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APPLICATION FOR O.M.E. LOAN
Cortez Mine Exploratin Pro-
ject, Cortez, Nevada

Part "B" containing: Agreements
Assignments
Assay Certificates
Contractors' Bids
Letters to and Replies
from Banks regarding loans

EXPLORATION, MINING, AND DEVELOPMENT AGREEMENT

WITH OPTION TO PURCHASE

THIS AGREEMENT, Made and entered into by and between LOUIS L. ROSSI, a single man, and ANTONIO A. AND BIRDIE ROSSI, husband and wife, hereinafter referred to as "Rossi" and AMERICAN EXPLORATION & MINING CO., a California corporation, hereinafter referred to as "Amex";

W I T N E S S E T H:

WHEREAS, Rossi is the owner of the following unpatented lode mining claims located in the Cortez Mining District, Eureka County, State of Nevada, Township 26N, Range 48E, more particularly described as follows:

Mockingbird No. 1	Recorded	Book K	Page 198,	11/17/59
Mockingbird No. 2		Boox K	Page 199,	11/17/59
Mockingbird No. 3		Book K	Page 199,	11/17/59
Mockingbird No. 4		Book K	Page 200,	11/17/59
Mockingbird No. 5		Book M	Page 1,	7/10/62
Mockingbird No. 6		Book M	Page 1,	7/10/62
Juniper No. 1		Book K	Page 197,	11/17/59
Juniper No. 2		Book K	Page 197,	11/17/59
Juniper No. 3		Book K	Page 197,	11/17/59
Juniper No. 4		Book K	Page 198,	11/17/59
Juniper No. 5		Book K	Page 340,	8/14/61
Juniper No. 6		Book K	Page 340,	8/14/61
Juniper No. 7		Book	Page	
Juniper No. 8		Book	Page	
Juniper No. 9		Book	Page	

WHEREAS, the parties hereto are desirous of entering into an agreement whereby Amex shall be allowed, under the term and conditions hereinafter stated, to explore, mine and develop the abovementioned property and whereby Amex shall be granted an option to purchase said property as herein stipulated;

NOW, THEREFORE, in consideration of the mutual promises, conditions and covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Rossi hereby leases the above described mining claims to Amex for a period of twenty (20) years from and after the date this agreement is executed, granting to Amex an option to renew this lease on the same terms and conditions as herein set forth for an additional twenty-year period. Amex intention to exercise such option to be given to Rossi in writing, addressed as provided in Section 14 hereof.

SECTION 2. Rossi grants to Amex during the term of Amex's possession hereunder, the full and exclusive right to explore, develop and mine said property; to mine, extract, remove, ship or further process ores and values from said property; to perform without restrictions such other activities on said property as may be necessary or desirable in the carrying out of the aforementioned activities, to determine the methods to be utilized in concentrating, purifying and processing the mining products; and to market and sell the same to such purchaser or purchasers and at such prices as Amex shall determine to be advantageous. In addition Amex shall have the right to utilize all the underground workings of the mines located on said property including the underground structure, machinery and equipment, if any, now located in said mines.

SECTION 3.

(1) Amex shall pay Rossi as mining royalties on all ores or concentrates sold from the property a sum equal to:

- (a) 10% of net smelter returns from all direct shipping ore.
- (b) 5% of net smelter returns from ores milled and concentrated prior to shipment.

(2) "Net smelter returns" as used herein means proceeds actually received by Amex after deductions for smelter treatment and after deduction for freight charges from Beowawe, Nevada, to smelter.

(3) The mining royalty payable to Rossi under this section shall become due and payable on the tenth day of each month. Such mining royalty shall be paid for on all ores or concentrates for which payment has been received by Amex during the prior month. At the time of making such royalty payment, Amex shall transmit to Rossi a true and correct statement of the amount, kind, and nature of the mining products for which the mining royalty is being paid, together with a duplicate statement from any purchaser to whom said ore has been sold by Amex.

(4) Amex shall pay a minimum royalty as follows: \$120 per month on the first of each month beginning May 1, 1964, to and including July 1, 1965.

Beginning August 1, 1965, the minimum royalty shall be \$600 per month payable on the first day of each month through and including July 1, 1970.

Beginning August 1, 1970, the minimum royalty shall be \$20,000 per year, payable \$5,000 August 1, \$5,000 November 1, \$5,000 February 1, \$5,000 May.

If this agreement is executed after May 1, 1964, the May, 1964, payment shall be made on the date of the agreement.

(5) With respect to mining royalties due under Paragraphs (1), (2) and (3) of this Section 3, minimum royalties shall be considered advance payment of mining royalties for the month in which such mining royalties are due. On and after August 1, 1970, minimum royalty payments shall be considered advance payments on account of the 3-month period immediately following the day of payment.

Section 4. Amex agrees to keep an accurate record of all minerals and mined products which shall be mined and shipped from the above described property to which record Rossi shall have access at reasonable times for the purpose of determining that Amex is complying with the terms of this Agreement.

Section 5. Amex shall, during the term of this Agreement, perform at its expense the annual assessment work for all the above mentioned claims as required by law and shall cause to be made and recorded proof of completion of such annual assessment work, a copy of which proof Amex shall cause to be delivered to Rossi.

Section 6. Rossi shall have the right of entering upon said mining claims for the purpose of examining Amex's mining operations and explorations and shall have the right to use all passageways, ropes, ladders, hoists, and all other means of ingress and egress for such purpose, provided, however, that they do not interfere with the operations of Amex, and further provided that such entry and examination shall be at Rossi's risk and hazard and Rossi will hold Amex harmless from, and indemnify Amex against any and all liability to Rossi, his agents, employees, or

representatives for damages to personal property, or for personal injuries, including death, which damages and injuries, including death, arise as a result of Rossi's performing or causing to be performed the activities described in this Section. Amex shall not be responsible for the acts or conduct of the agents, employees, or representatives of Rossi while said agents, employees or representatives are on the premises.

SECTION 7. Rossi warrants that he is the owner of all the above described property and all the mineral rights therein, subject only to the paramount title of the United States of America, and that there are not now pending nor does Rossi have any knowledge of any adverse claims to said property. Rossi covenants further that Amex, complying with the terms and conditions hereof, shall have the right to peaceably and quietly hold and enjoy the use of said property at all times during the terms of this Agreement, and in the event that Rossi's title to such property, and/or the mineral rights therein, should be challenged by court action, Rossi covenants and agrees to defend, at his own expense, his title thereto to the end that Amex shall at all times be able to peaceably and lawfully conduct its operations on said property. Rossi, for himself and his heirs, executors, and administrators and assigns does further covenant and agree that he will forever defend his interest in and to all of said property and the mineral rights therein against any and all persons whomsoever claiming the same, or any interest therein. During the term hereof, should other parties assert ownership or right, title or interest in and to said property, or the mineral rights therein, of such nature if established, Rossi would not actually own the property herein described, or the mineral rights therein, then and in that event,

Amex shall have the privilege of paying royalties otherwise payable to Rossi hereunder into court through interpleader proceedings, or into escrow in any banking institution for ultimate payment to the persons or parties determined to be entitled thereto, and by so doing, Amex may continue its mining operations upon said property.

SECTION 8.

(1) Rossi covenants that there are, as of the date of this agreement, no liens or encumbrances on the above described property and that there are no debts or obligations which may be or may hereafter become a lien or encumbrance upon said property, or the minerals or mineral rights in connection therewith, including real property taxes and defaulted assessment work, and should any lien or encumbrance be made or filed thereon during the term of this agreement which shall not be as a direct result of Amex's activities in connection with said property, Rossi shall immediately secure the release and discharge thereof of record, and if Rossi shall not have secured the release and discharge thereof to the satisfaction of Amex within a reasonable time, Amex may, at its option but has no duty to do so, secure such discharge and release at its own expense and deduct the cost thereof from any royalty or advance royalty payment due Rossi.

(2) Amex agrees to pay all real property taxes levied and assessed against said property during the term of this agreement and to pay all property taxes levied and assessed upon the machinery, equipment, buildings and other property owned by Amex and utilized in connection with the above described property; Amex further agrees to pay all license taxes or severance taxes or use taxes which may be levied during the term of

this agreement either by the United States of America or the State of Nevada upon the mineral products produced from said property. In the event that the validity of such tax or taxes shall be contested, the failure of Amex to pay any such tax at the time the same shall become due, prior to the determination of the validity of such contest, shall not constitute a violation of the terms and conditions of this agreement. It is understood, however, that Amex shall not be liable for payment of that portion of the net proceeds tax assessed against Rossi as royalty holder.

(3) All charges and expenses incurred by Amex or those in privity with it shall be promptly paid by Amex, and if any valid lien or liens shall be filed against said premises by reason of any such charges and expenses, Amex agrees to promptly pay and discharge such lien or liens, including all costs or charges incurred or allowed in connection therewith, and further, agrees to hold Rossi harmless on account of any lien or claim for costs or expense.

SECTION 9.

(1) At its sole discretion and expense, Amex shall have the right to erect upon the property such buildings and structures and install thereon such machinery, mills or other mining plant equipment or property as it shall deem necessary or advisable to carry on its mining operations, and Amex shall have the full right to possession and use of water flowing upon such property for mining purposes, and shall have the right to construct ditches, roads, power and pipe lines, dikes, drains, or diversion works, and all other facilities upon or across any portion of said property, and to make such alterations, cuts, tunnels or excavations thereon as it may desire in connection with mining operations thereon and therein.

(2) It is agreed that the title to all machinery, equipment, mining plants, buildings, power and pipe lines and all other structures placed upon the above described property by Amex, shall be and remain the sole and exclusive property of Amex at all times, and Amex shall have the right and privilege to remove all or any of the same at any time, and in the event of a forfeiture, cancellation or termination of the Agreement, any or all of such mining plant machinery, equipment, buildings, structures, power and pipe lines, etc., may be removed by Amex within a period of twelve (12) months from the date of such forfeiture, cancellation or termination, provided, however, that such ownership and right of removal of Amex shall not include underground timbers, structure, or improvements supporting any underground portions of any mine or mines still workable and accessible for any underground mineral extraction, nor the timbers and ladders of the main shaft nor the rails, air or water pipe installed in the main shaft.

SECTION 10. It is understood and agreed that Amex may at any time relinquish to Rossi any or all of the aforementioned mining claims upon giving of thirty (30) days written notice of intention to terminate this Agreement as to such claim or claims, after which thirty-day period, Amex shall have no further liability or responsibility to perform hereunder as to such relinquished claim or claims except for the payment of mining royalty for ores, or concentrates, theretofore extracted from said claims and sold by Amex in accordance with Section 3 hereof, provided, however, that in the event that the date of termination as to such relinquished claim or claims occurs between July 1 and September 1 of any given year, Amex shall perform the assessment work on such relinquished claim or

claims for the assessment year ending on the next succeeding September 1 after the date of termination. It is further understood and agreed that should Amex relinquish such claim or claims, or should this Agreement be voluntarily terminated by Amex or forfeited by the failure of Amex to perform or its failure to make any of the royalty payments herein provided, then the sole and only remedy of Rossi shall be the retention as liquidated damages of the moneys theretofore paid to him by Amex, the recovery of royalties theretofore not paid to him by Amex for ores, or concentrates, extracted from the claim or claims and sold by Amex or further processed and marketed by Amex, and the recovery of full possession of the mining claims.

SECTION 11. It is agreed that within a reasonable time following the execution of this Agreement, Rossi shall secure and deliver to Amex at Rossi's expense an Abstract of Title covering the above described property, extended to the date of the delivery thereof and certified by a bonded abstracter of Eureka County, Nevada, or such other abstracter as the parties hereto may agree upon. Rossi agrees that such Abstract of Title shall show right of possession by legal location procedure of unpatented claims on the public domain to the mining products content within the above described property in Rossi free and clear of any interest of any other parties, except only to the paramount title of the United States of America, and free and clear of all liens and encumbrances. Upon examination of such Abstract of Title on behalf of Amex, should any defects, irregularities or objection be found of such nature that the occupancy and mining operations of Amex upon the mining claims may be interrupted, Rossi agrees to remove and correct such defects,

irregularities and objections to the end that such title shall be made safe for the continued occupancy and mining operations upon the above described mining claims by Amex, and if Rossi shall not have corrected such defects, irregularities, and objections to the satisfaction of Amex within a reasonable time thereafter, Amex may, but has no duty to do so, correct such matters at its own expense and deduct the costs thereof from the royalty payments due Rossi.

SECTION 12. In the event that Amex fails to make any of the payments as herein provided, or fails to perform any of the covenants hereof, then and in that event, Rossi shall have the option of declaring this Agreement forfeited by giving written notice to Amex by registered or certified mail, postage prepaid, return receipt requested, which notice shall specify the particulars wherein this agreement is not being carried out, and providing that unless the delinquent payment is made, or the failure to perform corrected within sixty (60) days from the date of such notice, said Agreement shall be immediately forfeited and terminated, and upon such forfeiture and termination, Amex shall be without right, title or interest in and to the above described property, but the buildings, structure or other plant machinery and equipment, etc., placed by Amex on said property may be removed by it as hereinbefore provided.

Section 13. It is agreed that Amex shall be excused and shall not be responsible hereunder for delays, failures, or omissions in performance of any of the terms, provisions and conditions of this

Agreement incumbent upon it to be kept and performed, where such is due to or the result of inclement or winter weather conditions which would make performance of this Agreement undesirable or impractical, or where the performance of mining operations would be unprofitable to Amex or where such is due to or the result of a cause of any kind beyond the control of Amex, including (but not limited to) fire, flood, war, governmental action or orders, strikes, lock-outs, injunctions, inability to obtain power, failure of transportation facilities, or breakage of machinery or equipment.

SECTION 14. All notices to be given hereunder to either party by the other shall be sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(1) Notices to Rossi shall be addressed:

Mr. Louis L. Rossi
P.O. Box 164
Winnemucca, Nevada

(2) Notices to Amex shall be addressed:

American Exploration & Mining Co.
2300 Russ Building
San Francisco 4, California

(3) Either party may change such place of notice at any time by giving written notice thereof to the other party in the manner herein provided.

SECTION 15. This Agreement may be assigned by Amex to the Cortez Joint Venture, a joint venture consisting of Amex, The Bunker Hill Company, Vernon F. Taylor, Jr., and Webb Resources, Inc., and to any subsidiary or affiliated organization of any one or more of such joint venturers without the consent of Rossi; this agreement may be assigned

to any other organization or organizations, persons, or person with the consent of Rossi, and Rossi shall not unreasonably withhold his consent to such an assignment.

SECTION 16. This Agreement shall run with the above described mining claims and be binding upon the successors in title or in interest thereto, and shall be binding upon and shall also inure to the benefit of the respective successors and assigns of the parties hereto.

SECTION 17. Rossi hereby grants to Amex the exclusive option to purchase the above described mining claims at anytime on or before the expiration of twenty (20) years from the signing of this agreement, such purchase by Amex to be made subject to the following terms and conditions:

- (1) The total purchase price shall be \$500,000 payable no later than twenty (20) years after the date of the signing of this Agreement.
- (2) Royalty payments (both mining royalty and minimum royalty) shall be credited against purchase price.
- (3) Until Amex shall have paid the full purchase price, Amex shall continue to pay all minimum royalties and mining royalties, as the same become due.
- (4) On or before November 1, 1965, Rossi shall execute and deliver to First National Bank of Nevada, Winnemucca Branch, Winnemucca, Nevada (herein designated "escrow agent") a good and sufficient Warranty Deed conveying all of Rossi's interest in and to the aforesaid property and their appurtenances to Amex free and clear of all liens and encumbrances, save and except those that have been placed thereon as a result of the actions of Amex. Rossi shall with such deed deliver irrevocable instructions to escrow agent to record the same on instructions from Amex when Amex shall have completed its payments under this Agreement.

(5) Amex may exercise this option to purchase by delivery to Rossi, with copy to escrow agent, of written notice of Amex's election to make said purchase.

(6) Amex may at any time make its royalty payments and/or purchase price payments to escrow agent for delivery to Rossi.

(7) Within a reasonable time following the delivery of the aforementioned notice of Amex's election to purchase, Rossi shall secure and deliver an Abstract of Title supplementing the Abstract of Title delivered in accordance with Section 11 herein which supplementary Abstract of Title shall be brought down to a date subsequent to the date of the delivery of the aforementioned notice of election to purchase and certified by a bonded abstracter of Eureka County, Nevada, or such other abstracter as the parties hereto may agree upon. Rossi agrees that such supplementary Abstract of Title shall show a good and merchantable title to the above described real property and the mining products content thereof in Rossi, subject only to the paramount title of the United States of America, free and clear of all liens and encumbrances, save and except current real estate taxes not in default, the rights of Amex under this Agreement, and such minor defects, if any as may be waived by Amex at the time of its examination of the supplementary Abstract of Title. Upon examination of such Abstract of Title on behalf of Amex, should any defects, irregularities or objections be found of such nature that the possession by Amex of the property may be interrupted, Rossi agrees to remove and correct such defects, irregularities and objections to the end that such title shall be made safe for the continued possession and mining operations upon the property by Amex, and if Rossi shall not have corrected such defects, irregularities and

objections to the satisfaction of Amex within a reasonable time thereafter, Amex may, but has no duty to do so, correct such matters at its own expense and deduct the costs thereof from the royalty payments due Rossi.

(8) In addition to the foregoing paragraphs of this Section, all the foregoing Sections of this Agreement shall remain in force and effect after the exercise by Amex of its option to purchase, provided, however, that after the delivery by Rossi to Amex of the aforementioned Warranty Deed, all obligations of Amex hereunder shall cease and terminate except the duty to pay royalties as provided above.

SECTION 18. To the best of his knowledge, Rossi's fifteen claims are all contiguous. Should subsequent surveys show that open fractions would occur in this group, Rossi will locate such fractional claims as may be necessary to make the group all contiguous and such claims will thereupon become part of and subject to this Agreement.

Amex's agreement with Cortez Metals Co. provides that if Amex locates mining claims within two miles of the property leased from Cortez Metals Co., Amex will locate such claims in the name of Cortez Metals Co. Subject to the terms of that agreement, Amex will locate any claims adjacent to the Rossi property in the name of Rossi during the term of the Rossi agreement.

IN WITNESS WHEREOF, the parties hereto have caused these
presents to be executed this 11th day of May, 1964.

LOUIS L. ROSSI

Louis L. Rossi

ANTONIO A. ROSSI

Antonio A. Rossi

BIRDIE ROSSI

Birdie Rossi

ATTEST:

Mel H. Morgan
Secretary

AMERICAN EXPLORATION & MINING CO.

BY W. G. Gandy
Its Vice President

STATE OF NEVADA)
) ss.
County of HUMBOLDT

On this 11th day of May, 1964, A.D., personally appeared before me, James A. Callahan, a Notary Public in and for Humboldt County, LOUIS L. ROSSI, ANTONIO A. ROSSI, and BERDIE ROSSI, known to me to be the persons described in and who executed the foregoing instrument, who acknowledged to me that they executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the County of Humboldt, the day and year in this certificate first above written.

My commission expires:
February 28, 1967

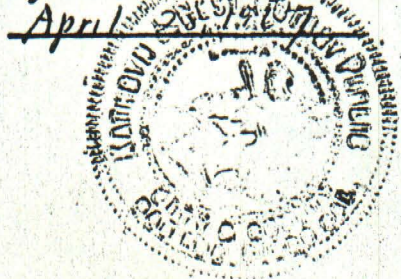
James A. Callahan
Notary Public in and for
the County of Humboldt
State of Nevada.

STATE OF CALIFORNIA)
) ss.
City and County of San Francisco)

On this 13th day of May, 1964, A.D., personally appeared before me, Kathryn J. Best, a Notary Public in and for the City and County of San Francisco, State of California, H. Goudey and Melvin H. Morgan known to me to be the Vice President and Secretary of the corporation that executed the foregoing instrument, and upon oath each did depose that he is the officer of said corporation as above designated; that he is acquainted with the seal of said corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that the signatures to said instrument were made by the officers of said corporation as indicated after said signatures, and that the said corporation executed the said instrument freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

My commission expires:



Kathryn J. Best
Notary Public in and for the
City and County of San Francisco
State of California.

MINING LEASE AND OPTION

THIS AGREEMENT made August 18, 1959, by and between CORTEZ METALS COMPANY, a Nevada corporation, Lessor, and AMERICAN EXPLORATION & MINING CO., a California corporation, Lessee,

W I T N E S S E T H:

That for and in consideration of the premises and of the due performance of the covenants herein to be by Lessee kept and performed, and the mutual promises herein contained, the parties hereto agree as follows:

ARTICLE I--LESSOR'S OWNERSHIP AND RIGHT OF POSSESSION:

Lessor owns and is entitled to the exclusive possession of and can convey a good title to each and all those certain patented lode mining claims situate in the Cortez Mining District, Eureka-Lander Counties, Nevada, listed and described in Exhibit A, annexed hereto and made a part hereof. Lessor also owns, subject only to the paramount title of the United States, and is entitled to the exclusive possession of and can convey a good title to each and all those certain unpatented lode mining claims situate in said District, Counties and State, listed and described in Exhibit B annexed hereto and made a part hereof, and each and all of such of those certain unpatented lode mining claims, situate in said District, Counties and State and listed and described in Exhibit C, annexed hereto and made a part hereof, as have not been validly and adversely relocated. Lessor also owns the patented third class grazing land listed on Exhibit D, annexed hereto and made a part hereof. Said claims (exclusive of any validly relocated Exhibit C claims) and appurtenances, together with all crude ore and tailings dumps located thereon and any rights, easements and privileges customarily used in

connection therewith, and said patented third class grazing land, will hereinafter be collectively referred to as "said property". Lessor agrees to defend its said titles and rights of possession to said property against the acts, claims, demands and litigation of third parties contesting the same or Lessee's exercise of the rights granted it hereunder.

ARTICLE II--ADDITIONAL PROPERTIES:

A. If Lessor owns other mineral lands or valuable deposits of minerals or materials or interests therein, intervening between the individual mining claims comprising said property or situate within two miles from the nearest exterior boundary of any of said claims, then the same shall be subject to all the terms and conditions hereof and be included by the reference to "said property" wherever used herein, as fully as if specifically described in this agreement.

B. If Lessor shall hereafter locate or otherwise acquire mining claims or valuable deposits of minerals or materials or interests therein within said two-mile limit, it shall notify Lessee of that fact and of the expense incurred by it in so doing; if Lessee, within 30 days after receipt of said notice, shall reimburse Lessor for the full amount of such expense, then the mining claims or valuable deposits of minerals or materials or interests therein, so located or acquired by Lessor, shall become subject to all the terms and conditions hereof and be included by the reference to "said property" wherever used herein, as fully as if specifically described in this agreement; provided, however, that in such event the full amount of such expense so paid by Lessee shall constitute an advance royalty paid Lessor and to be later reimbursed to Lessee as hereinafter provided out of production royalties becoming due Lessor.

C. If Lessee shall hereafter locate mining claims within said

two-mile limit or (as it may do if it determines an unpatented claim of Lessor to be defective or invalid) shall make an amended location of any of Lessor's said unpatented claims or a new location of the ground covered by the same, it shall do so at its own expense but in the name of Lessor, and shall be reimbursed for said expense, which shall constitute an advance royalty paid Lessor, out of production royalties becoming due Lessor. If Lessee shall hereafter acquire, otherwise than by location, mining locations or valuable deposits or interests therein within said two-mile limit, it shall notify Lessor of that fact and of the expense incurred by it in so doing; if Lessor, within 30 days after receipt of such notice shall, in writing, agree that Lessee be reimbursed for the full amount of such expense, as an advance royalty paid Lessor, out of production royalties becoming due Lessor, then Lessee shall forthwith execute and deliver its deed or assignment or other appropriate instrument, transferring to Lessor said mining claims or valuable deposits or interests therein so acquired by Lessee otherwise than by location. All mining claims, amended locations and new locations so located by Lessee in the name of Lessor and all mining claims or valuable deposits or interests therein so transferred by Lessee to Lessor shall become subject to all the terms and conditions hereof and be included by the reference to "said property" whenever used herein, as fully as if specifically described in this agreement.

ARTICLE III--LESSEE'S RIGHT TO EXCLUDE:

Anything herein to the contrary notwithstanding, Lessee may from time to time surrender its rights hereunder with respect to and remove and exclude from this agreement such of said Exhibit C unpatented lode mining claims and such of said "additional properties" as it shall from time to time decide to no longer hold under this agreement. From and after a written notice from Lessee to Lessor surrendering a

specified mining claim and/or parcel of additional property, Lessee shall have no further rights or interests hereunder with respect to such specified claim or parcel of additional property (but without affecting its rights and interests with respect to the remaining claims and parcels constituting "said property") and the same shall thereafter not be included by the reference to "said property" wherever used herein and Lessee shall not thereafter have any obligation for payment of taxes, performance of assessment work or otherwise with respect to the same, EXCEPT THAT as to any unpatented mining claim, listed and described in Exhibit B, so surrendered after March 1st of any assessment year, Lessee shall perform the assessment work for that year.

ARTICLE IV--LEASE TERM:

Lessor hereby leases said property to Lessee, which hereby takes the same, for the period of ten (10) years from date, upon and subject to the terms and conditions herein expressed.

ARTICLE V--ROYALTIES:

A. Production Royalties: During the life of this lease (that is, while it and the herein granted option to purchase remain in force and untermiated) Lessee shall pay to Lessor on or before the 15th day of each month (1) with respect to tailings and crude ore shipped and sold as such by Lessee from the present dumps thereof, without further treatment or concentration, a royalty of fifteen per cent (15%) of the net returns (hereinafter defined) actually received for the same by Lessee during the preceding month, OR twenty-five cents (25¢) per dry ton, whichever is higher, and (2) with respect to all other ores, concentrates, metals, minerals or other materials (including treated or concentrated tailings and crude ores from the present dumps) recovered and sold by Lessee from said property; a royalty of ten per cent (10%)

of the net returns actually received for the same by Lessee during the preceding month. "Net returns" shall mean the net amount remaining after deducting from the proceeds actually received by Lessee all not already deducted smelter, treatment or reduction charges, railroad freight charges and reasonable trucking charges, except that trucking charges shall not in any event exceed \$2.50 per ton; provided however, that if such ores, concentrates, metals, minerals or other materials are transported to a smelter, treatment agency or purchaser owned or operated by Lessee, "net returns" shall mean the net amount remaining after deducting from the price which said smelter, treatment agency or purchaser would have paid a third party producer for the same, all smelter, treatment or reduction charges, railroad freight charges and reasonable trucking charges (which trucking charges shall not in any event exceed \$2.50 per ton) not already deducted in determining the price which would have been payable to a third party, EXCEPT THAT in such event the royalties payable to Lessor shall never be less than the royalty it would have received with respect to such ores, concentrates, metals, minerals or other materials had the same been sold to the third party smelter, treatment agency or purchaser from which, considering price paid less the specified deductible charges, the highest net return could have been received.

B. Minimum Royalties: Commencing with the month immediately succeeding that in which the first anniversary date of this agreement occurs, and continuing during the life of this lease for eleven successive months thereafter, Lessee shall pay to Lessor by way of either production and/or advance royalties, a minimum of Two Hundred Dollars (\$200.00) per month; thereafter during the life of this lease, Lessee shall pay to Lessor by way of either production and/or advance royalties, a minimum of Five Hundred Dollars (\$500.00) per month. If in

any month the production royalties paid to Lessor, plus any "excess royalties" (hereinafter defined) theretofore paid Lessor and credited against the minimum royalty for that month, shall fail to equal the minimum due for that month, then Lessee, on or before the 15th day of that month, shall pay the deficiency to Lessor, in which event the deficiency paid shall constitute an "advance royalty" for which Lessee may reimburse itself as hereinafter provided. If in any month the production royalties payable to Lessor shall exceed the minimum royalty due for that month, then Lessee shall retain so much of such excess (herein referred to as "excess royalties") as shall be required to reimburse it for any advance royalties previously paid Lessor and then unreimbursed, and shall pay the balance, if any, to Lessor to be by it applied and credited toward the payment of the minimum royalties to become due in the succeeding month or months.

C. Place of Payment--Copies of Returns: All royalties shall be paid to Lessor in care of Mrs. C. A. O'Brien, P. O. Box 1063, Dunedin, Florida, or wherever else Lessor may from time to time designate in writing. All royalty payments shall be accompanied by a copy of all settlement sheets, returns, or statements issued by any mint, smelter, treatment agency or other purchaser with respect to the ores, concentrates, metals, minerals or other materials upon the proceeds of which such royalties were based.

ARTICLE VI--POSSESSION AND RIGHT TO MINE:

During the life of this lease, Lessee shall be entitled to the sole and exclusive possession and use of said property, subject only to the right of inspection and other rights herein reserved to Lessor, and shall have the sole and exclusive right to prospect, test and explore the same and to mine, extract, remove and sell the ores,

concentrates, metals, minerals and other materials therein or thereon and retain the proceeds thereof, subject, however, to its obligation to pay royalties to Lessor as herein provided, it being understood, however, that nothing herein shall be construed to obligate Lessee to mine more of said property than it deems advisable or any thereof which it may consider unprofitable to mine, and that Lessee may terminate this agreement and withdraw from said property at any time upon 30 days written notice to Lessor; further, Lessee shall have the right to use said property for any and all purposes reasonably necessary or incidental to its mining, milling and related operations thereon hereunder, including the erection and installation of structures, plants, facilities, machinery and equipment, the cutting of such timber as may be required in its operations and the right to explore, develop, or mine contiguous or adjacent lands through the mine workings existing or hereafter constructed by it thereon, and shall also have the right of ingress and egress to and from the same over any contiguous or nearby lands of Lessor and the right to construct, maintain and use thereon water ditches, flumes, conduits, pipe lines, power and telephone lines, roadways, and any other needed facilities running to said property.

ARTICLE VII--MINING METHODS, COMPLIANCE WITH LAWS:

All mining and other work done on said property by Lessee shall be done in a good and miner-like manner, with due regard to its safety, preservation and development as a workable mine. All operations of Lessee shall be conducted so as to fully comply with all laws, rules and regulations of the United States and the State of Nevada which may be applicable to its operations, and particularly, Lessee shall at all times fully comply with the Nevada Industrial Insurance Act and carry Nevada industrial insurance for any and all persons employed upon,

in, or about its mining or other operations on said property; provided, however, that nothing herein shall be construed to require Lessee to comply with any law, ordinance, regulation, order or directive believed by it in good faith to be unconstitutional or for other reasons void. If Lessee, having applied for and been refused exemption from the requirements thereof, shall institute legal proceedings to determine the validity of any such law, rule, regulation, order or directive, or the legal propriety of its application to Lessee's operations hereunder, then during the period until all issues therein have been finally determined, Lessee shall have the right at any time and from time to time to suspend its mining and other operations hereunder, and during the period or periods of such suspension, all of Lessee's obligations hereunder, other than payment of taxes and performance of assessment work, shall be suspended and tolled and the time for performance of such obligations shall be extended for a period of time equal to that during which Lessee shall have so suspended its operations. Lessor, if so requested, but at the sole expense of Lessee, shall join in and affix its written consent to any application by Lessee for exemption of said property and Lessee's operations thereon from the provisions of any such law, rule, regulation, order or directive.

ARTICLE VIII--NON-RESPONSIBILITY OF LESSOR:

All work done on and materials furnished for or used upon said property by Lessee shall be at its sole expense and Lessee hereby indemnifies Lessor against and agrees to hold it and said property free of and harmless from any and all liens, encumbrances, charges and/or liability arising by reason of Lessee's operations hereunder. Lessee further agrees to promptly file with the County Recorder of either Eureka County or Lander County, Nevada, depending upon the county in which any affected claim is situated, or in both said counties in case

of doubt, a notice of Lessor's non-responsibility for any labor performed or materials or supplies furnished to Lessee, and in said, and all other respects, to take all such steps as may be required by law to free Lessor from liability in that behalf. Lessee hereby indemnifies Lessor against and agrees to hold it free of and harmless from any and all claims and liability for injury or damage to the person or property of others resulting from Lessor's possession and/or operation of said property.

ARTICLE IX--TAXES:

Lessee shall pay before their delinquent date all state and county taxes becoming due during the life of this lease upon said property or any improvements therein and thereon, and shall furnish proof of such payment to Lessor not less than ten days before the delinquent date of such taxes. Lessee shall also pay its proportion of any bullion and severance taxes assessed upon the output from said property during the life of this lease.

ARTICLE X--ASSESSMENT WORK AND PATENTING:

Lessee shall perform any annual assessment work required to hold the unpatented claims listed in Exhibit B and Lessee may at its sole option perform the annual assessment work required to hold the not validly relocated unpatented claims described in Exhibit C, for the assessment year ending September 1, 1959, and shall complete such work and prepare and file proper proofs thereof with the County Recorder of Eureka County or Lander County, Nevada, as the case may require, or in both said counties in case of doubt, on or before September 1, 1959, furnishing copies of such proofs to Lessor in care of Thomas A. Cooke, P. O. Box 2229, Reno, Nevada. Thereafter, during the life of this lease, Lessee shall perform any annual assessment work required to

hold said unpatented mining claims and complete such work and prepare and file proper proofs thereof with the appropriate County Recorder before July 1st of each year for which such work is required, furnishing copies thereof to Lessor in care of Mr. Cooke at the noted address; Provided, that Lessee shall not be obligated to perform such work for any assessment year in which this lease is forfeited or voluntarily terminated if such forfeiture or termination occurs prior to March 1st of any year, but shall in such event furnish to Lessor a record of the character, amount, cost and place of performance of any work done by it during such assessment year, and prior to such forfeiture or termination, which might be applied toward assessment work; and provided, further, that in any year in which Lessor shall be exempted by law from performing such work, Lessor shall prepare and file any notice of intention or other instrument required to take advantage of such exemption.

If Lessee shall desire to obtain patent in Lessor's name for any of such unpatented mining claims, Lessor, but at the sole expense of Lessee, shall fully assist and cooperate in the institution and conduct of such proceedings as shall be required for that purpose.

ARTICLE XI--RECORDS, INSPECTION:

Lessee shall keep full, true and correct books of account showing the amount and value of all ores, concentrates, metals, minerals and other materials removed, recovered and sold by it from said property during the life of this lease and the proceeds received therefor, and the same shall be open to the inspection of Lessor and its authorized agents at all reasonable times. Lessor and its authorized agents shall have the right to inspect said property and the operations of Lessee thereon at all reasonable times, but it shall not unwarrantably interfere with such operations, it being understood that the rights of Lessor's agents to enter said property and the plants, structures and

facilities of Lessee shall be at Lessor's sole risk and Lessor hereby indemnifies Lessee against and agrees to hold it free of and harmless from any claim, demand or liability arising by reason of injury to or the presence of Lessor's agents at said property, plants, structures, and facilities. - *Copies made - logs etc. to Lessor, per. date - at term, of k.*

ARTICLE XII--FEDERAL LOANS OR ADVANCES:

Lessor consents to and agrees to assist and cooperate in any application or effort by Lessee to obtain moneys from the Defense Minerals Exploration Agency of the United States or any successor to such agency for use in its operations on said property, and agrees to execute such applications, assurances, subordination agreements, security instruments, and other documents as such agency may require in this connection.

ARTICLE XIII--PAYMENT OF ANY DEBTS SECURED BY PROPERTY:

If Lessor shall fail to pay when due any payment upon any indebtedness which is secured by said property under a mortgage, deed of trust or other security instrument, or is a lien thereon, Lessee may, if so disposed, pay the same; also, if the obligee of any such secured indebtedness shall object to the mining of said property, Lessee may, if so disposed, fully pay and discharge said indebtedness. Any payment so made by Lessee shall constitute an advance royalty paid Lessor and to be later reimbursed to Lessee as herein provided out of production royalties thereafter becoming due to Lessor.

ARTICLE XIV--EXAMINATION OF TITLE:

Lessee has not had an adequate opportunity to examine the title to said property; accordingly, if its examinations reveals claims, liens, encumbrances or other title defects affecting such title, then on written request from Lessee, Lessor, at its sole cost and expense,

will cause the same to be cured and removed. Should Lessor fail to cure and remove such title defects within 90 days after such request, or satisfy Lessee within that period that it is proceeding adequately and with reasonable diligence to cure and remove the same, then Lessee may undertake to cure and remove the same and its costs and expenses in so doing, including the reasonable fees of its attorneys, shall constitute an advance royalty paid Lessor and to be later reimbursed to Lessee, as herein provided, out of production royalties thereafter becoming due to Lessor.

ARTICLE XV--CROSS AND PARALLEL LODES:

Lessee shall occupy and hold for the benefit of the Lessor any and all cross and parallel lodes, veins, spurs or mineral deposits whatsoever which may be discovered on the demised premises by the Lessee, or by any person holding under it during the life of this lease; provided, however, that Lessee shall have the privilege of working and mining the same as part and parcel of the demised premises and subject to all the terms of this agreement.

ARTICLE XVI--LEASE NOT A BANKRUPTCY ASSET:

In no event shall this lease or the leasehold estate become an asset of Lessee in bankruptcy, receivership or other judicial proceedings. In case Lessee be adjudged a bankrupt, or its business and assets be taken over by assignee for the benefit of creditors, or by a receiver or other court custodian, and be unreleased therefrom for 20 days, Lessor may at its option and without notice, terminate this lease.

ARTICLE XVII--OPTION TO PURCHASE:

In consideration of the premises and of the due and faithful performance by Lessee of the terms and conditions hereof to be by it

performed, Lessor hereby gives and grants to Lessee during the life of this lease the sole and exclusive option to purchase said property for a total purchase price of One Hundred and Fifty Thousand Dollars (\$150,000.00).

1. Lessee may exercise its said option to purchase at any time during the life of this lease by written notice to that effect to Lessor's Nevada office, Room 312, First National Bank Building, 15 East First Street, Reno, Nevada, c/o Thomas A. Cooke.

2. Said purchase price shall be payable by way of royalties or otherwise in installments as follows, viz.:

- (a) \$5,000.00 concurrently with delivery of written notice of exercise of the option, payable in cash or by certified check to Lessor's order, and
- (b) \$25,000.00 on or before the expiration of one year from and after the date of said initial payment, and
- (c) \$25,000.00 on or before the same day of each year following until the entire purchase price shall have been paid.
- (d) Provided, however, that all production royalties and then unreimbursed advance royalties paid by Lessee to Lessor prior to delivery of written notice of exercise of the option shall be applied upon and credited against said purchase price and said first and succeeding installment or installments thereof and shall reduce the balance payable thereon and on said installments accordingly; also that any and all production royalties and, if Lessee so elects, all advance royalties there-

after paid by Lessee to Lessor, shall apply upon and be credited against said purchase price and the next succeeding installment or installments thereof and shall reduce the balance payable on said purchase price and the next succeeding installment or installments thereof accordingly; also that Lessee may at any time pay the then unpaid balance of said purchase price and become entitled to a conveyance of said property forthwith.

(e) Anything herein to the contrary notwithstanding, from and after Lessee's exercise of the option to purchase and excepting only the payment to be made concurrently therewith, all royalty payments and other payments on said purchase price shall be paid by depositing the same to the account of Lessor with the First National Bank of Nevada, Reno, Nevada, as Escrow Agent, which Lessor hereby constitutes and appoints its agent to receive and receipt for the same.

3. (a) Within 15 days after Lessee makes said initial payment, Lessor shall deposit in escrow with said Escrow Agent (1) its duly executed and acknowledged and legally sufficient Grant Deed conveying to Lessee said patented mining claims described in annexed Exhibit A, free and clear of liens and encumbrances created or suffered by Lessor, and (2) its duly executed and acknowledged and legally sufficient quitclaim deed conveying to Lessee, free and clear of liens or encumbrances created or suffered by Lessor, all Lessor's then and thereafter to be acquired right, title and interest in and to said

unpatented mining claims and any other property constituting part of said property, together with instructions to said Escrow Agent to deliver the same to Lessee or order upon full payment of said purchase price in accordance with the terms of this agreement (a copy of which shall be deposited with said Escrow Agent for its information), but otherwise to return the same to Lessor.

- (b) Concurrently, Lessee shall deposit in escrow with said Escrow Agent its duly executed and acknowledged and legally sufficient quitclaim deed releasing and conveying all its rights, titles and interests in said property to Lessor, together with instructions to deliver the same to Lessor upon any termination of this agreement other than as the result of Lessee's purchase of said property.
- (c) Termination of this agreement shall be evidenced to said escrow agent either by a writing signed by both parties or, in the event of a dispute between the parties, by a final determination of the arbitrator or arbitrators, as hereinafter provided.
- (d) Lessor shall pay for all documentary tax stamps required to be affixed to its said deeds, but otherwise Lessor and Lessee shall each pay one-half of all fees and charges of said Escrow Agent.

4. In the event Lessee exercises the option to purchase, its possession shall nevertheless continue to be that of a tenant and not

of a vendee, and this lease shall continue and Lessee shall be bound by and hereby agrees to comply with and perform all of the covenants and provisions of the lease during its life and until the purchase price is fully paid. It is understood and agreed that said lease and said option to purchase shall be construed as a single instrument and the failure of Lessee to perform the terms of the lease or option shall terminate both the lease and the option to purchase, at Lessor's option, as herein provided.

ARTICLE XVIII--CAUSES SUSPENDING AND TOLLING PERFORMANCE:

If and so long as governmental restrictions, war or the results thereof, labor disturbances, Acts of God or the elements, fire, floods, shortage of water, failure or rationing of electric power or voluntary shutdowns of mining operations in compliance with power or water conservation programs, inability to market the mined products or existence of a market price for the mined product so low that Lessee, operating efficiently, cannot profitably mine said property, or any cause, whether or not like those enumerated, beyond Lessee's control, shall prevent its operations on said property, or while litigation contesting Lessor's rights, titles or interests to said property or the rights granted Lessee hereunder shall be pending and undetermined, Lessee, without impairment of its rights hereunder, shall be excused from performance except as to payment of taxes and performance of assessment work and, with those exceptions, its obligations hereunder shall be suspended and tolled and the time for performance thereof shall be extended for a period of time equal to each such period during which Lessee is so excused. If Lessee shall elect to operate said property despite such litigation, then it shall have the right to pay all sums becoming due Lessor hereunder into Court or into some disinterested bank to be impounded until the final determination of such litigation

and then paid to Lessor and/or the other party or parties to such litigation according to their relative rights thereto as therein determined.

ARTICLE XIX--FORFEITURE AND VOLUNTARY TERMINATION:

A. Time is of the essence hereof. If Lessee shall fail at any time to well and truly perform the terms, covenants and conditions of this agreement, in accordance with its true intent and meaning, Lessee shall be deemed to be in default and Lessor shall thereupon give notice thereof to Lessee, and if such default is not remedied within 30 days from and after the date of Lessee's receipt of Lessor's written notice forwarded by certified mail, then, at Lessor's option, all of Lessee's rights and privileges arising hereunder shall thereupon terminate and the term of the lease herein granted and of said contemporaneous option right and privilege shall thereupon expire and be of no further force or effect and, subject only to Lessee's right of removal herein given, Lessor may thereupon, without further notice, enter upon and into possession of said demised premises and every part and parcel thereof, and Lessee shall deliver peaceable possession thereof to Lessor; Provided, however, that if Lessee contends in good faith that no breach or default has occurred, it shall so advise Lessor and the question shall be determined by the herein provided arbitration proceedings; if the arbitration decision is that Lessee was in default, then it shall have 30 days after such decision within which to cure the same, and if it shall do so then no forfeiture of its rights hereunder shall occur because of such default. It is understood that no waiver by Lessor of a breach of any covenant herein shall be construed to be a waiver of the covenant itself or of any subsequent breach thereof.

B. Anything to the contrary herein notwithstanding, it is expressly understood and agreed that this is and shall remain an optional agreement as to Lessee and not one binding Lessee to continue under this lease for any positive term or to mine more of said property than it shall elect to mine, nor one binding Lessee to purchase or complete the purchase of said property, and that Lessee, despite any prior exercise of its said option to purchase or prior payment or payments on account of said purchase price, may at any time upon 30 days' written notice to Lessor of its intention, terminate and surrender this agreement and discontinue its operations hereunder.

C. Upon termination of this agreement by either forfeiture of Lessee's rights or voluntary termination by Lessee or expiration of the term of this lease, the respective rights of the parties hereto shall be as follows:

1. Lessor shall be entitled to retain any and all payments of royalties or installments of purchase price theretofore made by Lessee to Lessor, and to demand and receive any additional production royalties that at the time of such termination may have accrued and remain unpaid; any any and all such payments shall be deemed as and be forfeited to Lessor as liquidated damages and rental for the use and occupancy of said premises by Lessee, and for the rights and privileges enjoyed by Lessee under said lease and option.
2. Lessee shall have the right for a period of 90 days following such termination within which to remove from the demised premises any and all mining or milling machinery and equipment, supplies, tools and parapher-

nalía (excepting buildings and mine timbers, air, water and vent pipes and like installations beneath the surface) purchased, installed or placed upon said premises by Lessee; provided, however, that any of said improvements not so removed within the time hereinabove limited shall thereupon be and become property of Lessor, without purchase or other consideration, and provided further, that if weather, road conditions, acts of God or other causes beyond Lessee's control shall prevent or interrupt such removal, then the time permitted for such removal shall be tolled for a period equal to each period during which such preventing or interrupting condition existed.

3. Lessee shall assume and pay to Lessor all accrued taxes, and shall pay and discharge all bills for labor, materials and supplies theretofore furnished to Lessee and remaining unpaid as of the date of such termination, and Lessee shall account for and pay to Lessor all accrued royalties on such ores, concentrates or mineral bearing products as may have been mined or produced prior to the date of termination and remain unpaid as of said date. Any ore mined and remaining on the property of Lessor at the expiration of said removal period shall belong to Lessor.
4. Lessee shall deliver said property to Lessor with all workings thereon actively used by Lessee and necessary to continued mining operations in good order and condition and ready for immediate use.
5. Lessee shall deliver to Lessor copies of all sampling, assaying, engineering and geological reports obtained by

it on said property during the term hereof.

6. If Lessee has caused this agreement to be recorded in either Eureka or Lander County then, unless it shall have deposited its quitclaim deed in escrow deliverable to Lessor on termination of this agreement, Lessee shall duly execute, acknowledge and deliver to Lessor its legally sufficient quitclaim deed conveying all its rights, titles and interests in said property to Lessor.

ARTICLE XX--ARBITRATION:

If any dispute shall arise between the parties with respect to the meaning of this agreement or the performance hereof by Lessor or Lessee or the respective rights or liabilities of the parties, or with regard to any matter not provided for herein, such dispute shall be referred for arbitration to any person agreed upon by the parties, or if they cannot agree upon any one arbitrator, then Lessor and Lessee shall each select one person of its choice for arbitrator and the two arbitrators so appointed shall select a third, and the three arbitrators so appointed shall arbitrate, decide and determine the dispute and the decision of the individual arbitrator or of two out of three of the arbitrators, as the case may be, shall be final and binding upon the parties; provided, that if any party shall refuse to appoint or to join in the appointment of an arbitrator or arbitrators within ten days after notice that the other party has appointed an arbitrator, then the arbitrator appointed by such other party shall determine and decide the dispute and his decision shall likewise be final and binding upon both of the parties.

ARTICLE XXI--NOTICES:

Notices hereunder shall be in writing and delivered personally or deposited in the United States mail, registered or certified and post-paid, addressed to:

Lessor: Cortez Metals Company
c/o Thomas A. Cooke
P. O. Box 2229
Reno, Nevada

Lessee: American Exploration & Mining Co.
2300 Russ Building
San Francisco 4, California

or to such other places as the parties may from time to time specify in writing, and shall be considered to have been delivered at the expiration of 48 hours following their deposit in the mail.

ARTICLE XXII--ASSIGNMENT:

Lessee may assign this lease to any successor to all or substantially all of its property, or to any subsidiary, affiliate or entity controlled by it, or to M. M. Harcourt and Margaret C. Harcourt, his wife, of Nogales, Arizona, and any such assignee shall automatically assume and thereafter be solely responsible for the performance hereof, but otherwise Lessee may not assign this lease or any interest thereunder, nor sublet said property nor any part thereof without the prior written consent of Thomas A. Cooke, acting on behalf of the Lessor, and such consent will not be unreasonably withheld.

This lease and all of its terms and provisions shall extend to and bind the heirs, assigns, successors and personal representatives of the parties hereto respectively, and of the assignee of the Lessee if any there be, as herein permitted.

IN WITNESS WHEREOF, the Lessor and Lessee have, respectively, caused these presents to be signed and its corporate name and seal

STATE OF Florida)
County of Pinellas) ss.

On this 18th day of August, 1959, before me, a notary public in and for said County and State, personally appeared _____
KATHLEEN COLEMAN O'BRIEN and _____, known to me to be the President and Secretary, respectively, of CORTEZ METALS COMPANY, the corporation described in and which executed the within instrument, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in said County and State, the day and year in this certificate first above written.

Shirley Kibler
Notary Public

My commission expires: _____

Notary Public, State of Florida at Large
My Commission Expires April 19, 1963
Bonded by American Surety Co. of N. Y.

Article and claims
patented.

EXHIBIT A

(To Cortez Metals Company-American Exploration & Mining Co.
Mining Lease and Option)

Patented mining claims of Cortez Metals Company, situate in Eureka and/or Lander Counties, Nevada, and particularly described in the U. S. patent therefor recorded in the office of the County Recorder of the noted county, in the noted Book and Volume, and at the noted page of records, which records are hereby incorporated herein, viz.:

NAME OF CLAIM	COUNTY	PATENT RECORDED		
		BOOK	VOLUME	PAGE
Artic	Eureka	11		595-97
Avalanche	"	12		558-60
Adjunct	"	13		544-45
Alta	"	13		546-47
Bewick	"	13		566-67
Cummings	"	11		586-88
Central Consolidated	"	13		50-52
Conclave	"	13		562-63
Compressor	"	13		44-46
Conjunction	"	13		570-71
Chance	"	20		276-79
DeValla	"	13		550-51
Equator	"	13		558-59
Eclipse	"	13		542-44
Excelsior	"	13		53-55
Fitzgerald	"	11		589-91
Garrison	"	11		583-85
Hidden Treasure	"	13		554-55
Idaho	"	11		598-600
Junction	"	11		580-82
Jeanette	"	13		47-49
Kingsbury	"	13		564-65
Lead	"	20		276-79
Moreang	"	13		556-57
Monarch	"	13		552-53
Meteor	"	13		585-86
Mt. Tenabo	"	13		560-61
Premium	"	11		592-94
Pontifex	"	13		548-49
Protection	"	13		574-75
Prevision	"	13		572-73
Quartzite	"	20		276-79
Rosebush	"	20		276-79
Remnant	"	13		587-88
St. Louis	"	11		601-03
Speculation	"	13		540-41
Summit	"	13		568-69
Millsite - Cortez	"	19		462-63

EXHIBIT B

(To Cortez Metals Company-American Exploration & Mining Co.
Mining Lease and Option)

Unpatented mining claims of Cortez Metals Company, situate in Eureka and/or Lander Counties, Nevada, and particularly described in the Location Notice thereof recorded in the office of the County Recorder of the noted county, in the noted Book and Volume, and at the noted page of records, which records are hereby incorporated herein, viz.

<u>NAME OF CLAIM</u>	<u>COUNTY</u>	<u>LOCATION NOTICE</u> <u>BOOK</u>	<u>RECORDED</u> <u>VOLUME</u>	<u>PAGE</u>
Columbian	Eureka	H		271
Oversight	"	H		269
Bullion (Blue Streak Placer)	"	H		
Gamma	"	G		415
Residue	"	J		208
Residue #1	"	J		209
Residue #2	"	J		209
Cash In Placer				
Wheel of Fortune Placer				

EXHIBIT C

(To Cortez Metals Company-American Exploration & Mining Co.
Mining Lease and Option)

Unpatented mining claims owned by Cortez Metals Company, unless relocated, situate in Eureka and/or Lander Counties, Nevada, and particularly described in the Location Notice thereof recorded in the office of the County Recorder of the noted county, in the noted Book and Volume, and at the noted page of records, which records are hereby incorporated herein, viz.:

<u>NAME OF CLAIM</u>	<u>COUNTY</u>	<u>LOCATION BOOK</u>	<u>NOTICE VOLUME</u>	<u>RECORDED PAGE</u>
Alert	Eureka	H		270
February	"	H		267
George	"	H		276
Gold Bug	"	H		273
Ivanhoe	"	H		266
Legal Tender	"	H		265
New	"	H		269
Queen	"	H		275
London	"	H		274
Silver State	"	H		268
Security	"	H		264
Tough	"	H		277
Alpha	"	G		416
Beta	"	G		416
Carlo	Lander	10		46
Delta	"			
Free Coinage	Eureka	H		272
Lizzie	"	G		216
John	Lander	10		48
Maiola	"	10		47
Tony	"	10		47
Louise	"	10		46
Martinez	"	10		46
Reno (Rene)	Eureka	G		315

EXHIBIT D

(To Cortez Metals Company-American Exploration & Mining Co.
Mining Lease & Option)

Patented third class grazing land owned by Cortez Metals Company,
situate in Eureka and/or Lander Counties, Nevada, described as follows:

NE $\frac{1}{4}$; and NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 7; S $\frac{1}{2}$ of SW $\frac{1}{4}$ of
Sec. 18; N $\frac{1}{2}$ of NW $\frac{1}{4}$; SE $\frac{1}{4}$ of NW $\frac{1}{4}$; and NW $\frac{1}{4}$ of SE $\frac{1}{4}$
of Sec. 19, Township 26 North, Range 48 E.,
M.D.B.&M., containing 540 acres.

Also all water and water rights in anywise appur-
tenant to Lessor's mining claims or land, or here-
tofore used in connection therewith, and particu-
larly the Wenban Spring located in Sections 33 and
34, T. 26 N., R. 47 E., M.D.B.&M., covered by
Lessor's Millsite Claim, Survey #46-B.

AMENDATORY AGREEMENT

CORTEZ METALS COMPANY, a Nevada corporation,
Lessor, and AMERICAN EXPLORATION & MINING CO., a California
corporation, Lessee, hereby agree that Article X of that
certain Mining Lease and Option executed by and between
them August 18, 1959, be and the same is hereby amended,
retroactive to said date of execution, so as to read in
full as follows, viz.:

"ARTICLE X--ASSESSMENT WORK AND PATENTING:

Lessee shall perform any annual assessment work
required to hold the unpatented claims listed in
Exhibit B for the assessment year ending September
1, 1959, and shall complete such work and prepare
and file proper proofs thereof with the County
Recorder of Eureka County or Lander County, Nevada,
as the case may require, or in both said counties
in case of doubt, within the time permitted by law,
furnishing copies of such proofs to Lessor in care
of Thomas A. Cooke, P. O. Box 2229, Reno, Nevada.
Thereafter, during the life of this lease, Lessee
shall perform any annual assessment work required to
hold said unpatented mining claims listed in Exhibit
B and complete such work and prepare and file proper
proofs thereof with the appropriate county recorder
before July 1st of each year for which such work is
required, furnishing copies thereof to Lessor in care
of Mr. Cooke at the noted address. Lessee shall not
be obligated to perform any annual assessment work on
or with respect to claims described in Exhibit C;
nevertheless, if Lessee, at its sole option, shall
desire to perform the annual assessment work required
to hold any of such claims for any assessment year,
it may do so, in which event it shall complete such
work and prepare and file with the appropriate county
recorder a proper proof thereof within the time per-
mitted by law, as to the assessment year ending
September 1, 1959, and on or before July 1st of any
affected assessment year thereafter, furnishing a copy
of such proof to Lessor in care of Mr. Cooke at the
noted address, it being understood that performance
of the work required to hold any such claim for one
assessment year shall not obligate Lessee to perform
the work required to hold the same claim or any other

of such Exhibit C claims for any subsequent assessment year or years.

Lessee shall not be obligated to perform annual assessment work on or with respect to any Exhibit B mining claim for any assessment year in which this lease is forfeited or voluntarily terminated if such forfeiture or termination occurs prior to March 1st of any year, but shall in such event furnish to Lessor a record of the character, amount, cost and place of performance of any work done by it during such assessment year and prior to such forfeiture or termination which might be applied toward assessment work; further, in any year in which Lessor shall be exempted by law from performing assessment work, Lessor shall prepare and file any notice of intention or other instrument required to take advantage of such exemption.

If Lessee shall desire to obtain patent in Lessor's name for any of such Exhibit B unpatented mining claims or for any not validly relocated unpatented claim described in Exhibit C, Lessor, but at the sole expense of Lessee, shall fully assist and cooperate in the institution and conduct of such proceedings as shall be required for that purpose."

IN WITNESS WHEREOF, the Lessor and Lessee have, respectively, caused these presents to be signed and its corporate name and seal to be affixed by its thereunto duly authorized officers, this 16 day of Sept, 1959.

APPROVED:

Kathleen Coleman O'Brien)
Kathleen Coleman O'Brien)
representing 421,540 shares of)
capital stock of Cortez Metals)
Company)

Julia Reitze)
Julia Reitze, representing)
421,440 shares of the capital)
stock of Cortez Metals Company)

CORTEZ METALS COMPANY

By Kathleen Coleman O'Brien President

and Julia Reitze, Secretary

AMERICAN EXPLORATION & MINING CO.

By Edgar A. Schoof VICE President

and Julia Reitze, Secretary

---Constituting a majority of the issued and outstanding capital stock of said Cortez Metals Company

A S S I G N M E N T

AMERICAN EXPLORATION & MINING CO., a California corporation (hereinafter sometimes called "AMEX") hereby assigns to the Cortez Joint Venture, a joint venture consisting of AMEX, The Bunker Hill Company, a Delaware Corporation, Webb Resources, Inc. a Colorado corporation, and Vernon F. Taylor, Jr. of Denver, Colorado, all of its rights, title and interest in and to the fifteen (15) unpatented claims under the following Agreement.

a. Agreement, dated May 11, 1964, between AMEX and Louis L. Rossi of Cortez, Nevada and Antonio A. Rossi and Birdie Rossi of Winnemucca, Nevada. An abstract of such Agreement was recorded May 25, 1964 in Book 4, at pages 152 and 153, Official Records of Eureka County, Nevada.

ATTEST

AMERICAN EXPLORATION & MINING CO.

John H. Morgan
.....
Secretary

W. G. Taylor
.....
Vice President

February 20, 1965.

STATE OF CALIFORNIA

)

)

ss.

CITY AND COUNTY OF SAN FRANCISCO)

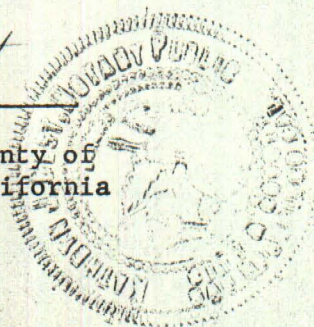
On this twentieth day of February, 1965, before me, the undersigned Notary Public, personally appear Hatfield Goudey and Melvin H. Morgan, known to me to be the Vice President and Secretary, respectively, of AMERICAN EXPLORATION & MINING CO., and that they as such officers, being authorized so to do, executed the foregoing Assignment for the purposes therein contained, by signing the name of the corporation by themselves in the capacities referred to.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Nathaniel J. Best

Notary Public

In and for the City and County of
San Francisco, State of California



My commission expires:
April 28, 1967

FOURTH QUARTER BOND
FOR RIVER

A S S I G N M E N T

AMERICAN EXPLORATION & MINING CO., a California corporation (hereinafter sometimes called "AMEX") hereby assigns to the Cortez Joint Venture, a joint venture consisting of AMEX, The Bunker Hill Company, a Delaware Corporation, Webb Resources, Inc., a Colorado corporation, and Vernon F. Taylor, Jr. of Denver, Colorado, all of its right, title and interest in and to the thirty-eight (38) patented claims, one hundred ninety-nine (199) unpatented claims and five hundred forty (540) acres of other patented lands under the following Agreements.

a. Agreement, dated August 18, 1959, between AMEX and Cortez Metals Company, a Nevada corporation, amended September 16, 1959.

b. Agreement, dated August 6, 1963, between AMEX and Idaho Mining Corporation, a Nevada corporation. An abstract of such Agreement was recorded September 9, 1963, in Book 2, at Page 1, Official Records of Lander County, Nevada.

c. Option and Agreement, dated July 6, 1963, between AMEX and D.P. Ward, Jr. and Helen F. Ward of Phoenix, Arizona. An abstract of such Option was recorded on July 16, 1963, in Book 1, at Page 33, Official Records of Lander County, Nevada.

d. Option and Agreement, dated July 9, 1963, between AMEX and D.P. Ward, Jr. and Helen F. Ward of Phoenix, Arizona, and Edmond F. Lawrence and Helen J. Lawrence of Reno, Nevada.

An abstract of such Option was recorded on July 23, 1963, in Book 1, at Page 44, Official Records of Lander County, Nevada.

ATTEST:

AMERICAN EXPLORATION & MINING CO.

Melvin H. Morgan
.....
Secretary

Hatfield Goudey
.....
Vice President

June 5, 1964

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On this fifth day of June, 1964, before me, the undersigned Notary Public, personally appear Hatfield Goudey and Melvin H. Morgan, known to me to be the Vice President and Secretary, respectively, of AMERICAN EXPLORATION & MINING CO., and that they as such officers, being authorized so to do, executed the foregoing Assignment for the purposes therein contained, by signing the name of the corporation by themselves in the capacities referred to.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

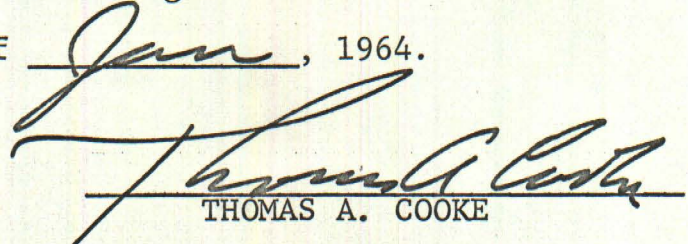
Kathryn J. Best Notary Public
In and for the City and County of
San Francisco, State of California

My commission expires:
April 28, 1967

CONSENT TO ASSIGNMENT

I, THOMAS A. COOKE, pursuant to the provisions of Article 22 of the Agreement dated August 18, 1959, between AMERICAN EXPLORATION & MINING COMPANY, a California corporation, Lessee, and CORTEZ METALS COMPANY, a Nevada corporation, Lessor, and pursuant to a resolution of the Board of Directors of CORTEZ METALS COMPANY dated December 16, 1963, do, on behalf of said Lessor, consent to the assignment of Lessee's interest in said lease to the CORTEZ JOINT VENTURE, a joint venture to be formed by AMERICAN EXPLORATION & MINING COMPANY, THE BUNKER HILL COMPANY, A Delaware corporation, WEBB RESOURCES, INC., a Colorado corporation, and VERNON F. TAYLOR, JR., or any entity which he controls, and should said Joint Venture elect to form a corporation which it would control, said consent is extended to a further assignment to said corporation. PROVIDED, HOWEVER, that consent to this assignment shall not be construed as a waiver of the provisions of paragraph 22 with respect to any further assignments, and as to any further assignments, the same shall be made only with the written consent of the undersigned.

Dated this 15 day of Jan, 1964.


THOMAS A. COOKE

Telephone 363-3302

Hand Sample Serial 4047-50

ASSAY REPORT

UNION ASSAY OFFICE, Inc.

Mine Cortez Joint Venture
2300 Russ Building
San Francisco, California 94104

W. C. WANLASS, President
L. G. HALL, Vice President
G. P. WILLIAMS, Treasurer
LILY M. HOTTINGER, Secretary
P. O. Box 1528

RESULTS PER TON OF 2000 POUNDS

March 3, 1965

Salt Lake City 10, Utah

NUMBER	GOLD Ozs. per Ton	SILVER Ozs. per Ton	LEAD Wet on Ore	COPPER Per Cent	INSOL Per Cent	ZINC Per Cent	SULPHUR Per Cent	IRON Per Cent	LIME Per Cent	Per Cent	Per Cent
8047	0.010	1.7	Face, start of proposed OME drift - 6' cut								
8048	0.005	1.3	-15' West Sta A-52 - 6" chip								
8049	0.010	1.0	Face East Sta A-59 6' chip								
8050	0.015	14.5	0.044 - East wall Boitano stop 2' chip North Sta A-50								

Remarks

Charges \$ 11.50

W. C. Wanlass

Telephone Empire 3-3302

Hand Sample Serial 11121-11136

ASSAY REPORT UNION ASSAY OFFICE, Inc.

Mine American Exploration & Mining Co.
23rd Floor Russ Building
San Francisco 4, Calif.

J. V. SADLER, President
W. C. WANLASS, Vice-Pres. & Treas.
LILY M. HOTTINGER, Secretary
P. O. Box 1528

Salt Lake City 10, Utah

RESULTS PER TON OF 2000 POUNDS

May 11, 1961

NUMBER	GOLD Ozs. per Ton	SILVER Ozs. per Ton	LEAD Wet on Ore	COPPER Per Cent	INSOL. Per Cent	ZINC Per Cent	SULPHUR Per Cent	IRON Per Cent	LIME Per Cent	Per Cent	Per Cent
2349	0.155	4.15	Not level, w wall of XC 80' E Tag 6-15 2.6' cut								
2350	0.035	49.5	1' Grab sample Vein of Manto deposit Above Garrison shaft								
2351	0.270	13.3	Grab from hi-grade sacks top of R5 from Not level.								
2352	0.060	32.15	Chip sample Vein in pillar 1000 level 26' 50m from A-54 133' cut								
2353	0.012	0.75	Chip sample Vein 5' E Tag A-54 (1000 level) 1.0' cut								
2354	0.180	58.9	Chip sample - Vein in pillar - 15' South Tag A-29 (1000 level) 3.9' cut								
2355	0.030	16.5	S face inclined doghole North Tag A-72 - 9.6' cut. 1100 level								
2356	0.010	9.1	W face " " " " - 5.5' cut								
2357	0.055	17.05	W face slope 1 set above dx 1100 level - 10' E Tag A-79 1.0' cut								
2358	0.055	16.85	Pillar E Tag A-80 1100 level 5.8' cut								
2359	0.015	4.8	1000 level - Vein 56' NE Tag A-64 - 0.5' cut								
2360	0.035	26.2	0.680 Grab of float near rock house above Edgemo Adit								
2361	0.005	None	0.050 Bank East of DDH 501 18' cut								

Remarks V-53 - 4307

Charges \$ 35.50

W.C. Wanlass

Telephone Elko 3-3302

Hand
Sample Serial 70059-83ASSAY REPORT
UNION ASSAY OFFICE, Inc.J. V. SADLER, President
W. C. WANLASS, Vice-Pres. & Treas.
LILY M. HOTTINGER, Secretary
P. O. Box 1528
Salt Lake City 10, UtahMine American Exploration & Mining Co.
975 Panorama Drive
Elko, Nevada

RESULTS PER TON OF 2000 POUNDS

December 26, 1963

NUMBER	GOLD Ozs. per Ton	SILVER Ozs. per Ton	LEAD Wet on Ore	COPPER Per Cent	INSOL. Per Cent	ZINC Per Cent	SULPHUR Per Cent	IRON Per Cent	LIME Per Cent	Per Cent	Per Cent
2004			0.2	0.01		0.4					
2005			0.2	0.01		None					
2006	Trace	0.1	None	Diamond Drill Hole No 1 See drill log							
2007	0.030	0.1	0.4			Trace					
2008	0.020	1.0	1.0			1.5					
2009	0.010	None	None								
2010	0.005	None	0.4								
2011	Trace	None	0.3								
2012	0.010	0.1	0.5			Trace					
2013	Trace	0.1	0.2								
2014	0.005	6.2	2.0								
2015	Trace	None	Trace								
2016	Trace	None	0.5								
2017	0.025	None	0.4								
2018	Trace	None	0.5			Trace					
2019	Trace	None	0.3			None					
2020	0.020	0.2	0.4								
2021	Trace	None	Trace								
2022	0.060	1.45	1.4			0.8					
2023	Trace	None	0.2			None					
2024	Trace	None	0.4			None					
2025	Trace	None	0.4								
2026	Trace	None	0.2			None					
2027	Trace	None	Trace			None					
2028	0.005	1.0	0.5			1.6					

Remarks.....

Charges \$117.50

W. C. Wanlass

ASSAY REPORT
UNION ASSAY OFFICE, Inc.J. V. SADLER, President
W. C. WANLASS, Vice-Pres. & Treas.
LILY M. HOTTINGER, Secretary
P. O. Box 1528
Salt Lake City 10, UtahMine American Exploration & Mining Co.
975 Panorama Drive
Elko, Nevada

RESULTS PER TON OF 2000 POUNDS

December 26, 1963

NUMBER	GOLD Ozs. per Ton	SILVER Ozs. per Ton	LEAD Wet on Ore	COPPER Per Cent	INSOL. Per Cent	ZINC Per Cent	SULPHUR Per Cent	IRON Per Cent	LIME Per Cent	Per Cent	Per Cent
		Diamond Drill Hole				No 1					
						(See drill Log)					
2029	Trace	None	None			None					
2030	0.020	None	Trace			Trace					
2031	Trace	None	None			Trace					
2032	0.030	7.2	3.0			4.8					
2033	Trace	None	None								
2034	Trace	None	None								
2035	Trace	None	None								
2036	Trace	None	None								
2037	Trace	None	Trace								
2038	Trace	None	Trace			Trace					
2039	Trace	None									
2040	Trace	None									
2041	Trace	None									
2042	Trace	None									
2043	Trace	None									
2044	Trace	None	None								
2045	Trace	0.1	None			None					
2046	Trace	0.7	0.8			None					
2047	Trace	None	None								
2048	0.005	None	None			Trace					
2049	0.010	None									
2050	Trace	None									
2051	0.005	None									
2052	0.005	None	None			Trace					
2053	Trace	None	None								

Remarks.....

Charges \$ 101.50

W. C. Wanlass

ASSAY REPORT
UNION ASSAY OFFICE, Inc.J. V. SADLER, President
W. C. WANLASS, Vice-Pres. & Treas.
LILY M. HOTTINGER, Secretary
P. O. Box 1528
Salt Lake City 10, UtahMine American Exploration & Mining Co.
975 Panorama Drive
Elko, Nevada

RESULTS PER TON OF 2000 POUNDS

August 24, 1964

NUMBER	GOLD Ozs. per Ton	SILVER Ozs. per Ton	LEAD Wet on Ore	COPPER Per Cent	INSOL. Per Cent	ZINC Per Cent	SULPHUR Per Cent	IRON Per Cent	LIME Per Cent	Per Cent	Per Cent
7001	0.005	0.1									
7002	0.005	0.2									
7003	0.005	None									
7005	0.005	None									
7006	0.005	None									
7007	0.005	0.1									
7008	0.005	None									
7009	Trace	0.1									
7010	0.010	0.1									
7011	0.010	0.2									
7012	0.005	None									
7013	0.005	None									
7014	0.060	0.1									
7015	0.010	0.1									
7016	0.005	None									
7017	0.005	None									
7018	0.010	None									
7019	0.010	None									
7020	0.010	None									
7021	0.005	None									
7022	0.010	3.26	About 300'	N 27 E	from AS -	5.5' cut				qtz, pbs.	
7023	0.005	None									
7024	0.005	None									
7025	0.005	0.1									
7026	0.005	0.1									
7027	0.015	None									
7028	0.005	0.2									
7029	0.005	None									
7030	0.005	None									
7031	0.005	None									
7032	0.005	None									
7033	0.020	0.2									

Remarks Sample 7004 is missing.

Charges \$ 80.00

W. C. Wanlass

ASSAY REPORT
UNION ASSAY OFFICE, Inc.J. V. SADLER, President
W. C. WANLASS, Vice-Pres. & Treas.
LILY M. HOTTINGER, Secretary
P. O. Box 1528
Salt Lake City 10, UtahMine American Exploration & Mining Co.
Box 73
Crescent Valley R.S. Beowawe, Nevada 89821
RESULTS PER TON OF 2000 POUNDS

Sept. 10, 1964

NUMBER	GOLD Ozs. per Ton	SILVER Ozs. per Ton	LEAD Wet on Ore	COPPER Per Cent	INSOL. Per Cent	ZINC Per Cent	SULPHUR Per Cent	IRON Per Cent	LIME Per Cent	Per Cent	Per Cent
2464	0.005	0.2		0.063							
2465	0.005	0.1		0.604							
2466	0.035	0.1		0.037							
2467	0.010	0.2		0.163							
7034	0.095	1.6	No 2 Level								
7035	0.130	36.4	No 2 Level above Hoist Room								
7036	0.465	22.1	Right fork of Hog Trail 4' chip								
7037	0.150	5.5	Junction No 1 Level and Hog Trail								
7038	0.285	10.7	Old No 2740 - Top of Incline								
7039	0.140	46.8	Top of incline level								
7040	0.048	20.0	100' SW of Access hole from No 1 Level								
7041	0.270	273.6	old No 2834 - No 1 level, north of incline								
7042	0.015	19.5	#1 Level - 100' East of Hog trail								
-7043	0.085	2.4	#2 Level, Bottom of incline to 3 Level								
7044	0.055	5.6	Bottom of incline to 3 Level								
-7045	0.110	241.6	Stop pillar - Bottom of No 3 incline								
-7046	0.030	69.8	Sublevel below #3 level								
7047	0.015	6.3		0.025	Ross - 1150' N AS						
7048	0.005	4.4		0.037							
7049	0.005	0.1		0.037							

Remarks

Charges \$ 60.50

W. C. Wanlass



E. J. LONGYEAR COMPANY

General Offices, 76 South 8th St.
Minneapolis 2, Minnesota, U. S. A.
TELEPHONE: FEDERAL 9-7631 • CABLE LONGCO

MAR 11 1965
RECEIVED

308 East Pima Street
Phoenix, Arizona 85004
March 9, 1965

Mr. J. B. Bush
American Exploration & Mining Company
2300 Russ Building
San Francisco, California 94104

Dear Mr. Bush:

In response to our telephone conversation today, I am setting forth below confirming prices on various items which may become a cost factor on your planned drilling program at the Cortez Mine at Cortez, Nevada.

We would expect the following price schedules to prevail on the items outlined below:

- (a) Compressor rental charges can be expected to vary from a minimum of \$550.00 per month to a maximum of \$750.00 per month. We would expect to reinvoice the actual rental charges involved for furnishing this service.
- (b) Drill mud, if consumed in the program: 50 lb. bag, minimum, \$1.25 per bag.
- (c) Cement, if consumed: Portland, \$1.10 per bag - Calseal, \$7.50 per bag - Lumnite, \$6.50 per bag.
- (d) Hole plugging agents: Bran, \$4.50 per hundred - Fibertex, \$4.00 per bag - Hy-Seal, \$5.35 per bag.
- (e) Pipe casing lost or left in drill holes: BX size, \$1.75 per foot - NX size, \$2.00 per foot.

We trust the above information will be suitable for your use in evaluating our proposal.

We look forward to receiving your decision concerning the award of this work and trust that we will be selected to perform this drilling program for your company.

Sincerely,

E. J. LONGYEAR COMPANY

J. R. Miller
Manager, Southwestern Zone
Contract Drilling Division

J.R.Miller:jag

DIAMOND CORE DRILLING
DIAMOND DRILLING EQUIPMENT
GROUTING
FOUNDATION TESTING
MINING
QUARRYING
SHAFT SINKING
TUNNEL DRIVING
MINE PLANT DESIGN
AND FABRICATION



CONTRACTORS-ENGINEERS-GEOLOGISTS

General Offices and Plant

1624 Pioneer Road P. O. Box 58 HUnter 7-7595
SALT LAKE CITY 10, UTAH

BRANCH OFFICES
PHOENIX
RENO
SPOKANE
DENVER
SACRAMENTO
ST. LOUIS

March 3, 1965

Reply to:

American Exploration & Mining Co.
2300 Russ Building
San Francisco, California

Attention: Mr. J. B. Bush

Gentlemen:

Attached is our bid for your mining program at the Cortez Silver Mine, Cortez Mining District, Eureka and Lander Counties, Nevada.

Our bid is to be qualified by the following provisions:

- (1) Item (c): Our price per foot of advance does not include any ground support that may be necessary. If ground support is required, we will furnish and install timber for \$225.00/MBFM, and 6-foot expansion-shell rock bolts for \$7.50/bolt.
- (2) We do not contemplate any salvage of mine track, air and water lines, or vent line. Consequently, there would be no cost to you for retaining these items at the completion of our work.

We appreciate this opportunity of bidding on your work, and hope that we may be favored with the award of a contract. If you have any questions concerning our bid, please let us know.

Very truly yours,

A handwritten signature in cursive script that reads "Frank E. Peters". The signature is written in dark ink and is positioned above the typed name.

F. E. Peters

FEP:bg
Encl.
cc: V. L. Stevens

DRAFT AGREEMENT

This AGREEMENT, made this _____ day of _____, 1965
by and between Cortez Joint Venture under the management of American
Exploration & Mining Co. (hereinafter called the Operator) and Boyles Bros.
Drilling Company (hereinafter called the Contractor), wherein
it is mutually agreed as follows:

I WORK TO BE DONE:

The Contractor, as an independent contractor, will provide
all labor, material, supplies and equipment to the extent herein specified
and perform all things necessary for an underground rehabilitation,
drifting, crosscutting and raising exploration program in the Cortez
Silver Mine, Cortez Mining District, Eureka and Lander Counties, Nevada.
This mining program will be running concurrently with an underground
diamond drilling program which may or may not be carried out by
another independent contractor. Therefore it will be essential
to have the utmost cooperation between the Mining Contractor and the
Drilling Contractor, both being equally responsible to the Operator.
All work will be done in a miner-like manner and will conform to the
mining laws of Nevada. Unemployment and compensation insurance will
be specifically covered by the Contractor. Concerning the mining program,
the following general specifications are set forth:

- (a) LOCATION: On Arctic (adit) level of Cortez Mine (See Map)
- (b) MINIMUM FOOTAGE OF WORK TO BE DONE: 3800 feet of drift and dump
rehabilitation; 2500 feet of new drift and crosscut advance;
40 feet of raising.
- (c) REHABILITATION: This work will consist of laying mine track,
compressed air line, water line, a minor amount of vent duct
and a minor amount of cleanup work for approximately 3500 feet
of old mine drifts and crosscuts and 300 feet of track
installation on dump outside portal.
- (d) SIZE OF NEW HEADINGS: Minimum cross-sections of all new drifts
and crosscuts will be six feet by eight feet. Over breakage
will not be paid for.

- (e) MINE TRACK: Rail weight will be no less than 20 lb per yard; track gauge will be 24 inches; tie spacing will be on 24 inch centers.
- (f) WATER LINE: Water line to consist of a 1 inch (minimum) pipe. Plastic pipe to withstand existing working pressures may be used.
- (g) AIR LINE: Air line to consist of 4 inch (minimum) pipe to be hung along wall or placed along floor of drift at Contractor's option.
- (h) GROUND SUPPORT: Contractor will supply all materials such as timber and roof bolts to provide any support which may be necessary for safe working conditions. The Operator or its authorized representative will have the decision as to ground support requirements or any safety measures not conforming to his interpretation of Nevada Mining Law.
- (i) TYPE OF GROUND: Mostly minor to moderately fractured dolomite and limestone and some quartzite (See Map). It is intended that much of the drifting will be along fissure zones which may or may not contain silicified gangue material, sulfide ore minerals and/or altered dike rocks. The ground is generally strong, not requiring any support except for an estimated 5% of the total footage.
- (j) WORK SCHEDULE: The minimum rate of work will be two shifts daily per six day work week. Target date set for completion of the entire mining program is 10 months from the date of the signing of this contract.
- (k) For purposes of salvage evaluation the Contractor will submit to Operator upon completion of the contract a statement, with invoices attached, of all costs, fob mine, of materials such as rail, air pipe, water pipe, ventilation duct, etc. which were installed in the mine.
- (l) Contractor will furnish capable mining personnel and adequate supervision to perform the above described work in an efficient and workmanlike manner.

II FEES FOR WORK

The Contractor shall receive for his service the following fees:

- (a) Mobilization and Demobilization of all equipment, men and materials to perform the above described work.
- * 1. Mobilization - Lump Sum \$ 2,000⁰⁰
- * 2. Demobilization - Lump Sum \$ 2,000⁰⁰
- (b)
- * 1. Rehabilitation of approximately 3500 feet of old drifts, and crosscuts described above will be charged for at \$ 10⁰⁰ per lineal foot.
- * 2. Installation of approximately 300 feet of mine track on dump outside portal: \$ 5⁷⁵ per lineal foot.
- (c) Advance of approximately 2500 feet of new drifts and crosscuts complete with track, air line, water line ~~and ground support~~
- * ~~(where necessary)~~ will be charged for at \$ 61⁷⁵ per lineal foot.
- (d) Raising for at least 40 feet with a minimum cross section
- * of 6 feet by 6 feet will be charged for at \$ 50⁰⁰ per lineal foot.
- (e) Excavation of any opening not included in the categories
- * of drifting, crosscutting or raising will be charged for at \$ 1⁰⁰ per cu. foot.
- (f) Drill Station Stub Drifts (See Map) Approximate aggregate
- * footage of 80 feet. \$ 55⁰⁰ per lineal foot.
- (g) Standby Time of Contractor crews for purposes of surveys, etc.
- * in excess of two hours at the request of the Operator will be charged for at \$ 38⁵⁰ per hour. Any time loss due to breakdown of Contractor's equipment or applicable to Contractor will not be charged for.
- (h) Contractor's Estimated Time of Completion for the above described
- * mining program (bearing in mind the Operator's objective: of 10 months) is: 8 months.

BOYLES BROS. DRILLING CO.

Frank E. Peters

III CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

IV INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

V EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

BOYLES BROS. DRILLING COMPANY

By: Frank E. Peters

F. E. Peters
Manager, Mining Division

Ponderosa Development Company, Ltd.

WRITE TO:
BOX 4800-N
TUCSON, ARIZONA

OFFICE
1440 EAST ADELAIDE DRIVE
March 7, 1965

MAR - 3 1965
RECEIVED
TELEPHONE
EAST 6-1114

American Exploration & Mining Co.
23rd. Floor Russ Building
San Francisco, California 94104

Gentlemen:

Please accept the enclosed figures as my bid on your proposed project.

If you wish us to install track and one switch in a small cross cut, to a drill station, not marked on the map and estimated at about 100 feet, \$5.30 per foot for materials and labor, should be added.

We thank you for the chance to bid on this job and should there be any questions, please call us.

Respectfully yours,

M.L. Tate.

M.L. Tate, General Manager

DRAFT AGREEMENT

100-0-000

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This AGREEMENT, made this 7th day of MARCH, 1965

by and between Cortez Joint Venture under the management of American Exploration & Mining Co. (hereinafter called the Operator) and PONDEROSA DEVELOPMENT CO., LTD. (hereinafter called the Contractor), wherein it is mutually agreed as follows:

WORK TO BE DONE:

The Contractor, as an independent contractor, will provide all labor, material, supplies and equipment to the extent herein specified and perform all things necessary for an underground rehabilitation, drifting, crosscutting and raising exploration program in the Cortez Silver Mine, Cortez Mining District, Eureka and Lander Counties, Nevada. This mining program will be running concurrently with an underground diamond drilling program which may or may not be carried out by another independent contractor. Therefore it will be essential to have the utmost cooperation between the Mining Contractor and the Drilling Contractor, both being equally responsible to the Operator. All work will be done in a miner-like manner and will conform to the mining laws of Nevada. Unemployment and compensation insurance will be specifically covered by the Contractor. Concerning the mining program, the following general specifications are set forth:

- (a) LOCATION: On Arctic (adit) level of Cortez Mine (See Map)
- (b) MINIMUM FOOTAGE OF WORK TO BE DONE: 3800 feet of drift and dump rehabilitation; 2500 feet of new drift and crosscut advance; 40 feet of raising.
- (c) REHABILITATION: This work will consist of laying mine track, compressed air line, water line, a minor amount of vent duct and a minor amount of cleanup work for approximately 3500 feet of old mine drifts and crosscuts and 300 feet of track installation on dump outside portal.
- (d) SIZE OF NEW HEADINGS: Minimum cross-sections of all new drifts and crosscuts will be six feet by eight feet. Over breakage will not be paid for.

- (e) MINE TRACK: Rail weight will be no less than 20 lb per yard; track gauge will be 24 inches; tie spacing will be on 24 inch centers.
- (f) WATER LINE: Water line to consist of a 1 inch (minimum) pipe. Plastic pipe to withstand existing working pressures may be used.
- (g) AIR LINE: Air line to consist of 4 inch (minimum) pipe to be hung along wall or placed along floor of drift at Contractor's option.
- (h) GROUND SUPPORT: Contractor will supply all materials such as timber and roof bolts to provide any support which may be necessary for safe working conditions. The Operator or its authorized representative will have the decision as to ground support requirements or any safety measures not conforming to his interpretation of Nevada Mining Law.
- (i) TYPE OF GROUND: Mostly minor to moderately fractured dolomite and limestone and some quartzite (See Map). It is intended that much of the drifting will be along fissure zones which may or may not contain silicified gangue material, sulfide ore minerals and/or altered dike rocks. The ground is generally strong, not requiring any support except for an estimated 5% of the total footage.
- (j) WORK SCHEDULE: The minimum rate of work will be two shifts daily per six day work week. Target date set for completion of the entire mining program is 10 months from the date of the signing of this contract.
- (k) For purposes of salvage evaluation the Contractor will submit to Operator upon completion of the contract a statement, with invoices attached, of all costs, fob mine, of materials such as rail, air pipe, water pipe, ventilation duct, etc. which were installed in the mine.
- (l) Contractor will furnish capable mining personnel and adequate supervision to perform the above described work in an efficient and workmanlike manner.

II FEES FOR WORK

The Contractor shall receive for his service the following

fees:

- (a) Mobilization and Demobilization of all equipment, men and materials to perform the above described work.

- * 1. Mobilization - Lump Sum \$ 5489.58
* 2. Demobilization - Lump Sum \$ 1800.00

- (b) 1. Rehabilitation of approximately 3500 feet of old drifts, and crosscuts described above will be charged for at \$ 5.80 per lineal foot.

- * 2. Installation of approximately 300 feet of mine track on dump outside portal: \$ 3.97 per lineal foot.

- (c) Advance of approximately 2500 feet of new drifts and crosscuts complete with track, air line, water line and ground support (where necessary) will be charged for at \$ 43.50 per lineal foot.

- * (d) Raising for at least 40 feet with a minimum cross section of 6 feet by 6 feet will be charged for at \$ 32.90 per lineal foot.

- * (e) Excavation of any opening not included in the categories of drifting, crosscutting or raising will be charged for at \$ 1.00 per cu. foot.

- * (f) Drill Station Stub Drifts (See Map) Approximate aggregate footage of 80 feet. \$ 42.60 per lineal foot.

- * (g) Standby Time of Contractor crews for purposes of surveys, etc. in excess of two hours at the request of the Operator will be charged for at \$ 30.00 per hour. Any time loss due to breakdown of Contractor's equipment or applicable to Contractor will not be charged for.

- * (h) Contractor's Estimated Time of Completion for the above described mining program (bearing in mind the Operator's objective: of 10 months) is: 8 months. (or less.)

III CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

IV INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

V EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

DRAFT AGREEMENT

This AGREEMENT, made this 3rd day of March, 1965
by and between Cortez Joint Venture under the management of American
Exploration & Mining Co. (hereinafter called the Operator) and
Centennial Development Co. (hereinafter called the Contractor), wherein
it is mutually agreed as follows:

I WORK TO BE DONE:

The Contractor, as an independent contractor, will provide
all labor, material, supplies and equipment to the extent herein specified
and perform all things necessary for an underground rehabilitation,
drifting, crosscutting and raising exploration program in the Cortez
Silver Mine, Cortez Mining District, Eureka and Lander Counties, Nevada.
This mining program will be running concurrently with an underground
diamond drilling program which may or may not be carried out by
another independent contractor. Therefore it will be essential
to have the utmost cooperation between the Mining Contractor and the
Drilling Contractor, both being equally responsible to the Operator.
All work will be done in a miner-like manner and will conform to the
mining laws of Nevada. Unemployment and compensation insurance will
be specifically covered by the Contractor. Concerning the mining program,
the following general specifications are set forth:

- (a) LOCATION: On Arctic (adit) level of Cortez Mine (See Map)
- (b) MINIMUM FOOTAGE OF WORK TO BE DONE: 3800 feet of drift and dump
rehabilitation; 2500 feet of new drift and crosscut advance;
40 feet of raising.
- (c) REHABILITATION: This work will consist of laying mine track,
compressed air line, water line, a minor amount of vent duct
and a minor amount of cleanup work for approximately 3500 feet
of old mine drifts and crosscuts and 300 feet of track
installation on dump outside portal.
- (d) SIZE OF NEW HEADINGS: Minimum cross-sections of all new drifts
and crosscuts will be six feet by eight feet. Over breakage
will not be paid for.

- (e) MINE TRACK: Rail weight will be no less than 20 lb per yard; track gauge will be 24 inches; tie spacing will be on 24 inch centers.
- (f) WATER LINE: Water line to consist of a 1 inch (minimum) pipe. Plastic pipe to withstand existing working pressures may be used.
- (g) AIR LINE: Air line to consist of 4 inch (minimum) pipe to be hung along wall or placed along floor of drift at Contractor's option.
- (h) GROUND SUPPORT: Contractor will supply all materials such as timber and roof bolts to provide any support which may be necessary for safe working conditions. The Operator or its authorized representative will have the decision as to ground support requirements or any safety measures not conforming to his interpretation of Nevada Mining Law.
- (i) TYPE OF GROUND: Mostly minor to moderately fractured dolomite and limestone and some quartzite (See Map). It is intended that much of the drifting will be along fissure zones which may or may not contain silicified gangue material, sulfide ore minerals and/or altered dike rocks. The ground is generally strong, not requiring any support except for an estimated 5% of the total footage.
- (j) WORK SCHEDULE: The minimum rate of work will be two shifts daily per six day work week. Target date set for completion of the entire mining program is 10 months from the date of the signing of this contract.
- (k) For purposes of salvage evaluation the Contractor will submit to Operator upon completion of the contract a statement, with invoices attached, of all costs, fob mine, of materials such as rail, air pipe, water pipe, ventilation duct, etc. which were installed in the mine.
- (l) Contractor will furnish capable mining personnel and adequate supervision to perform the above described work in an efficient and workmanlike manner.

II FEES FOR WORK

The Contractor shall receive for his service the following fees:

- ✓(a) Mobilization and Demobilization of all equipment, men and materials to perform the above described work.
 - * 1. Mobilization - Lump Sum \$ 6,000.00
 - * 2. Demobilization - Lump Sum \$ 2,000.00
- (b)
 - * 1. Rehabilitation of approximately 3500 feet of old drifts, and crosscuts described above will be charged for at \$ 5.00 per lineal foot.
 - 2. Installation of approximately 300 feet of mine track on dump outside portal: \$ 3.00 per lineal foot.
- (c) Advance of approximately 2500 feet of new drifts and crosscuts complete with track, air line, water line and (ground support) See Note (i)
 - * (where necessary) will be charged for at \$ 64.00 per lineal foot.
- (d) Raising for at least 40 feet with a minimum cross section
 - * of 6 feet by 6 feet will be charged for at \$ 50.00 per lineal foot.
- (e) Excavation of any opening not included in the categories
 - * of drifting, crosscutting or raising will be charged for at \$ 1.25 per lineal foot.
- (f) Drill Station Stub Drifts (See Map) Approximate aggregate
 - * footage of 80 feet. \$ 50.00 per lineal foot.
- (g) Standby Time of Contractor crews for purposes of surveys, etc.
 - * in excess of two hours at the request of the Operator will be charged for at \$ 30.00 per hour. Any time loss due to breakdown of Contractor's equipment or applicable to Contractor will not be charged for.
- (h) Contractor's Estimated Time of Completion for the above described mining program (bearing in mind the Operator's objective:
 - * of 10 months) is: six (6) months.
- (i) We stipulate that Item (c) does not include ground support. If ground requiring timber support is encountered, our prices for support, including necessary excavation to maintain size inside timber, are as follows:
 - 1. Timber sets \$400.00 per MBM, installed
 - 2. Rock Bolts 1.75 per ft. of bolt, "

III CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

IV INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

V EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

Centennial Development Co.

H. B. Spencer

H. B. Spencer

Nevada Contractor's License No. 3581

RECEIVED

This AGREEMENT, made this 4th day of March, 1965
by and between Cortez Joint Venture under the management of American
Exploration & Mining Co. (hereinafter called the Operator) and E. J. LONGYEAR
COMPANY hereinafter called the Contractor), wherein it is
mutually agreed as follows:

1. WORK TO BE DONE: The Contractor, as an independent contractor will
provide all labor, material, supplies and equipment to the extent herein
specified and perform all things necessary for diamond drilling on
surface and underground in the Cortez Silver Mine, Cortez Mining District,
Eureka and Lander Counties, Nevada. Concerning this drilling,
the following general specifications are set forth. Because of
different phases of the program as to location and types of drilling
the specifications are listed under three Items:

ITEM I: (Shallow Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 2000 feet
- c. Length and Inclination of Holes: Underground drilling consisting
of several shallow holes mostly horizontal and about 200 feet in
length but occasionally at moderate up or down angles and
extending to 500 feet in length.
- d. Material to be drilled: Mostly dolomite and limestone and
occasionally quartzite and silicified zones with sulfide ore minerals.
- e. Hole Size: Holes to be started BX or AX size depending on hole length.
- f. Coring and Core Recovery: All drilling to be cored. All work to be
performed in such a manner as to secure maximum core and sludge
recovery. A minimum of 85% core recovery is acceptable. Samples
of sludges to be collected by Contractor's personnel whenever
requested by Operator.
- g. Air: Drill Contractor will be responsible for supplying own
air compressor. Compressed air will be transferred underground via
air line installed by Mining Contractor. This air line will be
used in common by Drill Contractor and Mining Contractor.

- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Stations: Drill stations of sufficient size will be provided by the Operator.
- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily for six-day work week; the minimum rate will be on a double shift per five day work week.

ITEM 2 (Deep Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 1800 feet
- c. Length & Inclination of Hole: Underground drilling consisting of at least one deep, vertical, down hole to a depth of up to 2000 feet.
- d. Material to be drilled: Dolomite and limestone with occasional silicified zones.
- e. Hole size: Hole to be started at least NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless expressly authorized by Operator.
- f. Coring and Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Air: Drill Contractor will be responsible for supplying own air compressor. Compressed air will be transferred underground via air line installed by Mining Contractor. This air line will be used in common by Drill Contractor and Mining Contractor.
- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Station: Drill Station consisting of a vertical raise to provide 30 feet of tail room will be provided by Operator.

- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily per six-day work week; the minimum rate will be on a double shift per five-day work week. The drilling of this deep hole will not be running concurrently with the shallow hole drilling under Item I.

ITEM 3 (Surface Drilling)

- a. Location: On surface south of Cortez Mine.
- b. Minimum Footage: 2000 feet
- c. Length & Inclination of Holes: Surface drilling will consist of at least 3 vertical holes of depths up to 800 feet maximum.
- d. Material to be Drilled: Mostly quartzite with some limestone and dolomite and occasional silicified zones.
- e. Hole Size: Holes to be started NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless authorized by Operator.
- f. Coring & Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Water: Water to be supplied by Contractor using own water truck haulage for distance of 4 miles.
- h. Drill Sites: Drill Sites to be provided by Operator.
- i. Work Schedules: The maximum rate of work will be one drill rig, three shifts per six-day work week; the minimum rate will be double shift per five-day work week. The surface drilling may run concurrently with the underground drilling.

II FEES FOR WORK:

The Contractor shall receive for his services, as per Items described above, the following fees:

ITEM 1: (Shallow hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

<u>Footage</u>	<u>Eureka Quartzite and Other Siliceous Materials</u>		<u>Non-Siliceous Dolomite and Limestones</u>	
	<u>BX-BXWL</u>	<u>AX-AXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
0-200	\$6.25	\$6.00	\$5.25	\$5.00
200-400	\$6.60	\$6.35	\$5.50	\$5.25
400-600	\$7.10	\$6.85	\$5.75	\$5.50

- b. Reaming, any size, will be charged for at \$2.25 per foot.
- c. Cementing, where necessary, will be charged for at \$11.60 per hour.
- d. Standby time for surveying or other reasons requested by Operator will be charged for at \$11.60 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on first hole: \$535.00 per rig.
- f. Moving between holes and setting up time: \$5.80 per man hour.
- g. Drilling mud, cement, cement substitutes and additives will be charged to Operator at cost plus handling charges, f.o.b. job site. Copies of invoices for materials consumed are to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, f.o.b. job site.
- i. Air compressor to be furnished under the following conditions:
1. Rental charge to be billed at cost.
 2. Any charges arising from trucking or other applicable mobilization and demobilization charges will be billed at our invoiced cost.
 3. Operational charges involving diesel fuel and oil will be borne by the Longyear Company.

It is understood that the compressor will produce a minimum of 600 cu. ft. at its rated capacity and will supply air into a common air line which will have proper connections at the drill site for the drilling Contractor to use.

ITEM 2: (Deep hole underground drilling)

a. Core drilling will be charged for at the following rates per foot:

<u>Footage</u>	<u>Eureka Quartzite and Other Siliceous Materials</u>			<u>Non-Siliceous Dolomite and Limestone</u>		
	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
0-250	\$6.60	\$6.25	\$6.00	\$5.50	\$5.25	\$5.00
250-500	\$7.10	\$6.60	\$6.35	\$5.75	\$5.50	\$5.25
500-750	\$7.75	\$6.95	\$6.70	\$6.35	\$5.75	\$5.50
750-1000	\$8.60	\$7.70	\$7.45	\$7.10	\$6.00	\$5.75
1000-1250	--0--	\$8.55	\$8.30	--0--	\$6.35	\$6.10
1250-1500	--0--	\$9.50	\$9.25	--0--	\$6.85	\$6.60
1500-1750	--0--	\$10.55	\$10.30	--0--	\$7.60	\$7.35
1750-2000	--0--	\$11.75	\$11.50	--0--	\$8.60	\$8.35

- b. Reaming, any size, will be charged for at \$2.50 per foot.
- c. Cementing, where necessary, will be charged for at \$11.60 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator will be charged for at \$11.60 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setup on first hole: \$830.00.
- f. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, f.o.b. job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- g. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, f.o.b. job site.
- h. Air compressor to be furnished under the following conditions:
1. Rental charge to be billed at cost.
 2. Any charges arising from trucking or other applicable mobilization and demobilization charges will be billed at our invoiced cost.
 3. Operational charges involving diesel fuel and oil will be borne by the Longyear Company.

It is understood that the compressor will produce a minimum of 600 cu. ft. at its rated capacity and will supply air into a common air line which will have proper connections at the drill site for the drilling Contractor to use.

ITEM 3: (Surface Drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Eureka Quartzite and Other Siliceous Materials</u>			<u>Non-Siliceous Dolomite and Limestones</u>		
<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
0-250	\$7.45	\$6.95	\$6.70	\$5.75	\$5.50	\$5.25
250-500	\$7.95	\$7.45	\$7.20	\$6.00	\$5.75	\$5.50
500-750	\$8.60	\$8.10	\$7.85	\$6.35	\$6.10	\$5.85
750-1000	\$9.60	\$8.85	\$8.60	\$6.85	\$6.60	\$6.35

- b. Reaming, any size, will be charged for at \$3.50 per foot in quartzite. \$2.50 per foot in non-siliceous material.
- c. Cementing, where necessary, will be charged for at \$11.60 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator will be charged for at \$11.60 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on first hole: \$1,295.00.
- f. Moving between holes and setting up time: \$5.80 per man hour.
- g. Drilling mud, cement substitute and additives will be charged to Operator at cost plus handling charges, f.o.b. job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, f.o.b. job site.
- i. Water truck service will be furnished on the following basis:
1. Rental charge: \$250.00 per month, plus \$0.15 per mile.
 2. If necessary to hire a full time water truck driver for the purpose of supplying ample water to the drill, we propose to make a charge of \$3.95 per hour to cover truck driver's wages and applicable payroll taxes.
 3. Operator will make a source of water available on a no-cost basis at the nearest available point.
- j. Time spent by crew installing pipe line to inaccessible surface holes, if required, will be performed at \$5.80 per man hour.

III MISCELLANEOUS ITEMS:

- (a) Operator will either furnish without charge to drill Contractor all timbering required or will reimburse drill Contractor directly for the cost of timbers or timbering required for setting up and maintaining the necessary drill stations for performing the deep hole underground drilling.
- (b) Operator will reimburse drill Contractor in full for any charges which mining Contractor may make for use of tramping facilities while moving drilling equipment between drill stations.
- (c) Should either the shallow or deep hole underground drilling program be abandoned after the underground work has been initiated, it is understood and agreed that the drill Contractor would be reimbursed in full for mobilization and demobilization expenses incurred at the rate specified under Item 1, e and Item 2, e as listed under the Shallow Hole Program and the Deep Underground Program. The total payment required under these items will amount to \$1,365.00.

IV CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

V INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

VI EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

VII

It is further understood and agreed that the drilling Contractor will accept the Operator's Engineer's classification of material drilled as a basis for preparing the invoice covering the drilling performed.

Bidder E. J. LONGYEAR COMPANY
By J. R. Miller
Title J. R. Miller
Manager, Southwestern Zone
Address 308 East Pima Street
Phoenix, Arizona 85004

SPRAGUE & HENWOOD, Inc.

Contract Division

REGIONAL OFFICE

2151 North Redwood Road (P.O. Box 2556)
Salt Lake City 10, Utah DAVIS 8-4271



EXECUTIVE OFFICES & PLANT
SCRANTON, PENNSYLVANIA

DIAMOND DRILLING • MINERAL EXPLORATION • SOIL SAMPLING • PRESSURE GROUTING

March 6, 1965

American Exploration & Mining Co.
2300 Russ Bldg.
San Francisco, Calif.

Attn: Mr. J. B. Bush

Gentlemen:


We attach herewith our proposal for diamond drilling at your Cortez Silver Mine, Cortez Mining District, Eureka and Lander Counties, Nevada.

We wish to point out that we have added under Section II FEES FOR WORK: Items 1 (i) - 2 (h) - and 3 (i), providing for additional per foot prices for drilling in quartzite.

Your inquiry is appreciated.

Very truly yours,

SPRAGUE & HENWOOD, INC.


B. B. Williams
Ass't. Vice Pres.

BBW:vn

DRAFT AGREEMENT

This AGREEMENT, made this _____ day of _____, 1965
by and between Cortez Joint Venture under the management of American
Exploration & Mining Co. (hereinafter called the Operator) and
_____ hereinafter called the Contractor), wherein it is
mutually agreed as follows:

I. WORK TO BE DONE: The Contractor, as an independent contractor will
provide all labor, material, supplies and equipment to the extent herein
specified and perform all things necessary for diamond drilling on
surface and underground in the Cortez Silver Mine, Cortez Mining District,
Eureka and Lander Counties, Nevada. Concerning this drilling,
the following general specifications are set forth. Because of
different phases of the program as to location and types of drilling
the specifications are listed under three Items:

ITEM I: (Shallow Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 2000 feet
- c. Length and Inclination of Holes: Underground drilling consisting
of several shallow holes mostly horizontal and about 200 feet in
length but occasionally at moderate up or down angles and
extending to 500 feet in length.
- d. Material to be drilled: Mostly dolomite and limestone and
occasionally quartzite and silicified zones with sulfide ore minerals.
- e. Hole Size: Holes to be started BX or AX size depending on hole length.
- f. Coring and Core Recovery: All drilling to be cored. All work to be
performed in such a manner as to secure maximum core and sludge
recovery. A minimum of 85% core recovery is acceptable. Samples
of sludges to be collected by Contractor's personnel whenever
requested by Operator.
- g. Air Drill Contractor will be responsible for supplying own
air compressor. Compressed air will be transferred underground via
air line installed by Mining Contractor. This air line will be
used in common by Drill Contractor and Mining Contractor.

- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Stations: Drill stations of sufficient size will be provided by the Operator.
- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily for six-day work week; the minimum rate will be on a double shift per five day work week.

ITEM 2 (Deep Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 1800 feet
- c. Length & Inclination of Hole: Underground drilling consisting of at least one deep, vertical, down hole to a depth of up to 2000 feet.
- d. Material to be drilled: Dolomite and limestone with occasional silicified zones.
- e. Hole size: Hole to be started at least NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless expressly authorized by Operator.
- f. Coring and Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Air: Drill Contractor will be responsible for supplying own air compressor. Compressed air will be transferred underground via air line installed by Mining Contractor. This air line will be used in common by Drill Contractor and Mining Contractor.
- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Station: Drill Station consisting of a vertical raise to provide 30 feet of tail room will be provided by Operator.

- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily per six-day work week; the minimum rate will be on a double shift per five-day work week. The drilling of this deep hole will not be running concurrently with the shallow hole drilling under Item I.

ITEM 3 (Surface Drilling)

- a. Location: On surface south of Cortez Mine.
- b. Minimum Footage: 2000 feet
- c. Length & Inclination of Holes: Surface drilling will consist of at least 3 vertical holes of depths up to 800 feet maximum.
- d. Material to be Drilled: Mostly quartzite with some limestone and dolomite and occasional silicified zones.
- e. Hole Size: Holes to be started NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless authorized by Operator.
- f. Coring & Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Water: Water to be supplied by Contractor using own water truck haulage for distance of 4 miles.
- h. Drill Sites: Drill Sites to be provided by Operator.
- i. Work Schedules: The maximum rate of work will be one drill rig, three shifts per six-day work week; the minimum rate will be double shift per five-day work week. The surface drilling may run concurrently with the underground drilling.

II FEES FOR WORK:

The Contractor shall receive for his services, as per Items described above, the following fees:

ITEM 1: (Shallow hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-200	\$ 5.50	\$ 5.25
*	200-400	\$ 5.50	\$ 5.25
*	400-600	\$ 6.10	\$ 5.85

- * b. Reaming, any size, will be charged for at \$ 3.00 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 14.50 per hour, plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by
- * Operator will be charged for at \$ 12.50 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on first
- * hole: \$ 450.00 per rig.
- * f. Moving between holes and setting up time: \$ 10.00 per hour.
- g. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.
- * i. Quartzite Drilling - \$ 7.00 per foot in addition to prices in Item 1 (a), for corresponding size and depth.

ITEM 2: (Deep hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-250	\$ <u>5.85</u>	\$ <u>5.50</u>	\$ <u>5.25</u>
*	250-500	<u>5.85</u>	<u>5.50</u>	<u>5.25</u>
*	500-750	<u>6.50</u>	<u>6.15</u>	<u>5.90</u>
*	750-1000	<u>6.50</u>	<u>6.15</u>	<u>5.90</u>
*	1000-1250	<u>7.25</u>	<u>6.90</u>	<u>6.65</u>
*	1250-1500	<u>7.25</u>	<u>6.90</u>	<u>6.65</u>
*	1500-1750	<u>8.00</u>	<u>7.65</u>	<u>7.40</u>
*	1750-2000	<u>9.00</u>	<u>8.65</u>	<u>8.40</u>

- * b. Reaming, any size, will be charged for at \$ 3.00 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 14.50 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator
- * will be charged for at \$ 12.50 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on hole:
- * \$ 450.00.

f. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.

g. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

SEE ITEM 2 (h)
below

ITEM 3: (Surface Drilling)

a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-250	\$ <u>6.65</u>	\$ <u>6.30</u>	\$ <u>6.05</u>
*	250-500	<u>6.65</u>	<u>6.30</u>	<u>6.05</u>
*	500-750	<u>7.75</u>	<u>7.40</u>	<u>7.15</u>
*	750-1000	<u>7.75</u>	<u>7.40</u>	<u>7.15</u>

* b. Reaming, any size, will be charged for at \$ 3.50 per foot.

* c. Cementing, where necessary, will be charged for at \$ 16.00 per hour plus the cost of cement or substitute.

d. Standby time for surveying or other reasons
* requested by Operator will be charged for at \$ 14.00 per hour. Time loss due to breakdown of equipment will not be charged for.

e. Mobilization and demobilization, including setting up on
* first hole: \$ 650.00.

* f. Moving between holes and setting up time: \$ 12.00 per hour.

g. Drilling mud, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.

h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

* i. Quartzite drilling \$ 7.00 per foot, in addition to prices in Item 3 (a), for corresponding size and depth.

ITEM 2 (h) - Quartzite drilling \$ 7.00 per foot, in addition to prices for corresponding size, and depth.

III CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

IV INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

V EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

DIAMOND CORE DRILLING
DIAMOND DRILLING EQUIPMENT
GROUTING
FOUNDATION TESTING
MINING
QUARRYING
SHAFT SINKING
TUNNEL DRIVING
MINE PLANT DESIGN
AND FABRICATION



CONTRACTORS-ENGINEERS-GEOLOGISTS

General Offices and Plant
1624 Pioneer Road P. O. Box 58 Phone 487-7595
SALT LAKE CITY, UTAH 84110

BRANCH OFFICES
PHOENIX
RENO
SPOKANE
DENVER
SACRAMENTO
SANTIAGO, CHILE
LIMA, PERU

P. A. PARK
Manager—Drilling Division

March 2, 1965

Mr. J. B. Bush
American Exploration & Mining Company
2300 Russ Building
San Francisco, California 94104

Dear Mr. Bush:

Our District Manager, Mr. J. D. Fetterhoff, has asked that we submit prices for your drilling, surface and underground, at the Cortez Silver Mine, in Cortez Mining District, Nevada.

We have enclosed these prices as requested on your Draft Agreement. Also, we are submitting to you prices on the shallow holes underground, as discussed by Mr. Fetterhoff and yourself on the limestone drilling and the quartzite drilling on this phase of the work rather than the single price as suggested in your draft agreement.

Proposal for Shallow Hole Underground Drilling

<u>Limestone:</u>	<u>BX</u>	<u>AX</u>
0 - 200 feet	\$ 4.70	\$ 4.50
200 - 400 feet	5.20	5.00
400 - 600 feet	5.70	5.50
<u>Quartzite:</u>		
0 - 200 feet	\$11.50	\$11.20
200 - 400 feet	12.25	11.95
400 - 600 feet	13.00	12.70

We trust our prices will be helpful in your loan and are competitive. Our experience, as yours, has been rather rough in quartzite.

If we can be of further help we will be glad to oblige.

Kindest personal regards.

Sincerely,

Paul A. Park
P. A. Park

PAP:bg
Encl.
cc: J. D. Fetterhoff

DRAFT AGREEMENT

This AGREEMENT, made this _____ day of _____, 1965
by and between Cortez Joint Venture under the management of American
Exploration & Mining Co. (hereinafter called the Operator) and
_____ hereinafter called the Contractor), wherein it is
mutually agreed as follows:

I. WORK TO BE DONE: The Contractor, as an independent contractor will
provide all labor, material, supplies and equipment to the extent herein
specified and perform all things necessary for diamond drilling on
surface and underground in the Cortez Silver Mine, Cortez Mining District,
Eureka and Lander Counties, Nevada. Concerning this drilling,
the following general specifications are set forth. Because of
different phases of the program as to location and types of drilling
the specifications are listed under three Items:

ITEM I: (Shallow Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 2000 feet
- c. Length and Inclination of Holes: Underground drilling consisting
of several shallow holes mostly horizontal and about 200 feet in
length but occasionally at moderate up or down angles and
extending to 500 feet in length.
- d. Material to be drilled: Mostly dolomite and limestone and
occasionally quartzite and silicified zones with sulfide ore minerals.
- e. Hole Size: Holes to be started BX or AX size depending on hole length.
- f. Coring and Core Recovery: All drilling to be cored. All work to be
performed in such a manner as to secure maximum core and sludge
recovery. A minimum of 85% core recovery is acceptable. Samples
of sludges to be collected by Contractor's personnel whenever
requested by Operator.
- g. Air: Drill Contractor will be responsible for supplying own
air compressor. Compressed air will be transferred underground via
air line installed by Mining Contractor. This air line will be
used in common by Drill Contractor and Mining Contractor.

- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Stations: Drill stations of sufficient size will be provided by the Operator.
- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily for six-day work week; the minimum rate will be on a double shift per five day work week.

ITEM 2 (Deep Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 1800 feet
- c. Length & Inclination of Hole: Underground drilling consisting of at least one deep, vertical, down hole to a depth of up to 2000 feet.
- d. Material to be drilled: Dolomite and limestone with occasional silicified zones.
- e. Hole size: Hole to be started at least NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless expressly authorized by Operator.
- f. Coring and Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Air: Drill Contractor will be responsible for supplying own air compressor. Compressed air will be transferred underground via air line installed by Mining Contractor. This air line will be used in common by Drill Contractor and Mining Contractor.
- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Station: Drill Station consisting of a vertical raise to provide 30 feet of tail room will be provided by Operator.

- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily per six-day work week; the minimum rate will be on a double shift per five-day work week. The drilling of this deep hole will not be running concurrently with the shallow hole drilling under Item I.

ITEM 3 (Surface Drilling)

- a. Location: On surface south of Cortez Mine.
- b. Minimum Footage: 2000 feet
- c. Length & Inclination of Holes: Surface drilling will consist of at least 3 vertical holes of depths up to 800 feet maximum.
- d. Material to be Drilled: Mostly quartzite with some limestone and dolomite and occasional silicified zones.
- e. Hole Size: Holes to be started NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless authorized by Operator.
- f. Coring & Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Water: Water to be supplied by Contractor using own water truck haulage for distance of 4 miles.
- h. Drill Sites: Drill Sites to be provided by Operator.
- i. Work Schedules: The maximum rate of work will be one drill rig, three shifts per six-day work week; the minimum rate will be double shift per five-day work week. The surface drilling may run concurrently with the underground drilling.

II FEES FOR WORK:

The Contractor shall receive for his services, as per Items described above, the following fees:

ITEM 1: (Shallow hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-200	\$ 6.50	\$ 6.20
*	200-400	\$ 6.90	\$ 6.60
*	400-600	\$ 7.70	\$ 7.40

- * b. Reaming, any size, will be charged for at \$ 2.25 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 12.00 per hour, plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator will be charged for at \$ 12.00 per hour. Time loss due to breakdown of equipment will not be charged for.
- * e. Mobilization and demobilization, including setting up on first hole: \$ 200.00 per rig.
- * f. Moving between holes and setting up time: \$ 12.00 per hour.
- g. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

ITEM 2: (Deep hole underground drilling).

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-250	\$ <u>5.00</u>	\$ <u>4.70</u>	\$ <u>4.70</u>
*	250-500	<u>5.50</u>	<u>5.20</u>	<u>5.20</u>
*	500-750	<u>6.00</u>	<u>5.70</u>	<u>5.70</u>
*	750-1000	<u>6.50</u>	<u>6.20</u>	<u>6.20</u>
*	1000-1250	<u>7.25</u>	<u>6.95</u>	<u>6.95</u>
*	1250-1500	<u>8.25</u>	<u>7.50</u>	<u>7.50</u>
*	1500-1750	<u>9.25</u>	<u>8.30</u>	<u>8.30</u>
*	1750-2000	<u>10.25</u>	<u>9.20</u>	<u>9.20</u>

- * b. Reaming, any size, will be charged for at \$ 3.50 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 12.00 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator will be charged for at \$ 12.00 per hour. Time loss due to breakdown of equipment will not be charged for.
- * e. Mobilization and demobilization, including setting up on hole: \$ 400.00.

- f. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- g. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

ITEM 3: (Surface Drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-250	<u>\$10.25</u>	<u>\$ 9.50</u>	<u>\$ 8.50</u>
*	250-500	<u>11.00</u>	<u>10.25</u>	<u>9.50</u>
*	500-750	<u>11.75</u>	<u>11.00</u>	<u>11.00</u>
*	750-1000	<u>12.50</u>	<u>11.75</u>	<u>11.75</u>

- * b. Reaming, any size, will be charged for at \$ 5.75 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 12.00 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator will be charged for at \$ 12.00 per hour. Time loss due to breakdown of equipment will not be charged for.
- * e. Mobilization and demobilization, including setting up on first hole: \$ 350.00.
- * f. Moving between holes and setting up time: \$ 12.00 per hour.
- g. Drilling mud, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

III CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

IV INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

V EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

JOY MANUFACTURING COMPANY

900 WOODLAND AVENUE
MICHIGAN CITY, INDIANA 46360

March 3, 1965

EXECUTIVE OFFICES
HENRY W. OLIVER BUILDING
PITTSBURGH, PA. 15222

AIR MAIL

American Exploration & Mining Company
2300 Russ Building
San Francisco, California #94104

Gentlemen:

I have enclosed our bid on your diamond drilling program at the Cortez Silver Mine, Cortez Mining District, Eureka and Lander Counties, Nevada.

You will note we have taken exception to Item #1-g and 1-h, and to Item 2-g and 2-h. Our prices are based on having an ample supply of air and an ample supply of water furnished free of any cost to us at the drill site. We would expect the mining contractor or the operator to furnish the air and water.

Thank you for asking us to quote on your requirements.

Yours truly,

JOY MANUFACTURING COMPANY


J. M. Murray, Manager
Contract Drill Division

JMM/et

DRAFT AGREEMENT

This AGREEMENT, made this 3rd day of March, 1965
by and between Cortez Joint Venture under the management of American
Exploration & Mining Co. (hereinafter called the Operator) and JOY MANUFACTURING
COMPANY hereinafter called the Contractor), wherein it is
mutually agreed as follows:

I. WORK TO BE DONE: The Contractor, as an independent contractor will
provide all labor, material, supplies and equipment to the extent herein
specified and perform all things necessary for diamond drilling on
surface and underground in the Cortez Silver Mine, Cortez Mining District,
Eureka and Lander Counties, Nevada. Concerning this drilling,
the following general specifications are set forth. Because of
different phases of the program as to location and types of drilling
the specifications are listed under three Items:

ITEM I: (Shallow Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 2000 feet
- c. Length and Inclination of Holes: Underground drilling consisting
of several shallow holes mostly horizontal and about 200 feet in
length but occasionally at moderate up or down angles and
extending to 500 feet in length.
- d. Material to be drilled: Mostly dolomite and limestone and
occasionally quartzite and silicified zones with sulfide ore minerals.
- e. Hole Size: Holes to be started BX or AX size depending on hole length.
- f. Coring and Core Recovery: All drilling to be cored. All work to be
performed in such a manner as to secure maximum core and sludge
recovery. A minimum of 85% core recovery is acceptable. Samples
of sludges to be collected by Contractor's personnel whenever
requested by Operator.
- (*) g. Air: Drill Contractor will be responsible for supplying own
air compressor. Compressed air will be transferred underground via
air line installed by Mining Contractor. This air line will be
used in common by Drill Contractor and Mining Contractor.

(*) Joy takes exception to l-g. Joy bid based on ample air furnished at drill
by mining contractor or American Exploration & Mining Co.

(*) h. Water: Water will be supplied to Mine portal by Operator.

Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by

Drilling Contractor and Mining Contractor.

(*) Joy takes exception to 1-h. Joy bid based on ample water furnished at drill by mining contractor or American Exploration & Mining Co.

i. Drill Stations: Drill stations of sufficient size will be provided by the Operator.

j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily for six-day work week; the minimum rate will be on a double shift per five day work week.

ITEM 2 (Deep Hole Underground Drilling)

a. Location: On Arctic Level of Cortez Mine

b. Minimum Footage: 1800 feet

c. Length & Inclination of Hole: Underground drilling consisting of at least one deep, vertical, down hole to a depth of up to 2000 feet.

d. Material to be drilled: Dolomite and limestone with occasional silicified zones.

e. Hole size: Hole to be started at least NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless expressly authorized by Operator.

f. Coring and Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.

(*) g. Air: Drill Contractor will be responsible for supplying own air compressor. Compressed air will be transferred underground via air line installed by Mining Contractor. This air line will be

used in common by Drill Contractor and Mining Contractor.

(*) Joy takes exception to 2-g. Joy bid based on ample air furnished at drill by mining contractor or American Exploration & Mining Co.

(*) h. Water: Water will be supplied to Mine portal by Operator.

Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by

Drilling Contractor and Mining Contractor.

(*) Joy takes exception to 2-h. Joy bid based on ample water furnished at drill by mining contractor or American Exploration & Mining Co.

i. Drill Station: Drill Station consisting of a vertical raise to provide 30 feet of tail room will be provided by Operator.

- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily per six-day work week; the minimum rate will be on a double shift per five-day work week. The drilling of this deep hole will not be running concurrently with the shallow hole drilling under Item I.

ITEM 3 (Surface Drilling)

- a. Location: On surface south of Cortez Mine.
- b. Minimum Footage: 2000 feet
- c. Length & Inclination of Holes: Surface drilling will consist of at least 3 vertical holes of depths up to 800 feet maximum.
- d. Material to be Drilled: Mostly quartzite with some limestone and dolomite and occasional silicified zones.
- e. Hole Size: Holes to be started NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless authorized by Operator.
- f. Coring & Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Water: Water to be supplied by Contractor using own water truck haulage for distance of 4 miles.
- h. Drill Sites: Drill Sites to be provided by Operator.
- i. Work Schedules: The maximum rate of work will be one drill rig, three shifts per six-day work week; the minimum rate will be double shift per five-day work week. The surface drilling may run concurrently with the underground drilling.

II FEES FOR WORK:

The Contractor shall receive for his services, as per Items described above, the following fees:

ITEM 1: (Shallow hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-200	\$ 9.50	\$ 9.25
*	200-400	\$ 9.75	\$ 9.50
*	400-600	\$ 10.00	\$ 9.75

- * b. Reaming, any size, will be charged for at \$ 6.00 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 12.00 per hour, plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by
- * Operator will be charged for at \$ 10.00 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on first
- * hole: \$ 400.00 per rig.
- * f. Moving between holes and setting up time: \$ 10.00 per hour.
- g. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

ITEM 2: (Deep hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-250	\$ <u>8.25</u>	\$ <u>8.00</u>	\$ <u>7.75</u>
*	250-500	<u>8.50</u>	<u>8.25</u>	<u>8.00</u>
*	500-750	<u>8.75</u>	<u>8.50</u>	<u>8.25</u>
*	750-1000	<u>9.00</u>	<u>8.75</u>	<u>8.50</u>
*	1000-1250	<u>9.50</u>	<u>9.25</u>	<u>9.00</u>
*	1250-1500	<u>10.00</u>	<u>9.75</u>	<u>9.50</u>
*	1500-1750	<u>10.75</u>	<u>10.50</u>	<u>10.25</u>
*	1750-2000	<u>11.50</u>	<u>11.25</u>	<u>11.00</u>

- * b. Reaming, any size, will be charged for at \$ 6.00 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 12.00 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator
- * will be charged for at \$ 10.00 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on hole:
- * \$ 800.00.

- f. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- g. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

ITEM 3: (Surface Drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-250	\$ <u>9.25</u>	\$ <u>9.00</u>	\$ <u>8.75</u>
*	250-500	<u>9.50</u>	<u>9.25</u>	<u>9.00</u>
*	500-750	<u>9.75</u>	<u>9.50</u>	<u>9.25</u>
*	750-1000	<u>10.00</u>	<u>9.75</u>	<u>9.50</u>

- * b. Reaming, any size, will be charged for at \$ 6.00 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 12.00 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons
- * requested by Operator will be charged for at \$ 10.00 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on
- * first hole: \$ 800.00.
- * f. Moving between holes and setting up time: \$ 10.00 per hour.
- g. Drilling mud, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

III CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

IV INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

V EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

DRAFT AGREEMENT

MAR - 1965

RECEIVED

This AGREEMENT, made this 2nd day of March, 1965
by and between Cortez Joint Venture under the management of American
Exploration & Mining Co. (hereinafter called the Operator) and
Justice Core Drilling Co. hereinafter called the Contractor), wherein it is
mutually agreed as follows:

I. WORK TO BE DONE: The Contractor, as an independent contractor will
provide all labor, material, supplies and equipment to the extent herein
specified and perform all things necessary for diamond drilling on
surface and underground in the Cortez Silver Mine, Cortez Mining District,
Eureka and Lander Counties, Nevada. Concerning this drilling,
the following general specifications are set forth. Because of
different phases of the program as to location and types of drilling
the specifications are listed under three Items:

ITEM I: (Shallow Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 2000 feet
- c. Length and Inclination of Holes: Underground drilling consisting
of several shallow holes mostly horizontal and about 200 feet in
length but occasionally at moderate up or down angles and
extending to 500 feet in length.
- d. Material to be drilled: Mostly dolomite and limestone and
occasionally quartzite and silicified zones with sulfide ore minerals.
- e. Hole Size: Holes to be started BX or AX size depending on hole length.
- f. Coring and Core Recovery: All drilling to be cored. All work to be
performed in such a manner as to secure maximum core and sludge
recovery. A minimum of 85% core recovery is acceptable. Samples
of sludges to be collected by Contractor's personnel whenever
requested by Operator.
- g. Air: Drill Contractor will be responsible for supplying own
air compressor. Compressed air will be transferred underground via
air line installed by Mining Contractor. This air line will be
used in common by Drill Contractor and Mining Contractor.

- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Stations: Drill stations of sufficient size will be provided by the Operator.
- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily for six-day work week; the minimum rate will be on a double shift per five day work week.

ITEM 2 (Deep Hole Underground Drilling)

- a. Location: On Arctic Level of Cortez Mine
- b. Minimum Footage: 1800 feet
- c. Length & Inclination of Hole: Underground drilling consisting of at least one deep, vertical, down hole to a depth of up to 2000 feet.
- d. Material to be drilled: Dolomite and limestone with occasional silicified zones.
- e. Hole size: Hole to be started at least NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless expressly authorized by Operator.
- f. Coring and Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Air: Drill Contractor will be responsible for supplying own air compressor. Compressed air will be transferred underground via air line installed by Mining Contractor. This air line will be used in common by Drill Contractor and Mining Contractor.
- h. Water: Water will be supplied to Mine portal by Operator. Water will be supplied underground by water line installed by Mining Contractor. The water line will be used in common by Drilling Contractor and Mining Contractor.
- i. Drill Station: Drill Station consisting of a vertical raise to provide 30 feet of tail room will be provided by Operator.

- j. Work Schedule: The maximum rate of work will be one underground drill rig, three shifts daily per six-day work week; the minimum rate will be on a double shift per five-day work week. The drilling of this deep hole will not be running concurrently with the shallow hole drilling under Item I.

ITEM 3 (Surface Drilling)

- a. Location: On surface south of Cortez Mine.
- b. Minimum Footage: 2000 feet
- c. Length & Inclination of Holes: Surface drilling will consist of at least 3 vertical holes of depths up to 800 feet maximum.
- d. Material to be Drilled: Mostly quartzite with some limestone and dolomite and occasional silicified zones.
- e. Hole Size: Holes to be started NXWL size and completed not smaller than BXWL size. Hole size will not be changed unless authorized by Operator.
- f. Coring & Core Recovery: All drilling to be cored. All work to be performed in such a manner as to secure maximum core and sludge recovery. A minimum of 85% core recovery is acceptable. Samples of sludges to be collected by Contractor's personnel whenever requested by Operator.
- g. Water: Water to be supplied by Contractor using own water truck haulage for distance of 4 miles.
- h. Drill Sites: Drill Sites to be provided by Operator.
- i. Work Schedules: The maximum rate of work will be one drill rig, three shifts per six-day work week; the minimum rate will be double shift per five-day work week. The surface drilling may run concurrently with the underground drilling.

II FEES FOR WORK:

The Contractor shall receive for his services, as per Items described above, the following fees:

ITEM 1: (Shallow hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-200	\$ <u>6.50</u>	\$ <u>6.00</u>
*	200-400	\$ <u>7.00</u>	\$ <u>6.50</u>
*	400-600	\$ <u>7.50</u>	\$ <u>7.00</u>

- * b. Reaming, any size, will be charged for at \$3.25 per foot.
- * c. Cementing, where necessary, will be charged for at \$12.50 per hour, plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by
- * Operator will be charged for at \$12.50 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on first
- * hole: \$500.00 per rig.
- * f. Moving between holes and setting up time: \$12.50 per hour.
- g. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

ITEM 2: (Deep hole underground drilling)

- a. Core drilling will be charged for at the following rates per foot:

	<u>Footage</u>	<u>NX-NXWL</u>	<u>BX-BXWL</u>	<u>AX-AXWL</u>
*	0-250	<u>\$7.00</u>	<u>\$6.50</u>	<u>\$6.00</u>
*	250-500	<u>7.50</u>	<u>7.00</u>	<u>6.50</u>
*	500-750	<u>8.00</u>	<u>7.50</u>	<u>7.00</u>
*	750-1000	<u>8.50</u>	<u>8.00</u>	<u>7.50</u>
*	1000-1250	<u>9.25</u>	<u>8.75</u>	<u>8.25</u>
*	1250-1500	<u>10.00</u>	<u>9.50</u>	<u>9.00</u>
*	1500-1750	<u>10.75</u>	<u>10.25</u>	<u>9.75</u>
*	1750-2000	<u>11.75</u>	<u>11.25</u>	<u>10.75</u>

- * b. Reaming, any size, will be charged for at \$3.50 per foot.
- * c. Cementing, where necessary, will be charged for at \$14.00 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator
- * will be charged for at \$12.50 per hour. Time loss due to breakdown of equipment will not be charged for.
- e. Mobilization and demobilization, including setting up on hole:
- * \$750.00.

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- f. Drilling mud, cement, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- g. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

ITEM 3: (Surface Drilling)

- a. Core drilling will be charged for at the following rates per foot:

	Footage	NX-NXWL	BX-BXWL	AX-AXWL
*	0-250	\$ <u>8.00</u>	\$ <u>7.50</u>	\$ <u>7.00</u>
*	250-500	<u>8.50</u>	<u>8.00</u>	<u>7.50</u>
*	500-750	<u>9.00</u>	<u>8.50</u>	<u>8.00</u>
*	750-1000	<u>9.50</u>	<u>9.00</u>	<u>8.50</u>

- * b. Reaming, any size, will be charged for at \$ 3.50 per foot.
- * c. Cementing, where necessary, will be charged for at \$ 14.00 per hour plus the cost of cement or substitute.
- d. Standby time for surveying or other reasons requested by Operator will be charged for at \$ 14.00 per hour. Time loss due to breakdown of equipment will not be charged for.
- * e. Mobilization and demobilization, including setting up on first hole: \$ 600.00.
- * f. Moving between holes and setting up time: \$ 12.50 per hour.
- g. Drilling mud, cement substitute and additives will be charged to Operator at cost plus handling charges, fob job site. Copies of invoices for these materials to accompany statement submitted to Operator.
- h. Casing lost in hole or left in hole at Operator's request will be charged to Operator at cost price, fob job site.

III CONTRACTOR INSURANCE PROVISION

Contractor shall provide and continue in force during the period of this Contract, at the Contractor's expense, all insurance as specified under this section:

- (a) Statutory Workmen's Compensation and/or Employer's Liability Insurance covering accidental injury or occupational disease (including death) sustained by employees during employment.
- (b) Comprehensive Automobile Liability Insurance with bodily injury limits of \$50,000 each person and \$100,000 each accident, and with a property damage limit of \$10,000.
- (c) Comprehensive Public Liability Insurance, including Protective and Contractual Liability coverages, with bodily injury limits of \$100,000 each person and \$500,000 each accident, and property damage limits of \$50,000 each accident and \$100,000 aggregate operations.

IV INVOICING AND PAYMENT

On or before the seventh day of each month while the agreement remains in effect, Contractor shall submit to Operator an invoice, in triplicate, adequately describing Contractor's charges for work performed hereunder according to the terms of this contract, during the preceeding calendar month. Upon receipt of said invoice and subject to approval, the Operator shall make payment in full to Contractor for such work described in said invoice.

V EQUAL OPPORTUNITY EMPLOYMENT

The Operator is an equal opportunity employer and it is expected that all Contractors while in the service of the Operator will also be equal opportunity employers.

Leonard A. Justice
Justice Core Drilling Co.
Rt. 2, Boise, Idaho

AMERICAN EXPLORATION & MINING CO.

CABLE ADDRESS: "DRAGA"
TELEPHONE EXBROOK 2-4992

23RD FLOOR RUSS BUILDING
SAN FRANCISCO, CALIF. 94104

March 3, 1965

Mr. C.J. Ballew
Manager - Elko Branch
Nevada Bank of Commerce
Elko, Nevada

Dear Mr. Ballew:

Mr. R.G. Garwood of our staff has recently had a preliminary discussion with you regarding our financing requirements at Cortez, Nevada which lies about 70 miles south-west of Elko, Nevada and for which Elko is the major supply center. In general outline the circumstances are as follows:

The Cortez Joint Venture consisting of American Exploration & Mining Co. (the Managing Coventurer), The Bunker Hill Company, Vernon F. Taylor, Jr. and Webb Resources, Inc. have leases with options to purchase on the Cortez Metals Co. and adjoining Rossi properties at Cortez, Lander and Eureka Counties, Nevada. The Cortez Metals Co. property has a history of production of silver ore variously estimated at between \$8,000,000 and \$15,000,000. There are presently no known ore reserves on the property but by geological information recently developed we believe there is an excellent chance of developing new ore bodies by a reasonable amount of exploration. The foreseeable future market for silver appears to be firm.

We have prepared a proposed exploration program which would cost approximately \$335,000. The coventurers are disinclined to subscribe the entire cost of this program, but if a loan of \$250,000 can be obtained, repayable out of production from any economic ore discoveries made, the coventurers will subscribe the balance of the cost. We hereby apply to the Nevada Bank of Commerce for such loan.

All details of the exploration program are available for your inspection along with supporting data including documents evidencing our rights in the properties. Our personnel are

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available to discuss the entire program and terms in full detail if you will consider making this loan.

The Managing Coventurer, as well as associated coventurers, has a competent and highly experienced staff of exploration and operating personnel. Should the exploration phase yield one or more economic mineable ore bodies there is no question that we can arrange further financing to production.

Yours very truly,

H. Goudey

Vice President

HG: jb

cc: Mr.R.G.Garwood



Nevada Bank of Commerce

ELKO BRANCH

MAR - 8 1965

RECEIVED

March 5, 1965

H. Goudey, Vice President
American Exploration & Mining Company
23rd Floor, Russ Building
San Francisco, California 94104


Dear Mr. Goudey:

Your letter of March 3, 1965, applying for a loan of \$250,000.00, has been received by our Loan Committee and has been declined because of the speculative nature of the adventure.

We certainly thank you for considering this bank and have enclosed our recently published statement for your reference.

We can give you statewide service and when your operation in this area starts, we would be very pleased to open an account for you.

Sincerely,


C. J. Ballew
Manager

CJB/jmm
Enclosure

AMERICAN EXPLORATION & MINING CO.

CABLE ADDRESS: "DRAGA"
TELEPHONE EXBROOK 2-4992

23RD FLOOR RUSS BUILDING
SAN FRANCISCO, CALIF. 94104

March 3, 1965

Mr. K.G. House
President
The Canadian Bank of Commerce (California)
344 Pine Street
San Francisco, Calif.

Dear Mr. House:

The Cortez Joint Venture consisting of American Exploration & Mining Co. (the Managing Coventurer), The Bunker Hill Company, Vernon F. Taylor, Jr. and Webb Resources, Inc. have leases with options to purchase on the Cortez Metals Co. and adjoining Rossi properties at Cortez, Lander and Eureka Counties, Nevada. The Cortez Metals Co. property has a history of production of silver ore variously estimated at between \$8,000,000 and \$15,000,000. There are presently no known ore reserves on the property but by geological information recently developed we believe there is an excellent chance of developing new ore bodies by a reasonable amount of exploration. The foreseeable market for silver appears to be firm.

We have prepared a proposed exploration program which would cost approximately \$335,000. The coventurers are disinclined to subscribe the entire cost of this program but if a loan of \$250,000 can be obtained, repayable out of production from any economic ore discoveries made, the coventurers will subscribe the balance of the cost. We hereby apply to The Canadian Bank of Commerce (California) for such loan.

All details of the exploration program are available for your inspection along with supporting data including documents evidencing our rights in the properties. Our personnel are available to discuss the entire program and terms in full detail if you will consider making this loan.

Sincerely yours,

H. Goudey

Vice President

HG:jb

cc: Mr. R.G.Garwood

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MAR -5 1965

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D 3/5

CABLE ADDRESS
"CANBANK"

TELEX NO. 03-4213
ANSWERBACK:
CANBANK SFO

COMMERCIAL
SAVINGS

THE CANADIAN BANK OF COMMERCE
(CALIFORNIA)

344 PINE STREET

SAN FRANCISCO, CALIF. 94104

IN CALIFORNIA SINCE 1864

March 4, 1965

American Exploration & Mining Co.
Russ Building, 23rd Floor
San Francisco 4, California

Attention: Mr. H. Goudey, Vice President

Gentlemen:

We acknowledge receipt of your letter of March 3 concerning the application for a bank loan to the Cortex Joint Venture Group in the amount of \$250,000. We understand the proceeds of the loan will be utilized for exploration work with repayment to be provided from future production from the area.

In view of the nature of the project and the indefinite source and time of repayment, we do not feel we can advance the amount required and, accordingly, must decline the application.

Yours truly,

R. K. Hayes
R. K. Hayes
Vice President

RKH:mw