



## **CONTACT INFORMATION**

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Arizona Department of Mines and Mineral Resources Mining Collection

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05/15/91

ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES FILE DATA

PRIMARY NAME: AQUARIUS XXV

ALTERNATE NAMES:

MOHAVE COUNTY MILS NUMBER: 857

LOCATION: TOWNSHIP 18 N RANGE 13 W SECTION 25 QUARTER NW  
LATITUDE: N 34DEG 54MIN 49SEC LONGITUDE: W 113DEG 37MIN 46SEC  
TOPO MAP NAME: TOM BROWN CANYON - 7.5 MIN

CURRENT STATUS: OTHER

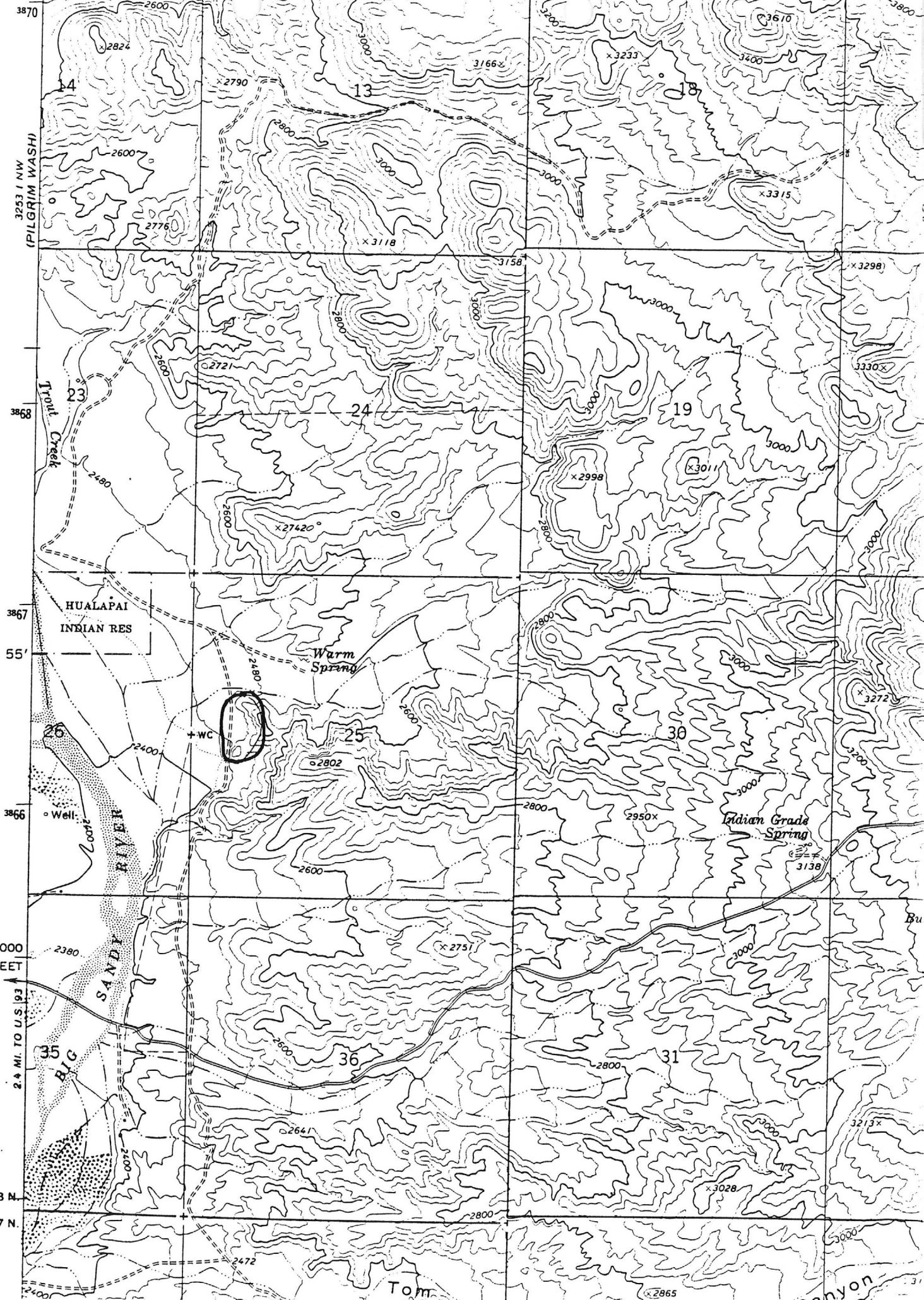
COMMODITY:  
UNKNOWN

BIBLIOGRAPHY:

ADMMR AQUARIUS XXV FILE

*Company card - U. S. Power & Systems*

3253 (NW  
(PILGRIM WASH)



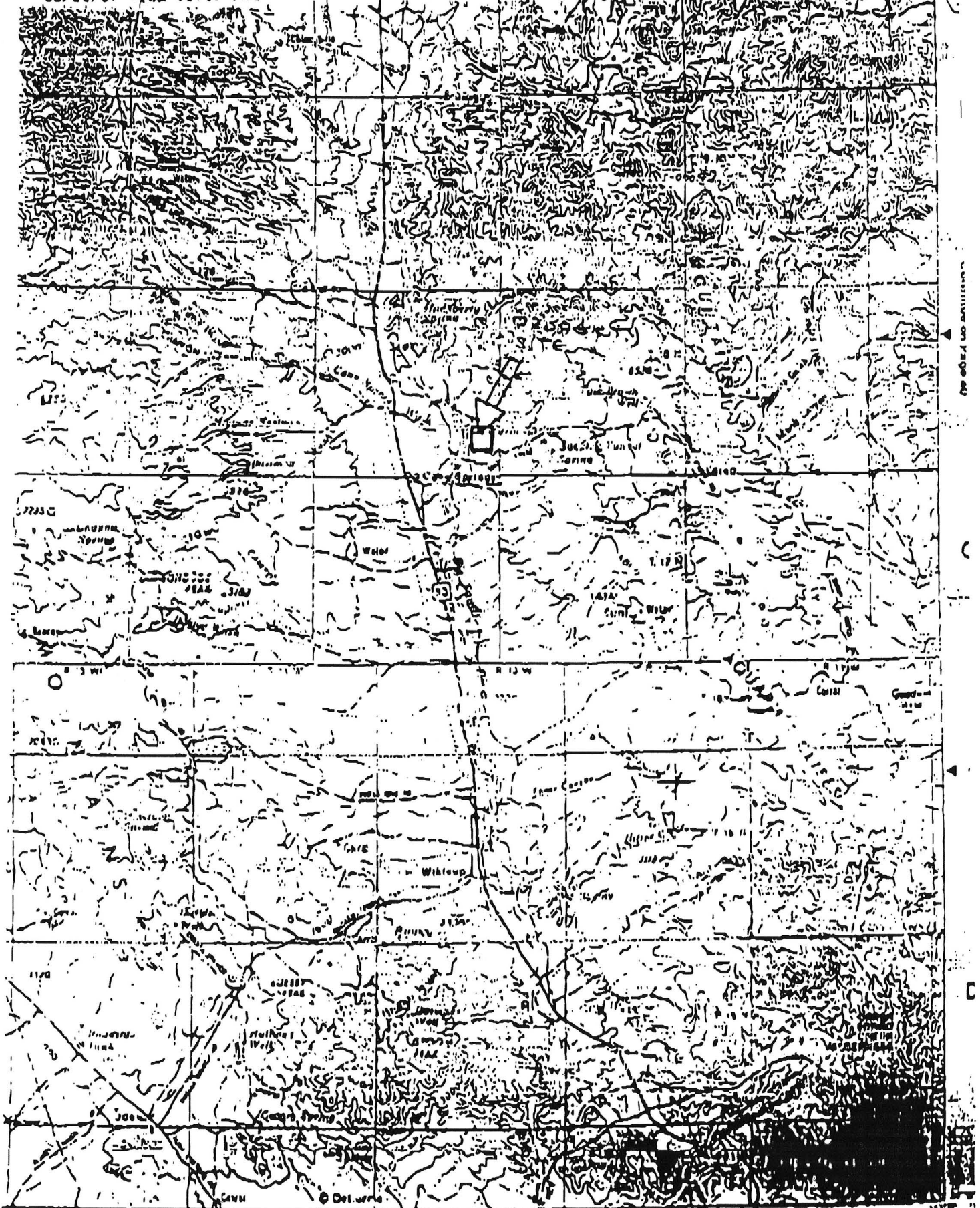
R13W

(60.) 255-3777

AQUARIUS XXV F1 MURKUE

REAL NIEWMETH 0002

06/24/07 TUE 09:43 FAX



MILL LOCATION FROM ADEQ APPLICATION Sec 25, T18N, R13W



NEWS RELEASE US Power Systems, Inc.

Scottsdale, Arizona July 8, 1998

US POWER SYSTEMS, INC. announced today that its wholly owned subsidiary, AQUARIUS MINERALS, INC. has successfully obtained the necessary funding from their major investors to construct a precious metals processing facility at the Aquarius XXV site near Wikieup, Arizona. A line of credit of up to one million dollars (\$1,000,000.00) has been established and equipment for this project is now being procured.

AQUARIUS MINERALS, INC., also has obtained all necessary environmental permits from the Arizona Department of Environmental Quality for the construction and operation of the metal processing plant. Waivers have also been received for the Water Quality Permits from ADEQ and the Army Corps of Engineers. Construction of the facility is expected to commence in July 1998 and to be completed and operational sometime during the fourth quarter of 1998.

US POWER SYSTEMS, INC. has approximately 600 acres of leased mineral property at the Aquarius XXV site that has been extensively assayed to verify the precious metal content of the complex ores on the property. In 1994 a drilling program was completed which confirmed that a commercial size deposit is available for a profitable mining operation.

AQUARIUS MINERALS, INC. conducted an extensive testing program during 1997 to demonstrate that the process for the recovery of precious metals is both repeatable and profitable. Precious metals from six separate tests were sent to four independent commercial refiners to validate the precious metal recovery and to confirm the AQUARIUS MINERALS assay programs.

US POWER SYSTEMS, INC. has legal action pending against a Phoenix sand and gravel company for the unauthorized removal of ore from the Aquarius XXV site. The court has ruled in our favor and granted a summary judgment with a permanent cease and desist injunction against any further ore removal by the defendant. This case is pending in an appeal and the court has not determined the damage due US POWER SYSTEMS, INC.

Plans are being made for a shareholders meeting to be conducted sometime during the first quarter of 1999, which will be announced in a subsequent newsletter.

US POWER SYSTEMS, INC. IS A PUBLICALLY TRADED COMPANY ON THE OTC BULLETIN BOARD, SYMBOL USPS

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So - please forgive any seemingly wrong implications. I'm doing the best I can, and I haven't been on this thread for many months, because it was too frustrating to listen to all the bickering and lies and bramble.

I am begging you - those of you who actually seek the TRUTH. I am not out to destroy IPM. I am trying to help all the stockholders who, like myself, have been deeply hurt financially because of the lies and slanders of Coggins and others in league with him. Please help us get the national attention we need to make known what is going on. It is or at least should be against the law for those in governmental positions to destroy small businesses. If you don't help us, then who will? And even if you still think that I'm one of the 'bad guys' it still won't hurt you (or your stock holdings) to send your letter of explanation / complaint to John Cathcart to show your support for this lawsuit. These letters are for the purpose of helping show how many people have been hurt and finances destroyed by unscrupulous people in government positions. That is all. Not to be used against IPM, but to hopefully help get the company back on track, and give them a weapon to use to fight AZDOM.

If the 'good guys' out there can't and won't help us, then we just may as well throw the whole thing out the window. (Which is exactly what thall and mm and others want) Don't let them win!!!

John is personally willing to spend his own money to further this cause. Can any of you find enough bravery in your hearts to help with mere words?

Ally

mailto:cathcart@accessus.net

To: Richard Mazzearella (6567 )  
From: Geoffrey J. Hay Thursday, Jul 9 1998 2:48PM ET  
Reply # of 6574

USPS just got funding for a 1million \$ line of credit to establish a new processing plant. Its up 17% for the day. I believe this is part of the news.

To: +Geoffrey J. Hay (632 )  
From: +Lee Bush  
Thursday, Jul 9 1998 2:28PM ET  
Reply # of 633

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Lee

NBMG Special Publication 22

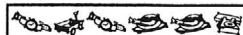
Gold from Water (And Other Mining Scams)

by Paul Lechler, Chief Geochemist

Investors lose \$2 billion as mining-stock price plummets on news that Indonesian gold ore contains no gold! The Canadian mining company Bre-X successfully attracted a range of investors, from unsophisticated individuals to savvy mining professionals, to invest in its Busang gold prospect, claimed to be the largest discovery of gold in history. After years of successful promotion, the truth about this worthless property slowly emerged early in 1997 and drove Bre-X stock prices nearly to zero. The boldness, sophistication, and magnitude of this scam is almost unbelievable, dramatically eclipsing previous schemes like this. It is the largest case on record, but only one of many such mining scams, both large and small, apparently unintentional or boldly deceitful, perpetrated on investors over the centuries.

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Mining, when entered by a novice, can be a dangerous place to invest one's money. Mark Twain said, "A mine is a hole in the ground owned by liars." Mark Twain spent a number of years on the Comstock lode in Virginia City, Nevada, and through repeated experience, knew what he was talking about. Mining is a thoroughly respectable business, but the unwary investor can be duped by con artists.



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Tuesday September 11, 8:31 am Eastern Time

**Press Release***SOURCE: Global Platinum + Gold, Inc.***Global Platinum + Gold, Inc. Announces Joint Venture With U.S. Power Systems, Inc.**SALT LAKE CITY, Sept. 11 /PRNewswire/ -- The following is being issued by Global Platinum + Gold, Inc. (OTC: [GPGI](#) - [news](#)):

Global is pleased to announce that it has entered into a Joint Venture with U.S. Power Systems, Inc. (OTC: [USPS](#) - [news](#)) of Peoria, AZ, for the development of the Hassayampa property, located near Buckeye, AZ, utilizing a proprietary process owned by Global for the recovery of platinum group metals. The Agreement provides for a 50/50 split of all profits and losses and appoints USPS as the Operator of the property. It is the intention of the parties to bring the property into full production as soon as an Aquifer Protection Permit can be obtained from the Arizona Department of Environmental Quality. A majority of the items required for the Application have been completed, and the Joint Venture intends to request a No-Discharge exemption to operate on a limited scale (approx. 10 tons per week) while the Application is being considered.

Pro forma data regarding production potential of "platinum only" for the Joint Venture follows below, which does not account for any revenue associated with the recovery of the gold, palladium or rhodium content of the Hassayampa ore. Once those values are quantified, the following presentation may be enhanced in a material fashion.

PRO FORMA  
USPS/GPGI J V  
Production Projections

| INCOME from PRODUCTION            | START UP<br>5 Day week | 50 Ton per<br>Day | 100 Ton per<br>Day |
|-----------------------------------|------------------------|-------------------|--------------------|
|                                   |                        | 7 Day week        | 7 Day week         |
| Production in Oz.                 | 4,368 Oz.              | 152,800 Oz.       | 395,760 Oz.        |
| Yearly Sales Platinum @ \$450 Oz. | \$1,965,600            | \$68,796,000      | \$137,592,000      |
| Less: Refining                    | \$(61,152)             | \$(2,140,200)     | \$(4,281,640)      |
| Shipping                          | \$(13,000)             | \$(47,750)        | \$(95,550)         |
| NET SALES                         | \$1,891,448            | \$66,608,050      | \$133,214,810      |
| PROCESSING COSTS:                 |                        |                   |                    |
| Mortgage Payment                  | \$36,000               | \$63,000          | \$180,000          |
| Labor                             | \$40,580               | \$184,200         | \$559,104          |
| Management & Administration       | \$275,000              | \$300,000         | \$1,500,000        |
| Payroll Taxes                     | \$62,818               | \$90,366          | \$176,593          |
| Chemicals                         | \$150,280              | \$5,259,800       | \$10,519,600       |
| Diesel Fuel                       | \$8,000                | \$36,500          | \$36,500           |
| Propane                           | \$3,000                | \$6,000           | \$12,000           |

|                      |          |          |           |
|----------------------|----------|----------|-----------|
| Water services       | \$2,600  | \$2,600  | \$5,200   |
| Repair & Maintenance | \$10,000 | \$10,000 | \$25,000  |
| Equipment Rental     | \$2,000  | \$3,000  | \$3,000   |
| Truck/Auto Expense   | \$12,000 | \$16,000 | \$35,000  |
| Chemical Transport   | \$10,400 | \$10,000 | \$10,000  |
| Phone                | \$2,500  | \$3,000  | \$5,000   |
| Accounting           | \$6,000  | \$7,500  | \$25,000  |
| Office Supplies      | \$1,000  | \$4,000  | \$7,500   |
| Lab Supplies         | \$15,000 | \$12,000 | \$15,000  |
| ADEQ Permitting      | \$25,000 | \$2,500  | \$2,500   |
| Contingency (3%)     | \$17,697 | \$17,999 | \$393,270 |

|                           |           |             |              |
|---------------------------|-----------|-------------|--------------|
| Total Projected Expenses: | \$679,875 | \$6,028,465 | \$13,510,267 |
|---------------------------|-----------|-------------|--------------|

|                      |             |              |               |
|----------------------|-------------|--------------|---------------|
| NET INCOME (Pre-Tax) | \$1,211,573 | \$60,579,555 | \$119,704,543 |
|----------------------|-------------|--------------|---------------|

|                        |                    |                    |                    |
|------------------------|--------------------|--------------------|--------------------|
|                        | 200 Ton per<br>Day | 300 Ton per<br>Day | 500 Ton per<br>Day |
| INCOME from PRODUCTION | 7 Day week         | 7 Day week         | 7 Day week         |

|                   |             |             |               |
|-------------------|-------------|-------------|---------------|
| Production in Oz. | 611,520 Oz. | 917,280 Oz. | 1,528,800 Oz. |
|-------------------|-------------|-------------|---------------|

Yearly Sales Platinum @

|                |               |                |                |
|----------------|---------------|----------------|----------------|
| \$450 Oz.      | \$275,184,000 | \$412,776,000  | \$687,960,000  |
| Less: Refining | \$(856,280)   | \$(12,842,920) | \$(21,404,200) |
| Shipping       | \$(191,100)   | \$(286,650)    | \$(477,750)    |

|           |               |               |               |
|-----------|---------------|---------------|---------------|
| NET SALES | \$274,136,620 | \$399,646,430 | \$666,078,050 |
|-----------|---------------|---------------|---------------|

#### PROCESSING COSTS:

|                             |              |              |              |
|-----------------------------|--------------|--------------|--------------|
| Mortgage Payment            | \$180,000    | \$180,000    | \$180,000    |
| Labor                       | \$559,104    | \$628,992    | \$663,936    |
| Management & Administration | \$1,500,000  | \$1,600,000  | \$2,000,000  |
| Payroll Taxes               | \$176,593    | \$192,594    | \$208,594    |
| Chemicals                   | \$21,039,200 | \$31,558,800 | \$52,598,000 |
| Diesel Fuel                 | \$36,500     | \$36,500     | \$36,500     |
| Propane                     | \$12,000     | \$12,000     | \$12,000     |
| Water services              | \$5,200      | \$5,200      | \$5,200      |
| Repair & Maintenance        | \$25,000     | \$25,000     | \$30,000     |
| Equipment Rental            | \$3,000      | \$3,000      | \$3,000      |
| Truck/Auto Expense          | \$35,000     | \$35,000     | \$35,000     |
| Chemical Transport          | \$10,000     | \$10,000     | \$10,000     |
| Phone                       | \$5,000      | \$5,000      | \$5,000      |
| Accounting                  | \$25,000     | \$25,000     | \$25,000     |
| Office Supplies             | \$7,500      | \$7,500      | \$10,000     |
| Lab Supplies                | \$20,000     | \$20,000     | \$20,000     |
| ADEQ Permitting             | \$2,500      | \$2,500      | \$2,500      |
| Contingency (3%)            | \$708,978    | \$1,030,262  | \$1,675,266  |

|                           |              |              |              |
|---------------------------|--------------|--------------|--------------|
| Total Projected Expenses: | \$24,350,575 | \$35,377,348 | \$57,519,996 |
|---------------------------|--------------|--------------|--------------|

|                      |               |               |               |
|----------------------|---------------|---------------|---------------|
| NET INCOME (Pre-Tax) | \$249,786,045 | \$364,269,082 | \$608,558,054 |
|----------------------|---------------|---------------|---------------|

note: Start up assumes operating with 0 discharge permit 10 Ton per week

\*8.4 Oz. per ton based on Fischer test

note: Start up assumes operating with 0 discharge permit 10 Ton per week

This communication to shareholders and the public contains certain forward looking statements. Actual results may differ materially from those indicated by such statements. All statements, other than statements of historical fact, included herein, including, without limitation,

statements regarding estimated reserves, estimated future production, and the value thereof, are forward looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

For information contact: Robert J. Nielson 801-277-0744 [www.globalplatinum.com](http://www.globalplatinum.com)

*SOURCE: Global Platinum + Gold, Inc.*

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[Questions or Comments?](#)

# Superior Court of Arizona in Maricopa County



## Case Information

|                       |                         |                     |            |
|-----------------------|-------------------------|---------------------|------------|
| <b>Case Number:</b>   | CV97-04870              | <b>Judge:</b>       | SCHNEIDER  |
| <b>Plaintiff:</b>     | U S POWER SYSTEMS INC   | <b>Case Type:</b>   | CIVIL      |
| <b>Defendant:</b>     | RED MOUNTAIN MINING INC | <b>Filing Date:</b> | 03/17/1997 |
| <b>Defendant DOB:</b> |                         |                     |            |
| <b>Location:</b>      | CENTRAL PHOENIX         |                     |            |

## Party Information - (PROPER means self represented)

| P#  | Name                    | Rel | S | BarID  | Attorney        |
|-----|-------------------------|-----|---|--------|-----------------|
| 001 | U S POWER SYSTEMS INC   | PLA | N | 014400 | WILLIAM F DORAN |
| 002 | RED MOUNTAIN MINING INC | DEF | N | 005910 | D KIM LOUGH     |

## Case Documents

| Filing Date | Description  | Docket Date         |
|-------------|--|---------------------|
| 07/27/2000  | JUDGMENT<br>2 PGS  | P1                  |
| 07/27/2000  | ME: RULING   | 07/31/2000          |
| 07/27/2000  | ME: JUDGMENT SIGNED  | 07/31/2000          |
| 07/19/2000  | ME: ORDER ENTERED BY COURT                                       | 07/21/2000          |
| 07/14/2000  | REPLY  | 07/20/2000 5910 P2  |
|             | IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT RE FAILURE TO DISCLOSE |                     |
| 07/06/2000  | RESPONSE   | 07/12/2000 14400 P1 |
|             | TO DEFS MOTION FOR SUMMARY JUDGMENT                              |                     |
| 06/16/2000  | STATEMENT OF FACTS   | 06/20/2000 5910 P2  |
|             | SEPARATE - IN SUPPORT OF MOTION FOR SUMMARY                      |                     |
| 06/16/2000  | MOTION FOR SUMMARY JUDGMENT                                      | 06/20/2000 5910 P2  |
| 06/14/2000  | MOTION   | 06/17/2000 5910 P2  |
|             | FOR JUDGMENT ON MANDATE  |                     |
| 06/09/2000  | MOTION FOR SUMMARY JUDGMENT                                      | 06/17/2000 5910 P2  |
| 06/09/2000  | STATEMENT OF FACTS   | 06/16/2000 5910 P2  |
|             | IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT OF RED MOUNTAIN MINING |                     |
| 03/13/2000  | LIST OF WITNESSES/EXH/EVIDENCE                                   | 03/20/2000 14400 P1 |
| 03/08/2000  | LIST OF WITNESSES/EXH/EVIDENCE                                   | 03/18/2000 5910 P2  |
| 03/07/2000  | ME: TRIAL SETTING  | 03/09/2000          |
| 02/02/2000  | ME: CONFERENCE RESET/CONT  | 02/08/2000          |
| 01/12/2000  | ME: PRETRIAL CONFERENCE SET                                      | 01/13/2000          |
| 09/17/1999  | NOT SERVICE RE 26.1 DISCLOSURE                                   | 09/22/1999 5910 P2  |
|             | SECOND SUPPLEMENTAL  |                     |
| 08/23/1999  | ME: CASE CONTD INACTIVE CAL                                      | 08/26/1999          |
| 08/11/1999  | LIST OF WITNESSES/EXH/EVIDENCE                                   | 08/13/1999 5910 P2  |
|             | SUPPLEMENTAL   |                     |
| 07/08/1999  | ME: PRETRIAL CONFERENCE SET                                      | 07/16/1999          |
| 07/06/1999  | ME: CASE REASSIGNED  | 07/14/1999          |
| 06/21/1999  | ORDER OF MANDATE   | 06/21/1999 C        |
|             | & ORDER/REVERSED & REMANDED                                      |                     |
| 06/21/1999  | APPEALS LETTER OF TRANSMITTAL                                    | 06/21/1999 C        |
| 06/17/1999  | TRANSCRIPT OF PROCEEDINGS  | 06/23/1999 C        |
|             | 4-10-98  |                     |
| 01/29/1999  | TRANSMITTAL  | 02/03/1999 C        |
|             | RECEIPT  |                     |
| 01/26/1999  | COURT OF APPEALS ORDER   | 01/26/1999 C        |
|             | TRANSMIT ORIGINAL RECORD ON APPEAL W/IN 15 DAYS                  |                     |
| 08/03/1998  | NOTICE   | 08/06/1998 C        |
|             | THE APPELLANTS FILING FEE WAS PAID 7-30-98                       |                     |
| 07/24/1998  | COURT OF APPEALS RECEIPT   | 08/04/1998 C        |
| 07/21/1998  | APPEALS INDEX  | 07/27/1998 C        |
| 07/10/1998  | ORDER  | 07/16/1998 1660 P2  |
|             | COUNSEL FOR DEF AUTHORIZED TO WITHDRAW AS ATTORNEY               |                     |
| 07/10/1998  | AFFIDAVIT OF SERVICE   | 07/15/1998 15710 P2 |
| 07/08/1998  | NOTICE OF APPEARANCE   | 07/13/1998 5910 P2  |
| 07/06/1998  | NOTICE   | 07/10/1998 15710 P2 |
|             | OF SUBSTITUTION OF COUNSEL                                       |                     |
| 06/30/1998  | MOTION   | 07/01/1998 1660 P2  |
|             | TO WITHDRAWAL AS COUNSEL WITH CONSENT                            |                     |
| 06/11/1998  | NOTICE OF DEPOSIT WITH COURT                                     | 06/17/1998 C        |
|             | FROM P2 \$500.00 FOR APPEAL                                      |                     |



|            |   |                     |
|------------|---|---------------------|
| 06/11/1998 | NOTICE<br>OF POSTING CASH BOND ON APPEAL                  | 06/17/1998 1660 .   |
| 06/11/1998 | NOTICE OF APPEAL  | 06/16/1998 001660 P |
| 06/02/1998 | LETTER  | 06/05/1998 C        |
| 05/28/1998 | JUDGMENT AND ORDER<br>4 PGS                               | P2                  |
| 04/23/1998 | ME: TRIAL VACATED   | 04/27/1998          |
| 04/21/1998 | MOTION<br>TO STRIKE TRIAL ORAL ARGUMENT REQUESTED         | 04/23/1998 1660 P2  |
| 04/21/1998 | MOTION<br>TO ACCELERATE HEARING ON MOTION TO STRIKE TRIAL | 04/23/1998 1660 P2  |
| 04/13/1998 | ME: RULING  | 04/15/1998          |
| 03/16/1998 | RESPONSE<br>TO MOTION FOR SUMMARY JUDGMENT                | 03/18/1998 1660 P2  |
| 03/16/1998 | CONTROVERTING CERTIFICATE<br>SEPARATE STATEMENT OF FACTS  | 03/18/1998 1660 P2  |
| 02/26/1998 | ME: ORAL ARGUMENT SET                                     | 03/02/1998          |
| 02/24/1998 | MOTION FOR SUMMARY JUDGMENT                               | 02/25/1998 14400 P1 |
| 11/24/1997 | ME: TRIAL SETTING   | 12/01/1997          |
| 11/12/1997 | MOTION TO SET & CERT READINESS                            | 11/17/1997 14400 P1 |
| 10/30/1997 | MOTION TO SET & CERT READINESS                            | 10/31/1997 1660 P2  |
| 09/22/1997 | LIST OF WITNESSES/EXH/EVIDENCE                            | 10/01/1997 1660 P2  |
| 09/10/1997 | ORDER<br>FOR SUBSTITUTION OF COUNSEL                      | 09/15/1997 1660 P2  |
| 08/13/1997 | NOTICE<br>OF SUBSTITUTION OF COUNSEL WITH COUNSEL         | 08/15/1997 1660 P2  |
| 06/24/1997 | ORDER<br>TEMPORARY INJUNCTIVE ORDER                       | 06/30/1997 14400 P1 |
| 06/24/1997 | ORDER<br>TEMPORARY RESTRAINING ORDER                      | 06/30/1997 1660 P2  |
| 06/23/1997 | STIPULATION<br>RE TEMP RESTRAINING ORD                    | 07/09/1997 1660 P2  |
| 06/23/1997 | RESPONSE<br>TO PLAINTIFF'S BRIEF                          | 06/26/1997 1660 P2  |
| 04/27/1997 | EXHIBITS WORK SHEET                                       | 03/03/1998 C        |
| 04/22/1997 | ORDER<br>CONT HEARING ON PLA PETITION FOR TRO             | 05/09/1997 1660 P2  |
| 04/17/1997 | STIPULATION<br>TO CONT HEARING                            | 05/06/1997 1660 P2  |
| 04/17/1997 | ME: HEARING   | 04/23/1997          |
| 04/02/1997 | ANSWER  | 04/03/1997 1660 P2  |
| 04/02/1997 | CERT/COMPULSORY ARBITRATION<br>AGREEMENT                  | 04/03/1997 1660 P2  |
| 03/27/1997 | ME: HEARING   | 04/16/1997          |
| 03/21/1997 | SUMMONS & AFFIDAVIT OF SERVICE<br>P2 SERVED 03-18-97      | 04/09/1997 14400 P1 |
| 03/17/1997 | CERT/COMPULSORY ARBITRATION                               | 03/19/1997 14400 P1 |
| 03/17/1997 | COMPLAINT   | 03/19/1997 14400 P1 |

## Case Information

**Case Number:** CV97-04870  
**Plaintiff:** U S POWER SYSTEMS INC  
**Defendant:** RED MOUNTAIN MINING INC  
**Defendant DOB:**  
**Location:** CENTRAL PHOENIX

**Judge:** SCHNEIDER  
**Case Type:** CIVIL  
**Filing Date:** 03/17/1997

Party Information - (PROPER means self represented)

| P#  | Name                    | Rel | S | BarID  | Attorney        |
|-----|-------------------------|-----|---|--------|-----------------|
| 001 | U S POWER SYSTEMS INC   | PLA | N | 014400 | WILLIAM F DORAN |
| 002 | RED MOUNTAIN MINING INC | DEF | N | 005910 | D KIM LOUGH     |

## Case Documents

| Filing Date | Description  | Docket Date         |
|-------------|--|---------------------|
| 07/27/2000  | JUDGMENT<br>2 PGS  | P1                  |
| 07/27/2000  | ME: RULING   | 07/31/2000          |
| 07/27/2000  | ME: JUDGMENT SIGNED  | 07/31/2000          |
| 07/19/2000  | ME: ORDER ENTERED BY COURT   | 07/21/2000          |
| 07/14/2000  | REPLY<br>IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT RE FAILURE TO DISCLOSE              | 07/20/2000 5910 P2  |
| 07/06/2000  | RESPONSE<br>TO DEFS MOTION FOR SUMMARY JUDGMENT  | 07/12/2000 14400 P1 |
| 06/16/2000  | STATEMENT OF FACTS<br>SEPARATE - IN SUPPORT OF MOTION FOR SUMMARY                      | 06/20/2000 5910 P2  |
| 06/16/2000  | MOTION FOR SUMMARY JUDGMENT  | 06/20/2000 5910 P2  |
| 06/14/2000  | MOTION<br>FOR JUDGMENT ON MANDATE  | 06/17/2000 5910 P2  |
| 06/09/2000  | MOTION FOR SUMMARY JUDGMENT  | 06/17/2000 5910 P2  |
| 06/09/2000  | STATEMENT OF FACTS<br>IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT OF RED MOUNTAIN MINING | 06/16/2000 5910 P2  |
| 03/13/2000  | LIST OF WITNESSES/EXH/EVIDENCE   | 03/20/2000 14400 P1 |
| 03/08/2000  | LIST OF WITNESSES/EXH/EVIDENCE   | 03/18/2000 5910 P2  |
| 03/07/2000  | ME: TRIAL SETTING  | 03/09/2000          |
| 02/02/2000  | ME: CONFERENCE RESET/CONT  | 02/08/2000          |
| 01/12/2000  | ME: PRETRIAL CONFERENCE SET  | 01/13/2000          |

## Case Information

|                       |                         |                     |            |
|-----------------------|-------------------------|---------------------|------------|
| <b>Case Number:</b>   | CV97-04870              | <b>Judge:</b>       | SCHNEIDER  |
| <b>Plaintiff:</b>     | U S POWER SYSTEMS INC   | <b>Case Type:</b>   | CIVIL      |
| <b>Defendant:</b>     | RED MOUNTAIN MINING INC | <b>Filing Date:</b> | 03/17/1997 |
| <b>Defendant DOB:</b> |                         |                     |            |
| <b>Location:</b>      | CENTRAL PHOENIX         |                     |            |

## Case Documents

| Filing Date | Description   | Docket Date         |
|-------------|---|---------------------|
| 09/17/1999  | NOT SERVICE RE 26.1 DISCLOSURE<br>SECOND SUPPLEMENTAL                     | 09/22/1999 5910 P2  |
| 08/23/1999  | ME: CASE CONTD INACTIVE CAL   | 08/26/1999          |
| 08/11/1999  | LIST OF WITNESSES/EXH/EVIDENCE<br>SUPPLEMENTAL                            | 08/13/1999 5910 P2  |
| 07/08/1999  | ME: PRETRIAL CONFERENCE SET   | 07/16/1999          |
| 07/06/1999  | ME: CASE REASSIGNED   | 07/14/1999          |
| 06/21/1999  | ORDER OF MANDATE<br>& ORDER/REVERSED & REMANDED                           | 06/21/1999 C        |
| 06/21/1999  | APPEALS LETTER OF TRANSMITTAL   | 06/21/1999 C        |
| 06/17/1999  | TRANSCRIPT OF PROCEEDINGS<br>4-10-98                                      | 06/23/1999 C        |
| 01/29/1999  | TRANSMITTAL<br>RECEIPT  | 02/03/1999 C        |
| 01/26/1999  | COURT OF APPEALS ORDER<br>TRANSMIT ORIGINAL RECORD ON APPEAL W/IN 15 DAYS | 01/26/1999 C        |
| 08/03/1998  | NOTICE<br>THE APPELLANTS FILING FEE WAS PAID 7-30-98                      | 08/06/1998 C        |
| 07/24/1998  | COURT OF APPEALS RECEIPT  | 08/04/1998 C        |
| 07/21/1998  | APPEALS INDEX   | 07/27/1998 C        |
| 07/10/1998  | ORDER<br>COUNSEL FOR DEF AUTHORIZED TO WITHDRAW AS ATTORNEY               | 07/16/1998 1660 P2  |
| 07/10/1998  | AFFIDAVIT OF SERVICE  | 07/15/1998 15710 P2 |



## Case Information

|                       |                         |                     |            |
|-----------------------|-------------------------|---------------------|------------|
| <b>Case Number:</b>   | CV97-04870              | <b>Judge:</b>       | SCHNEIDER  |
| <b>Plaintiff:</b>     | U S POWER SYSTEMS INC   | <b>Case Type:</b>   | CIVIL      |
| <b>Defendant:</b>     | RED MOUNTAIN MINING INC | <b>Filing Date:</b> | 03/17/1997 |
| <b>Defendant DOB:</b> |                         |                     |            |
| <b>Location:</b>      | CENTRAL PHOENIX         |                     |            |

## Case Documents

| Filing Date | Description   | Docket Date          |
|-------------|---|----------------------|
| 07/08/1998  | NOTICE OF APPEARANCE  | 07/13/1998 5910 P2   |
| 07/06/1998  | NOTICE<br>OF SUBSTITUTION OF COUNSEL                        | 07/10/1998 15710 P2  |
| 06/30/1998  | MOTION<br>TO WITHDRAWAL AS COUNSEL WITH CONSENT             | 07/01/1998 1660 P2   |
| 06/11/1998  | NOTICE OF DEPOSIT WITH COURT<br>FROM P2 \$500.00 FOR APPEAL | 06/17/1998 C         |
| 06/11/1998  | NOTICE<br>OF POSTING CASH BOND ON APPEAL                    | 06/17/1998 1660 P2   |
| 06/11/1998  | NOTICE OF APPEAL  | 06/16/1998 001660 P2 |
| 06/02/1998  | LETTER  | 06/05/1998 C         |
| 05/28/1998  | JUDGMENT AND ORDER<br>4 PGS                                 | P2                   |
| 04/23/1998  | ME: TRIAL VACATED   | 04/27/1998           |
| 04/21/1998  | MOTION<br>TO STRIKE TRIAL ORAL ARGUMENT REQUESTED           | 04/23/1998 1660 P2   |
| 04/21/1998  | MOTION<br>TO ACCELERATE HEARING ON MOTION TO STRIKE TRIAL   | 04/23/1998 1660 P2   |
| 04/13/1998  | ME: RULING  | 04/15/1998           |
| 03/16/1998  | RESPONSE<br>TO MOTION FOR SUMMARY JUDGMENT                  | 03/18/1998 1660 P2   |
| 03/16/1998  | CONTROVERTING CERTIFICATE<br>SEPARATE STATEMENT OF FACTS    | 03/18/1998 1660 P2   |



## Case Information

**Case Number:** CV97-04870  
**Plaintiff:** U S POWER SYSTEMS INC  
**Defendant:** RED MOUNTAIN MINING INC  
**Defendant DOB:**  
**Location:** CENTRAL PHOENIX

**Judge:** SCHNEIDER  
**Case Type:** CIVIL  
**Filing Date:** 03/17/1997

## Case Documents

| Filing Date | Description                                       | Docket Date         |
|-------------|---|---------------------|
| 02/26/1998  | ME: ORAL ARGUMENT SET                             | 03/02/1998          |
| 02/24/1998  | MOTION FOR SUMMARY JUDGMENT                       | 02/25/1998 14400 P1 |
| 11/24/1997  | ME: TRIAL SETTING                                 | 12/01/1997          |
| 11/12/1997  | MOTION TO SET & CERT READINESS                    | 11/17/1997 14400 P1 |
| 10/30/1997  | MOTION TO SET & CERT READINESS                    | 10/31/1997 1660 P2  |
| 09/22/1997  | LIST OF WITNESSES/EXH/EVIDENCE                    | 10/01/1997 1660 P2  |
| 09/10/1997  | ORDER<br>FOR SUBSTITUTION OF COUNSEL              | 09/15/1997 1660 P2  |
| 08/13/1997  | NOTICE<br>OF SUBSTITUTION OF COUNSEL WITH COUNSEL | 08/15/1997 1660 P2  |
| 06/24/1997  | ORDER<br>TEMPORARY INJUNCTIVE ORDER               | 06/30/1997 14400 P1 |
| 06/24/1997  | ORDER<br>TEMPORARY RESTRAINING ORDER              | 06/30/1997 1660 P2  |
| 06/23/1997  | STIPULATION<br>RE TEMP RESTRAINING ORD            | 07/09/1997 1660 P2  |
| 06/23/1997  | RESPONSE<br>TO PLAINTIFF'S BRIEF                  | 06/26/1997 1660 P2  |
| 04/27/1997  | EXHIBITS WORK SHEET                               | 03/03/1998 C        |
| 04/22/1997  | ORDER<br>CONT HEARING ON PLA PETITION FOR TRO     | 05/09/1997 1660 P2  |
| 04/17/1997  | STIPULATION<br>TO CONT HEARING                    | 05/06/1997 1660 P2  |

## Case Information

|                       |                         |                     |            |
|-----------------------|-------------------------|---------------------|------------|
| <b>Case Number:</b>   | CV97-04870              | <b>Judge:</b>       | SCHNEIDER  |
| <b>Plaintiff:</b>     | U S POWER SYSTEMS INC   | <b>Case Type:</b>   | CIVIL      |
| <b>Defendant:</b>     | RED MOUNTAIN MINING INC | <b>Filing Date:</b> | 03/17/1997 |
| <b>Defendant DOB:</b> |                         |                     |            |
| <b>Location:</b>      | CENTRAL PHOENIX         |                     |            |

## Case Documents

| Filing Date | Description  | Docket Date           |
|-------------|--|-----------------------|
| 04/17/1997  | ME: HEARING  | 04/23/1997            |
| 04/02/1997  | ANSWER   | 04/03/1997 1660 P2 PD |
| 04/02/1997  | CERT/COMPULSORY ARBITRATION<br>AGREEMENT             | 04/03/1997 1660 P2    |
| 03/27/1997  | ME: HEARING  | 04/16/1997            |
| 03/21/1997  | SUMMONS & AFFIDAVIT OF SERVICE<br>P2 SERVED 03-18-97 | 04/09/1997 14400 P1   |
| 03/17/1997  | CERT/COMPULSORY ARBITRATION                          | 03/19/1997 14400 P1   |
| 03/17/1997  | COMPLAINT  | 03/19/1997 14400 P1 P |



D. Kim Lough  
(602) 234-7824

July 31, 2000

Nyal Niemuth  
Geological Engineer  
Arizona Dept. of Mines  
& Mineral Resources  
1502 W. Washington Street  
Phoenix, AZ 85007

Re: U.S. Power Systems, Inc. v. Red Mountain Mining, Inc.

Dear Mr. Neimuth:

We are pleased to report that the Superior Court has granted our Motion for Summary Judgment. The trial date has been vacated.

What this means is there will be no trial as indicated to you in my letter of June 23rd. The Court will be entering judgment in favor of Red Mountain Mining dismissing the claims of U.S. Power Systems, Inc.

Thank you for your continued support and courtesies with respect to this matter. Your testimony will not be needed for trial as earlier requested. In the event that any changes should occur, a new trial date will be set and we will be back in touch with you.

Thank you again for assistance.

Very truly yours,



D. Kim Lough

DKL:ld

cc: Steve Borelli  
2590-2

D. Kim Lough  
(602) 234-7824

June 23, 2000

Nyal Niemuth  
Geological Engineer  
Arizona Dept. of Mines  
& Mineral Resources  
1502 W. Washington Street  
Phoenix, AZ 85007

STATE OF AZ., SUPERIOR COURT, MARICOPA  
CV 97-04870

Re: U.S. Power Systems, Inc. v. Red Mountain Mining, Inc.

Dear Mr. Neimuth:

We have talked to you about providing testimony on behalf of our client, Red Mountain Mining, Inc., at the trial of the lawsuit brought by U.S. Power Systems, Inc. As you know, U.S. Power Systems, Inc. has alleged that a certain quantity of platinum group minerals were present in sand and gravel materials processed and sold by Red Mountain Mining outside of Wickieup, Arizona.

This matter is scheduled to be tried to the Court on August 14 and 15, 2000. We would like to talk with you about providing testimony and make appropriate arrangements to have you appear at the trial of this matter on one of those two dates.

Please give me a call at your convenience so that we may discuss your scheduling needs. We are happy to work with you to coordinate your testimony so that we intrude on your time as little as possible.

I look forward to talking with you soon.

Very truly yours,



D. Kim Lough

DKL:ld

D. Kim Lough  
(602) 234-7824

August 6, 1999

Nyal Niemuth  
Mining Engineer  
Arizona Dept. of Mines &  
Mineral Resources  
1502 W. Washington  
Phoenix, AZ 85007

Re: U.S. Power Systems v. Red Mountain Mining

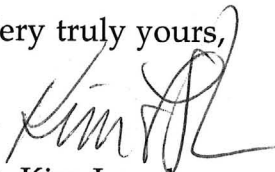
Dear Nyal:

Thank you for taking the time to talk to me on August 6, 1999. In accordance with your request, we have enclosed a copy of the memorandum decision issued by the Court of Appeals in the referenced matter. Your review of the enclosed will show that the Court of Appeals has determined that our client, Red Mountain Mining, Inc., is the owner of the sand, gravel and decorative rock rights as the surface owner of the property in question. Pursuant to the original mineral reservation in the deeds transferring the land from Santa Fe Railroad to the buyer, sand, gravel & ballast were excluded from that reservation. Accordingly, those materials belong to the surface owner.

As explained to you, because this is a memorandum decision, it is not binding precedent in any other case which may arise, other than as between these parties and with respect to this mineral reservation.

If we can be of any further assistance, please call.

Very truly yours,



D. Kim Lough

DKL:ld  
Enclosure  
cc: Steve Borelli  
2590-2

DOCKETED

RECEIVED

APR 23 1999

JENNINGS, HAUG & CUNNINGHAM  
IN THE COURT OF APPEALS  
STATE OF ARIZONA  
DIVISION ONE

DIVISION 1  
COURT OF APPEALS  
STATE OF ARIZONA

FILED

APR 22 1999

GLEN D. CLARK, CLERK  
By J. Esenher

U.S. POWER SYSTEMS, INC., a  
Nevada corporation,

Plaintiff-Appellee,

v.

RED MOUNTAIN MINING, INC., an  
Arizona corporation,

Defendant-Appellant.

) 1 CA-CV 98-0415

) DEPARTMENT D

) MARICOPA County  
) Superior Court  
) No. CV 97-04870

) O R D E R

The above-mentioned matter was duly submitted to the Court. The Court has this day rendered its Memorandum Decision.

IT IS ORDERED that the Memorandum Decision be filed by the Clerk.

IT IS FURTHER ORDERED that a copy of this Order, together with a copy of the Memorandum Decision, be sent to each party appearing herein or to the attorney for such party, and to the Honorable J.D. Howe, Judge.

DATED this 22nd day of April, 1999.

Thomas C. Kleinschmidt  
THOMAS C. KLEINSCHMIDT, Judge



1 CA-CV 98-0415

April 22, 1999  
MARICOPA COUNTY  
SUPERIOR COURT  
CV 97-04870

A true copy of the foregoing  
order was mailed  
April 22, 1999 to:

Mr. William F. Doran  
Attorney at Law  
P O Box 54099  
Phoenix, AZ 85078  
Attorney for Plaintiff-Appellee

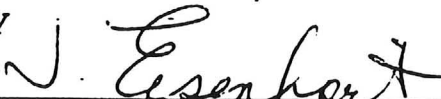
Mr. Curtis A. Jennings  
JENNINGS, HAUG & CUNNINGHAM  
Suite 1800  
2800 North Central Avenue  
Phoenix, AZ 85004-1049  
And

Mr. D. Kim Lough  
JENNINGS, HAUG & CUNNINGHAM  
Suite 1800  
2800 North Central Avenue  
Phoenix, AZ 85004-1049  
And

Mr. Edward Rubacha  
JENNINGS, HAUG & CUNNINGHAM  
Suite 1800  
2800 North Central Avenue  
Phoenix, AZ 85004-1049  
Attorneys for Appellant

Honorable J.D. Howe, Judge  
MARICOPA COUNTY SUPERIOR COURT  
Central Court Building  
201 West Jefferson Street  
Phoenix, AZ 85003-2243

Glen D. Clark, Clerk  
By

  
Deputy Clerk

DIVISION 1  
COURT OF APPEALS  
STATE OF ARIZONA

FILED APR 22 1999

IN THE COURT OF APPEALS  
STATE OF ARIZONA  
DIVISION ONE

GLEN D. CLARK, CLERK  
By J. Esenhardt

|                               |   |                         |
|-------------------------------|---|-------------------------|
| U.S. POWER SYSTEMS, INC., a   | ) | 1 CA-CV 98-0415         |
| Nevada corporation,           | ) |                         |
|                               | ) | DEPARTMENT D            |
| Plaintiff-Appellee,           | ) |                         |
|                               | ) | MEMORANDUM DECISION     |
| v.                            | ) | (Not for Publication -  |
|                               | ) | Rule 28, Rules of Civil |
| RED MOUNTAIN MINING, INC., an | ) | Appellate Procedure)    |
| Arizona corporation,          | ) |                         |
|                               | ) |                         |
| Defendant-Appellant.          | ) |                         |

Appeal from the Superior Court of Maricopa County

Cause No. CV 97-04870

The Honorable J.D. Howe, Judge

REVERSED AND REMANDED

---

|                                      |         |
|--------------------------------------|---------|
| Jennings, Haug & Cunningham          |         |
| by Curtis A. Jennings, D. Kim Lough, |         |
| and Edward Rubacha                   |         |
| Attorneys for Defendant-Appellant    | Phoenix |
| William F. Doran                     |         |
| Attorney for Plaintiff-Appellee      | Phoenix |

---

Presiding Judge Michael D. Ryan and Judges Rudolph J. Gerber and Thomas C. Kleinschmidt have considered this appeal from the trial court's grant of summary judgment ordering the defendant to cease removing sand and gravel from its property. We reverse and remand for further proceedings.

The Santa Fe Railroad Company owned a large tract of land in Mohave County which it sold to a man named Lee Kiernan. The deed contained the following clause:

Grantor expressly reserves and excepts all oil, gas, coal and minerals whatsoever, already found or which may hereafter be found, upon or under said lands, with the right to prospect for, mine and remove the same, and to use so much of the surface of said lands as shall be necessary and convenient for shafts, wells, tanks, pipe lines, rights of way, railroad tracks, storage purposes, and other and different structures and purposes necessary and convenient for the digging, drilling and working of any mines or wells which may be operated on said lands.

Another clause provides:

This conveyance is made subject to and upon condition that in the event that Grantor, or its successors or assigns, . . . or any railroad company at least a majority of whose stock it owns, may at any time hereafter desire to construct across the premises hereinabove described, any railroad tracks, telegraph and telephone lines, or other electric wire lines, oil or water pipe lines, roadways, ditches, flumes or aqueducts, or to operate on said premises gravel and ballast pits and quarries and take material therefrom for railroad purposes, the right of way for any such tracks, telegraph, telephone or other electric wire lines, pipe lines, roadways, ditches, flumes and aqueducts, of sufficient width for the proper protection, maintenance and operation thereof, and the land necessary and convenient for the operation of such gravel and ballast pits and quarries and the taking of material therefrom for railroad purposes, may be appropriated by any such Company desiring to construct [the above] upon such Company paying or offering to pay to Grantee . . . a fixed price per acre for the land so appropriated . . . ; and Grantee . . . will convey to such Company such appropriated right of way upon demand and tender of payment. . . .

The Appellant, Red Mountain Mining, Inc., succeeded to Kiernan's interest and the Appellee, U.S. Power Systems, Inc., is the railroad's successor in interest. Red Mountain removed sand

and gravel from the land to sell it for "decorative" purposes. U.S. Power successfully sought to enjoin this activity, the trial judge ruling that Red Mountain's use of sand and gravel infringed on U.S. Power's mineral rights.

Both parties rely on our decision in *Spurlock v. Santa Fe Pacific R.R. Co.*, 143 Ariz. 469, 694 P.2d 299 (App. 1984). In that case, the land in question had been sold by the railroad by a deed that contained clauses almost identical to those in issue here. The Spurlocks were the owners of the surface rights. They sued several defendants, claiming that they had wrongfully extracted helium from the land, and they sought quiet title to the helium as against the railroad. The Spurlocks also sought quiet title to the sand and gravel on the land. The railroad claimed that it had a right to the helium under the mineral reservation clause and a right to the sand and gravel under the sand and gravel reservation clause. The trial court found that the railroad had abandoned any claim to sand and gravel and entered judgment against the railroad on that issue. A jury trial resulted in verdicts in favor of the Spurlocks, finding that they had a right to the helium that underlay the land.

In *Spurlock*, we noted that our role was to give effect to the intent of the contracting parties, and we undertook an extensive review of the law as it related to the reservation of mineral rights. We observed that some jurisdictions hold that the term "minerals" is inherently ambiguous, and they require extrinsic evidence on what the parties intended. Other jurisdictions find

the term unambiguous. We opted for the latter view, finding that the mineral reservation clause separated the land into two estates, the surface estate and the mineral estate. The owner of the mineral estate "retains ownership of all commercially valuable substances separate from the soil, while the grantee assumes ownership of a surface that has value in its use and enjoyment." *Id.* at 478, 694 P.2d at 308. We quoted with approval a definition of the two estates proposed by Professor Eugene Kuntz which states:

The manner of enjoyment of the mineral estate is through extraction and removal of substances from the earth, whereas the enjoyment of the surface is through retention of such substances as are necessary for the use of the surface. . . . The severance of 'minerals' generally should be construed to sever from the surface ownership all substances presently valuable in themselves, apart from their location in the earth, whether their presence is known or not known, and all substances which become valuable through the development of the arts and sciences, and that nothing presently or prospectively valuable as extracted substances would be intended to be excluded from the mineral estate.

*Id.* at 479, 694 P.2d at 309 (quoting 1 E. Kuntz, *A Treatise on the Law of Oil and Gas* § 13.3 at 305-06 (1962)); see Comment, *The Meaning of "Minerals" in Grants and Reservations*, 30 Rocky Mtn. L. Rev. 343, 357 (1958).

We went on to hold that the railroad had retained ownership in the helium and other inorganic, commercially valuable substances that were distinct from the soil itself. We added:

With respect to sand and gravel, Santa Fe Pacific claims title by virtue of another reservation in the deeds. This reservation permitted Santa Fe Pacific to come upon the

surface and take sand and gravel for "railroad purposes." Because specific mention is made of "gravel and ballast," the foregoing discussion concerning the general mineral reservation is not applicable to these substances.

*Spurlock*, 143 Ariz. at 481, 694 P.2d at 311.

We then noted that the railroad had not appealed the judgment against it based on the finding that it had abandoned its rights to sand and gravel.

Red Mountain argues that the existence of the clause reserving the right to take gravel from the property makes it clear that the parties to the deed did not intend to treat gravel as a mineral. It says that this very point was made in *Spurlock*. That being the case, it says that U.S. Power has no right to the gravel on the property and cannot enjoin Red Mountain from removing and selling it.

U.S. Power, on the other hand, argues that gravel fits the meaning of "mineral" as we defined it in *Spurlock* as an "inorganic, commercially valuable substance which is distinct from the soil itself." Citing THE AMERICAN LAW OF MINING at section 84.03(2), it asserts that under the test we adopted in *Spurlock*, all substances which become valuable through extraction are part of the mineral estate. The only mention U.S. Power makes of the gravel reservation clause in the deed is to describe the clause as a "right of way easement in which the word 'gravel' is mentioned," and to acknowledge that it is not making a claim to the gravel under that clause.



We believe that Red Mountain is correct. The general rule laid down in *Spurlock* does not supersede the universal rule that the court must give effect to the clear intent of the parties. The gravel reservation clause is more than an easement. It specifically allows the grantor to take gravel for railroad purposes. If the parties to the deed had intended to include gravel as a reserved mineral, there would have been no need to give the grantor a specific right to use gravel under a separate clause because the grantor would have been able to take all the gravel it wanted under the mineral reservation clause. This interpretation conclusively expresses the parties' intention with respect to sand and gravel and is consistent with our holding regarding a similar clause in *Spurlock*. *Id.* at 481, 694 P.2d at 311.


U.S. Power argues that even if Red Mountain prevails as to the interpretation of the deed, there is a danger that Red Mountain will remove valuable minerals along with the gravel that it sells. The record on this point is confusing, and we do not have transcripts of everything that transpired in the trial court. Red Mountain presented four assay reports and an affidavit from an expert that show that Red Mountain was not removing commercially valuable minerals. At oral argument on appeal, counsel for U.S. Power said that he had presented evidence to the contrary. Our review of the record discloses that at the hearing on the preliminary injunction, U.S. Power introduced exhibits that suggest that minerals were removed along with the gravel. We cannot interpret the report without expert testimony.

It is ordered vacating the summary judgment granted in favor of U.S. Power. This case is remanded to the trial court with directions to apply the law as we have decided it in the resolution of any dispute which remains as to whether Red Mountain is removing any commercially valuable substances along with the gravel that it has a right to extract. We award attorneys' fees and costs on appeal to Red Mountain.

  
THOMAS C. KLEINSCHMIDT, Judge

CONCURRING:

  
MICHAEL D. RYAN, Presiding Judge

  
RUDOLPH J. GERBER, Judge



## ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

Governor Jane Dee Hull

Russell F. Rhoades, Director

MU98:0011

Inventory No. 500292

January 9, 1998

Robert Kohl  
Aquarius Minerals, Inc.  
26010 N. Wrangler Road  
Scottsdale, AZ 85255-1467

Subject: Review of Aquarius Minerals, Inc., Determination of Applicability Information

Dear Mr. Kohl:

The Water Permits Section-Mining Unit (WPS-MU) of the Arizona Department of Environmental Quality (ADEQ) has completed the determination of applicability of Arizona Revised Statutes (ARS) § 49-241 through § 49-251 and Arizona Administrative Code (AAC) § R18-9-101 through § R18-9-130 to the Aquarius Project.

### INTRODUCTION

Pursuant to AAC § R18-9-106.C., the WPS-MU has determined that portions of the proposed operation are not subject to the individual permit requirements of ARS §§ 49-241 through 251 and AAC Chapter 9, Article 1.

The documents used in the determination included the following:

- Correspondence regarding a description of the proposed Aquarius Project operation from Robert F. Kohl and Aquarius Minerals, Inc., dated July 25, 1997.
- A completed Aquifer Protection Permit Determination of Applicability form dated August 25, 1997, and signed by Robert F. Kohl.
- Correspondence regarding well registrations and locations dated November 3, 1997 and November 15, 1997, respectively, from Robert F. Kohl and Aquarius Minerals, Incorporated.
- Correspondence regarding laboratory analytical results from Robert F. Kohl and Aquarius Minerals, Inc., dated December 1, 1997.

18N 13W 25 NW

Robert F. Kohl  
MU98:0011  
January 8, 1998  
Page 2

## COMMENTS

The comments provided herein are based solely upon the information submitted and are presented by order of the facility descriptions furnished in the July 25, 1997, correspondence from Robert F. Kohl to the WPS-MU.

### Mining

#### "100 Ton Stockpile"

The synthetic precipitation leaching procedure (SPLP) and acid-base accounting (ABA) analytical results for the samples collected from the "100 Ton stockpile" suggest the material sampled is inert. For this reason and because the information provided indicates that the ore will not be crushed, milled, or subjected to any chemicals, these materials are exempt from aquifer protection permit requirements pursuant to ARS § 49-250.B.5 and AAC § R18-129.G.

#### "Oversize Ore"

It is the understanding of the WPS-MU that this material is to be stockpiled and eventually returned to the mined out area. The SPLP and ABA analytical results submitted indicate the material sampled is inert. For this reason and because the information provided indicates that the "oversize ore" will not be crushed, milled, or subjected to any chemicals, these materials qualify for a general permit pursuant to AAC § R18-129.G. However, if these materials are subjected to a crushing process as the applicant has indicated may occur in the future, an individual aquifer protection permit may be required. **It is the responsibility of the applicant to keep the WPS-MU apprised of any changes to the information submitted for this determination of applicability.**

### Processing

#### Stormwater Runoff Pond

The WPS-MU understands that this impoundment will be utilized for stormwater runoff only. Therefore, pursuant to ARS § 49.250.B.10., this facility is exempt from the aquifer protection permit requirements.

#### Smelting

Based on the process flow narrative and design diagram submitted for the molten metal, anode bar, and slag production to be located in the furnace building, it is understanding of the WPS-MU that this system is designed and will be constructed not to discharge. Further, this operation will be constructed on an impermeable, bermed, concrete barrier and will allow for visual

Robert F. Kohl  
MU98:0011  
January 8, 1998  
Page 3

inspection for any leakage. Pursuant to ARS § 49-250.B.21., this facility is exempt from the individual APP requirements.

### **Slag**

It is the understanding of the WPS-MU that this material is to be held in a "... temporary storage pile in preparation for sale and removal from the property." The SPLP and ABA analytical results submitted indicate the material sampled is inert. For the above reasons and because the information provided indicates that the slag will not be crushed, milled, or subjected to any chemicals, these materials qualify for a general permit pursuant to AAC § R18-129.G.

### **Electrowinning Process**

Based on the process flow narrative and design diagram submitted for the electrowinning operation, it is understanding of the WPS-MU that this system is designed and will be constructed not to discharge. Further, the information submitted indicates that this operation will be constructed on an impermeable, bermed, concrete barrier and will allow for visual inspection for any leakage. Pursuant to ARS § 49-250.B.21., this facility is exempt from the individual APP requirements.

### **Acids**

Based on the process flow and design narrative submitted for the sulfuric and nitric acid handling area to be located proximal to the electrowinning operation, it is understanding of the WPS-MU that this system is designed and will be constructed not to discharge. Further, the information submitted indicates that this operation will be constructed on an impermeable, bermed, fiberglass containment basin and will allow for visual inspection for any leakage. Pursuant to ARS § 49-250.B.21., this facility is exempt from the individual APP requirements.

### **Sludges**

It is the understanding of the WPS-MU that the base metal sludge produced from the electrowinning process will be stored in barrels on site. Furthermore, the applicant states that "If a buyer for this sludge is not found, the sludge will be delivered to the appropriate class dump for disposal." Based upon this statement, the facility is considered exempt from the individual APP requirements. However, pursuant to ARS § 49-241.B., this facility will be subject to the individual APP requirements if the material is disposed of on site. Furthermore, Aquarius Minerals, Inc., will be required to apply for an individual APP if the material is maintained on site in excess of 90 days.

It is the understanding of the WPS-MU that the precious metal sludge produced from the electrowinning process will be taken "To refiner." Based upon this statement, the facility is considered exempt from the individual APP requirements. However, pursuant to ARS § 49-241.B., this facility will be subject to the individual APP requirements if the material is disposed

Robert F. Kohl  
MU98:0011  
January 8, 1998  
Page 4

of on site. Furthermore, Aquarius Minerals, Inc., will be required to apply for an individual APP if the material is maintained on site in excess of 90 days.

### **Resin Bead System**

It is the understanding of the WPS-MU that the resin beads utilized in the removal of base metals in the electrowinning process will be recycled with "... ultimate disposal in the appropriate waste disposal facility." Based upon this statement, the facility is considered exempt from the individual APP requirements. However, pursuant to ARS § 49-241.B., this facility will be subject to the individual APP requirements if the material is disposed of on site. Furthermore, Aquarius Minerals, Inc., will be required to apply for an individual APP if the material is maintained on site in excess of 90 days.

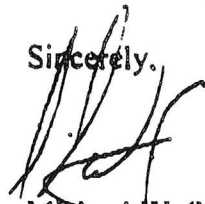
### **CONCLUSIONS**

The above determination of applicability is based solely upon information provided to the WPS-MU by Aquarius Minerals, Incorporated. If, after inspection of the Aquarius Project, the WPS-MU concludes that its determination of applicability or the information relied upon for a determination of applicability is inaccurate, the determination may be modified or withdrawn pursuant to AAC § R18-9-106.D.

It is the responsibility of the applicant to contact the Army Corp of Engineers regarding the necessity of a 404 permit.

If you or your staff would like to meet with WPS-MU personnel to discuss the site or the content of this letter, please contact me at (602) 207-4590.

Sincerely,



Michael W. Savka, Project Officer  
Water Permits Section-Mining Unit

MWS:jmw

cc: Jean Metzler, Supervisor, WPS-MU  
Jay Das, Project Hydrologist, WPS-MU  
Jane DeRose-Bamman, Project Engineer, WPS-MU  
Lynne Dekarske, Administrative Assistant, WPS



VERNON L. NICHOLAS

ATTORNEYS AT LAW

40 North Center Street #200  
Mesa, Arizona 85201-7300

MAILING ADDRESS  
Post Office Box 5901  
Mesa, Arizona 85211-5901

Telephone 602/461-4630  
Facsimile 602-461-4633

## Facsimile Transmittal Cover Page

To: **Mason Coggin**

Firm:

Fax Number: **602-255-3777**

Phone Number:

From: **Vernon L. Nicholas**

Date: **04/16/98**

Client Name: **Red Mountain Mining**

Matter Name: **adv. U.S. Power**

Number of Pages: **4** (including this cover page)

### Comments/Instructions:

As discussed, attached is a copy of the Judge's Ruling following the hearing held on 4/10/98; after you have reviewed the findings, please call me with your comments.

### IMPORTANT NOTICE

The information contained in this fax is attorney privileged and confidential. If the reader of this message is not the intended recipient, any dissemination, distribution or copying of this communication is prohibited. If this communication has been received in error, please immediately notify us by phone and return the original message to us at the address listed above via the U.S. Mail. Thank you.

The original document being transmitted:

☒ Will NOT be sent

☐ Will be sent by regular mail

☐ Will be sent

*If you do not receive all pages, please call 461-*

*as soon as possible.*



2  
SUPERIOR COURT OF ARIZONA  
MARICOPA COUNTY

COPY

CLERK OF THE COURT  
FORM V000

April 10, 1998

HONORABLE J. D. HOWE

D. Jamison  
Deputy

Nº CV 97-04870

FILED: APR 13 1998

U. S. POWER SYSTEMS, INC.

William F. Doran #014440

v.

RED MOUNTAIN MINING, INC.

Vernon L. Nicholas #001660

9:25 a.m. This is the time set for oral argument on Defendant's Motion for Summary Judgment. Plaintiff is represented by counsel William Doran. Defendant is represented by counsel Vernon Nicholas.

Court Reporter, Al Braun, is present.

Oral argument on the motion is made to the Court.

9:43 a.m. The matter is taken under advisement.

**LATER:**

The Court rules as follows:

Plaintiff moves for summary judgment that defendant has no rights, as surface landowner, to remove sand and gravel for commercial sale in violation of plaintiff's rights as mineral estate owner of the same land. Having considered the written and oral arguments of counsel, and reviewed the authorities cited, the court holds that defendant's removal of sand and gravel for commercial sale violates plaintiff's mineral rights, and is *ultra vires* to defendant's surface rights.



2

SUPERIOR COURT OF ARIZONA  
MARICOPA COUNTY

COPY

L      CLERK OF THE COURT  
FORM V000      J

April 10, 1998

HONORABLE J. D. HOWE

D. Jamison  
Deputy

Nº CV 97-04870

U.S. POWER SYSTEMS, v. RED MOUNTAIN MINING

Continued

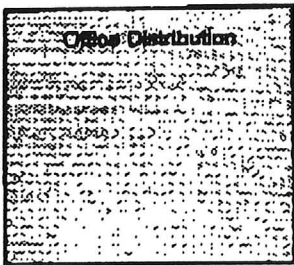
IT IS THEREFORE ORDERED: Plaintiff's Motion for Summary Judgment is granted. Plaintiff's counsel is requested to lodge a judgment form. The court suggests including 54(b) language, because this issue is readily separable from the damages issue, and its separate consideration would not burden the appellate courts. If the parties disagree, they are requested to notify the court and a trial on damages will be set.

Discussion:

Plaintiff is successor to Santa Fe Railroad as grantor of ranch lands to defendant (or predecessor) with a reservation of mineral rights. Defendant is removing sand and gravel from the surface of the land, and plaintiff claims defendant is thus violating plaintiff's mineral rights. Whether the sand and gravel contains valuable minerals is involved, but not necessarily dispositive of this issue.

The key decision is *Spurlock v. Santa Fe Pacific R. Co.*, 143 Ariz. 480, 694 P.2d 299 (CA 1984, review denied 1985), construing the exact language to which the present parties succeed. *Spurlock* decided that the mineral rights reservation should be determined as a matter of law, not of fact. It is evident from the decision that this principle would have been applied to sand and gravel, but for the fact that Santa Fe did not press the issue, content to rely on another reservation from the grant of the right to use surface materials to build railroad right-of-way, which reservation itself the trial court held it had abandoned.

*Spurlock* concludes there is clear intent from the grant to create a separation of surface estate from underlying mineral estate; and in defining the separation, the court relied on use, rather than "mineral" content. There was no requirement that only "metals" be the subject of the mineral estate; indeed, in *Spurlock* the primary litigated resource was helium.



SUPERIOR COURT OF ARIZONA  
MARICOPA COUNTY

COPY

CLERK OF THE COURT  
FORM V000

April 10, 1998

HONORABLE J. D. HOWE

D. Jamison  
Deputy

N<sup>o</sup> CV 97-04870

U.S. POWER SYSTEMS, v. RED MOUNTAIN MINING

Continued

The court defined surface as having its value "in its use and enjoyment". It defined "all minerals whatsoever" as "all commercially valuable substances separate from the soil." *Id.*, at 478. It quoted with approval a Professorial definition based on "manner of enjoyment", so that the

manner of enjoyment of the mineral estate is through extraction and removal of substances from the earth, whereas the enjoyment of the surface is through retention of such substances as are necessary for the use of the surface. . . . The severance of 'minerals' generally should be construed to sever from the surface ownership all substances presently valuable in themselves, apart from their location in the earth. . . . *Id.*, at 478-79.

This court concludes that *removal* of the surface is not inherent in "use and enjoyment" of the surface, whereas such removal not only inheres in a mineral estate, but occasionally raises problems relating to interference with surface use. Even in *Spartlock*, Santa Fe's reservation of sand and gravel was a form of reservation of rights relating to surface use - the building of a bed for tracks to run across the surface. Santa Fe had no intent to sell the sand and gravel off the premises as a separate commercial enterprise.

February 13, 1998

Mr. Rob Kohl  
President  
Aquarius Minerals  
Phoenix, Arizona  
Sent Via Facsimile to: 1-602-585-2247

RE: Offer of Settlement

Dear Mr. Kohl:

As of this time, I have concluded the recovery and refining of Gold, Platinum and Palladium from your anode slimes. Silver and Rhodium have yet to be finalized to metal-in-hand. I anticipate that I will have those results sometime Monday. I have recovered the following troy ounces of noble metals:

| <u>Element:</u> | <u>Troy OPT</u> |
|-----------------|-----------------|
| Au:             | 1.546           |
| Ag:             | Not Yet Known   |
| Pt:             | 1.621           |
| Pd:             | 2.311           |
| Rh:             | Not Yet Known   |

We are prepared to pay 90% against the above referenced amounts as a final settlement. The settlement for Silver and Rhodium will occur at the conclusion of the refining effort. Accordingly, your settlement is as follows:

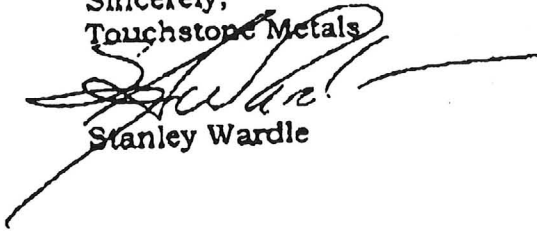
Au: 1.546 @ \$314.00 X 90% = \$436.90  
Pt: 1.621 @ \$420.00 X 90% = \$612.74  
Pd: 2.311 @ \$273.50 X 90% = \$568.85

Total Settlement      \$1,618.49

We are prepared to issue a contract against future production. We are prepared to expand our facilities to accommodate your future production in a timely manner.

Thank you for this opportunity to be of service.

Sincerely,  
Touchstone Metals

  
Stanley Wardle

2-13-1998 2:31PM

FROM THE LAB 702 383 4967

|  |  |   |  |  |  |
|--|--|---|--|--|--|
| <b>NSB</b>   |  | <b>NEVADA STATE BANK</b>                        |  | 94-77<br>1224                              |  |
| PURCHASED BY<br>Touchstone Metals  |  | P.O. BOX 889<br>LAS VEGAS, NEVADA 89123-0889    |  | 813942                                     |  |
| <b>CASHIER'S CHECK</b>   |  | February 13, 19 98                              |  |  |  |
| Main<br>OFFICE   |  |   |  |  |  |
| PAY TO THE ORDER OF  |  | *****AQUARIUS MINERALS, INC.*****               |  | *****1618.49**                             |  |
|  |  | NEVADA STATE BANK #0118 <b>1618 DOLS 49 CTS</b> |  |  |  |
| <b>NOTICE TO CUSTOMERS</b><br>In the event this check is lost, stolen, or destroyed, an enforceable Declaration of Loss must be received by the bank before it will be replaced or refunded. |  | VOID AFTER 90 DAYS                              |  | <i>Julio Deane</i><br>AUTHORIZED SIGNATURE |  |

⑈813942⑈ ⑆22400779⑆ ⑆120001200⑈

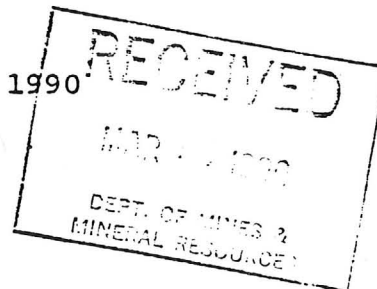
213-1512 R10 52



Milton O. Childers

Consulting Geologist

March 16, 1990



Mr. Nyal J. Niemuth  
Resources Specialist  
Dept. of Mines & Mineral Resources  
Mineral Building, Fairgrounds  
Phoenix, Arizona 85007

RE: HARQUAHALA (P) ✓  
Aquarius XXV Mine NEW FILE -  
Mohave Co., Arizona

Dear Nyal:

Enclosed is a copy of the report on the referenced prospect which I was asked to review for a friend. I am not sure that this property is even worthy of a field visit to sample and examine it. The report certainly threw a number of "red flags" up to me as I read it.

I checked my files and found that the agreement we signed when selling the Harquahala property prevents Nova from disclosing any of the drill hole information to third parties unless or until HarqPro returns the property to us. I can say that almost all of the drilling has been concentrated within a few hundred feet around the Harquahala Mine. The Golden Eagle was not drilled at all. I feel like the Harquahala - Golden Eagle area has good potential as a "grass roots" gold/silver prospect.

ADSTM  
NSN

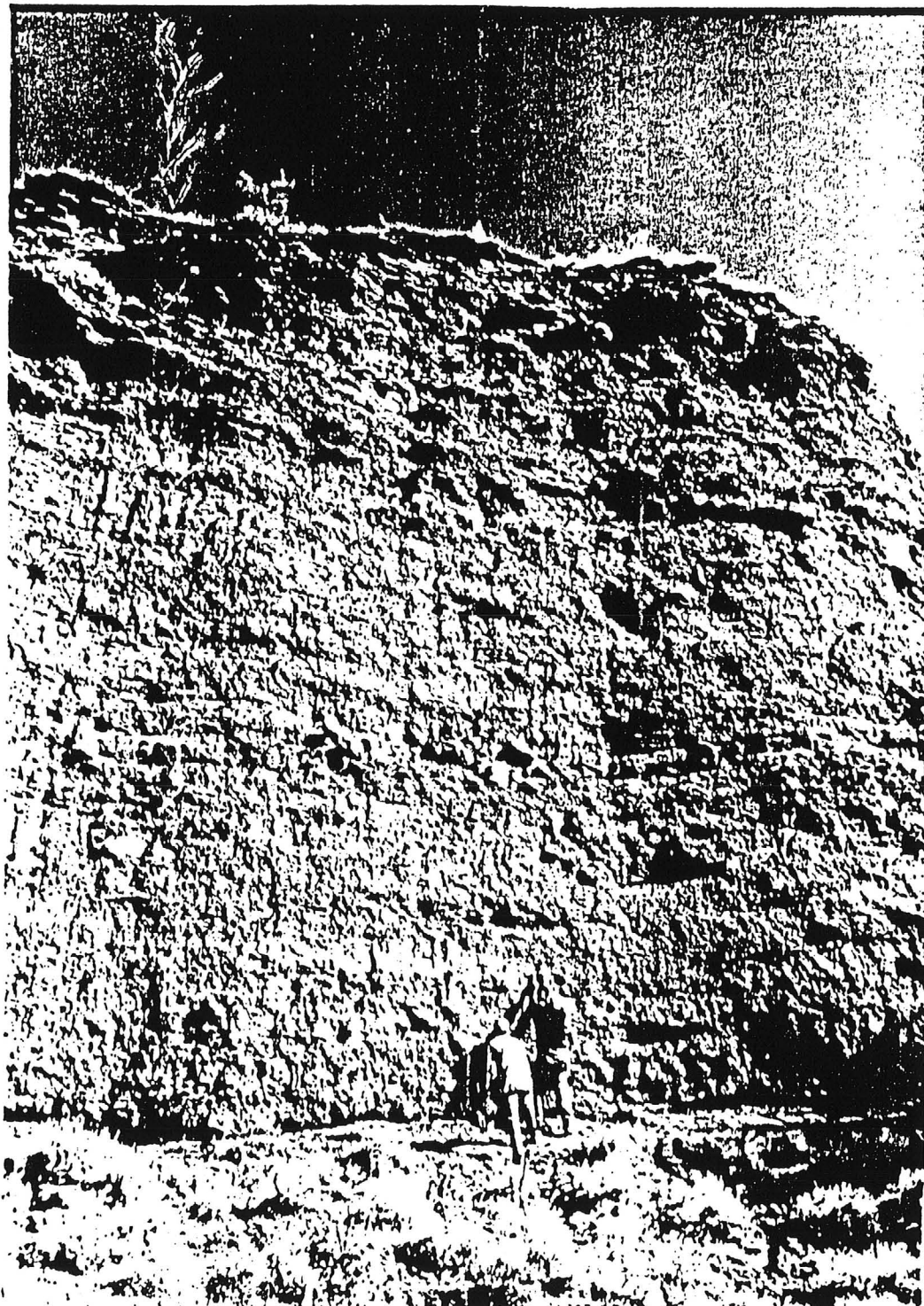
When I get to Phoenix next I'll give you a call and try to visit with you and Leroy.

Best regards,

Milton O. Childers

# AQUARIUS XXV MINE

U. S. Power Systems, Incorporated



## PROJECT INTRODUCTION

### Aquarius XXV Mine

Section 25, T18N R13W  
Mohave County, Arizona

The Aquarius XXV ore body consists of a hot springs enriched, bedded fluvial deposit of recent geologic age, resulting from the erosion of older igneous rocks in the adjoining Aquarius Mountains. The deposit contains unusually high percentages of precious metals, including gold and the platinum group metals; in particular, Rhodium. The property has remained without development because of the inability to obtain meaningful results from conventional fire assays. Leaching techniques, however, have produced consistently positive recoveries in both assay and pilot mill tests.

*This is  
baloney!*

Although the platinum group represents greater long term values, the gold and silver content will be recovered initially from existing mill and tank leach facilities. Income from gold recovery will fund the construction of more sophisticated on-site systems. Gold assays obtained from the Aquarius XXV ore body range from .30 to .90 ounces per ton, and pilot mill runs have recovered .71 ounces per ton. It is probable that a long term average recovery will approximate .40 to .50 ounces of gold per ton.

The deposit is on the surface in gentle terrain, is easily mined and requires only crushing and conventional enclosed cyanide leach systems to effect recovery. Approximately 10-15 million tons of recoverable ore are in place.

# U. S. POWER SYSTEMS, INC.

## PROJECT FACT SHEET

### AQUARIUS XXV

#### Mining Property

Owned by U. S. POWER SYSTEMS, INC.

**LAND STATUS:** 640 Acres, Railroad land.

**LOCATION:** Section 25, T18N R13W, Mohave County, Az.

**DISTRICT:** Aquarius Mining District

**MAP COVERAGE:** Base maps @ 1" = 2000 ft.  
Tom Brown Canyon 7 1/2 Topo Quad @ 1" = 2000'.  
Mohave County, Arizona - Geologic map @ 1:375,000  
Prescott 2 degrees Topo Quad @ 1" = 4 miles.

**ACCESS:** Excellent. Approximately 45 miles SE of Kingman, AZ, State Hwy. 93. Good roads to property.

**TOPOGRAPHY:** Gentle. Elevation ranges from 2,200 ft. to 2,800 ft. above sea level.

**CLIMATE:** Warm summers; pleasant winters, with year-round working conditions.

**WATER:** Available on property.

**POWER:** Available within 1 mile of property.

**COMMODITY POTENTIAL:** Gold with by-product Silver, Platinum Group Metals and Rare Earths.

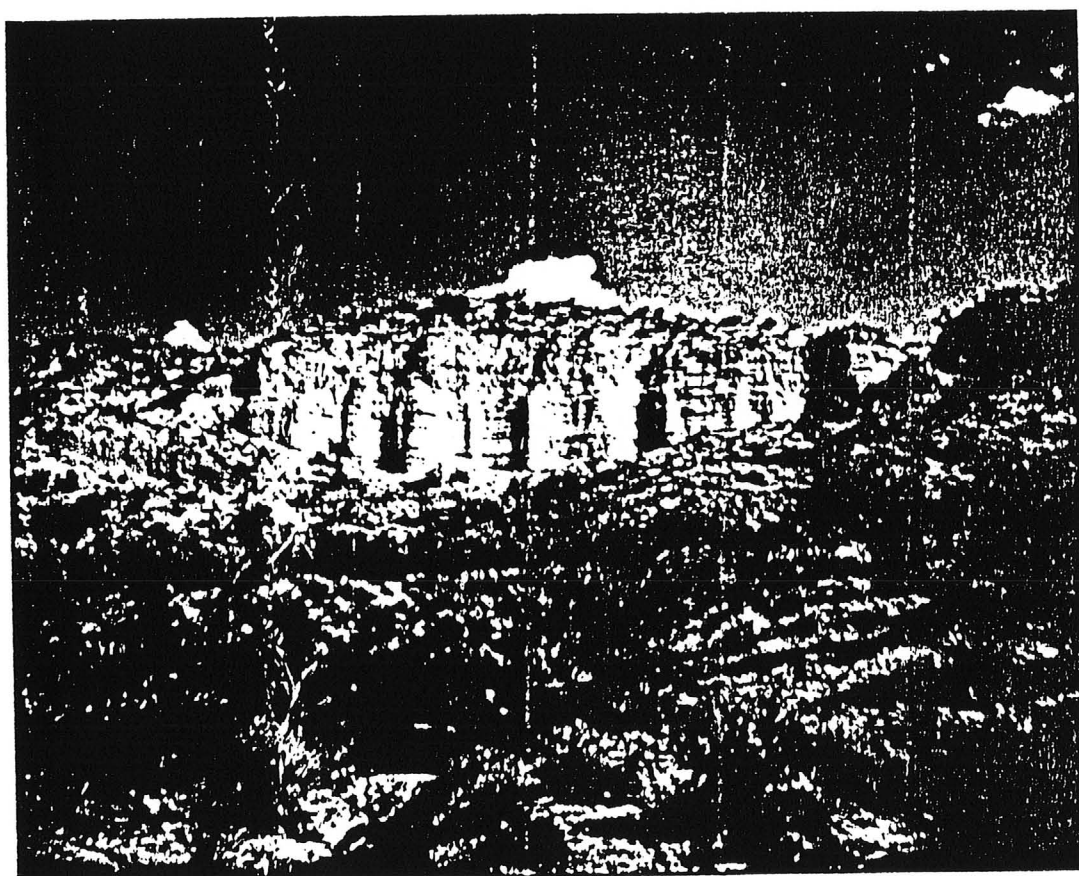
**GEOLOGY:** Tertiary Lacustrine and Fluvial sequences surrounded by pC metamorphic and plutonic rocks.

**GRADES:** Au values average .30 to .90 oz. per ton.  
Ag values average 6.00 ounces per ton. ) HIGHLY SUSPECT

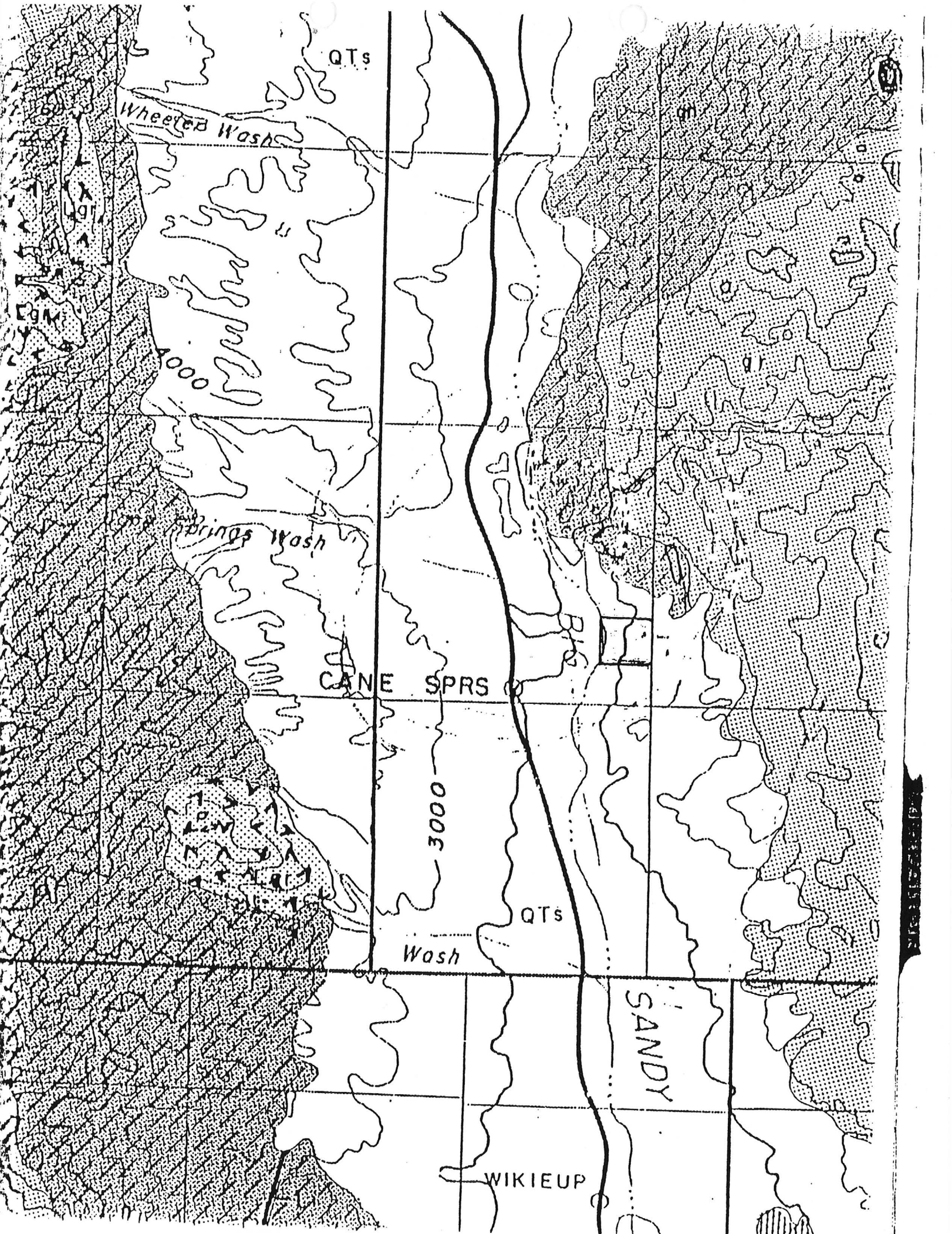
**RESERVES:** Estimated in excess of 15 million tons.

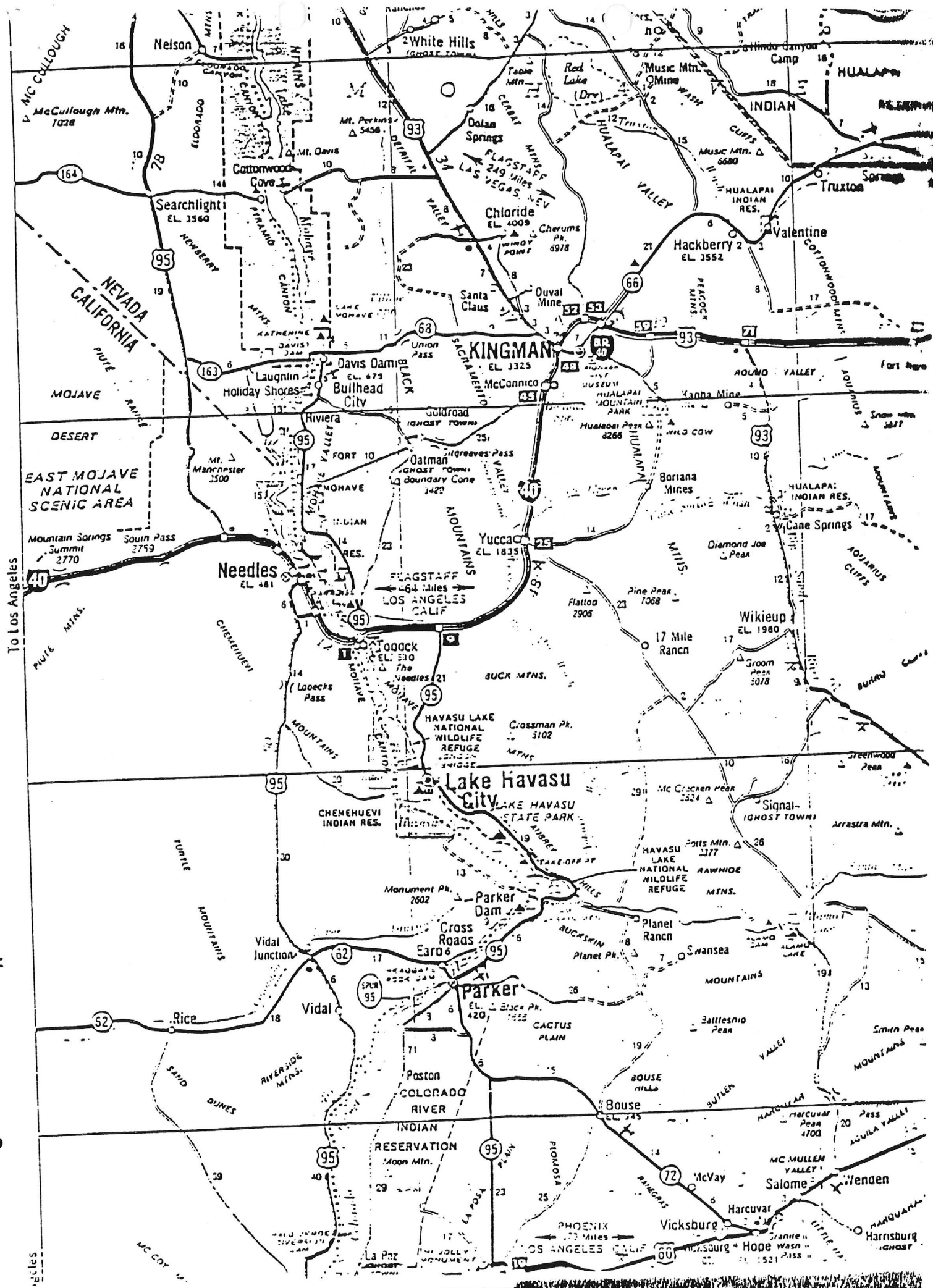
**MINING METHOD:** Open pit.

**RECOVERY METHOD:** Closed chemical leach.

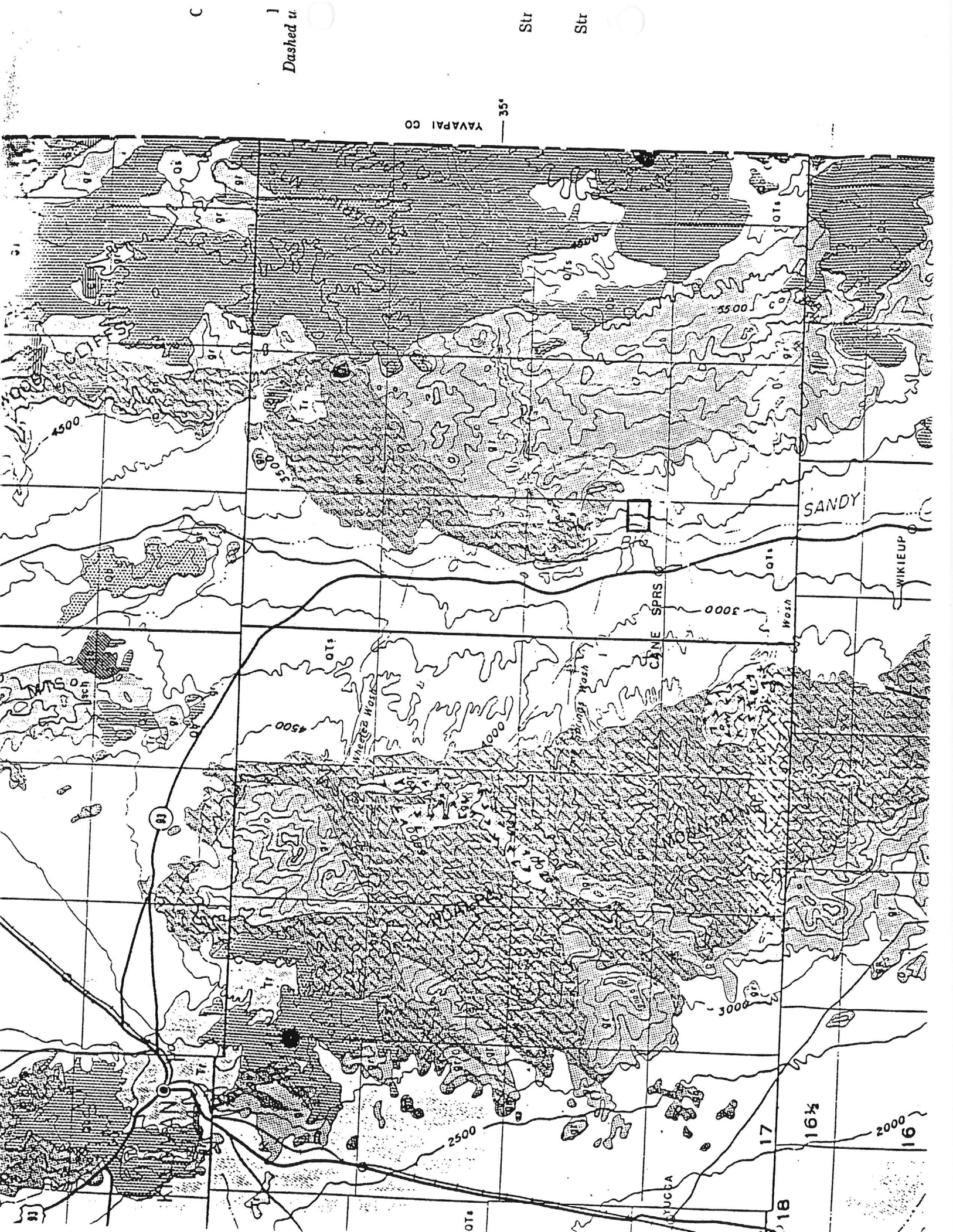


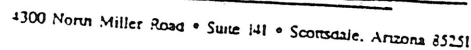













MAP OF OZ. PER TON OF GOLD DEPOSITS

IRMJ-4 · GOOD

RC1  $\Rightarrow$  

RCZ: 0.5

HRMJ-5

W C

LAND SECTION

25

RED MIDDLE (MIX)

KED / 5 out (MIX)

TRM J-2, NO GOOD

SUMMARY OF METALLURGICAL  
REPORT BASED ON ASSAYS  
BY MR. RENE S. STEENISMA, M.T.  
PRESIDENT, MIAMI TESTING, INC.  
OF ARIZONA

504

# ROCK SURFACE

William D.

FRMI-1 GOOD

PETRO-GLOBAL INC.

LOAN REQUEST

TABLE OF CONTENTS

THIS PROPOSAL CONTAINS THE FOLLOWING INFORMATION:

1. THE REQUIREMENTS AND LOAN REQUEST
2. ANALYSIS OF RETURN OF INVESTMENT
3. ANALYSIS OF THE PERPETUAL ROYALTY
4. USE OF PROCEEDS
5. OPERATING BUDGET
6. SUPPORT DATA
  - A. METALLURGIST STATEMENT AND OPINION
  - B. METALLURGICAL ANALYST'S RESUME
  - C. FOUR ANALYSIS FROM ROGERS RESEARCH
  - D. ONE ANALYSIS FROM MACKENZIE LABORATORIES

ADDITIONAL INFORMATION WILL BE SUPPLIED UPON REQUEST AND THE SIGNING OF A NON-CIRCUMVENTION/ NON-DISCLOSURE/ NON-COMPETITION AGREEMENT.

REQUIREMENTS  
AND  
LOAN REQUEST

AMOUNT - \$1,250,000

TERM - 2 YEARS

INTEREST RATE - 14% PER ANNUM, SIMPLE, NO PREPAYMENT PENALTY

CONDITIONS - NO PAYMENTS FOR 6 MONTHS OR UNTIL THE PROPERTY IS  
IN FULL PRODUCTION

COLLATERAL - 1. FULL RECOURSE CORPORATE NOTE.  
2. 1,250,000 SHARES OF PETRO-GLOBAL INC., RULE 144  
STOCK TO BE HELD IN ESCROW.  
3. RECORDED LIEN ON THE EQUIPMENT PURCHASED WITH  
PROCEEDS IN NAME OF THE LENDER.

CONSIDERATION TO LENDER FOR LOAN

PAYBACK - 50% OF NET SMELTER RETURN TO THE COMPANY FROM THE  
REFINER (I.E. ENGLEHARDT, JOHNSON MATHEY, ETC.) IN  
CASH OR IN KIND. IN KIND SHALL MEAN 50% OF THE NET  
WEIGHT OF THE SMELTERED METAL DELIVERED TO THE COMPANY  
WITH THE CALCULATED VALUE AT A 2% DISCOUNT ON THE LAST  
AVAILABLE LONDON SPOT MARKET FIX, ON THE DAY OF  
DELIVERY TO THE COMPANY.

ROYALTY - 1% NET SMELTER RETURN TO THE COMPANY, IN PERPETUITY,  
IN CASH OR IN KIND. IN KIND SHALL MEAN 1% OF THE NET  
WEIGHT OF THE SMELTERED METAL DELIVERED TO THE COMPANY  
WITH THE CALCULATED VALUE AT A 2% DISCOUNT ON THE  
LAST AVAILABLE LONDON SPOT MARKET FIX ON THE DAY OF  
DELIVERY TO THE COMPANY.

COLLATERAL - WHEN THE PRINCIPAL AND INTEREST HAVE BEEN PAID BACK  
AND ALL LIENS AND ENCUMBRANCES HAVE BEEN RELEASED AND THE  
CORPORATE NOTE SIGNED AS PAID IN FULL, AT THE LENDERS OPTION, HE  
MAY:

1. RELEASE THE PETRO-GLOBAL INC., RULE 144 STOCK BACK TO  
THE COMPANY, OR,

2. PURCHASE THE STOCK FOR CASH AT 50% OF BOOK VALUE, IN  
INCREMENTS OF 250,000 SHARES OVER A PERIOD OF 6 MONTHS, OR

3. PURCHASE THE STOCK FROM THE ROYALTY PROCEEDS, AT BOOK  
VALUE, IN INCREMENTS ALLOWED BY THE ROYALTY, OVER A PERIOD OF 2  
YEARS.

## ANALYSIS OF RETURN OF INVESTMENT

THIS ANALYSIS IS BASED ON .5 OUNCES OF GOLD RECOVERABLE PER TON OF ORE PROCESSED. THE ASSAYS BEAR THIS OUT UNQUESTIONABLY.

IN ACCORDANCE WITH THE USE OF PROCEEDS AND OPERATING BUDGET CONTAINED HEREIN, THIS ANALYSIS IS CALCULATED AT 300 TONS PER DAY/ \$300 PER OUNCE GOLD AND 400 TONS PER DAY/ \$400 PER OUNCE GOLD.

THESE FIGURES ARE GROSS FIGURES AND DO NOT REFLECT THE COST OF REFINING

### 400 TONS PER DAY

400 TONS/DAY X .5 OZ/TON = APPROX. 200 OZ/DAY RECOVERABLE GOLD

@ \$400/OZ GOLD X 200 OZ/DAY = APPROX. \$80,000 PER DAY

@ 25 DAYS PER MONTH = \$2,000,000 PER MONTH GROSS REVENUE

LESS 7.5% TOTAL ROYALTIES = \$1,850,000 GROSS REVENUE TO COMPANY

LESS \$69 PER TON RECOVERY COST = APPROX. \$46,400 GROSS PROFIT PER DAY.

@ 25 DAYS PER MONTH = APPROX. \$1,160,000 GROSS PROFIT PER MONTH TO THE COMPANY.

### 300 TONS PER DAY

300 TONS/DAY X .5 OZ/TON = APPROX. 150 OZ/DAY RECOVERABLE GOLD

@ \$300/OZ GOLD X 150 OZ/DAY = APPROX. \$45,000 PER DAY

@ 25 DAYS PER MONTH = \$1,125,000 PER MONTH GROSS REVENUE

LESS 7.5% TOTAL ROYALTIES = \$1,040,625 GROSS REVENUE TO THE COMPANY.

LESS \$93 PER TON RECOVERY COST = APPROX. \$13,725 GROSS PROFIT PER DAY

@ 25 DAYS PER MONTH = APPROX. \$343,125 MONTH GROSS PROFIT TO THE COMPANY.

ASSUMING A WORST CASE SCENARIO, AT 50% MONTHLY PAYOUT OF \$171,563, PAYBACK COULD BE ACCOMPLISHED IN 9 MONTHS OF FULL PRODUCTION INCLUDING THE INTEREST FOR THE FIRST YEAR.



# ANALYSIS OF THE PERPETUAL ROYALTY

AT 300 TONS PER DAY AND \$300 PER OUNCE GOLD, A 1% ROYALTY WOULD BE WORTH APPROXIMATELY \$11,250 PER MONTH TO THE LENDER, IN CASH OR IN KIND.

AT 400 TONS PER DAY AND \$400 PER OUNCE GOLD, A 1% ROYALTY WOULD BE WORTH APPROXIMATELY \$20,000 PER MONTH TO THE LENDER, IN CASH OR IN KIND.

ROYALTY SCHEDULE IS AS FOLLOWS, (SUBJECT TO CHANGE):

1% TO THE LENDER, IN CASH OR IN KIND  
5% TO THE SANTA FE RAILROAD, IN CASH OR IN KIND  
1.5% TO BUCKSKIN MINING ENERGIES, INC., IN CASH ONLY.  
TOTAL - 7.5%

THESE ARE BARE MINIMUM RETURNS. A HIGHER RECOVERY IS ANTICIPATED REGARDLESS OF THE TONNAGE PROCESSED.

USE OF PROCEEDS  
FOR 400 TON PER DAY PLANT

I. PLANT COST

|                                     |           |  |
|-------------------------------------|-----------|--|
| EQUIPMENT FOR COMPUTERIZED PLANT    | \$300,000 |  |
| SITE PREP AND SET-UP                | 30,000    |  |
| SUPPORT SET-UP, TRAILERS WATER ETC. | 30,000    |  |
|                                     | -----     |  |

|  |         |           |
|--|---------|-----------|
|  | 360,000 | \$360,000 |
|--|---------|-----------|

II. CLAIM ACQUISITION

|                                  |        |  |
|----------------------------------|--------|--|
| START-UP SURVEY, STAKING AND BLM |        |  |
| CLAIMS AND RECORDING             | 75,000 |  |
| NEW LEASES, RAILROAD PROPERTY    | 36,000 |  |
|                                  | -----  |  |

|  |         |         |
|--|---------|---------|
|  | 111,000 | 111,000 |
|--|---------|---------|

III. PETRO-GLOBAL INC. OPERATING COSTS/ 90 DAYS

|                                 |        |  |
|---------------------------------|--------|--|
| LABOR - 6 @ \$12/HR X 10 HR/DAY | 68,800 |  |
| TAXES/FICA                      | 12,960 |  |
| MANAGEMENT DRAWS - 4 @ \$5,000  | 60,000 |  |
| OVERHEAD -                      | 21,000 |  |
|                                 | -----  |  |

|  |         |         |
|--|---------|---------|
|  | 158,760 | 158,760 |
|--|---------|---------|

IV. TAXES, INSURANCE ETC.

|                              |        |  |
|------------------------------|--------|--|
| PERMITS                      | 1,000  |  |
| UMBRELLA LIABILITY INSURANCE | 10,000 |  |
| WORKMANS COMP/FUTA           | 5,000  |  |
|                              | -----  |  |

|  |        |        |
|--|--------|--------|
|  | 16,000 | 16,000 |
|--|--------|--------|

V. METALLURGY

|                                   |        |  |
|-----------------------------------|--------|--|
| SIMPSON PROCESS AND METALLURGICAL |        |  |
| TUNING                            | 25,000 |  |
| ON SITE ANALYSIS LABORATORY       | 50,000 |  |
|                                   | -----  |  |

|  |        |        |
|--|--------|--------|
|  | 75,000 | 75,000 |
|--|--------|--------|

VI. WORKING FUND FOR PETRO-GLOBAL AND  
IT'S OTHER PROPERTIES, BESSIE G,  
DESERT GOLD AND THE COLEMEN PROJ.

|  |         |         |
|--|---------|---------|
|  | 344,240 | 344,240 |
|--|---------|---------|

VII. COMMISSIONS AND EXPENSES

|  |        |        |
|--|--------|--------|
|  | 85,000 | 85,000 |
|--|--------|--------|

VIII. CONTINGENCY

|  |         |         |
|--|---------|---------|
|  | 100,000 | 100,000 |
|--|---------|---------|

|  |             |  |
|--|-------------|--|
|  | -----       |  |
|  | \$1,250,000 |  |
|  | =====       |  |



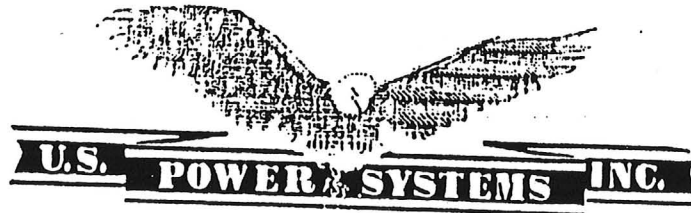
OPERATING BUDGET  
AFTER INSTALLATION COMPLETE

THIS BUDGET IS PREPARED ON A PER DAY COST BASIS

|                                   |          |
|-----------------------------------|----------|
| CHIEF MINING ENGINEER             | \$ 500   |
| CHIEF METALLURGIST                | 350      |
| CHEMICALS - @ \$40/TON X 400 TONS | 16,000   |
| MANAGING FOREMEN - 2 @250         | 500      |
| LABOR - 6 @ \$12/HR X TWO SHIFTS  | 1,440    |
| TAXES/FICA                        | 288      |
| WORKMANS COMP                     | 400      |
| ELECTRIC AND WATER                | 700      |
| INSURANCE                         | 800      |
| MAINTENANCE                       | 600      |
| FUEL AND CONSUMABLES              | 300      |
| OUTSIDE SERVICES                  | 5,000    |
| BONUSES                           | 1,000    |
|                                   | -----    |
|                                   | \$27,878 |

AT 400 TONS PER DAY = \$69/TON

AT 300 TONS PER DAY = \$93/TON



AQUARIUS XXV

AN ARIZONA PRECIOUS METALS MINE

OPERATED BY

PETRO-GLOBAL INC.

A SUBSIDIARY OF

U. S. POWER SYSTEMS, INC.

CHARLES H. SIMPSON  
RESEARCH ANALYST  
METALLURGICAL RESEARCH

7749 E. CHAPARRAL ROAD  
SCOTTSDALE, ARIZ., 85253  
PHONE: 602-946-9854

FEBRUARY 14, 1990

THIS STATEMENT IS PREPARED FOR THE PURPOSE OF SUBSTANTIATING AND EXPLAINING THE METHODS USED TO OBTAIN THE "BUTTONS" WHICH ARE USED FOR THE ASSAYS BY ROGERS RESEARCH AND THE METALLURGICAL ANALYST'S CONSIDERED OPINION ON THE RECOVERABLE VALUES AND DESCRIPTION OF THE ORE BODY FROM WHICH THE SAMPLES ARE TAKEN.

THE PROCESS USED TO PRODUCE THE "BUTTON" IS A STANDARD PROCESS, USED BY BEAMISH AND VAN LOON TO COLLECT NOBLE METALS AND GOLD, DOWN TO PARTS PER MILLION. THE RESULTS WILL BE DETERMINED BY THE NUMBER OF PARTS PER MILLION OF NOBLE AND PRECIOUS METALS FOUND IN THE ORE SAMPLE. THE SAMPLES ARE PREPARED BY GRINDING THE ORE TO 300 MESH MINUS IN A STANDARD MULLER. A SAMPLE IS THEN CUT FROM THE TOTAL MATERIAL, USUALLY 500 GRAMS OR MORE, AND THE SAMPLE TAKEN CONSISTS OF 35 GRAMS. THIS SAMPLE IS PREPARED WITH A STANDARD FLUX RECOMMENDED BY BEAMISH AND VAN LOON AND FUSED AT 1000 DEGREES CENTIGRADE FOR 1 HOUR AND 15 MINUTES. THIS PROCESS MAY BE REPEATED A SECOND TIME IF THERE IS ANY DOUBT THAT ALL THE RECOVERABLE METALS HAVE NOT BEEN SEPARATED OUT. FURTHER, SAMPLES OF THE ORE, FROM WHICH THESE BUTTONS HAVE BEEN MADE, HAVE BEEN SUBJECTED TO A LEACH TEST BY THE PATENTED SIMPSON PROCEDURE AND THE YIELD HAS BEEN COMENSURATE WITH THAT SHOWN IN THE BUTTONS TESTED BY ROGERS RESEARCH, OF SALT LAKE CITY, UTAH; ESPECIALLY THE NOBLE AND PRECIOUS METALS. THE LEACH LIQUOR FROM THE PROCESS HAS BEEN ASSAYED BY MACKENZIE LABORATORIES, OF PHOENIX, ARIZONA, WHICH DEFINITELY CONFIRMS THE PRESENCE OF THE METALS AND THEIR EXTRACTABILITY.

THE ORE BODY, UPON PERSONAL EXAMINATION, APPEARS TO BE A LAYERED, CONSOLIDATED AND UNCONSOLIDATED CONGLOMERATE, APPARENTLY LAID DOWN BY VOLCANIC ACTION WHICH HAS BEEN METAMORPHOSED OVER MILLIONS OF YEARS AND HAS BEEN THRUST IN VARIOUS DIRECTIONS BY FAULTING. EVIDENCE OF FAULTING AND EROSION OCCUR THROUGHOUT THE ZONES. ALL THE MATERIALS TESTED SO FAR, COMING FROM THE DIFFERENT BEDS, HAVE SHOWN THE PRESENCE OF NOBLE AND PRECIOUS METALS IN SUBSTANTIAL QUANTITY. THE DEPTH OF THE ORE BODY COULD EXTEND TO THE LOWEST LEVEL OF THE FAULT WHICH COULD BE AS MUCH AS 1,500 FEET DEEP. THERE IS OVER 200 FEET VISABLE FROM THE SURFACE, EXTENDING FOR A NUMBER OF MILES.

USING THE PATENTED SIMPSON PROCESS AS WELL AS PROPRIETARY KNOWLEDGE, WHICH THE COMPANY HAS ACCESS TO, EXTRACTABILITY SHOULD AVERAGE 98% OF THE AVAILABLE METALS. THERE ARE ALSO VALUABLE BI-PRODUCTS SUCH AS ALUMINUM AND SILICA. THE PROCESS USED TO EXTRACT THE ORE, USES COMMON CHEMICALS, READILY AVAILABLE ANYWHERE IN THE WORLD COUPLED WITH KNOWN CHEMICAL TECHNOLOGY. THE PROCESS USES ONLY CHEMICALS THAT ARE ENVIRONMENTALLY SAFE WITH NO CYANIDE, BROMIDES OR OTHER TOXIC MATERIALS. THERE IS NO AIR, WATER OR GROUND POLLUTION CONNECTED WITH THE PROCESSING OF THIS ORE.

GIVEN THE WIDTH, DEPTH AND LENGTH OF THE DEPOSIT, THIS ORE BODY COULD WELL BE THE LARGEST, ACCESSABLE DEPOSIT OF NOBLE AND PRECIOUS METALS FOUND IN THE NORTH AMERICAN CONTINENT. WITHOUT THE TECHNOLOGY AVAILABLE TO PETRO-GLOBAL INC. (IE. THE PATENTED SIMPSON PROCESS), THE CURRENT YIELDS WOULD NOT BE POSSIBLE.

CHARLES H. SIMPSON  
RESEARCH ANALYST  
METALLURGICAL RESEARCH

7749 EAST CHAPARRAL ROAD  
SCOTTSDALE, ARIZONA 85253  
PHONE: (602) 946-9854

## RESUME

Attended Oregon State College two years. Graduated 1952 in Business Administration Multnomah College, Portland, Oregon. Postgraduate work in chemistry and geology at University of Oregon 1952 to 1954. Attended Carnegie Institute, Pittsburgh, PA - Research on Sulfur Recovery, Mineral Extraction - Geology 1957 - 1959. Five years with United Nations Geology Team in Chile, Argentina, Columbia, Ecuador and Peru. 1967 passed Civil Service examination for Research Analyst I-II. 1968 to Present: Engaged in independent research work on metals and metal extraction. Hold a number of patents on metallurgical extraction procedures. Received patents on chemical extraction of precious metals - 1984. Familiar with non-destructive type of analysis for artifacts. Familiar with literature and technology research procedures. member of Association for Advancement of Science. Honorary Member of American Inventors Society. Familiar with analytical metal procedures and analysis. Patents granted on coal desulfurization 1986. Appeared in 1986 volume of Who's Who in Technology Today and Who's Who in the West. Nominated to the New York Academy of Sciences. Awarded Distinguished Certificate for Achievement in Metallurgy 1989. Listed in Personalities of the Americas (including the Caribbean), First Commemorative Edition, and The International Directory of Distinguished Leadership, American Biographical Institute, Raleigh, NC 1989.

## CREATIVE WORK

- 1962 - Discovered and patented critical temperature, making solvent extraction of sulfur from ore possible. (Patent No. U.S. 3-063-817)
- 1963 - Compiled report on Andes for United Nations.
- 1980 - Granted patent for reducing sulfur in coal (Patent No. U.S. 4-203-7).
- 1984 - Granted patent for hydrometallurgical process for extraction of nickel (Patent No. U.S. 4-435-369)
- 1984 - Granted patent for removing precious metals from carbonaceous ores without the use of cyanide (Patent No. U.S. 4-439-235)
- 1986 - Granted patent for removal of pyritic, organic and elemental sulfur from coal (Patent No. U.S. 4-569-678)

NOTE TO THE ASSAYS FROM ROGERS RESEARCH

THE ROGERS RESEARCH "BUTTON" ANALYSIS ARE 35 GRAM RAW ORE SAMPLES REDUCED TO 18 TO 23 GRAM METAL "BUTTONS". THE ANALYSIS READS OZ/TON. THIS MEANS OZ/TON OF "BUTTONS". FOR PRACTICAL PURPOSES, PLEASE TAKE THE OZ/TON RESULTS AND DIVIDE THEM IN HALF TO OBTAIN THE OZ/TON OF PRECIOUS METAL CONTENT IN THE RAW ORE.

THANK YOU.



# ROGERS RESEARCH & ANALYSIS COMPANY

2340 South Redwood Road (1700 W.) • Salt Lake City, Utah 84119 • Phone (801) 973-4637  
CLAIR W. ROGERS, President

U.S. POWER SYSTEMS INC.  
4300 N. MILLER ROAD SUITE 103  
SCOTTSDALE, ARIZ 85251

JANUARY 23, 1990

AQUARIUS XXV

CUSTOMERS IDENTIFICATION: SITE #1 DORE

|            |              |           |              |
|------------|--------------|-----------|--------------|
| ANTIMONY   |              | PALLADIUM | 0.103 OZ/TON |
| ARSENIC    |              | PLATINUM  | 0.816 OZ/TON |
| BARIUM     | TRACE        | RHODIUM   | 0.005 OZ/TON |
| BISMUTH    |              | RUBIDIUM  |              |
| CHROMIUM   | .2 %         | RUTHENIUM | NOT DETECTED |
| COBALT     | TRACE        | SILVER    | 8.11 OZ/TON  |
| COPPER     | .3 %         | STRONTIUM |              |
| GOLD       | 18.21 OZ/TON | THORIUM   |              |
| IRON       | 6.4 %        | TIN       | .1 %         |
| LEAD       | .2 %         | TITANIUM  | TRACE        |
| MANGANESE  | TRACE        | TUNGSTEN  | TRACE        |
| MOLYBDENUM |              | URANIUM   |              |
| NICKEL     | 92.5 %       | VANADIUM  |              |
| OSMIUM     | 0.001 OZ/TON | YTTRIUM   |              |
| IRIDIUM    | 0.002 OZ/TON | ZINC      | TRACE        |
| TELLURIUM  | TRACE        | ZIRCONIUM |              |

  
Clair W. Rogers M.S.



# ROGERS RESEARCH & ANALYSIS COMPANY

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CLAIR W. ROGERS, President

FEB 15 1990

U.S. POWER SYSTEMS INC.  
4300 N. MILLER ROAD SUITE 103  
SCOTTSDALE, ARIZ 85251

FEBRUARY 10, 1990

CUSTOMERS IDENTIFICATION: AQUARIUS-GREEN #2 24 G.  
ANALYSES =PT GROUP + AU-AG-FE-NI

|            |              |           |              |
|------------|--------------|-----------|--------------|
| ANTIMONY   |              | PALLADIUM | 0.016 OZ/TON |
| ARSENIC    |              | PLATINUM  | 2.14 OZ/TON  |
| BARIUM     |              | RHODIUM   | 0.001 OZ/TON |
| BISMUTH    |              | RUBIDIUM  |              |
| CHROMIUM   |              | RUTHENIUM | NOT DETECTED |
| COBALT     |              | SILVER    | 12.88 OZ/TON |
| COPPER     |              | STRONTIUM |              |
| GOLD       | 15.88 OZ/TON | THORIUM   |              |
| IRON       | 6.4 %        | TIN       |              |
| LEAD       |              | TITANIUM  |              |
| MANGANESE  |              | TUNGSTEN  |              |
| MOLYBDENUM |              | URANIUM   |              |
| NICKEL     | 92.6 %       | VANADIUM  |              |
| OSMIUM     | 0.002 OZ/TON | YTTRIUM   |              |
| IRIDIUM    | 0.001 OZ/TON | ZINC      |              |
| TELLURIUM  |              | ZIRCONIUM |              |

  
Clair W. Rogers M.S.

## REPORT OF ANALYSIS

CLIENT:

Simpson Research  
1035 E. Curry Rd. Unit G  
Tempe, AZ 85281

Submitted By: C. Simpson

Sample Of: Solution

Date Received: 1/31/90

Date Reported: 2/2/90

Laboratory No.: 90-0156-158

## RESULTS

| Sample Marking  | Troy oz./gal<br>Gold (Au) | ppm<br>Gold (Au) | Troy oz./gal<br>Platinum (Pt) | ppm<br>Platinum (Pt) |
|-----------------|---------------------------|------------------|-------------------------------|----------------------|
| USPC SITE 1     | 0.0004                    | 1.998            | 0.0022                        | 10.987               |
| USPC SITE 4     | 0.0004                    | 3.00             | 0.0021                        | 17.28                |
| USPC SITE 4 2nd | 0.0005                    | 3.83             | 0.0028                        | 22.76                |
|                 | oz/T                      |                  | oz/T                          |                      |

| Sample Marking  | Troy oz./gal<br>Silver (Ag) | ppm<br>Silver (Ag) | Troy oz./gal<br>Palladium (Pd) | ppm<br>Palladium (Pd) |
|-----------------|-----------------------------|--------------------|--------------------------------|-----------------------|
| USPC SITE 1     | 0.0001                      | 1.11               | 0.0002                         | 2.02                  |
| USPC SITE 4     | <0.0001                     | 0.34               | 0.0002                         | 1.96                  |
| USPC SITE 4 2nd | <0.0001                     | 0.27               | 0.0003                         | 2.50                  |
|                 | oz/T                        |                    | oz/T                           |                       |

The results reported herein were obtained by following standard laboratory procedures and apply only to the sample tested. They are not to be considered representative of the qualities of any apparently identical samples and/or similar materials. This report is intended for the sole use of the above named client. Client must obtain prior written permission from McKenzie Laboratories in order to use McKenzie's name in any connection with this report and/or its contents. Liability limited to cost of analysis.

Respectfully submitted,

Eryann Rosendahl