor

JHR:hc

1 and 1

FILE COPY
SURNAME:

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

BW

Keating
Inverson
Selfridge
Jefferson

MAR 17 1953

Mr. W. H. King, Executive Officer
DMA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA I and IA
Chief Consolidated Mining Co.
Eureka, Utah
Contract No. Idm-84 (Lead-Zinc)

J.C. 3/17/53

Dear Mr. King:

This refers to the request by the Operator for an amendment to the above-cited contract which involves the question of a proper method of settlement regarding the Government's equity in electrical and pumping equipment installed in the shaft at a reported cost of $231,420.00. There has also been a dispute as to the payment of royalty by the Operator on ore extracted below the 2,450-foot level south of the Leadville Fault.

In a telephone conversation January 2, 1953, with Mr. Keating of the Base Metals Division you informed him that the matter of royalty was resolved since the Operator had agreed to the payment of royalty on ore produced from 2,450 level block south of the Leadville Fault.

There remains the question of the disposition of the cost of the electrical and pumping equipment. On Friday January 15, 1953, Mr. East was in Washington and thoroughly discussed the problem with Mr. Keating. Mr. East urged that no further action be taken until a conference could be arranged with the Chief Consolidated principals early in February, at which time he believed he could settle the matter and submit an acceptable plan to this office.

Since the controversy is one of long standing and having had no further word from you, we will appreciate attention to this matter at your early convenience.

Sincerely yours,

George E. Selfridge (246)
Chairman, Operating Committee

APPROVED:

Joe E. Kluegos (246)
Member, Bureau of Mines

A. R. Kinkel, Jr. (246)
Member, Geological Survey

AGKeating/hmj
(written 3-11-53)
CC to: Docket
Adm. R. File
Op. Committee
Base Metals Division
Mr. Kinkel
Mr. Bishop
Mr. Keating
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

March 16, 1953

Air Mail

Memorandum

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 18 1953

To: C. O. Mittendorf, Administrator, DMEA

From: Regional Director, Region IV

Subject: Chief Consolidated Mining Company, Docket No. 1 and 1A, Contract No. E4.

Under date of July 3, 1952, T. H. Brading, Auditor, submitted to Jay L. Chambers, Chief, Contract Administration and Audit Division, the audit report and certificate on Chief Consolidated Mining Company, Contract No. E4, Docket No. 1 and 1A. Mr. Brading was advised to recall all copies, and they are now held in his office.

It is our understanding that it was ruled that your office was to secure a ruling by the General Accounting Office regarding equipment that was purchased before the date of the contract. It is also our understanding that the Legal Department has ruled that these purchases were in line because of verbal arrangements made by the Administrator at that time, James Boyd.

W. H. King and myself plan to go to Salt Lake City regarding the disposition of the pumping, electrical, and other equipment purchased under the contract, as instructed in your various letters and before going, it is requested that you forward us a ruling of the General Accounting Office regarding this contract. It is requested that you expedite this ruling asmuch as possible, so that Mr. King and myself may complete that phase of the contract. I would like to be in a position to discuss it with you while at the Regional Directors' conference in Washington April 13-18.

J. H. East, Jr.

J. H. East, Jr.

Copy to: J. H. Hedges

CONTRACT I-DMA-E4
DOCKET 1 and 1A

CHIEF CONSOLIDATED MINING COMPANY

Correspondence relative to disposal of equipment

March 16, 1953

Air Mail

Memorandum

To: C. O. Mittendorf, Administrator, DMEA

From: Regional Director, Region IV

Subject: Chief Consolidated Mining Company, Docket No. 1 and 1A, Contract No. E4.

Under date of July 3, 1952, T. H. Brading, Auditor, submitted to Jay L. Chambers, Chief, Contract Administration and Audit Division, the audit report and certificate on Chief Consolidated Mining Company, Contract No. E4, Docket No. 1 and 1A. Mr. Brading was advised to recall all copies, and they are now held in his office.

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W. H. King and myself plan to go to Salt Lake City regarding the disposition of the pumping, electrical, and other equipment purchased under the contract, as instructed in your various letters and before going, it is requested that you forward us a ruling of the General Accounting Office regarding this contract. It is requested that you expedite this ruling as much as possible, so that Mr. King and myself may complete that phase of the contract. I would like to be in a position to discuss it with you while at the Regional Directors' conference in Washington April 13-18.

J. H. East, Jr.

May 14, 1952

Memorandum

To: C. O. Mittendorf

From: Regional Director, Region IV

Subject: DMA Docket No. 1 & 1A (Lead-Zinc) Chief Consolidated Mining Company, Exploration Project Contract Idm-E4.

We are returning to you as promised your letter dated April 28, regarding the Chief Consolidated Mining Company. The copy of your letter was given to Mr. Chambers while here on his recent visit. We are not retaining any copies of this letter in our files.

J. H. East, Jr.

Enclosure

JHE:ftm

DMA File

May 14, 1952

Mr. Cecil Fitch, Jr.
Vice President and General Manager
Chief Consolidated Mining Company
608 Dooly Building
Salt Lake City, Utah

Mittendorf's letter of 5-8-52 filed in East's desk

Dear Mr. Fitch:

Referring to your letter dated May 2, regarding the termination date of your contract insofar as the disposing of equipment in which the Government has an interest.

The contract terminates June 13, 1953 insofar as the Government contribution is concerned. At that time, disposal of the equipment in which the Government has an interest will be determined. The Government continues to collect royalty on the ore produced for ten years as stated in the contract.

Because of the special features connected in your contract with the Defense Minerals Exploration Administration, it seems desirable that the disposal of the equipment and its salvage value be determined by agreement considerably in advance of termination of the contract. It is probable that the Chief Consolidated Mining Company wishes to have a determination made regarding the equipment so that you can plan accordingly. It is probable that it is the best interest of all concerned to leave the pumping equipment intact in the mine, and certainly your company will be given primary consideration. Mr. King and I will come to Salt Lake City later in the summer and discuss this fully with you.

Sincerely yours,

/s/ J. H. East, Jr.

J. H. East, Jr.
Regional Director

Copy to: S. R. Wilson

JHE:ftm
DMA file

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
Washington 25, D. C.

May 8, 1952

Mr. J. H. East, Jr.
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: DMA-1 and 1A (Lead-Zinc)
Chief Consolidated Mining Co.
Exploration Project Contract Idm-E4

Dear Mr. East:

Reference is made to that part of your memorandum dated March 26, 1952, which concerns the extent to which payments should be withheld to cover the Government's equity in equipment purchased for the subject exploration project. You will recall that during your recent visit to Washington we discussed the contents of my former reply to you dated April 28 and it was agreed that you would return all copies of that letter in lieu of this reply, which will specifically relate to the matter of withholding funds, and leave the answer to the other question of method of disposal of equipment deferred until a later date.

Due to the special circumstances in this case, the instructions appearing in paragraph 5 of DMEA Circular 10, dated January 2, 1952, are hereby waived. Accordingly, for the time being, you are hereby authorized to continue to make payment for approved vouchers without regard to the retention of sufficient funds to cover the Government's equity in the cost of the equipment.

In the meantime it is suggested that you endeavor to make a determination as to the probable salvage value of the equipment upon the termination of the exploration contract, and to undertake discussions with the operator with the hope of arriving at an equitable arrangement for his acquisition of the Government's interest therein.

Upon examination of the docket in this case I note that as of February 29 there had been a total of $141,681 of Government funds expended on the project, and that there was an unexpended sum of $90,029 allocated for the work. I also note that the Government's

share of the cost for the months of January and February averaged about $4,000 per month. The average monthly rate of Government contribution, when considered along with the unexpanded balance of $90,000 would indicate that an additional 22 months would be required before the approved funds were exhausted. Expressing the situation differently, it would appear that the exploration work must be performed at an average rate of $5,600 per month (Government participation) in order to complete the project within the 16 months which are remaining under the contract beginning with March 1, 1952. (This statement presumes, of course, that the forecast of unit costs and progress are being attained.)

It is readily apparent that when we consider the Government's share of the equipment cost of about $120,000 as having a salvage value of 50 percent, for instance, that in order to protect the Government's equity as outlined in DMEA Circular 10, it would be necessary to withhold payment for vouchers for a period of 12 months at an estimated monthly rate of $5,000. It also appears that such a long period might result in hardship on the operator.

Should we adopt a policy similar to that which appears in Article 8 of the new contract form MF-200, the maximum sum to be withheld would be in the order of $23,000, or approximately equivalent to the Government's participation in the last four months' costs of operation. All of this seems to point up the urgency to give immediate consideration to the probable salvage value of the equipment and to arrive at some tentative agreement with the operator as to how he proposes to acquire the Government's equity.

It is suggested that your engineers and our auditors explore the matter with the operator during the audit which is planned to be undertaken shortly.

Your comments will be appreciated.

Sincerely yours,

C. O. Mittendorf

Acting Administrator
Defense Minerals Exploration
Administration

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Mines

1600 East First South Street
Salt Lake City 1, Utah

May 6, 1952

Memorandum

To: W. H. King, Acting Chief, Mining Division, Region IV

From: Chief, Utah-Wyoming Branch, Mining Division

Subject: DMA 1 & 1A, Contract I-DMA-E4, Chief Consolidated Mining Co., Eureka, Utah

Attached are the original and one copy of aletter addressed to Mr. John H. East, Jr., concerning interpretation of parts of the subject contract. Although the letter does not so state, I believe the company wishes to make an arrangement to retain the joint-owned equipment on the property after completion of the exploration. The company desires this in lieu of obtaining an additional loan to provide the necessary operating equipment.

/s/ Stephen R. Wilson

Stephen R. Wilson

Enclosure

CHIEF CONSOLIDATED MINING CO.
608 Dooly Building
Salt Lake City, Utah

May 2, 1952

Mr. John H. East, Jr.
Executive Officer
Field Team, Region IV
Defense Minerals Administration
224 New Customhouse
Denver 2, Colorado

Dear Mr. East:

Reference is made to our Exploration Project Contract No. I-DMA-E-4 with the Defense Minerals Administration, dated June 13, 1951, and specifically to Paragraph 6 of the contract. This paragraph provides that equipment purchased by the operator in which the Government has contributed its pro rata share as part of the cost, at the conclusion of the work the difference between the cost and salvage value shall be charged to the cost of the project to which the Government has contributed its pro rata share. It also provides that upon termination of the contract, the Government has the right to dispose of the salvage value so determined, either to the operator or others.

This paragraph of the contract is not clear to us as to whether the termination date referred to in our instance would be June 13, 1953, when the Government ceases to contribute further toward the cost of the project, or ten years from that date when the Government's lien upon the ores produced from the area developed as a result of the contract would terminate.

Your opinion in this matter will be greatly appreciated.

Yours very truly,

/s/ Cecil Fitch

Vice President and General Manager

WWW/bb

Mining Division
Region IV

April 24,1952

Memorandum

To: J. H. East, Jr., Executive Officer, Field Team, Region IV

From: Acting Chief, Mining Division, Region IV

Subject: Chief Consolidated Mining Company, DMA 1 and 1A, Contract I-DMA-E4, and United States Smelting Refining and Mining Company, DMEA 1325, Contract Idm-E237

Attached is a copy of a memorandum to C. O. Mittendorf from the Executive Officer dated March 26, 1952, regarding withholding of Government payments to cover the equity in the pumping machinery purchased by the Chief Consolidated Mining Company under Contract I-DMA-E4, Docket 1 and 1A. Also attached is a copy of a memorandum to C. O. Mittendorf from Regional Director regarding ore discovery at the Chief Consolidated Mining Company, Contract I-DMA-E4, Docket 1 and 1A.

The Executive Officer also wrote a memorandum to C. O. Mittendorf on March 24, 1952, regarding approval of the subcontract between the United States Smelting Refining and Mining Company and Brannan and Patten. We have not received any advice regarding the approval of this subcontract under Contract Idm-E237, Docket 1325X. Three copies of a request from the United States Smelting Refining and Mining Company for an amendment to Contract Idm-E237, Docket 1325X were sent to you in Washington on April 8, 1952 to be submitted to the Acting Administrator for decision. To date we have received no reply from the Acting Administrator.

We would appreciate your expediting decisions on the above questions.

/s/ W. H. King

W. H. King

Attachments
JFS:ld
cc: Contract E4
Contract E237
Chron.
Koschmann

224 New Customhouse
Denver 2, Colorado

March 26, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: DMA 1 and 1A, Contract I-DMA-E4, Chief Consolidated Mining Company

MF-104 reports and supporting data which have been submitted by the Chief Consolidated Mining Company for work under Contract I-DMA-E4 were forwarded to the Secretary to the Operating Committee under our memorandum dated March 20, 1952.

With reference thereto we will appreciate it if a review of the early reports be made by your office and a determination made as to the disposition of the electrical and pumping equipment which was purchased under the contract for installation as a part of the pumping system.

At the completion of the contract will the equipment, electrical and pumping, be disposed of at its salvage value or will the disposal be by some other method? Also, are we to hold back sufficient payments to cover the government equity as provided in the new contract form? If we are to hold back payments of MF-104, it must start soon. If you waive this procedure, will you kindly give us our instructions in writing?

J. H. East, Jr.

FILE COPY
500 SURNAME:

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

Center
Selfridge
Hoffhurst

Memorandum

To: Administrator N.S. in P.R.

From: Acting Chief, Base Metals Division

Subject: Chief Consolidated Mining Company Docket No. MA-1 and 1A

In a teletype received in this office January 5, 1953, W. H. King informed us that Jack East would be in Washington on January 13 and that he wished to confer with us regarding an application for an amended contract applied for by the above-cited company. Mr. King requested that we defer action in this matter until the arrival of Mr. East.

In the telephone conversation of January 2, King stated that the question of royalty on ground below the 2,450-foot level south of the Leadville fault which had been in dispute was now resolved and the company agreed to the payment of royalty on ore produced from this block. He further stated that he believed that the matter of Government equity in the pump and electrical installations in the shaft, valued at $231,420.00, installed prior to the execution of the contract, could be satisfactorily arranged and that he and Mr. East would negotiate a settlement and submit it to us.

Responding to the teletype request of King, we prepared a teletype to him for your signature stating that we would await the arrival of East.

On the evening of January 15 the writer was able to reach East and request him to call at this office regarding the matter. A conference was held and in brief East very strongly urged that nothing be done about an amended contract until he and King, accompanied by several of his engineers, could hold a conference with the Chief Consolidated principals. He stated that he would do this as early as possible and he believed that he could settle the matter and submit an acceptable plan. He stated that he wished to have the leverage of the fact that we had not approved of the amended contract, for he believed that this would be of great help to him in negotiating a settlement.

In a memorandum dated January 2, the writer informed you that this office would go ahead and prepare a proposed contract subject to further discussion. A rough draft was drawn of a proposed amended contract by rewriting the original contract and transferring it to the

short form. Due to the technicalities involved this was difficult to do unless the item of the equity in the pumping equipment was included. It was, of course, possible to prepare a contract on the long form, itemizing the work to be done on a unit basis, but again the question of the inclusion of the pumping equipment arose. The third method would have been to simply amend the present contract in conformity with the request of the Operator, leaving the question of the equity in the pump to work out as it would.

On Friday, January 16th, a conference regarding the situation was held in the Chief Counsel's office with Mr. Hofflund, Mr. Johnson, Mr. Selfridge and the writer present. After a thorough discussion of the matter, it was decided to recommend to you that a final decision regarding our approval of an amended contract in this case be deferred until Jack East has submitted a plan of settlement resulting from his negotiations with the Chief Consolidated Company.

A. G. Keating, Acting Chief
Base Metals Division

AGKeating/bjl/hmj
1-19-53
CC to: Docket
Adm. Reading File
Op. Committee
Base Metals
Chron

FILE COPY
SURNAME:

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

DMEA — Base Metals Div.

3669

AGKeating/hil
2616
Keating

January 5, 1953

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

Reurtt Chief Consolidated Contract No. Idm-E1 and 1A. We approve waiting further action pending arrival of East January 13.

C. O. Mittendorf

C. O. Mittendorf

N.S
R+R.

Copy to: Docket
Admr. R. File
Op. Committee
A. G. Keating
Base Metals Div.
Chron.

SENT
JAN 6 53
Central Service Section

A. George Keating
January 2, 1953
3:45 P.M.

DEPARTMENT OF THE
Defense Minerals Administration
RECEIVED
JAN 5 1953

DN 235 BUREU MINES 1-2-52XX53 1-40 PM

A GEORGE KEATING
ACTING CHIAF, BASE METALS DIV.
DEFENSE MINRERALS EXPLORATION ADMINISTRATION

CHIEF CONSOLIDATED CONTRACTS IDME-1 AND 1A WERE DISCUSSED WITH REGIONAL DIRECTOR J H EAST, JR. IN CONNECTION WITH OUR TELEPHONE CONVERSATION JANUARY 2,1953. EAST WAS EXECUTIVE OFFICER FOR REGION IV WHEN THESE CONTRACTS WERE PREPARED. WE STRONGLY RECOMMEND THAT EAST DISCUSS THSEXXX THESE CONTRACTS WITH YOU AND MITTENDORF BEFORE THE CHIEF CONSOLIDATED COMPANY IS CONTACTED. EAST WILL BE IN WASHINGTON JANUARY 13, 14, AND 15.

W H KING

Denver, Colo.

JAN 5 8 39 AM '53
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

January 2, 1953

Memorandum

To: Administrator

From: Acting Chief, Base Metals Division

Subject: Bunker Hill & Sullivan Mining & Concentrating Co.
DMEA-2764
Chief Consolidated Mining Company DMA I and IA.

For your information this office has prepared the initial draft of a proposed contract for Bunker-Hill and it is now being typed. The writer, together with the commodity members are of the opinion that the exploration program should also include work to explore the Alhambra Fault. The Applicant states that they will be very pleased if they can do that. They will furnish description of this work accompanied by maps.

In conference with Chief Counsel, it was thought best to transfer Chief Consolidated present contract to Short Form with special provisions regarding repayment for equipment (Pumps) etc. put in contract.

In a phone conversation today, with W. H. King, Denver, he said that the matter of royalty on all ground, as stated in initial contract, has been settled, no further thought need be given it. Re repayment of equipment - East and King will arrange a satisfactory plan of settlement and submit it to us. J. H. East plans to arrive In Washington January 13th to be here several days and will be prepared to propose definite plans agreeable to the Operators to settle case. In the meantime, we will go ahead and prepare a proposed contract.

A. G. Keating, Acting Chief

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

December 30, 1952

Memorandum

To: George Keating, Base Metals Branch, DMEA

From: O. M. Bishop, USBM and A. R. Kinkle, USGS

Subject: Docket No. DMEA-1 and 1A, Contract Idma-E4, Chief Consolidated Mining Company, Juab and Utah Counties, Utah. Request of November 4, 1952 for five amendments

We have reviewed the request of the Chief Consolidated Mining Company of Salt Lake City in which the company asks for five amendments to Contract 1-DMA-E4 dated June 13, 1951.

The amendments with our comments follow:

1. Extend the existing 2-year contract by seven months, so as to expire January 13, 1954 rather than June 13, 1953.

This amendment is recommended by the field team. We concur in recommending the extension as the delays which make the extension of time necessary were unforeseeable and beyond the company's control.

2. Increase total estimated cost of project to cover increased labor, power and supply costs that have resulted since date of application November 3, 1950. Estimates used in contract were $30.00 per foot for drifting and raising and $350.00 per foot of winze sinking as compared to present estimates of $33.56 and $401.70, respectively.

This amendment was recommended by W. E. Young, the examining engineer and is recommended with some modifications by the field team executive officer, W. H. King. Telephone conversations with King should clarify his statement. In principle we agree that the amendment should be allowed so that actual costs will be borne by the contracting parties in the ratio originally agreed

upon. There might well be advantages in changing to the short form contract and if the Government has suffered inequities under the previous agreement the amendment should be worded to correct them.

3. Government participate in retroactive wage payments amounting to a total of $5,256.87.

The Government's share would be limited to the percentage of the cost provided for in the contract. The field team recommends this as fair and equitable and we recommend it.

4. This amendment requests a sump and pump station at the 3,100 level station with the Government participating in 50 percent of the total cost, estimated at $20,482.50.

The field engineer and field team recommend inclusion of this amendment as a necessary element in the safe prosecution of the drifting on the 3,100 foot level. We concur with their judgement in the matter.

5. This amendment provides that the Government participate in 50 percent of the winze costs in lieu of the 25 percent now stipulated in the contract.

Originally the Government took the position that a 2-compartment ~~raise~~ winze was adequate for exploration, that it would pay 50 percent of such costs or 25 percent of the cost of a 4-compartment ~~raise~~ winze such as the company proposed. This was agreed to by the company. The company subsequently arranged the compartments so that they were able to sink a 3-compartment winze under the conditions encountered, but Government participation remained on a 25 percent basis. The company maintains that the 3-compartment winze is the minimum winze that can be sunk and that therefore it should not be considered as being in part for development purposes, but rather the whole cost should be considered as exploration. The examining engineer, Mr. Young, agrees that safety of the winze crew requires a minimum of 3 compartments, and that it is impossible to safely sink a 2-compartment winze. The field team members, Mr. King of the U. S. Bureau of Mines, and Mr. Morris of the U. S. Geological Survey, make no recommendation on amendment 5, but suggest that it be determined at the Washington level.

It is our opinion that $401.70 per foot is too costly to be called solely exploration, and that many elements of the winze

are designed for production and will be so used and that therefore the cost should not be borne equally as is requested, but rather at the present ratio as was earlier determined and agreed upon.

O. M. Bishop

O. M. Bishop, USBM

A R Kinkle

A. R. Kinkle, USGS

FILE COPY
500
SURNAME:

Keating

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

December 23, 1952

M. S. in R. & R.

Mr. Cecil Fitch, President
Chief Consolidated Mining Co.
608 Dooly Building
Salt Lake City, Utah

Re: Docket Nos. MA-1 and 1A
Contract No. I-MA-24
Eureka, Utah

Dear Mr. Fitch:

This will acknowledge receipt of your recent letter addressed to Mr. C. O. Mittendorf in which you request that the above-referenced contract be amended.

Your request has been referred to the Base Metals Division, and you can be assured that it will receive prompt attention.

Sincerely yours,

/s/ A. G. Keating
(Sgd)

A. G. Keating, Acting Chief
Base Metals Division

BJLackhoff/hmj
(12-23-52)
CC to: Adm. Reading file
Op. Committee
Mr. Keating (2)
DocKet

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

800

Memorandum December 17, 1952

To: Administrator

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

Subject: Proposed Letter to East Re Chief Consolidated Mining Co., Docket DMA-1, Contract Idm-E4

In my opinion the approach in the Chief Counsel's proposed letter re the above-cited project does not express the principle of settlement which should be used in dealing with a project which has met the requirements of certification of a discovery or development. It is my understanding that at one time the lawyers for Chief Consolidated took the position that on a certified project there should be no settlement of joint-owned equipment, but that the entire cost of such equipment should become a receivable for the Government payable by the Company by royalties established in the project contract (applicable, of course, to equipment which will be used in mine operations). I believe that this position is the correct one and that we should notify Chief Consolidated that we expect payment for the entire amount of money expended on their project provided the royalties over the next ten year period are adequate.

All our settlements of joint-owned equipment in the past have been based upon equipment that would not be used in operating the mine. I believe the contract itself supports the contention that on a certified project the entire cost of the contract including the cost of equipment is payable from royalties.

Attachment

Of course — less any cash previously received from sale of equipment — J.L.C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

224 New Customhouse
Denver 2, Colorado

WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 8 1952

December 3, 1952

Memorandum

To: C. O. Mittendorf, Administrator, Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMA 1 and 1A, (Lead-Zinc) Contract I-DMA-E4, Chief Consolidated Mining Company, Juab and Utah Counties, Utah - Operator's request for Amendments to Contract I-DMA-E4

Enclosed are ~~four~~ 5 copies of the following matter which are forwarded for your consideration and appropriate action.

1. Request from the operator for Amendments to the subject contract.

2. Memorandum Report, pertaining to the requested Amendments, from W. E. Young, inspecting engineer, to S. R. Wilson, Chief, Utah-Wyoming Branch, Mining Division.

3. Letter of transmittal, with comments, from the Chief, Utah-Wyoming Branch, Mining Division, to W. H. King, Acting Chief, Mining Division, Region IV.

There follows our comments and recommendations concerning the requested Amendments in the order listed by the Operator.

Amendment No. 1

To extend completion time seven months: Recommended as necessary.

Amendment No. 2

To increase the total estimated cost of the project to absorb retroactive pay, and increased costs of labor, power and supplies, which are now higher than the prices used as a basis for the original estimate of costs when the contract was prepared. There follows a schedule which shows the comparison and the additional funds involved.

As of 9-22-52 Operator has expended $161,221.46 under terms of contract date June 13, 1951 - for 24 months

Work Category	Estimated Cost per ft. Used in Contract	Revised Estimated Cost per ft.	Increased Cost per ft.	Footage to be Completed	Funds Involved	Government Participation
Drifts & Raises	$ 30.00	$ 33.56	$ 3.56	3,300	$11,748.00	$5,874.00
Winze Sinking	350.00	401.70	51.70	323	16,699.10	4,174.77
				Total -	28,447.10	$10,048.77

MF-104 Reports submitted by the operator indicate that 1963 feet of drifts and raises cost $32.60 per foot and that 77 feet of winze sinking cost $458.69 per foot.

The request for an increase in the total estimated cost of the project appears to be justified, however, it is recommended that the contract be amended to the short form (MF-200A) and payment be on a unit foot basis at $30.00 per foot for drifts and raises, and 50% of $360.00, or $180.00 per foot for winze sinking. By establishing the rate at 50% of $360.00 per foot the Government would be participating in 25% of the full rate to conform with the percentage of Government participation stipulated in the original contract. The reduced figure per foot is recommended to compensate for the lack of Government equity in equipment or unexpended material which might be purchased for use where reimbursement is on a unit cost basis instead of a cost incurred basis.

Amendment No. 3

Request that the Government participate in retroactive wage payments covering the period from July 1, 1951 through June 30, 1952, amounting to $2407.66: It appears that the Government is obligated to participate in the costs incurred, therefore the amendment is recommended.

Amendment No. 4

Request for authorization to construct a sump and pump station at the 3100 level. Total estimated cost $20,482.50, Government participation $10,241.25 - This is recommended by the inspecting engineer as a necessary facility for the safety of the operation. We concur in the engineers recommendation.

Amendment No. 5

Request that the Government participate 50 percent in the cost of winze sinking in lieu of the 25 percent participation stipulated in the contract: The large size winze is well justified, however, it appears that the increase in Government participation is no more justifiable now than when the original contract was negotiated. Therefore, we leave this matter open for the consideration of those who made the original decision as to the limitation of 25 percent Government participation.

We further recommend that prior to amending the contract to authorize additional work or additional funds that a settlement should be negotiated

regarding the amount of Government equity in equipment and unexpended material that has been purchased to date under the present contract. By effecting the settlement prior to amending the present contract the amount of such settlement, credited to the total project costs to date, will automatically reinstate a considerable amount of the total funds originally allocated to the project and which will be available for reallocation to other expenditures.

W. H. King

W. H. King

Enclosures

Exhibit "A"

Summarized Statement of Costs, due to amendments to Exploration Contract, Docket No.'s 1 and 1-A, 1-DMA-E-4, Dated June 13, 1951.

Amend. No. 1 - Extension of Contract - 7 months to Jan. 13, 1954.

Amend. No. 2 - 3,100 ft. level drift - Uncompleted footage - 3,300 ft.

Revised cost at $33.56	Total D.M.A. funds required	D.M.A. funds unspent	Additional funds required
$110,748.00	$55,374.00	$49,500.00	$5,874.00

Amend. No. 2 - 18-411 Winze shaft. Uncompleted footage - 323 ft.

Revised cost at 3/4 of $401.70 - $301.29 per ft.	Total D.M.A. funds required (50%)	D.M.A. funds available	
$97,316.67	$48,658.33	$28,262.50	$20,395.83
Total additional funds required			$26,269.83

Amend. No. 3 - Retroactive wage increases due, account of new wage schedule.

	Total	Participation
Project No. 1 - 2,700 ft. level exploration -	$4,373.78 -	$2,186.89 (50%)
Project No. 1-A - 18-411 shaft exploration -	883.09 -	220.77 (25%)
Total Retroactive Wages due	$5,256.87	$2,407.66

Amend. No. 4 - 3,100 ft. Level Pump Station & Emergency Sump.

	Total	Participation
1. Pump Station - 12,000 cu. ft. - @ 70¢ per cu. ft. and materials	$8,582.50 -	$4,291.25 (50%)
2. Emergency Sump - 17,000 cu. ft. @ 70¢ per cu. ft.	11,900.00 -	5,950.00 (50%)
Total cost	$20,482.50	$10,241.25

Summary	Total additions to Government share
Amendment No. 1	none
Amendment No. 2	$26,269.83
Amendment No. 3	2,407.66
Amendment No. 4	10,241.25
Total requested in additional funds	38,918.74
Amount allowed under original contract ..	231,710.00
Total amount of New Contract	270,628.74

S. R. Wilson November 12, 1952

W. E. Young

DMEA-1, Contract Idma-E4, Chief Consolidated Mining Co., Eureka, Utah.
Request for five amendments to contract

Amendment No. 1

It is requested that the contract time limit be extended from June 13, 1953, to January 13, 1954, an extension of 7 months. This request is reasonable in that the company has been forced to stop operations under contract due to reasons beyond their control. No additional costs are incurred.

Amendment No. 2

A request that the contract be amended to increase the estimated cost per foot to cover the wage and supply cost increases that have occurred since contract agreement of June 13, 1951. It appears that these percentage increases have been carefully worked out to cover the increased costs which have occurred. Costs per foot for work done in the past have closely approximated the engineering department's original estimate on drifting. Shaft sinking did not reach the stage where a reasonable figure regarding cost per foot could be established. However, enough was done to indicate costs would be close to the engineer's original estimate. If this is the case, the percentage increase should be justifiable. The total increase in costs resulting from this estimated percentage of increase per foot would be $28,447.08. This is for all contract work, drifting, raising and sinking. The Government's proportionate share of this increase would be $10,048.77. This is based on 50 percent participation for drifting and raising and 25 percent participation for shaft sinking. If amendment No. 5 is granted, additional costs on 50 percent participation for shaft sinking are included under that amendment.

Estimated increases have been carefully worked out and appear reasonable. Granting of the amendment is justifiable.

Amendment No. 3

A request that the contract be amended to permit the Government to pay their proportionate share of a retroactive labor increase incurred as a result of labor agreements entered into between the company and the union.

Exhibits have been carefully prepared showing the increased costs which have accrued as a result of these retroactive agreements. There can be no doubt that costs to the company were increased in the amounts shown for work done under DMEA contract. However, it is questionable whether this contract can be legally amended to assume costs contracted in agreements between third parties involved without the knowledge or consent of the Government. This request will likely be denied.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 1, UTAH

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 8 1952

November 21, 1952

Memorandum

To: W. H. King, Acting Chief, Mining Division, Region IV

From: Chief, Utah-Wyoming Branch, Mining Division

Subject: DMEA-1 and 1A, Contract Idma-E4, Chief Consolidated Mining Co., Juab and Utah Counties, Utah. Operator's request for amendments to existing contract.

Enclosed are the original and 5 copies of information submitted by the subject company requesting amendments to the existing contract, Idma-E4. The inspecting engineer, W. E. Young, has investigated the amendment proposals. His comments have been listed in a memorandum dated November 12, 1952, copies of which are attached.

Amendment request No. 1 asks approval of contract extension to January 13, 1954, an increase of 7 months over the existing date, June 13, 1953. This is a reasonable request in view of recent labor difficulties.

Amendment request No. 2 concerns a desired increase in the estimated contract costs to cover recent increases in costs of labor, materials, and supplies. Company calculations show an estimated increase of $10,048.77 in funds to be supplied by DMEA. This figure is based on 50 percent participation by the Government in drifting and raising and 25 percent participation in winze sinking. Amendment request No. 5 asks for 50 percent Government participation in winze sinking to replace the present 25 percent. Additional cost of this work is included under No. 5 request.

No. 3 amendment request pertains to retroactive wages for miners as a result of an agreement negotiated with the controlling union. The agreement provides retroactive pay increases from July 1, 1951, to the date of agreement, September 2, 1952. The company asks Government participation in the retroactive payments, based on work performed under the contract from July 1, 1952, to the date of recessing the project, June 30, 1952. This amount is $2,407.66, as determined by the operator.

Proposed amendment No. 4 requests a total of $20,482.50 to provide a sump on the 3,100-foot level. Requested Government participation on a 50 percent basis is $10,241.25. A sump on this level is considered necessary for safety of the men working on the level, as amply demonstrated in sinking the winze below the 2,700-foot level. Power failure presented an extremely hazardous condition.

Proposed amendment No. 5 requests that Government participation in the cost of sinking a winze from the 2,700 to the 3,100-foot level be increased from 25 to 50 percent. The present contract stipulates participation only on a 25 percent basis. The questions of the number of shaft compartments and the total equipment installed were considered in permitting Government participation, as shown in the contract.

It seems advisable to review the existing terms of the contract and amendments, together with the results obtained by completed exploratory work, to properly appraise the present amendment requests. This review should include agreement concerning jointly owned equipment present on the property.

Stephen R. Wilson

Stephen R. Wilson

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
1600 EAST FIRST SOUTH STREET
SALT LAKE CITY 1, UTAH

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 3 1952

November 21, 1952

Memorandum

To: W. H. King, Acting Chief, Mining Division, Region IV

From: Chief, Utah-Wyoming Branch, Mining Division

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It seems advisable to review the existing terms of the contract and amendments, together with the results obtained by completed exploratory work, to properly appraise the present amendment requests. This review should include agreement concerning jointly owned equipment present on the property.

Stephen R. Wilson

Stephen R. Wilson

12/3/52 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

November 25, 1952

Memorandum

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 28 1952

To: C. O. Mittendorf

From: Regional Director, Region IV

Subject: DMEA Circular 10, Supplement 1

I was very much interested in DMEA Circular 10, Supplement 1, regarding the word "unexpended" which states in effect that if track or pipe has been installed underground and it would cost more to take it out than we can obtain by sale, that the Government's equity can be waived. This immediately brought to my mind the case of Chief Consolidated, where the Government has an equity in pump installation and which Mr. King and myself will be required to negotiate with the owners regarding the disposal of the equipment before the end of the expiration contract.

By literal interpretation of the amendment mentioned above, if the cost of removal plus the cost of sale expense is more than the salvage value of the equipment, that the Government's equity can be written off. This equipment is of little value to any one except the company. The cost of removal will be tremendous, and we would like to have you advise us the action you recommend in light of Frank E. Johnson's letter of November 17 addressed to Mr. King regarding Nash Mines, Docket No. DMEA-2234, Contract No. Idm-E317.

J. H. East, Jr.

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., TREASURER
W. W. WATSON, SECRETARY
AUDREY L. CHRISTENSON, ASST. SECTY.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

November 4, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 8 1952

Mr. C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
Washington 25, D. C.

Dear Mr. Mittendorf:

This is a request for your consideration of five proposed amendments to this Company's exploration project contract, Docket Nos. 1 and 1A, I-DMA-E4, dated June 13, 1951.

The following amendments are requested:

AMENDMENT NO. 1

Extend the present two year contract for a period of seven months from June 13, 1953, the present date of expiration, to January 13, 1954.

AMENDMENT NO. 2

Revise prospectively the allowable costs in which the Government is participating to include increases in cost of labor, material and power that have resulted since November 3, 1950, the date of our original application for Government assistance.

AMENDMENT NO. 3

Amend the contract to permit the Government to pay retroactive to July 1, 1951 additional labor costs resulting from a retroactive provision contained in a labor contract negotiated September 2, 1952.

AMENDMENT NO. 4

Amend the contract to include a provision allowing the Company to construct a sump and pump station at the proposed bottom of the 18-411 winze shaft (3100 ft. level) with 50% Government participation in the cost.

AMENDMENT NO. 5

Amend the contract to permit the Government to participate in the costs of sinking the 18-411 winze-3 compartment shaft to the extent of 50% instead of 25% as now provided for.

JUSTIFICATION FOR THESE REQUESTED AMENDMENTS TO THE CONTRACT FOLLOWS:

AMENDMENT NO. 1

Additional cost to the Government..... Nothing

During May, 1952 we were forced to discontinue work on the exploration project due to the depressed market price for both lead and zinc metals which would not permit us to make a profit from our operations with which we could finance our share of the exploration project costs. We do not have sufficient working capital that had been retained from previous profits and could be used for this purpose. A strike occurred at our properties on June 25, 1952 and continued until September 2, 1952. During this period all of our operations ceased, but we did keep the Chief No. 1 Mine partially dewatered during the entire period of the strike. The cost to us for disposal of water and maintenance of technical staff during the period of the strike approximated $70,000.00. Further reductions in the price paid the Company for its metals has prevented us from resuming both the exploration project and full scale production from our properties. We hope to be able to finance our share of the exploration project and resume this part of our operations in the near future. Obviously, we cannot complete the exploration project within the time limits set by the contract, and therefore, request an extension of the contract for a period of seven months.

AMENDMENT NO. 2

Total Cost of Amendment (See Exhibit "A")..... $28,447.08

Additional Cost to the Government (See Exhibit "A"). $10,048.77

On September 2, 1952 we concluded a labor contract agreement with the United Steel Workers of America, C.I.O. This contract is now before the Wage Stabilization Board at Denver, Colorado for approval, because the petition for approval establishes a tandem relationship with other mines in the area who have concluded similar wage settlements, and who have already received Wage Stabilization Board's approval, we feel assured our petition will receive approval in the near future. The contract agreement provides for an increase in the miner's base rate of pay per 8-hour shift from $12.05 to $14.16 or an increase of 17.49%. The Utah State Public Service Commission recently granted the power company from whom we purchase electric energy an increase in the rates for their services, which, in our instance, will increase our purchased electrical power costs slightly in excess of 4%. The estimates of the cost of our exploration project were made prior to November 3, 1950, the date of our application for Government assistance. Since that time certain increases in prices of material and supply items have either occurred or are definitely anticipated as a result of recent price increases granted to the steel companies by the Office of Price Stabilization. The effect of these increases in our exploration project cost is outlined in Exhibit "A" and supporting Schedules 1 and 2.

AMENDMENT NO. 3

Total Cost of Amendment (See Exhibit "B")..... $ 5,256.87

Additional Cost to Government (See Exhibit "B")..... $ 2,407.66

A labor contract negotiated with the United Steel Workers of America, C.I.O., effective September 2, 1952 provides that the wage increases negotiated therein be paid retroactively to July 1, 1951. The new wage scale provides for an increase in the miner's base wage rate per day of 8 hours from $12.05 to $14.16, or 17.49%. The increase in costs of that part of our exploration project which were performed prior to September 2, 1952 resulting from this retroactive wage increase are outlined in Exhibit "B" and supporting schedules attached hereto.

AMENDMENT NO. 4

Total Cost of Amendment (See Exhibit "C")..... $20,482.50

Additional Cost to Government (See Exhibit "C")..... $10,241.25

Our original application provided for the excavation of a sump and construction of a pump station on the 2700 ft. level; cost of which was provided for in the exploration contract. Tests were conducted after the construction was completed and revealed that in case of power or other failure, the volume of water contained in the 3 - 400 ft. 12" pump columns together with the normal flow of water from the 2700 ft. level was sufficient to fill the total reservoir capacity and would allow men working in the 18-411 shaft only 12 seconds time in which to escape. Enlargement of this sump on the 2700 ft. level to permit an adequate time safety factor was immediately commenced and completed at Company cost. A similar condition will exist on the 3100 ft. level when the 18-411 shaft has been completed and drifting operations on the 3100 ft. level commenced. This amendment provides for Government participation in the cost of this addition to the original project. We, therefore, in further justification, refer you to Exhibit "D", our Engineering Department's report on the need for this additional facility, also to Exhibit "C", Detail Cost Statement of the proposed addition, and Exhibit "E", Drawing giving the plan and section of the proposed excavation.

AMENDMENT NO. 5

Additional Cost to the Government (See Exhibit "H").. $39,395.54

In our original application for Government assistance we requested the Government to participate to the extent of 50% in the estimated cost of sinking a four compartment shaft an additional 400 feet at our 18-411 winze. The Government advised that under the regulations implementing the Defense Production Act of 1950, they could not participate to that extent in a four compartment shaft when in the opinion of the Government's examining engineers a two compartment shaft would be adequate for the proposed exploration work, and regardless of the fact that a four compartment shaft would be necessary for production. The Government, therefore, agreed to participate only to the extent of 25% of the estimated cost of the four compartment shaft. Later and

with Government consent we devised and are now sinking a three compartment shaft at no decrease in the original estimated cost.

We have never felt that the physical conditions under which this shaft would be sunk have been properly presented to and appraised by the Government's engineers. In our opinion, it would be impossible to complete either the shaft sinking or the projected exploration work on the 3100 ft. level with the facilities of a two compartment shaft. We, therefore, request you review this phase of our exploration contract with the view towards granting this amendment, and in further justification of this request, we refer you to Exhibit "F", Letter of John G. Hall, our General Superintendent, to Cecil Fitch, Jr., General Manager, dated October 27, 1952, Exhibit "G", Drawing showing the method of sinking both the original four compartment shaft and the present three compartment shaft, and Exhibit "H", Statement showing additional cost to the Government of this amendment if granted.

In support of the above proposed amendments, we feel we should call to your attention the very excellent results that have been obtained by this exploration program up to last May when we were forced to discontinue the operation due to adverse metal market prices. The exploration work performed on the 2700 ft. level resulted in opening up and verifying the existence of a continuation of the ore channels that had been cut off by an intersecting dike. Not only were substantial tonnages developed, but a distinct improvement in the average grade of both lead and zinc was encountered, to such an extent we were able to repay to the Government, under the terms of the exploration contract, a sum in excess of $14,000.00. We are now confidently able to estimate that as a result of the contemplated 400 feet of additional exploration work at vertical depth, we will open up a minimum of 400,000 tons of lead-zinc sulphide ores, and assuming an average metal price of 30¢ a pound for lead and zinc combined, we will during the next four years be able to return to the Government its entire cost of this project.

It appears evident that the present outlook for improvement in the market price for both lead and zinc is poor. Under this condition, it is impossible for us to finance our share of the exploration project from the mining and sale of ores. We do not at the moment have sufficient working capital with which to continue financing this program. Nevertheless, it is important that we resume the exploration program in the near future if our Chief No. 1 Mine is to continue to be a producer. We hope to secure additional financing soon. The alternative, of course, is to close down this part of our property indefinitely and allow the mine to flood, and in that event, the date of re-opening, if ever, would be very problematical.

I know that you will give every possible and immediate consideration towards amending our exploration project contract as we are now requesting.

With kindest personal regards,

Yours very truly

Cecil Fitch

President

CF:WWW-ac

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 8 1952

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Summarized Statement of Costs of Amendments to Exploration Project Contract, Docket Nos. 1 and 1A, I-DMA-E4, dated June 13, 1951

	Total Additional Costs	Government Proportion
Amendment No. 1	None	None
Amendment No. 2	$28,447.08	$10,048.77
Amendment No. 3	5,256.87	2,407.66
Amendment No. 4	20,482.50	10,241.25
Amendment No. 5	None	39,395.54
Total additional costs of project as provided for in these amendments	$54,186.45	
Additional funds requested from Government by these Amendments		$62,093.22

TABLE OF CONTENTS

EXHIBIT "A" - Statement showing additional funds needed to offset increased costs prospectively

Schedule 1 - Statement supporting Exhibit "A"
Schedule 2 - Statement supporting Exhibit "A"

EXHIBIT "B" - Statement showing additional funds needed to offset increased costs retroactively

Schedule 1 - Statement supporting Exhibit "B"
Schedule 2 - Statement supporting Exhibit "B"
Schedule 3 - Statement supporting Exhibit "B"
Schedule 4 - Statement supporting Exhibit "B"

EXHIBIT "C" - Engineers' determination of estimated costs of 3100 level Pump Station and Emergency Sump Excavation

EXHIBIT "D" - Engineers' report on need for 3100 Level Pump Station and Emergency Sump

EXHIBIT "E" - Drawing of Proposed Pump Station and Sump Excavation

EXHIBIT "F" - General Superintendent's Letter outlining unfeasibility of two compartment shaft for exploration purposes

EXHIBIT "G" - Drawing of Original four compartment shaft and present revised three compartment shaft

EXHIBIT "H" - Statement showing additional cost to Government of Proposed Amendment #5 to Contract

Memorandum dated January 4, 1951 from General Superintendent

Letter from James Boyd, Administrator D.M.A., dated July 11, 1951

Letter dated November 29, 1951 from Cecil Fitch, Jr., General Manager to Mr. J. H. East, Jr., Executive Officer D.M.A. Field Team

(Above all refer to Amendment No. 5)

EXHIBIT "A"

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Statement showing Additional Funds needed to offset increased cost of Drift, Raise, and Winze Shaft requested in Application for Amendment to DMA Contract I-DMA-E4, Project 1A, dated June 13, 1950

The following adjustments are requested prospectively:

3100 ft. Level Drift

Cost per foot of drift or raise allowed per Contract	$30.00	
Percentage increase in cost per Exhibit "A"- Schedule 1	11.858%	
Increase in cost per foot of requested	$ 3.56	
Cost per foot requested in Amendment to Contract	$33.56	
Uncompleted footage remaining in Contract	3300 ft.	
Revised cost if request is granted (3300 x $33.56)	$110,748.00	
Total D.M.A. Funds required (50%)	$ 55,374.00	
D.M.A. Funds required per Contract now in effect	$ 49,500.00	
Additional D.M.A. Funds requested		$5,[illegible]4.00

18-411 Winze Shaft

Cost per foot of winze shaft allowed per Contract	$350.00	
Percentage increase in cost per Exhibit "A"- Schedule 2	14.77 %	
Increase in Cost per foot requested	$51.70	
Cost per foot requested in Amendment to Contract	$401.70	
Uncompleted footage remaining in Contract	323 ft.	
Revised cost if request in granted (323 x $401.70)	$129,749.10	
Total DMA Funds Required (25%)	$ 32,437.27	
D.M.A. Funds required per Contract now in effect (323 x $350.00 x .25)	28,262.50	
Additional D.M.A. Funds requested		$4,174.77
Total Additional D.M.A. Funds requested		$10,048.77

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Determination of Increased Cost per Foot of Drift and/or Raise, giving effect to Labor, Material and Electric Power Cost Increases since November 1, 1952

(3100 ft. level drift and raise - D.M.A. Contract I-DMA-E4, Project 1A)

	Estimated Cost per Foot Nov. 1, 1950	Per Cent Increase in Cost	Amount Increase in Cost	Estimated Cost per Foot Oct. 1, 1952
Costs Contracted to Centennial Development Co.				
Labor	$ 8.00	$17.49	$1.399	$ 9.399
Supervision	.25	10.00	.025	.275
Explosives and Accessories	2.00	11.00	.220	2.220
Track and Fittings	.90	10.00	.090	.990
Pipe and Fittings	.45	10.00	.045	.495
Rubber Clothing	.15	8.66	.013	.163
Drill Steel and Bits	.40	10.00	.040	.440
Drill and Mucking Machine Parts	.10	10.00	.010	.110
Small Tools	.10	--	---	.100
Air and Water Hose	.10	--	---	.100
Timber	.50	--	---	.500
Oils	.05	--	---	.050
Ventilation Tubing	.15	--	---	.150
Taxes, Insurance, Equipment Rentals and General Expense	1.25	--	.144	1.394
Surcharge (Cost plus 10%)	1.45	--	.199	1.649
TOTAL DIRECT COSTS	$15.85		$2.185	$18.035
Costs for Services furnished by Chief Co.:				
Compressed Air	$ 1.15	$ 2.09	$ .024	$ 1.174
Steel Sharpening	.20	--	--	.200
1800 Level Tramming	1.66	14.52	.241	1.901
Main Hoist	1.94	13.61	.264	2.204
Surface Tramming	1.09	17.06	.186	1.276
18-411 Winze Hoist	1.94	13.61	.264	2.204
3100 Level Tramming	1.66	14.52	.241	1.901
Safety and Ventilation	.70	--	--	.700
Pumping	3.05	9.21	.281	3.331
Porportion Shop Overhead	.99	--	--	.990
Watchmen, Water, etc.	.35	--	--	.350
Engineering and Geology	.36	--	--	.360
Supervision	.92	10.00	.092	1.012
TOTAL INDIRECT EXPENSES	$16.01		$1.593	$17.603

SUMMARY

Total Direct Costs	$15.85		$2.185	$18.035
Total Indirect Costs	16.01		1.593	17.603
TOTAL COST PER FOOT	$31.86		$3.778	$35.638

Percentage increase in cost per foot of drift or raise 11.858%

Note: November 1, 1950 costs are engineering department's original estimate.

EXHIBIT "A" - SCHEDULE 2

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Determination of Increased Cost per Foot of Winze Shaft Sinking, giving effect to Labor, Material and Electric Power Cost Increases since November 1, 1950

(18-411 Winze Shaft - D.M.A. Contract I-DMA-E4 Project 1A)

	Estimated Cost per Foot Nov. 1, 1950	Per Cent Increase in Cost	Amount Increase in Cost	Estimated Cost per Foot Oct. 1, 1952
Costs Contracted to Centennial Development Co.:				
Labor	$203.68	$17.49	$35.624	$239.304
Supervision	6.35	10.00	.635	6.985
Explosives and Accessories	12.83	11.00	1.411	14.241
Timber, Guides, etc.	18.23	--	--	18.230
Pipe and Pipe Fittings	3.60	10.00	.360	3.960
Small Tools	2.81	10.00	.281	3.091
Drill Steel and Bits	1.37	10.00	.137	1.507
Machine Parts	.38	10.00	.038	.418
Air and Water Hose	2.40	--	--	2.400
Oils and Greases	.06	--	--	.060
Sinking Pump Parts	4.15	10.00	.415	4.565
Ventilation Tubing	.50	10.00	.050	.550
Rubber Clothing	3.25	8.66	.281	3.531
Electrical Supplies	3.38	--	--	3.380
Trigger Cable and Fittings	1.02	--	--	1.020
Miscellaneous Supplies	2.22	--	--	2.220
Taxes, Insurance, Equipment Rentals and General Expense	16.78	--	4.097	20.877
Surcharge (Cost plus 10%)	24.00	--	4.333	28.333
TOTAL DIRECT COSTS	$307.01		$47.662	$354.672
Costs for Services furnished by Chief Co.:				
Compressed Air	$3.45	$ 2.09	$ .072	$ 3.522
Steel Sharpening	.60	--	--	.600
1800 Level Tramming	4.98	14.52	.723	5.703
Main Hoist	5.82	13.61	.792	6.612
Surface Tramming	3.27	17.06	.558	3.828
18-411 Winze Hoisting	5.82	13.61	.792	6.612
Below 1800 Level Tramming	4.98	14.52	.723	5.703
Safety and Ventilation	2.10	--	--	2.100
Pumping	9.15	9.21	.843	9.993
Proportion Shop Overhead	2.97	--	--	2.970
Watchmen, Water, Etc.	1.05	--	--	1.050
Engineering and Geology	1.08	--	--	1.080
Supervision	2.76	10.00	.276	3.036
TOTAL INDIRECT COSTS	$48.03		$4.779	$52.809

SUMMARY

Total Direct Costs	$307.01	$47.662	$354.672
Total Indirect Costs	48.03	4.779	52.809
TOTAL COST PER FOOT	$355.04	$52.441	$407.481

Percentage increase in cost per foot of winze shaft sinking 14.770%

Note: November 1, 1950 costs are engineering department's original estimate.

EXHIBIT "B"

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Summary of Retroactive Wage Increases Applicable to Exploration Projects in progress from July 1, 1951 to June 30, 1952 - Projects I and IA, Contract I-DMA-E4, dated June 13, 1951

	Amount
Project I - 2700 Level Drift Exploration:	
Retroactive Wages incurred by Chief Company (Schedule 1)	$1,351.16
Retroactive Wages to be paid to Chief Company's Contractor, Centennial Development Co. (Schedule 3)	3,022.62
Total	$4,373.78
Government Proportion - 50%	$2,186.89
Project IA - 18-411 Winze Shaft Sinking:	
Retroactive Wages incurred by Chief Company (Schedule 2)	$ 820.84
Retroactive Wages to be paid to Chief Company's Contractor, Centennial Development Co. (Schedule 4)	62.25
Total	$ 883.09
Government Proportion - 25%	$ 220.77

SUMMARY

	Total Cost	Cost to Government
Total Project I, 2700 Level Drift Exploration	$4,373.78	$2,186.89
Total Project IA - 18-411 Winze Shaft Sinking	883.09	220.77
Totals	$5,256.87	$2,407.66

EXHIBIT "B" - [illegible] 1

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Statement giving amount of retroactive wages applicable to
2700 Level Drift - Project 1, Contract I-DMA-E4,
dated June 13, 1951

	Compressing	Sharpen Steel	Underground Tramming	Hoisting	Cage Riders	Surface Tramming	Direct Labor	Total
TOTAL WAGES APPLICABLE:								
1951:								
July	$ 11.03	$ 15.12	$ 57.12	$ 21.50	$ 30.33	$248.33	$ 17.08	$ 400.51
August	37.26	34.32	189.50	159.11	89.46	159.47	--	669.12
September	96.45	39.58	197.86	186.98	110.34	194.62	--	825.83
October	21.54	21.10	163.78	88.66	72.10	86.33	--	453.51
November	17.26	15.58	62.19	36.23	31.64	53.55	79.65	296.10
December	12.04	17.96	70.10	47.91	35.39	65.28	--	248.68
1952:								
January	16.58	11.58	133.61	103.93	58.72	168.38	---	492.80
February	32.87	28.02	204.39	133.86	106.80	208.22	---	714.16
March	48.23	39.54	273.14	135.12	120.70	262.51	267.90	1,147.14
April	95.32	28.72	111.43	58.86	46.45	76.38	47.56	464.72
May	70.40	28.66	[illegible]	99.05	82.31	127.71	---	585.92
June	97.84	32.98	[illegible]	143.30	112.28	166.92	---	754.85
Total Wages	$556.82	$313.16	$1,[illegible]	$1,214.51	[illegible]2	$1,817.70	$412.19	$7,053.34
Percentage Increase	17.49%	17.49%	17.49%	17.49%	[illegible]49%	17.49%	17.49%	
Retroactive Wages	97.39	54.77	322.24	212.42	156.80	317.92	72.09	1,233.63
Payroll Taxes (2.7%)	2.63	1.48	8.70	5.74	4.23	8.58	1.95	33.31
Workmen's Compensation Insurance (.06827)	6.65	3.74	22.00	14.50	10.71	21.70	4.92	84.22
Total Cost of Retroactive Wages	$106.67	$59.99	$352.94	$232.66	$171.74	$348.20	$78.96	$1,351.16
Government Proportion (50%)	$53.33	$30.00	$176.47	$116.33	$85.87	$174.10	$ 39.48	$675.58

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Statement giving amount of retroactive wages applicable to 18-411 Winze Shaft Sinking - Project 1A, Contract I-DMA-E4, dated June [illegible], 1951.

	Compressing	Sharpen Steel	Underground Tramming	Hoisting	Cage Riders	Surface Tramming	Direct Labor	Total
TOTAL WAGES APPLICABLE:								
1951								
November							$547.00	$547.00
December							909.45	909.45
1952								
January							289.87	289.87
February							1,135.34	1,135.34
March	$ 56.42	$12.52	$190.88	$94.42	$84.35	$183.45	---	622.04
April	242.42	23.74	195.83	103.44	81.65	134.23	---	781.31
Total Wages	$298.84	$36.26	$386.71	$197.86	$166.00	$317.68	$2,881.66	$4,285.01
Percentage Increase	17.49%	17.49%	17.49%	17.49%	17.49%	17.49 %	17.49%	
Rectroactive Wages	52.27	6.34	67.64	34.61	29.03	55.56	504.00	749.45
Payroll Taxes (2.7%)	1.41	.17	1.83	.93	.78	1.50	13.61	20.23
Workmen's Compensation Insurance (.06827)	3.57	.43	4.62	2.36	1.98	3.79	34.41	51.16
Total Cost of Retroactive Wages	57.25	6.94	74.09	37.90	31.79	60.85	552.02	820.84
Government Proportion (25%)	$14.31	$1.74	$18.52	$ 9.48	$ 7.95	$15.21	$138.00	$205.21

INVOICE

EXHIBIT "B" - SCHEDULE 3

Centennial Development Company

Mining Contractors and Engineers

Eureka, Utah

October 24, 1952

Chief Cons. Mining Company
608 Dooly Block,
Salt Lake City, Utah.

F2 1M 6-9-52

Account 96-E DMA - 2700 level Exploration

Additional money required, under terms of the Agreement with your company dated June 12, 1951, in order to meet retroactive payment of wages to employees who were engaged in performing development work on your 2700 level during the period July 1st, 1951 to June 25th, 1952. Such payments are due to employess under terms of an Agreement reached between our company and the United Steel Workers of America, C I O.

1278 shifts	@	2.11 per shift	2,696.58
132-7/8 shifts overtime	@	2.11 " "	140.18
			2,836.76
Workmen's Compensation Ins.	@	3.852	109.27
Social Security Taxes			76.59
			3,022.62

INVOICE

EXHIBIT "B" - SCHEDULE 4

Centennial Development Company

Mining Contractors and Engineers

Eureka, Utah

October 24, 1952

Chief Consolidated Mining Company
608 Dooly Block,
Salt Lake City,
Utah

F2 1M 6-9-52

Account 96-C DMA - 18-411 Winze Sinking

Additional money required, under terms of the Agreement with your company dated June 12, 1951, in order to meet retro-active payment of wages to employees who were engaged in sinking your 18-411 winze during the period July 1st, 1951, to June 25th, 1952. Such payments are due to employees under terms of an agreement reached between our Company and the United Steel Workers of America, C I O.,

22 shifts	@	2.11 per shift		46.42
8 "	@	1.42 " "		11.36
1 "	@	.64		.64
				58.42
Workmen's Compensation Ins. @ 3.852				2.25
Social Security Taxes				1.58
				62.25

EXHIBIT "C"

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

ENGINEERS' DETERMINATION OF ESTIMATED COST OF 3100 LEVEL PUMP STATION & EMERGENCY SUMP

SPECIFICATIONS & COST ESTIMATE:

General Information & Calculation Factors:

Water inflow	7000 gpm
2300 Main Pumping Capacity	14000 gpm
Submersible Pumps - 4-450 HP, B.J. Submersible Pumps, Capacity 3200 gpm, length overall 21 feet, motor 12 feet.	
Discharge Lines	12 inch
Line Capacity/foot	5.84 gal.
Length of Open Discharge Lines	1300 feet
Man Walking Rate (Underground)	3 mph
Geographical location of working heading in respect to shaft - 1500 ft. horizontal and 200 ft. vertical.	
Number of working personnel, 3100 Level	12 men
Hoisting Rate	4 men/cage 2 min./cage

I - PUMP STATION

A - Requirements:	Cu. Ft.
1 - Reservoir - 10 ft. x 10 ft. x 50 ft. depth	5000
2 - Overhead Room - 10 ft. x 10 ft. x 22 ft. high	2200
3 - Ditch & Operation Entry - 5 ft. wide x 10 ft. high (3 ft. below grade) x 64 ft. long	3200
4 - Pump Transfer Drift - 5 ft. wide x 15 ft. high x 21 ft. long	1575
Total	11975

B - Cost:	
1 - Excavation & Guniting @ $0.70/ cu. ft.	$ 8,382.50
2 - Materials	200.00
Total	$ 8,582.50

II - EMERGENCY SUMP

A - Requirements	Time	Gallons	Cubic Ft.
1 - Discharge Line Return	Immediate	7592	1015
2 - Escape Time from Working Face to Station	11 min.	77000	10294
3 - Hoisting Time to Safe Elevation, or Climbing Time Required	6 min.	42000	5615
4 - Personnel Reaction Time or Time required to aid injured	.....	.....	....

B - Cost:

1 - Excavating & Guniting 17,000 cu. ft. @ $0.70/cu. ft.	$11,900.00

III - SUMMARY OF COSTS:

Estimated Cost of Pump Station	$ 8,582.50
Estimated Cost of Emergency Sump	11,900.00
Total	$20,482.50

EXHIBIT "D"

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

ENGINEERS' REPORT ON NEED FOR 3100 LEVEL PUMP STATION AND EMERGENCY SUMP

Stage-pumping requirements necessary for development and mining below water table elevation, against a water inflow of 7000 gallons per minute, have been successfully designed for on the present 2700 Level Station. Using this operating experience as a design-cost guide the following proposal, for a similar installation to be constructed on the 3100 Level Station, is respectfully submitted.

Efficient design has to satisfy needs of both a continuous pumping operation and emergency safety reservoir in case of a pumping failure, measured in minutes of shut-down time. In the engineering of a satisfactory pump installation the need pattern is fixed by performance and operation figures established through experience and manufacturers' specifications. The provision of a safety valve against pump failure, however, deals with the human element for which there are no established formulas to cover all situations. In regards to this, case related emergencies have founded the need and given limited study information, however, to form a basis for the included table, calculations have been based on average man and machine capabilities.

Installation requirements for an adequate pump station requires a reservoir of suitable area and depth to accommodate a maximum of four submersible pumps with a free area to allow for dredging operations. In depth, provisions have to be made for complete submergence of pumps, a controlled volume head and a sedimentation zone. Overhead room must be sufficient for careful and expedient handling in installing and replacing of pumps. Entries to the pump reservoir, judiciously placed so as not to interrupt station operation, to provide ditching of incoming water and handling of pumps and supplies. The excavation of a below grade emergency storage sump, adjacent to the pump reservoir and having a connecting drain to allow emptying. Capacity of 17,000 cubic feet would allow approximately 18 minutes to clear all working heading and to lift personnel to a safe elevation.

EXHIBIT "E"

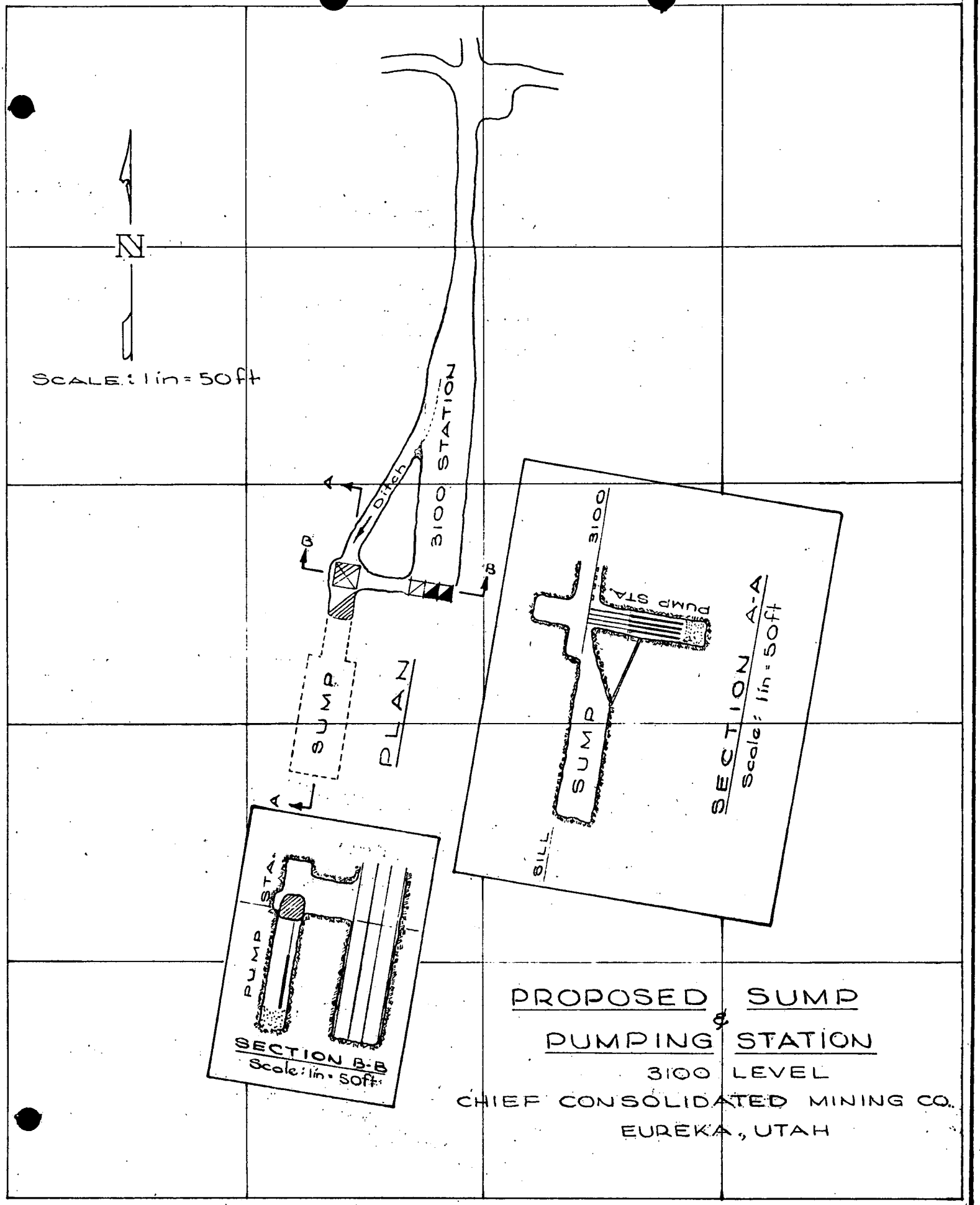

N
SCALE: 1in = 50ft
3100 STATION
Ditch
A
B
B
A
SUMP
PLAN
3100
PUMP STA
SUMP
SILL
SECTION A-A
Scale: 1in = 50ft
STA
PUMP
SECTION B-B
Scale: 1in = 50ft
PROPOSED SUMP & PUMPING STATION
3100 LEVEL
CHIEF CONSOLIDATED MINING CO.
EUREKA, UTAH

EXHIBIT "F"

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., TREASURER
W. W. WATSON, SECRETARY
AUDREY L. CHRISTENSON, ASST. SECTY.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

EUREKA, UTAH
October 27, 1952

Mr. C. A. Fitch, Jr.
Vice President and General Manager
Chief Consolidated Mining Company
Eureka, Utah

Re: DMA Docket 1A, Contract IDMA-E4
Subject: 18-411 Winze Sinking Proposal

Dear Sir:

Herewith, is submitted a discussion of the proposed plans for sinking our 18-411 Winze from 2750 to 3150 level. To date 77 feet of this project has been completed.

As originally proposed, 18-411 Winze was to be sunk as a four compartment shaft from the 2750 level to the 3150 level. Details are given in Memorandum dated January 4, 1951, and submitted to Mr. S. R. Wilson of the DMA (see copy attached). In order to carry on the DMA exploration work on 2700 level, and to sink 18-411 Winze at the same time, it was necessary to provide a minimum of four compartments at 2700 level; (1) One compartment is required as a sinking compartment through which to remove rock excavated from shaft; (2) Two compartments at 2700 level are required to allow for disposal or hoisting from 2700 to 1800 level through the operating shaft of rock excavated from shaft sinking and 2700 level exploration. Good safety practice and Utah State Safety orders require that these two compartments be solidly bulkheaded or blocked off below 2700 level to prevent anything from falling from operating shaft into working face at bottom of shaft where sinking operation is carried on; (3) One compartment is required for sinking pumps and columns. It is expected that 1000 gallons per minute inflow of water may be encountered in shaft. The necessary pumps and columns to handle this inflow occupy a full shaft compartment with no room to spare. Much detailed design and thought based on experience locally and elsewhere, and the help of several qualified manufacturers went into the final makeup of the sinking pump arrangement.

Under the conditions existing at the 2700 level of 18-411 Winze, it is a physical impossibility to sink 18-411 Winze to 3150 level without providing four compartments at the 2700 level.

The original proposal called for sinking the four compartments from 2750 to 3150 levels. On December 6, 1951, as explained in letter and drawing submitted to Mr. J. H. East, Jr., of the DMA (see copy attached), a new proposal was developed for sinking 18-411 Winze as a three compartment

winze from 2750 level to 3150 level, the fourth compartment being required only from 2700 level to the 2750 level as shown on detailed drawing. The three compartments thus provided in the working face of the shaft sinking operation provide for; (1) One compartment is required and is fully occupied by sinking cage used to dispose of excavated rock; (2) One compartment is required as an escape manway necessary as a good safety practice and required by Utah State Mining Safety Orders. This compartment has been further utilized to accomodate the Hydro-clam-shell shaft mucking device used to mechanize the disposal of excavated rock from the shaft bottom. Such mechanical devices have become almost standard practice in efficient shaft sinking operations as high labor costs have made hand mucking an extremely costly procedure. Actual experience, so far, in our sinking operation has proven the value of the hydro-mucker; (3) One compartment is required and fully occupied by the necessary shaft sinking pumping equipment, air lines, ventilation lines, drill water lines, and power lines. This compartment is also lined and divided from other compartments, and arranged at 2700 level, to provide a means of confining to this compartment the possible 7000 gallon per minute downpour that occurs when, for any reason, the 2700 level pumping system ceases to operate (power failures, mechanical failures, etc.). It would be a near physical impossibility to climb up the escape manway from the bottom of the shaft to the 2700 level in event of pump failure, if the 7000 gallons per minute downpour was not confined to a separate compartment. This provision was a requirement ordered by the Utah State Metal Mine Inspector.

It is the opinion of our operating management and engineering staff that a three compartment winze is absolutely necessary in the sinking operation, and also necessary to provide minimum operating facilities to allow completion of 3100 level exploration work.

It is therefore felt that the Defense Minerals Administration should reconsider their decision as expressed by Mr. James Boyd in his letter of July 11, 1951 (see copy attached), that a two compartment winze would be sufficient for the purposes of exploration.

Respectfully submitted,

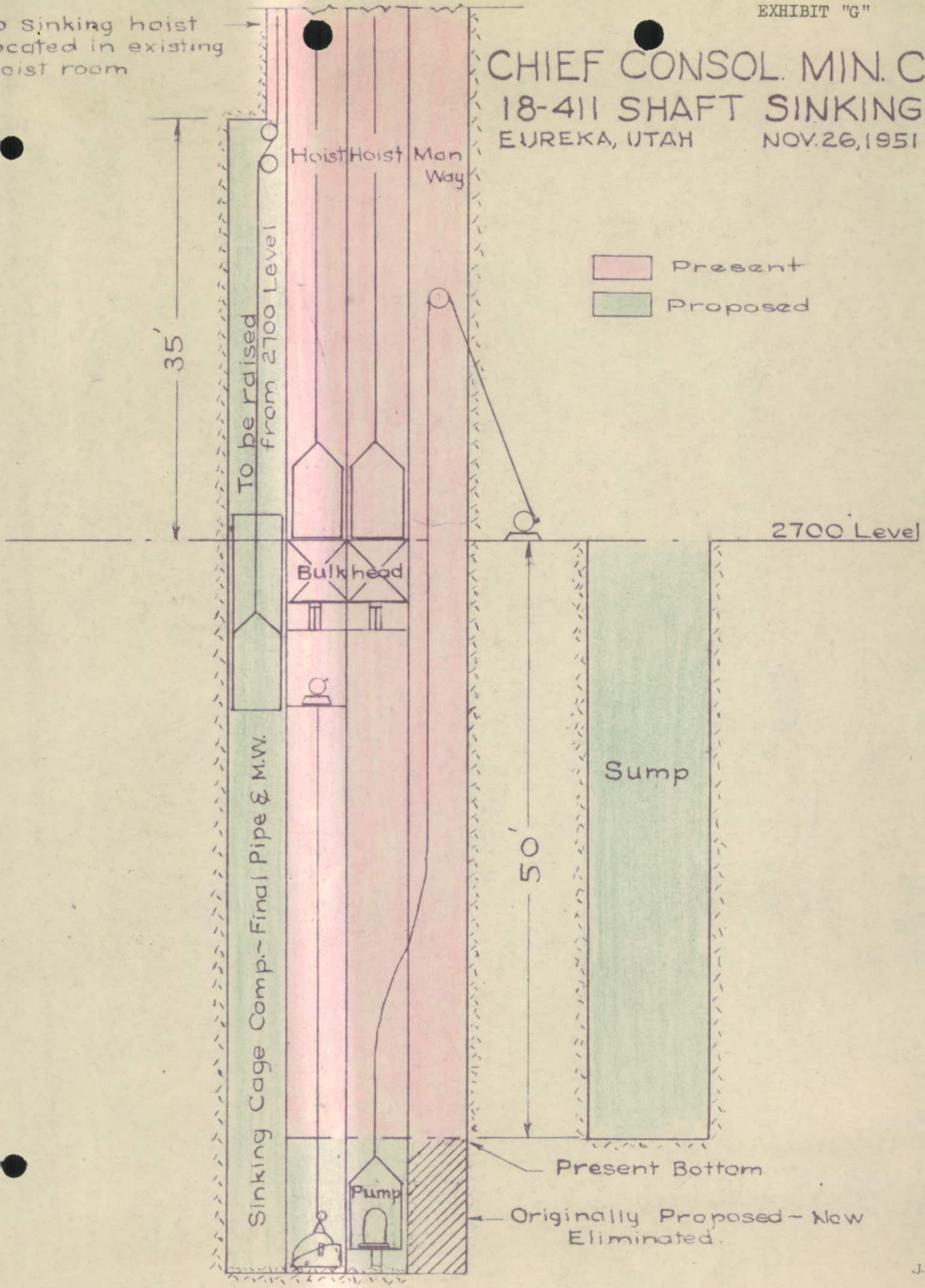
John G. Hall

John G. Hall
General Superintendent

JGH/gcc
Original and 7 Copies

EXHIBIT "G"

CHIEF CONSOL. MIN. CO.
18-411 SHAFT SINKING
EUREKA, UTAH NOV. 26, 1951



J.H.C.

EXHIBIT "H"

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Statement showing additional cost to Government resulting from granting Amendment No. 5 to Project IA, Contract I-DMA-E4, dated June 13, 1951

18-411 Winze Shaft Sinking	Total Cost	Present Cost to Government	Additional Cost to Government
Estimated Cost per Contract at present	$140,000.00	$35,000.00	
Additional Cost to Government resulting from Amendment No. 5			$35,000.00
Additional Cost of Amendment No. 5 if Amendment No. 2 is granted (See Exhibit "A")	16,699.10		4,174.77
Additional Cost of Amendment No. 5 if Amendment No. 3 is granted (See Exhibit "B")	883.09		220.77
Total			$39,395.54

January 4, 1951

MEMORANDUM

Proposed sinking of 18/411 Winze from 2750 level to 3150 level.

It is proposed to cut a sinking hoist room and a pump sump room on the 2700 level (see drawings). It will be necessary to sink 18/411 winze as a four compartment winze from 2750 level to 3150. The fourth compartment will accommodate the sinking cage or bucket, allowing the two cages in the regular hoisting compartments to be lowered to 2700 station so that ore and waste may be hoisted at the normal rate from 2700 during the sinking operation. The sinking pump will occupy part of the manway compartment and will pump to the sump on 2700 level.

It is proposed to use the Riddell Mechanical shaft Mucking Machine to muck out the broken rock from the shaft. It's purpose is two-fold: (1) It will effect definite savings in labor - hand mucking in a wet shaft is an expensive operation at today's labor prices - also, miners are not today accumstomed to use of hand shovels. (2) It will allow the mucking operation to proceed even though the water level in bottom of shaft may rise two or three feet - hand mucking requires the water be kept below level of muck at all times.

It is proposed to obtain several "Navy Salvage" submersible type pumps built by Byron-Jackson for the U. S. Navy - these would be ideal for use as sinking pumps. As a second alternative a specially designed deepwell pump might be used - the pump being raised and lowered by an air hoist. The pumps on which quotations have been obtained are I.R. "motorpumps" which though satisfactory, caused us much delay and mechanical difficulty during our last sinking operation. We may expect as much as 1000 GPM to develop during our sinking operation.

The opohonga limestone was encountered in 18/411 winze at about the 2650 level and the shaft will pass thru this formation to the proposed depth.

The opohonga is a shaly limestone, and when the shaft passed through this formation from the 2650 to 2750 little water was encountered. It is therefore felt that in sinking from 2750 to 3150 that water conditions in shaft sinking may not be too severe.

A sinking hoist of sufficient capacity to carry on the 2750-3150 job is on hand, and available for use on 2750 level.

John G. Hall
Gen'l. Supt.
Chief Cons. Mine

cc: Mr. S. R. Wilson

COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR

Defense Minerals Administration
Washington 25, D. C.

July 11, 1951

Mr. W. W. Watson, Secretary
Chief Consolidated Mining Co.
608 Dooly Building
Salt Lake City, Utah

My dear Mr. Watson:

Reference is made to the letter of Chief Consolidated Mining Co. (by Vice President and General Manager) to myself, dated April 20, to your exploration project contract with the Government, dated June 13 (I-DMA-E4) and to your letter of June 23 to Mr. John H. East, Jr., Regional Director of the Bureau of Mines at Denver. It is to be noted that the letter of April 20 was written before the date of the exploration contract and your letter of June 23 after the date of the exploration contract.

In your letter of April 20 you point out that section 13 of MO-5 "is quite definite in excluding all costs incurred prior to the date of contract from participation by the Government." In your letter of June 23 you state that: "We understand that the terms of our contract with the Defense Minerals Administration provide that the government will participate in the agreed costs of the project only to the extent of invoices, labor, and other applicable charges that are actually paid by us subsequent to the signing of the contract on June 13, 1951, the date of payment being the only determining factor." The contract (section 10) provides that no ". . . work performed or costs incurred before the date of this contract shall be allowed as costs of the project in which the Government will participate."

I gather from your letters that a very considerable part of the costs of purchasing and installing the pumping system, at an estimated total cost of $231,420, would come within the description of "work performed or costs incurred before the date of the contract" as that language is used in Article 10 of the contract. Consequently, insofar as this work had been performed or the costs for it incurred prior to the date of the contract, the Government, under the terms of contract and the regulations (MO-5) would not participate in them as such. This is not to say that the Government could not make any contribution to your costs in these items. It is to say that the Government's participation would not be in the form of a payment of 50 percent of the costs incurred under Article 11 of the contract, but would be in the form or an allowance from the rental value of these installations under Article 6 of the exploration contract. Inasmuch as the contract does not presently provide for any such allowance for rental value, it seems to me desirable to clarify it in this respect by agreeing on those items which have already been installed and the costs of which have been incurred by you, and setting forth a reasonable allowance for the rental value thereof. This would not return to you immediately one-half of your capital expenditures for these items, but would provide a means for making a reasonable allowance for their use on the exploration project.

Defense Minerals Administration does not deem it proper or expedient to make an exception with respect to making any allowance for "work performed or costs incurred" before the date of the contract. In the case of installations in progress when the contract is signed, it may be difficult to make a cutoff point which would fix the installation either as one in the cost of which the Government will participate or as one for the allowance of rental value in lieu of participation in the cost. It seems to me that in any case where orders for the equipment have been placed and the installation well-advanced before the date of the contract, the installation should be viewed as one for the allowance of rental value rather than as one in the cost of which the Government will participate.

If the installations now under way are completed or viewed as proper subject for the allowance of rental value, this will resolve your inquiry as to the disposition of such equipment as set forth in your letter of April 20. You will own it, and the Government will have no interest in it. However, insofar as the Government does participate in the cost of equipment and installations, it will have, under section 7 of the contract, an equity therein which will have to be settled upon the termination of the contract. The Government would not waive its equity as long as there was any salvage value. Of course, such equipment and installations would be of more value to the operator than to the Government, and it would be up to the operator to make a suitable arrangement with the Government for acquiring the whole interest.

In your letter of April 20 you inquire if the operator will be permitted to mine ore which is encountered in the course of the exploration work. Certainly the Government would have no objection to such mining operations as long as they would not interfere with the exploration work, but the proceeds from the ore would be subject to the Government's claim for reimbursement under the terms of the contract.

I suggest that the contract be amended immediately to set forth in Exhibit "A" those installations which are to be treated as the subject of an allowance for rental, and the agreed amount of the rental allowance. In this connection, it appears from Exhibit "A" that the Government is participating in the amount of 31.2 per cent in the estimated cost of certain of the work, rather than the full 50 per cent allowable for lead and zinc ores, because a 4-compartment winze is called for instead of a 2-compartment one, which would be sufficient for the purposes of exploration. I think this should be made clear if and when we amend the contract as suggested here. In the absence of such an admendment, the contract as it presently stands does not provide for any allownace for installations already made or in progress.

Sincerely yours,

(signed) James Boyd
Administrator

November 29, 1951

Mr. J. H. East, Jr., Executive Officer
D.M.A. Field Team Region IV
224 New Custom House
Denver 2, Colorado

Dear Mr. East:

We have at the present time devised a new plan for sinking our 18-411 Winze in which we eliminate the fourth compartment except for fifty feet between the 2700 and 2750 levels.

This, of course, will not reduce the cost of the shaft proportionately but should result in substantial savings on the total cost of the project.

The sump shown in the accompanying prints in not, of course, a part of the government project, but is shown for your information.

If this proposal is not satisfactory please advise.

Very truly yours,

CECIL FITCH, JR.

Vice Pres. and Gen'l. Mgr.

CFJ/js

FILE COPY
SURNAME:
800
Talbert Chambers

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

DMEA - 1

OCT 24 1952

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

Dear Mr. Brading:

Reference is made to your letters of October 16 on the subject of payroll taxes, October 17 relative to vacation pay, and October 17 in regard to the audit report on Chief Consolidated.

Since the Exploration Project Contracts provide for payment on the basis of "costs incurred, as they accrue", it is my opinion that we should pay the employer's share of payroll taxes and insurance costs as they accrue instead of waiting until the Operator has submitted his quarterly tax return or made actual payment of the taxes and insurance. The general practice of having the Operator indicate the computation of such taxes at the bottom of his certified transcript of the payroll fully satisfies the requirement for documentary support of the monthly Form MF-104. Furthermore, the transcript itself indicates, through lack of employee's contributions, which employees are exempt.

With regard to your doubts as to the reaction of GAO to this matter you are advised that, in all of our discussions with GAO representatives on the matter of documentation and payments, they have consistently taken the stand that the monthly or interim payments are only "provisional" payments, subject to final audit or review upon completion or termination of the project and prior to final payment. I therefore believe it would be to the best interests of all parties concerned if you would withdraw your suggestion.

Concerning your request for a copy of the ruling that a reserve for vacation may be an expense item properly chargeable to the project costs, you are advised that this policy has been established by the Administrator in replying to questions raised by the Executive Officer of Region V. Your authority on this point is my letter to you under date of October 10, 1952. It should be borne in mind, however, in any case where the contract does not specifically allow such costs, that the determination as to whether allowable and the amount allowable must be made by the auditor representative of this Division on the basis of what is equitable under the particular circumstances.

Since a decision on the Chief Consolidated contract E-4 has not been received from the General Accounting Office, the "hold order" is still in effect.

Sincerely yours,

(Signed) J. L. Chambers

B.L. 10-24-52

Jay L. Chambers, Chief
Contract Administration and
Audit Division

EDTalbert/wb
October 24, 1952

Copy to: Mails & Files
Admr. Reading File
Mr. Chambers

FILE COPY
SURNAME:

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

SEP 1 1 1952

Mr. Cecil Fitch, President
Chief Consolidated Mining Company
608 Dooly Building
Salt Lake City, Utah

Dear Cecil:

At long last our DMEA organization in Washington has achieved a position where we are abreast of our workload and adequately staffed to permit field trips by the Division Chiefs. Our first opportunity exists, therefore, to see some of the major projects through our own eyes and to otherwise be able to discuss problems of mutual interest between your company and the DMEA.

In this connection Mr. Howard F. Keller, Chief of the Base Metals Division, has arranged to visit your district between September 15 and 21. Mr. Keller will no doubt first contact your Salt Lake office for general discussions and to make arrangements for inspection trips to some of the project sites.

Our prime objective in administering the DMEA program is to make it as effective as possible and to undertake appropriate changes which will cure defects of its administration. I am sure that you will be in a position to give Mr. Keller some valuable suggestions. We are also deeply concerned regarding the future outlook of your operations as they might be affected by depressed metal prices and increased costs, and the extent to which the performance of the work under your exploration contract might be influenced by those factors.

Mr. Keller will be accompanied by a member of the DMEA Field Team who, I understand, will arrange for transportation during his visit. Any assistance which you can extend to them will be greatly appreciated.

With kindest personal regards, and hoping that we may meet in Denver during the coming Convention, I remain

Sincerely,

Mitt (fw) 9-11-52

C. O. Mittendorf
Administrator

COMittendorf/fw
cc: Admr Reading file
Mr. Keller - 2
Mails & Files
Mr. Mittendorf

FILE COPY
SURNAME:

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

AUG 26 1952

Mr. Thomas H. Brading
c/o Mr. W. H. King
224 New Customhouse Building
Denver 2, Colorado

Re: Exploration Project Contract
I-DMA-E4
Dockets DMA 1 and 1A
Chief Consolidated Mining Co.

Dear Tom:

Reference is made to your audit certificate and report on Exploration Project Contract I-DMA-E4, Dockets DMA 1 and 1A, Chief Consolidated Mining Company, Salt Lake City, Utah.

Since this office keeps its records for the two projects under this contract separately, we are unable to reconcile the net amount paid by the Government as shown on your audit certificate with our records because of the difference in the percentage paid on Project 1 (50 per cent) and Project 1A (25 per cent). According to the audit certificate which you issued you took exceptions in the amount of $1,699.53. Please furnish us a breakdown of this amount between Project 1 and Project 1A.

Sincerely yours,

(Signed) J. L. Chambers

J.N. 8-26-52

Jay L. Chambers, Chief
Contract Administration and
Audit Division

AMAlley/ama
August 25, 1952

Copy to: Admr. Reading File
Mails and Files
Mr. Chambers

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 25 1952
DOCKET COPY

224 New Customhouse
Denver 2, Colorado

August 22, 1952

Mr. Cecil Fitch, Jr.
Vice President & General Manager
Chief Consolidated Mining Company
608 Dealy Building
Salt Lake City, Utah

Re: DMA-1 and 1A
Contract I-DMA-14

Dear Mr. Fitch:

Consistent with authority delegated the Executive Officer, DMA Field Team, Region IV, we hereby waive the requirement for you to provide documentary support of Form MP-104 (Revised-April 1952) Operator's Monthly Report and Voucher, beginning with the month of June, 1952, or the first monthly report using the revised forms, MP-104 and MP-104A, except for support of equipment purchases whose individual costs exceed $50.00 as explained on the reverse side of Form MP-104 (Revised).

In lieu of documentary support of the monthly voucher, an auditor from the Contract Administration and Audit Division will make interim audits of your books, and will make a final audit on completion or termination of the contract before the final voucher is processed for reimbursement.

This waiver does not forego the requirement for a concise but complete narrative that must accompany the original and each copy of the Monthly Report.

Very truly yours,

John F. Shaw

John F. Shaw, for
W. H. King
Executive Officer
DMA Field Team, Region IV

JWT:fwe

cc: Oper. Committee (3)
Fiscal Off., Reg. IV (1)
THBrading
SRWilson
JWTownsend
Contract, Chron, Koschmann (2)

FILE COPY
SURNAME:

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

Chambers

August 7, 1952

To: Mr. Rogers, Chief, General Accounting Office Auditors
Interior Department, Room 6125

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

Subject: Audit Certificate on Chief Consolidated Mining Company

N.S
R+R

As per our agreement approximately two weeks ago, I am sending you an Audit Certificate issued by Mr. T. H. Brading, our auditor for Region IV, in regard to the sub-contract of the Chief Consolidated Mining Company, with the Centennial Development Co., under Exploration Project Contract Idm-E4.

Attachment-1

JLChambers/wb
August 7, 1952

Copy to: Mails & Files
Admr. Reading File
Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

August 5, 1952

Mr. C. O. Mittendorf
Defense Minerals Exploration Administration
Interior Building
Washington 25, D. C.

Re: Docket No. DMA-1 and 1A
Lead-Zinc, Contract No. Idm-E4
Chief Consolidated Mining Co.

Dear Mr. Mittendorf:

This will acknowledge your letter dated July 31, regarding Contract No. Idm-E4, Chief Consolidated Mining Company.

Your letter was very pleasing to us, as the contract wording was clearly meant to be as you have agreed in your letter. For your information, it is our understanding that the lower levels have flooded as a result of the suspension of work caused by the strike. On my next trip to Salt Lake City, King and I will discuss the disposal of the equipment with the operator. We will advise the operator immediately your decision regarding the area in dispute.

Sincerely yours,

J. H. East, Jr.
Regional Director

Copy to: W. H. King

DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
AUG 8 1952

File.

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

JUL 31 1952

Mr. J. R. East, Jr.
Regional Director
Region IV
Bureau of Mines
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DM-1 and 1A (Lead-Zinc)
Contract No. Idm-14
Chief Consolidated Mining Company

Dear Mr. East:

I have your letter of July 1, 1952 regarding the subject contract, and I agree with the opinion of yourself, Mr. Koschmann and Mr. King opposing any change in the contract that would alter the horizontal or vertical boundaries of the area from which production is subject to royalty payments, especially since Appendix "A" specifically states that there would be subject to royalty payments all production of ore from "presently known bodies of ore situated South of the Leadville Fault and below the 2450-foot level of the 18-All winze and which lies outside the limits of the exploration project described in this contract."

The delineation of the ore bodies and levels, north of the Leadville Fault, from which production would be subject to royalty payments is not too clearly stated in the contract. However, it apparently was the intention of our engineers that all production to the north of that fault would be subject to royalty payments, as previous to the installation of the new pumping equipment, the company was unable to exploit known ore deposits in that section of the mine. Even if paragraph 14 of the contract be interpreted, as the Operator could do, as not requiring royalty payments from ore produced on the 2600-foot level until after certification of a discovery, the Operator would still be required to pay royalties on all production since the date of the contract if and when a Certificate of Discovery is issued. I suggest that the Operator be immediately notified that the Government considers that the area in dispute is subject to royalty payment and will be included in any Certificate of Discovery.

The equipment purchased under the contract, and which will ultimately be disposed of on the completion of this contract, will undoubtedly be required by the company for its own further use. While you are in Salt Lake City kindly request the Operator to present a proposal for acquiring the Government's equity in the aforementioned equipment. If such a proposal is forthcoming, it should be submitted through your office for the consideration of the Acting Administrator together with your report and comments thereon.

Sincerely yours,

C. O. Mittendorf

Acting Administrator

HFKeller/AEKane/bjl

Copy to: Docket
Admr. F. File
Oper. Com.
Mr. Keller (2)
Mr. A. E. Kane
Mr. Bishop
Mr. McKnight
Chron.

Leadville Fault

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

July 1, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
JUL 7 - 1952

Memorandum

To: Frank E. Johnson, Chairman, Operating Committee, Defense Minerals Exploration Administration

From: Regional Director, Region IV

Subject: Docket No. DMA 1 and 1A, Chief Consolidated Mining Company, Exploration Contract No. Idm-E4.

Referring to your letter dated June 23, addressed to W. H. King, Executive Officer, regarding Docket No. DMA 1 and 1A, Chief Consolidated Mining Company, Exploration Contract No. Idm-E4:

I was present at several conferences with this company in Washington and also met with the company officials in my office on two occasions prior to the signing of the contract and immediately afterwards. The company officials definitely understood what they were signing when the contract was drawn and were desperate to secure Government assistance. The project is successful, and the company is paying royalty to the Government as required by the contract.

It is rumored in Salt Lake City that the company is expecting to dispose some of their holdings and for this reason wish to change the block of ground described in the contract to another block of ground by metes and bounds. Mr. Koschmann, Mr. King, and myself have discussed this matter, and we are opposed to any change in the contract.

Messrs. Koschmann, King, and myself plan to go to Salt Lake City within the next few weeks regarding the salvage value of the pumping equipment and eventual disposal of same, at which time we will advise you further.

J. H. East, Jr.

Copy to: C. O. Mittendorf
S. R. Wilson
A. H. Koschmann
W. H. King

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., TREASURER
W. W. WATSON, SECRETARY,
AUDREY L. CHRISTENSON, ASST. SECTY.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

June 24, 1952

Mr. J. L. Chambers
Chief of Contract Administration
and Audit Division, D.M.A.
Interior Department
Washington, D. C.

Dear Mr. Chambers:

Reference is made to the Centennial Development Company who, under an agreement dated June 12, 1951, are doing certain specified development for this Company under the terms of our Exploration Project Contract No. 1 DMA E-4 with the Defense Minerals Administration.

We wish to advise that we have employed the services of the Centennial Development Company in our development and exploration programs continually since the year 1946; and, during this period of time, they have performed approximately seventy to seventy-five per cent of all the development work accomplished in our Chief No. 1 Mine.

Provisions of our normal contracts with this firm are identical with the provisions of the contract in connection with the Government project referred to above.

Yours very truly,

W. W. Watson

Secretary

WWW:bb

FILE COPY
SURNAME:

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

JUN 23 1952

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMA 1 and 1A
Chief Consolidated Mining Company
Exploration Contract No. Idm-E4

Dear Mr. King:

Reference is made to copies of correspondence between your office and Chief Consolidated Mining Company, dated May 14 and 20, 1952, relating to the subject contract, which has been forwarded to this office.

It is noted that Chief Consolidated believes that the terms of the contract should not apply with respect to the block of ground described in the contract that is subject to royalty payments to the Government for its share of the cost of the exploration work, because work performed by the company on the 2600 foot level discovered ore prior to the discovery made on the 2700 foot level. It is also noted that they believe vertical and horizontal lines should be drawn to delineate the block of ground subject to royalty payments, or exclude discoveries resulting from the company's development work.

We of course do not wish to claim royalty payments from production which was not intended to be included under the contract, and will favorably consider any suggestions to revise the description of the area subject to royalty payments, if in order. However, this is a very complex problem. The area subject to royalty payments described in the contract and Appendix A, was established after careful study of all factors concerned, in order to protect the Government and to provide for payment from any block of ground reasonably expected to be benefited by the exploration work. In this connection, we felt that any areas that would be unwatered as a result of the exploration work or expenditures made under the contract should be subject to royalty payments.

It is our understanding that you intend to send a representative to Utah to discuss this matter. We will be pleased to receive his report and recommendations, as well as those of your office, as to any proposed change in the description of the ground that is subject to royalty payments to the Government. We should also be furnished with the report and recommendations made by Mr. Hal Morris of the U. S. Geological Survey. No information pertinent to an exploration project should be withheld from this office.

Sincerely yours,

(signed) FRANK E. JOHNSON
(HB)

Chairman, Operating Committee
Defense Minerals Exploration
Administration

J.W.
6-23-52

APPROVED:

J. H. Hedges

Member, Bureau of Mines

S. M. Lemmon

Member, Geological Survey

FEJohnson/bih 6/18/52
cc to: Docket
Admr's. Reading File
Operating Committee
Region IV
Messrs. Lemmon R-5215 GSA Bldg.
Hedges R-4604
Keller
FEJohnson

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

224 New Customhouse
Denver 2, Colorado

May 23, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
(DMEA)
MAY 26 1952

Memorandum

To: C. O. Mittendorf

From: Executive Officer, Field Team, Region IV

Subject: Docket DMEA 1-1A (Lead-Zinc), Chief Consolidated Mining Co., Exploration Contract Idm-E4.

Referring to your memorandum dated April 28 relative to the delineation of ore subject to royalty payments at the Chief Consolidated, Contract Idm-E4, Docket DMEA 1 - 1A.

Mr. Cecil Fitch, Jr., was notified that repayment is to be made on all ore produced north of the Leadville fault and on all ore produced below the 2450 level south of the Leadville fault. You have a copy of this letter dated May 14, 1952.

Attached is a copy of letter from Mr. Fitch dated May 20 which states that development work on the 2600 foot level was in progress and that ore was discovered prior to the initiation of work on the 2700 foot level as described in the contract. He does not state that the discovery was made prior to the installation of pumping equipment purchased and installed under the terms of the contract. It is our understanding that mining operation on the 2600 foot level was made possible by the pumping equipment.

We do not recommend any deviation from the terms of the contract but before replying to the letter from Mr. Fitch, we request your advice and recommendation.

W. H. King
W. H. King

Enclosure

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., TREASURER
W. W. WATSON, SECRETARY
AUDREY L. CHRISTENSON, ASST. SECTY.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

REGIONAL DIRECTOR'S OFFICE
REGION IV
MAY 21 1952
BUREAU OF MINES
DENVER, COLORADO

May 20, 1952

Mr. John H. East, Jr., Regional Director
United States Bureau of Mines
224 New Customshouse
Denver 2, Colorado

Dear Mr. East:

Thank you very much for your reply to our letter of May 2nd regarding the delineation of the ore bodies which are subject to Government royalties in connection with our Contract No. I-DMA-E-4 with the Defense Minerals Administration.

We are fully cognizant of the terms of our contract with the Defense Minerals Administration including Appendix A to this contract, but we wish to call to your attention that the development work on our 2600 level was in progress and ore discovered prior to any work done on the 2700 ft. level, and it is the ore bodies that were discovered as a result of this prior development work that are very much in question, and which we feel the Government should eliminate from any delineation of the ore bodies subject to Government royalty under the terms of the ore contract with the Defense Minerals Administration.

During the past few months we have mined a considerable tonnage of ores from our 2600 ft. level which were discovered prior to any discovery on the 2700 ft. level, and in view of Paragraph 14 of the Contract are not subject to Government royalty. In connection therewith Paragraph 5 of the Contract states that the owner should devote the land and all facilities to the purposes of the exploration project, and this presumably would be the ordinary situation. But when as here concurrently with the D.M.A. project, the Company is at its own expense carrying on extensive other exploration work, it would seem reasonable to ask that vertical as well as horizontal lines be drawn delimiting the area subject to royalty payments, or else that it be expressly provided that discoveries resulting from the Company's development work should be excluded from the area subject to such royalty.

In view of your letter of May 14th we feel that your agency, at your earliest convenience, should send a representative to our property for the express purpose of determining the delineation of which ore bodies come within the terms of our exploration contract.

Yours very truly

Cecil Fitch Jr.

Vice President & General Manager

CF,JR.:WWW-alc

docket file

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

May 14, 1952

Memorandum

To: C. O. Mittendorf

From: Regional Director, Region IV

Subject: DMA Docket No. 1 & 1A (Lead-Zinc), Chief Consolidated Mining Company, Exploration Project Contract Idm-E4.

We are returning to you as promised your letter dated April 28, regarding the Chief Consolidated Mining Company. The copy of your letter was given to Mr. Chambers while here on his recent visit. We are not retaining any copies of this letter in our files.

J. H. East, Jr.

J. H. East, Jr.

Enclosure

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 19 1952

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

REGIONAL INSPECTOR'S OFFICE
REGION IV
APR 30 1952
BUREAU OF MINES
DENVER, COLORADO

APR 28 1952

Mr. J. H. East, Jr.,
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: DMA Docket No. 1 & 1A (Lead-Zinc)
Chief Consolidated Mining Company
Exploration Project Contract Idm-E4

Dear Mr. East:

Reference is made to your memorandum of March 26, 1952, concerning the disposal of electrical and pumping equipment upon the completion of the exploration work under the subject contract.

You inquire, ". . . will the equipment, electrical and pumping, be disposed of at a salvage value, or will the disposal be by some other method?" On completion of the exploration project contract with Chief Consolidated Mining Company, obviously, a certification of discovery or development will be made. This situation poses a problem not involved where no certification of discovery or development is made, insofar as jointly owned equipment is concerned.

Undoubtedly, Chief Con. will desire to use the equipment installed under the exploration contract in its mining operations on the discovered ore. Therefore, it will be necessary to come to some agreement regarding the further use of the equipment in which the Government has a joint interest. The Government may agree to permit the company to use the equipment without any allowance or depreciation paid to the Government for its interest in the equipment, provided the company maintains and pays for all necessary repairs in keeping the equipment in good operating condition. This agreement would continue in existence until the Government had been repaid the full share of its contribution toward the cost of the exploration project, or until mining operations were discontinued. In the latter case, disposition of the equipment should be made in accordance with the terms of the contract. Another alternative would be for the company to purchase the Government's interest in the equipment on completion of the exploration project. This could be done by repaying the Government its share of the purchase price of the equipment, or buying the Government's interest at a negotiated price. The amount paid to the Government for its interest in the equipment would be applied towards repayment of the Government's contribution towards the cost of the project. In any case

J.F.S.

the balance of the Government's contribution would be paid from royalties on production.

You ask, ". . . are we to hold back sufficient payments to cover the Government's equity, as provided in the new contract form?" Contracts that are written on the old contract forms cannot be made subject to the provisions of the new contract forms. However, if the Government is doubtful of the financial responsibility of an Operator, it may, even under the old contract forms, withhold sufficient payments to protect its interest in equipment in the cost of which it has participated. In the case of Chief Consolidated Mining Company, it does not seem necessary that the Government should take this precaution.

Sincerely yours,

O Mittendorf

Acting Administrator
Defense Minerals Exploration
Administration

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 19 1952

224 New Customhouse
Denver 2, Colorado

May 14, 1952

DMA-14-18

Mr. Cecil Fitch, Jr.
Vice President and General Manager
Chief Consolidated Mining Company
608 Deely Building
Salt Lake City, Utah

Dear Mr. Fitch:

This will acknowledge receipt of your letter dated May 2, which has remained unanswered due to my absence on a field trip.

It is noted in the second paragraph of your letter that Mr. Hal Morris of the Geological Survey discussed with you the delineation of the ore bodies in connection with your Contract I-DMA-E-4.

This matter has been taken up with C. O. Mittendorf, Acting Administrator of the Defense Minerals Exploration Administration in Washington, and he advises that the delineation of the ore is fixed by the contract, that is, the area in which production will be subject to royalty payments includes the areas described in Exhibit A of the contract, and in Appendix A. Under the terms of this contract, as amended, by this Appendix, repayment is to be made on all ore produced north of the Leadville Fault, and on all ore produced below the 2,450-foot level south of the Leadville Fault.

Mr. Morris was in error when he discussed the possible delineation of the ore body as different than the terms of the contract and Appendix.

Sincerely yours,

J. H. East, Jr.

J. H. East, Jr.

A. H. Koschmann

A. H. Koschmann

JHE:ftm

Copy to: Ralph Roberts
A. H. Koschmann
C. O. Mittendorf
S. R. Wilson
W. H. King
DMEA File

FILE COPY
SURNAME:

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

Mr. J. H. East, Jr.,
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

MAY 8 1952

Re: DMA-1 and 1A (Lead-Zinc)
Chief Consolidated Mining Co.
Exploration Project Contract Idm-E4

Dear Mr. East:

Reference is made to that part of your memorandum dated March 26, 1952, which concerns the extent to which payments should be withheld to cover the Government's equity in equipment purchased for the subject exploration project. You will recall that during your recent visit to Washington we discussed the contents of my former reply to you dated April 28 and it was agreed that you would return all copies of that letter in lieu of this reply, which will specifically relate to the matter of withholding funds, and leave the answer to the other question of method of disposal of equipment deferred until a later date.

Due to the special circumstances in this case, the instructions appearing in paragraph 5 of DMEA Circular 10, dated January 2, 1952, are hereby waived. Accordingly, for the time being, you are hereby authorized to continue to make payment for approved vouchers without regard to the retention of sufficient funds to cover the Government's equity in the cost of the equipment.

In the meantime it is suggested that you endeavor to make a determination as to the probable salvage value of the equipment upon the termination of the exploration contract, and to undertake discussions with the operator with the hope of arriving at an equitable arrangement for his acquisition of the Government's interest therein.

Upon examination of the docket in this case I note that as of February 29 there had been a total of $141,681 of Government funds expended on the project, and that there was an unexpended sum of $90,029 allocated for the work. I also note that the Government's

Sd

share of the cost for the months of January and February averaged about $4,000 per month. This average monthly rate of Government contribution, when considered along with the unexpended balance of $90,000 would indicate that an additional 22 months would be required before the approved funds were exhausted. Expressing the situation differently, it would appear that the exploration work must be performed at an average rate of $5,600 per month (Government participation) in order to complete the project within the 16 months which are remaining under the contract beginning March 1, 1952. (This statement presumes, of course, that the forecast of unit costs and progress are being attained.)

It is readily apparent that when we consider the Government's share of the equipment cost of about $120,000 as having a salvage value of 50 percent, for instance, that in order to protect the Government's equity as outlined in DMEA Circular 10, it would be necessary to withhold payment for vouchers for a period of 12 months at an estimated monthly rate of $5,000. It also appears that such a long period might result in hardship on the operator.

Should we adopt a policy similar to that which appears in Article 8 of the new contract form MF-200, the maximum sum to be withheld would be in the order of $23,000, or approximately equivalent to the Government's participation in the last four months' costs of operation. All of this seems to point up the urgency to give immediate consideration to the probable salvage value of the equipment and to arrive at some tentative agreement with the operator as to how he proposes to acquire the Government's equity.

It is suggested that your engineers and our auditors explore the matter with the operator during the audit which is planned to be undertaken shortly.

Your comments will be appreciated.

Sincerely yours,

C. O. Mittendorf

Acting Administrator
Defense Minerals Exploration
Administration

COMittendorf/fw/pa
5-6-52
cc to: Mails and Files
Admr's. Reading File
Messrs. Hofflund
Moulds
FEJohnson

FILE COPY
SURNAME:

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

APR 29 1952

Moulds
FE Johnson

Mr. J. H. East, Jr.,
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: DMA Docket No. 1 & 1A (Lead-Zinc)
Chief Consolidated Mining Company
Exploration Project Contract Idm-E4

Dear Mr. East:

Reference is made to your memorandum of March 26, 1952, regarding a discovery or development of shipping grade ore that has been made on the 2,600 and 2,700 ft. levels of the Chief Con. mine.

You state that the company has ". . . requested that we delineate a block of ore on which payment is to be made". You further state that you are under the impression ". . . that all ore produced below a certain level would be considered for a basis of repayment to the Government, but that you do not have anything in writing on this subject". Because of the special conditions involved in the contract with Chief Con., the area from which production would be subject to royalty payments includes the areas described in Exhibit "A" of the contract, and in Appendix "A". Under the terms of this contract, as amended, by this Appendix, repayment is to be made on all ore produced north of the Leadville Fault, and on all ore produced below the 2,450 ft. level south of the Leadville Fault.

Sincerely yours,

C. O. Mittendorf (for)

Acting Administrator
Defense Minerals Exploration
Administration

J.N.
4-28-52

FEJohnson/bih
4/25/52
cc to: Docket
Admr's. Reading File
Messrs. Hofflund
Moulds
FEJohnson

500-110

FILE COPY
SURNAME:

Mr. Ed
F. John

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

APR 28 1952

Mr. J. H. East, Jr.,
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: DMA Docket No. 1 & 1A (Lead-Zinc)
Chief Consolidated Mining Company
Exploration Project Contract Idm-E4

Dear Mr. East:

Reference is made to your memorandum of March 26, 1952, concerning the disposal of electrical and pumping equipment upon the completion of the exploration work under the subject contract.

You inquire, ". . . will the equipment, electrical and pumping, be disposed of at a salvage value, or will the disposal be by some other method?" On completion of the exploration project contract with Chief Consolidated Mining Company, obviously, a certification of discovery or development will be made. This situation poses a problem not involved where no certification of discovery or development is made, insofar as jointly owned equipment is concerned.

Undoubtedly, Chief Con. will desire to use the equipment installed under the exploration contract in its mining operations on the discovered ore. Therefore, it will be necessary to come to some agreement regarding the further use of the equipment in which the Government has a joint interest. The Government may agree to permit the company to use the equipment without any allowance or depreciation paid to the Government for its interest in the equipment, provided the company maintains and pays for all necessary repairs in keeping the equipment in good operating condition. This agreement would continue in existence until the Government had been repaid the full share of its contribution toward the cost of the exploration project, or until mining operations were discontinued. In the latter case, disposition of the equipment should be made in accordance with the terms of the contract. Another alternative would be for the company to purchase the Government's interest in the equipment on completion of the exploration project. This could be done by repaying the Government its share of the purchase price of the equipment, or buying the Government's interest at a negotiated price. The amount paid to the Government for its interest in the equipment would be applied towards repayment of the Government's contribution towards the cost of the project. In any case

the balance of the Government's contribution would be paid from royalties on production.

You ask, ". . . are we to hold back sufficient payments to cover the Government's equity, as provided in the new contract form?" Contracts that are written on the old contract forms cannot be made subject to the provisions of the new contract forms. However, if the Government is doubtful of the financial responsibility of an Operator, it may, even under the old contract forms, withhold sufficient payments to protect its interest in equipment in the cost of which it has participated. In the case of Chief Consolidated Mining Company, it does not seem necessary that the Government should take this precaution.

Sincerely yours,

C. O. Mittendorf (for)

Acting Administrator
Defense Minerals Exploration
Administration

S.N.
4-28-52

FEJohnson/bih
4/25/52
cc to: Docket
Admr's Reading File
East - Region IV
Operating Committee
Messrs. Hofflund
Moulds
FEJohnson

20 nov F.L.
Return to
Don Moulder.

Matt.

I do not believe these two memo's cover the subject as written.

(1) Equipment.
The Chief Consol. is a special case in which discovery will undoubtedly be certified. Therefore the company will repay all Government participation. Except such depreciation as may be allowable on the actual equipment during the period of use on the project.
In such cases where discovery is not made and the equipment will necessarily be sold for salvage value. I don't understand the relation of installation costs to salvage value.

(2) The block included for repayment consists of the area stated in Appendix "A" plus the area North of the Leadville fault in which the actual drifting, cross cutting and drilling is to be done. I don't believe this area is clearly stated in the memo.

I am ~~[illegible]~~ attaching a copy of my memo to Hoffland transmitting the letter of East & him. Let me know as to summarizing the memorandum

FILE COPY
SURNAME:

Hofflund

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

Memorandum

To: Executive Officer, Field Team, Region IV

From: Acting Administrator

Subject: Chief Consolidated Mining Company, DMA 1 and 1A, Contract No. I-DMA-E4

Reference is made to your memorandum to me of March 26, referring to a discovery or development of ". . . shipping-grade ore that has been made on the 2,600- and 2,700-foot levels of the mine . . ." You say that the company has ". . . requested that we delineate a block of ore from which payment is to be made", and that you are under the impression ". . . that all ore produced below a certain level of the mine was to be considered for a basis of repayment to the Government" but ". . . we do not have anything in writing on this . . ."

Appendix "A" to the contract provides expressly that any production from ". . . presently known bodies of ore South of the Leadville Fault and below the 2,450-level of the 18-411 winze and which lies outside of the limits of the exploration project described in this contract . . ." shall be subject to the Government's percentage royalty. Assuming that the discovery or development which your memorandum refers to is covered by the ground described in Appendix "A" of the contract, there will be no question as to delineating a block of ore from which payment is to be made, as any production from those levels would be subject to the repayment provisions of the contract.

Acting Administrator

JLHofflund/bjl (written 4/21/52)

Copy to: Mails & Files
Admin. Reading File
J. L. Hofflund
C. O. Mittendorff
D. E. Moulds
Chron.
Pending

FILE COPY
SURNAME:

Hofflund

140

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

Memorandum

To: Executive Officer, Field Team, Region IV

From: Acting Administrator

Subject: Chief Consolidated Mining Company, DMA 1 and 1A, Contract No. I-DMA-24

Reference is made to your memorandum to me of March 26, referring to the disposal of electrical and pumping equipment upon the completion of the work under the subject contract.

You inquire ". . . will the equipment, electrical and pumping, be disposed of at its salvage value or will the disposal be by some other method?"

This equipment should be disposed of at whatever price the company is willing to pay rather than for the Government to insist upon its right to have it removed and disposed of for whatever it will bring. Certainly it is worth much more to the company installed and in place than it would be to purchasers of the dismantled equipment disposed of for salvage. It may be that the equipment installed and in place is worth at least as much to the company as its original cost including costs of installation.

I can perceive no reason why the company should not repay in the form of a percentage royalty on production the entire cost of this equipment, installed and in place. If the company refuses to do so, it is a matter for negotiation.

You ask: "Are we to hold back sufficient payments to cover the Government equity as provided in the new contract form?" Contracts that are written on the old contract forms cannot be made subject to the provisions of the new contract forms. However, if the Government is doubtful of the financial responsibility of an operator it may, even under the old contract forms, withhold sufficient to protect its interest in equipment in the cost of which it has participated. In the case of Chief Consolidated Mining Company, it does not seem necessary that the Government should take this precaution.

C. O. Mittendorf (for)
Acting Administrator

JLHofflund/bjl (written 4/21/52)
Copy to: Mails & Files
Admin. Reading File
J. L. Hofflund
C. O. Mittendorf
D. E. Moulds
Chron.

Pending

April 8, 1952

Memorandum

To: J. L. Hofflund

From: Base Metals Division

Subject: Chief Consolidated Mining Company
Docket 1 - 1A Contract Idm-E4

We are transmitting, herewith, two memoranda from J. H. East, Jr., relative to (1) Ore Discovery Certification and (2) Disposal of Equipment.

(1) The exploration consisted of drifting and raising North of the Leadville Fault from the 2700 foot level of the 18-411 winze and sinking of the winze to the 3100 foot level with additional drifting and raising north of the Leadville Fault. The exploration work actually will open up new ground north of the Leadville Fault from the 3100 level to the height of the water table or 2950 level. In pumping down the water level with equipment purchased under exploration participation to the 3100 level, all ground below the present water level South of the Leadville Fault will be benefited.

It was the intent of the DMA engineer that repayment should be on all ore produced north of the Leadville Fault and on all ore produced below the 2450-foot level south of the Leadville Fault. This repayment area is made a part of the contract under Appendix "A".

(2) The equipment purchased under the contract will be required for production in event of discovery from the exploration and also to continue production from the horizon below the 2650 level South of the Leadville Fault. Installation costs incurred and the specialized nature of the equipment, increases the value of the installation above the initial price and in excess of any salvage value derived by dismantling and resale. Salvage in the usual meaning should not be applied to equipment having a continued operation as originally installed.

It is suggested that the Company can well afford to pay the Government participation cost in the equipment purchased less the depreciation allowable for the period used for the benefit of exploration work. The actual equipment cost to be determined by exclusion of installation costs and expendable supplies and materials.

The above information and thoughts are presented for your consideration in drafting a reply to the questions presented by Mr. East. Mr. Chambers is working on the MF-104's concerned with equipment purchase and installation for this project.

D. E. Moulds

DEMoulds/epl
4-8-52
CC to: Adm. R. File
Docket File Copy
Mr. Moulds

500 FILE COPY
SURNAME:

Mould

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

April 8, 1952

Memorandum

To: J. L. Hofflund

From: Base Metals Division

Subject: Chief Consolidated Mining Company
Docket I - 1A Contract Idm-E4

We are transmitting, herewith, two memoranda from J. H. East, Jr., relative to (1) Ore Discovery Certification and (2) Disposal of Equipment.

(1) The exploration consisted of drifting and raising North of the Leadville Fault from the 2700 foot level of the 18-411 winze and sinking of the winze to the 3100 foot level with additional drifting and raising north of the Leadville Fault. The exploration work actually will open up new ground north of the Leadville Fault from the 3100 level to the height of the water table or 2950 level. In pumping down the water level with equipment purchased under exploration participation to the 3100 level, all ground below the present water level South of the Leadville Fault will be benefited.

It was the intent of the DMA engineer that repayment should be on all ore produced north of the Leadville Fault and on all ore produced below the 2450-foot level south of the Leadville Fault. This repayment area is made a part of the contract under Appendix "A".

(2) The equipment purchased under the contract will be required for production in event of discovery from the exploration and also to continue production from the horizon below the 2650 level South of the Leadville Fault. Installation costs incurred and the specialized nature of the equipment, increases the value of the installation above the initial price and in excess of any salvage value derived by dismantling and resale. Salvage in the usual meaning should not be applied to equipment having a continued operation as originally installed.

It is suggested that the Company can well afford to pay the Government participation cost in the equipment purchased less the depreciation allowable for the period used for the benefit of exploration work. The actual equipment cost to be determined by exclusion of installation costs and expendable supplies and materials.

The above information and thoughts are presented for your consideration in drafting a reply to the questions presented by Mr. East. Mr. Chambers is working on the MF-104's concerned with equipment purchase and installation for this project.

D. E. Moulds (mel)

D. E. Moulds

DEMoulds/hmj
4-8-52
CC to: Adm. R. File
Docket File Copy
Mr. Moulds

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

Department of the Interior
Defense Minerals Administration
Received
APR 10 1952

224 New Customhouse
Denver 2, Colorado

April 7, 1952

BL

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: Amendment to Contract I-DMA-E4, Docket DMA 1 and 1A
Chief Consolidated Mining Company

Enclosed are the original and two copies of an amendment to the above contract. Copies of this amendment have been given to the operator, the Fiscal Officer, Region IV, and we have retained a copy for our files.

W. H. King

W. H. King, for
J. H. East, Jr.

Enclosures

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

224 New Customhouse
Denver 2, Colorado

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 31 1952

March 26, 1952

Memorandum

To: C. O. Mittendorf, Acting Administrator
Defense Minerals Exploration Administration

From: Executive Officer, Field Team, Region IV

Subject: DMA 1 and 1A, Contract I-DMA-E4, Chief Consolidated Mining Company

MF-104 reports and supporting data which have been submitted by the Chief Consolidated Mining Company for work under Contract I-DMA-E4 were forwarded to the Secretary to the Operating Committee under our memorandum dated March 20, 1952.

With reference thereto we will appreciate it if a review of the early reports be made by your office and a determination made as to the disposition of the electrical and pumping equipment which was purchased under the contract for installation as a part of the pumping system.

At the completion of the contract will the equipment, electrical and pumping, be disposed of at its salvage value or will the disposal be by some other method? Also, are we to hold back sufficient payments to cover the government equity as provided in the new contract form? If we are to hold back payments of MF-104, it must start soon. If you waive this procedure, will you kindly give us our instructions in writing?

J. H. East, Jr.
J. H. East, Jr.

Mitt:
This is not a hot one but we need the instructions
Jack East

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION IV

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

Ans. 4/21/52
J.L.H./ly

March 26, 1952

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 31 1952

Memorandum

To: C. O. Mittendorf

From: Regional Director, Region IV

Subject: Ore discovery at the Chief Consolidated Mine, Contract Idm-E4.

We have a report from Ralph Roberts, supervising geologist at Salt Lake City, regarding a discovery of shipping-grade ore that has been made on the 2,600- and 2,700-foot levels of the mine as a direct result of exploration performed under the DMEA contract.

The local officials of the Chief Consolidated Mining Company have requested that we delineate a block of ore from which payment is to be made.

As I recall at a conference in your office with the representative of the Chief Consolidated, that all ore produced below a certain level of the mine was to be considered for a basis of repayment to the Government. We do not have anything in writing on this, but present at the conference were John Hofflund, the lawyer that represented the company, you, and I. You will recall that John Hofflund was very skeptical about pumping equipment that would pump the whole mine and then to delineate only a small block of ground, particularly in a replacement deposit such as the Chief Consolidated.

Please advise us regarding this, as we wish to make a certificate of discovery of ore.

J. H. East, Jr.

140

FILE COPY
SURNAME:

Gudber

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

March 4, 1952

Memorandum

To: Mr. J. H. East, Jr., Executive Officer
DMEA Field Team, Region IV

From: Chief Counsel

Subject: Chief Consolidated Mining Co., DMA-1 and 1A, Contract Idm-E4

Reference is made to your memorandum to me dated February 5 with respect to costs which are allowable under the subject contract as they arise out of an independent subcontract with Centennial Development Company.

The subcontract was approved by this office under date of August 7, 1951, a copy of the approving memorandum being attached hereto.

The subcontract is on a basis of actual costs plus a percentage of actual costs. This type of subcontract should not be used in connection with an exploration project contract in which the Government's participation is more than 50 percent. Where the operator is putting up half of the money, I suppose it may be presumed that the operator will see to it that the costs under such a subcontract are reasonable.

To answer the two questions set forth in your letter:

1. Once the Government has approved a subcontract for performance of some part of the work, the Government is ordinarily no longer concerned with the actual costs but only with the amounts paid by the operator to the subcontractor. This is particularly true where the subcontract is on a basis of unit costs which have been agreed to by the Government in its approval of the subcontract. In this case, however, where the subcontract is on a basis of actual costs, the Government can insist that those costs must

1a

be necessary and reasonable. This does not mean, in the case of labor, that the costs have to conform with the estimates for labor set forth in Exhibit "A". Presumably, as indicated above, the operator is as much interested as the Government in holding down the actual costs, but if the operator fails to do so, it is within the province of the Government (through the Field Team) to refuse to approve claims for payments arising out of the contract that the Government deems to be unnecessary or unreasonable.

2. The new contract forms will require that any subcontracts must be expressed in terms of unit costs. The subject subcontract being on a basis of actual costs, and having been approved by the Government, the Government should pay claims for those payments made under the subcontract that are reasonable and necessary. After the subcontract is entered into and approved by the Government, the Government cannot require a "clarifying schedule from the operator" such as you suggest. The Government (you) can, however, present the operator with such a schedule as you may deem necessary and reasonable, and advise the operator that you will not approve any claims for payment that exceed that schedule.

I believe that under the new contract forms these particular questions cannot arise. You may be interested to know that the new NO-5 (now DMEA-1) and the new contract forms have all been approved by the responsible authorities in the Interior Department, are in the hands of DMPA for its comments, and should be published very shortly.

J. L. Hofflund
Chief Counsel

cc 3/5

RRSutterie / JLHofflund/em

Attachment

Copy to: Mails and Files
Adm. Reading File
C. O. LMittendorf
J. L. Hofflund
chron.

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

Blakemore
Mittendorf

DEC 4 1951

Mr. J. H. East, Jr.
Executive Officer, Region IV
DMEA Field Team
224 New Customhouse Building
Denver 2, Colorado

Re: Contract Idm-E4
Docket DMA 1 and 1A
Chief Consolidated Mining Co.

Dear Mr. East:

Attached hereto are two copies of the executed amendment, replacing Exhibit A of the subject contract in entirety.

Please forward one copy to the Chief Consolidated Mining Company and retain one copy for your files.

The copy for the Finance Officer of Region IV has been forwarded to Chief, Finance Section for transmittal.

Sincerely yours,

C. O. Mittendorf (for) 12/4

Acting Administrator
Defense Minerals Exploration
Administration

Enclosures-2

PBBlakemore/meh
12/3/51
cc to: Adm. Reading File
Reports and Records
Mr. Mittendorf
Mr. ~~Moulds~~
Region IV
Docket

FILE COPY
SURNAME:

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

Blakemore
Mittendorf

December 3, 1951

Memorandum

To: Chief, Finance Section

From: C. O. Mittendorf, Acting Administrator

Subject: Docket DMA 1 and 1A, Contract Idm-E4
Chief Consolidated Mining Company

Attached hereto is a copy of the executed amendment replacing Exhibit A of the subject contract in entirety.

Please forward this copy to the Field Finance Office, Region IV.

N.S
R+R

C. O. Mittendorf (for)

Attachment-1

PBBlakemore/meh
cc to: Reports and Records
Mr. Mittendorf
Mr. Blakemore
Docket

FILE COPY
SURNAME:

Blakemore
Bomb
Hollywood

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

November 26, 1951

Memorandum

To: Administrator, Defense Minerals Exploration Administration

From: P. B. Blakemore

Subject: Amendment to Exploration Project Contract Idm-M4, DMA Docket 1 and 1A, Chief Consolidated Mining Company.

The General Counsel prepared the attached amendment in order to clarify the original Exhibit "A" of the subject contract which it replaces in entirety.

No increase in work or cost is involved.

The Operator has already signed the original and five copies, and it is requested that you sign for the Government.

P. B. Blakemore

Attachment

N.S
R+R

PBBlakemore'lm
11/26/51

cc: Admn. Reading File
Reports and Records
Mr. P. B. Blakemore
Docket

bl

Mr. Le Chevrone

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION IV

DEFENSE MINERALS ADMINISTRATION WASHINGTON, D.C.
NOV 23 2 39 PM '51

DEPARTMENT OF THE INTERIOR
RECEIVED
NOV 26 1951
Defense Minerals Administration,
Production Expansion Division.

OFFICE OF
REGIONAL DIRECTOR

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

File

November 20, 1951

DMA-101A

Memorandum

To: C. O. Mittendorf

From: Regional Director, Region IV

Subject: Contract I-DMA-E4

You will be interested in hearing that the Chief Consolidated Mining Company has issued the Government a check in the amount of $217.71 as the first repayment on their exploration project contract I-DMA-E4 for the month of September 1951. I thought you would be interested in hearing that money is coming back to the Government, and we are processing it in the prescribed manner.

J. H. East, Jr.

J. H. East, Jr.

Copy to: Director's Reading File
P. T. Allsman
S. R. Wilson

OFFICE OF THE ADMINISTRATOR

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

DEPARTMENT OF THE INTERIOR
RECEIVED
NOV 23 1951
Defense Minerals Administration,
Production Expansion Division,

224 New Customhouse
Denver 2, Colorado

November 20, 1951

Memorandum

To: C. O. Mittendorf, Director, Production Expansion Division
Defense Minerals Administration

From: Executive Officer, DMA Field Team, Region IV

Subject: Amendment to Exploration Project Contract I-DMA-E4, DMA Docket 1 and 1A, Chief Consolidated Mining Company

Enclosed herewith for your signature are six copies of an amendment to the above contract. This amendment has been signed by Cecil Fitch, President, Chief Consolidated Mining Company, and the corporate seal has been affixed to all six copies.

J. H. East, Jr.

Enclosures

DEFENSE MINERALS ADMINISTRATION WASHINGTON, D.C.
NOV 23 9 29 AM '51

FILE COPY
SURNAME:

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

AIR MAIL

Mr. J. H. East, Jr.
Executive Officer, Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Contract I-DMA-E 4, Docket 1 & 1A
Chief Consolidated Mining Company

Dear Mr. East:

In reply to your memorandum of September 20, 1951 relative to the interpretation of the total estimated amount of the subject contract, you are advised that the General Counsel prepared the enclosed six copies of a proposed amendment together with letter to the Operator for your transmittal.

Sincerely yours,

C. O. Mittendorf

C. C. Mittendorf, Director
Production Expansion Division

Enclosures
PBBlakemore/ hmj
10-9-51
cc to: Adm. Reading File
Reports & Records
Messrs. Mittendorf, Olund
Mr. Blakemore
Field Team, Region IV
Docket
Chron.

FILE COPY
SURNAME:
140 DMA-1 & 1A

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

OCT 11 1951

Chief Consolidated Mining Company
608 Dooly Building
Salt Lake City, Utah

Gentlemen:

This is with reference to the exploration contract I-DMA-94, (DMA Docket No. 1 and 1A) between your firm and the Government, dated June 13, 1951.

Exhibit "A" of the contract describes one phase of Project 1-A as the sinking of a four compartment winze. Although this item calls for four compartments, you will recall that it was the understanding of the parties that only two compartments were required for exploration work and that the Government would participate only in the cost of two. Accordingly, the contract shows the estimated total cost of the four compartments to be $140,000 with the Government's participating share as $35,000. The Government would, therefore, be participating with respect to this item to the extent of 25 percent of its total cost.

The contract as now written is somewhat confusing and in order to avoid possible misinterpretation, it is felt that it may be well to clarify the extent of the Government's obligation prior to the commencement of work on this particular phase of the project. You will find enclosed a proposed amendment to the contract which does not change the contract in substance but merely clarifies it and if found in satisfactory form to you, it is requested that all enclosures be executed by the president of your company and returned to me for execution on behalf of the Government.

Sincerely yours,

C. O. Mittendorf 10/11

C. O. Mittendorf, Director
Production Expansion Division

CJKoontz/bjl (written 10/1/51)
Enclosures 6

Copy to: Reports & Records
C. O. Mittendorf
J. L. Hofflund
C. J. Koontz
Chron

FILE COPY
SURNAME

140

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

October 1, 1951

Memorandum

To: Director, Production Expansion Division

From: General Counsel

Subject: Chief Consolidated Mining Company exploration contract I-DMA-E4, (Docket No. DMA 1 and 1A)

In response to your memorandum of September 25 on the above subject, we feel that this matter can best be handled by an amendment to the contract.

Attached is a letter prepared for your signature addressed to the operator transmitting the proposed amendment to the contract. You will note that the amendment will not change the contract in substance, but merely clarifies the original intent of the parties with respect to the participating cost of the Government in connection with sinking the four compartment winze.

J. L. Hofflund
J. L. Hofflund
General Counsel

not typed
R + R

CJKoontz/bjl

Attachment

Copy to: Reports & Records
C. J. Koontz
J. L. Hofflund
Chron.

a. e. c.

FILE COPY
SURNAME:

400

Blakemore
Mittendorf

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

September 25, 1951

Memorandum

To: General Counsel

From: Director, Production Expansion Division

Subject: Docket DMA 1 and 1A, I-DMA-E4
Chief Consolidated Mining Company

Attached hereto are the PED copy of subject contract and a copy of letter dated September 20, 1951 from Executive Officer, Region IV, in which he misinterprets the intent of the subject contract in our opinion.

The following letter, in substance, for reply is submitted for your opinion.

"There is no obligation on the part of the Operator to spend $140,000 for the shaft, which sum covers the cost of 4 compartments, whereas only 2 compartments are considered as essential for exploration."

On the other hand, if it is necessary to prepare another Amendment to this contract to further clarify this point, please have one prepared as soon as possible.

Attachments-2

C. O. Mittendorf

PBBlakemore/meh
cc to: Reports and Records
Mr. Mittendorf, Mr. Olund
Mr. Blakemore
Docket

not stripped in RRK.

O.E.

OFFICIAL FILE COPY

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

To	Init.	Date
400	G.E.C.	9-24
210		

224 New Customhouse
Denver 2, Colorado

DEPARTMENT OF THE INTERIOR
RECEIVED
SEP 24 1951
Defense Minerals Administration,
Production Expansion Division.

September 20, 1951

Memorandum

To: Executive Secretary, Defense Minerals Administration

From: Executive Officer, DMA Field Team, Region IV

Subject: Contract I-DMA-E4, DMA Docket 1 and 1A, Chief Consolidated Mining Company

A discrepancy exists between the total amount of the contract given in paragraph 11, Form MF-200, of the above contract and the sum of the subtotals given in Exhibits A, B and C attached.

Paragraph 11, Form MF-200, states that the total of all sums paid by the Government under this agreement shall not exceed $231,710 which is 50 percent of the agreed estimated total cost of this project, $463.420.

Exhibits A, B and C give the following breakdown of costs:

	Total Cost	DMA Funds
Pumping	$231,420.00	$115,710.00
Project 1	63,000.00	31,500.00
Project 1A	239,000.00	84,500.00
	$533,420.00	$231,710.00

SEP 24 8 38 AM '51
DEFENSE MIN. ADMINISTRATION WASHINGTON, D.C.

The first item in Project 1-A (Sinking 18-411 Winze, 4 compartment 400 feet @ $350 per foot) gives a total cost of $140,000 and DMA funds of $35,000. This item accounts for the discrepancy in the totals.

Our interpretation is that the Government should only pay 25 percent of the actual cost of sinking the winze as is indicated in Exhibit A, and the total amount of the contract should be $533,420.00, not $463,420 as given in paragraph 11, MF-200. According to the exhibits, the Government cannot disburse $231,710.00 unless the operator spends $533,420.00.

Kindly clarify the above so that we will be in a position to disburse funds when the operator starts project 1-A.

J. H. East, Jr.

FILE COPY
SURNAME:

Blakemore
Mittendorf

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

A.E.C.

Mr. J. H. East, Jr.
Executive Officer
DMA Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

AUG 3 1 1951

Re: Amendment of Exploration Contract
Docket DMA Nos. 1 and 1A Idm-E4
Chief Consolidated Mining Co.

Dear Mr. East:

Enclosed find two signed copies of an amendment to the subject contract, one of which is for your files, the other to be mailed to the Operator for attachment to his contract.

The copy for your Field Finance Officer has been passed to the Chief of Finance Section for recording and mailing to Field.

Sincerely yours,

BJ 8/31

C. O. Mittendorf (J. H.)

C. O. Mittendorf, Director
Production Expansion Division

Enclosures-2

PBBlakemore/bjs
8/17/51
cc to: Adm. Reading File
Reports & Records
Mr. Mittendorf, Mr. Olund
Mr. Blakemore
Region IV
Docket copy
Chron. copy

FILE COPY
SURNAME:

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

Blakemore 400
Mittendorf

a.t.c.

AUG 3 1 1951

Contract Service Section
General Accounting Office
Washington 25, D. C.

Re: Amendment of Exploration Contract
Docket DMA Nos. 1 and 1A ~~Idm-Eh~~
Chief Consolidated Mining Co.

Gentlemen:

This amendment has been executed by the Operator and for the Government in order to fully carry out the intent of the subject contract.

No change in the amount of money is involved. Please attach this amendment to the original contract which you have already filed.

Sincerely yours,

C. O. Mittendorf BJ 8/31

C. O. Mittendorf, Director
Production Expansion Division

Enclosure-1

PBBlakemore/bjs
8/17/51
cc to: Adm. Reading File
Reports and Records
Mr. Mittendorf, Mr. Olund
Mr. Blakemore
Region IV (2)
Docket copy
Chron. copy

FILE COPY
SURNAME:

Blakemore
Mittendorf

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

Memorandum

TO: Chief, Finance Section

AUG 3 1 1951

FROM: C. O. Mittendorf, Director
Production Expansion Division

SUBJECT: Amendment of Exploration Contract
Docket DMA Nos. 1 and 1A Idm-E4
Chief Consolidated Mining Co.

This amendment has been executed by the Operator and for the Government in order to fully carry out the intent of the subject contract. No change in the amount of money is involved.

Please forward to Finance Officer, Region IV, for attachment to his copy of this contract.

Attachment

C. O. Mittendorf (J. N.)

PBBlakemore/bjs
8/17/51
cc to: Reports and Records
Mr. Mittendorf, Mr. Olund
Mr. Blakemore
Docket copy
Chron. copy

FILE COPY
SURNAME:

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

1 of 1 Amd

August 28, 1951

a. ec -

Memorandum

To: Acting Administrator

From: General Counsel

Subject: Chief Consolidated Mining Company, Docket No. DMA 1, 1A, I E 4

Attached for your signature is an "Amendment of Exploration Project Contract" amending the subject exploration contract. I deem it necessary for the sake of the record and for your information to explain the circumstances under which this amendment is presented for your signature. A copy of this memorandum should be preserved with the DMA file for future reference.

You will observe that this is the very first docket number assigned by DMA. The application was received before the staff was well-acquainted with procedures and before procedures had been well-formulated.

It is my understanding that the application in its first form was for a loan to increase the production from the property. After examination of the project and considerable negotiations it was agreed between DMA and the applicant that the application would be considered as for an exploration project contract.

As an application for an exploration project contract the matter is peculiar in two respects:

1. The large amount of the estimated cost, $463,420, in which the Government's participation would be one-half or $231,710; and

2. The fact that one-half of the estimated cost of the project is for increasing the pumping system to dewater and keep clear from water an existing operating mine.

It is my understanding that the mine probably could not continue even its present operations without

making the improvements to the pumping system, and that certainly the desired further exploration for new ore bodies could not be carried out without the improvements to the pumping system. In these circumstances, the determination of whether the cost of the improvements to the pumping system is properly allowable as an element of the cost of exploration is essentially a matter for engineering rather than for legal determination. From a legal standpoint, the mere fact, standing by itself, that the improvement of the pumping system is a permanent and necessary benefit to the mine does not require a legal finding that it should not be allowed as a cost of exploration. It depends, of course, on the importance the Government attaches to the possible discovery and development of further ore bodies as compared with the cost of making the improvement. The engineers have determined that the cost is justifiable as an element of exploration and that the exploration cannot be carried out without making the expenditure for the pumping system. From a legal standpoint, I have no fault to find with this engineering determination, and would not withhold approval of the contract on that point.

The contract, therefore, in terms provides (Exhibits "B" and "C") for an allowance for the cost of a new pumping system in the estimated total amount of $231,420. The contract, dated June 13, 1951, has been executed by the Operator and the Government, after having been approved from a legal standpoint by this office. There was nothing on the face of the contract when presented for legal review to indicate that at the date of the contract the new pumping system had already been installed in whole or in part at the expense of the Operator. It is my understanding that the Operator incurred this expense before the actual consummation of the contract, because of the necessities it was under for placing its orders for the equipment and in reliance upon the representations of the Government representatives that the cost of the installation would be allowed as an element of the costs of the exploration project. That both the Government and the Operator understood that it would be so allowed as a cost of the exploration project is sufficiently indicated by the fact that the item is expressly included in the contract as an allowable cost.

Article 10 of the contract form provides that: "No items of ... costs incurred before the date of this contract shall be allowed as costs of the project in which the Government will participate." Thus there is in fact, although not apparent on the face of the contract, a conflict in its provisions, in that one provision allows as one of the costs in which the Government will participate the cost of the new pumping system (which was incurred in whole or in part before the date of the contract) and another provision which states that no costs incurred before the date of the contract will be allowed.

In these circumstances it is my opinion that it is proper to amend the contract to resolve this conflict and to carry out what was the obvious intention of the parties. The actual signing of the contract by the parties had to await the development of application and contract forms, but if these had been ready the contract would have been dated and signed before the applicant had placed its orders for the new pumping equipment. It is to be observed that if the item of cost of the new pumping equipment should be disallowed as a cost of the exploration project, then the Operator would be entitled to an allowance of "rental value" for the use of the equipment under Article 6 of the contract form. It may be that the allowance for "rental value" would be as much or more than the net amount of the Government's contribution to the cost of the equipment after the salvage value thereof is deducted upon the termination of the contract under the provisions of Article 6 of the contract form. It is my understanding, however, that the Operator incurred this cost in reliance upon the representations of the Government representatives, that it would be allowed and paid as an element of the total cost of the exploration project, and that for purposes of financing the Operator needs to have this money in hand now rather than spread over the term of the contract as an allowance for "rental value."

It has been pointed out that the Government's regulations under which this contract is entered into (MO-5) expressly provide, as the contract does, that: "No items ... of costs incurred before the date of the contract, shall be allowed as costs of the project in

which the Government will participate." It is my opinion, that this provision in the published regulations is no deterrent to entering into the proposed amendment. The application was filed months before the regulations were promulgated, and the terms of the exploration project contract were arrived at, though not set forth in a signed document, before the new pumping equipment was ordered. The amendment in effect changes the date of the contract to the date when the parties actually understood what its terms would be, and the amendment might possibly have been expressed in terms of amending the date of the contract. Moreover, I think that the regulations (MO-5) which are published by the DMA Administrator, do not provide the exclusive means for "the encouragement of exploration, development, and mining of critical and and strategic minerals and metals" within the meaning of section 303(a) of the Defense Production Act. If the Administrator should see fit to enter into a special contract for exploration without reference to the regulations (MO-5) or the contract forms provided for therein, I think he would have full authority to do so. In any case, the execution by you of this amendment will operate as a waiver of the provision in the regulations (MO-5) which would prevent the allowance of costs incurred before the date of the contract, as far as this particular contract is concerned.

J. L. Hofflund
General Counsel

Attachment

JLHofflund/em

Copy to: C. O. Mittendorf
Reports and Reocrds
J. L. Hofflund

LAW OFFICES
DANIELS, SWOPE AND FIRST
COMMERCE BUILDING
HARRISBURG, PENNA.

TELEPHONE 5-8161

WILLIS F. DANIELS
HAROLD W. SWOPE
EDWARD C. FIRST, JR.
ROSE DANIELS

WASHINGTON OFFICES:
2607 CONNECTICUT AVE.
WASHINGTON 8, D.C.
TELEPHONE MICHIGAN 3304

REPLY TO:

August 15, 1951

Mr. C. O. Mittendorf, Director
Production Expansion Division
Defense Minerals Administration
U. S. Department of Interior
Washington 25, D. C.

Re: Chief Consolidated Mining Co.
Exploration Contracts

Dear Mitt:

Enclosed please find the six copies of the amendment of the above captioned Exploration Contracts, DMA Nos. 1, 1A and E4. The documents have been executed by the President of Chief Consolidated and are sealed with the seal of the Corporation.

The prompt and vigorous attention which you and the other members of the staff down there have given to this matter is greatly appreciated.

I hope to see you before long on one of my usual trips to Washington. With kindest personal regards,

Very truly yours,

Harold

Harold W. Swope

HWS/jml
Enc.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG 16 1951

Please note: the letter is addressed to Mr. Swope at Washington through error. However, the envelope is addressed to Harrisburg.

FILE COPY
SURNAME:

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

Hoffland
Mittendorf

August 8, 1951

a. E. C.

Mr. Harold W. Swope
Attorney-at-Law
Daniels, Swope and First
Commerce Building
Harrisburg, Pennsylvania

Dear Harold:

Reference is made to our conference of August 3 concerning the proposed amendment of your Exploration Project Contract DMA 1 and 1A, and I DMA E4, dated June 13, 1951, so as to permit the allowance of the cost of the pumping system as a part of the project costs in which the Government will participate.

Attached hereto in sextuplet is a draft of an amendment to accomplish the purpose of that conference. If you find it to be in order and to fulfill the needs which we discussed, please cause the six copies to be executed by the corporation and return to this office for execution by the Government. Thereafter, when executed by the Government a fully executed copy will be returned to you for delivery to the corporation.

Sincerely yours,

C. O. Mittendorf (J. H.)

C. O. Mittendorf, Director
Production Expansion Division

Attachment

JLHofflund/ema
Copy to: Reports & Records Unit
J. L. Hofflund
C. O. Mittendorf
Chron.

AMENDMENT OF ALLOCATION PROJECT CONTRACT

It is agreed this _____ day of _____, 1951, between the undersigned parties to Exploration Project Contract DSA 1 and 1A and Sub 1 4, dated June 13, 1951 that:

WHEREAS, said contract in Exhibit B and C attached thereto estimates the cost of a new pumping system, installed, at the total of $231,420.00; and

WHEREAS, said sum of $231,420.00, more or less, as estimated, was intended to be and is intended to be one of the costs of the project in which the Government will participate according to the terms of said contract; and

WHEREAS, by the provisions of Article 16 of said contract it is provided that: "The items of ... work performed or costs incurred before the date of this contract shall be allowed as costs of the project in which the Government will participate;" and

WHEREAS, the installation of said pumping system was actually completed in whole or in part before June 13, 1951, on the strength of the representations of the Government and the intentions of the parties that the cost thereof should be included as a part of the Exploration Project Contract;

Now Therefore, it is agreed that the cost of said pumping system which was estimated in the amount of $231,420.00 shall be and is allowed as one of the costs of the Exploration Project in which the Government will participate pursuant to the terms of said contract.

Referring to Exhibit B of said contract entitled "List of Wage Rates in Effect at Eureka, Utah as of May 22, 1951; it is agreed that according to the practice in the district where the work is being performed, or as it may appear that the work can be performed as or more expeditiously, efficiently, and economically, that payment may be made to others engaged in the work in terms of units of work accomplished rather than in terms of daily wage rates; and that insofar as applicable, payments for labor and supervision may include amounts that would be due and paid under the Company's established performance incentive wage plan to the extent that such payments would not be in excess of the general average allowed in the district in which the mine is situated.

This amendment shall not be construed to increase the estimated total cost of the Project or the aggregate total of the Government's contribution or the percentage of the Government's contribution all as set forth in Article III of the Contract.

Executed in sextuplet the day and year first above written.

[illegible] AMERICA

Cedar Consolidated Mining Company

By_____

By_____

FILE COPY
SURNAME:

140
Hofflund
Mittendorf

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

August 7, 1951

Chief Consolidated Mining Company
c/o Harold W. Swope, Attorney-at-Law
Daniels, Swope and First
2607 Connecticut Avenue
Washington, D. C.

Gentlemen:

Reference is made to an Agreement dated June 12, 1951 between Chief Consolidated Mining Co. and Centennial Development Co. for the performance of certain work provided for in Exploration Contract DMA 1 and 1A, and I DMA E4, dated June 13, 1951 between Chief Consolidated Mining Company and The United States of America, an executed copy of which was delivered to the Defense Minerals Administration on August 3 by Mr. Harold W. Swope, Attorney.

Said Contract for the performance of work is hereby approved under the provisions of Article 4 of said Exploration Project Contract dated June 13, 1951.

It is understood that this approval shall not be construed to increase the estimated total cost of the project in the sum of $463,420 nor the aggregate total of the Government's contribution, nor the percentage of the Government's contribution all as set forth in Article 11 of said Exploration Project Contract.

The executed copy of your contract with Centennial Development Co. is retained here for our files.

THE UNITED STATES OF AMERICA

B 8/9

C. O. Mittendorf (J. H.)

By
Director, Production Expansion Division

JLHofflund/ema

Copy to: C. O. Mittendorf
J. L. Hofflund
√ Reports & Records Unit
Chron.

FILE COPY
SURNAME:

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

Blakemore
Mittendorf

a. e. e -

7-26-52

Mr. J. H. East, Jr.
Executive Officer
Region IV
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. 1 & 1A Idm El
Chief Consolidated Mining Co.

Dear Mr. East:

Returned herewith is the original labor contract covering certain mining work to be performed within the subject contract, which presumably should be returned to the Operator--It is assumed that you have a copy.

Since this is a cost-plus contract, it does not reflect the probable cost per foot of shaft sinking, drifting, and raising; however, the contract with the Government places a definite maximum sum in which the Government will participate for each of these items. As you may have noted, the Governmental participation is 50% with the exception of the 4 compartment winze, in which the Government's share is 25%.

Sincerely yours,

C. O. Mittendorf 7/26

C. O. Mittendorf, Director
Production Expansion Division

Enclosure

PBlakemore/bjs
cc to: Reports and Records
Adm. Reading file
Mr. Mittendorf, Mr. Olund
Mr. Blakemore
Mr. Billings
Mr. McKnight
Region IV (2)
Chron. copy

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

224 New Customhouse
Denver 2, Colorado

July 16, 1951

Memorandum

To: C. O. Mittendorf, Director, Production Expansion Division
Defense Minerals Administration

From: Executive Officer, DMA Field Team, Region IV

Subject: DMA 1 and 1A, Chief Consolidated Mining Company,
Juab and Utah Counties, Utah

Herewith is the original of a copy of a Labor Contract between Chief Consolidated Mining Company and Centennial Development Company for doing certain work specified in Contract I-DMA-E4.

The contract appears to be in good order and the cost reasonable.

J. H. East, Jr.

Enclosure

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 20 1951
Executive Secretary

FILE COPY
SURNAME:

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

July 11, 1951

Mr. W. W. Watson, Secretary
Chief Consolidated Mining Co.
608 Dooly Building
Salt Lake City, Utah

Prior Costs

My dear Mr. Watson:

Reference is made to the letter of Chief Consolidated Mining Co. (by Vice President and General Manager) to myself, dated April 20, to your exploration project contract with the Government, dated June 13 (I-DMA-E4) and to your letter of June 23 to Mr. John H. East, Jr., Regional Director of the Bureau of Mines at Denver. It is to be noted that the letter of April 20 was written before the date of the exploration contract and your letter of June 23 after the date of the exploration contract.

In your letter of April 20 you point out that section 13 of MO-5 "is quite definite in excluding all costs incurred prior to the date of contract from participation by the Government." In your letter of June 23you state that: "We understand that the terms of our contract with the Defense Minerals Administration provide that the government will participate in the agreed costs of the project only to the extent of invoices, labor, and other applicable charges that are actually paid by us subsequent to the signing of the contract on June 13, 1951, the date of payment being the only determining factor." The contract (section 10) provides that no ". . . work performed or costs incurred before the date of this contract shall be allowed as costs of the project in which the Government will participate."

I gather from your letters that a very considerable part of the costs of purchasing and installing the pumping system, at an estimated total cost of $231,420, would come within the description of "work performed or costs incurred before the date of the contract" as that language is used in Article 10 of the contract. Consequently, insofar as this work had been performed or the costs for it incurred prior to the date of the contract, the Government, under the terms of

the contract and the regulations (MO-5) would not participate in them as such. This is not to say that the Government could not make any contribution to your costs in these items. It is to say that the Government's participation would not be in the form of a payment of 50 per cent of the costs incurred under Article 11 of the contract, but would be in the form of an allowance for the rental value of these installations under Article 6 of the exploration contract. Inasmuch as the contract does not presently provide for any such allowance for rental value, it seems to me desirable to clarify it in this respect by agreeing on those items which have already been installed and the costs of which have been incurred by you, and setting forth a reasonable allowance for the rental value thereof. This would not return to you immediately one-half of your capital expenditures for these items, but would provide a means for making a reasonable allowance for their use on the exploration project.

Defense Minerals Administration does not deem it proper or expedient to make an exception with respect to making any allowance for "work performed or costs incurred" before the date of the contract. In the case of installations in progress when the contract is signed, it may be difficult to make a cutoff point which would fix the installation either as one in the cost of which the Government will participate or as one for the allowance of rental value in lieu of participation in the cost. It seems to me that in any case where orders for the equipment have been placed and the installation well-advanced before the date of the contract, the installation should be viewed as one for the allowance of rental value rather than as one in the cost of which the Government will participate.

If the installations now under way are completed or viewed as proper subject for the allowance of rental value, this will resolve your inquiry as to the disposition of such equipment as set forth in your letter of April 20. You will own it, and the Government will have no interest in it. However, insofar as the Government does participate in the cost of equipment and installations, it will have, under section 7 of the contract, an equity therein which will have to be settled upon the termination of the contract. The Government would not waive its equity as long as there was any salvage value. Of course, such equipment and installations would be of

more value to the operator than to the Government, and it would be up to the operator to make a suitable arrangement with the Government for acquiring the whole interest.

In your letter of April 20 you inquire if the operator will be permitted to mine ore which is encountered in the course of the exploration work. Certainly the Government would have no objection to such mining operations as long as they would not interfere with the exploration work, but the proceeds from the ore would be subject to the Government's claim for reimbursement under the terms of the contract.

I suggest that the contract be amended immediately to set forth in Exhibit "A" those installations which are to be treated as the subject of an allowance for rental, and the agreed amount of the rental allowance. In this connection, it appears from Exhibit "A" that the Government is participating in the amount of 31.2 per cent in the estimated cost of certain of the work, rather than the full 50 per cent allowable for lead and zinc ores, because a 4-compartment winze is called for instead of a 2-compartment one, which would be sufficient for the purposes of exploration. I think this should be made clear if and when we amend the contract as suggested here. In the absence of such an amendment, the contract as it presently stands does not provide for any allowance for installations already made or in progress.

Sincerely yours,

JAMES BOYD

Administrator

W

JLHofflund/em

Copy to Administrator's Reading File
J. H. East, Jr., Denver, Colo.
L. F. Strobel
C. O. Mittendorf
J. L. Hofflund
√Files

FILE COPY
SURNAME:

Mittendorf

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

JUL 3 1951

Mr. J. H. East, Jr.
Executive Officer
Region IV
Defense Minerals Administration
224 New Customhouse Building
Denver 2, Colorado

Re: DMA Docket 1 and 1A

Dear Mr. East:

Enclosed are letters and maps which were forwarded to you here but which you did not take back to Denver with you.

For your information with regard to the change in type of work requested in Mr. Fitch's letter of June 20, 1951, it was our understanding that all drilling ahead of drifting would be wholly paid for by the Company and not charged to the contract account. This understanding was reached during an interview at this office on May 15, 1951, in which Mr. Fitch stated that the practice of drilling ahead of drifting was habitual and that the Company would carry it on at its expense in the work to be done under the contract.

Enclosures

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

APPROVED:

Tom Lyon

Chairman, Coordinating Committee

Maxwell B. Moon

Member, Bureau of Mines

J. W. Knight

Member, Geological Survey

PBBlakemore/meh
cc: Adm. Reading File
Mr. Strobel
Messrs. Mittendorf, Olund
Mr. Moon
Region IV (2)
Mr. Blakemore
Mr. Herres
Mr. McKnight
FILES
Chron. Copy

8 1951

258

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., SECRETARY, TREAS.
W. W. WATSON, ASST. SECTY.-TREAS. ACCT.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

DIRECTOR'S OFFICE
REGION IV
JUN 25 1951
BUREAU OF MINES
DENVER, COLORADO

June 23, 1951

Mr. John H. East, Jr.
Regional Director
U. S. Bureau of Mines
224 New Customs House
Denver 2, Colorado

ans 7/11/51
J L H/em

Dear Mr. East:

Reference is made to Exhibit "B" of the Exploration Project Contract consumated with this company under date of June 13, 1951, by the Defense Minerals Administration under their Dockets Nos. DMA 1 and 1-A.

The above mentioned exhibit refers to the cost and installation of additional pumping equipment, additions to the electric power distribution system, and certain sumps, as well as enlargements and extensions of drainage workings -- all of which are essential to, and had to be completed before any of the exploration work detailed in Exhibit "A" of the contract could be started.

In this connection, we would like to call to your attention that our application for government assistance under the Defense Production Act of 1950 was filed with the Defense Minerals Administration on November 3, 1950; and we, realizing that the equipment essential to this project would be in short supply and that delivery dates would be very uncertain, immediately began to place orders for the necessary items to assure their being available to us when we received final approval of our application. At that time, we anticipated approval or disapproval of our application would be received by us in three or four months at the latest. Actually the contract was signed on June 13, 1951, over eight months elapsing since the date of the application. During this eight months period we purchased and paid for equipment items in excess of $50,000.00, and also proceeded with work preparatory to installation of the equipment for which we have paid, in labor and other direct costs, almost $50,000.00 -- or roughly almost a total of $100,00.00. Of this amount, it was necessary for us, in order to meet these bills as they became due, to negotiate a loan at our bank for $50,000.00, which note remains unpaid at this time.

We understand that the terms of our contract with the Defense Minerals Administration provide that the government will participate in the agreed costs of the project only to the extent of invoices, labor, and other applicable charges that are actually paid by us subsequent to the signing of the contract on June 13, 1951, the date of payment being the only determining factor.

This letter is a request to the Defense Minerals Administration,

through your offices, for reconsideration of the above terms of the contract, with a view towards securing some relaxation permitting the Defense Minerals Administration to participate in the applicable costs incurred prior to the signing of the contract.

In our application of November 3, 1950, we specifically called attention to the fact that three of our major ore runs had been cut off by a dike and that until we were able to overcome dewatering difficulties our production, both as to tonnage and grade, would drop precipitately, with the result that at this time we have experienced an operating loss of approximately $75,000.00. This amount, together with the amounts we have expended on the project to date, has so depleted our working capital that any assistance you may be able to secure for us, in the way of recognizing the need for government participation in the costs we have incurred prior to the signing of the contract, will be most essential. It is quite obvious that had we not gone ahead with this project when we did, it would have become necessary for us to secure financial assistance from some other source.

In addition to the facts already brought out, we wish to call your attention to correspondence between Mr. Francis Speaker, Director of the Requirements Division, Defense Minerals Administration, and ourselves relating to requests for assistance in securing priorities and advancing delivery dates for specified items of equipment essential to this project. The first of these requests dates back to March 8, 1951, and they continue through June 8, 1951. We believe this file of correspondence will be available to you in Washington and should have a direct bearing on this request. We are also attaching hereto copy of a letter addressed to Dr. Boyd from Mr. Fitch, Jr., under date of April 20, 1951, which you requested of me yesterday.

Yours very truly,

W. W. Watson

Secretary

WWW/bb
Encl.

FILE COPY
SURNAME:

Mittendorf

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

June 20, 1951

Mr. Frank McAtee, Jr.
Contract Service Section
General Accounting Office
4th Floor, New GAO Building
Washington 25, D.C.

Re: Docket No. DMA-1 and 1A
Exploration Project Contract
I-DMA-E4
Chief Consolidated Mining Co.
Eureka, Utah

Dear Mr. McAtee:

Enclosed for recording in your office is the original signed copy of an Exploration Project Contract executed between the operator named in the above reference and the Government of the United States.

Sincerely yours,

LANDON F. STROBEL

Landon F. Strobel
Executive Secretary

Enclosure-1

COMittendorf/fw

cc to: Admr Reading File
Mr. Strobel
Field Team, Reg. IV (2)
Mr. Herres
Mr. McKnight
Mr. Mittendorf, Mr. Olund
Mr. Blakemore
FILES

Dun. a 1

258

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

224 New Customhouse
Denver, Colorado

June 14, 1951

Memorandum

To: Landon Strobel, Executive Secretary, Defense Minerals Administration

From: DMAField Team, Region IV

Subject: Exploration Contract I-DMA-E4
DMA Docket 1 and 1A
Chief Consolidated Mining Company, Eureka, Utah

Referring to Mr. C. O. Mittendorf's letter, dated June 11, the contract I-DMA-E4 for the Chief Consolidated Mining Company, Eureka, Utah, was signed by the operating company, Cecil Fitch, President, on June 13, 1951.

As directed in Mr. Mittendorf's letter in the last paragraph, one copy was given to Mr. Cecil Fitch for the Chief Consolidated Mining Company. Two copies have been retained in this office, and we are forwarding the original and two copies of the signed contract with this letter.

J. H. East, Jr.
Denver

A. H. Koschmann
A. H. Koschmann

Attachments
3 copies of Exploration Project Contract

Copy to C. O. Mittendorf, Director,
Production Expansion Division

DEFENSE MINERALS ADMINISTRATION

97022

PRODUCTION EXPANSION DIVISION

EXPLORATION LOANS

Name of Company and Address: Chief Consolidated Mining Co.

Name of Mine and Location Chief No 1, Eureka, Utah

Docket No. D.M.A. 1 and 1A Date received by P.E.D. 4-12-51 Changed 5-29-51

Metals or Minerals involved Lead-Zinc

Amount of Total Project: $463,470.00

Government participation, percent and amount 50%

Number of subprojects in total application

Type of Exploration	Feet	Cost per foot	Total cost
Preparatory & Rehabilitation	None		
Equipment	Mine Pumping System		$231,470.00
Shaft sinking & winzes	4 Compartment	$140,000 allowed	70,000.00
Drifts and crosscuts			108,000.00
Raises			54,000.00
Diamond or churn drilling	None		
Other			

Comments on Contract Repayment to be made on returns from all ore North of Leadville Fault and all ore below the 2450 level south of the Leadville Fault.

Date sent to Applicant for signature Signed by operator 6/13/51

Date returned to P.E.D.

Date sent to Legal 31st May 1951

Date signed by Administrator 5th June 1951

Additional remarks:

Signed P B Blackmore

Interior—Duplicating Section, Washington, D. C.

FILE COPY
SURNAME:

Blakemore
Mittendorf

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

June 7, 1951

Mr. J. H. East, Jr.
Director, Region IV
U.S. Bureau of Mines
224 New Customhouse Building
Denver 2, Colorado

Re: Exploration Contract I-DMA-E4
DMA Docket 1 and 1A - Lead-Zinc
Chief Consolidated Mining Company
Eureka, Utah

Dear Mr. East:

Transmitted herewith are the original and five copies of the subject contract, signed by Dr. Boyd, for your presentation to the Operator, together with a copy of the Recommendation.

The Operator has not been previously informed as to the amount of Governmental participation covered by this contract. The amount is considerably less than the amount for which application was made, but it is believed that the work outlined in the contract will fully cover the exploration required to determine whether economic orebodies exist north of the Leadville dike.

Mr. Fitch, Jr. stated during an interview in this office that there had never been any appreciable tonnage of proven ore available at any time in the 40-year history of the mine. Under these circumstances, it is evident that sufficient exploration to cut suspected mineralized zones is as much as could be classified as exploration, since the usual delineation of orebodies has never been considered practical by the operators.

In addition, it is felt that the amount of work specified in the contract was as much as could be positively completed within the two-year period allowed.

It is requested that these contracts be presented to the Operator by your representative, for his signature on all of them. One copy is for the Operator, two for your office, the original and two copies to be returned to Landon Strobel, Executive Secretary, DMA, Room 4626, Department of Interior, Washington 25, D.C., for distribution. Please note that the date is to be inserted on these documents at the time of execution by the Operator.

Sincerely yours,

C. O. Mittendorf

C. O. Mittendorf, Director
Production Expansion Division

APPROVED:

Tom Lyon

Chairman, Coordinating Committee

Lowell B. Moon

Member, Bureau of Mines

Olaf N. Rove

Member, Geological Survey

PBBlakemore/fw cc: Admr Reading File
Mr. McKnight Field Team, Reg.IV
Mr. Herres Mr. Moon Mr. Strobel
Mr. Mittendorf, Mr. Olund Mr. Blakemore
FILES

FILE COPY
SURNAME:

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

June 4, 1951

Memorandum

To: C. O. Mittendorf

From: General Counsel

Subject: Chief Consolidated Mining Company - DMA Dockets 1 and 1A

The subject case is approved and execution of the contract is in order.

It is to be noted that the description of the property on which exploration is to be conducted (paragraph 2) is rather vague. The application states that a description of the 10,000 acres is available upon request. It is suggested that on delivering the contract to the Operator, the field team obtain from the Operator a legal description of the 10,000 acres, which description should be placed in the file of this case.

Your file is returned herewith.

J. L. Hofflund

J. L. Hofflund
General Counsel

Attachment

CJKoontz:ds
Copies to: L. F. Strobel
J. L. Hofflund
C. J. Koontz
Chron.
Files

FILE COPY
SURNAME:

Mittendorf

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

Memorandum

May 31, 1951

TO: Mr. J. L. Hofflund
General Counsel

FROM: C. O. Mittendorf
Director, Production Expansion Division

SUBJECT: DMA-1 and 1A - Lead-Zinc
Exploration Contract I-DMA-E4

Transmitted herewith is the above contract for your approval.

The Appendix A attached thereto was prepared by Mr. Koontz and discussed with you.

The attached Exhibits A, B, C, D, E conform with the requirements.

As the original application (subsequently modified) was Docket No. 1 and 1A, it is highly important to expedite it to completion.

PBBlakemore/fw

cc to: Field Team (2), Reg. IV
Admr's Reading File
Mr. Strobel
~~MrxxMxxxx~~
Mr. Herres
Mr. McKnight
Mr. Blakemore
Mr. Mittendorf, Mr. Olund
FILES

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., TREASURER
W. W. WATSON, SECRETARY
AUDREY L. CHRISTENSON, ASST. SECTY.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

EUREKA, UTAH

May 27, 1951

Mr. Page Blakemore
304 Madison Street N.W.
Washington 11, D.C.

Dear Mr. Blakemore:

I am enclosing six copies of the figure four stope composite with the proposed development work shown.

Very truly yours,

Cecil Fitch, Jr.

Cecil Fitch, Jr.

Vice Prest., General Mgr.

CF, jr/r

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 28 1951
LANDON F. STROBEL
Executive Secretary

FILE COPY
SURNAME:

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

Mittendorf

Memorandum May 25, 1951

TO: General Counsel

FROM: C. O. Mittendorf

SUBJECT: DMA-1 and 1A - Lead-Zinc
Chief Consolidated Mining Co.

This is an exploration project in which it is necessary for the Government to participate in the cost of a large mine pumping system in order to carry out the exploration proposed. This new system is a large component of the total expense of these projects.

With the new pumping system in operation the company will be able to mine ore in a part of the mine which is not within the blocks of ground to be explored. It is apparent that, from this pumping system, material financial benefits will accrue to the Operator over and above those which may materialize from the exploration work.

It is therefore proposed to supplement the schedule of repayment contained in Section 14 of Form 200, as outlined on the accompanying sheet and attach same to the contract.

Your opinion is requested as to the substitution proposed.

Attachment

PBBlakemore/fw
cc to: Mr. Strobel
Mr. Mittendorf, Mr. Olund
FILES
Mr. Blakemore

FILE COPY
SURNAME:

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

Supplemental Repayment.

In consideration of certain financial benefits which may accrue to the Operator in mining and selling ores from certain blocks of ground, situated south of the Leadville Fault and presently made available for extraction by reason of the new pumping system for which the Government contracts to assist in financing, the Operator agrees to apply the same terms and schedule of repayment to the Government from the mining and sale of all ores extracted south of said Fault and below the 2450 level of the 18-411 winze. This article is not to be construed as imposing any obligation on the Operator or his successor in interest to produce ore from any such discovery or development.

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PRES., SECRETARY, TREAS.
W. W. WATSON, ASST. SECTY.-TREAS. ACCT.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

May 24, 1951

Mr. Page Blackemore
304 Madison Street, N. W.
Washington 11, D. C.

Dear Mr. Blackemore:

Please find enclosed the following:

6 copies of the Geologic Section to the Chief Consolidated 18-411 Winze;

6 copies of a certification which you required through Mr. Jesse Maury, and

6 copies of the Prevailing Wage Rates now in effect at our Eureka, Utah Property.

Yours very truly

W. W. Watson

Secretary

WWW:AC
Encs.

DEPARTMENT OF THE INTERIOR
Defense Materials Administration
RECEIVED
MAY 28 1951
J. STROBEL
Executive Secretary

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
Washington 25, D. C.

May 22, 1951

Memorandum

To: Mr. C. O. Mittendorf, Director, Production-Expansion Division

From: Mr. P. B. Blakemore

Subject: DMA Docket No. 1 and 1-A
Commodity: Lead, Zinc.

RECOMMENDATION FOR EXPLORATION

Applicant: Chief Consolidated Mining Company
Eureka, Utah

Mine: Chief No. 1, Eureka, Utah.

Summary and Recommended Participation by DMA.

Total Cost of Projects Applied for	$847,420		
Total Cost of Projects Recommended		$463,420	100%
Participation, DMA Funds		231,710	50%
1/RFC Loan for Hoist (future consideration)		115,700	100% (?)
Total DMA Loan and possible RFC Loan		$347,410	

1/This item covers a new hoist, in no way essential to the proposed Exploration Project, and is subject to discovery of ore on the 3100 foot level.

All projects are to be completed within 2 years from date of contract. The applicant's 1950 Report to Stockholders indicates a current asset position which would cover his share of the cost of the Recommended Projects above, but not sufficient to cover his share of the Projects Applied For.

Discussion

Management

The present management has been in charge of this property for 40 years during which time it has proven its competence by a record of successful and profitable operation.

No. 1 Chief Mine

The workings of the ore body under consideration are continuous over 1½ miles along the mineralized zone. Its production history in

order named, gold-gold-copper, gold-copper-lead-silver, lead-silver, lead-zinc-silver, the last named being a milling ore which has been the principal output for the past several years.

Record of Production

The property is presently equipped to produce 11,000 tons per month from present levels and has produced at the rate of 11,437 tons per month for the past 3 years. The applicant states, however, that a new more powerful hoist will be required in order to surface ore from the proposed 3100 foot level, if sufficient ore is found there.

Operational Forecast

The applicant has furnished an operational forecast of the next few years received by this office on May 4, 1951 which is summarized as follows: 11,000 tons per month containing 0.02 oz. Au, 5.66 oz. Ag, Pb 5.74%, Zn 6.88%. Net Smelter Value $14.59 per ton at present prices for the metals contained.

The forecast production of 132,000 tons/year, yields on this basis a Net Smelter Return of $1,925,880.00 and the repayment to the Government from this at 5% thereof, totals $96,294.00 per year. At this rate of repayment, the advance from DMA funds would be complete in approximately 2 years, 4 months.

Comment

This grade of ore compares favorably with that produced over the past few years and is considered a reasonable estimate of the grade to be anticipated.

The chance of finding Commercial Orebodies North of the Leadville Fault above the 2700 foot level are believed to be very good, because small workings and diamond drilling have shown good mineralization on the 2700 foot level at both the Beck Fault Zone and the "C" Sump workings, and numerous small showings on all levels above to the 2200 foot level, indicating 500 feet of backs.

It is estimated that the blocks of ground to be explored above the 2700 foot level could reasonably be expected to contain recoverable commercial ore in sufficient tonnage to sustain an extraction at the rate of 132,000 tons/year for at least 3½ to 4 years, judging from the extraction records of comparable contiguous blocks South of the Leadville Fault.

Outline of Project 1 - 2700 Foot Level (Detailed on last page)

There is now being pumped 4100 gallons per minute of water from the 2700 level and upper levels. This volume exceeds the rated capacity of the present mine pumps.

The water level north of the Leadville dike stands at 250 feet above the 2700 foot level. Therefore, exploration north of the dike cannot be attempted until a new pumping system having a rated capacity of 10,500 gallons per minute, as proposed, can be installed. Equipment orders have been placed for this system and the applicant states that it will be installed and in operation by August 1, 1951.

Following the installation of this pumping system the applicant proposes to explore the 2700 foot level North of the Leadville Fault and has applied for 50% of the financing with Exploration Funds, as follows: (the assistance recommended, listed for each item)

Item	Total Cost	DMA Share	% DMA	Date of Completion
Pumping System	$173,345	$ 86,672	50%	August 1, 1951
Drifts & Raises	63,000	31,500	50%	January 1, 1952
Totals	$236,345	$118,172	50%	

The amount of drifting and raising allowed (17½% of request) is sufficient to cut the veins, provide access to, and explore both the blocks of ground in the "C Sump" and Beck fault zones. The full amount applied for is excessive for exploration of these two blocks of ground because Mr. Fitch, Jr., General Manager, stated verbally, to this office on May 15th that delineation of ore reserves had never been possible in this mine, and that there had never been over 60 to 90 days ore in sight at any time during its 40 years of operation.

Project 1-A - 3100 Foot Level (Detailed on last page)

This project has been discussed in detail with Mr. H. T. Morris of the U.S.G.S. who is well acquainted with the geology of the subject mine and assisted in the preparation of the Bureau of Mines Field Report, in which these projects were recommended for approval.

The exploration, (drifting and raising) would generally follow the same pattern as that recommended for both the "C Sump" and Beck fault zone blocks on the 2700 foot level. The applicant proposes to sink a 4 compartment shaft from the 2700 foot level by extending the 18-All winze 400 feet to the 3100 foot level. Inasmuch as a two compartment shaft is ample for exploration, it is recommended that DMA funds be provided for 50% of a 2 compartment shaft, or 1/4 of the 4 compartment shaft proposed.

Additional pumping facilities will have to be provided to handle the water anticipated from opening up the subject blocks of ground north of the dike. A 50% participation with DMA funds is recommended for the additional pumping system.

The project as applied for and the participation recommended has been listed as follows:

Item	Total Cost	RFC Share	% RFC	Date of Completion
Shaft Sinking	$140,000	$ 35,000	25%	August 1, 1952
Drifts & Raises	99,000	49,500	50%	January 1, 1953
Pumping System	58,075	29,038	50%	October 1, 1952
Totals	$297,075	$113,538		

Comment

It is believed that the chances of finding 800,000 tons or more of commercial ore above the 3100 foot level justify the risk.

Hoist

Included in this application is the purchase and installation cost of a more powerful hoist to replace the present hoist now serving the 18-411 winze. The capacity of the present hoist is definitely limited to serving down to the 2700 foot level only and cannot be used to serve the 3100 foot level.

Clearly, the cost of this hoist cannot be considered as part of an exploration program, and if no commercial ore bodies are found on the 3100 foot level there would be no need for it.

Therefore, it is recommended that when and as justified, by ore discoveries on the 3100 foot level, an application for a loan from R.F.C., would be considered.

P. B. Blakemore

PBBlakemore/GMcC

cc: Files
Field Team (2)
Administrator's Reading File
Mr. Strobel
Mr. Moon
Bureau Mines Commodity Expert
Geol. Survey " "
PED Engineer
PED File
Chron. copy

Detail of Recommended Exploration Work
(Exclusive of Pumping Systems)

Project 1 — 2700 Foot Level		Total Cost	BMA Funds
Drift North from the 18-411 Winze	600 feet @ $30. foot	$18,000	$ 9,000
Drift East, North of the Leadville Fault	800 feet @ $30. foot	24,000	12,000
Drift West, North of the Leadville Fault	400 feet @ $30. foot	12,000	6,000
Raises, North Drift	100 feet @ $30. foot	3,000	1,500
Raises East Drift	100 feet @ $30. foot	3,000	1,500
Raises West Drift	100 feet @ $30. foot	3,000	1,500
	Totals	$63,000	$31,500

Project 1-4 — 3100 Foot Level		Total Cost	BMA Funds
Sinking 18-411 Winze, 4 Compartment	400 feet @ $350. foot	$140,000	$35,000
Drift North from Winze on 3100 foot level	600 feet @ $30. foot	18,000	9,000
Drift East, North of Leadville fault	800 feet @ $30. foot	24,000	12,000
Drift West, North of Leadville fault	400 feet @ $30. foot	12,000	6,000
Raises North Drift	500 feet @ $30. foot	15,000	7,500
Raises East Drift	500 feet @ $30. foot	15,000	7,500
Raises West Drift	500 feet @ $30. foot	15,000	7,500
	Totals	$239,000	$84,500

Summary:	Total Cost	BMA Funds	% BMA
Project 1	$ 63,000	$ 31,500	50%
Project 1-4	239,000	84,500	31.2%
Totals	$302,000	$116,000	38.4%

CHIEF CONSOLIDATED MINING COMPANY

FORECAST OF PRODUCTION, REVENUES,

AND COSTS OF ANTICIPATED PRODUCTION

FROM EXPLORATION AREA DEFINED

IN APPLICATIONS DMA 1 and 1A

The following pages are an attempt to forecast the operating results in terms of production, revenues and costs of an exploration area defined in this company's application to the Defense Minerals Administration for Government participation in the exploration costs, which applications have been assigned DMA Docket Nos. 1 and 1A.

In the Company's original application, it has been stated that the area to be explored was north of our present workings and separated by a thin east-west dike through which diamond drill holes have indicated a continuation of mineralization, but whether marketable ore exists and, if so, its grade and quantity are entirely unknown.

Consequently, this forecast can only be based upon the following factors which may or may not be factual until the exploration program is completed and the area developed.

First, the mine is equipped to easily handle 11,000 tons per month or 132,000 tons annually from the explored area in addition to tonnages from other sections. The forecast istherefor based upon the assumption that after the exploration program has been completed, it can be developed to average this tonnage.

Second, in the absence of any knowledge relative to the grade of ore in the exploration area, the average grade of sulphide milling ore produced by the company during the year 1950 has been used.

Third, a net smelter return has been computed which indicates the revenue that can be expected from the stated grade based upon ore settlement agreements in effect at the present time.

Fourth, Direct Mining Costs are those in effect at this time and no adjustments have been made to offset wage and material increases or other inflationary conditions that will probably exist at the time mining operations could commence in the exploration area.

Fifth, Indirect Mining Expenses, General and Administrative Expenses have been estimated to be 11/15 of the total for such expenses as applicable to the exploration area, assuming a total production of 15,000 tons from all sections of the mine.

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Forecast of Anticipated Production, Revenue and Costs resulting from ores produced within the Exploration Area defined in applications for Government Participation under Defense Production Act of 1950

(Defense Minerals Administration Dockets 1 and 1A)

(Based entirely upon assumptions as stated)

Dry Tons of Crude Ore Produced per year (1)		132,000
Average Settlement Assay: (2)		
Au. .02 oz. per ton		
Ag. 5.66 oz. per ton		
Total Pb. 5.74%		
Total zn. 6.88%		
N. S. Pb. 1.12%		
N. S. Zn. .59%		
Net Snelter Value (132,000 tons @ $14.59) (3)		$1,925,880.00
Less:		
Direct Mining Costs (132,000 tons @ $9.82) (4)	$1,296,240.00	
Repayment to Government (5% of $1,925,880.00)	96,294.00	$1,392,534.00
Gross Return from Exploration Area		533,346.00
Less: Indirect Mining Expense allocated to Exploration Area (4)	106,480.00	
Overhead and General Administrative Expense allocated to Exploration Area (4)	175,208.00	281,688.00
Estimated Net Profit before Federal Income and Excess Profits Taxes and Depletion		$ 251,658.00

(1) Based upon an anticipated average production of 11,000 tons of dry ore reaching peak production within two years after projects' completion.
(2) Average grade of sulphide milling ore produced during 1950.
(3) Based upon settlement terms outlined in Exhibits 1 and 2.
(4) As estimated in Exhibit 3.

EXHIBIT 1

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Statement giving Net Smelter Return per ton for average assay stated under settlement terms with Combined Metals Reduction Company in effect May 1, 1951

Metal Prices in effect Au. $35.00 oz.; Ag. $.9016 oz.; Pb 17¢ lb. Zn. 17.5¢lb.

	Oz. Au.	Oz. Ag.	% Pb.	% Zn.	% N.S. Pb.	% N.S. Zn.
Settlement Assays	.02	5.66	5.74	6.88	1.12	.59

Values per ton:

Gold	.01	100 % @ $16.00 per oz.	$ .160	
Silver.....	2.0	100 % @ $ .72128 per oz.	2.640	
Lead.....	.75 %	100 % @ $ 2.30 per unit	8.901	
Oxide Lead.....	1.0 %	100 % @ $ 1.00 per unit	.120	
Zinc.....	1.8 %	100 % @ $ 1.80 per unit	8.082	
		Gross Metal Payment per ton		$19.903
Less:	Treatment per ton		$4.000	
	Freight per ton		1.250	
	Federal Freight Tax @ 3%		.038	
	Controls, Switching, etc.		.025	5.313
		Net Smelter Return per ton		$14.590

132,000 tons @ $14.59 — $1,925,880.00

Exhibit 2

AGREEMENT

THIS AGREEMENT made in duplicate this 1st day of January, 1951, between COMBINED METALS REDUCTION COMPANY, a corporation, the "Buyer", and CHIEF CONSOLIDATED MINING COMPANY, a corporation, the "Shipper",

WITNESSETH:

Buyer agrees to purchase and Shipper agrees to sell ores produced by Shipper, in accordance with the terms and conditions herein stated, to-wit:

MATERIAL

The material covered by this agreement shall be the crude lead-zinc sulphide milling ores produced by the Shipper from the Chief Consolidated Mine at Eureka, Utah, that are suitable for treatment in the Buyer's mill at Bauer, Utah, and are of the same character as samples and shipments previously received by the Buyer and approved by the Buyer for treatment. Buyer reserves the right to refuse any ore tendered that is not similar in character to the samples and shipments received.

DELIVERY

F. O. B. Bauer, Utah, in not less than carload lots up to 10,000 tons per month. Any excess may be accepted or refused at Buyer's option. All shipments shall be consigned to Combined Metals Reduction Co., Bauer, Utah. The original bill of Lading shall be mailed to Combined Metals Reduction Co., P. O. Box 150, Salt Lake City 10, Utah. There shall be no charge for sampling and unloading at the plant if delivered in open top, bottom dump cars in not less than carload lots. Date of delivery means date of receipt of last car of a lot at the Buyer's plant. Month of receipt means the calendar month in which the last car of the lot is received at the plant.

SETTLEMENT

Settlements shall be made within seven (7) days after agreement of assays, and in accordance with variations in metal prices, freight charges (which shall include Federal Tax) and labor costs, all as hereinafter stated.

When used herein, "Unit" shall mean 20 pounds avoirdupois; "Ounce" shall mean Troy ounce; and "Ton" shall mean short ton of 2,000 pounds dry weight.

FREIGHT

All railroad freight and delivery charges shall be for the account of the Shipper, and Buyer will deduct all such charges and any advance made by it in making settlement.

WEIGHING, SAMPLING AND ASSAYING

Weighing and sampling shall be done at Buyer's plant, Bauer, Utah at Buyer's expense with right of representation by Shipper, or at the Utah Ore Sampling Company, Murray, Utah at Shipper's expense.

Three pulps shall be prepared one of which shall go to the Shipper (or its representative), one to the Buyer and one shall be held for umpire. Certificates of assay shall be compared by crossing mail. If the assays check within the limits of variation herein stated, the average of the two assays shall govern settlement. If the assays do not check within the limits of variation, the third pulp shall be submitted to an umpire agreeable to both parties, and the decision of such umpire shall be final if his assay falls between the other two assays.

If the umpire's assay is above the higher assay or below the lower assay, then the assay closest to the umpire assay shall govern settlement. Cost of the umpire assay shall be borne by party whose assay is farthest from umpire's assay. Umpires shall be selected in rotation from a list mutually agreed upon.

Limits of Variation in Assays

Gold:	One one-hundredth (1/100) of an ounce.
Silver:	Two tenths (2/10) of an ounce.
Lead and non-sulphide Lead:	Three tenths (3/10) of (1) percent.
Zinc:	Three tenths (3/10) of (1) percent.

The method for determining non-sulphide lead shall be as follows: Weigh 2 grams of ore into a 250 cc beaker, add 30 cc cold distilled water, 10 cc Ammonium Acetate solution (5# to the liter) and 5 cc Glacial Acetic Acid. Mix by swirling 5 minutes in the beaker, then filter at once using a No. 1F 12-1/2 CM Munktell filter paper. After it drains through paper wash 3 times with cold water. Add to the filtrate concentrated sulphuric acid equal to at least 10% of the volume of the filtrate. Place on hot plate and boil for a few minutes. Remove beaker from hot plate and place it in the sink to cool. When cold, filter onto tight filter paper, No. 1F 12-1/2 CM Munktell filter paper, and proceed as in the regular Ammonium Molybdate method.

TERM

This agreement may be cancelled by either party by serving written notice upon the other party. Cancellation shall be effective thirty (30) days after service of such notice.

FIRES, STRIKES, ETC.

Neither party hereto shall be liable to the other for failure to perform under this agreement where such failure results from a cause beyond the control of the party, such as, but not limited to, strikes, fire, flood, explosion, act of God, War, civil commotion, act, regulation, order or request of any governmental authority, inability to obtain labor or materials or transportation.

PAYMENT FOR METALS

GOLD: Deduct 0.01 ounce. Pay for balance of gold content, as determined by fire assay, at $16.00 per ounce.

SILVER: Deduct 2.0 ounces. Pay for balance of silver content, as determined by fire assay, at 80.0% of the average of the Handy & Harman New York Silver quotation for the calendar week in which each lot is delivered at the plant, or at the realized mint price, whichever is higher. Silver must qualify for Government purchase and necessary affidavits must be furnished in order to be settled at the mint price.

LEAD: Deduct 0.75 units from the sulphide lead content. Pay for balance of the sulphide lead content, as determined by wet assay, at $2,30 per unit when the average E&MJ New York quotation for domestically refined lead sold to domestic consumers is 17,0 cents per pound for the week ending Wednesday preceding date of delivery. For each one cent increas in such price there shall be added to the unit payment 17.0 cents; and for each one cent decrease in such price there shall be deducted from the unit payment 17.0 cents. Fractions in proportion.

NON-SULPHIDE
LEAD: Deduct 1.0 unit from the non-sulphide lead content. Pay for balance of the non-sulphide lead content, as determined by wet assay, at $1.00 per unit when the average E&MJ New York quotation for domestically refined lead sold to domestic consumers is 17.0 cents per pound for the week ending Wednesday preceding date of delivery. For each one cent increase in such price there shall be added to the unit payment 8.0 cents; and for each one cent decrease in such price there shall be deducted from the unit payment 8.0 cents. Fractions in proportion.

ZINC: Deduct 1.8 units from the sulphide zinc content. Pay for balance of the sulphide zinc content, as determined by wet assay, at $1.80 per unit when the average E&MJ St. Louis quotation for domestic Prime Western Zinc sold to domestic consumers is 17.5 cents per pound for the week ending Wednesday preceding date of delivery. For each one cent increase in such price there shall be added to the unit payment 15.0 cents; and for each one cent decrease in such price there shall be deducted from the unit payment 15.0 cents. No pay for non-sulphide zinc. Fractions in proportion.

No payment shall be made by Buyer to Shipper for any metals contained in the ore other than those above specified and any such other metals shall be the property of the Buyer.

DEDUCTIONS

BASE TREATMENT CHARGE: $4.00 per net dry ton.

LABOR: The above treatment charge is based on a flotation operator's wage of $12.38 per eight hour shift. For each $1.00 increase in such wage, there shall be added 30.0 cents per ton of ore; and for each $1.00 decrease there shall be deducted 30.0 cents per ton of ore. Fractions in proportion.

FREIGHT: The above treatment charge is based on the freight rates shown in the following tabulation. For each $1.00 increase in such rates, there shall be added to the base treatment charge the amount shown opposite such freight rate in Column 2. For each $1.00 decrease in such freight rates, there shall be deducted from the base treatment charge the amount shown opposite such freight rate in Column 2. Fractions in proportion.

	(1) Base Rate Per Ton Including 3% Fed. Tax	(2) Increase or Decrease
Lead Bullion International to New York, New York	$22.50	4.0¢
Zinc Concentrates ($50/ton Valuation) Bauer to Black Eagle, Montana	6.58	8.0¢
Slab Zinc Black Eagle to Chicago, Illinois	16.06	3.0¢

Twenty-five cents (25¢) per ton will be allowed for ore crushed at a custom sampler prior to shipment to the Buyer's Bauer Mill.

TAXES

Federal and State taxes in respect to the ores shipped hereunder, or in respect to the production, extraction, sale, disposition, or transportation, returns or proceeds thereof which are in the nature of specific impositions on the business or products of Shipper, shall be payable by Shipper, and if collected from Buyer shall be charged to and repaid by Shipper. Those taxes which are in the nature of impositions upon the business and products or income of Buyer shall be payable by Buyer.

SUCCESSION

This agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto.

This agreement cancels all previous agreements effective as of January 1, 1951.

WITNESS the due execution hereof the day and year first above written.

COMBINED METALS REDUCTION COMPANY

_____

Buyer

CHIEF CONSOLIDATED MINING COMPANY

_____

Shipper

Exhibit 3

CHIEF CONSOLIDATED MINING COMPANY
608 Dooly Building
Salt Lake City, Utah

Estimate and Allocation of Direct Mining Costs, Indirect Mining Expenses, General Overhead and Administrative Expenses

	Cost per Ton
Stoping, including preparation for mining	$7.74
Pumping	1.10
Cleaning and Repairing Drifts, Winzes and Raises	.37
Compensation Insurance	.34
Payroll Taxes	.16
Group Insurance	.11
Direct Mining Costs	$9.82
132,000 tons @ $9.82	$1,296,240.00
Foremen and Shift Bosses	$ .25
Surveying and Engineering	.12
Geological Advisory	.08
General Underground Expense	.26
Surface Expense, Shops, etc.	.26
Electric Lights	.03
Watchmen	.10
Indirect Mining Expenses	$1.10
132,000 tons @ $1.10 x 11/15	$106,480.00
Presidency and General Management	$ .24
General Expense	.34
Surface Expense, Mine Dwellings, etc.	.10
Automobile Expense	.02
Insurance	.02
Salt Lake Office	.12
Mine Office	.20
Telephone & Telegraph	.03
Property and General Taxes	.21
Depreciation	.53
General Overhead and Administrative Expense	$1.81
132,000 tons @ $1.81 x 11/15	$175,208.00

Dma- 1 and 1A
~~LANDON F. STROBEL~~

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., SECRETARY, TREAS.
W. W. WATSON, ASST. SECTY.-TREAS. ACCT.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

G. E. C.

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

May 22, 1951

Dr. James Boyd, Administrator
Defense Minerals Administration
Department of the Interior Bldg.
Washington 25, D. C.

Dear Dr. Boyd:

We are enclosing four copies of Form MF 100 General Technical Data for use under the Defense Production Act of 1950 which blank forms were given to our General Manger, Mr. Cecil Fitch, Jr., when he was in Washington last week with the request that we forward them direct to you.

Best personal wishes,

Yours very truly

W. W. Watson

Secretary

WWW:AC

BUREAU OF MINES
WASHINGTON, D. C.

MAY 24 9 16 AM '51

Orig + 2

LANDON F. STROBEL

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., SECRETARY, TREAS.
W. W. WATSON, ASST. SECTY.-TREAS. ACCT.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

~~Blackemore~~
Blakemore

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

May 16, 1951

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 1 8 1951
LANDON F. STROBEL
Executive Secretary

Mr. Page Blakemore
c/o Defense Minerals Administration
Room 4070
Department of Interior Building
Washington, D. C.

Dear Mr. Blakemore:

In response to your request of Mr. Maury today we herewith submit the following information with respect to application as specified on Form MF 103:

Item 3 If a corporation, state names, addresses of officers, directors and five largest stockholders?

OFFICERS AND DIRECTORS

Name	Office	Address
Cecil Fitch	President and Director	Eureka, Utah
Bert L. Cripps	Vice President, Treasurer & Director	608 Dooly Building Salt Lake City, Utah
Cecil Fitch, Jr.	Vice President, General Manager & Director	Eureka, Utah
W. W. Watson	Secretary and Director	608 Dooly Building Salt Lake City, Utah
Mahlon S. Kemmerer	Director	120 Broadway New York, N. Y.
Howard Fitch	Director	2205 Sacramento Ave. San Francisco, Calif.
A. M. Cheney	Director	Continental Bank Bldg. Salt Lake City, Utah

FIVE LARGEST STOCKHOLDERS OF RECORD

Name	Address
Cecil Fitch	Eureka, Utah
Colette Noel Fitch	Eureka, Utah
Rose Maas	c/o William G. Maas Negaunee, Michigan
David Schaffer	42 New Dwight St. Springfield 3, Mass.
Charles H. Koch, John I. Ferguson and Munroe L. Tibbitts, Trustees	Longyear Building Marquette, Michigan

Item 5 Are you the owner or lessee of the property?

The applicant is the owner of the property.

Item 6 If owner, what claims, liens or encumbrances, if any, are against the property?

There are no claims, liens or encumbrances of any nature against the real property of the corporation. The corporation has however, pledged $50,000.00 in United States Government Bonds as security for a loan for a like amount with the Walker Bank and Trust Company, Salt Lake City, Utah.

Yours very truly

W. W. Waton

Secretary

WWW:AC

BUREAU OF MINES
WASHINGTON, D. C.

MAY 18 7 43 AM '51

FILE COPY
SURNAME:

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

Herres
McKnight
Mote
Strobel

April 26, 1951

Mr. Cecil Fitch, Jr.
Chief Consolidated Mining Co.
608 Deely Building
Salt Lake City, Utah

DMA-1 & 1A
Property in Juab and
Utah Counties

Dear Cecil:

Your letter dated April 20 to Mr. James Boyd requesting clarification of several paragraphs in the regulations and contract form applying to your applications for Government assistance under the mineral exploration program has been referred to me for reply.

With reference to paragraph 4 of contract MP-200, it is stated that with the consent of the Government and its written approval of the contract or contracts, all or any part of the work may be performed by the operator through contract or contracts with independent contractors. This provision seems to answer your question provided the contracts referred to are in accord with sound business principles.

Section 13d of DMA M05 definitely excludes costs incurred prior to the date of the contract. It is my understanding that it will not be possible to waive this provision.

Section 11, however, seems to answer your question with respect to equipment. With reference to your question concerning paragraph 10 of the contract, it is possible that some agreement can be reached at the time a contract is executed that will clarify the matter of equipment charges and disposal.

In the event marketable ore is discovered during and within the life of the exploration project, it would seem that the operator could commence mining operations immediately if he so desired in view of the critical need for expanded production of metals for the defense effort. The uncompleted parts of the exploration project, if any, could then be continued to their objective while the mining was in progress.

If I can be of further assistance to you in this connection, kindly let me know.

Sincerely yours,

Otto Herres

OTTO HERRES, Chief
Lead-Zinc Branch

OHERRES:ks
Administrator
Mr. Strobel
Mr. Mote
Mr. McKnight
Mr. Herres, Files
2 copies to Mr. J. H. East, Jr.
Region IV

Dma 1

858

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PRES., SECRETARY, TREAS.
W. W. WATSON, ASST. SECTY.-TREAS. ACCT.

CECIL FITCH, JR.
VICE PRES. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

LANDON F. STROBEL
Serres

Chief Consolidated Mining Co.

608 DOOLEY BUILDING
SALT LAKE CITY, UTAH

April 20, 1951

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 24 1951
LANDON F. STROBEL
Executive Secretary

Dr. James Boyd, Administrator
Defense Minerals Administration
Washington 25, D. C.

Dear Dr. Boyd:

We respectfully wish to direct your attention to our applications for Government assistance under the Defense Production Act of 1950 which have been docketed under Numbers DMA 1 and 1A and which we understand have been approved by the commodity branch of DMA as an exploration project eligible for Government participation to the extent of 50% of the final cost of these projects or the approved estimated cost whichever is lower.

In connection with these applications, we have studied the DMA Mineral Order (M05) and the Exploration Contract (MF200) and we will greatly appreciate receiving clarification of the following paragraphs of MF200 as they will be applied to the conditions outlined in our applications if finally approved:

With reference to paragraph 4 of the contract MF200, we have for the past five years contracted the greater part of our development and exploratory work to a local firm of specialists in this work who have been successful in a number of similar projects throughout Utah and adjoining States. This practice has proven to be not only less costly than when done by our own crews, but allows us to utilize our working force more fully on direct mining operations. The estimates in our application are based upon this firm doing the drifting, winze sinking, etc. We have also contracted with the H. P. Foley Company, a national firm of electrical engineers, to install all of the electrical work in connection with our application DMA 1 (Pumping System). Copies of these contracts will be sent you for approval at the proper time. We understand such contracts will be approved without question by the Government provided they are in accord with sound business principles.

Section 13D of DMA Mineral Order #5 is quite definite in excluding all costs incurred prior to the date of contract from participation by the Government. In this connection we have followed as closely as possible the administration of the Defense Production Act of 1950 since its inception and particularly that part of the act which pertains to defense minerals. It was our observation that the intent of the Act was not only to aid the mining industry in its efforts to explore and discover additional essential metals but to bring these metals into production at the earliest

possible time. With this in mind, we filed our applications with DMA at the earliest opportunity and in full cognizance of the two-year limitation of Government participation. A program as extensive as ours will require the full two years for completion. Obviously, if we were delayed because of failure to receive any piece of equipment essential to the project, we could not complete the work within the specified time, consequently we immediately placed orders for all the essential equipment needed and applied to DMA in several instances for assistance in securing priorities and insuring delivery dates. The assistance from DMA was immediate and very satisfactory. Not only have we contracted for equipment essential to the project but we have done a considerable amount of the preliminary work outlined in the project. In all we have as at this date expended in excess of $40,000.00 and have also contracted to purchase equipment involving additional expenditures.

In view of the above we will greatly appreciate your consideration of the equity of our position with a view towards some relaxation of the definition contained in Section 13D.

We would like also to call to your attention a problem we anticipate in regards to paragraph 10 of the contract. Our application provides for a considerable expenditure for equipment and anticipates Government assistance in payment thereof. Paragraph 10 allows only depreciation as an allowable cost. Obviously at the end of the project the Government would have a considerable equity in the equipment amounting in our instance to 50% of the cost less depreciation. May we assume that in the event marketable ore is discovered by the project, the Government will permit this equipment to remain intact and receive repayment amortized over the ten-year production period, or will we have to settle with the Government in accordance with Section 7 of the contract? Under what circumstances will the Government waive its interest in such items?

The last sentence of Section 8(a) of DMA Mineral Order M05 suggests the following question:

In the event marketable ore is discovered within and during the life of the project, will the operator be permitted to immediately commence mining operations as well as continue the exploration project to its intended completion, or will mining operations have to be suspended until completion of the project and such date as the administrator certifies to the existance of marketable ore as provided in Section 14 of the regulations?

With kindest personal regards, I am,

Yours very truly

Cecil Mitchell

Vice President and General Manager

CF,J:AC

BUREAU OF MINES
WASHINGTON, D. C.

APR 23 2 58 AM '51

FILE COPY
SURNAME:

Brokaw (E TMC)
McKnight
Herrick
Marshall

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

April 9, 1951

Memorandum

To: Production Expansion Division

From: Lead-Zinc Branch, D. M. S.

Re: Docket DMA-1

Subject: Exploration loan ~~$591,120.00~~
Chief Consolidated Mine

Commodity: Lead, zinc

A. Chief Consolidated Mining Company
Eureka, Utah

B. Chief Mine
East Tintic Mining District
Juab-Utah Counties, Utah

C. Conclusions:

1. (a) Maximum production of zinc ore from the Chief Mine cannot be made unless present pumping facilities are expanded, and exploration on deeper levels completed to permit mining operations north of the Leadville dike, an area of very heavy water.

   (b) Present ore exposures and diamond drilling indicate the continuance of ore shoots north of the dike. The completion of the pumping installations and exploration program will make this ore available within 5 to 10 months.

   (c) Maximum production of 10,000 tons of ore per month can be reached by carrying out this program.

2. The methods of dewatering and exploration as proposed by the applicant are based on sound engineering principles and the results of considerable experience in mining under similar conditions. These methods have been checked in the field by engineers of the U. S. Bureau of Mines. They concluded that the proposal is sound and in keeping with good mining practices, (see attached field report).

3. (a) In view of the large demands for supplies and equipment being made by defense industries, it will probably be necessary that the company be granted priorities to obtain supplies and equipment.

(b) Part of the present pumping facilities will be used in the proposed expansion of pumping capacity.

4. The applicant requests an exploration loan on a participating basis of $847,120 under provisions of the Defense Production Act of 1950. Repayment of the Government's share of the loan ($423,560) to be based on production from the explored ground.

5. Applicant has demonstrated competence by his past production record and is capable of efficiently carrying to completion this exploration project.

Recommendation

The Lead-Zinc Branch recommends that this project be approved for the amount stated, $847,120.00). The company has agreed to this amendment of their original proposal bringing the project under the two year limit of the exploration program. The property and original proposed project has been thoroughly investigated by the field team. It should be noted that the field investigation was made before exploration loans were being considered, therefore, the report is designed for a direct loan or purchase contract. The data, however, are applicable to the revised proposal bringing the project under the exploration program, according to applicant's wishes.

E. The following breakdown of the amended proposal is given below. Where discrepancies exist between cost figures and locations of exploration sites in this breakdown and those contained in the field team report, the amended version is the only one to be considered.

Amended breakdown

(a) Pump installation on 2700 level.....$ 231,420
(b) Exploration on 2700 level instead of 3100 level as originally requested

4000 feet of drifting at $30 per foot..		120,000
1000 feet of crosscuts " $30 " " ..		30,000
1000 feet of raises " $30 " " ..		30,000

(c) Sink 18-411 winze from 2700 level to 3100 level.....$ 140,000

(d) Exploration on 2800 level in same amount as on 2700 level..... 180,000

(e) New hoist on 1800 level to handle new production from 2700 and lower levels..... 115,700

Total $ 847,120

F. By the completion of this exploration program production will be increased by 4000 tons per month. The life of this important mine is dependent upon the completion of the program. It is conceivable that if the program is not undertaken it will only be a matter of a short time before the property faces closure. If this happens, the present production of about 6000 tons of ore per month will be lost.

4. 1. The geologic possibilities for ore are exceptionally good. Present exposures and limited diamond drilling indicate a continuance of ore shoots north of the Leadville dike. Complete discussion is included in the field team report.

2. Rate of production is estimated at 10,000 tons of ore per day.

3. Mining methods and costs are in keeping with good mining practices.

4-5. Ore is shipped direct to smelter. Costs are based on type and grade of ore shipped.

6. Time schedule: (items refer to breakdown under "E" above)

(a) Estimated to be completed in June 1951
(b) Estimated to be started 9/51 - completed 1/52
(c) Estimated to be started 1/52 - completed 8/52
(d) Estimated to be started 8/52 - completed 1/53

F. Complete statements on these items are included as appendices to the field team report.

Tom Lyon, Director
Supply Division

ALBrokaw:emp G 4/9/51
Copies to: J. H. East, Jr (2)
Region IV
Chief, Lead-Zinc Br.

E. T. McKnight GSA 4204
L. B. Moon
R. H. Mote
L. F. Strobel

C. O. Mittendorf
Files

Mr. Herres

CECIL FITCH, PRESIDENT
BERT L. CRIPPS
VICE PREST., SECRETARY, TREAS.
W. W. WATSON, ASST. SECTY.-TREAS. ACCT.

CECIL FITCH, JR.
VICE PREST. GEN'L MGR.
JOHN G. HALL, GEN'L SUPT.
H. J. PITTS, CHIEF ENGINEER

Chief Consolidated Mining Co.

608 DOOLY BUILDING
SALT LAKE CITY, UTAH

April 5, 1951

APR 10 3 28 PM '51
BUREAU OF MINES
WASHINGTON, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 11 1951
LANDON F. STROBEL
Executive Secretary

Subject: DMA 1 & 1A

Mr. Otto Herres, Chief
Lead-Zinc Branch
United States
Department of the Interior
Defense Minerals Administration
Washington 25, D. C.

Dear Otto:

Just received yours of April 2nd, and have checked with Cecil, Jr. just now on the phone, and he agrees to your memorandum to Mr. Edwin T. McKnight regarding the amendment to our application.

With kindest regards,

Sincerely yours

Vice President

BLC:AC

APR 12 1951 5 26

FILE COPY
SURNAME:

Herres
Merrill
McKnight

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

April 2, 1951

Air Mail

Chief Consolidated Mining Company
Dooly Building
Salt Lake City 1, Utah

Subject: [illegible] 1 - 1A

Attention: Mr. E. L. Crispe
Vice President

Dear Sirs:

Enclosed is copy of a memorandum to the U.S.G.S. in relation to my understanding of your telephone conversation from Salt Lake City on Friday, March 30, 1951, requesting us to amend your application for Government assistance under the Defense Production Act in order to bring the projects referred to under the Exploration Program recently approved.

In case there are any corrections, please let us know promptly.

Yours very truly,

Otto Herres

Otto Herres, Chief
Land--ing Branch

Enclosure - 1

OHerres:S:ks

cc: Mr. Strobel
Mr. Moon
Mr. Herres
Mr. McKnight
2 copies Executive Officer Field Team Region IV
J. H. East, Jr., 224 New Customhouse Building, Denver 2, Colo.
Files
~~McKnight~~
Mr. Mote

Denver 1

858

FILE COPY
SURNAME:

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

Herres

April [illegible], 1951

MEMORANDUM

[illegible] 1 and 1A

To: [illegible] Wernight, [illegible]

From: Otto Herres

Subject: Chief Consolidated Mining Company, Eureka, Utah [illegible] 1 & 1A

D. H. Grimes, Cecil Fitch, Jr., and Cecil Fitch, Sr. phoned to request us to amend their application to bring it under the Exploration Program. They are willing to match funds for the following work:

(a) Sump installation on 2700' level
(Estimated to be complete in June, 1951)
(b) Exploration on 2700' level instead of 3100' level as originally requested. The exploration includes:

4000' of drifting @ $30 a foot	$120,000
1000' of crosscuts @ $30 a foot	30,000
1000' of raises @ $30 a foot	30,000
Total.....	$180,000

(Estimated to be started in September 1951)

(c) Sink winze from 2700' level to 3100' level
(Estimated to be started in January, 1952 and completed by August, 1952)
(d) Cut stations every 100' in winze
(e) Exploration on 2800' Level in same amount as 2700' level - Total $180,000.

Otto Herres

[illegible], Chief
Lead-Zinc Branch

OHERRES:ks

cc: Mr. Mote
Mr. Herres
Mr. Strobel
Mr. Moon
2 copies Executive Officer Field Team Region IV
J. H. East, Jr., 224 New Customhouse Building, Denver 2, Colo.
Files
Chief Consolidated Mining Company

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

CONFIDENTIAL

OFFICE OF
REGIONAL DIRECTOR

REGION IV

224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

OK-Site Report

March 8, 1951

Memorandum

To: Operating Committee, Defense Minerals Administration

From: DMA Field Team, Region IV

Subject: DMA Docket 1 and 1A, Chief Consolidated Mine, Juab and Utah Counties, Utah

We are attaching the original and two copies of the field report on DMA Docket 1 and 1A, Chief Consolidated Mine, Juab and Utah Counties, Utah. You will note that both projects 1 and 1A have been approved by the field representatives.

We concur with the recommendations and recommend the approval of the application.

J. H. East, Jr.

J. H. East, Jr.

A. H. Koschmann

A. H. Koschmann

Attachments.

BUREAU OF MINES
WASHINGTON, D. C.
MAR 12 10 13 PM '51

March 6, 1951

Memorandum

To: Field Team, DMA, Region IV

From: Chief, Mining Division, Region IV

Subject: DMA Docket 1 and 1A, Chief Consolidated Mine, Juab and Utah Counties, Utah

The attached report describes proposed methods of dewatering, exploration and development at the Chief Consolidated Mine in order to reach a maximum production of 10,000 tons of ore per month. The estimated cost of the two projects, $687,120. Repayment of this loan may be accomplished by return of a fixed amount per ton of ore mined.

This project was examined by Paul T. Allsman and W. D. McMillan and they recommend approval of the loan.

P. T. Allsman

Attachment
WDM?el

COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Mines
1600 East First South Street
Salt Lake City 1, Utah

February 28, 1951

Memorandum

To: Paul T. Allsman, Chief, Mining Division, Region IV

From: Chief, Utah-Wyoming Branch, Mining Division

Subject: DMA Dockets 1 and 1A - Chief Consolidated Mine, Juab and Utah Counties, Utah

Enclosed are 12 copies of the subject report, which has been typed in final form in accordance with your memorandum of February 19, 1950.

Appendices are included with 10 reports only. Two copies of the report with appendices, as originally submitted, were given to Ralph Roberts of the Survey. As no change was made in the appendix, it will be necessary, in submitting reports to Roberts, to send only the body of the report. He will attach the appendix to complete the report.

To date we have assembled 10 sets of the maps. Eight sets have been mailed to you under separate cover. Roberts has two ssts, thus it will not be necessary to send maps to him when sending reports. Two additional sets of maps will be assembled here to be included with our copies of the report, making it unnecessary for you to return maps to this office with our copies of the report.

The brochure submitted by the Chief Consolidated Mining Co. has been mailed to you under separate cover. We will require the brochure at the time the remaining proposals are investigated.

/s/ Stephen R. Wilson

CHIEF CONSOLIDATED MINE, JUAB AND UTAH COUNTIES, UTAH

REPORT ON PROPOSED DEVELOPMENT UNDER DEFENSE PRODUCTION ACT

By W. A. Young, H. F. Buchholtz, Bureau of Mines
H. T. Morris, U. S. Geological Survey

* * * * * * * * * * * * * * DEFENSE MINERALS ADMINISTRATION REPORT
DOCKETS 1 and 1A

APPROVED:

DMA FIELD TEAM, REGION IV

J. H. East, Jr.

J. H. East, Jr.

A. H. Koschmann

A. H. Koschmann

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTATION
JAMES BOYD, ADMINISTRATOR

CONFIDENTIAL

CHIEF CONSOLIDATED MINE, JUAB AND UTAH COUNTIES, UTAH

REPORT ON PROPOSED DEVELOPMENT UNDER DEFENSE PRODUCTION ACT

By

W. A. Young, H. F. Buchholtz
U. S. Bureau of Mines

and

H. T. Morris
U. S. Geological Survey

CHIEF CONSOLIDATED MINE, JUAB AND UTAH COUNTIES, UTAH

REPORT ON PROPOSED DEVELOPMENT UNDER DEFENSE PRODUCTION ACT

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SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The Chief Consolidated mine at Eureka, Utah was investigated by the Federal Government under the DMA program during January 1951, to obtain data for evaluating requests for loans to complete projects A and A-1, proposed by the Chief Consolidated Mining Co. Personnel of the Bureau of Mines and Geological Survey examined the mine and checked details of the proposed projects with company representatives.

Ores of the Chief mine are found in the Bluebell, Victoria, and Gardner formations of Paleozoic age, the Bluebell dolomite being the most important host rock in the area involved in the two proposals. The ores do not occur in single bodies but in a series of separate, irregular masses best described as pods, pipes, and chimneys connected by narrow veins and stringers. The most noteworthy mineralized zone is a run of ore mined almost continuously for 1-1/4 miles from the Mammoth mine northerly through the Chief property.

The sedimentary beds within the Chief property have been displaced by four major faults, the Centennial, Intermediate, Beck, and Leadville. The Leadville fault, below the 1600 level, is occupied by a narrow latite dike which serves to dam the water to the north of the dike from the 2350 to 2700 levels. South of the dike present pumping operations maintain the water at the 2700 level.

Ores have been mined from shoots north of the Leadville dike but, because of heavy water flow, production has not been maintained from this area. Present ore exposures north of the dike indicate persistence of mineralization. A total of 4,772 tons of ores averaging 6.7 percent lead, 10.6 percent zinc, and 6.4 ounces of silver per ton has been mined from four stopes north of the Leadville dike.

Two projects, A and A-1, have been proposed by the company for increasing ore production from the property. Project A provides for installation of additional pumping facilities capable of pumping 7,000 gallons of water per minute from the 3100 level to the "Gemini Sink" on the 1800 level. This will permit lowering the water level and mining ores north of the Leadville fault. ~~Project A-1 proposes deepening the 18/411 winze from the 2750 to the 3150 level to explore the downward extensions of the ore runs on the 3100 level.~~ [illegible] A.

It is estimated that project A will cost ~~$231,420~~ $231,420 and require one year for completion. The estimated cost for project A-1 is ~~$455,700~~ ~~$315,700~~ 455,700 including installation of new hoisting equipment. Completion of project A-1 is expected to require 2-~~1/2~~ years.

It is concluded that maximum production from the Chief mine cannot be made unless present pumping facilities are expanded to permit mining operations north of the Leadville dike. Present ore exposures, diamond drilling, and ores already mined indicate the continuance of ore shoots north of the dike. The irregularity of the replacement deposits does not permit blocking out ore reserves ahead of actual mining.

The most favorable ore horizon, the Bluebell dolomite, has been displaced several hundred feet down on the north side of the Leadville dike, in line with the northward plunge of the several ore runs, providing a considerable thickness of host rock to be explored north of the dike.

The methods of dewatering, exploration, and development as proposed by the Chief Consolidated Mining Co. in projects A and A-1 are based on sound engineering principles and are the result of considerable experience in mining under similar conditions. It is imperative that pumping facilities be augmented before further exploration and development are undertaken to reach maximum production of 10,000 tons of ores per month.

It is recommended that the two projects be approved. Repayment of the loan may be accomplished by return of a fixed amount per ton of ore mined.

INTRODUCTION

During November 1950 the Chief Consolidated Mining Co. submitted proposals to the Defense Minerals Administration for increasing production of lead and zinc ores from properties in the Tintic district, Juab and Utah Counties, Utah. The proposals were referred to the Field Committee, Region IV, for review, field examination, and recommendations.

Projects A and A-1 were considered the most urgent, and therefore have been investigated first. Project A proposes installation of pumping equipment to lower the water north of the Leadville dike from the 2350 to 3100 level. Project A-1 proposes deepening the main operating winze, the 18/411, from the 2700 level to the 3100 level. Completion of the two projects will permit exploration and development of ground believed to contain substantial reserves of lead and zinc ores, and increase production to 10,000 tons of ores per month.

ACKNOWLEDGMENTS

Special acknowledgment is made to the following officers of the Chief Consolidated Mining Co., whose generous cooperation greatly facilitated the field investigations for this report: Cecil A. Fitch, Jr., vice-president and general manager, John G. Hall, general superintendent, H. J. Pitts, chief engineer, and W. G. Stevenson, geologist.

PHYSICAL FEATURES AND COMMUNICATIONS

The Chief Consolidated Mining Co. property is in the Tintic mining district, Juab and Utah Counties, Utah (fig. 1). The principal workings of the company, those referred to in this report, lie directly under the town of Eureka, Utah.

Eureka is served by the Union Pacific and Denver & Rio Grande Western Railroads and U. S. Highway No. 6. The town has a population of about 1,500 persons. Principal supply point for the mines in the district is Salt Lake City, approximately 90 miles north.

The climate of the district is featured by rather severe winters, and cool, dry summers. The topography is somewhat rough with broad valleys flanking the Tintic Mountains to the east and west. Altitude at the collar of Chief Consolidated No. 1 shaft is 6,577 feet.

PROPERTY AND OWNERSHIP

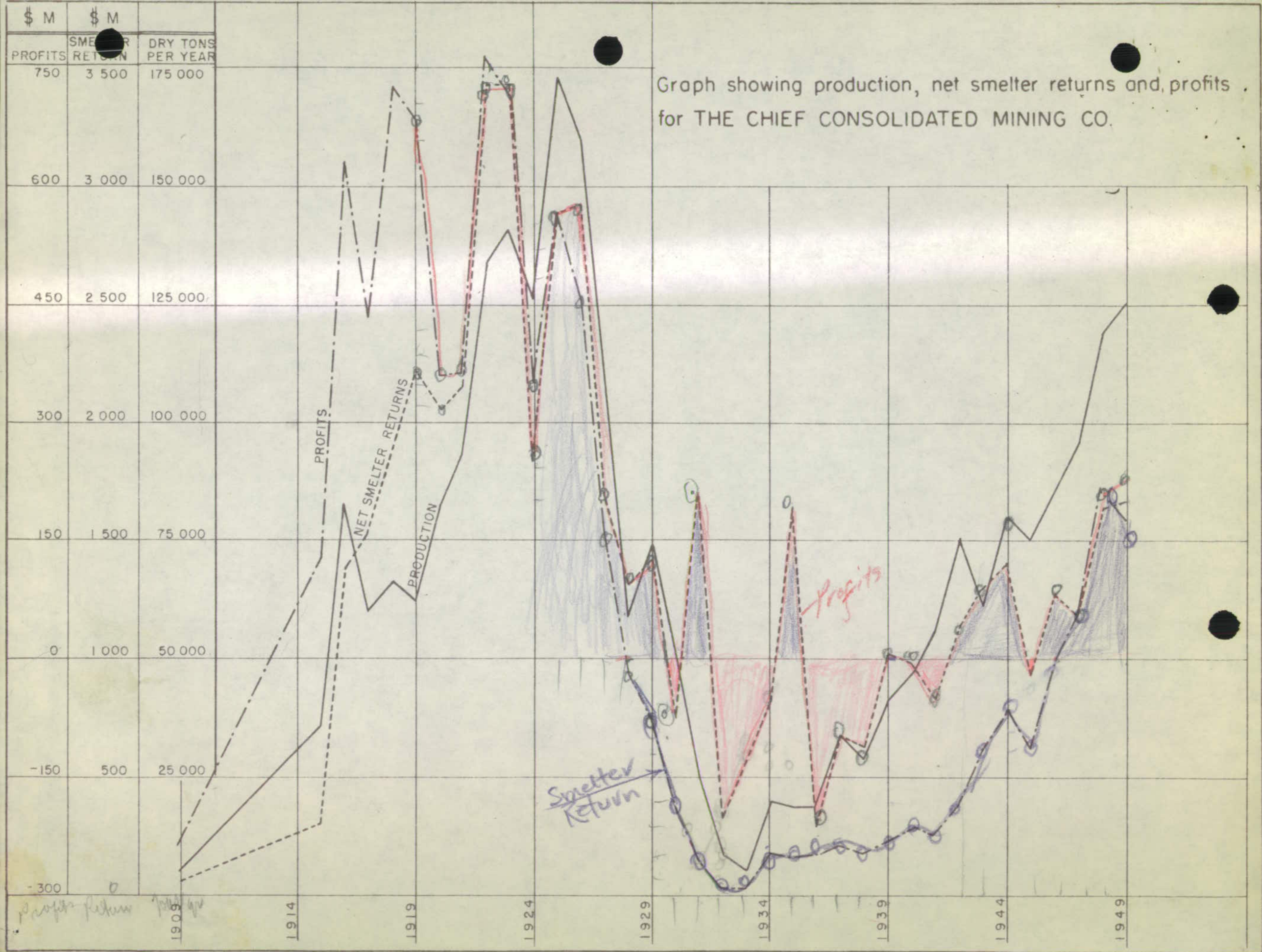
Holdings of the Chief Consolidated Mining Co. in the Tintic district consist of approximately 10,000 acres. The property is largely held as patented mining claims (fig. 2). The company was incorporated in Arizona with an authorized capital of $1,500,000, consisting of 1,500,000 shares at a par value of $1.00; 1,193,311 shares are outstanding.

HISTORY AND PRODUCTION

Chief Consolidated Mining Co. was incorporated in 1909, and since that date production has been continuous although at a greatly reduced rate during depression years. From 1909 to 1918 ores were developed and mined from the 600 level to the 1800 level. This work is above the permanent water level. As the ores were mined from the upper levels, it became apparent that in order to maintain production it would be necessary to pump water and deepen the development. Water was first pumped to the surface, but later an exploratory drift on the 1600 level encountered a large natural cavern which proved capable of disposing of all the water pumped from the mine. Tests were made, using sodium fluorescein salt, to determine whether any of the water returned to the mine. No trace of the salt was found in the mine waters.

By 1927 workings had been extended to the 2500 level and a maximum of 2,000 g.p.m. was being pumped. During 1927 a combination of adverse conditions, foremost of which was a drop in metal prices, forced the company to abandon the lower levels and they were allowed to flood. The graph following page 6 shows production, net smelter returns and profits for the Chief Consolidated Mining Co.

In 1942 the critical shortage of lead and zinc induced the Government to offer a bonus for ores mined above a certain tonnage quota based on 1941 production. This plan enabled the company to again dewater the lower levels. During previous operations exploration from the Gemini mine located another natural cavern on the 1800 level of the Chief mine. In 1944 a connection was made to this lower cavern, and since that date all waters have been pumped


Graph showing production, net smelter returns and profits
for THE CHIEF CONSOLIDATED MINING CO.
$ M
PROFITS
$ M
SMELTER RETURN
DRY TONS PER YEAR
750
3 500
175 000
600
3 000
150 000
450
2 500
125 000
300
2 000
100 000
150
1 500
75 000
0
1 000
50 000
-150
500
25 000
-300
0
PROFITS
NET SMELTER RETURNS
PRODUCTION
Profits
Smelter Return
1909
1914
1919
1924
1929
1934
1939
1944
1949

into this cavern. This cavern is known as the "Gemini Sink." Recent tests conducted in cooperation with the Bureau of Mines using sodium chloride have failed to show any increase in either sodium or chlorine in mine waters to the present time. It is estimated that if it were necessary to pump water to the surface pumping costs probably would be three times the present costs.

Production reached a peak in the period 1922 to 1927. Development carried on in 1947, utilizing funds supplied by the Federal Government in an exploration program, has now brought the production of the mine to 10,000 tons per month. To maintain this rate it will be necessary to install more pumps and a new electrical system together with an accelerated development program. The mine now is spending $2.50 on development for every ton of ore mined.

At present the company employs about 250 men. The men are paid an hourly wage, plus a bonus based on the tonnage of ore produced. Production per man-shift averages about 3.3 tons.

Total production as shown by the annual report of the company for 1949 is summarized as follows:

Ounces		Pounds				Net from
Gold	Silver	Lead	Copper	Zinc	Dry tons	smelters
180,979	47,672,660	333,602,890	10,267,499	104,294,017	2,675,725	40,756,323.05

Profits - $7,339,669.52

The current yearly production of ore exceeds the 40 year average production (1909-1949) by nearly 25 percent; however, the average grade of the ores currently being mined is less than one half of the grade of the ores mined in the 1909-1929 period. It must be pointed out, however, that the grade of

ore currently being produced - 8.29 percent lead, 9.29 percent zinc, 11.6 ounces silver, and 0.0264 ounce gold per ton - is sufficiently high to be mined at a profit in the face of high operating costs. Mining was also profitable at the low to moderate metal prices that prevailed in the first half of 1950.

GEOLOGY

The ore bodies of the Chief No. 1 mine are restricted to the Bluebell, Victoria, and Gardner formations of Paleozoic age and are of the typical replacement type. The Bluebell dolomite, the host rock for 70 percent of the ores of the entire zone, is 820 feet thick. It is a granular, well-bedded dolomite of comparatively high purity. The Gardner formation, an important host rock only in the southern part of the mine, encloses 20 percent of the ore of the Mammoth-Chief zone. It is 755 feet thick and is mostly limestone but is similar to the Bluebell dolomite in its response to tectonic stresses. Rocks of both formations are extremely brittle and brecciate extensively great distances away from faults and at the crests of rolls and minor secondary folds.

In detail, the individual ore bodies have pronounced structural controls and most commonly occur at the intersection of obscure bedding plane breaks and northeast trending faults, and in fault and bedding plane breccias.

The northern extension of the Mammoth-Chief ore zone is a spectacular run of ore mined almost continuously from the Mammoth mine, 1-1/4 miles northward, to the Chief Consolidated "town lots" area. The ores do not occur in a single body but in a series of separate ore bodies best described as irregular pods, pipes, and chimneys; all of the ore bodies are connected, however, by narrow veins and stringers.

The ore zone is in the west limb and trough of the Tintic syncline, a major north-trending fold that plunges approximately 15 degrees northward. This fold is cut by several strong, pre-ore faults, that have strike-slip, normal and reverse movement.

In the broad picture, however, the Mammoth-Chief ore zone is parallel to the major folding and strike faulting of the East Tintic Range. The axis of the ore run plunges approximately 17 degrees northward and is nearly coincident with the plunge of the Tintic syncline (fig. 3).

Within its known limits, the Mammoth-Chief ore run crosses 7 major fault zones. The ore bodies are almost invariably enlarged and complexly developed at these intersections, but without exception the ore leaves the fault zones on favorable beds, strike faults, and north-northeasterly fissures and continues northward.

From the southern end of the Mammoth-Chief zone northward there is pronounced zoning of the ore minerals. The Mammoth chimney and the pod-like ore bodies of the Grand Central mine contain copper, lead, and gold ore shoots; the ore bodies of the Victoria, Eagle, and Chief No. 1 mines have less copper and gold but contain heavy lead ores, and argentiferous jasperoid bodies are common. The southernmost ore bodies of the Chief mine contain the best copper shoots but within the Beck fault zone, northeast of the Chief No. 1 shaft, copper is almost entirely lacking and zinc becomes an important economic constituent of the ores. Zinc predominates over lead in the ores currently being produced from the Bluebell dolomite adjacent to the Leadville fault.

Detailed Geology of Chief No. 1 Ore Bodies

The workings of the Chief No. 1 mine explore the steep, east-dipping beds of the west limb, and the gentle, north dipping beds of the trough of the Tintic syncline. Within the property limits, these beds are cut and displaced by four major faults -- the Centennial, Intermediate, Beck, and Leadville faults.

The Leadville fault zone, below the 1600 level of the mine, is occupied by an argillized latite dike 1 to 3 feet wide. This dike is an effective dam for ground waters in the area north of the dike from the 2350 level to the 2700 level of the mine. The water table south of the dike has been lowered from its normal level (30 feet below the 1800 level) to the 2700 level by extensive pumping operations.

At the intersection of the Mammoth-Chief ore zone and the Centennial fault just north of the Chief Consolidated-Bingham Mines end line, a pipe of ore with a vertical height of approximately 600 feet replaces the brecciated White limestone member of the Gardner formation in the hanging wall of the fault. The ore leaves this pipe along a series of narrow fissures and several pod-like bodies of ore are found in the White limestone adjacent to a strong bedding plane slip extending northward from the Centennial fault zone. The mineralization follows the north-striking, steep beds of the Gardner formation and rakes to the north from an elevation of 5600 feet to 4600 feet at the Intermediate and Beck fault zones. Here the mineralization spreads over a wide area, and several large ore shoots extend northeastward along the Beck fault.

Within the Intermediate and Beck fault zones the ore bodies plunge northeastward through the lower Gardner and Victoria formations and again enter the Bluebell dolomite in the trough of the Tintic syncline. At this point the steep, east-dipping beds flatten out into a series of gentle, north-plunging, folds cut by northeasterly and easterly-trending fissures associated with the Beck fault.

From the Beck fault zone four distinct and separate minor ore runs extend northward along fissures and bedding faults toward the Leadville fault and dike zone (fig. 4). The two westernmost of these runs have been mined from the 1800 level to the 2200 level of the mine but are quantitatively less important than the two eastern minor runs - the "C Sump" and the "Northeaster" ore zones.

The "C Sump" ore bodies leave the Beck fault on the 1950 level and plunge through the Bluebell dolomite following a north-trending fissure of small displacement. The northernmost ore bodies of this run have been followed to the underlying Opohonga shaly limestone on the 2650 sub-level. On the 2300 level, ore of this zone has been followed through the Leadville fault and dike zone, but exploration in depth north of the Leadville dike has been prevented by excessive amounts of water below the 2350 level. South of the Leadville dike the ore bodies apparently bottom at the base of the Bluebell dolomite and do not enter the Opohonga limestone which is regarded as a poor host rock for ore by most of the operators in the Tintic district.

The easternmost minor run, which apparently is the extension of the Beck fault ore shoots, leaves the Beck fault zone approximately 300 feet south of its intersection with the Leadville fault on a north-northeast connecting fault. This ore run has been mined to the Leadville fault and

diamond drilling has proved its extension north of the fault and dike zone on the 2400, 2500, 2600, and 2700 levels.

Reverse movement on the south-dipping Leadville fault displaces the favorable Bluebell formation down on the north side of the fault in line with the northward plunge of the four ore runs of the Chief No. 1 mine (fig. 5).

DISCUSSION OF PROJECTS

Projects A and A-1 will be considered separately in this report. The two projects are, however, very closely tied together and each one is dependent on the other.

Cost of the projects may be somewhat higher than quoted due to recent general price increases but it is expected that the company can absorb any additional costs. The company has proposed repayment of a loan by return of $0.50 on each ton of ore mined.

In view of the large demands for supplies and equipment being made by defense industries, it will probably be necessary that the company be granted priorities to obtain additional supplies and equipment.

Project A

Project A proposes the installation of a new pumping system capable of pumping 7,000 g.p.m. from 3100 level into the "Gemini Sink." Installation of this pumping system will require 1 year.

A new pumping system is necessary to maintain present production for the following reasons:

1. The ore runs rake downward and in a northerly direction at approximately 17 degrees, therefore, the mine must be operated at progressively lower levels.

2. As development progresses into the country rock more ground is opened and consequently more water developed.

3. To the north, a thin, east-west, nearly vertical dike, the Leadville, has been encountered in mining operations down the dip, this dike acting as a dam to waters from the north. The formations are fairly well dewatered down to the 2700 level south of the dike. North of the dike the water stands at about the 2350 level. Drill holes through the dike on the 2700 level give water pressures of 100 pounds per square inch. Little development has been possible north of the dike because of the great amount of water but ores have been mined in this area. Present ore exposures indicate persistence of mineralization north of the dike. A total of 4,772 tons of ores averaging 6.7 percent lead, 10.6 percent zinc, and 6.4 ounces of silver per ton has been mined north of the dike.

4. Present pumping facilities are operating at well over rated capacity.

The present pumping system was designed to handle about 2,500 g.p.m. with standby facilities. All facilities are being used now to handle 4,700 g.p.m. It is proposed to add three 450 h.p. submersible pumps at the 2700 level and two 600 h.p., single-stage, centrifugal pumps at the 2300 level. Contingent on approval of project A-1, three 450 h.p. submersible pumps will be installed on the 3100 level.

This new pumping system will handle 7,000 g.p.m. with standby pumps capable of handling an additional 3,500 g.p.m. A portion of the standby equipment will be provided by the existing pumping system.

The method of calculation of the flow of water to be expected, used by the Chief Consolidated Mining Co., is presented here. This seems to be in accord with good mining practice.

"Calculation of expected inflow of water into Chief No. 1 Mine when developed to 3100 level."

"At present time the inflow of water into the mine from area south of the porphyry dike is approximately 2550 gallons per minute. It can therefore be assumed that the inflow of water from the area north of the dike will be the same when the water table north of the dike is drained to the same elevation as the water table on the south side of the dike. This would then give an expected average inflow of 5,100 GPM when development has progressed for several years north of the dike. An overcapacity of 1900 GPM is proposed to handle unforseen volumes and to allow for more rapid dewatering of the area north of the dike. This gives a proposed operating capacity of 7000 GPM, in addition to present facilities of some 5000 gallons per minute. This would allow (considering power cable capacities and pipe sizes) a total volume of some 10,000 GPM to be pumped in emergencies by operating all possible pumps. 14000

"It is felt by the management that these capacities will be sufficient to handle the expected flows of water when mining is progressing on the 3100 level. Careful consideration has been given to past experiences, and this knowledge has been applied in the selection of the proposed new 7000 GPM pumping system."

A schematic diagram of the proposed pumping system showing location of pumps together with current and expected flows from the various levels is shown on figure 6.

The company also proposes to install 16-inch I.D. Victaulic Spiralweld pipe from the 2300 level to 1800 level where it will discharge into a drift behind a watertight bulkhead (fig. 7). This drift will carry the water to the "Gemini Sink." Provisions have been made to clean the sludge, which may settle from the mine waters, from the drift at periodic intervals. This will be accomplished by using an already existing 14-inch water line for the time required to clean the drift.

All water lines will be installed in mine workings not used in the mining operations.

In order to supply power for the new pumping system it will be necessary to install a supplemental electrical system. The company proposes to install a completely new system entirely independent of but interconnected with the old system. This new system will be brought into the mine through the Chief Consolidated No. 2 shaft, a non-operating concreted shaft in excellent condition. The cables will be placed in the shaft to the 1800 level and then parallel the route of the new water line to the 2300 level.

The proposed electrical system has passed the State of Utah electrical code and has been contracted to the Howard P. Foley Co., a reputable electrical contracting firm. All equipment is standard make. Details of the system are shown on figures 8 and 9. These drawings show only the design of the system to the 2700 level, but it has been determined that the design provides ample facilities for extending the system to the 3100 level.

The following excavations will be necessary for the installation of pumps and electrical equipment and to provide a path for the pump line and electrical cables from the 2300 level to the 1800 level through non-operating workings.

1. A station and sump on the 2300 level to accommodate the 600 h.p. pumps and electrical equipment, including 6 auto-transformers, 4,160 to 2,300 volts (figs. 10, 11, and 12).

2. A sump and station on the 2700 level to accommodate 450 h.p. pumps and local electrical equipment (fig. 13).

3. One-hundred fifty feet of raise to connect through to the 1800 level for accommodating new 16-inch pump line and electrical cables (fig. 7).

4. Four-hundred feet of slabbing in old drifts to accommodate the 16-inch pump line (fig. 7).

The cost of project A is estimated as follows:

Electrical system installed----------	78,900.00
Pumping equipment installed----------	126,020.00
Excavations for stations, sump and pump line----------	26,500.00
~~Total~~----------	$231,420.00
~~Plus Cost of sinking 18/411 winze~~	~~120,000~~
	~~$351,420~~

The costs were provided by the company and are based on competitive bidding by reputable equipment manufacturers and contractors. The figures have been checked by Bureau of Mines engineers and seem to be in line with good operating practice. A more detailed breakdown of costs is shown in the appendix.

Project A-1

Project A-1 proposes to deepen the 18/411 winze from the 2750 level to the 3150 level and to explore the downward extension of the present ore runs on the 3100 level. A new hoist is to be installed on the 1800 level to handle the expected production from the new and subsequent development (fig. 14).

The method of sinking the 18/411 winze proposed by the company is presented here. The method has been investigated and is in accord with good mining practice.

"Proposed sinking of 18/411 Winze from 2750 level to 3150 level."

"It is proposed to cut a sinking hoist room and a pump sump room on the 2700 level (fig. 13). It will be necessary to sink 18/411 winze as a four compartment winze from 2750 level to 3150. The fourth compartment will accommodate the sinking cage or bucket, allowing the two cages in the regular hoisting compartments to be lowered to 2700 station so that ore and waste may be hoisted at the normal rate from 2700 during the sinking operation. The sinking pump will occupy part of the manway compartment and will pump to the sump on 2700 level.

"It is proposed to use the Riddell Mechanical Shaft Mucking Machine to muck out the broken rock from the shaft. Its purpose is two-fold: (1) It will effect definite savings in labor - hand mucking in a wet shaft is an expensive operation at today's labor

prices - also, miners are not accustomed today to the use of hand shovels. (2) It will allow the mucking operation to proceed even though the water level in bottom of shaft may rise two or three feet - hand mucking requires that the water be kept below level of muck at all times.

"It is proposed to obtain several 'Navy Salvage' submersible type pumps built by Byron-Jackson for the U. S. Navy - these would be ideal for use as sinking pumps. As a second alternative a specially designed deepwell pump might be used - the pump being raised and lowered by an air hoist. The pumps on which quotations have been obtained are I. R. 'motorpumps' which although satisfactory, caused much delay and mechanical difficulty during our last sinking operation. We may expect as much as 1000 GPM to develop during our sinking operation.

"The Opohonga limestone was encountered in 18/411 winze at about the 2650 level and the shaft will pass thru this formation to the proposed depth.

"The Opohonga is a shaly limestone, and when the shaft passed through this formation from the 2650 to 2750 little water was encountered. It is therefore felt that in sinking from 2750 to 3150 that water conditions in shaft sinking may not be too severe.

"A sinking hoist of sufficient capacity to carry on the 2750-3150 job is on hand, and available for use on 2750 level."

The new hoist proposed by the company is designed to provide for the monthly production of 15,000 tons of ore and 5,000 tons of waste from the 1800 to 3100 levels and would be capable of a maximum depth of 3,000 feet. Detailed specifications for the hoist are shown in the appendix.

A plan and section of the proposed drifting, crosscutting, and raising is shown in figures 15 and 16. The plan also shows the location of various exploration targets. The development program provides for 400 feet of shaft sinking, 4,000 feet of drifting, 1,000 feet of crosscutting, and 1,000 feet of raising and is expected to take 2-1/2 years to complete. It is proposed that the money be made available at a set amount per month.

The cost of the project has been estimated as follows:

~~Winze sinking, 400 feet at $350~~			~~$140,000.00~~ Transferred to Project A. (na)
Drifting,	4,000 feet at	30	120,000.00
Crosscutting,	1,000 feet at	30	30,000.00
Raising,	1,000 feet at	30	30,000.00
Total			$320,000.00

Equipment

Hoist	115,700.00
Miscellaneous	20,000.00
Total	135,700.00
Total cost	455 700.00 ~~$455,700.00~~ ~~$315 700.00~~

A detailed breakdown of total costs together with evidence supporting the costs of sinking, drifting, and raising is shown in the appendix. The costs are in accord with good mining practice under comparable conditions.

CONCLUSIONS AND RECOMMENDATIONS

Ore bodies of the Chief mine are controlled by north trending structural features and pass through northeasterly striking pre-ore faults with little change excepting enlargement and complex development at fault intersections.

An important fault, the Leadville, is occupied by a latite dike below the 1600 level, and serves to dam water north of the dike between the 2350 and 2700 levels. Ores have been mined from shoots north of the dike but, because of heavy water flow, production has not been maintained from this area. Present ore exposures north of the dike indicate persistence of mineralization. A total 4,772 tons of ores averaging 6.7 percent lead, 10.6 percent zinc, and 6.4 ounces of silver per ton has been mined north of the Leadville dike.

Two projects, A and A-1, have been proposed by the company for increasing ore production. Project A provides for installation of additional pumping equipment capable of pumping 7,000 gallons of water per minute from the 3100 level to the "Gemini Sink" on the 1800 level at a cost of $231,420. This proposal will permit lowering the water level and mining ores north of the Leadville dike. Project A-1 proposes deepening the 18/411 winze from the 2750 to the 3150 level to explore the downward extension of the ore runs on the 3100 level, at an estimated cost of ~~$455,700~~ 315,700. 455,700 Project A

It is concluded that maximum production from the Chief mine cannot be made unless present pumping facilities are expanded to permit mining operations north of the Leadville dike. Present ore exposures, diamond drilling, and ores already mined indicate the continuance of ore shoots north of the dike. The irregularity of the replacement deposits does not permit blocking out ore reserves ahead of actual mining.

The most favorable ore horizon, the Bluebell dolomite, has been displaced several hundred feet down on the north side of the Leadville dike, in line with the northward plunge of the several ore runs, providing a considerable thickness of host rock to be explored north of the dike.

The methods of dewatering, exploration, and development as proposed by the Chief Consolidated Mining Co. in projects A and A-1 are based on sound engineering principles and are the result of considerable experience in mining under similar conditions. It is imperative that pumping facilities be augmented before further exploration and development are undertaken to reach maximum production of 10,000 tons of ores per month.

It is recommended that the two projects be approved. Repayment of the loan may be accomplished by return of a fixed amount per ton of ore mined.

APPENDIX

ITEM A

Material List, Chief Consolidated Electrical System

Item	Quantity	Description
1	3	lightning arrestors, single pole 46 KV station type, G. E. cat. 9LA1G33
2	3	46 KV drop out fuse disconnecting switches, cat. 6129026G5 with cat. 6328054G90, type 65E fuse units
3	1	3000 KVA transformer, 3, 60 cycle, 46200/45000/43800/42600/41400 4160 volt delta complete with standard accessories
5	2	type FK142, 3 pole single throw, 4160 volt, 600 amp, oil circuit breaker, 25000 KVA, I. C. for use on 4160 volt feeders. Manually operated with bell alarm switch and 3 - 5 amp time overcurrent trip coils. Standard bolted type terminal connections. Necessary oil for panel mounting.
6	6	1533190 (W) type SV lightning arrestors, cable protection
7	3	type FK142, 3-pole single throw 4160 volt, 600 amp, 25000 KVA I. C. oil circuit breakers for direct panel mounting (1/8"). Manually operated, each to include 3 - 5 amp time overcurrent trip coils bell alarm switch and 220 V, 60 cycle pot. trip coil, cat. 2603328G5.
8	6	auto transformers, 500 KVA each 4160 V/2400 V single phase with tertiary winding for harmonic suppression, to be connected with 3-phase wye, 2 banks in parallel
9	1	60 KVA Askarel immersed Larkin auto trans., type ASD-3, 3, 60 cycle, class A insulated for 55° C rise, 4160 wye/2400 wye volts. Dimensions 38" x 35" x 22".
10	6	cat. 6106610G62, 400 A, 5 KV, form SA, flat mounted single pole, single throw disconnect switches
11	1	type FK142, 3 pole, single throw, 4160 volt, 600 A, 25,000 KVA, I. C. oil circuit breaker for direct panel mounting (1-1/8") manually operated, to include 3 - 5A time overcurrent trip coils and bell alarm switch
12	43,800 ft.	No. 2/0 - 37 strand, 1 conductor, 10/64" Askerona, 5/64 Neoprene cable
13	14,500 ft.	3/8" copperweld messenger cable
	500 ft.	do.
14		miscellaneous cable hardware - 40 Kollums cable grips - 7 turns, dead ends - 45 U. S. splice housings, 20,500 ft. spinning tape

Item	Quantity	Description
15	3	type FK33, G. E. 3-pole single throw, 2500 V 400 A 15,000 KVA I. C. oil circuit breakers for direct panel mounting (1/8") manually operated. Each to include 3 5A time overcurrent trip coils, standard bolted type terminal connector, necessary oil.
16	1	(W) 11202 starter with heaters, 2300 volt, 3, 60 V, oil immersed, 250 HP.
17	1	(W) 11202 starter with heaters, 2300 volt, 3, 60 V, oil immersed, 450 HP.
19	11 sets	lightning arrestors, each consisting of 1 (W) 1114725 W, 3, 2400 volt capacitor and 3 No. 1254825 W special type RM arrestors
20	27	capacitors - 25 KVAR, 2400 volt, G. E. cat 13F138, class 1D, single phase outdoor type
21	1	transformer, single phase 2400/-240 volt, cat. 28H738 pyranol control voltage transformer
22	3	fuse cut outs, 9F6C11 G. E. protection for indicating transformer primary. 3 - 1 amp fuse links 9F1C16
23	3	transformers, single phase, 1 KVA, 4160-240 volt connected 3 wye Δ for ground indicating
24	19,000 ft.	No. 9 iron wire No. 2 shaft to No. 1 hoist house indicating lights
	27	Hubbard cat. 566 Pierce 5-spool secondary brackets
	81	3/8" x 5" lag bolts
25	1	outdoor neutral grounding resistor, stainless steel (or alternate, cast iron) for connecting in neutral of 3 4160/2400 volt system consisting of 6 500 KVA single phase auto transformers (2 in parallel) connected wye-wye. Resistor to be rated 300 A with applied voltage 2400 volts 60 cycle for 10 seconds
26	1	Current transformer for neutral ground 75/5A
	1	Relay similar to IAC66 for above, with necessary auxiliaries
27	1	Outdoor neutral grounding resistor, similar to item 25 except for connecting into ground of 60 KVA 3 auto transformer
28	1	current transformer for item 27
	1	relay for above
29	6	current transformers, 300/5 cat. 99X988 type JY285 for overcurrent protection on 2, 600 A, 4160 V, breakers at outside switch
30	6	current transformers, 300/5, cat. 99X988 type JY 285 for overcurrent protection on 2, 600 HP. motor breakers (400 A. 2400 V.)

Item	Quantity	Description
31	3	current transformers, 150/5 99X985 type JY285 for protection on 400 or 2400 V breaker for 250 HP
32	3	cat. 6106610G6, 200 A, 5KV, form SA, 1 pole, 2-throw disconnect switch, 2 - 6' - 0" switch hooks, non-metallic 6119957G3
33	1,300 ft.	2/0, 5KV, cable, same as item 12, secondary buss of 3,000 KVA auto transformers
34	2,000 ft.	2/C, 19/25 control cable latex utility control cable
35	2	230 V, 60 cycle horns
	2	250 V, single throw knife switches
36	3	G. E. type, JY 285, 10/5 current transformers for protection of 60 KVA transformers

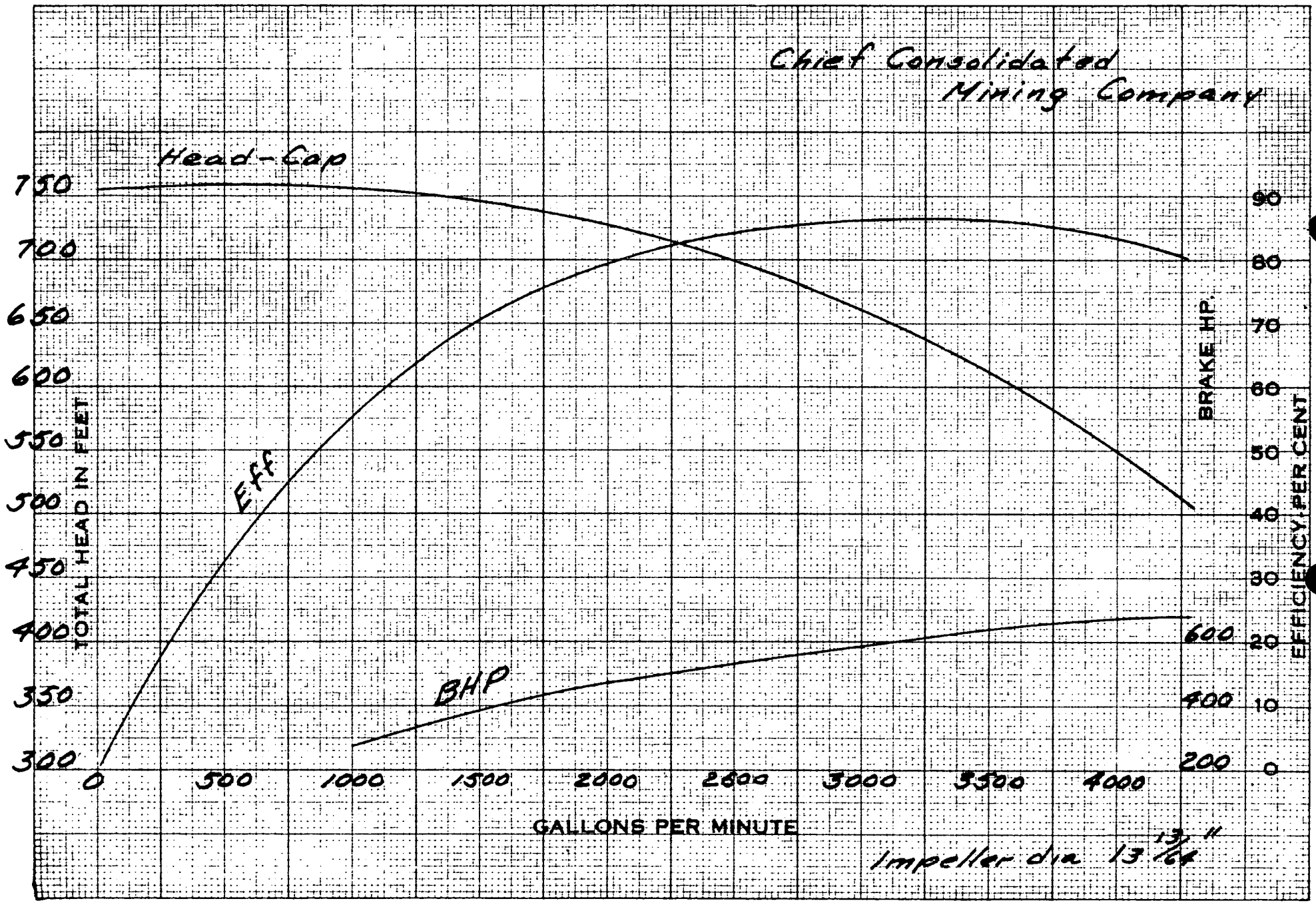
ITEM B

Cost of Materials Required to Supplement Present Pumping System

Item	Description		Amount
1	600 HP. horizontal pumps, Byron Jackson, 8" x 10" x 14" DVS or their equivalent complete with motors at the 2300 level	2 ea	$21,475.00
	Installation cost		1,500.00
2	450 HP, submersible 18CKXL pumps, type H and motors, Byron Jackson complete with 2 sets starting equipment at the 2700 level	3 ea	33,640.00
	Installation cost		1,500.00
3	450 HP. submersible 18 CKXL pumps, type H and motors, Byron Jackson, complete with 1350 feet of 10" victaulic pipe, 2550 feet of 1/0 cable, 3 sets of starting equipment at the 3100 level	3 ea	56,075.00
	Installation cost		2,000.00
4	16" I. D. victaulic spiralweld pipe, cold tar prime, No. 8 gauge complete with couplings, 2300 to 1800 level drainage	1,440 feet	8,630.00
	Installation cost		1,200.00
	Total		126,020.00

ITEM C

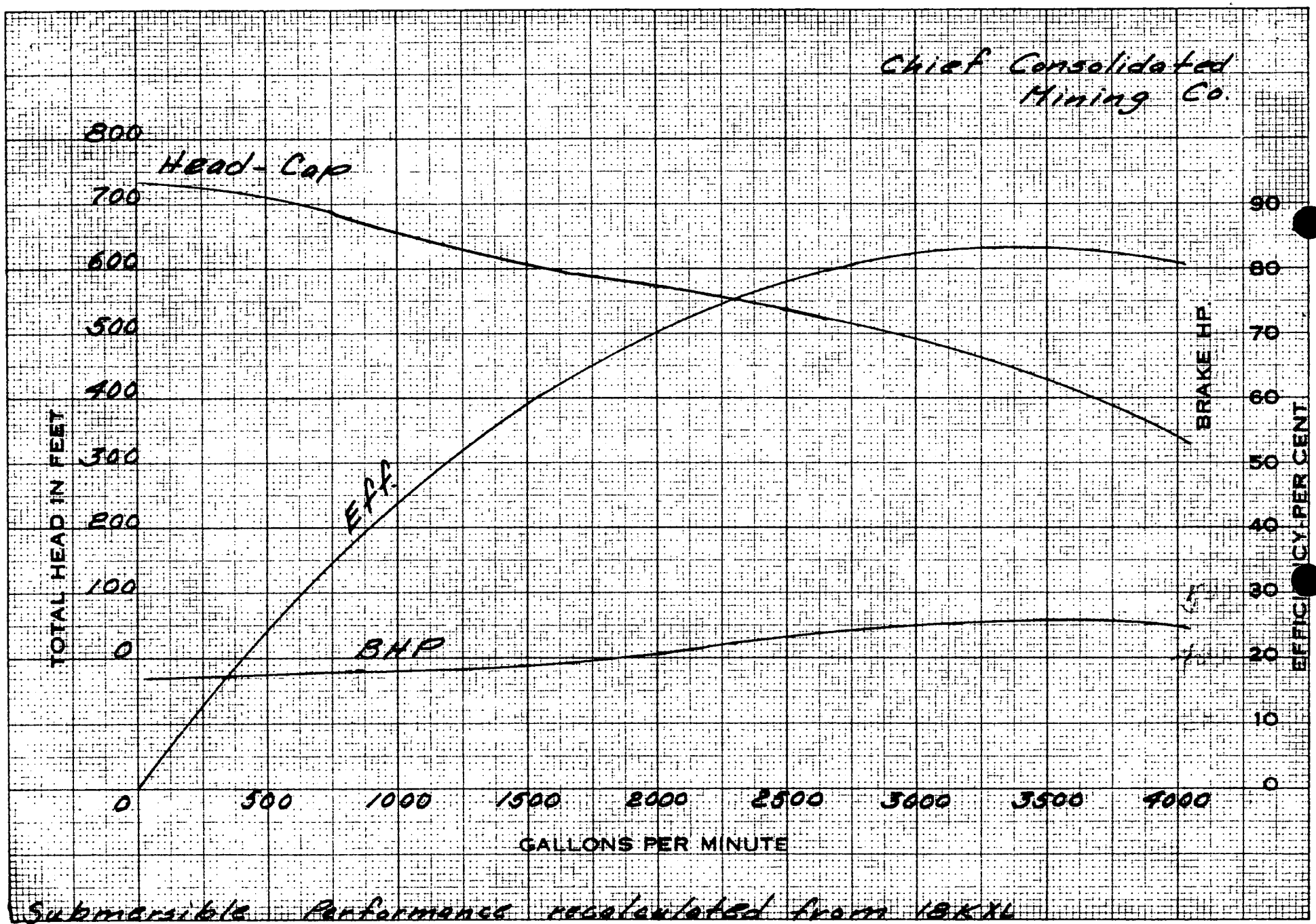
BYRON JACKSON CO.



PUMP SIZE AND TYPE	RPM	CUSTOMER NO.	IMPELLER NO.	BASED ON	DATE	BYRON JACKSON NUMBER
8 X 10 X 14 - DVS	3550	G. S.	RC 2774-1	DVS-9-1	9-27-50	PC
			BRANCH NO.	DATA BY	DRAWN BY RAM	

ITEM D

BYRON JACKSON CO.



PUMP SIZE AND TYPE	RPM	CUSTOMER NO.	IMPELLER NO.	BASED ON	DATE	BYRON JACKSON NUMBER
18CKXL - 4 Stage	1750	G. S.	BRANCH NO.	T15536-1 / DATA BY	9-27-50 / DRAWN BY RGM	PC

ITEM G

Excavation Details for New Pumping System

Item	Description	Amount
1	2300 sump station to accommodate 600 HP. pumps and electrical equipment to include 6 auto transformers 4160 to 2300 volts	$8,000.00
2	2700 sump station to accommodate 450 HP. pumps and local electrical equipment	8,000.00
3	150 feet of raising at $30 per foot to connect a raise through to 1800 level to accommodate new 16" pump column	4,500.00
4	400 feet of slabbing at $15 per foot to accommodate 16" pump column	6,000.00
	Total----------	26,500.00

ITEM H

Cost of New Hoist Installation at 1800 Level

Item	Description	Amount
1	Nordberg double drum hoist complete with motor and electrical controls, 350 HP. (see specifications)	$85,000.00
2	sheave wheels, pillow blocks, hoist ropes, idlers, etc.	5,700.00
3	excavation of hoist room and rope raises (see breakdown)	15,000.00
4	installation costs - hoist, electrical equipment, sheaves, idlers, and safety devices	10,000.00
	Total----------	115,700.00

ITEM I

Cost of New 18/411 Hoist Room

80-foot drift at $30/ft.	$2,400.00
35' x 40' x 10' = 14,000 cu. ft. at 0.35/cu. ft.	4,900.00
70' rope raise at $30/ft.	2,100.00
10' x 10' x 5' hoist pit at 0.35/cu. ft.	175.00
20-foot raise for sheaves at $50/ft.	1,000.00
Sub-total	10,575.00
Costs due to delays in hoist room excavation to prevent interference with present hoisting	3,000.00
Guniting of hoist room	1,425.00
Sub-total	4,425.00
Grand total	15,000.00

Miscellaneous Expense for Sinking 18/411 Winze

Quantity			
2	Ingersoll-Rand sinking pumps, 2MRV40, $941 ea		$1,882.00
2	Ingersoll-Rand sinking pumps, 3RVH40, $726 ea		1,452.00
1	Ridell mucker (estimated)		5,000.00
4	sinking hammers, $400 ea		1,600.00
	2700 hoist station		
	30-foot drift at $30/ft.	$900.00	
	15 x 30 x 10 = 4500 cu. ft. at 0.35/ft.	1,570.00	
	40-foot rope raise at $30/ft.	1,200.00	3,670.00
	installing sinking hoist, sheaves, and cage		1,000.00
	Sub-total		14,604.00
	For lateral and raising:		
	mucking machine		3,000.00
	drifter outfit		2,000.00
	Sub-total		5,000.00
	Grand total		19,604.00

ITEM J

Calculations and Specifications of Hoist Proposed for Use at 1800 Level, 18/411 Winze

Maximum load at 4800 level:	Pounds
double deck cage	4,500
2 mine cars empty	2,940
2 ore contained in cars	5,000
3,000 ft. 1-1/8" flattened strand cable	6,840
acceleration stresses	1,000
Total maximum load	20,280

Breaking strength of rope - 115,800 pounds
Maximum total load - 20,280 = 5.7 factor of safety at 4800 level

At 3100 level safety factor would be - $\frac{115,800}{17,544} = 6.6$

To expand to a production of 15,000 tons of ore per month with an average of 5,000 cars of waste from development would mean a total hoist of about 20,000 cars per month. Figuring that this production is to come from the 2500 level to the 3100 level means an average hoist of 1,000 feet to 1800 level, collar of 18/411 winze. With an average hoisting time of 6-1/2 hours per 8-hour shift, and operating 2 shifts per day, 30 days per month, gives 390 operating hoist hours per month or 24,400 minutes per month. Figuring a hoisting cycle of one double deck cage each 2 minutes means a possible average hoisting capacity of 24,400 cars per month.

This shows that the proposed hoist is of proper design to handle the expected production from the 18/411 winze.

Specifications of proposed hoist:

Make - Nordberg, or similar hoist
Drums - double drum
Rope pull - 20,500 pounds
Speed - 1,000 feet per minute
Maximum depth - 3,000 feet
Horsepower - 350
Brakes - oil operated post
Clutches - oil operated teeth
Safety devices and other features - complete modern design

It should be noted that the present hoist at No. 1 shaft operating from 1800 level to surface has a capacity considerably in excess of these figures. It has been operated in recent years at a rate of 27,000 cars per month (for periods of several days), and is capable of steady hoisting at above this rate.

ITEM K

Description and Specifications of Present Hoist Located at the 1800 Level, Collar of 18/411 Winze

Make - Stearns-Rogers Manufacturing Co., Denver, Colo.
Hoist No. - 29308
Drums - double drum
Rope pull - maximum 5,000 pounds
Speed - 500 feet per minute
Maximum depth - 1,000 feet
Horsepower - 125
Brakes - post, hand operated
Clutches - band, hand operated
Safety devices - improvised Lilly control

The above hoist has been in use at several different locations since 1922. It is of light construction and not capable of being overloaded for continuous duty. Many mechanical failures have occurred on this hoist in the past few years. It is not capable of hoisting double deck cages. Use of double deck cages at a hoisting speed of 1,000 feet per minute will be necessary to obtain the desired production from 18/411 winze. This hoist can be utilized further as a light sinking hoist at some other location.

ITEM L

Breakdown of Costs for Various Development Projects Completed in 1947

	Sinking 18/411 winze	Crosscut on 2515 level	Drifting 2700 level	Drifting Leadville fault area	Raising Leadville fault area	Drifting Evans group
Linear feet of work performed	250.5	401	41	2,350.5	142	1,563
	Cost per foot					
Overhead----------	$1.67	$0.04	$0.26	$0.07	$0.19	$0.18
Labor----------	233.40	16.51	30.53	13.32	23.22	19.91
Supplies----------	63.10	7.52	8.29	6.04	3.07	8.91
Proportion of air, hoisting, tramming	34.63	7.34	3.32	5.65	8.54	1.46
Compensation insurance-	6.28	0.64	1.12	0.48	0.80	0.57
Payroll taxes----------	6.23	0.63	0.65	0.45	0.77	0.56
Equipment rentals------	1.38	----	----	0.09	----	0.54
Total----------	346.69	32.68	44.17	26.10	36.59	32.13

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

Memorandum

To: Executive Officer of Field Team, Region IV

From: Nonferrous Committee, [illegible]

Subject: Docket 1A—Chief Consolidated Mining Company Production Expansion proposal.

The subject docket has been reviewed by the Nonferrous Metals Committee. It is essentially an addition to Docket [illegible] 1 previously sent to you. Like many of the proposals in that docket, this one is a straight exploration project for which a field review is needed.

The project, if approved, will be broken into stages so that control and reconsideration or redirection of the later stages of the work can be based on information gained at earlier stages.

CHARLES L. [illegible], Acting Chairman
Nonferrous Committee, [illegible]

APPROVED:
[illegible] Operating Committee

/s/ _____
[illegible] Williston, Chairman

/s/ _____
J. [illegible] Hedges

/s/ _____
Olaf [illegible] Rove

Copy to: Chairman, Commodity Committee
Geological Survey, McKnight
Merrill
Regional Director IV
Williston
Files (LMA)

ETMcKnight:jeh
G-12/15/50

MAIL COPY
Surname?

December 4, 1950

Chief Consolidated Mining Company

Eureka, Utah

Gentlemen:

Your request for assistance under the Defense Production Act of 1950 has been received and is being considered for eligibility under the Act.

All correspondence relating to your project should be identified with the Docket Number DMA-1A.

Very truly yours,

CHARLES W. MERRILL, Chief
Base Metals Branch

CWMERRILL:mec

Copy to - Base Metals Branch
Lowell Moon
Files

Memo of McBright

November 27, 1950

Memorandum

To: Executive Officer of Field Team, Region IV

From: Nonferrous Metals Committee, DMA

Utah

Subject: DMA Docket #1 - Chief Consolidated Mining Company Production Expansion Proposals

The Chief Consolidated Mining Company mine production expansion proposals have been reviewed by the Nonferrous Metals Committee of the DMA, with the assistance of the Geological Survey's two field men in the Tintic district and the Bureau of Mines zinc specialist. The following recommendations are made:

1) That the proposals be sent to the Field Committee, Region IV, for review, field examination, and a recommendation of action.

2) That it be suggested to the Field Committee that the proposals be considered by projects so that if some receive a higher feasibility or essentiality rating than others subsequent action can be taken independently.

Our review indicates that projects A and A-1 are the most promising and, from the standpoint of keeping the mine organization together, the most urgent.

The Geological Survey, basing its judgment on the extensive work it has done in the district, believes that the general geological conditions recommend these two projects. Project A will open up indicated ore close to and directly in line with current mining. Project A-1 has as its objective inferred ore that should first be intersected on the proposed new level about 1,000 feet beyond and in the projection of the currently worked ore runs which elsewhere have crossed faults comparable to the fault that will be crossed.

All other projects are for straight exploration projects, most of which have some geologic merit, but a field review is desirable.

The Geological Survey notes that work in progress in the district scheduled for completion in 2 or 3 months may reveal information relevant to the Water Lily and South Apex projects (projects B and C) and suggests that decisions with respect to them be taken later than for the others.

CWMERRILL/gng

Copy to - Base Metals
Minerals Division
Files

3) That consideration be given to breaking the projects into stages with deferred disbursements of Federal funds so as to facilitate controls and redirection of the work based on information gathered at earlier stages.

4) That the possibility of the failure of underground water disposal in Project A be evaluated as to added cost if mine water should thereafter have to be lifted to the surface.

CHARLES W. MERRILL, Acting Chief
Nonferrous Metals Committee, DMA

APPROVED:
DMA Operating Committee

S. H. Williston, Chairman

J. H. Hedges

Olaf N. Rove

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

undated

Memorandum

To: Operating Committee, DMA

From: Nonferrous Metals Committee, DMA

Subject: DMA Docket #1 - Chief Consolidated Mining Company Production Expansion Proposals

The Chief Consolidated Mining Company Production Expansion proposals have been reviewed by the Nonferrous Metals Committee of the DMA, with the assistance of the Geological Survey two field men in the Tintic District and the Bureau of Mines zinc specialist. The following recommendations are made:

1) That the proposals be sent to the Field Committee, Region IV, for review, field examination, and a recommendation of action.

2) That it be suggested to the Field Committee that the proposals be considered by projects so that if some receive a higher feasibility or essentiality rating than others the subsequent action can be taken independently.

The review indicates that projects A and A1 are the most promising and, from the standpoint of keeping the mine organization together, the most urgent.

The Geological Survey basing its judgment on the extensive work it has done in the District believes that the general geological conditions recommend these two projects.

The Geological Survey notes that work in progress in the District may reveal information relevant to the Water Lily and

South Apex projects and suggests that decisions with respect to them be taken later than for the others.

3) That consideration be given to breaking the projects into stages with deferred disbursements of Federal funds so as to make possible controls and redirection of the work based on information gathered at earlier stages.

4) that the possibility of the failure of underground water disposal in Project A be evaluated as to added cost if mine water would thereafter be lifted to the surface.

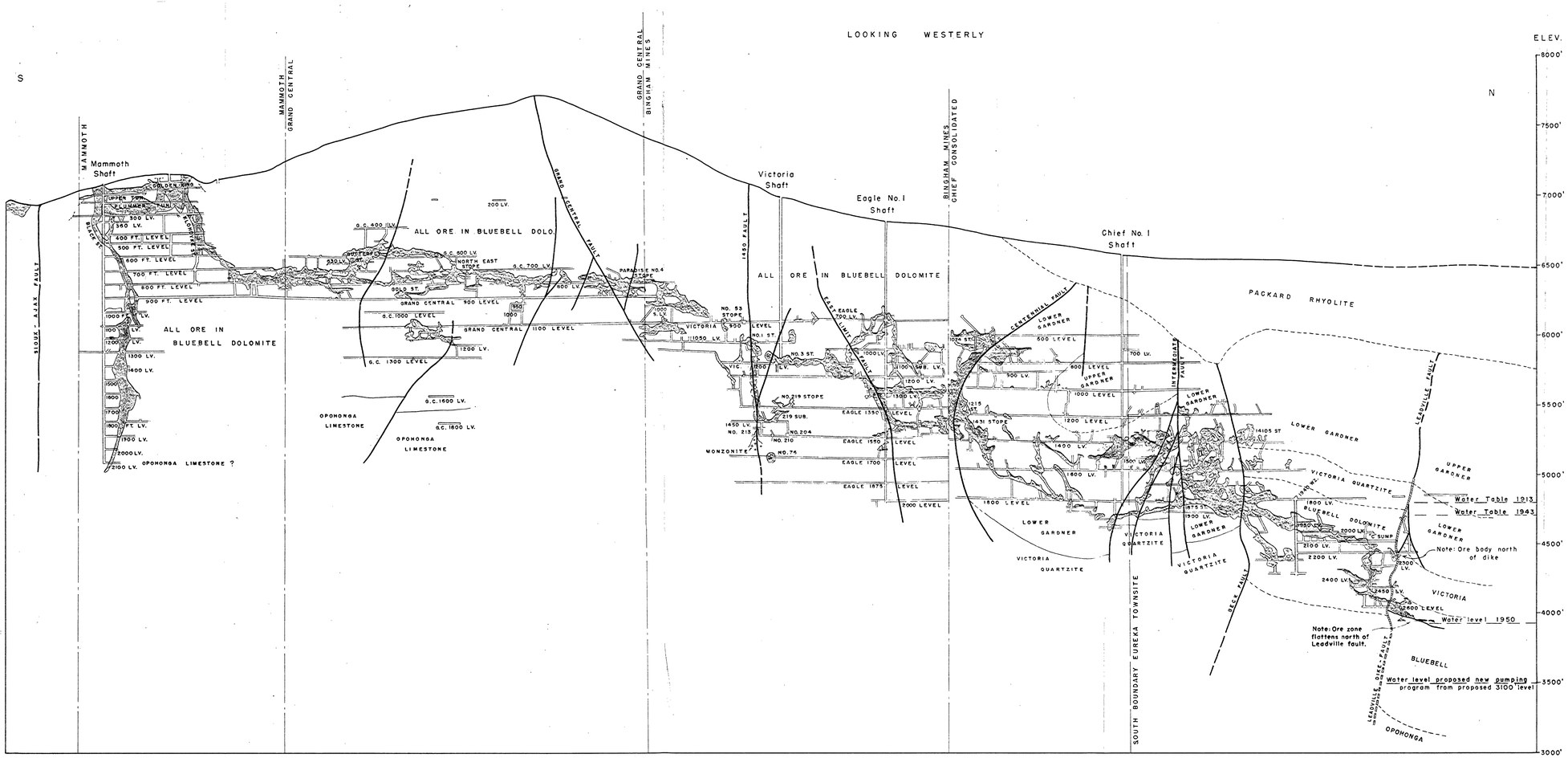


FIG. 1

PROJECTION OF THE WORKINGS IN
MAMMOTH, GRAND CENTRAL, VICTORIA, EAGLE AND BLUEBELL, AND CHIEF CONSOLIDATED ZONE
TINTIC DISTRICT, UTAH

0 500 1000 FEET
Scale

EXHIBIT "A"

CHIEF CONSOLIDATED MINING COMPANY, PLUTUS MINING COMPANY,
AND EUREKA MACHINERY & SUPPLY COMPANY
608 Dooly Building
Salt Lake City, Utah

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1953

ASSETS

CURRENT ASSETS:			
Cash on Hand and in Banks		$ 99,331.81	
Due from Smelters		51,982.92	
Due from Government Agencies		8,745.75	
Sundry Accounts Receivable	$ 8,920.93		
Less: Reserve for Bad Accounts	430.07	8,490.86	
Inventories		91,904.67	
Total Current Assets			$ 260,456.01
INVESTMENTS:			
In Common Stocks at Cost	$ 80,559.28		
Less: Valuation Reserve	11,359.30	69,199.98	
Advances to Affiliated Companies		1,098.58	
Total Investments			70,298.56
FIXED ASSETS:			
Plant and Equipment	821,476.25		
Less: Reserve for Depreciation	353,614.53	467,861.72	
Mining Claims and Properties		3,188,550.42	
Total Fixed Assets			3,656,412.14
OTHER ASSETS:			
Prepaid Insurance		2,969.35	
Insurance Deposits		150.00	
Total Other Assets			3,119.35
			$3,990,286.06

LIABILITIES

CURRENT LIABILITIES:			
Note Payable - R.F.C. (Current Portion)		$ 27,180.00	
Note Payable - U. S. Smelting, Refining & Mining Co.		17,553.72	
Sundry Accounts Payable		44,499.63	
Sundry Accounts Payable (Indefinite Due Date)		46,083.14	
Accrued Payrolls		23,956.69	
Accrued Interest Payable		1,413.65	
Accrued Payroll Taxes		2,954.17	
Prior Year Federal Income Taxes		14,499.38	
Provision for General Taxes		32,972.19	
Provision for Retroactive Wages		2,804.80	
Provision for Workmen's Compensation Insurance		9,045.90	
Total Current Liabilities			$ 222,963.36
LONG-TERM LIABILITIES:			
Note Payable - R.F.C.	$107,815.92		
Less: Current Portion	27,180.00	80,635.92	
Note Payable - D.M.P.A.		6,540.75	
Total Long-Term Liabilities			87,176.67
OTHER LIABILITIES:			
Unclaimed Dividends			13,518.73
MINORITY STOCKHOLDERS' EQUITY IN PLUTUS MINING COMPANY:			
Capital Stock - 82,112 shares		8,211.20	
Capital Stock Assessments		17,541.95	
Deficit "Exhibit "B"		(20,582.23)	5,170.92
CAPITAL STOCK AND SURPLUS:			
Capital Stock:			
Common, Non-Assessable, Authorized 1,500,000 shares of a par value of $1.00 per share		1,500,000.00	
Less: Unissued - 224,057 shares	224,057.00		
Treasury - 23,735 "	23,735.00	247,792.00	
Total Capital Stock Outstanding 1,252,208 shares		1,252,208.00	
Surplus:			
Earned "Exhibit "B"	1,699,566.06		
Stock Premium less Discount	709,682.32	2,409,248.38	
Total Capital Stock and Surplus			3,661,456.38
			$3,990,286.06