



CONTACT INFORMATION  
Mining Records Curator  
Arizona Geological Survey  
3550 N. Central Ave, 2nd floor  
Phoenix, AZ, 85012  
602-771-1601  
<http://www.azgs.az.gov>  
[inquiries@azgs.az.gov](mailto:inquiries@azgs.az.gov)

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CHAPPEL A036

August 14, 1970

The meeting with Covey on 8/13/70 in Las Vegas was at the residence of Audrine Knight, owner of the Chappel.

The Chappel is 32 claims from the BLM (see attached lease) located in the Arizona Strip. She pays \$800/year for a 5-year period which is up April, 1971. This would require posting another bond at that time at a cost of \$2,000.

Mrs. Knight wants us to assume the BLM lease and pay her \$3,000 down, plus \$600/month. The end price would be \$500,000 over a 10-year period.

This is a raw prospect which obviously would require underground mining.

HL/14 Aug. 1970



Form 3320-1  
(November 1965)  
(formerly 4-1297)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Office and Serial Number

Arizona 035576

Date

March 9, 1966

MINING LEASE OF MINERALS IN LANDS WITHDRAWN FOR  
RECLAMATION PURPOSES IN THE LAKE MEAD RECREATION AREA

This lease, entered into on April 1, 1966, by the United States of America, the lessor, through the Bureau of Land Management, and **Audrine G. Knight**  
~~350 Desert Inn Road~~ 4308 NOLAN LN.  
Las Vegas, Nevada  
the lessee, under, pursuant, and subject to the terms and provisions of the Act of Congress, approved October 8, 1964 (78 Stat. 1039; 16 U.S.C. 460n), authorizing the Secretary of the Interior to lease minerals within the Lake Mead Recreation Area.

## Witnesseth:

That the lessor, in consideration of the rents and royalties to be paid and the covenants to be observed as hereinafter set forth, does hereby grant and lease to the lessee the exclusive right and privilege to mine and dispose of all the **copper, gold, silver, uranium and associated minerals** in, upon, or under the following-described tracts of land:

**T. 33 N., R. 10 W., GSR Mer., Arizona  
Sec. 25 - All**

containing **640** acres, more or less, together with the right to construct all such works, buildings, plants, structures, and appliances as may be necessary and convenient for the mining and preparation of the leased minerals for market, and, subject to the conditions herein provided, to use so much of the surface as may reasonably be required in the exercise of the rights and privileges granted for a period of five (5) years, subject to renewal at the expiration thereof for additional periods of five (5) years each, on such reasonable terms as may be prescribed by the Secretary of the Interior at the time of such renewal.

## Sec. 1. That the lessor expressly reserves:

(a) The right to permit for joint or several use such easement or rights-of-way, including easement in tunnels upon, through, or in the land leased, occupied, or used as may be necessary or appropriate to the working of the same, or other lands, containing deposits subject to lease under any law of the United States, and the treatment and shipment of the products thereof by or under authority of the Government, its lessees, or permittees, and for other public purposes.

(b) The right to lease, sell, or otherwise dispose of the surface of the lands or any part thereof under existing law or laws hereafter enacted, so far as the surface is not necessary for the use of the lessee in the mining and removal of the leased minerals therein, and to lease other leasable mineral deposits in the lands.

(c) To the lessor, its contractors, successors and assigns, the prior right to use any of the lands herein leased for any works constructed by or for the United States, and also the right to extract and remove construction materials from the area without any payment made by the lessor or its successors for such right. In carrying out the mining operations contemplated hereunder, lessee will by means of substantial dikes, or other adequate structures, confine all tailings, debris, and harmful chemicals in such manner that the same shall not be carried into the waters of Lake Mead or Lake Mohave by storm waters or otherwise. The lessee agrees that the lessor, its officers, agents and employees, and its contractors, successors and assigns, shall not be held liable for any damage to the improvements or workings of the lessee resulting from the construction, operation, or maintenance of any of the works of the United States.

## Sec. 2. The lessee in consideration of the lease of the rights and privileges aforesaid hereby agrees:

(a) To commence mining within six (6) months from the date hereof. To mine and dispose of the minerals with reas-

nable diligence, and, beginning with the second year of the lease, except when operations are interrupted by strikes, elements, or casualties not attributed to the lessee or unless operations are suspended under the authority of the Secretary of the Interior, to mine and produce each year minerals from the leased area, to yield a royalty to the United States of not less than one dollar (\$1) per acre or to pay such a minimum royalty if the value of production be insufficient for that purpose.

(b) To furnish and maintain a bond in the sum of **\$2,000** conditioned upon compliance with the terms and provisions of this lease.

(c) To pay the lessor in advance prior to production for each acre, or fraction thereof, a rental of **25** cents for each lease year beginning on the first day of the month in which the lease issues.

(d) To pay a royalty of **5** percentum of the gross value of the minerals mined, other than uranium, and that the royalty rate of the production of uranium and associated minerals be according to attached "Percentage Royalty Schedule", such royalty to be paid quarterly. Unless otherwise directed by the Secretary of the Interior, to make rental payments to the lessor to the order of the Bureau of Land Management at the proper Land Office, as set forth in 43 CFR 3212.4(b), except that rentals and royalties on producing leases are to be paid to the United States Geological Survey in accordance with 43 CFR 3102.2(b) by remittance made payable to Geological Survey.

(h) This lease is subject to the provisions of Executive Order No. 11246 of September 24, 1965, which sets forth the nondiscrimination clauses. A copy of this order may be obtained from the signing officer.

Sec. 3. This lease is made subject to the following provisions, which the lessee accepts and covenants faithfully to perform and observe, unless the laws of the State where the leased land or deposits are situated otherwise provide, in which case such State laws control.

(a) The lessee shall carry out and observe regulations prescribed by the Secretary of the Interior and in force at the date hereof relative to: (1) reasonable diligence, skill, and care in the operation of said property in accordance with approved methods and practices; (2) the prevention of undue waste; and (3) the safety and welfare of miners.

(b) The lessee shall not occupy or use any of the surface of the leased land except to the extent that such occupancy and use is reasonably necessary to the mining and removal of the minerals from the leased premises.

(c) The lessee shall not destroy or disturb any vegetation, except where necessary to mine and remove the minerals.

(d) The lessee shall conduct operations in such manner so as not to contaminate the waters of Lake Mead or Lake Mohave through dumping, drainage, or otherwise.

(e) The lessee shall not erect any structures or open or construct any road or vehicle trail without first obtaining written permission from an authorized officer or employee of the National Park Service.

Sec. 4. And the lessee also expressly agrees that all mining and related operations shall be subject to the inspection of authorized representatives of the lessor, and that such representatives may at all times enter into and upon the leased lands and survey and examine same and all surface and underground improvements, works, machinery, equipment, and operations.

(a) And also shall permit the lessor to examine all books and records pertaining to operations under this lease and to make copies of and extracts from any or all of same, if desired.

(b) And also shall, at the termination of this lease, as the result of forfeiture thereof, deliver up to the lessor the lands covered thereby, including all fixtures, machinery, improvements, and appurtenances, other than strictly personal property, situate on any of said lands, in good order and condition, so as to permit immediate continued operation to the full extent and capacity of the leased premises.

Sec. 5. It is further mutually understood and agreed as follows:

(a) That the lessor may, in writing, waive any breach of the covenants and conditions contained herein, except such as are required by the Act, but any such waiver shall extend only to the particular breach so waived and shall not limit the rights of the lessor with respect to any future breach; nor shall the waiver of a particular cause of forfeiture prevent cancellation of this lease for any other cause, or for the same cause occurring at another time.

(b) The lessee may, on consent of the lessor first had and obtained, surrender and terminate this lease upon payment of all rents, royalties, and other debts due and payable to the

satisfactory showing that the public interest will not be impaired and the lessee may, with like consent, surrender any legal subdivision of the area included within the lease; but in no case shall such termination be effective until the lessee shall have made provision for the preservation of any mines or productive works or permanent improvements on the lands covered hereby.

(c) If the lessee shall fail to comply with the provisions of the Act or make default in the performance or observance of any of the terms, covenants, and stipulations hereof, or in the general regulations promulgated and in force at date hereof, the lessor may institute appropriate proceedings in the United States District Court for the District in which the property or some part thereof is located, for the forfeiture and cancellation of this lease, but this provision shall not be construed as depriving the lessor of any legal or equitable remedy which the lessor might otherwise have.

(d) That on the termination of this lease, pursuant to (5b) hereof, the lessor, its agent, licensee, or other lessee shall have the exclusive right at the lessor's election, to purchase at any time within six (6) months, at the appraised value thereof, all buildings, machinery, equipment, and tools, placed by the lessee in or on the land leased hereunder, save and except all underground timbering, and such other supports and structures as are necessary for the preservation of the mine, which shall be and remain a part of the realty without further consideration or compensation; that the purchase price to be paid for said buildings, machinery, equipment, and tools to be purchased as aforesaid, shall be fixed by appraisal of three (3) disinterested and competent persons (one to be designated by each party hereto and the third by the two so designated), the valuation of the three (3) or a majority of them to be conclusive; that pending such election to purchase within said period of six (6) months none of said buildings or other property shall be removed from their normal position; that if such valuation be not requested, or the lessor shall affirmatively elect not to purchase within said period of six (6) months, the lessee shall have the privilege of removing said buildings and other property, except said timbering and other supports and structures, as are necessary for the preservation of the mine, as aforesaid.

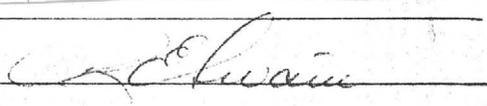
Sec. 6. It is further covenanted and agreed that, should the lessee fail to take prompt and necessary steps to prevent loss or damage to the mine, property, or premises, or danger to the employees, the lessor may enter on the premises and take such measures as may be deemed necessary to prevent such loss or damage or to correct the dangerous or unsafe condition of the mine or works thereof, which shall be at the expense of the lessee.

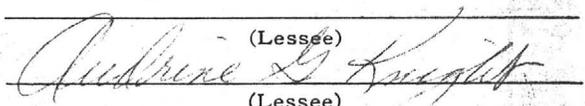
Sec. 7. It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 8. It is also further agreed that no Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, shall be admitted to any share or part in this lease, or derive any benefit that may arise therefrom, and the provisions of Section 3741 of the Revised Statutes (41 U.S.C. Sec. 22) and (18 U.S.C. Secs. 431-433) relating to contracts entered into by

Sec. 9

Lessee shall submit plans with maps of all proposed surface operations, including location of drill holes, pits, dumps, etc. for the approval of the Superintendent or other authorized official of the National Park Service. No such operations shall begin without the written approval of such official. Unauthorized bulldozer and surface stripping is expressly prohibited under this lease. The above does not in any respect relieve the lessee of compliance with the applicable operating regulations of the U. S. Geological Survey.



  
(Lessee)  
(Lessee)

Percentage Royalty Schedule

| <u>Mine Value Per Dry Ton</u> | <u>Royalty Percentage of Mine Value Per Dry Ton</u> |
|-------------------------------|---|
| \$ 0.01 to \$ 7.50            | 31%   |
| \$ 7.50 to \$ 14.00           | 5%  |
| \$ 14.00 to \$ 20.01          | 11%   |
| \$ 20.01 to \$ 30.01          | 12%   |
| \$ 30.01 to \$ 40.01          | 13%   |
| \$ 40.01 to \$ 50.01          | 14%   |
| \$ 50.01 to \$ 60.01          | 15%   |
| \$ 60.01 to \$ 70.01          | 16%   |
| \$ 70.01 to \$ 80.01          | 17%   |
| \$ 80.01 to \$ 90.01          | 18%   |
| \$ 90.01 to \$100.01          | 19%   |
| \$100.01 or more              | 20%   |

"MINE VALUE PER DRY TON", wherever used herein is hereby defined as the dollar value per dry ton of crude ores at the mine as paid for by the Atomic Energy Commission or other government authorized agency before allowance for transportation and development; however, if the government at any time hereafter does not establish and pay for said ores on a fixed or scheduled dollar value per dry ton of crude ores at the mine, or said ores contain saleable minerals, cement, or all, of which are disposed of to a custom treatment plant or smelter for treatment, and sale, that mine value per dry ton shall be the gross value per dry ton of said crude ore as paid for by the Atomic Energy Commission or other government authorized agency mill or other buyer, less any allowances or reimbursements for the following specific items: (1) transportation of ores (2) allowances for exploration for, or development of ores and (3) treatment or beneficiation of ores; which specific items shall in such event be deducted from the gross sales price received from the metal content of said ores by the seller before said percentage royalty is calculated and paid. Such payments shall be made on or before the fifteenth (15th) day of the month next following receipt by lessee of payment for said ores, together with a statement of the mine value of said ores and the amount of royalty due on each lot shipped and sold.

*AGK*

W035576

Title 43—PUBLIC LANDS:  
INTERIOR

Chapter II—Bureau of Land Management, Department of the Interior  
SUBCHAPTER C—MINERALS MANAGEMENT  
(3000)

[Circular No. 2200]

PART 3326—FACTS CONCERNING  
LIMITED AREAS

Subpart 3326—Leases for Minerals in  
Lands Withdrawn for Reclamation  
Purposes Within Lake Mead Rec-  
reation Area

MINERAL LEASING

1. Section 3326.0-3 is amended to read as follows:

§ 3326.0-3 Authority to lease; description of area.

(a) The Act of October 8, 1964 (78 Stat. 1039; 16 U.S.C. 460n) provides for mineral leasing within the Lake Mead Recreation Area, subject to such limitations, conditions, or regulations as the Secretary may prescribe, and to such extent as will not be inconsistent with either the recreational use or the primary use of that portion of the area heretofore withdrawn for reclamation purposes.

(b) The area subject to the regulations in this part is that area of land and water which is shown on a certain map identified as "boundary map, RA-LM-7060-B, revised July 17, 1963," which is on file and which is available for public inspection in the office of the Director of the National Park Service and in the headquarters office of the superintendent of the Lake Mead National Recreation Area. The area subject to these regulations may be revised by the Secretary as authorized in the act.

2. Section 3326.1 is amended to read as follows:

§ 3326.1 Other regulations applicable.

Except as otherwise specifically provided in Subpart 3326, the regulations contained in Parts 3100 and 3150 of this title and in 30 CFR Part 211 shall govern the leasing of mineral deposits which are presently subject to location under the general mining laws. However, mineral deposits of coal, oil, gas, phosphate, potassium, and sodium shall be governed by regulations issued under the Acts of February 25, 1920 (41 Stat. 437; 30 U.S.C. 181), as amended, and February 27, 1927 (44 Stat. 1057; 30 U.S.C. 281), as amended, to which group 3100 is specifically applicable.

§ 3326.8 [Revoked]

3. Section 3326.8 is repealed.

STEWART L. UDALL,  
*Secretary of the Interior.*

SEPTEMBER 22, 1965.

[F.R. Doc. 65-10304; Filed, Sept. 23, 1965;  
8:45 a.m.]

Published in 30 F.R. 12391, September 29, 1965 - Effective upon publication.

Circular Distribution List

## § 3326.2 Leasing units.

Leasing units may not exceed 640 acres consisting of legal subdivisions of the lands if surveyed, in reasonably compact form or, if the lands are not surveyed, of a square or rectangular area with north and south and east and west boundaries so as to approximate legal subdivisions described by metes and bounds connected to a corner of the public survey by courses and distances. The officer issuing any lease may prescribe a lesser area for any mineral deposit if the Geological Survey reports that such lesser area is adequate for an economic mining operation.

## § 3326.3 Royalties, rentals and minimum royalties.

(a) The rate of royalty shall be fixed prior to the issuance of the lease but in no event shall it be less than 2 percent of the amount or value of the minerals mined.

(b) Rentals shall not be less than 25 cents per acre payable annually until production is obtained.

(c) After production is obtained the lessee must pay a minimum royalty of \$1 per acre.

## § 3326.4 Applications and qualifications.

## § 3326.4-1 Qualifications of applicants.

Leases may issue to (a) citizens of the United States, (b) associations of such citizens and (c) corporations organized under the laws of the United States or of any State or Territory thereof.

## § 3326.4-2 Applications.

An applicant must give his name and address and citizenship qualifications in the manner prescribed in § 3132.2, describe the land for which a lease is desired in terms of legal subdivisions if surveyed, otherwise by metes and bounds and state the kind of mineral for which a lease is desired. The applicant must also give the reasons why he believes the mineral sought to be leased can be developed in the land in paying quantities and furnish such facts as are available to him respecting the known occurrence of the mineral in the land, the character of such occurrence and its probable worth as evidencing the existence of a workable deposit of such mineral. Each application must be accompanied by a filing fee of \$10 which will not be returnable.

## § 3326.5 Leases.

## § 3326.5-1 Term of lease.

Leases will be issued for a period of 5 years and any lease in good standing will be subject to renewal for successive 5-year terms on such reasonable terms as may be prescribed by the Secretary of the Interior at the time of any such renewal upon application filed within 90 days prior to the termination of the lease term for which renewal is sought unless otherwise provided by law or unless the land has been restored from the withdrawal at the expiration of such term.

## § 3326.5-2 Lease terms and conditions.

Each lease will contain provisions for the following: Diligent development of the leased property except when operations are interrupted by strikes, the elements, or casualties not attributable to the lessee unless operations are suspended upon a showing that the lease cannot be operated except at a loss because of unfavorable market conditions; occupation and use of the surface of the claim shall be restricted to such as is reasonably necessary to the exploration, development and extraction of the leased minerals. No vegetation will be destroyed or disturbed except where necessary to mine and remove the minerals; lessee shall not conduct operations in such a manner as to contaminate the waters of Lake Mead or Lake Mohave through dumping, drainage or otherwise. Lessee shall not erect any structures or open or construct roads or vehicle trails without first obtaining written permission from an authorized officer or employee of the National Park Service. The permit for a road or trail may be conditioned upon the permittee's maintaining the road or trail in passable condition, satisfactory to the officer in charge of the area so long as it is used by the permittee or his successor. The right is reserved to insert other terms in the lease when deemed necessary for the protection of the surface, its resources and use for recreation.

## § 3326.5-3 Leases by competitive bidding.

The right is reserved to offer competitively a lease for any land applied for under this part if, in the judgment of the State Director, there is evidence of a competitive interest in the land, or if the Geological Survey finds that the

land contains a deposit in paying quantities of the mineral to be leased.

§ 3326.6 Excepted areas.

Minerals deposits and materials in the following areas shall not be open to disposal under the provisions of this part:

(a) All lands within 200 feet of the center line of any public road, or within 200 feet of any public utility including, but not limited to, electric transmission lines, telephone lines, pipe lines, and railroads.

(b) All land within the smallest legal subdivision of the public land surveys containing a spring or water hole, or within one-quarter of a mile thereof on unsurveyed public land.

(c) All land within 300 feet of Lake Mead or Lake Mohave, measured horizontally from the shore line at maximum water surface elevation and all lands within the area of supervision of the Bureau of Reclamation around Hoover and Davis Dams as shown on the map of the Lake Mead National Recreation Area, (NRA—L. M. 2291).

(d) All land within any developed and/or concentrated public use area or other area of outstanding recreation significance as designated by the Superintendent on the map, (NRA—L. M. 2297), of Lake Mead National Recreation Area which will be available for inspection in the office of the Superintendent.

§ 3326.7 Disposal of materials.

Materials within the public lands covered by the regulations in this part which are not subject to lease hereunder shall be subject to disposal under the Materials Act of July 31, 1947 (61 Stat. 681; 43 U.S.C. 1185), as amended, subject to the conditions and limitations on occupancy and operations prescribed for leases in this part.

§ 3326.8 Distribution of proceeds.

All receipts derived from permits or leases issued under this subpart will be deposited by the Bureau of Land Management into the same funds or accounts in the Treasury for distribution in the same manner as prescribed as to national forest land for other national forest revenue by 16 U.S.C., sections 499, 500 and 501 and as prescribed as to reclamation land for other reclamation revenue by 43 U.S.C., section 394.

*Civ. 2200  
Dep. of Land  
Mgmt. 9-1-47-10*

PART 3300—OUTER CONTINENTAL SHELF MINERAL DEPOSITS

Subpart 3300—Outer Continental Shelf Mineral Deposits; General

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| 3300.0-3 | Authority.  |
| 3300.1   | Persons qualified to hold leases.                           |
| 3300.2   | Leasing maps.   |
| 3300.3   | Helium.   |
| 3300.4   | Payments of filing charges, bonuses, rentals and royalties. |

Subpart 3301—Cooperative Conservation Provisions

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| 3301.2 | Application for approval of unit plan.        |
| 3301.3 | Pooling or drilling agreements.               |
| 3301.4 | Subsurface storage of oil or gas.             |
| 3301.5 | Directional drilling.                         |

Subpart 3302—Issuance of Leases

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| 3302.2 | Extension of leases by drilling or well reworking operations. |
| 3302.3 | Notice of lease offer.  |
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| 3302.5 | Award of lease.   |
| 3302.6 | Form.   |
| 3302.7 | Dating of leases.   |

Subpart 3303—Rentals and Royalties

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| 3303.2 | Royalties.  |
| 3303.3 | Minimum royalty.  |
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| 3303.5 | Suspension of operations and production; royalty and rental relief. |

Subpart 3304—Bonds

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| 3304.1 | Amount of bond required of lessee. |
| 3304.2 | Form of bond.                      |

Subpart 3305—Assignments or Transfers

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| 3305.2 | Requirements for filing of transfers.                                 |
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Subpart 3306—Termination of Leases

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| 3306.1 | Relinquishment of leases or parts of leases. |
| 3306.2 | Cancellation of leases.                      |

Subpart 3307—Mineral Deposits Affected by Section 6 of Outer Continental Shelf Lands Act

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| 3307.1 | Effect of regulations on provisions of lease. |
|--------|---|