

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

It is agreed this 5th day of June, 1952, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Rennie B. Smith, Tower Petroleum Bldg., Dallas, Texas, Jane Harper, c/o Franklin Supply Co., Chicago, Illinois, and James E. Durigan, Chicago, Illinois - Partners

Contract

hereinafter called the "Operator," as follows: and as set forth in Annex I and Annex III.
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 10 of the S1/4 and the 15 of the S1/4 of the NE1/4 of Sec. 29, T. 1 N., R. 1 E., Mount Diablo Base and Meridian; Recorded Feb. 1, 1934 (File No. 1000), 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, DMEA-2443," the Operator represents and undertakes:

(a) That the Operator has no ownership or possession in the land described in the above-mentioned map, and that the Operator is subject to the following conditions: None

(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 Mercury

in or upon the described land; and shall bring the project to completion within a period of 12 months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided.

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, 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 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 number of units of work to be performed, the estimated amount to be paid per 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 assistants), a schedule of which is included in the estimate or 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 ~~in~~ 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 contract, a schedule of which is included in the estimate of costs set forth in Exhibit "A." These items are allowable maximums.

(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 name, address, and nature of organization, 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 the production from which it is not to be subject to the Government's preference royalty.
* Strike out the provision not applicable.
* Name of mineral or minerals.

(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 "allowance maximum," and not in excess of the fixed percentage of the total aggregate estimated cost. Costs will be considered to be incurred only as 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 Operators 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 invoices 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 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 75 percent of the allowable costs incurred, as they accrue, in an aggregate total amount not in excess of \$ 52,173.25, which is 75 percent of \$ 69,571.00, the agreed, estimated total cost of the project in which the Government will participate. Provided, that until the Operator's final report and final accounting have been rendered to the Government, and any final 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. Royalty by Operator.—(a) If, at any time, the Government considers that a discovery or a development from which production may be made has resulted from the exploration work, the Government, at any time not later than 6 months after the Operator has rendered the required final report and final account, may so certify in writing to the Operator. The certification shall describe broadly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, until the total amount contributed by the Government, without interest, is fully repaid, or said 10 years have elapsed, whichever occurs first, as follows: See Article 11, substituted for that part of (a) preceding the colon.

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

ARTICLE 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

[Handwritten signatures and names]

By *[Signature]*
Administrator, Defense Minerals Exploration Administration

_____, certify that I am the secretary, who signed this contract on behalf of the Operator; was then of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.



EXPLORATION PROJECT CONTRACT

RONNIE B. SMITH

DOCKET NO. DMEA-244B

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 11 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.

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 NW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Sec. 29, T. 1 N., R. 1 E., Mount Diablo Base and Meridian, thence running southerly along the dividing line between the NE $\frac{1}{4}$ of the SW $\frac{1}{4}$ and the NW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of said Sec. 29, a distance of 20 chains to the SW corner of the NW $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Sec. 29; thence running along the southerly line of the NW $\frac{1}{4}$ of the SE $\frac{1}{4}$ 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 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
DOCKET NO. DMEA-2448

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 8.5 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 approximately 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 Consulting 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 330 feet @ \$121.20/ft.* 1/	\$39,996.00*
Driving crosscut and drifts 625 feet @ \$40.00/ft.* 1/	<u>25,000.00*</u> \$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 (4).

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	<u>200.00*</u>	\$2,575.00*

(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,
Workmen'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

* * * * *

<u>Total Estimated Cost of Project</u>	<u>\$73,571.00*</u>
<u>Government Participation @ 75%</u>	<u>\$55,178.25*</u>

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of CALIFORNIA, County of VENTURA COUNTY, described ~~as~~

~~as follows:~~ 1/

in a lease dated September 12, 1951, and recorded in book 1048,
page 356 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

2/ Bernie Smith, Trustee

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 or may conflict with or be adverse to the interest of the undersigned in said property;

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

1. The Government's equity in and right to dismantle, sever, 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^{3/} 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 4% 135,000.00, or ten years have elapsed from the date of the contract.

3. The undersigned shall commit no act nor assert any claim that may contravene or 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 22nd day of April, 1953.

MT. DIABLO QUICKSILVER CO., LTD. [Seal]

Vic Blomberg [Seal] President

Thi W. C. [Seal] Vice-President

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 _____, 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.

2/ Insert the name of the Operator as it will appear in the exploration project contract.

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

4/ Insert the maximum amount of the Government's contribution.

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

(1) One and one-half ($1\frac{1}{2}$) per cent of any such net amounts not in excess of eight dollars (\$8.00) per ton.

(2) One and one-half ($1\frac{1}{2}$) per cent of any such net amounts, plus one-half ($\frac{1}{2}$) per cent 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 ($1\frac{1}{2}$) per cent; on a net amount of ten dollars (\$10.00) per ton, three and one-half ($3\frac{1}{2}$) per cent.)

(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, 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.

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.