

hereunder shall be deemed to be completed when made in writing, deposited in the United States mail, registered, postpaid, addressed to

Lessor: MT. DIABLO QUICKSILVER COMPANY, LTD.
Clayton, California

Lessee: CORDERO MINING COMPANY
131 University Avenue
Palo Alto, California

16. On the exercise of the option herein granted to Lessee to purchase certain property, and the payment of the further purchase price therefor, as hereinabove provided, Lessor shall convey said property to Lessee by grant deed. There has been exhibited to Lessee, and Lessee is fully advised of, that certain preliminary title report of California Pacific Title Insurance Company on said property dated October 28, 1954 (Order No. 190821). It is understood and agreed that at any time after the expiration of three (3) years from the date hereof, or upon payment by Lessee to Lessor of one-half (1/2) of the said purchase price -- whichever event is earlier -- on demand by Lessee to Lessor, Lessor shall take such steps and commence such legal proceedings as it may be advised necessary to clear the title of said land of the exceptions appearing on said title report, and Lessor shall thereafter prosecute said proceedings with all reasonable diligence.

IN WITNESS WHEREOF, Lessor and Lessee have caused these presents to be executed by their officers thereunto

duly authorized, the day and year first above written.

MT. DIABLO QUICKSILVER COMPANY, LTD.

By *Vic Blomberg*
Vic Blomberg
President

By *Harold Blomberg*
Harold Blomberg
Secretary

(Corporate Seal)

LESSOR

CORDERO MINING COMPANY

By *S. H. Williston*
S. H. Williston
Vice President

(Corporate Seal)

Paul Williston
Asst. Secretary

LESSEE

Exhibit 5

UNITED STATES
DEPARTMENT OF THE INTERIOR
SECRETARY OF THE INTERIOR, D. MCKAY

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION III

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED

MAR 13 1953

DMEA 2118, Mt. Diablo Quicksilver Mine

Contra Costa County, California

E. H. Pampayan, Geologist
U. S. Geological Survey

February 27, 1953

Reviewed by
DMEA OPERATING COMMITTEE

3-20-53
(date)

Summary

A DMS application was filed in December, 1952 by Mr. Romie Smith requesting Government aid to explore the Mt. Diablo mercury mine in Contra Costa County, California. The field examination was made by E. H. Papeayan, J. F. Robertson, and D. B. Tatlock, of the U. S. Geological Survey.

The original application proposed two phases of underground exploration with a total project cost of \$75,000. On the advice of the Geological Survey, Mr. Smith filed an alternate proposal that changes the first phase to 100 feet of shaft sinking and 625 feet of drifting and crosscutting at a cost of \$73,000. Phase two, which would depend on the results of phase one, consists of an additional 100 feet of drifting at a cost of \$52,000, bringing the total cost to \$125,000.

At the present market price of mercury, the first phase of exploration might develop enough ore to permit the applicant to repay the Government's share of the exploration costs. Phase two, however, appears to offer much less hope for potential production. The application for exploration for phase one is recommended if the current need for mercury justifies Government participation.

Introduction

The Mt. Diablo quicksilver mine is located in the NE 1/4 of Sec. 29, T. 1 N., R. 1 E., MERR, on the northeast side of Mt. Diablo Contra Costa County, California. The property is owned by the Mt. Diablo Quicksilver Company, Ltd., of Clayton, California, and has been leased to Romie Smith. The mine is 40 miles by paved road from San Francisco and is easily accessible by automobile. It is reached by travelling 1 1/2 miles southeast from Clayton on the March Creek road, then turning right on the Livermore road for 1/2 mile to Mine Way, which is the entrance to the property.

The Mt. Diablo mine area was visited by E. H. Papeayan, J. F. Robertson, and D. B. Tatlock, of the U. S. Geological Survey, for several days between December 1952 and February 1953. During this time, a topographic and geologic plane table map of the area under consideration was made.

The property was discovered between 1867 and 1875 and has been operated sporadically since that time. According to Mr. Vic Blomberg, president of the Mt. Diablo Quicksilver Company, principal mercury production from the western end of the property was from 1875 to 1877. As much as 3,000 flasks of mercury is said to have been produced, but the amount probably was closer to 300 flasks judging by the extent of the underground workings. The greatest recorded production was between 1937 and 1947 when 10,454 flasks of mercury were produced from the Hill workings at the eastern end of the property. The most recent production was from November 1951 to January 1952 when 123 flasks were produced from the open

pit operations in the Mill area. This operation was halted by landslides into the pit that rendered surface work no longer feasible.

Workings

The workings in the Mill area amounted to some 3,400 feet of drifting and crosscutting on four levels with a vertical range of 210 feet. The proposed exploration would be at an elevation of 600 feet, or about 100 feet below the lowest level, on the down-dip extension of the ore zone. The adit level, as well as lower levels of the Mill workings was caved at the beginning of 1952. Most of the workings above the 60 level were uncovered by open pit operations.

Underground work at the western end of the property consisted of 2,100 feet, more or less, of drifting and crosscutting with a vertical range of 230 feet. The Camp, Jones, and Lyle tunnels have been caved for almost 15 years. The Kitchen tunnel is open but does not expose any ore.

The surface workings consist of a pit 500 feet long, in an east-west direction, by 200 feet wide and 150 to 200 feet deep, with three main benches. The highest bench, No. 5 on the map, was being mined for ore when slides from the steep south face terminated the operation.

The property has furnacing, retorting, and housing facilities, all of which are in good condition and could be put into use on short notice.

Geology

The mines are located on the northwest side of the "plug" of Franciscan rocks and serpentine which has intruded Jurassic and younger sediments in a way comparable to the intrusion of a salt cone. The Franciscan formation in the mine area is made up of massive, poorly bedded silicified sandstone, in part graywacke, with lesser amounts of sheared shale and thin-bedded chert. Serpentine intrudes the Franciscan rocks as irregular lenticular masses, the contacts of which strike from N. 50° W. to west and dip about 50° northwest. This trend is pronounced in the regional structure. To the north and east, just beyond the limits of the mapped area, lower Cretaceous shales are exposed and form low rolling slopes. About one mile to the east, some Tertiary biotite andesite intrudes the Cretaceous sediments.

Silica carbonate rock, or hydrothermally altered serpentine, appears throughout most of the mapped area. It is similar to the silica-carbonate rock of other Coast Range quicksilver deposits and consists largely of chalcedony and quartz, with some dolomite and other carbonates with small amounts of pyrite, marcasite, and opal. Usually massive, it is locally banded or laminated in white and black. The bands are, in some places, parallel to the foliation of the serpentine and probably represent relic textures.

Ore Deposits

The ore minerals are metachamber and chamber that occur filling fractures and shear zones in the siliceo-carbonate rock and, to a lesser degree, as disseminations throughout the serpentinite and siliceo-carbonate rock. Apparently the shales immediately above and below the siliceo-carbonate rock formed an impermeable barrier to the ore-bearing solutions for the enclosing sediments are barren. The main ore shoot was on the fault along the south side of the open pit which forms the contact between siliceo-carbonate rock and underlying sediments. However, mineralization was not limited to this lower contact and ore bodies were present along other shears in siliceo-carbonate rock. Ore mined during the 1936-1947 period from the Mill workings averaged 10 pounds of mercury to the ton.

Metachamber is the predominant ore mineral in the Mill workings whereas chamber forms the ore in the old mines at the western end of the property. Marcasite and pyrite occur in the siliceo-carbonate rock and some siderite is also present. The rich ore-bodies encountered in the past are said to have been closely associated with massive iron sulfides. Mineralization is believed to have taken place in Tertiary time for some chamber was reported ^{1/} to have been found along the contact of Tertiary andesite and Oligocene shales about one mile to the east of the mines.

Exploration

In his original DMSA application, Mr. Smith proposed to drive a 700-foot drift under the Mill workings from the east to connect with the 270 level. He also proposed a second phase of work to explore the old mines at depth by drifting an additional 1300 feet westerly.

The U. S. Geological Survey conferred with the operator and suggested that a more efficient program could be carried out by sinking a shaft, then driving exploratory drifts and crosscuts from the bottom.

C. N. Schuette, consulting engineer for Mr. Smith, submitted a new application requesting 75 percent Government participation in a \$125,000 program. The new proposal, in two parts, is as follows:

Phase 1. Sink a 330 foot shaft from a point 50 feet north of the new stack and then explore by 625 feet of drifting and crosscutting the ground 100 feet below the lowest mine level.

Phase 2. (To follow upon successful completion, and review by the Government and operator, of phase 1.) Drift north-westerly 1300 feet to explore the old Jonas tunnel area at depth.

^{1/}Turner, E. S., Geology of Mt. Diablo, Bull. USA 2:391-2, 1890

(breakdown of cost figures are to be found in the application with Form MF-103). The application states that the work will be contracted out at \$135.00 per foot for sinking and \$35.00 per foot for drifting and crosscutting. With the added cost of engineering, geology, assays, etc., the first phase would cost \$73,050 and be completed in seven months, while the second phase, taking nine months, would cost an additional \$52,000. Total cost of the project would be \$125,050.

The first part of the revised application appears to offer the best means of exploring the ore deposit. The advantages of sinking a shaft at the proposed site rather than drifting in from the east are numerous, some of which are: 1 - it would be sunk in ground underlain by sediments, mainly sandstone, that have greater strength than the fracture and altered rocks over the ore body; 2 - it would explore new ground 100 feet below any existing workings; 3, waste would be dumped at no greater distance than 300 feet from the shaft, either into the open pit or just north of the ridge; 4, it would have the advantage of elevation as the collar would be higher than the mill; 5 - it would be only 60 feet from the existing grizzly, ore bin, and conveyor belt to the mill.

On the basis of cross section A-A', about 200 feet of crosscutting S. 21° W. from the bottom of the shaft, will be necessary to reach the main ore zone leaving some 125 feet of tunneling to be used in drifting on the mineralized fault zone. The log of drill hole no. 8, projected 120 feet to plane of section A-A', reports only 12 feet of silica-carbonate rock at the 117 foot mark. However, a cursory examination of the core proved that almost 10 feet of silica-carbonate rock is present below the 300-foot marker. The core is not complete; therefore, more silica-carbonate rock might be encountered than has been proved. Some chert was observed in the core and it was reported that some eight-ounce ore was cut -- probably in the missing section of core -- in this hole. Also, assays made from the mineralized zone in the zone below the 165 level (see enlarged portion of section A-A') show that good ore does occur below the lowest level of caved workings.

The second phase of the project would appear to offer less hope for discovering ore. Surface mapping and the logs of two old diamond drill cores indicate that there are about 600 feet of barren Franciscan sediments between the northwest end of the drift proposed in phase one and the first possible ore-bearing rocks to the west.

The Government's share of \$73,050 for phase one will be \$51,737. Under the 5 percent repayment schedule, and providing that the price of mercury does not drop, production of 4,980 flasks with a gross value of \$1,095,740 would be necessary for the Government to recover its share of the cost. It seems possible that at least half of the necessary ore might be found above the proposed level, but the additional ore would have to be found below the proposed level. Phase two, with a total cost of \$52,000 would cost the Government \$39,000 and require the production of 3,545 flasks with a gross value of about \$780,000 for repayment of the loan.

Recommendations and Conclusions

At the present market price of mercury, phase one could conceivably pay it's way while phase two offers less promise of being able to repay the loan. The application for exploration under phase one is recommended. Exploration under phase two should be dependent upon the success of phase one, as the added exploration would only be worth the high risk involved if the mine were producing from good ore found as a result of the phase one exploration.

Exhibit 6

UNITED STATES OF AMERICA Docket Copy
DEPARTMENT OF THE INTERIOR IDM-E 544
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT

It is AGREED this 5th day of June, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Ronnie E. Smith, Tower Petroleum, Inc., Dallas, Texas, Gene Harrier, C. Franklin Supply Co., Chicago, Illinois, and James F. Dunne, Chicago, Illinois - Partners

650
1000

hereinafter called the "Operator," as follows: and as set forth in Annex I and Annex II.

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

ARTICLE 2. Operator's property rights.—With respect to that certain land situated in the State of California

County of Contra Costa, described as follows: The N/4 of the S/4 of the SE/4 of the SW/4 of Sec. 22, T. 1 N., R. 1 E., Mount

Diablo Base and Meridian, Recorded Feb. 1, 1934 (File No. 1004), except for area described in Annex II and shown on map attached hereto, made a part

hereof, and entitled "U.S.G.S. Bulletin 922-Plate 6, Area 2443."

The Operator represents and undertakes:

(a) That the Government shall have no liability for any loss or damage to the property of the Operator or its employees or independent contractors or for any loss or damage to the property of the Operator or its employees or independent contractors or for any loss or damage to the property of the Operator or its employees or independent contractors.

(b) That the Operator is a lessee, in possession and entitled to possession, and the Owner's Consent to Lien is attached. The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof.

ARTICLE 3. Exploration project.—The Operator, within 45 days from the date of this contract shall commence work on a project of exploration for Secretary

in or upon the described land; and shall bring the project to completion within a period of 10 months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided.

ARTICLE 4. Performance of the work.—(a) Operator's responsibility. The work shall be performed efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmen's compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. To the extent specified in Exhibit "A," attached hereto, the work may be performed by independent contractor or contractors; and work not specified in Exhibit "A," for performance by independent contractor may nevertheless be so performed upon amendment of Exhibit "A," as agreed to by the parties, to state the work to be so performed and the estimated unit costs thereof, as provided hereafter.

(b) Independent contracts.—Any independent contract for the performance of work shall be on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved), or on some basis that will indicate the amount due for work performed at any stage of the work to be performed under such independent contract. The Government shall not be considered to be a party to any such independent contract, and the Government's right to terminate the exploration project contract under any of its provisions shall not in any manner be affected by reason of any such independent contract. If the reference in Exhibit "A" to any such independent contract states that the Government's approval thereof is required, the Government may refuse to participate in the cost thereof unless and until it has given its written approval of the independent contract.

(c) Government may inspect.—The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 5. Estimated costs of the project.—A statement of the estimated cost of the project is set forth in Exhibit "A," attached hereto. Except insofar as any item of requirement or the estimated cost thereof set forth in Exhibit "A" is there or elsewhere designated as an "allowable maximum," such items of requirement and of related cost are estimates only, and may be exceeded to the extent that the Government may from time to time approve for the most economic and beneficial performance of the work within the limitation of the total aggregate estimate of costs. The Government's approval of any such excess over the estimate for an item of requirement or related cost will be signified by its approval and payment of any invoice or voucher for payment which expressly calls attention to such excess. Items expressly designated in Exhibit "A" or elsewhere as "allowable maximum," and the total aggregate estimated cost are limitations, and any excess therein will be for the sole account of the Operator in which the Government will not participate.

ARTICLE 6. Allowable costs of the project.—(a) The costs of the project in which the Government will participate are limited to the following:

(1) Independent contracts.—Payments to independent contractors under independent contracts listed in Exhibit "A." The estimated cost of any work to be performed under an independent contract is or shall be included in the estimate of costs in Exhibit "A" in terms of the estimated numbers of units of work to be performed, the estimated amount to be paid for each unit, and the estimated total amount to be paid to the independent contractor; and such estimates shall be allowable maximums above which the Government will not contribute. Regardless of the provisions of any such independent contract, the Government will participate in the payments to the independent contractor only on account of work actually performed and that conforms with the provisions of the 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 and necessary. No such independent contract shall have the effect of increasing the estimated total cost of the exploration project contract nor the maximum amount which the Government will pay as provided in the exploration project contract.

(2) Labor, supervision, consultants.—Labor, supervision and technical services (including engineering and geological work); a schedule of which is included in the estimate of costs set forth in Exhibit "A." The requirements and related costs for supervision and technical services are allowable maximums.

(3) Operating materials and supplies.—Necessary materials and supplies including items of equipment costing less than \$50.00 each, and power, water, and fuel, a schedule of which is included in the estimate of costs in Exhibit "A."

(4) Operating equipment.—Any operating equipment to be rented or purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or the allowable depreciation, as the case may be, a schedule of which is included in Exhibit "A." Any items listed as owned and to be furnished by the Operator, and related initial allowable depreciation, are allowable maximums.

(5) Rehabilitation and repairs.—Any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator, and to be devoted to the purposes of the exploration project; a schedule of which is included in the estimate of costs set forth in Exhibit "A."

(6) New buildings, improvements, installations.—Any necessary buildings, fixed improvements, or installations purchased, installed, or constructed for the purposes of the exploration work, with the estimated cost of each, a schedule of which is included in the estimate of costs in Exhibit "A." All of these items are allowable maximums.

(7) Miscellaneous.—Repairs to and maintenance of operating equipment (not including initial rehabilitation or repairs of the Operator's equipment), analytical work, accounting, workmen's compensation and employers' liability insurance and payroll taxes.

(8) Contingencies.—Such other necessary, reasonable direct costs of performing the exploration work, within the limit of the total aggregate estimate of costs, whether or not included in any schedule of costs in Exhibit "A," as may be approved by the Government in the course of the work, as indicated by its approval and payment of invoices and vouchers.

If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
State character, interest, and nature of operation, if any.
Give legal description or enough to identify the property, particularly excluding any land or interest therein to which the Government's lien is not to attach or its production from which it is not to be subject to the Government's percentage royalty.
Strike out the provision not applicable.
Name of mineral or minerals.
16-60752-2

(b) The Government's payment in all cases, shall be based on actual, necessary costs (including contract unit prices) incurred not in excess of any "allowable" maximum, and not in excess of the fixed percentage of the total aggregate estimated cost. Costs will be considered to be incurred when they are or become due and payable.

(c) No items of general overhead, corporate management interest, taxes (other than payroll and sales taxes) or any other indirect costs, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

ARTICLE 7. Reports, accounts, audits.—(a) *Progress reports.* The Operator shall provide the Government with monthly reports of work performed and costs (including contract unit prices) incurred under the contract, in quintuplicate (five copies), upon forms provided by the Government. These progress reports shall be certified by the Operator, and shall constitute both the Operator's invoice of costs incurred on the project during the period covered by the report and his voucher for repayment by the Government, unless the Government requires the use of a standard voucher form with invoice attached. Progress reports shall include surface and/or underground engineering-geological maps or sketches showing the progress of the exploration, with assay-reports on samples taken concurrently with the advance in mineralized ground.

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

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

(d) *Accounts and audits.*—The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve such records and accounts for at least 3 years after the completion of the project or the termination of this contract. Upon the completion of the project or termination of the contract the Operator shall render a final account as provided in Article 12.

ARTICLE 8. Payments by the Government.—(a) The Government will pay _____ percent of the allowable costs incurred, as they accrue, in an aggregate total amount not in excess of \$_____, which is _____ percent of \$_____, the agreed, estimated total cost of the project in which the Government will participate. Provided, that until the Operator's final report and final accounting have been rendered to the Government, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract.

(b) The Government may make any payment or payments direct to independent contractors and to suppliers, for the account of the Operator, rather than to the Operator.

ARTICLE 9. Repayment by Operator.—(a) If, at any time, the Government considers that a discovery or a development from which production may be made has resulted from the exploration work, the Government, at any time not later than 6 months after the Operator has rendered the required final report and final accounting, may so certify in writing to the Operator. The certification shall describe broadly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, until the total amount contributed by the Government, and the Government's interest, is fully repaid, or said 10 years have elapsed, whichever occurs first, as follows: ~~See Article 11. Substituted for that part of (1) preceding this section.~~

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

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

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

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

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

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

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

ARTICLE 11. Title to and disposition of property.—All facilities, buildings, fixtures, equipment, or other items costing more than \$50.00 each, paid for or purchased with funds contributed jointly by the Operator and the Government, although title may be taken in the name of the Operator, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the completion of the work or the termination of the contract shall be disposed of promptly by the Operator 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 at a price at least as high as could otherwise be obtained, as may appear to be for the best interest of the Government, unless the Government, in writing, waives its interest in any such item. If necessary to accomplish such disposition, the Operator shall dismantle, sever from the land, and remove any such item, the cost thereof to be for the joint account of the parties in proportion to their respective interests. If the Operator, within 90 days after the receipt of written notice from the Government, fails, neglects, or refuses to dispose of such property, the Government may itself enter upon the land, take possession of, and remove and dispose of any such property as above provided.

ARTICLE 12. Termination and completion.—The Government may, at any time, by written notice to the Operator, terminate this contract: (a) if the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (b) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (c) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worth while discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall dispose of any remaining materials, supplies, facilities, buildings, fixtures, and equipment in which the Government has an interest, for the joint account of the Operator and the Government in the proportion of their respective interests; shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; and shall pay to the Government its pro rata share of any money remaining.

ARTICLE 13. Changes and added provisions.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

[Signature]
Secretary

[Signature]
By _____
Administrator, Defense Minerals Exploration Administration

_____ certify that I am the secretary who signed of the corporation named as Operator herein; that this contract on behalf of the Operator, was then 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.

EXPLORATION PROJECT CONTRACT
RONNIE B. SMITH
DOCKET NO. DMEA-2448

ANNEX I

Materials and Supplies. For the purpose of determining the Government's interest in materials or supplies remaining upon any termination of the work, they shall be considered in groups or categories (such as pipe, or explosives, or rails, or drill steel), and if the original cost of the remaining unexpended portion of any such group or category exceeded \$50, the Government shall have an interest therein as provided in Article II of the contract form.

Equities in Equipment. Unless expressly permitted by provisions in Exhibit "A", the operator shall not procure equipment or any other item under a rental-purchase agreement, an installment-purchase agreement, any agreement which creates or builds up an equity or interest in the thing procured which can be converted to legal title only by further payment or some other consideration, or any agreement other than for straight rental or cash purchase and delivery.

Preservation of Property. Until the final disposal of any equipment or other property in which the Government has an interest or equity, the operator shall preserve and protect same for the mutual best interests of the parties, any reasonable and necessary cost thereof to be treated as an allowable cost of the exploration work to which the Government will contribute.