E-1154

For Certificate of Deposit No. 491, dated January 16, 1959, giving royalty payment of $308.47, see E-152.

E-1154

For Certificate of Deposit No.474, dated September 22,1958, giving royalty payment of $431.44, see E-645.

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OMEA
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DEPARTMENT OF MINERALS EXPLORATION ADMINISTRATION
COMPLIANCE ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Eudhole Exploration, Inc.
712 Hutton Building
Spokane 4, Washington

pertaining to Exploration Project Contract No. Idm-[illegible], Docket No. DMEA-4800, dated November 14, 1957, including Amendment No. 1, for the period of April 15, 1958 to June 30, 1958, , covering a project for the exploration of uranium on property known as the Hanson Lease, located in Spokane County, State of Washington.

My review included an examination of the Monthly Reports (Forms MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, consultation with the Government representative who visited and examined the project, and a determination of the reasonableness and propriety of the costs.

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

(a) The administrative cost to the Government of an audit would be excessive in relation to estimated amount of possible further disallowances thereunder;
(b) the Monthly Reports were supported by documentary proof of the costs accepted under the contract's provisions for contribution by the Government on the basis of allowable costs incurred; and
(c) a major portion ($2,490.00) of the costs incurred covered work performed at unit rates under independent contract

The review disclosed the following facts in regard to the amounts paid or to be paid the Contractor:

Total cost claimed by Operator		$3,531.12
Exceptions (per schedule)		
Prior to review	-0-	
Herewith	$43.45	43.45
Total accepted cost claimed		$3,487.67

The contract calls for a 75 percent participation of accepted costs. Therefore, payments as follows are valid and proper:

Amount payable audited claim	$2,615.75
Amount reimbursed	2,448.34
Balance due Operator	$ 167.41

C. A. Turner, Auditor

September 17, 1958

Schedule of Exceptions

loration, Inc. DMSA-4800 Y6sr-M154

sts claimed

ndent Contracts			
dozing	105 hrs. @ $17.00	$1,785.00	
nsportation of dozer		75.00	
		1,860.00	
Supervision	1 mo. @ $600.00	600.00	
Miscellaneous supplies		85.73	
Payroll taxes		31.50	
Liability Insurance		16.46	
Total Stage I			$2,533.69
Stage II			
Independent Contracts			
Bulldozing	15 hrs. @ $17.00	$ 255.00	
Wagon Drilling	300 ft. @ 1.25	375.00	
		630.00	
Supervision	½ mo. @ $600.00	300.00	
Payroll taxes		15.75	
Liability Insurance		8.23	
Total Stage II			953.98
Total accepted costs claimed			$3,487.67

Disallowance

The Operator under the terms of the contract moved a bulldozer to the project at a cost of $118.45.

The Operator on his May 1958 Form NF-104 claimed $75.00 of the moving costs under Stage I, Category I - Independent Contract. This charge completed the allowable costs of this category to the category maximum of $1,860.00.

The balance of the moving costs, $43.45, were charged by the Operator on his June 1958 Form NF-104 to Stage II, Category I - Independent Contracts under caption of bulldozer transportation.

This amount, $43.45, was disallowed by the audit for the following reason: the bulldozer was already on the project ready to work and transportation was not required.

C. L. Turner, Auditor

September 17, 1958

23, 1958

Mr. Charles A. Turner
OME Auditor
1201 North Division Street
Spokane 2, Washington

Re: Docket No. DMEA-4800 (Uranium)
Mudhole Exploration, Inc.
Contract No. Idm-E1154

Dear Mr. Turner:

Your Report of Review of the referenced project is acceptable and normal distribution is authorized after changing "months of May 1958 and June 1958, inclusive" in the first paragraph to "period of April 15, 1958 to June 30, 1958".

Sincerely yours,

(Signed) E. D. Talbert

E. D. Talbert
Contract Administration
and Audit Division

EDTalbert/GMcC
Sept. 22, 1958

cc: Docket
Act. Director's Read. File
Mr. Chambers

EXTRA COPY
DATE
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1201 N. Division Street
Spokane 2, Washington

September 10, 1958

Mr. C. A. Turner
AEC Auditor, Region I
1201 N. Division Street
Spokane 2, Washington

Re: Docket No. DMA-4600 (uranium)
Nuclear Exploration, Inc.
Hansen Lease
Spokane County, Washington
Contract No. 1Ln-11134

Dear Mr. Turner:

The project work under the referenced contract was completed by June 30, 1958. All the work performed was done to the satisfaction of the Government.

A final inspection report on the completed work was submitted by G. G. Mashell on July 11, 1958.

The Operator's final engineering and geological report was received on September 9, 1958. It is considered as having met the requirements of Article 7(e) of the contract.

The Government has no equity in equipment, materials or supplies used at the project.

A certification of discovery will not be recommended in the Field Team final report.

Work units completed within the terms of the contract are:

Items I	Authorized	Completed
Bulldozer work	105 hrs.	105 hrs.
Transportation of dozer	$75.00	$75.00
Supervision and technical services	1 month	1 month
Chemical analyses for U_3O_8	50 samples	none
Items II		
Bulldozer work	95 hrs.	15 hrs.
Transportation of dozer	$75.00	$43.45
Wagon drilling - 0 - 60'	1000 ft.	300 ft.
60 - 150'	750 ft.	—
Supervision and technical services	3 months	1/2 month
Chemical analyses for U_3O_8	50 samples	none

It is now in order for you to issue your Report of Review.

By Field Team, Region I

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Stephen W. Zalesk
for: Wing C. Agnew, Member
U. S. Bureau of Mines

cc: NMRA (3)
USGS (2)
USBM (AD)

1301 N. Division St.
Spokane 2, Washington

August 25, 1958

Nuclear Exploration, Inc.
712 Western Building
Spokane 4, Washington

Re: Project No. [illegible] (uranium)
Hanson Lease
Spokane County, Washington
Contract No. [illegible]

Gentlemen:

Work under the cited contract was completed by July 3, 1958 when a final inspection of the work was made by DMEA field men.

We cannot release any of the $200 currently being withheld until we receive five copies of an acceptable final report. The report should include a geological and engineering evaluation of the project work and a review of the costs. The requirements of a final report are described in Article 7(c) of the contract.

Upon the receipt of an acceptable final report we can proceed with an audit of your account after which we will release any funds due you.

By Field Team, Region I

Wing H. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

D. H. Whitaker, Acting Member
U. S. Geological Survey

cc: DMEA (3)
USGS (2)
USBM (AD)
Turner

Standard Form No. 1034—Revised
Form prescribed by
Comptroller General, U. S.
September 7, 1950
(Gen. Reg. No. 51, Supp. No. 11)

PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL

D. O. Vou. No. .....

Bu. Vou. No. 2236

U. S. .....
(Department, bureau, or establishment)

Voucher prepared at Spokane, Washington 10/17/58
(Give place and date)

THE UNITED STATES, Dr., *Payee's Account No.* Idm-E1154

To Mudhole Exploration, Inc.
(Payee)

712 Hutton Building Spokane, Washington
(Address) (City) (State)

PAID BY
RECEIVED
OCT 27 1958
O.M.E.
(For use of Paying Office)

No. and Date of Order	Date of Delivery or Service	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary) Discount Terms	QUANTITY	UNIT PRICE Cost	UNIT PRICE Per	AMOUNT Dollars	AMOUNT Cts.
	May 26-June 30, 1958	Balance withheld under Voucher No. 2194 dated July 11, 1958, adjusted to Audit dated September 17, 1958				167	41
PAYMENT: Complete ☐ Partial ☐ Final ☐		FINAL PAYMENT					
		Use continuation sheet(s) if necessary					
Shipped from	to	Weight	Government B/L No.		Total	167	41

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

(Sign original only)

Date ..... *Payee .....
(This certificate not required when a like certificate is made by payee on attached bill or bills)

Per ..... Title .....

(Payee must NOT use this space)

Differences .....

Account verified; correct for 167 41

(Signature or initials) .....

Contract No.	Date	Req. No.	Date	Invoice Rec'd.

Pursuant to authority vested in me, I certify that this account is correct and proper for payment.

† Approved for $ .....

By .....

Title .....

SIGN ORIGINAL ONLY

† .....
(Authorized Certifying Officer)

Title .....

Date .....

THE REVERSE OF THIS FORM MUST BE EXECUTED WHEN PURCHASES ARE MADE OR SERVICES SECURED WITHOUT WRITTEN AGREEMENT IN ANY FORM

ACCOUNTING CLASSIFICATION (For completion by Administrative Office)

Appropriation, limitation, or project symbol	Appropriation title	Limit'n. or Proj't. *Amount*	Appropriation *Amount*

Allotment symbol	Amount	Obligations liquidated	COST ACCOUNT Symbol	COST ACCOUNT Amount	OBJECTIVE CLASSIFICATION Symbol	OBJECTIVE CLASSIFICATION Amount

Paid by { Check No. ..... dated ....., 19....., for $..... } on Treasurer of the United States in favor of payee named above.
{ Cash, $....., on ....., 19..... Payee .....
(Sign original only)

* When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary", or "Treasurer", as the case may be.
† If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign on the line below "Approved for $.....", and over his official title.

Per .....

Title .....

16—22900-3

METHOD OF OR ABSENCE OF ADVERTISING

METHOD OF ADVERTISING

1. Advertising in newspapers Yes ☐ No ☐
2. (*a*) Advertising by circular letters sent to ..... dealers.
   (*b*) And by notices posted in public places Yes ☐ No ☐.

   (If notices were not posted in addition to advertising by circular letters sent to dealers, explanation of such omission must be made below.)

ABSENCE OF ADVERTISING

3. Without advertising, under an exigency of the service which existed prior to the order and would not admit of the delay incident to advertising.
4. Without advertising in accordance with .....
5. Without advertising, it being impracticable to secure competition because of .....

.....

.....

.....

.....

(Here state in detail the nature of the exigency or circumstances under which the securing of competition was impracticable under 3 and 4)

NOTE.—The above form "Method of or Absence of Advertising" is to be used when purchases are made or services secured under proper authority without written agreement in any form. In case of a written agreement (formal contract, proposal, and acceptance, or less formal agreement) Standard Form No. 1036—Revised should be used for abstracting the method of or absence of advertising and award of contract. (See General Regulations No. 51, as amended.)

16—22900-2 ☆ U. S. GOVERNMENT PRINTING OFFICE : 1950—O-75806

1231 N. Division St.
Spokane 2, Washington
September 30, 1958

Mrs. Dorothy Long, Certifying Officer
OME Field Team, Region 1
1231 N. Division Street
Spokane 2, Washington

Re: Docket No. DMA-43[illegible] (Uranium)
Hubble Exploration, Inc.
Contract No. [illegible]-11154

Dear Mrs. Long:

The project work under the referenced contract was completed by June 30, 1958. All the work performed was done to the satisfaction of the Government. A final report evaluating the results of the exploration program has been presented by the Operator and accepted by the Executive Officer.

The Government has no interest in supplies or equipment purchased for use on the project.

A Certification of Discovery will not be recommended.

A final Report of Review dated September 17, 1958 by Ass. Auditor C. A. Turner has been received.

As all contract requirements have been met, it is requested that final settlement of our account with the Operator be made.

Sincerely yours,

A. [illegible] Heissenberg, Exec. Officer
OME Field Team, Region 1

cc: OME (2)
USGS (2)
Contract Admin. & Audit Div. (2)
Docket

INITIAL REPORT OF STAGE 11

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

Budget Bureau No. 42-R1036.5

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

RECEIVED JUL 17 1958 D.M.E.A.

Month of 26 May-June 30, 1958 Docket No. DMEA 4800 Contract No. Idm-E1154
Operator's Name Mudhole Exploration, Inc. Minerals Uranium
Address 712 Hutton Building, Spokane, Washington
Contract Amount, $ 9,520.00 Government Participation: 75% Amount, $ 7,140.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling	375.00		375.00	375.00		375.00
~~Bulldozing~~		1,785.00	1,785.00	255.00	1785.00	2040.00
~~Excavating~~ Bulldozing drill)						
~~Dump~~ platform &Acces)	255.00		255.00			
Bulldozer transportation	43.45	75.00	118.45	43.45	75.00	118.45
(2) Labor and Supervision:						
Labor						
Supervision)						
Technical Services)	300.00	600.00	900.00	300.00	600.00	900.00
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
~~Small~~ tools		25.73	25.73		25.73	25.73
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes ~~& Ins.~~	23.98	47.96	71.94	23.98	47.96	71.94
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	997.43	2,533.69	3,531.12	997.43	2533.69	3531.12

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

Date ~~May~~ June 30, 1958 Payee Mudhole Exploration, Inc.

Per Duane H. Walters Title Secretary-Treasurer

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

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

(Instructions on reverse)

Withhold 200.00 Pay 548.07

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

$ 548.07

Signature Dorothy F. Long (Authorized Certifying Officer)

Date 7/11/58 Vou. No. 2194

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E1154 in accordance with the terms of the contract.

Signature /s/ Galen L. Waddell Title Mining Engr. Date 7/8/58

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ A. E. Weissenborn Title Exec. Officer Date July 10, 1958

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1952)

INITIAL REPORT OF STAGE 11

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED JUN 17 1958

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of 26 May - June 30 1958 Docket No. DMEA 4800 Contract No. Idm-E1154
Operator's Name Mudhole Exploration, Inc. Minerals Uranium
Address 712 Hutton Building, Spokane, Washington

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
~~Drifting~~ Labor	MO.	300.00	1/2	900.00	1 1/2	600.00		
~~Crosscuts~~ Payroll Taxes & Ins.		23.98		71.94				
~~Raising~~ Moving D-8 Cat.		43.45		118.45				
Shafts								
~~Winzes~~ Small tools		—		25.73				
Drilling: Core								
Churn	ft.	375.00	300	375.00	300	1.25		
Auger								
Stripping								
Trenching Bulldozing	hr.	—	-	1,785.00	105	17.00		
~~Test Pits~~ Bulldozing drill)	hr.	255.00	15	255.00	15	17.00		
~~Roads and Trails~~ platforms)								
~~& access.~~)								
TOTAL DISTRIBUTED COSTS		997.43		3,531.12				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		997.43		3,531.12				

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

Date June 30, 1958 Operator Mudhole Exploration, Inc.

Per Duane H Watters Title Secretary-Treasurer

REMARKS:

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

(Instructions on reverse)

(For Government use only)

/s/ Galen L. Waddell, Mining Eng., 7/8/58

INSTRUCTIONS

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

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

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

GPO 872894

Mudhole Exploration, Inc.

FRANK DUVAL, SR., PRESIDENT
ADOLF NISSEN, FIRST VICE PRES.

RIVERSIDE 7-1195 • 712 HUTTON BUILDING
SPOKANE 4, WASHINGTON

RALPH UMBREIT, SECOND VICE PRES.
DUANE H. WATTERS, SECY.-TREAS.

United States Department of the Interior
Defense Minerals Exploration Administration
1201 N. Division Street
Spokane 2, Washington

NARRATIVE

Gentlemen:

Mudhole Exploration, Inc. completed the first phase of stage 11 operations as allotted under the D.M.E.A. contract No. Idm-E1154, Docket No. DMEA4800 on June 16, 1958.

The work consisted of dozing access ways and drill platforms, and wagon drilling six verticle holes to a depth of 50 feet.

Two holes, designated as GP-1 and GP-2, were drilled in the area of trench "C". Hole No. GP-1 intersected mineral at a depth of 23 feet. Cuttings were contaminated with autunite crystals for 6 feet beyond. Probing indicated thickness to be approximately 1 inch. Hole No. GP-2 disclosed no mineralization.

Two holes, designated as GP-3 and GP-4, were drilled in the area to the west of trench "C". Neither hole disclosed any mineralization.

The two remaining authorized holes, designated as GP-6 and GP-7, were drilled in the area of trenches "A" and "B". Neither hole disclosed any mineralization.

Dated July 7, 1958

ss/ David M. Berry
David M. Berry

Mudhole Exploration, Inc.
712 Hutton Building
Spokane, Washington

SCHEDULE OF EXPLORATION COSTS
UNDER DMEA DOCKETT NO. 4800 (Uranium) - (Contract No. Idm-E1154)
For the period May 26, 1958 thru June 30, 1958

STAGE 11 - Costs

				Amount Subject to 75% Reimbursement		
Date	Name	Explanation	Total	Moving D-8 Cat 1.	Bull-dozing 1.	Wagon Drilling 1.
6-23-58	Daybreak Uranium	Bulldozing - prepare drill platform & access to same - 15 hrs. @ $17.00 per hr.	$255.00		$255.00	
4-15-58	M. L. Wellman	Move D-8 Cat	43.45	$43.45		
6-16-58	Herbert D. Sams	Wagon drill 6 holes 50' deep - Total of 300'	375.00			$375.00
Totals			$673.45	$43.45	$255.00	$375.00

Mudhole Exploration, Inc.
712 Hutton Building
Spokane, Washington

ANALYSIS OF PAYROLL COSTS
UNDER DMEA DOCKET NO. 4800 (Uranium) - (Contract N. Idm-E1154)
For the period May 26, 1958 thru June 30, 1958

STAGE 11 - Costs

Name	Class	Pay Period	Time Worked Hours	Rate	Total Earnings 2.
David M. Berry	Supervision & Tech.	4-26-58 to6-30-58 (1/2 mo. applies)	84	$600.00 Per Mo.	$300.00

Payroll insurance & taxes:

7. Payroll insurance - Company's contribution:

Medical aid - 84 hours @ .018 per hour	$1.51
Industrial insurance - 84 hours @.08 per hour	6.72
Payroll taxes - Company's contribution:	
F.I.C.A. - 2.25% of $300.00	6.75
State unemployment compensation 2.7% of $300.00	8.10
Federal unemployment compensation .3% of $300.00	.90
Total	$23.98

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

TOTAL OF STAGE 1

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R1036.5

RECEIVED JUN 30 1958 D.M.E.A.

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of ~~15 April – 24 May~~, 1958 Docket No. DMEA ~~4800~~ Contract No. Idm-E1154
Operator's Name ~~Mudhole Exploration, Inc.~~ Minerals Uranium
Address ~~712 Hutton Bldg., Spokane, Washington~~
Contract Amount, $ ~~9,520.00~~ Government Participation: 75% Amount, $7,140.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing	1,785.00	—	1,785.00	1785.00	—	1785.00
Crosscutting						
Drifting						
~~Bulldozer transportation~~	75.00	—	75.00	75.00	—	75.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services	600.00	—	600.00	600.00	—	600.00
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
~~Small tools~~	25.73	—	25.73	25.73	—	25.73
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes ~~& Ins.~~	47.96	—	47.96	47.96	—	47.96
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	2,533.69		2,533.69	2533.69	—	2533.69

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

Date ~~June 30, 1958~~ *Payee ~~Mudhole Exploration, Inc.~~

Per Duane H. Watters Title ~~Secretary-Treasurer~~

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

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

(Instructions on reverse)

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

$ 1900.27

Signature Dorothy F. Long
(Authorized Certifying Officer)

Date 7-3-58 Vou. No. 2188

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E6154 in accordance with the terms of the contract.

Signature /s/ John G. Waddell Title Mining Engr. Date 7/2/58

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ Wing G. Agnew Title Acting Engr. Date 7/3/58

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Form MF-104A
(April 1962)

Budget Bureau No. 42-R1151.2

TOTAL OF STAGE 1

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED JUL 10 1958 D.M.E.A.

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of ~~15 April~~ 24 May – 1958 Docket No. DMEA 4800 Contract No. Idm-E1154

Operator's Name Mudhole Exploration, Inc. Minerals Uranium

Address 712 Hutton Building, Spokane, Washington

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
~~Drifting~~ Labor	MO.	600.00	1	600.00	1	600.00		
~~Crosscutting~~ Payroll Tax & Insurance		47.96		47.96				
~~XXXX~~ Moving D-8 Cat.		75.00		75.00				
Raising								
Shafts								
~~Winzes~~ Small Tools Misc.		25.73		25.73				
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching Bulldozing	Hr.	1,785.00	105	1,785.00	105	17.00		
Test Pits								
Roads and Trails								
Total Distributed Costs		2,533.69		2,533.69				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		2,533.69		2,533.69				

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

Remarks:

Date June 30, 1958 Operator Mudhole Exploration, Inc.

Per Duane H. Watters Title Secretary-Treasurer

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

(Instructions on reverse)

(For Government use only)

/s/ Galen L. Waddell, Mining Engr., 7/2/58

INSTRUCTIONS

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

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

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

GPO 872894

PRELIMINARY REPORT

Mudhole Exploration, Inc. began the first phase of the D.M.E.A. Contract No. Idm-E1154, Docket No. DMEA 4800, on April 15, 1958. Because of sudden heavy rains after the bulldozer was brought on the property, a topographic mapping program of the area was undertaken. In addition, previously noted radioactive anomalies and autunite occurrences were located on the maps. The map covers an area approximately 1,700 feet north and 1,700 feet east of the south quarter corner of Section 33, Township 28 North, Range 45 E.W.M.

Actual trenching operations were not commenced until April 30th. Trenches A, B, and C were placed essentially in the areas suggested by the D.M.E.A. Field Team's Plate 1. Trenches A and B were devoid of mineralization and any substantial structure. Trench C intersected a very high grade stringer of autunite which extended along the footwall side of a granite pegmatite dike. The dike has a strike which averages N 05 W and dips westerly at 35 to 40 degrees. A small fault which trends E - W and dips north at 40 degrees, intersects the pegmatite in Trench C. Along the fault and the pegmatite occur some small high-grade fracture fillings of autunite. The thickest of these were 1½ inches.

After discussing the location and trend of the autunite in Trench C with the Government geologists, permission was received to move Trench D to the location on the enclosed map. Trench D was barren of any structure or mineralization. At this time permission was received to attach proposed Trench E on to the northeast end of Trench A. Trench E, as proposed, was an impossible location since the marshy area near the creek would not have permitted bulldozing.

With the completion of Trench E, Trench C-1 was placed in such a manner that it would possibly extend the strike length of the mineralized pegmatite. This trench extended the mineralized pegmatite for a length of 80 feet.

Dated May 29, 1958

~~ss/ David M. Berry~~
David M. Berry

Mudhole Exploration, Inc.
712 Hutton Building
Spokane, Washington

SCHEDULE OF EXPLORATION COSTS
UNDER DMEA DOCKET NO. 4800 (URANIUM) - (Contract No. Idm-E1154)
For the period April 15, 1958 thru May 24, 1958

STAGE 1 - Costs

				Amount Subject to 75% Reimbursement		
Date	Name	Explanation	Total	Moving D-8 Cat. 1.	Bull-dozing 1.	Small Tools 3.
4-15-58	M. L. Wellman	Moving D-8 Cat	$75.00	$75.00		
5-16-58	Daybreak Urnaium, Inc.	55 1/2 hrs. bull-dozing	943.50		$943.50	
5-17-58	Ra-Tels Radio & T-V Service	Batteries for Geiger Counter & scintillator	17.98			$17.98
5-16-58	David M. Berry (J.A.Gendrone Co.)	Repair Brunton compas	7.75			7.75
5-27-58	Daybreak Uranium, Inc.	49 1/2 hrs. bull-dozing	841.50		841.50	
Totals			$1,885.73	$75.00	$1,785.00	$25.73

Mudhole Exploration, Inc.
712 Hutton Building
Spokane, Washington

ANALYSIS OF PAYROLL COSTS
UNDER DMEA DOCKET NO. 4800 (URANIUM) - (Contract No. Idm-E1154)
For the period April 15, 1958 trhu May 24, 1958

STAGE 1 - Costs

Name	Class	Pay Period	Time Worked Hours	Rate	Total Earnings 2.
David M. Berry	Supervision & Tech.	4-24-58 to 5-24-58	168	$600 per mo.	$600.00

Payroll insurance & taxes:

7. Payroll insurance - Company's contribution:

Medical Aid - 168 hours @ .018 per hour	$3.02
Industrial insurance - 168 hours @ .08 per hour	13.44
Payroll taxes - Company's contribution:	
F.I.C.A. - 2.25% of $600.00	13.50
State unemployment compensation 2.7% of $600.00	16.20
Federal unemployment compensation .3% of $600.00	1.80
	$47.96

Mr. Adolf C. Hansen, President
Magnesia Exploration, Inc.
Tiff Hatten Building
Spokane, Washington

Re: Docket No. DMEA-4000 (Uranium)
Contract No. [illegible]
Hansen Lease
Stevens County, Washington

Dear Mr. Hansen:

Reference is made to your terminated exploration contract with the Government.

We sincerely regret that the work performed did not result in a certification of discovery or development under the provisions of the contract. In the absence of such certification, the Government retains no claim or lien against the property subject to the contract or any future production therefrom. We, therefore, are closing our books and records on this project. Your attention, however, is called to the provisions of the contract which require the operator to keep and preserve certain records for the period indicated.

We appreciate your interest and participation in the DMEA exploration program which has now been succeeded by the Office of Minerals Exploration program.

Sincerely yours,

(signed) FRANK E. JOHNSON

ACTING Director

FMMurphy/gla
12-17-58
cc to: Director's Reading File
Mr. Murphy
Division of Contract and Audit
OME Field Team, Region I (2)

cc to: Clarence A. Hanson

Audit's copy

800

TERMINATION AGREEMENT

It is agreed this 23d day of September, 1958, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government", and Mudhole Exploration, Inc., hereinafter called the "Operator", parties to that certain Exploration Project Contract No. Idm-R1154, Docket No. DMEA-4800, dated November 14, 1957, as amended, hereinafter called the "Contract", that:

1. Effective July 3, 1958, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government shall contribute only to the allowable costs of the work performed prior to July 3, 1958.

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

4. All rights of the Government respecting certification of discovery or development, percentage royalty and liens to secure the payment thereof, reports (including preservation of Operator's records), accounts, audits, and the right to recover any overpayment, are hereby preserved.

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

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

THE UNITED STATES OF AMERICA

By C D Mitchenor
Director, Office of Minerals Exploration

MUDHOLE EXPLORATION, INC.

By Duane H Watters

Title Secretary-Treasurer

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RECEIVED JUN 5 1956
DATE | INITIALS | CODE

EXPLORATION PROJECT CONTRACT
MUDHOLE EXPLORATION, INC.
DOCKET NO. DMEA-4,800

AMENDMENT NO. 1

It is agreed this 29th day of May, 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Mudhole Exploration, Inc., a State of Washington corporation, that Exploration Project Contract No. Idm-4154, (Docket No. DMEA-4,800), dated November 14, 1957, is amended effective as of June 1, 1958, as follows:

In Article 3, the period of completion is extended from June 1, 1958 to September 1, 1958.

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, nor the amount of any item designated as maximum.

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By A. E. Weissenborn
A. E. Weissenborn,
Executive Officer, DMEA
Field Team, Region I

MUDHOLE EXPLORATION, INC.

By Adolf C. Nissen
President

MUDHOLE EXPLORATION, INC.
Exploration Project Contract No. Idm-E1154
Docket No. DMEA-4800

Justification for Amendment No. 1

The results of Stage I justify starting Stage II work. It is estimated that Stage II work will require about three months to complete if the first drilling authorized in this stage is successful.

D. R. MacLaren
Geologist

So. 157 Howard Street
Spokane 4, Washington

800

May 27, 1958

Mudhole Exploration, Inc.
712 Hutton Building
Spokane, Washington

Re: Work Authorization
Docket No. DMEA-4800 (Uranium)
Hanson Lease
Spokane County, Washington
Contract No. Idm-E1154

Gentlemen:

This letter confirms verbal authorization given to Mr. Dave Berry May 26, 1958, to drill six holes under Stage II at the approximate locations indicated to him on the map he brought to the office. The proposed holes are located in three areas with two holes in each area. If mineralized material is encountered in any of the three areas, then further holes may be drilled in that area with prior authorization by the Field Team.

The drill holes are to be spaced not closer than 100 feet apart and are not to be drilled deeper than 50 feet unless mineralized material is found. In the event mineralized material is encountered, the holes may be drilled deeper with prior authorization of the Field Team.

By Field Team, Region I

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: [illegible]
[illegible]
[illegible]
[illegible]

DMEA Form 14

Contract No. Idm-E 1154

Docket No. 4800

DEPARTMENT OF THE INTERIOR

Terminated contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
November 14, 1957	I	Washington	Uranium

Name and Address of Operator:

Mudhole Exploration, Inc.
712 Hutton Building
Spokane, Washington

	Reserve	Obligation
Prior Amount	0	7,140.00
Increase	0	0
Decrease	0	4,524.25
Revised Amount	0	2,615.75

Remarks:

(Name)
Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

Date delivered to Bureau of Mines, Washington 9/23/58

22845

DMEA Form 14

Contract No. Idm-E1154

Docket No. 4800

DEPARTMENT OF THE INTERIOR

Executed contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
November 14, 1957	**I**	**Washington**	**Uranium**

Name and Address of Operator: **Mudhole Exploration, Inc.**
712 Hutton Building
Spokane, Washington

	Reserve	Obligation
Prior Amount	7,140.00	0
Increase	0	7,140.00
Decrease	7,140.00	0
Revised Amount	0	7,140.00

Remarks:

ALLEN S. DAKAN
(Name)

Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

Date delivered to Bureau of Mines, Washington 12/3/57

22845

Audit copy

OFFICIAL FILE COPY
(Revised June 1956) DMEA
RECEIVED DEC 2 1957

DATE	INITIALS	CODE
		800

Docket No. DMEA 4000

Commodity Uranium

Contract No. Idm–E 1154

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT[1]

It is agreed this 14 NOV 1957 day of ....., 195..., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Nudnick Exploration, Inc., a State of Washington corporation,

whose mailing address is 712 Sutton Building, Spokane, Washington,

hereinafter called the "Operator," as follows:

ARTICLE 1. *This contract* is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF–200), the attached Exhibit "A," Annex I, and map, plate 1.

The Operator shall not transfer or assign this contract or any right thereunder without the written consent of the Government.

ARTICLE 2. *Operator's property rights.*—(a) The land which is the subject of this contract (hereinafter called "the land") is in the State of Washington, County of Spokane, and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] Lessee of [5] See Annex I in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] See Annex I, [7] recorded in Book ....., page ....., official records of said County; and

(2) The Operator's right, title, or interest (whether as owner, lessee, or otherwise) is subject only to the following claims, liens, or encumbrances: Royalty of 10% of net receipts from the sale of all minerals payable to the lessor.

(c) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above, and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] Insert name, and if an organization, its nature (corporation and place of incorporation, partnership with names of partners, etc.).
[3] State on a separate sheet marked "Annex I" the legal description or enough to identify the property, particularly excluding any areas from which the production is not to be subject to the Government's percentage royalty.
[4] Insert "owner," "lessee," "contract purchaser," "locator," etc.
[5] Insert "the entire interest," "the mineral rights," "an undivided one-third," etc.
[6] Insert "deed," "lease," "contract," "location notice," "patent," etc.
[7] If not recorded, so indicate by inserting "un."

of the land (lessor, seller, optionor, etc.), are attached, as follows: See Annex I Consent to Lien and Subordination Agreement

(d) The Operator shall preserve and maintain his right, title, and interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. Until the lapse of the time within which the Government may make a certification of discovery or development without any such certification having been made, and after any such certification has been made, the Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof. If the Government makes no certification of discovery or development within the time limited in Article 8, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 8(b)(1).

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of Uranium. The work to be performed is described in Exhibit "A." The Operator on or before May 1, 1958 shall commence the work, and on or before June 1, 1958 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work ~~[illegible]~~ ~~[illegible]~~ ~~[illegible]~~ ~~[illegible]~~ ~~[illegible]~~ except as otherwise provided in Exhibit "A" with respect to stages of work. See Article 13.

ARTICLE 4. *Performance of the work.*—(a) *Operator's responsibility.*—The work shall be performed with reasonable diligence, efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for liability insurance covering employment; and with suitable and adequate equipment, facilities, materials, supplies, and labor, to bring it to completion within the time fixed.

(b) *Independent contracts.*—To the extent that the allowable costs are estimated in Exhibit "A" with express reference to performance by independent contractors on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations), the work may be so performed; but if the reference in Exhibit "A" to any such independent contract requires the Government's approval thereof, payments under such contract will not be allowable costs unless the Government gives its written approval of the contract. Any such independent contract shall refer to some specific and identifiable part of the work, and shall be subject to all of the pertinent terms and conditions of this exploration contract; but the Government shall not be considered a party thereto, and its rights under this contract, including the right to terminate its contributions, shall not be affected thereby. Regardless of the provisions of any such independent contract and regardless of the Government's approval thereof, the Government will participate in payments to the independent contractor only on account of work performed in accordance with the provisions of this exploration project contract, and only to the extent that the Government deems the unit prices for the work under the independent contract to be reasonable.

(c) *Government may inspect.*—The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract, and also after a certification of discovery or development to inspect production operations and underground workings. The operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $ 9,520.00 The Government shall contribute 75 percent of the allowable costs as they are incurred in a total sum not in excess of $ 7,140.00 : *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

voucher or vouchers such sums as it sees fit not in excess of 10 percent of the estimated total cost of the work or not in excess of the amount of the Government's contribution to the cost of property which is or may become subject to disposal as provided in Article 9(c), whichever is greater. The Government will make its contribution on the basis of the monthly vouchers referred to in Article 7(b), but all payments by the Government are provisional only, subject to audit, until the account between the Operator and the Government is finally audited and settled. "Costs incurred" mean costs that have been paid or have become due and payable, or that in the opinion of the Government have become an obligation. The Government may make payments directly to independent contractors and suppliers for the account of the Operator rather than to the Operator.

ARTICLE 6. *Estimated costs.*—(a) *Categories of costs.*—The allowable costs of the work to which the Government shall contribute are limited to those that are direct, reasonable, necessary, and that are estimated in Exhibit "A" by categories as specified in this article. If any category or subcategory is omitted from the estimate of costs, or if the word "none" is annexed to the listing thereof, costs under such category or subcategory are not allowable. Any excess over any estimate which is indicated as the maximum of any category, subcategory, or item, either as to requirement or related cost, and any excess over the estimated total allowable cost of the work, shall not be allowable. Any excess over the estimate of any category, subcategory, or item, either as to requirement or related cost, not indicated as a maximum shall be allowable within the limit of the estimated total allowable cost of the work. To the extent that excesses over maximums other than the estimated total allowable cost of the work may be necessary for the performance of the work, the Operator shall incur such excesses for his own account without contribution by the Government; but except for any such necessary excesses in categories, subcategories, or items thereunder the Operator is not obligated to incur more than his agreed percentage of the estimated total allowable cost of the work. See Article 13.

To the extent specified in this article or in Exhibit "A" the following categories, subcategories, and elements thereof are maximums; but if not so specified either here or in Exhibit "A" they are not maximums, and may be exceeded within the limit of the estimated total allowable cost of the work:

CATEGORY (1)—INDEPENDENT CONTRACTS.—Work to be performed under independent contracts (see Article 4(b)). The estimated total amount of this category and the estimated cost of each unit of work for performance under an independent contract are maximums.

CATEGORY (2)—PERSONAL SERVICES.

Subcategory (a)—Supervision.—All elements of this subcategory (number of supervisors, periods of employment, rates of pay, and total) are maximums.

Subcategory (b)—Technical services.—All elements of this subcategory (number of technicians, periods of employment, rates of pay, and total) are maximums.

Subcategory (c)—Labor.

CATEGORY (3)—OPERATING MATERIALS AND SUPPLIES.—Includes such items as drill bits and steel, explosives, fuel, pipe, power, small tools costing less than $50 each, timber, track.

CATEGORY (4)—OPERATING EQUIPMENT.

Subcategory (a)—Rental.—The number of each object to be rented [6 mine cars, 1 truck], the rate of rental [$100 per month, $5 per hour], and the total of this subcategory are maximums.

Subcategory (b)—Purchases.—The estimated total of this subcategory is a maximum.

Subcategory (c)—Depreciation.—All elements of this subcategory (time periods, rate of depreciation, and subcategory total) are maximums.

CATEGORY (5)—INITIAL REHABILITATION AND REPAIRS.—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

Subcategory (a)—Initial rehabilitation and repairs of existing buildings, fixtures, and installations (exclusive of mine workings).—The estimated total of this subcategory is a maximum.

Subcategory (b)—Initial rehabilitation and repairs of operating equipment.—The estimated total of this subcategory is a maximum.

CATEGORY (6)—NEW BUILDINGS, FIXTURES, AND INSTALLATIONS (EXCLUSIVE OF MINE WORKINGS).—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

CATEGORY (7)—MISCELLANEOUS.—Repairs and maintenance (other than initial) of operating equipment, analytical work, prints and other reproductions, accounting, Operator's share of payroll taxes, liability insurance covering employment, travel, communications, and any other items of requirement or cost that do not fall within any of the first 6 categories.

THE ESTIMATED TOTAL ALLOWABLE COST of the work is a maximum.

(b) *Nonallowable costs.*—The following costs are not allowable for contribution by the Government:

(1) *Costs of the land,* such as rental, depreciation, depletion, or other cost of acquiring, owning, or holding possession;

(2) *Indirect costs,* such as general overhead, corporate management, interest, taxes (other than payroll and sales taxes), insurance (other than liability insurance covering employment), damages to persons, damages to property (other than necessary repairs or replacements of equipment or other property used in the work);

(3) *Previous work* performed or costs incurred before the date of this contract; and

(4) *Deferred payments.*—Any costs incurred by the Operator under any rental-purchase agreement, installment-purchase agreement, or any agreement for the purchase of goods under the provisions of which payment of the full purchase price is deferred more than 90 days from the delivery of the goods; unless the purchase agreement is approved by the Government in writing.

(c) *Reductions in costs.*—The Operator shall account for and give the Government credit for any incidental benefits, credits, or money received in the ordinary course of business in prosecuting the work (as by salvage or sale of materials or equipment, furnishing of room or board, furnishing of power or services to third persons, rebates or discounts on purchases, etc.), in the same ratio in which the Government contributes to costs; and such amounts shall be treated as a reduction in costs incurred so that they are available for use within the limit of the original estimated total cost. This provision does not apply to receipts from production which are subject to the Government's percentage royalty under the provisions of Article ~~9~~ 8. See Article 13.

ARTICLE 7. *Reports, accounts, audits.*—(a) *Operator's records.*—The Operator shall keep suitable records and accounts of the work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. If the Government elects to audit said records and accounts relating to the exploration work by certified public accountant, it may do so as a cost of the work to which the Operator shall contribute. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine any pertinent books, documents, papers, and records of the Operator. All of the Operator's vouchers and records and accounts relating thereto and the Government's payments thereof remain subject to adjustment until final audit by the Government. If work under this contract is carried on in conjunction with any other operations, or if labor, supervision, services, materials, supplies, equipment, facilities, or other requirements for carrying on the work are also used in connection with other operations, the costs shall be segregated and accounted for on a basis and by methods and accounts that are satisfactory to and approved by the Government.

(b) *Progress reports and vouchers.*—The Operator shall provide the Government with five copies of monthly progress reports in three sections as follows: (1) Operator's Monthly Report and Voucher showing detailed costs incurred during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and costs incurred for each type of work; and (3) a Narrative Report of the work performed during the reporting period including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground. (Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) *Final report.*—Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final progress report and voucher). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and related costs incurred.

(d) *Report of sales.*—The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's percentage royalty relates, such as copies of smelter or concentrator settlement sheets, and certified accounts of production and sale or other disposition of production.

(e) *Compliance with requirements.*—If in the opinion of the Government any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the making or completion of such with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 8. *Repayment by Operator.*—(a) *Certification.*—If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after a sufficient final report and final account (see Article 7) has been rendered, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

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

(c) *Basis for computation.*—The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f. o. b. point); *except,* that charges of *the buyer* arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by *the buyer,* sampling and assaying to determine the value of the production sold, and freight paid by *the buyer* to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the crude ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

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

(e) *Percentages of royalty.*—The percentages of the Government's royalty shall be as follows:

One and one-half (1½) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½)

percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.

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

(f) *Time for computation and payment.*—The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be, as above provided in this article.

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

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

(i) *No obligation to produce.*—Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(j) *Government not obligated to buy.*—Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

ARTICLE 9. *Interests in purchased property.*—(a) *Title and ownership.*—All costs under this contract shall be incurred by the Operator in the Operator's own name and for the Operator's own account; but any property acquired to the cost of which the Government contributes shall belong to the Operator and the Government jointly in proportion to their respective contributions, although title thereto shall be taken in the name of the Operator.

(b) *Preservation of property.*—Until the final disposal of any property in which the Government has an interest the Operator shall preserve and protect same for the best interest of the Government, any reasonable and necessary costs thereof to be treated as an allowable cost of the project. After the completion of the work or termination of the Government's obligation to contribute, or when such property is not in use for or needed for the work, the Operator shall neither use it without the written consent of the Government nor without paying a reasonable rental to be fixed by the Government for its interest.

(c) *Disposal of property.*—Upon the completion of the work or termination of the Government's obligation to contribute to costs, or when the property is no longer needed for the work, the Operator shall promptly dispose of salable or salvageable property in which the Government has an interest for the joint account of the Government and the Operator, either by return to the vendor, by sale to others, or purchase by the Operator or the Government at a price at least as high as could be obtained from others, unless the Government in writing waives its interest in any such property. Without advance approval of the sales price by the Government the Operator shall not sell at any price any item of property the cost of which was more than $500, and shall not sell at less than 25 percent of the purchase price any item of property which cost $500 or less. The Government, in lieu of approving the sales price for any such item, may itself purchase the item at the best price which the Operator is able to obtain or himself cares to give. Property remaining upon any termination of the work shall be considered in groups or categories (such as drill steel, or explosives, or pipe, or rails), and if the original cost of the remaining unexpended portion of any such group or category is less than $50, the Government waives its interest therein. If necessary to accomplish the disposal of any item the Operator shall dismantle and sever it from the land, the cost thereof to be treated as a cost of the project.

(d) *Default of the Operator re disposal.*—If within 90 days after the completion of the work or termination of the Government's obligation to contribute to costs, or after the property is no longer needed for the work, or after such further time as the Government may in writing allow, the Operator has failed to sell or otherwise liquidate or dispose of any property in which the Government has an interest, the Government, at any time prior to final settlement under the contract, may pursue one of the following two courses: (1) the Government, by written notice to the Operator, may place upon such property what in its opinion is a fair valuation thereof, not in excess of the cost less 1.66 percent per month from the

date such property was purchased under this contract to the termination of said 90-day period; and such property shall thereupon be considered and accounted for as having been purchased by the Operator at the valuation so fixed by the Government; or (2) the Government may enter and take possession of such property wherever it may be found, and remove and dispose of it for the joint account of the parties.

ARTICLE 10. *Termination of the Government's obligations.*—(a) If in the opinion of the Government operations at any time have failed to achieve anticipated results that indicate the probability of making a worthwhile discovery, and in the opinion of the Government further operations are not justified, the Government may give the Operator written notice thereof, and thereupon: (1) the Government shall be free of all obligation to contribute to costs not then incurred other than such as may be allowable under the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting.

(b) If in the opinion of the Government the Operator is in any manner in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon: (1) the Government shall be relieved of all obligation to contribute to costs not incurred when the notice was given, other than such as may be allowable by the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting. The remedy provided for the Government in this paragraph "(b)" is in addition to any other remedy provided in this contract, and in addition to any other remedy the law may provide for breach of contract.

(c) The giving of any notice by the Government under the provisions of this Article 10 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and such rights shall be fully preserved.

ARTICLE 11. *Notices to be given by the Government* may be delivered to the Operator, or may be sent by registered mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 12. *Officials not to benefit.*—No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 13. *Changes and added provisions.*—

(a) That part of the last sentence of Article 3 beginning with the word "either" is deleted and replaced by the words "have completed the work, except as otherwise provided in Exhibit 'A' with respect to stages of work."

(b) That part of the last sentence in the first paragraph of Article 6(a) commencing after the semicolon is deleted.

(c) In the last sentence of Article 6(c), the words "Article 8" are substituted for the words "Article 9."

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O Mitchenor

Administrator, Defense Minerals
Exploration Administration

MUDHOLE EXPLORATION, INC.
(Operator)

By Adolf C. Nissen

Title President

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

Duane H. Watters

[CORPORATE SEAL]

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EXPLORATION PROJECT CONTRACT
MUDHOLE EXPLORATION, INC.
DOCKET NO. DMEA-4800

ANNEX I

The land referred to in Article 2 of the Contract consists of the southeast quarter (SE¼) of sec. 33, T. 28 N., R. 45 E., W.M., Spokane County, Washington, on which are located the Hanson Nos. 1 through 10, unpatented lode mining claims. Notices of location of said claims are recorded in the official records of Spokane County, Washington, as follows:

Claim No.	Book No.	Page No.
Hanson No. 1	Miscellaneous 64	442
" No. 2	" "	443
" No. 3	" "	444
" No. 4	" "	445
" No. 5	" "	446
" No. 6	" "	447
" No. 7	" "	448
" No. 8	" "	449
" No. 9	" "	450
" No.10	" "	451

The Operator is in possession of the above-described land by virtue of a lease agreement, dated May 15, 1957, from Clarence A. Hanson, recorded in Volume 65, of Miscellaneous, page 10, of the official records of Spokane County, Washington.

A copy of a Consent to Lien and Subordination Agreement executed by Clarence A. Hanson is attached hereto.

MF-205
(Combines and supercedes MF-201 and MF-203)
June 1956

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator Mudhole Exploration, Inc.
Docket No. DMEA-
Contract No. Idm-E 1154
Contract Date 14 NOV 1957

RECEIVED DEC 2 1957 D.M.E.A.

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of Spokane, State of Washington, described as 2/

in a lease dated May 15, 1957 and recorded in Volume 65, Record of Miscellaneous, on page 10 official records of said county as the SE 1/4 of Sec. 33, T. 28 N., R. 45 E.W.M.

which is the subject of a proposed exploration project contract, hereinafter called the "contract," with the United States of America, hereinafter called the "Government;" in consideration of the contract and as an inducement to the Government to enter into it, the undersigned hereby--

1. Undertakes and agrees that property in which the Government may acquire an interest or equity under the contract may be dismantled, severed from the land, and removed, as may be provided in the contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned;

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

None

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

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

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: None (State "None" or "See Annex No.____")

Dated this 9th day of July, 1957.

Clarence A Hanson	[Seal]	E 2923 Rowan	[Address]
	[Seal]		[Address]
	[Seal]		[Address]
	[Seal]		[Address]
	[Seal]		[Address]
	[Seal]		[Address]

I, _____ certify that I am the _____ _____ (Secretary, etc.) of the corporation named herein; that _____ _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

_____

[Corporate Seal]

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EXPLORATION PROJECT CONTRACT
MUDHOLE EXPLORATION, INC.
DOCKET NO. DMEA-4800

Exhibit "A"

Description of the Work

General Provisions

The object of this project is to explore a series of shear zones in granitic rock formations by bulldozing trenches and by wagon drilling.

Sections of the trenches showing significant mineralization shall be sampled by cutting channels not to exceed five feet in length. Cuttings from the wagon drill holes shall be collected at two-foot intervals and tested radiometrically.

Channel samples and cutting samples showing significant mineralization shall be split. The Operator shall have one-half of the sample chemically analyzed for its U_3O_8 content. The remaining half shall be stored for Government inspection and possible use in a suitable container properly identified as to the location and depth at which the sample was procured. With Government approval, the Operator may dispose of the stored samples.

The trenches shall be mapped geologically and the material penetrated by the wagon drill holes shall be logged geologically. Records of such mapping and logging, together with the assay certificates of the trench and drill hole samples, shall be submitted with the Operator's monthly progress report. The report shall also include a map or sketch showing the locations of the trenches and drill holes completed during the reporting period.

The Government will not participate in the cost of a trench or drill hole placed closer than 100 feet to the boundary of the project area.

The Operator shall provide a mining engineer-geologist full time to supervise and perform the necessary technical services required to complete the project in a satisfactory manner.

Bulldozer work shall be performed with a D-8 Caterpillar tractor or an equivalent unit of any other make.

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

The work shall be performed in two stages. The Operator shall perform all the Stage I work and as much of the Stage II work as is approved in writing in advance by the Government. With written Government approval, units of work and costs pertaining thereto may be exchanged between stages.

Stage I

Bulldoze five (5) trenches, for an estimated total length of 2,100 feet, at the locations and in the directions shown tentatively on the map entitled, "Plate 1 - Map of a Portion of the Hanson Lease . . .," attached hereto.

The trenches shall be cut through the overburden to expose bedrock. It is estimated that the trenches will average 8 feet in depth and will require 105 hours of bulldozer work.

Trenches "A" and "B" shall be cut first at the approximate locations and bearings shown on Plate 1, to determine the strike of the potential ore-bearing structures. Trenches "C", "D", and "E", as shown, are tentative, their location, direction and extent to be determined by the strike of the major structures encountered in trenches "A" and "B". Trenches "C", "D", and "E" shall be excavated to cross the major structures at right angles.

Stage II

The work shall consist of additional trenching work, preparing drill sites, and wagon drilling.

The trenches shall be within and peripheral to the area explored by the Stage I trenches and shall be cut to expose bedrock. They shall be cut at right angles to the strike of the potential ore-bearing structures.

Mineralized zones exposed by the trench work shall be explored by wagon-drilling an estimated 1,000 feet of holes ranging in depth from 30 to 50 feet. If this shallow drilling encounters mineralized material, then additional holes, ranging from 75 to 150 feet in depth, shall be drilled to further explore the favorable areas.

Estimated Costs of the Project

Actual Costs

Stage I

Category (1) Independent Contracts:

Bulldozer work,[1] 105 hours @ $17.00/hr.	$1,785.00
Transporting bulldozer to and from project	75.00

Category (2) Personal Services:

None except:

Supervision and Technical Services, 1 month @ $600.00/month	600.00

Category (3) Operating Materials and Supplies:

None except:

Gasoline for supervisor's car, 80 gallon @ $0.37/gal.	29.60
Small tools	50.00
Sample sacks, 40 @ $0.25/sack	10.00

Categories (4), (5), and (6)

None

Category (7) Miscellaneous:

None except:

Payroll taxes and employment insurance, $600.00 @ 14.9%	$89.40	
Chemical analyses for U_3O_8 content of 50 samples @ $5.00/sample	250.00	
Total estimated cost Stage I		$2,889.00

Stage II

Category (1) Independent Contracts:

Bulldozer work, 1/ 95 hours @ $17.00/hr.	$1,615.00
Transporting bulldozer to and from property	75.00
Wagon drilling:	
Hole depths 0 to 80 feet, 1,000 feet @ $1.25/ft.	1,250.00
Hole depths 80 to 150 feet, 750 feet @ $1.40/ft.	1,050.00

Category (2) Personal Services:

None except:

Supervision and Technical Services, 3 months @ $600.00/month.	1,800.00

Category (3) Operating Materials and Supplies:

None except:

Gasoline for supervisor's car, 250 gallons @ $0.37/gal.	92.50
Sample sacks, 100 @ $0.25 each	25.00

Categories (4), (5), and (6)

None

Category (7) Miscellaneous:

None except:

Payroll taxes and employment insurance, $1,800.00 @ 14.9%	$268.20	
Chemical analyses for U_3O_8 content of 90 samples @ $5.00/sample	450.00	
Total estimated cost Stage II		$6,625.70

SUMMARY

Total estimated cost Stage I	$2,889.00	
Total estimated cost Stage II	6,625.70	
Total estimated cost of project (rounded)		$9,520.00
Government Participation @ 75%		$7,140.00

1/ The Government hereby authorizes the Operator, if it so elects, to perform the bulldozer work with its own D-8 Caterpillar dozer and personnel at a Fixed Unit Cost of $12.50/hr. The unit cost per hour for an independent bulldozing contract shall be subject to Government approval.

DMEA Form 14

Contract No. Idm-E 1154

Docket No. 4800

DEPARTMENT OF THE INTERIOR

Approved contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
November 14, 1957	I	Washington	Uranium

Name and Address of Operator: Mudhole Exploration, Inc.
712 Hutton Building
Spokane, Washington

	Reserve	Obligation
Prior Amount	0	0
Increase	7,140.00	0
Decrease	0	0
Revised Amount	7,140.00	0

Remarks:

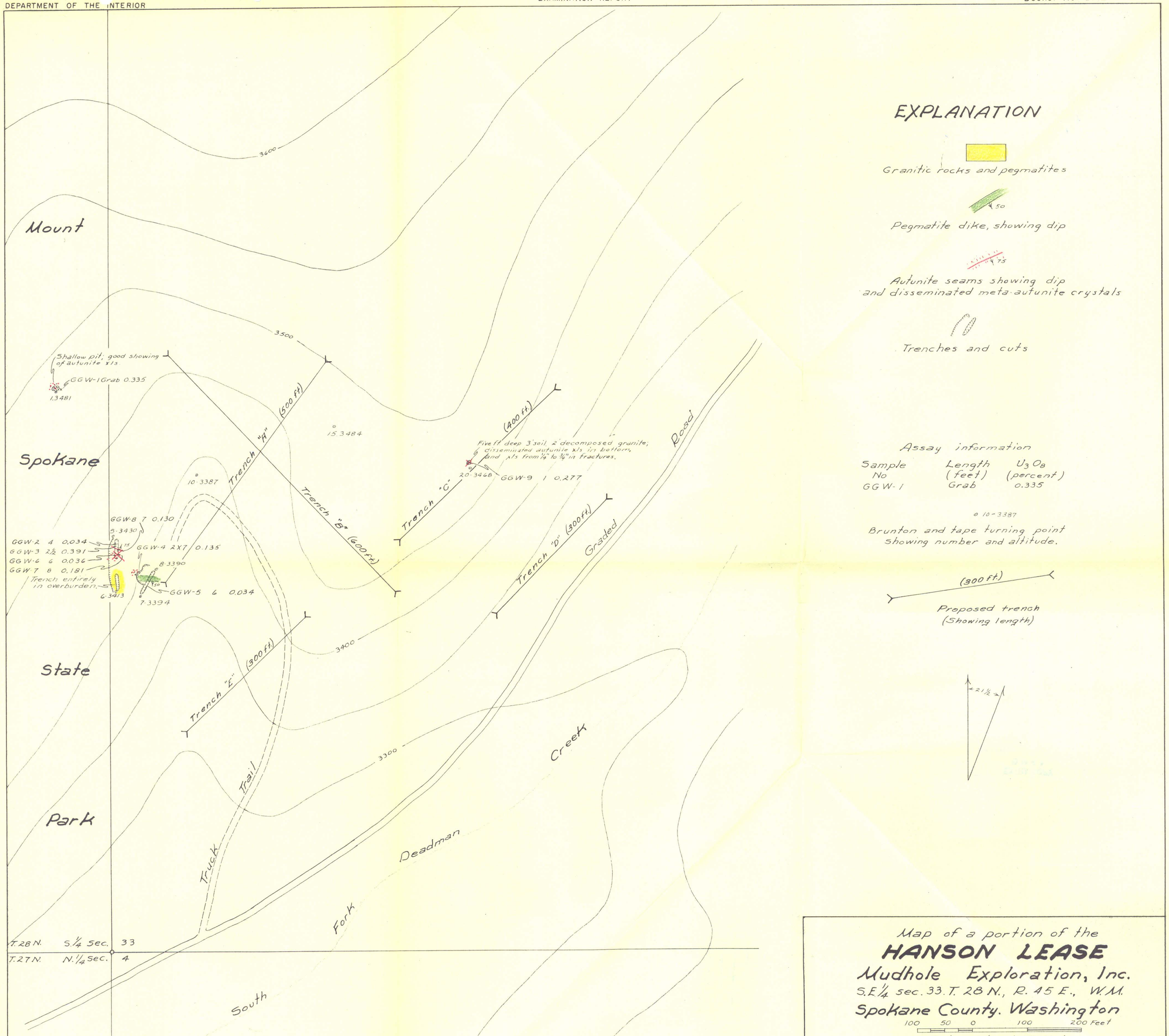
ALLEN S. DAKAN
(Name)

Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

Date delivered to Bureau of Mines, Washington 11/14/57

22845

UNITED STATES
DEPARTMENT OF THE INTERIOR

PREPARED FOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXAMINATION REPORT

Docket No DMEA 4800