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

ANNEX II

The land referred to in Article 2 as exempted from the lease from Mount Diablo Quicksilver Company to Ronnie B. Smith is shown on map "Bulletin 922-Plate 6, DMEA-2448" and is described as follows:

Beginning at the NW corner of the NW¼ of the SE¹ of Sec. 29, T. 1 N., R. 1 E., Mount Diablo Base and Meridian, thence running southerly along the dividing line between the NE¹ of the SW¼ and the NW¼ of the SE¹ of said Sec. 29, a distance of 20 chains to the SW corner of the NW¼ of the SE¹ of Sec. 29; thence running along the southerly line of the NW¼ of the SE¹ of Sec. 29, a distance of 2,924 chains; thence leaving said line and running in a northerly direction a distance of 20,23 chains; thence westerly to the point of beginning.
ANNEX

The following provisions are in lieu of all of paragraph (a) of Article 2, which precedes the colon:

If at any time the Government considers that a discovery or development from which production may be made has resulted from the exploration work, the Government, at any time not later than six months after the Operator has rendered the final report and final account required by the exploration project contract, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development. The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land which is the subject of the exploration project contract, 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 of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or
2. If the Government makes a certification of discovery or development, for a period of ten years (or other period fixed by the contract) from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of 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, as follows:
EXPLORATION PROJECT CONTRACT
RONNIE B. SMITH
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EXHIBIT "A"

Description of the Work

The objective of the project is to explore the subject property for mercury ore. The geological details, and
the site and purpose of the shaft, are shown on USGS map
attached hereto and entitled "Mount Diablo Mine, Contra Costa
County, California" dated January 1953. As indicated on the
"Bulletin 922-Plate 6; DMEA-2448," the work consists of the
following:

1. Level shaft site, erect a headframe with ore pocket,
install an electric hoist (including motor, starter, head
sheave, and hoisting cable), and build tram from headframe to
dump.

2. Sink a 2-compartment timbered shaft (in cross section
4 feet by 6.5 feet in clear of timber) to a depth of 330 feet.

3. At a distance approximately 300 feet below the collar
of the said shaft, drive a crosscut approximately 200 feet
(in cross section 6 feet by 7.5 feet in clear of timber) in a
southerly direction through the vein structure on the hanging
wall of the fault; and from the sides of the crosscut, drift
(in cross section 6 feet by 7.5 feet in clear of timber) in
opposite directions along the strike of the fault for approxi-
mately 425 feet.

The total advance of the crosscuts and drifts shall
not exceed 625 feet, and the location of shaft, crosscut, and
drifts shall be subject to Government approval.

4. Samples of vein material encountered during the
exploration shall be cut by the Consulting Engineer, and they
shall be assayed for mercury content, the place of sampling
and assaying being subject to Government approval. The Con-
sulting Engineer must also be approved by the Government, and
shall direct the entire exploration program and prepare all
reports required under the contract.
Estimated Costs of the Project
(*Indicates allowable maximum)

(1) Independent Contracts

Sinking 2-compartment shaft
320 feet @ $121.20/ft.* 1/ $39,996.00*

Driving crosscut and drifts
625 feet @ $40.00/ft.* 1/ $25,000.00* $64,996.00*

(2) Labor, Supervision, Consultants

1 Consultant @ $500.00/mo.,
7 mos.* 2/ $3,500.00*

(3) Operating Materials and Supplies

None

(4) Operating Equipment

To be furnished by operator, when needed, at no cost to the project.

3 Sterling trucks
1 International bulldozer
1 Dodge pickup truck
1 Joy Mfg. Co. wagon drill
3/4-yard Northwest power shovel
1 Ingersoll-Rand compressor
Auxiliary buildings, fuel oil and gas tanks, and loose tools

1/ This includes the cost of all necessary timbering, cost of all supplies, and maintenance and repair of all equipment. All equipment shall be furnished by Independent Contractor except that referred to in Item (3).

2/ This consultant shall be required to spend a minimum of two full days each week on the project, and this includes all his transportation costs.
To be purchased

1 Only 50 H.P. hoist with motor and starter $2,250.00*

1 Only 36-inch sheave 125.00*

750 feet 5/8-inch hoisting cable 100.00* $2,375.00*

(5) Rehabilitation and Repairs

None

(6) New Buildings, Improvements, Installations

Level shaft site, erect headframe, ore bin, tramway to dump
(includes cost of all labor,
Worchem's Compensation and
Employer's Liability Insurance,
and Payroll Taxes) 2,000.00*

(7) Miscellaneous

Assaying 125 samples
@ $4.00/sample 500.00

(8) Contingencies

None

* * * * * *

Total Estimated Cost of Project $73,571.00*

Government Participation @ 75% $55,178.25*
OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of [insert state], County of [insert county], described as follows:

In a lease dated [insert date], 19__ and recorded in book [insert book], page [insert page], official records of said county,

which is the subject of a proposed exploration project contract, hereinafter called the "contract", between the United States of America, hereinafter called the "Government", and

[insert name of operator], hereinafter called the "Operator"; and

WHEREAS, under certain provisions of said contract which are set forth on the reverse side hereof, the Government is entitled to a percentage royalty on production and to certain other rights and equities which do not conflict with or be adverse to the interest of the undersigned in said property;

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

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

2. To secure the payment to the Government of the percentage royalty on production, provided for under the terms of said exploration project contract, or any amendment thereof which does not increase the maximum amount of the Government's claim here stated or alter the provisions for repayment, there is hereby granted to the Government a lien upon the land herein described and upon any production of minerals therefrom, until the royalty claim is fully paid in the amount of the Government's contribution, not in excess of 1/8 of $185,000.00, or ten years have elapsed from the date of the contract.

3. The undersigned shall not consent to or assert any claim that may not conflict with the lien, claim, or rights of the Government under the provisions of said contract. This agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the undersigned.

Dated this [insert date], 19__

[insert name of undersigned], [insert title]

[insert name of operator], [insert title]

[insert name of operator], [insert title]

[insert name of operator], [insert title]

[1] Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "In a lease [or contract, deed, or other document] dated [insert date] and recorded in book [insert book], page [insert 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 angle bracket to the space in the space.

[2] Insert the name of the operator as it will appear in the exploration project contract.

[3] Mining or production from the land does not require, and in the absence of production there is no obligation to repay the Government.

RELEVANT CONTRACT PROVISIONS

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 six months after the Operator has rendered the required final report and final account, may notify in writing to the Operator. The notification shall describe briefly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, until the total amount contributed by the Government, without interest, is fully repaid, or mid-10 years have elapsed, whichever occurs first, as follows:

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

2. One and one-half (1½) per cent. of any such net amounts, plus one-half (½) per cent. 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) per cent. 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) per cent. on a net amount of ten dollars ($10.00) per ton, three and one-half (3½) per cent.)

(b) As used herein, "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, 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 assure the payment of the 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 producing operations.

Title to and disposition of property. All facilities, buildings, fixtures, equipment, or other items costing more than $500.00 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 jointly 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, never 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.
ASSIGNMENT OF LEASE

RONNIE B. SMITH, Trustee, of Tower Petroleum Building, Dallas, Texas, JENE HARPER, of Chicago, Illinois, and JAMES F. DUNNIGAN, of Chicago, Illinois, hereby assign to JOHN L. JONAS of 105 Los Robles Drive, Burlingame, California, and JOHN E. JOHNSON of 520 South Van Ness Avenue, San Francisco, California, all their right, title and interest in lease dated September 12, 1951, to them from MT. DIABLO QUICKSILVER COMPANY, LTD. a Nevada Corporation for a term of 5 years commencing October __, 1951.

Dated: December 1, 1953

[Signatures]

MT. DIABLO QUICKSILVER COMPANY, LTD., a Nevada Corporation, hereby consents to the above assignment and releases Ronnie B. Smith, Trustee of all obligation under said lease.

Dated: December 20, 1953

[Corporate Seal]

In consideration of new lease by MT. DIABLO QUICKSILVER COMPANY, LTD. to JOHN L. JONAS and JOHN E. JOHNSON executed on December 1, 1953, the above mentioned lease is hereby cancelled.

Dated: December 20, 1953

[Corporate Seal]

MT. DIABLO QUICKSILVER COMPANY, LTD.

[Signatures]
Exhibit 11
Exhibit 12
Exhibit 13
Staff of the Central Valley Regional Water Quality Control Board (Board) have reviewed the "Divisibility: Position Paper, Mt. Diablo Mercury Mine, Sunoco Inc. as Related to Cordero Mining Company" (Divisibility Paper) submitted on Sunoco/Cordero’s behalf by The Source Group, Inc. The Divisibility Paper contends that there is a reasonable technical basis for the Board to apportion liability for the investigation and/or cleanup of the Mount Diablo Mercury Mine (Site). The Divisibility Paper concludes that, because there is a reasonable basis to apportion liability, the Board should limit Sunoco/Cordero’s liability to the area near the Defense Minerals Exploration Administration (DMEA) shaft, where most of Cordero Mining Company’s work was done.

Board staff disagree that there is a reasonable basis for apportioning liability. The contamination present at the Site is not susceptible to any rational means of division. The discharge of polluted water from the Site occurs after water interacts with mine waste, some of which was generated by Cordero, and some of which was generated by other responsible parties. The 790 feet of underground tunnels constructed by Cordero connect with, and thus contribute contaminated water to, the earlier underground tunnels via the Main Winze. The 165-foot level portal, a part of the earlier tunnels that connects to the Main Winze, is believed to be a major contributor of acid mine drainage. It is impossible for the Board to determine the proportion of pollutants that the water picks up through its interactions with the mine features that Cordero constructed, relative to the proportion that it picks up through its interactions with mine features constructed by other responsible parties. Indeed, even if such proportion could be calculated, it may have little to no relation to the ultimate cost of investigation and/or remediation.

The Divisibility Paper contends that the waste rock generated by Cordero was either placed back in the shaft or discharged in the My Creek drainage, but this fact is not borne out by the evidence in the Board’s files. No evidence in the files indicates where the waste rock was discharged. The 790 feet of tunnels would generate too much waste to fit back into the shaft, and the descriptions of waste rock in the My Creek drainage are consistent with waste rock from a surface mine, not from underground mine tunnels.
Board staff maintain that there is no reasonable basis to apportion liability, and therefore, pursuant to State Board water quality decisions regarding apportionability, Cordero/Sunoco's liability for the site remains joint and several.

If you have any questions concerning this matter, please contact Ross Atkinson at (916) 464-4614 or via email at ratkinson@waterboards.ca.gov.

VICTOR IZZO
Senior Engineering Geologist
Title 27 Permitting and Mines Unit

cc: Patrick Palupa, Office of the Chief Counsel, SWRCB, Sacramento
    California Dept of Parks and Recreation, Bay Area Dist., San Francisco
    Jerelean Johnson, Site Assessment, Superfund Div. USEPA Region 9, San Francisco
    Larry Bradfish, Asst. Regional Counsel, USEPA Region 9, San Francisco
    Janet Yocum, On-Scene Coordinator, USEPA Region 9, San Francisco
    R. Mitch Avalon, Contra Costa County Flood Control, Martinez
    William R. Morse, Sunoco, Inc. Philadelphia, PA
    David Chapman, Edgcomb Law Group, San Francisco.
    Paul Horton, The Source Group, Inc. Pleasant Hill
Exhibit 14
PROJECT SUMMARY REPORT

By: Stephen P. Holt
November 25, 1960

1. Docket DMEA-2448 (Mercury)
Contract Idm-8344

Property - Mt. Diablo Quicksilver Mine
Contra Costa County, California

Operator - John L. Jonas and John E. Johnson
Assignees of Ronnie B. Smith, Jene Harper, and James F. Dunnigan

Operator’s Property Rights

The Operator controlled, by assignment of a mining lease from the owners, Mt. Diablo Quicksilver Company, Ltd., Clayton, California, patented land described as: the NE3 of the SE2 of the NE4 of the NE4, sec. 29, T. 1 N., R. 1 E., M.D.&. and Mt., Contra Costa County, California, excepting a certain area described in Annex II and shown on map, USGS Bull. 922, Plate 6, attached to the contract. Owner’s Consent to Lien and Assignment of Contract accompany the contract.


Work Authorized:

1. Level shaft site, erect headframe and ore pocket, install hoist, build tram from headframe to dump.

2. Sink 2-compartment timbered shaft 330 feet.

3. At depth approximately 300 feet below shaft collar, crosscut approximately 200 feet southerly through vein structure on hanging-wall side of fault, and from side of crosscut drift in opposite directions along fault a total of approximately 425 feet.

4. Sample and assay vein material encountered. Estimated 125 samples to be assayed for mercury.

Estimated Total Cost of Project: $73,571.00
Government Participation @ 75%: $55,178.25
Amendments -

No. 1, dated July 14, 1953, extended the starting date from July 20 to August 15, 1953.

No. 2, dated April 22, 1954, authorized use of funds originally intended for crosscutting and drifting, for pumping and water treatment.

No. 3, dated November 19, 1954, corrected the effective date of Amendment No. 2 from April 22, 1954, to February 18, 1954, the day on which the mine workings were flooded.

Work under the contract started August 15, 1953, was interrupted by flooding of the mine on February 18, 1954, and again by a fatel accident March 4, 1954. All work was discontinued and the operator surrendered its lease on March 11, 1954. Cordero Mining Company leased the property in November 1954, and conducted further exploration work without assistance from the Government. Cordero's operations were not successful, and that company discontinued work at the property early in 1956.

Work Completed -

Crosscutting and drifting, 120 feet
Shaft sinking, 324 feet

| Total Accepted Cost of the Contract | $44,340.04 |
| Government participation @ 75%     | $33,255.03 |

2-A. Reports -

The final report of the Field Team, dated January 30, 1957, was received February 5, 1957. No Operator's final report was submitted and the Field Team recommended that the requirement for such a report be waived.

3. Audits -

Audit Certificate, dated May 18, 1956, showed:

| Total cost billed by contractor | $33,330.59 |
| Exceptions during this audit    | $6,009.79  |
| Less additional costs allowed by this audit | 19.24  |
| Total Accepted Cost             | $47,340.04 |
| Less salvage value of project property | 3,800.00 |
| Net Total Accepted Cost         | $44,540.04 |
| Government Contribution @ 75%  | $33,255.03 |
4. Certification -

No certification of discovery or development was issued. The contract was terminated by a Termination Agreement dated November 30, 1956, effective as of March 31, 1954.

5. Comments --

The purpose of the project was to explore the downward continuation of a mineralized zone exposed in the Mill Workings of the Mt. Diablo Quicksilver mine, where mercury ore occurs as fracture fillings and disseminations of cinnabar and metacinnabarite in a tabular body of silica-carbonate rock in massive poorly-bedded silicified sandstone and graywacke, with lesser amounts of sheared shale and thin-bedded chert, all of the Franciscan group of Jurassic (?) age, which are cut by a few lenticular bodies of serpentinite, probably post-Pliocene in age.

The work of the project, interrupted by the flooding of the mine and other causes, did not attain its objective, and no reserves of mercury ore were discovered by project work.

Stephen P. Holt

SPHolt/gla
11-28-60
cc to: Director's Reading File
       Pocket
       Chron
David Chapman

From: Ross Atkinson [ratkinson@waterboards.ca.gov]
Sent: Friday, April 03, 2009 4:34 PM
To: David Chapman
Subject: 3/25/2009 Order to Sunoco Inc. to Submit Technical Reports Re: Mount Diablo Mercury Mine

David -
Our files are incomplete on this site and at this time the Regional Water Board does not have a complete property map for Mount Diablo Mine.
The 109 acres in the Order refers to the approximately 109 acres originally sold to Mr. Wessman (assessor parcel #78060008-6).

If further investigation determines that nearby property was disturbed by mining and contributes to surface water contamination, then that property and its past and present owners or operators can be added to the Order or future Orders. Our goal is to identify all potentially responsible parties and include them in a cleanup plan.

Hope this helps, please feel free to contact me with any questions.
I will be out of the office on Monday, I will be in the office all day Tuesday.
Thanks
Ross

Ross Atkinson
Associate Engineering Geologist
Waste Discharge to Land Unit
Central Valley RWQCB - Sacramento
ph. (916) 464-4614
e-mail: ratkinson@waterboards.ca.gov

Dear Mr. Atkinson,

My name is David Chapman and I am an attorney with Edgcomb Law Group ("ELG") in San Francisco.

ELG is outside counsel for Sunoco, Inc. ("Sunoco"), and is representing Sunoco in relation to the California Regional Water Quality Control Board's ("CRWQCB's") "Order to Sunoco Inc. To Submit Technical Reports In Accordance With Section 13267 Of The California Water Code, Mount Diablo Mercury Mine, Contra Costa County" ("Order") dated March 25, 2009.

The Order provides in the final paragraph that you are the contact person in the event Sunoco has any questions.
The purpose of this email is to request from you a map of the Mt. Diablo Mercury Mine ("Site").

According to the Order, the "Mt. Diablo Mercury Mine is an inactive mercury mine on approximately 109 acres on the northeast slope of Mount Diablo in Contra Costa County." (Emphasis added.)

Could you please forward to me at your earliest convenience a map (or give APN's) reflecting what, exactly, the CRWQCB contends is the "mine site," so that Sunoco has a comprehensive understanding regarding the area to which the Order applies.

Please do not hesitate to contact me via email or at the number listed below should you have any questions concerning the above.

I appreciate your assistance in this matter and thank you in advance for your anticipated cooperation.

Very truly yours,

David

David T. Chapman ± Edgcomb Law Group
115 Sansome St., Suite 700 San Francisco, CA 94104
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