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Arizona Department of Mines and Mineral Resources Mining Collection

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PRINTED: 01/02/2003

ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES AZMILS DATA

PRIMARY NAME: PEEPLES LEASE

ALTERNATE NAMES:

YAVAPAI COUNTY MILS NUMBER: 1392

LOCATION: TOWNSHIP 13 N RANGE 4 W SECTION 11 QUARTER NW
LATITUDE: N 34DEG 29MIN 10SEC LONGITUDE: W 112DEG 38MIN 50SEC
TOPO MAP NAME: KIRKLAND - 7.5 MIN

CURRENT STATUS: PAST PRODUCER

COMMODITY:
GOLD PLACER

BIBLIOGRAPHY:
ADMMR PEEPLES LEASE FILE
25 PHOTOS OF MILLSITE TAKEN 7/29/2000



PRESCOTT 1/4 MI.

1 270 000 FEET

3817

T. 13 N.

3816

3815

27'30"

3813

Skull Valley
Valley Wash
VALLEY
SKULL

Middle Tank

OLD TRAIL
SIC BLDG
H2O POND
PILE
SPLASH
FREEDOM BRIDGE

Finch

Skull Valley Ranch School

Charlie Well

Section 15 Windmill

SANTA FE

TOPEKA

Lower Ranch Well

Texas Windmill

Spring

Kennedy

JEEP

PACK

TRAIL

Corral

Corral

Corral

Corral

Well

Delia Well

Railroad Well

Well

Well

Well

California Well

Well

Well

Well

Cort Well

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BM 4147

BM 4113

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X 4755

X 4860

X 4680

X 4520

X 4560

X 4560

X 4892

X 4426

X 4492

X 4396

X 4373

X 4309

X 4511

X 4854

X 4396

X 4426

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X 4396

X 4373

X 4309

X 4511

X 4748

X 4396

X 4426

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X 4396

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X 4146

X 4147

X 4113

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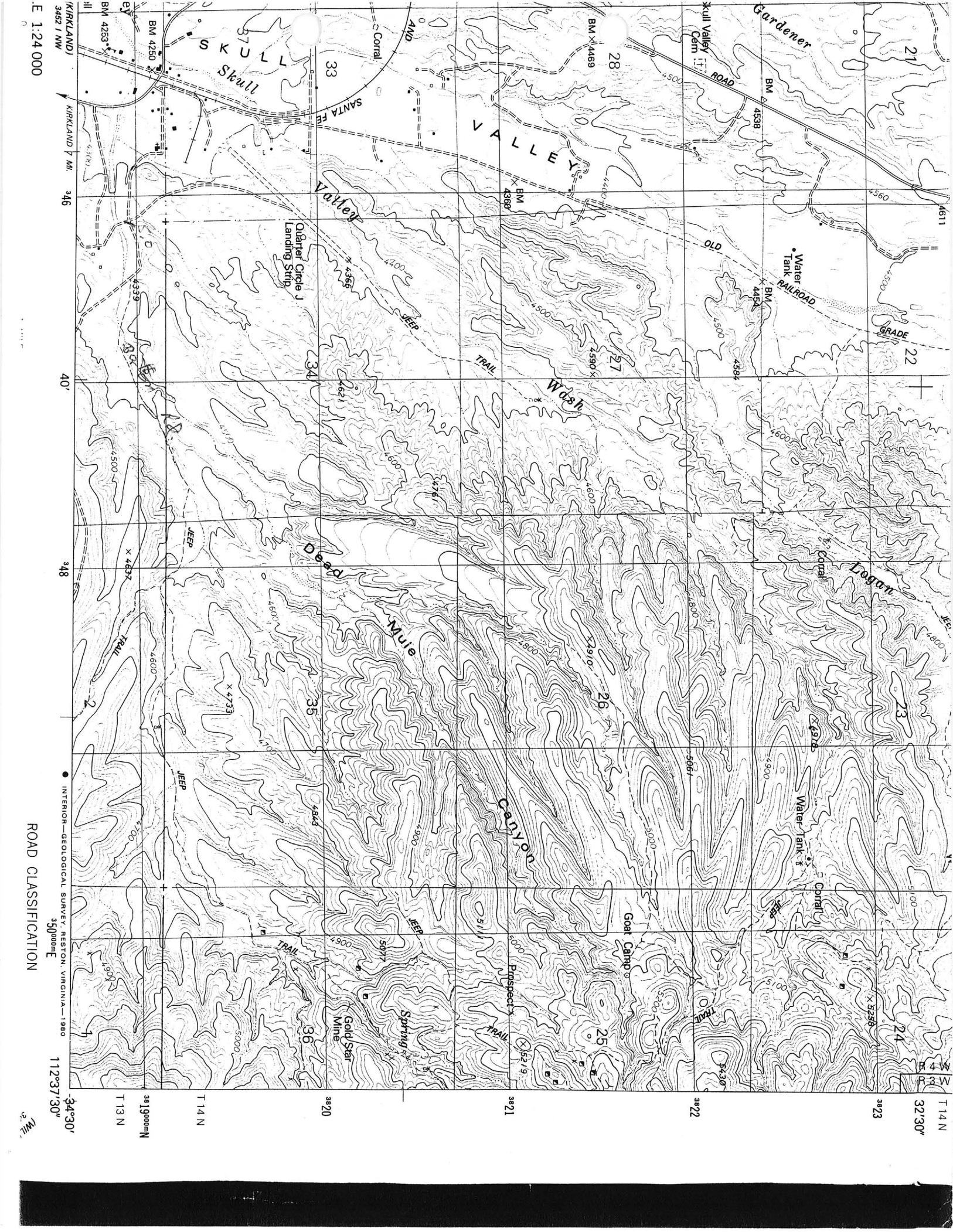
T. 13 N.

3816

3815

27'30"

3813



E 1:24 000

ROAD CLASSIFICATION

INTERIOR—GEOLOGICAL SURVEY, RESTON, VIRGINIA—1980

(KIRKLAND) 3452 / MW
 KIRKLAND 7 M.
 346
 40'
 348
 34°30'
 T 13 N
 3819000m
 T 14 N
 3820
 3821
 3822
 3823
 T 14 N
 32°30'

350000m

112°27'30"

3. MW

Ken Phillips

From: Ken A. Phillips <kenfillups@hotmail.com>
To: <cecil1974@home.com>
Sent: Thursday, March 23, 2000 4:15 PM
Subject: From AZ Dept. Mines re HCCA

Ethel

Today I sent the following e-mail to Hexogon via the feedback button e-mail on their website. I'll share their response (if any) with you.

Ken Phillips

Arizona Department of Mines and Mineral Resources

1502 West Washington, Phoenix, AZ 85007 Phone (602) 255-3795
1-800-446-4259 in Arizona FAX (602) 255-3777 www.admmr.state.az.us

March 23, 2000

We are receiving a number of inquiries about your operations in the Skull Valley area of Yavapai County. Although we have considerable public file data on numerous mining properties in the region we have no idea which if any might correspond to, or be close to your operations. Further we have no specific mineral resource data on any property cross-referenced to your company name. Thus we are only able to tell inquirers that we have only heard rumors of your activity in the district.

Please provide us with public information that we can provide to inquirers and discuss with them. We would also appreciate knowing the location of your deposit by legal description, the land status, and permit status with the appropriate land management agency and the Arizona Dept. of Environmental Quality.

We are a non-regulatory state agency whose statutory duty is to aid in the promotion and development of Arizona's mineral resources. We do this by gathering, reviewing, and disseminating technical mineral resource information. More information about the Arizona Department of Mines and Mineral Resources is available at our website www.admmr.state.az.us

Ken A. Phillips, Chief Engineer

Arizona Department of Mines and Minerals Resources

No Response
Ever
Jan. 25, 2001

Peoples Lease (5)
Yavapai

Ken Phillips

From: <postmaster@mail.hotmail.com>
To: <kenfillups@hotmail.com>
Sent: Thursday, January 25, 2001 11:08 AM
Attach: ATT00014.dat; ATT00015.eml
Subject: Delivery Status Notification (Failure)

This is an automatically generated Delivery Status Notification.

Delivery to the following recipients failed.

ir@jordanrichard.com

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Originator-Key-Asymmetric:
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[Redacted] 2000

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CONFORMED SUBMISSION TYPE: 10SB12G/A
PUBLIC DOCUMENT COUNT: 41
FILED AS OF DATE: 19991216

HCC A

FILER: DEC 16, 99

OR

COMPANY DATA:

COMPANY CONFORMED NAME: HEXAGON CONSOLIDATED COMP
CENTRAL INDEX KEY: 0001010474
STANDARD INDUSTRIAL CLASSIFICATION: SERVICES-MISC HEALTH & AL
IRS NUMBER: 621210877
STATE OF INCORPORATION: NV
FISCAL YEAR END: 1231

FILING VALUES:

FORM TYPE: 10SB12G/A
SEC ACT:
SEC FILE NUMBER: 000-29006
FILM NUMBER: 99775585

DON JOZAR
METALURGICAL RESEARCH
& ANAL LAB.

BUSINESS ADDRESS:

STREET 1: 100 NORTH ARLINGTON AVENUE
STREET 2: SUITE 22F
CITY: RENO
STATE: NV
ZIP: 89501
BUSINESS PHONE: 7557861461

MAIL ADDRESS:

STREET 1: 100 N ARLINGTON AVE
STREET 2: STE 22F
CITY: RENO
STATE: NV
ZIP: 89501

FORMER COMPANY:

FORMER CONFORMED NAME: HEALTH CARE CENTERS OF AMERICA INC
DATE OF NAME CHANGE: 19970828

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10SB12G/A
(Second Amended)

GENERAL FORM FOR REGISTRATION OF SECURITIES
OF SMALL BUSINESS ISSUERS UNDER SECTION 12(b)
OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file no.0-29006

HEXAGON CONSOLIDATED COMPANIES OF AMERICA, INC.

(FORMERLY HEALTH CARE CENTERS OF AMERICA, INC.)

(Name of Small Business Issuer in Its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

62-1210877

(I.R.S. Employer
Identification No.)

100 North Arlington (ste. 22F)
Reno, Nevada

(Address of Principal Executive Officer)

89501

(Zip Code)

(702) 786-1461

(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Exchange Act:
None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.001 per share

(Title of Class)

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PART I

Item 1. Description of Business.

Much of the discussion contained in this Item 1 is "forward looking" as that term is identified in, or contemplated by, Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual results may materially differ from projections. Information concerning factors that could cause actual results to differ materially is set forth in this Item 1 and in Items 2 and 3 below. For a complete understanding of such factors, this entire document, including the financial statements and their accompanying notes, should be read in its entirety.

Historical Overview of the Company

Hexagon Consolidated Companies of America, Inc., a Nevada corporation (the "Company"), was incorporated in Montana in October 1967. The Company's executive offices are located at 100 North Arlington (suite 22F), Reno, Nevada.

Originally known as Cadgie Taylor Co., the Company merged with Carleto Enterprises, Ltd., a Nevada corporation, in 1984. Later that year, it change its name to SCN, Ltd., and effected a share exchange with Star-Com Network Inc., another Nevada corporation. In 1985, the Company filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. In September 1993, the bankruptcy proceedings were dismissed.

Upon emerging from such bankruptcy proceedings, the Company changed its name to Health Care Centers of America, Inc., reflecting its intention to develop a network of multi-disciplinary health care centers. A plan was formulated whereby the Company would acquire health care practices in exchange for shares of the Company's stock, the value of such shares to be supported by other assets acquired for stock. Pursuant to such plan, the Company has acquired or agreed to acquire assets in mining, real estate, entertainment, education and health care.

Many of the stock exchange agreements into which the Company entered for such acquisitions provided that the other party to the agreement had the right to annul or void the agreement if a registration statement registering the Company's stock under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act") did not become effective within a specified period of time (in most cases 18 months following the date of the agreement). Many of such agreements or oral understandings supplementing such agreements also provide that the assets, liabilities, and income of the target entities would not inure

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to the benefit of the Company until the Company's Exchange Act registration became effective.

In December 1996, the Company filed a registration statement under Section 12(g) of the Exchange Act which became effective February 4, 1997. With certain exceptions hereinafter discussed, the time limitations for such registration have been waived, and such acquisitions are deemed to have become effective.

While the Company planned and continues to plan to go into health care at the present time most of its assets and activities relate to other industries, primarily mining/processing of precious metals and entertainment.

On July 7, 1999 the Board of Directors of the Company unanimously adopted resolution to change the name of the Company from Health Care Centers of America Inc. to Hexagon Consolidated Companies of America, Inc. to better reflect the diversification of the Company's business. On August 31, 1999 the appropriate amendment to the Articles of Incorporation were filed with the office of the Nevada Secretary of State.

The Company is in the development stage and has not had any revenue

during the last five years, during which there has been a substantial expenditure of funds. The Company's future success is dependent on its ability to obtain funding for processing its precious metals concentrate. The Company anticipate obtaining such funding by exploiting the commercial value, by sale or otherwise directly or through joint ventures, of some of its ore concentrates, its television time credits, its medical waste disposal units, and/or its contractual interests in certain real estate (see Part I, Item 2 "Plan of Operations"). The Company has no contracts for such commercialization, and its real estate is the subject of litigation with former owners; accordingly, there can be no assurance that the Company will be successful in selling or commercializing any such assets (see Part II, Item 2 "Legal Proceedings").

As of September 30, 1999, the Company did not have any employees, its business being managed by its officers and directors.

Current Business (including lines of business acquired subsequent to December 31, 1996)

A. Precious Metals Concentrate, Mining and Processing

1. Description of the business

The Company owns a substantial deposit of ore concentrate located approximately 40 miles from Prescott, Arizona, which management believes, on the basis of assays by an independent consultant, is substantially in excess of

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500,000 tons. Tests by an independent firm including a registered assayer and analytical chemist indicate that such concentrate contains commercial quantities of precious metals and rare earths. (See Part I, Item 3 "Description of Property".)

Through its wholly owned subsidiary, Peoples Mining Co. ("Peoples Mining"), the Company also owns mineral rights in Arizona, California and Nevada.

Peoples Mining has recently commenced processing the Company's concentrate. The development of its other mining properties will begin as soon as financing permits. It is intended that Peoples Mining will process such concentrate to the next stage of concentration known as dore bars. Dore bars are produced by liquefying the concentrate and pouring the solution into a mold; as the material cools, the metals separate, with the heaviest falling to the bottom. Dore bars can be sold for a higher price than concentrate.

Peoples Mining does not presently have the equipment for producing dore bars. Management is currently studying alternative refining methods to determine the appropriate machinery and equipment to buy, but the Company may require financing for such purchase. The Company does not anticipate obtaining the equipment necessary to refine its concentrate or dore bars into bullion rather it intends to produce and sell dore bars to smelters which have such equipment.

Peoples Mining has certain facilities and equipment for leaching, testing, extracting free milling gold and melting the free milling gold

into "common gold k s", but new equipment ll be required to process concentrated ores from the Company's properties into dore' bars. After th concentrated ore is processed into dore' bars, Peeples will begin concentratin head ore. Peeples Mining is capable of processing approximately 25 tons of hea ore per hour from its Arizona property, bringing it to a first stage o concentration. As is being done with the concentrated ore inventory, free millin gold will be removed, and the remaining concentrate will be further concentrate and/or separated by a mechanical process. This concentrated ore will then b refined into dore' bars.

The Company (or its subsidiary, Peeples Mining) also has mineral right in lands in Arizona and Nevada, and subsequent to December 31, 1996, acquired a additional mining property in California. (See Part I, Item 3 "Description o Property".)

Peeples Mining LLC ("Peeples LLC"), which was organized in 1981 as a Arizona limited liability company, was acquired by the Company in 1994. Peeples LLC was actively engaged in mining activities from 1988 to 1994. The Compan

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also acquired F&H Mining, Inc., a Nevada corporation ("F&H Mining") in 1994. F& Mining was organized in 1984, and was active working the property at Mesquite Nevada, until 1991. In February 1997, the assets of Peeples LLC and F&H Minin were transferred to Peeples Mining, a newly formed Nevada corporation of whic the Company is the sole stockholder.

On April 30, 1998, Peeples Mining entered into a joint ventur agreement with Hidden Splendor Smelting Co., a Nevada corporation (herinafte "HSS"), for the purpose of processing approximately 500,000 tons of the Peeples Mining concentrated ore inventory located near Skull Valley, Arizona. Th agreement provides that HSS has the right to acquire a twenty percent (20% interest in the net revenues realized as a result of the sale of the processe inventory. In return, HSS shall provide, among other things, the proper permit for processing (including smelting operations, etc.) of the ore inventory assistance with the processing operations and the necessary machinery equipment, laboratory facilities and structures for the initial period of th processing operations. The term of the agreement is eight (8) years from th effective date (ie. form April 30, 1998) and for so long as it takes to proces and sell the inventory.

On behalf of the Company and as a showing of good faith, Mr. Mauric W. Furlong, Chairman and President, personally transferred 1,000,000 shares o common stock on June 28, 1999 to HSS. As of this date, HSS has procured th appropriate permits, however, no processing activity has taken place.

Peeples Mining does not presently have any employees.

For a futher discussion, see Item 2, "Management's Discus sion an Analysis or Plan of Operation", below.

2. Terms of Acquisition

The Company entered into the agreement to acquire all the issued an outstanding stock of F&H Mining in March 1994. At that time, F&H Mining was corporation organized under the laws of the Island of Nevis. Under th agreement, the Company agreed to acquire all of F&H Mining's issued an

outstanding stock in exchange for 12,000,000 (12,000 after given effect of reverse split) shares of the Company's stock. Maurice Furlong, the Company's president, had been a consultant to F&H. Mr Furlong's son, Craig Furlong was president of F&H. Consummation of the acquisition of F&H Mining was contingent on effectiveness of the Company's Exchange Act registration statement, which was originally filed in December of 1996.

In June 1994, the Company entered into the agreement to acquire all the interests in Peeples LLC. Under the agreement, the Company issued 20,000,000 (20,000 after given effect of reverse split) shares of the Company's stock to the members of Peeples LLC, and through Peeples LLC acquired the mineral rights

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to 377.11 acres near Prescott, Arizona pursuant to a mineral lease with the State of Arizona. The lease expires on May 1, 2003. In August 1995, the Company issued an additional 100,000,000 (100,000 after given effect of reverse split) shares to Zarzion, Ltd., for ore concentrate which Zarzion, Ltd. had purchased from Peeples LLC. Consummation of the acquisition of Peeples LLC was contingent on effectiveness of the Company's Exchange Act registration statement. Company's ore concentrate, however, is owned outright, free and clear of any contingencies.

In August 1996, the Company agreed with the former members of Peeples LLC and the former shareholders of F&H Mining that any income realized from the operations of F&H and Peeples was not to inure to the benefit of the Company until such time as its Exchange Act registration became effective. In fact there were no revenues between the time the acquisition agreements were entered into and the time the Company's Exchange Act registration became effective in February 1997. Provisions in the acquisition agreements for F&H and Peeples granting the former stockholders of those companies the right to annul the sale of such companies under certain circumstances, including the Company's failure to complete a secondary offering of its securities within a prescribed time frame, have lapsed.

In February 1997, the Company acquired 17 lode claims on 340 acres of land in California. (See Part I, Item 3 "Description of Property".) The Company believes it will be eligible to apply for title to such property following a period of exploitation. These claims were acquired from Zarzion, Ltd. (see Part I, Item 7 "Certain Relationships and Related Transactions") in exchange for 375,000,000 (375,000 after given effect of reverse split) shares of the Company's common stock.

3. Risks attendant on mining and processing minerals

The value of the Company's concentrate depends on the amount of metal contained in such ore, and on the cost and difficulty of refining. While the Company believes that there are significant quantities of precious metals in such concentrate, the market price of such metals and the cost of extraction and refining are yet to be determined. Management is of the opinion that the cost of extraction and mining should not exceed 50% of the value if indicated quantities of precious metals are present in its concentrate.

Analyzing samples gathered by itself with direct current plasma ("DCP") equipment which measures each element present, Metallurgical Research & Assay Laboratory (Henderson, Nevada), a firm including Donald Jordan, a registered

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assayer and analytical chemist, estimated the value of precious metals in the Company's ore concentrate to be in excess of \$3 billion. Such analysis reflect Mr. Jordan's independent judgment, and is not a representation of management.

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His samplings were taken without supervision, and there can be no assurance that his samplings are representative of the entire inventory, nor can there be any assurance that his estimates of the cost of processing such ores are or will be accurate when effected. Mr. Jordan's valuation was based on the price of metals in March 1997; the price of gold has declined since that time, and there can be no assurance that such decline or future declines will not have materially adverse effect on the value of the metals believed to be contained in such ore.

No assurances can be given that a desirable level of recovery will be realized from Peeples Mining's ore. Estimates may require revision based on actual production experience. Market price fluctuations of precious metals, as well as increased production costs or reduced recovery rates, may drastically affect the value of the Company's ore reserves, and may render reserve containing relatively low grades of mineralization uneconomic to exploit.

Exploration and mining activities are highly speculative in nature and involve many risks, and are frequently nonproductive. There can be no assurance that the Company's mining activities will be successful. In the event minerals are recoverable, it may take a number of years from the initial phases until production is possible, during which time the economic feasibility of production may change. As pertains to all the Company's mining interests, substantial expenditures may be required to establish proven and probable ore reserves through drilling, to determine metallurgical processes to extract the metal from the ore, and in the case of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the Company will be able successfully to exploit its mineral properties.

The business of mining and processing precious metals is subject to a number of significant hazards, including environmental hazards, thefts and other losses, industrial accidents, and labor disputes. Mining is also subject to the risks of encountering unusual or unexpected geological formations, cave-ins, flooding, rock falls, periodic interruptions due to inclement or hazardous weather conditions, and other acts of God. Such risks could result in damage to or destruction of mining properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses, and possible legal liability. The Company will obtain insurance against risks that are typical in the operation of its business and in amounts which management believes to be reasonable, but no assurance can be given that such insurance will continue to be available, that it will be available at economically acceptable premiums, or that it will be adequate to cover any liability.

There can be no assurance that the test results obtained by the Company for certain of its properties by independent assayers will prove to be accurate for the entire property.

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<!--EndFragment-->

PLATINUM-GROUP METALS

(By F. L. Stubbs, Arizona Bureau of Mines, Tucson, Arizona.)

Introduction

The platinum group of metals comprises platinum, palladium, rhodium, iridium, osmium, and ruthenium, of which platinum is the most important. Of these metals, osmium generally is alloyed with iridium and is referred to as osmiridium. The platinum-group metals occur chiefly as natural alloys of various proportions and to a lesser extent as sulfides and arsenides. All of these metals are rare, expensive, and possess individual properties that make them uniquely attractive for certain uses in highly developed technology and for use in jewelry and for decorative purposes.

Platinum and palladium are the most abundant and most widely used of the group; the other four metals are mainly used as alloy modifiers with platinum or palladium. High melting points, corrosion resistance, and catalytic properties of these metal have many industrial applications. In recent years the chemical, petroleum, and electrical industries accounted for about 80 percent of the platinum-group metals used in the United States (U.S. Bur. Mines, 1968, p. 112).

There has been minor production of the platinum-group metals from California and Alaska, but present domestic production, mostly from copper smelters, is insignificant when compared with domestic consumption. The platinum-group metals have important defense applications which has induced governmental restrictions on their use during wartime: platinum, palladium, and iridium are classified as strategic and are stockpiled (Ware, 1965, p. 717).

In 1966 the United States consumed 1,675,795 troy ounces and imported 1,435,017 troy ounces of platinum-group metals; the imports, valued at \$83,410,000, were supplied by the U.S.S.R. (33 percent), United Kingdom (30 percent), Canada (11 percent), and other sources (26 percent) (U.S. Bur. Mines, 1967, p. 342-344).

Platinum-group metals are found mostly in geologic association with mafic and ultramafic rocks (peridotite, norite, dunite) or in placer deposits derived from primary sources. Important deposits of these metals are found in placers derived from ultramafic rocks in the U.S.S.R., in ultramafic igneous rocks of the Bushveld complex in the Union of South Africa, with nickel-copper ores of the Sudbury ultramafic complex in Canada, and in gold placers at Goodnews Bay, Alaska. Large deposits of these metals have never been found in the mafic and ultramafic complexes in the United States. *[until Montana's Stillwater complex - ADMMR addition 1999]*

Reported Occurrences and Outlook

Only a few occurrences of platinum-group metals have been reported in Arizona. These occurrences, however, are doubtful and the potential for finding platinum-group metals in Arizona is poor. Two small peridotite bodies occur in association with other lower Precambrian rocks in northeastern Maricopa County (Wilson and others, 1957), but no platinum-group metals have been found in them. About 1900, the discovery of large platinum deposits in the region of Cataract Canyon on the Colorado River was announced, but could not be verified (Blake, 1900).

HEALTH CARE CENTERS OF AMERICA, INC. 510 Renaissance
Drive Oakbrook Terrace, IL 60181

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METALLURGICAL RESEARCH AND ASSAY LABORATORY
745 SUNSET RD., SUITE 8
HENDERSON, NV 89015
702-565-0074
June 25, 1997

Mr. W. Dale McGhie
1539 Vassar Street
Reno, NV 89502

Dear Mr. McGhie:

In response to your request as to Peoples Mining Company's ability to process dore bars and sell them for more than the cost of making them. It is my opinion, that if HCCA's Peoples Mining can recover approximately 80% of the values, and if they have 800,000 tons of this material as represented, then by using the current prices (3/21/97) of precious and rare earth metals present they can expect a gross profit.

The plasma furnace will smelt 1/4 ton of ore per hour at a cost of approximately \$700 per hour. Using the metal values given, Peoples Mining has \$13,600 per ton of ore. If 80% is recovered to sell in a dore bar to a refiner Peoples can expect to receive \$10,900 per processed ton of ore. The direct cost of recovery should not exceed \$3000 per ton. Peoples should have a gross profit of over \$7900 per treated ton of ore.

The length of time to process 500,000 tons of ore is mostly dependent on Peoples ability to purchase a number of plasma furnaces at a cost of approximately \$500,000 per unit.

Therefore based on the above, it is my opinion that the value of the ore in its current state would be almost \$4,000,000,000.

Sincerely,

[unsigned]

Donald E. Jordan

If you need any additional information please call us at the above number.

Thank you.

Sincerely,

/s/ Donald E. Jordan

</TEXT>
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<TYPE>EX-99.37
<SEQUENCE>38
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EXHIBIT 12(d)

METALLURGICAL RESEARCH AND ASSAY LABORATORY
745 SUNSET RD., SUITE 8
HENDERSON, NV 89015
702-565-0074

February 9, 1996

Mr. Harrigan

We retrieved and analyzed three samples for you (results shown on separate assay reports #'s 220, 2221, and 2222 dated 2/9/96. These samples were taken over a 7 claim area and identified as B4 foot bank, M14 foot bank, and prospect hole 200 yards to the north east. These samples, if representative of the 7 claims, have values according to our assays above as follows:

7 claims = 700,000 cubic yards and each cubic yard weighs ca 1.5 ton or 1,050,000 ton/7claims.

The average value/ton for each metal is:

Gold	\$	80
Platinum		700
Rhodium		250
Osmium		1000
Ruthenium		18
Palladium		15
Iridium		180

TOTAL \$2243/ton

\$2243 X 1,050,000 tons = \$ 2,355,150,000.00

Of course these values are just an estimate but from the assays and the area covered we feel that they are a pretty good estimate.

Very truly yours

Donald E. Jordan
/s/ Donald E. Jordan

<PAGE>

Metallurgical Research and Assay Laboratory
745 Sunset Road Suite 8

ASSAY REPORT

ASSAY NUMBER 2220 DATE: 2/9/96

CUSTOMER CRAIG FURLONG

SAMPLE IDENTIFICATION BY ROAD 4 FOOT BANK SAMPLE

Element	ppm or ug/g	Troy oz/s.ton
Au-Gold	7.0	0.20
Ag-Silver	5.6	0.16
Pt-Platinum	46.4	1.35
Rh-Rhodium	9.0	0.26
Os-Osmeium	50.0	1.46
Ru-Ruthenium	9.1	0.27
Pd-Pladdium	3.7	0.11
Ir-Iridium	71.0	2.07

REGISTERED ASSAYER
CERTIFICATE NO. 19127
— DONALD E. JORDAN —
/s/ DONALD E. JORDAN
Date Signed 2/9/96
ARIZONA, U.S.A.

UNLESS PRIOR ARRANGEMENTS ARE MADE, ALL SAMPLES WILL BE DISCARDED AFTER 3 DAYS. THESE RESULTS ARE BASED ON WELL KNOWN ACCEPTED ANALYTICAL PROCEDURES USE SOLELY ON THE SAMPLE TAKEN BY JORDAN, GRAHAM, AND HERRON. THIS REPORT I PREPARED EXCLUSIVELY FOR THE CLIENT. NO WARRNTIES AS TO THE REPRODUCIBILITY O EXTRACTABILITY OF MATERIAL OTHER THAN THE SAMPLE IS GIVEN. DONALD E. JORDA AND/OR METALLURGICAL RESEARCH AND ASSAY LABORATORY MAKE NO REPRESENTATIO EXPRESS OR IMPLIED ON MATERIAL OTHER THAN THAT REPRESENTED BY THE SAMPL ASSAYED.

NOTE: "#VALUE!" MEANS THAT ELEMENT HAS NOT BEEN ANALYZED FOR THIS REPORT.

Metallurgical Research and Assay Laboratory
745 Sunset Road Suite 8
Henderson, NV 89015
702-565-0074
702-564-0726

ASSAY REPORT

ASSAY NUMBER 2221 DATE: 2/9/96

CUSTOMER CRAIG FURLONG

SAMPLE IDENTIFICATION BY ROAD 14 FOOT BANK SAMPLE

Element ppm or ug/g Troy oz/s.ton

Au-Gold	7.8	0.20
Ag-Silver	8.4	0.24
Pt-Platinum	54.0	1.57
Rh-Rhodium	15.5	0.45
Os-Osmeium	89.5	2.61
Ru-Ruthenium	8.2	0.24
Pd-Pladdium	3.4	0.16
Ir-Iridium	102.0	2.97

REGISTERED ASSAYER
 CERTIFICATE NO. 19127
 DONALD E. JORDAN
 /s/ DONALD E. JORDAN
 Date Signed 2/9/96

ARIZONA, U.S.A.

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Metallurgical Research and Assay Laboratory
 745 Sunset Road Suite 8
 Henderson, NV 89015
 702-565-0074
 702-564-0726

ASSAY REPORT

ASSAY NUMBER 2222 DATE: 2/9/96

CUSTOMER CRAIG FURLONG

SAMPLE IDENTIFICATION BY ROAD 14 FOOT BANK SAMPLE

Element ppm or ug/g Troy oz/s.ton

Au-Gold	9.8	0.29
Ag-Silver	10.5	0.31
Pt-Platinum	77.0	2.25
Rh-Rhodium	20.4	0.59
Os-Osmeium	121.0	3.53
Ru-Ruthenium	15.6	0.45
Pd-Pladdium	6.6	0.19
Ir-Iridium	131.0	3.82

REGISTERED ASSAYER
 CERTIFICATE NO. 19127
 DONALD E. JORDAN
 /s/ DONALD E. JORDAN

ARIZONA, U.S.A.

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METALLURGICAL RESEARCH AND ASSAY LABORATORY
745 SUNSET RD., SUITE 8
HENDERSON, NV 89015
702-565-0074
June 13, 1997

Dale McGhie
1539 Vassar Street
Reno, NV
89502

Dear Mr. McGhie:

Enclosed ar The assays from the skull valley property that we sampled for Mr Furlong. Mr. Graham and I were present and observed the taking of the samples We physically took possession of these samples, brought them to our laboratory prepared and assayed each sample.

If you need any additional information please call us at the above number.

Thank you.

Sincerely,

/s/ Donald E. Jordan

Donald E. Jordan

<PAGE>

ASSAY REPORT

ASSAY NUMBER 2972A DATE: 6/12/97

CUSTOMER CRAIG FURLONG

SAMPLE IDENTIFICATION #1 PIT - 90+ FEET

Element ppm or ug/g Troy oz/s.ton

Au-Gold	35.2	1.03
Ag-Silver	39.3	1.14
Pt-Platinum	105.5	3.08
Rh-Rhodium	42.5	1.24
Os-Osmeium	670.0	19.54
Ru-Ruthenium	92.5	2.70
Pd-Pladdium	13.9	0.40
Ir-Iridium	251.5	7.34
Fe-Iron	278,000.0	8,108.15
Cu-Copper	312.0	9.10

SULFUR : 0.012 %

S102 : 50.9 %

REGISTERED ASSAYER
CERTIFICATE NO. 19127
DONALD E. JORDAN
/s/ DONALD E. JORDAN
Date Signed 6/12/97
ARIZONA, U.S.A.

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Metallurgical Research and Assay Laboratory
745 Sunset Road Suite 8
Henderson, NV 89015
702-565-0074
702-564-0726

ASSAY REPORT

ASSAY NUMBER 2972B DATE: 6/12/97

CUSTOMER CRAIG FURLONG

SAMPLE IDENTIFICATION #1 PIT - 90'

Element	ppm or ug/g	Troy oz/s.ton
B-Boron	0.0	0.00
Zn-Zinc	216.0	6.30
Ni-Nickel	475.5	13.87
Mo-Molybdenum	82.5	2.41
Re-Rhenium	4.6	0.13
As-Arsenic	1,270.0	37.04
Sb-Antimony	530.0	15.46
Co-Cobalt	2,850.0	83.12
Mn-Manganese	304.5	8.88
Te-Tellurium	730.0	28.58
Sn-Tin	296.0	8.63
Cr-Chromium	1,955.0	57.02
Pb-Lead	435.0	12.69
Al-Aluminum	15,700.0	457.91
Tl-Thallium	53.0	1.55
Zr-Zirconium	28.3	0.82
Ti-Titanium	8,300.0	242.08
Li-Lithium	0.0	0.00
Cu-Copper	312.0	9.16
W-Tungsten	135.5	3.95
Bi-Bismuth	35.4	1.03

REGISTERED ASSAYER
 CERTIFICATE NO. 19127
 DONALD E. JORDAN
 /s/ DONALD E. JORDAN
 Date Signed 6/12/97
 ARIZONA, U.S.A.

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 Metallurgical Research and Assay Laboratory
 745 Sunset Road Suite 8
 Henderson, NV 89015
 702-565-0074
 702-564-0726

ASSAY REPORT
 ASSAY NUMBER 2972C DATE: 6/12/97
 CUSTOMER CRAIG FURLONG
 SAMPLE IDENTIFICATION #1 PIT - 90'

Element	ppm or ug/g	Troy oz/s.ton
Se-Selenium	165.5	4.83
Ge-Germanium	157.0	4.58
Ga-Gallium	289.5	8.44
Yb-Ytterbium	79.5	2.32
Md-Meodymium	720.0	21.00
Pr-Praseodymium	25.5	0.74

Tm-Thulium	930.0	27.12
Lu-Luteium	31.7	0.92
Dy-Dysprosium	13.6	0.40
Ce-Cerium	323.5	9.44
Er-Erbium	9,300.0	271.24
Tb-Terbium	40.0	1.17
Eu-Europium	405.5	11.83
Ho-Holmium	63.5	1.85
U-Uranium	0.0	0.00
Sc-Scandium	1.4	0.04
Y-Yittrium	10.3	0.30

REGISTERED ASSAYER
 CERTIFICATE NO. 19127
 DONALD E. JORDAN
 /s/ DONALD E. JORDAN
 Date Signed 6/12/97
 ARIZONA, U.S.A.

UNLESS PRIOR ARRANGEMENTS ARE MADE, ALL SAMPLES WILL BE DISCARDED AFTER 3 DAYS. THESE RESULTS ARE BASED ON WELL KNOWN ACCEPTED ANALYTICAL PROCEDURES USE SOLELY ON THE SAMPLE TAKEN BY JORDAN, GRAHAM, AND HERRON. THIS REPORT I PREPARED EXCLUSIVELY FOR THE CLIENT. NO WARRNTIES AS TO THE REPRODUCIBILITY O EXTRACTABILITY OF MATERIAL OTHER THAN THE SAMPLE IS GIVEN. DONALD E. JORDA AND/OR METALLURGICAL RESEARCH AND ASSAY LABORATORY MAKE NO REPRESENTATIO EXPRESS OR IMPLIED ON MATERIAL OTHER THAN THAT REPRESENTED BY THE SAMPL ASSAYED.

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METALLURGICAL RESEARCH AND ASSAY LABORATORY
 745 SUNSET RD., SUITE 8
 HENDERSON, NV 89015
 702-565-0074

6/28/97

Mr. V. Dale McGhie
 Certified Public Accountant
 1539 Vassar Street
 Reno, NV 89502

Re: Auditors request to summarize Peeples Mining Companies ore value.

Dear Mr. McGhie:

It is my opinion, assuming Peeples Mining Company reduces its or inventory to a dore bar using a plasma furnace, they can recover approximatel 80% of the values.

Assuming Peeples Mining Company has in excess of 500,000 tons o material as represented by Paul Mason, the market prices, as of March 21, 1997 for the precious metals present in Peeples ore are as follows:

Gold	\$ 354.00 per oz.
Silver	\$ 5.00 per oz.
Platinum	\$ 395.00 per oz.
Rhodium	\$ 321.00 per oz.
Osmium	\$ 425.00 per oz.
Ruthenium	\$ 12.00 per oz.
Palladium	\$ 145.00 per oz.
Iridium	\$ 425.00 per oz.

Assuming Peeples Mining Company installs 2 furnaces to start with, the will be able to process one half ton of ore, to the dore bar state, every hour.

Assuming Peeples operates their furnaces 24 hours per day - 7 days pe week they will be able to process 84 tons of ore to the dore bar state eac week. As stated the plasma furnaces will collect approximately 80% of the ore values in the dore bars.

The Assay \$ 2972A I performed on June 12, 1997, shows the Preciou Metal values per ton of Peeples ore to be \$13,619.86 present in each ton of ore

Peeples approximate recovery of 80% of the present values, give Peeples a representative value of \$10,900 per ton or ore (not per ton of dor bars).

The estimated cost per ton of ore to create the dore bars should no exceed \$3,000 per ton of ore.

The [before tax profit] Peeples Mining Co. Will be approximately 7,900.00 per ton of concentrate.

Assuming that Peeples Mining Co. Has an excess of 500,000 tons of thi ore as stated above, they can expect their before tax profit would b \$3,950,000,000.00 (three billion nine hundred fifty million dollars).

It's my professional opinion, based on the above, that with just th precious metal values being considered, Peeples Mining Companies inventory o ore is worth well in excess of \$3,000,000,000.00 (three billion dollars).

Sincerely,

/s/ Donald E. Jordan

Donald E. Jordan

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[GRAPHIC OMITTED]



CSAL INC.
 d.b.a. Copper State Analytical Lab.
 710 E. Evans Blvd. Tucson, AZ 85713

Pr
 Si

Phone (520) 388-4922

Fax (520) 884-5133

E-mail: CSALINC@aol.com

Mr. Maurice W. Furlong
 Peoples Mine Inc.
 1207 Copper Basin Road
 Prescott, AZ.85303


Date Sampled: 01-16-21
 Date Received: 01-16-2
 Date Reported: 01-18-2

ANALYTICAL REPORT BY ICP

CSAL ID	CLIENT ID	Platinum	Palladium	Irridium	Gold	Silver
		opt	opt	opt	opt	opt
123657	Ni Sample	0.003	0.003	0.003	0.003	0.003
123658	Flux Sample	0.003	0.003	0.003	0.003	0.003
123659	Slag from fusion	0.003	0.003	0.003	0.038	3.947

ation:		Public Water Supply Information		
ning PGM		System Name:		
Kutli Valley		PWS No.:		
aurice W. Fulong		DWR NO.:		
5/01		POE NO.:		
+0 (24 hrs)		Collection Point:		
		Location:		
		Report to State	Yes	No
es		No	Compliance Sam	Yes
			No	No

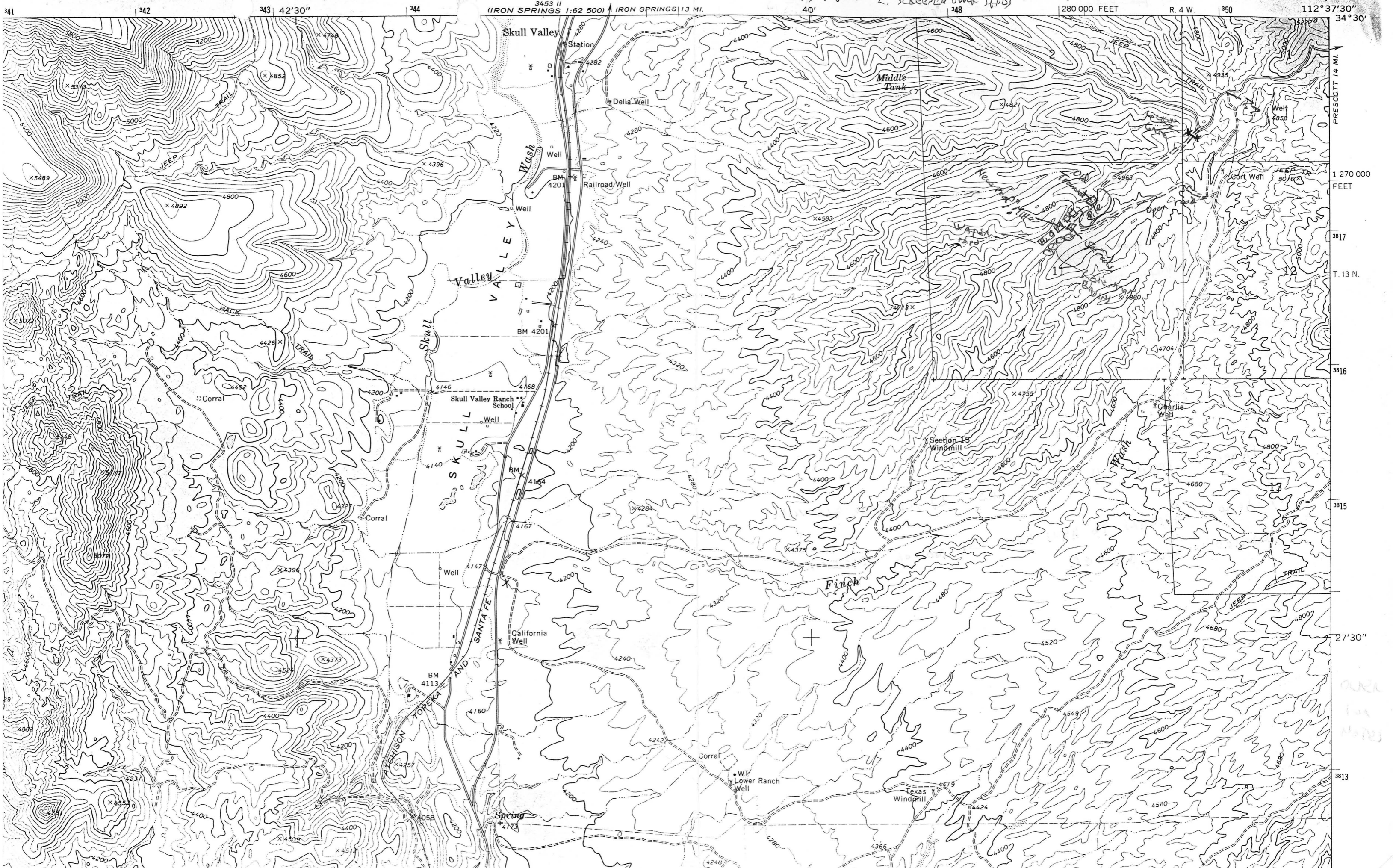
ANALYSIS REQUESTED

	PGM						
	101-123652	✓					
	101-123653	✓					
	101-123654	✓			Heach		
	101-123654A	✓					
	101-123655	✓					
	101-123656	✓					

Push Emergency

3453 II (IRON SPRINGS 1:62 500) IRON SPRINGS 13 MI.

7/2/00 2 Samples 1? REAGED 2. SCRIPPER Buck STD 77699



IRON 18

112° 37' 30"

34° 30'

PRESCOTT 1/4 MI.

1 270 000 FEET

3817

T. 13 N.

3816

3815

27° 30'

3813

SEE PHOTO FOR DETAILS

BRIEF RECON. VISIT

NIN

OPEN MILL BUILDING RECENTLY CONSTRUCTED, JUST BEING COMPLETED

~~STB.~~ STB. MARINE CONTAINERS USED AT 3 WALLS AND ROOFS OF BUILDING
OLD TRAMMEL APPARATUS HAVE BEEN USED AT SITE.

ALSO; ALL OF THE REST OF THE CONCENTRATING EQUIPMENT
HAS BEEN DELIVERED AND ~~WAS~~ ~~UNDER~~ UNDER MILL BUT NOT
INSTALLED. EQUIPMENT EQUIPMENT USED AND APPEARS
NOT TO HAVE BEEN USED AT SITE.

D-4, BUAD, TRACTOR WITH BACKHOE, CRIT FOR LIFT
BARRIS + BARRIS MOSTLY SCREENED, ~~ARE~~ (4004
TO HAVE BEEN ROASTED OR OTHERWISE TREATED. 3-4 APPEAR

LOTS OF BYCE STB OBSERVED IN OLDER SCREENED PILES
NO ~~ARE~~ EVIDENCE OF RECENT MINING, MOSTLY REMAINS OF
OLD PILE SAMPLING PROJECT. IN PILES + BASINS.

2 SAMPLES TAKEN. 1) - CONC. BARREL 2) SCREENED ALLUVIUM
1) SAMPLE APPEARS TO HAVE BEEN ROASTED OR OTHERWISE
TREATED IN SOME MANNER.

JAN 09 2003 10:50 FROM GUST ROSENFELD TO 376340000000000000000000 P.01/03

**GUST
ROSENFELD P.L.C.**

PEPPLES LEASE (H GUARANTEE)

JERRY L. HAGGARD (602-257-7463)
201 E. Washington, Suite 800
Phoenix, AZ 85004-2327
Facsimile 602-254-4878
Telephone 602-257-7422

Conf. Rec'd: _____

Time Sent: _____

Date: January 9, 2003

Original Mailed: ___ Yes **X** No

F A C S I M I L E T R A N S M I T T A L

THIS MESSAGE IS ATTORNEY PRIVILEGED AND CONFIDENTIAL. IF YOU ARE NOT THE INTENDED RECIPIENT, ANY DISTRIBUTION IS PROHIBITED. IF YOU HAVE RECEIVED THIS FAX IN ERROR PLEASE IMMEDIATELY NOTIFY US BY TELEPHONE AND RETURN BY MAIL. PLEASE CALL IF YOU HAVE ANY DIFFICULTY RECEIVING. THANK YOU.

RECEIVING PARTY AND FACSIMILE NUMBER:

Nyal Niemuth **602-255-3777**

FILE NO: Office

MATTER:

FROM: Jerry L. Haggard

PAGES (including Cover): 3

ATTACHMENTS: State Mineral Leases, Chapter 36.

COMMENTS:

SECOND REGULAR SESSION—2002

Ch. 36, § 1

3. Enter into agreements that govern the sharing and use of documents, materials and other information and that are consistent with this section.

C. A disclosure to or by the director pursuant to this section or as a result of sharing information pursuant to subsection B of this section is not a waiver of any applicable privilege or claim of confidentiality in the documents, materials or other information disclosed or shared.

Approved by the Governor, April 17, 2002.

Filed in the Office of the Secretary of State, April 17, 2002.

WASTE TIRE DISPOSAL

CHAPTER 35

H.B. 2102

AN ACT AMENDING LAWS 1997, CHAPTER 99, SECTION 7; RELATING TO WASTE TIRE DISPOSAL.

Be it enacted by the Legislature of the State of Arizona:

Section 1. Laws 1997, chapter 99, section 7 is amended to read:

Sec. 7. Delayed repeal

The following sections are repealed from and after December 31, ~~2002~~ 2007:

- 1. Section 44-1302, Arizona Revised Statutes.
- 2. Section 44-1305, Arizona Revised Statutes, ~~as amended by this act.~~

Approved by the Governor, April 17, 2002.

Filed in the Office of the Secretary of State, April 17, 2002.

STATE MINERAL LEASES

CHAPTER 36

H.B. 2031

AN ACT AMENDING SECTIONS 27-233 AND 27-274, ARIZONA REVISED STATUTES; RELATING TO STATE MINERAL LEASES.

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 27-233, Arizona Revised Statutes, is amended to read:

§ 27-233. Preferred right to renew mineral lease; evaluation of geologic and economic evidence

A. Upon application to the state land commissioner, not less than thirty nor more than sixty days prior to the expiration of the lease, if the lessee of mineral lands is not delinquent in the payment of rental or royalty on the date of expiration of the lease, the lessee shall have a preferred right to renew the lease bearing even date with the expiration of the old lease for a term of twenty years. The commissioner

Additions are indicated by underline; deletions by ~~strikeout~~

may deny the renewal application for any reason listed in section 27-251, subsection B, paragraphs 1 through 4 5.

B. In determining whether the proposed mining activities would be in the best interest of the trust pursuant to section 27-251, subsection B, paragraph 2, the commissioner may require the lessee to provide geologic and economic evidence showing at least probable or indicated mineral resources, as that evidence is conventionally interpreted in the mineral industry. Evidence provided to the state land department under this subsection is a trade secret of the mineral industry and is confidential pursuant to section 27-274.

Sec. 2. Section 27-274, Arizona Revised Statutes, is amended to read:

§ 27-274. Trade secrets; confidentiality; definition

A. For the proper administration of state land, the state land commissioner may require a lessee to submit relevant geologic, engineering and feasibility studies and other economic and technical information that is considered to be a trade secret in the mineral industry.

B. To evaluate the mineral potential of state trust land, the commissioner may use relevant geologic, engineering and feasibility studies and other economic and technical information that is considered a trade secret in the mineral industry.

~~B.~~ C. Trade secret information obtained under this section is confidential.

~~C.~~ D. For purposes of this section, "trade secret" means information to which all of the following apply:

1. A person has taken reasonable measures to protect the information from disclosure and the person intends to continue to take those measures.

2. The information is not and has not been reasonably obtainable by legitimate means by other persons without the person's consent, other than by governmental entities and other than in discovery based on a showing of special need in a judicial or quasi-judicial proceeding.

3. A statute does not specifically require disclosure of the information to the public.

4. The person has satisfactorily shown that disclosing the information is likely to cause substantial harm to the person's competitive position.

Approved by the Governor, April 17, 2002.

Filed in the Office of the Secretary of State, April 18, 2002.

ALLOPATHIC BOARD OF MEDICAL EXAMINERS

CHAPTER 37

H.B. 2043

AN ACT AMENDING SECTIONS 12-570 AND 32-1401, ARIZONA REVISED STATUTES; REPEALING SECTION 41-3002.21, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES; BY ADDING SECTION 41-3012.01; RELATING TO THE ALLOPATHIC BOARD OF MEDICAL EXAMINERS.

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 12-570, Arizona Revised Statutes, is amended to read:

82

Additions are indicated by underline; deletions by ~~strikeout~~

**IN THE COURT OF APPEALS
STATE OF ARIZONA
DIVISION ONE**

PEEPLES, INC.,)	1 CA-CV 02-0408
)	
Plaintiff-Appellant,)	DEPARTMENT E
)	
v.)	O P I N I O N
)	
ARIZONA STATE LAND DEPARTMENT, ex rel.,)	Filed 12-24-02
MICHAEL E. ANABLE, Commissioner,)	
)	
Defendants-Appellees.)	
)	

Appeal from the Superior Court in Maricopa County

Cause No. CV 2001-012269

The Honorable Rebecca A. Albrecht, Judge

REVERSED AND REMANDED

Gust Rosenfeld, P.L.C.	Phoenix
by Jerry L. Haggard	
James G. Speer	
Attorneys for Appellant	
Janet Napolitano, Attorney General	Phoenix
by Theresa M. Craig, Assistant Attorney General	
Attorneys for Appellees	
Twitty, Sievwright & Mills	Phoenix
by Ralph B. Sievwright	
John F. Mills	
Attorneys for Arizona Mining Association, Amicus	

P A T T E R S O N, Judge

¶1 Peeples, Inc. ("Peeples") appeals from the trial court order affirming the Arizona State Land Department's ("Department") disapproval of its plans of operation under a Mineral Lease (or "Lease"). The plans of operation sought to reprocess the tailings¹

¹Tailings are material that was discarded into ponds during the prior mining of the land.

left from a former mining operation in an effort to produce additional "leasable minerals"² from those tailings. The Department concluded that the plans of operation sought to mine "common variety minerals" that were not subject to the Mineral Lease. For the reasons discussed, we reverse the trial court's affirmance of the Department's decision and remand for entry of judgment in favor of Peeples.

FACTUAL AND PROCEDURAL BACKGROUND

¶2 Pursuant to the Arizona-New Mexico Enabling Act,³ Arizona holds approximately ten million acres of land in trust for the support of schools and other public institutions. Ariz. Const. art. 10; *Kadish*, 155 Ariz. at 486, 747 P.2d at 1185. These lands "shall not be sold or leased in whole or in part, except to the

²Leasable minerals are metallic ore minerals and industrial minerals other than "common variety minerals." Ariz. Rev. Stat. ("A.R.S.") § 27-231 (1999). "Common variety minerals" include, among other things, sand, gravel, and waste rock. A.R.S. § 27-271 (1999). The Department may lease state trust lands for the mining of both types of minerals but such leases are subject to different terms and governed by different statutory schemes. See A.R.S. §§ 27-231 to -239 (governing leasable minerals); A.R.S. §§ 27-271 to -276 (governing common variety minerals). The Lease at issue allowed the mining of leasable minerals only.

³Act of June 20, 1910, Pub. L. No. 219 (ch. 310), 36 Stat. 557. The Enabling Act authorized the people of the territories of Arizona and New Mexico to form state governments. *Kadish v. Arizona State Land Dep't*, 155 Ariz. 484, 486, 747 P.2d 1183, 1185 (1987), *aff'd* by *ASARCO Inc. v. Kadish*, 490 U.S. 605 (1989). The Act included provisions that confirmed prior land grants to the Arizona Territory and granted additional land to the new state. *Id.* In 1911, the Arizona electorate accepted the land grants by ratifying art. 10, § 1 of the Arizona Constitution, and the full provisions of the Enabling Act became "part of the organic law of this state." *Id.*

highest and best bidder at a public auction" Ariz. Const. art. 10, § 3. State trust lands may be leased "for mineral purposes, other than for the exploration, development, and production of oil, gas and other hydrocarbon substances, for a term of twenty years or less." Ariz. Const. art 10, § 3.2.

¶3 The Mineral Lease at issue provides for the mining of metallic ore minerals such as gold, silver, copper and platinum group metals. A.R.S. § 27-231. It does not apply to common variety minerals, such as sand, gravel and waste rock. A.R.S. §§ 27-231, -271.

¶4 The Lease was originally issued in 1983 to Arnold Spielman and Eugene Bender under statutes that required discovery of a "valuable mineral deposit" as a prerequisite to issuance of the lease. See former A.R.S. §§ 27-231(A), -233(A), amended by Laws 1998, Ch. 133, §§ 2, 3 and now codified at A.R.S. § 27-254 (1999). Hence, before issuing the Lease, the Department conducted a field examination, and a sampling and assaying of mineral values of the encompassed land, and concluded that a valuable mineral deposit (i.e., a sufficient gold content) existed on the land to support the Lease. The Department subsequently issued the Mineral Lease on May 2, 1983, for a term of twenty years. The Lease provides the lessee with the rights to "extract and ship minerals, mineral compounds and mineral aggregates" from the land during the twenty-year term.

¶15 The Lease requires the submission of "a plan outlining the proposed operations and the measures to be taken to reasonably protect the environment from adverse effects probable under such operations" to the Department "before initializing exploration, development, or mining operations on the leased premises." In accordance, the lessees submitted the requisite plan of operation, mined the land, and processed approximately 123,000 tons of material. From that material, the original lessees extracted about 688 ounces of gold valued at more than \$308,000. The discarded material from the mining operation was discharged into "tailings ponds."

¶16 The original lessees subcontracted the Mineral Lease to Peeples on May 11, 1992. Peeples submitted plans of operation to the Department in 1992, 1996, and 2000, each seeking approval to reprocess the material in the tailings ponds to produce additional leasable minerals by using more efficient mining equipment than was used in the former operation.

¶17 In 1998, A.R.S. § 27-235 was amended to provide for the approval of the lessee's general mining plan by the State Land Commissioner before operations could be carried out. See Laws 1998, Ch. 133, § 5. Until the Department adopted formal rules governing the general mining plans required under the new amendment, the Session Law sets forth interim requirements.⁴ The

⁴Laws 1998, Ch. 133, § 24, See Historical Note to A.R.S. § 27-
(continued...)

2000 plan of operation contained all of the information required under the Session Law.

¶8 During this 1992 to 2000 period, the Department indicated several times that it would need testing to consider the proposal. The Department eventually conducted a site visit and took samples from drums containing material from the tailings ponds, as well as from a bucket of processed material. Peoples' representatives took samples on the same date from the same drums as the Department.

⁴(...continued)
235 (1999), provides that the Department:

may require some or all of the following components, or their substantial equivalents, to be included in a general mining plan for the lands covered by the lease:

1. A topographic map of the property.
2. Proposed periods of operation.
3. A description of access routes.
4. A description of the types of vehicles to be used in mining operations.
5. Information sufficient to describe the development and mining activities, including the types and extent of mining operations to be performed on the leased property and an estimate of acreage to be disturbed.
6. An identification of any proposed exploration sites to be made on the map required by paragraph 1 of this subsection.
7. A summary of planned drilling operations, including ground elevation and total depth of planned drill holes.
8. A description of anticipated water use on the lands covered by the lease.
9. Information sufficient to describe planned reclamation activities.

¶9 The Department had its samples assayed using standard techniques. The assays indicated platinum in only trace amounts and gold averaging .005 ounces per ton (as opposed to the 1983 pre-mining assays indicating gold of .02 ounces per ton). The Department's assay results indicated that the operation to extract gold and platinum from the tailings would not be profitable.

¶10 On September 1, 2000, the Department sent a letter to Peebles disapproving the plans of operation and advising that it intended to cancel the Lease. Thereafter, the Commissioner issued an order disapproving the 1992, 1996 and 2000 plans of operation stating:

The plans of operation propose mining tailings which contain no economically recoverable mineral values and pursuant to A.R.S. § 27-271 are common variety minerals not subject to disposal under Mineral Lease Agreement 11-86475 and state law. The plans of operation propose activities that do not comport with the law, and therefore, should not be approved. Additionally, it is not in the best interests of the Trust to approve the June 7, 2000, plan that indicates mineral values the Department is unable to confirm.

The order listed three additional reasons for denying the plans of operation, and ordered the Lease cancelled on all four grounds.

¶11 Peebles appealed the order to the Office of Administrative Hearings. An Administrative Law Judge ("ALJ") held that the Department had no authority to cancel the Lease for any of the four grounds asserted. The ALJ further rejected three of the Department's four reasons for disapproving the plans of operation,

but acknowledged the Department could disapprove the plans for the reason quoted above. The Department adopted the ALJ's recommendation to deny approval of the plans of operation based on that ground.

¶12 Peeples sought judicial review of the Department's decision in Maricopa County Superior Court. The superior court affirmed the Department's decision, holding:

The lease does not give the leaseholder permission to mine common variety mineral to extract from it whatever valuable minerals it may contain. The question of whether or not the extraction process can/would be profitable is not the ultimate question to be answered but it does aide [sic] in determining whether or not the rock on a particular piece of lease land is valuable mineral or common variety mineral. The State Land Department determined based on the facts presented to it, that the mineral to be mined was common variety mineral. There were facts presented upon which that finding could be made. Having determined that the proposed operation would be using common variety mineral and not valuable mineral, the State Land Department could and did properly find the proposed operation exceed the permission granted by the lease.

The court entered judgment in favor of the Department, and Peeples timely filed this appeal. We have jurisdiction pursuant to A.R.S. § 12-2101(B) (1994).

ISSUE

¶13 Did the Department arbitrarily, capriciously, and contrary to law disapprove of Peeples' plans of operation and

prohibit Peeples from extracting leasable minerals from the leased land?

DISCUSSION

Standard of Review

¶14 This is an appeal from a judgment of the superior court on judicial review of a final decision of the Department. On appeal, this court "must consider . . . whether the agency's action was illegal, arbitrary, capricious or an abuse of discretion," and must affirm if it was not. *Lathrop v. Arizona Bd. of Chiropractic Exam'rs*, 182 Ariz. 172, 177, 894 P.2d 715, 720 (App. 1995). In administrative review actions, this court independently reviews questions of law. *Havasu Heights Ranch & Dev. Corp. v. Desert Valley Wood Prod., Inc.*, 167 Ariz. 383, 387, 806 P.2d 1119, 1123 (App. 1990). We examine factual determinations to determine if there is substantial evidence in the record to support the agency's decision. *Id.*

Disapproval of Peeples' Plans of Operation

¶15 The Department disapproved of Peeples' plans of operation on the basis that they proposed to "min[e] tailings which contain[ed] no economically recoverable mineral values and pursuant to A.R.S. § 27-271 [were] common variety minerals not subject to disposal under Mineral Lease Agreement 11-86475 and state law." The Mineral Lease, the applicable statute (A.R.S. § 27-235(B)(1), now § 27-235(C)(1)) and the regulations (Arizona Administrative Code ("A.A.C.") R12-5-1805(B)(1)) under which the Lease was issued,

all "confer the right . . . to extract and ship [leasable] minerals from [the leased land]." None of these authorities permit the Department to prohibit Peeples from extracting leasable minerals from any substance on the leased land, nor does any provision condition the right "to extract and ship minerals" upon a continuing profit being made throughout the lease term. Accordingly, we conclude the Department had no authority to prohibit Peeples' production of leasable minerals from the tailings on the leased land.

¶16 Once a mineral lease is issued, there is no statutory source that authorizes the Department to disapprove plans of operation based on leasable minerals being contained in other substances, or based on the Department's opinion that a lessee cannot make a profit from its mining operation. The relevant statutes in effect when the Lease was issued (A.R.S. §§ 27-231(A), 27-233) and the statute presently in effect (A.R.S. § 27-254) provide for only one occasion when the Department determines whether the state lands to be leased contain a "valuable mineral deposit." That occasion is *before* a mineral lease is issued. A.R.S. § 27-254. Similarly, the regulations only provide for submission of mineral value information to the Department and the Department's evaluation thereof *prior* to issuance of the lease. A.A.C. R12-5-1905.

¶17 After the Department has issued a lease, there is *no* authority in the mineral leasing statutes or regulations (or in the

Lease itself) for the Department to re-test the land during the term of the lease and redefine the minerals as valuable or common variety, or for the Department to otherwise terminate the lease due to its determination of profitability. Rather, the statutes provide that "[e]very mineral lease of state lands shall be for a term of twenty years" and during that time, the lease "shall confer [upon the lessee] the right . . . [t]o extract and ship minerals from the leased land" A.R.S. § 27-235(B), (C) (1); see also A.A.C. R12-5-1805(B) (1).

¶18 The Department contends that it has the ability to disapprove Peeples' plans of operation pursuant to (1) its general authority under A.R.S. § 37-102(A) (1993 & Supp. 2002) to administer state trust lands, (2) its general authority under A.R.S. § 37-211(A) (4) (1993) to investigate and obtain information in aid of administering those lands, and (3) its general authority under A.R.S. § 27-239(B) (2) (2000) to enter onto land under a mineral lease to "ascertain compliance with law and the terms of the lease." None of the aforementioned statutes specifically authorize the Department (or the Commissioner) to disapprove a plan of operation during the term of a mineral lease on the grounds that the leasable minerals are contained in other material or that the mining operation may prove unprofitable. Rather, as noted, the *only* time the mineral leasing statutes authorize the Department to evaluate mineral character or mineral value is *before* the lease is issued. A.R.S. § 27-254. There is no other juncture, whether

during the pendency of a lease or in conjunction with a general mining plan, that the statutes authorize the Department to make such a determination. An administrative agency may not carry out enforcement actions that are not authorized by the express provisions of its enabling statutes. *Arizona State Bd. of Regents ex rel. Arizona State University v. Arizona State Personnel Bd.*, 195 Ariz. 173, 175, ¶ 9, 985 P.2d 1032, 1034 (1999) ("Administrative agencies have no common law or inherent powers--their powers are limited by their enabling legislation.").

¶19 The Department also cites an uncodified Session Law (Laws 1998, Ch. 133, § 24(D), printed in the note following A.R.S. § 27-235) as authority to disapprove the plans of operation because it determined that the tailings essentially were common variety minerals. The referenced Session Law lists nine specific items of information that the Department may require for approval of a general mining plan. *Id.* Peeples provided all the requisite information in its 2000 plan of operation. The Session Law does not permit the Department to disapprove a general mining plan because leasable minerals are contained in other material or because of profitability concerns. The legislature clearly could have included such criteria had it so desired. See *State v. Roscoe*, 185 Ariz. 68, 71, 912 P.2d 1297, 1300 (1996) (fundamental principle of statutory construction is that exclusion of item from a list in a statute indicates an intent to exclude all items of the same class not expressed).

¶20 The Department further asserts that a general provision in the Session Law allowed it to go beyond the specific reasons listed in the statute for which it may deny a plan of operation, and to deny those plans if they are inconsistent with any of the state mineral licensing statutes. Specifically, the Department relies on Section 24(D) which provides, in pertinent part, that the Department:

may disapprove a new or modified general mining plan . . . if it is inconsistent with a requirement of title 27, chapter 2, article 3, Arizona Revised Statutes.

See Historical Note following A.R.S. § 27-235. The Department notes that the definition of "mineral" for purposes of title 27, chapter 2, article 3, specifically excludes "common variety minerals." A.R.S. § 27-231. Accordingly, it contends that because its testing indicated that the tailings were essentially common variety minerals, it properly disapproved the plans of operation because Peeples sought to process an impermissible material, namely common variety minerals.

¶21 This argument is flawed because the proposed plan of operation did not seek to process an impermissible material (i.e., common variety minerals). Rather, the plan of operation sought to further process leasable minerals on the land through improved mining techniques. That being so, there was no basis for the Department to disapprove the new mining plan as the plan was consistent with the terms of the Lease and applicable law. The

Department's argument hinges on its ability to re-test the minerals mid-lease and redefine their nature or recalculate the value of the mineral deposit at issue. As discussed, nothing in this Session Law or any other statute authorizes the Department to make such determinations mid-lease.

¶22 The Department asserts that such a re-examination of a mineral deposit is supported by federal law, and that this court should follow federal precedent as Arizona courts have construed our state's mining laws in conformity with the laws and policies governing public lands of the United States. See *State Land Dep't v. Tucson Rock & Sand Co.*, 107 Ariz. 74, 78, 481 P.2d 867, 871 (1971). Specifically, the Department relies on the federal prudent man/marketability test that applies to unpatented mining claims on federal lands.

¶23 Under federal law, an unpatented mining claim gives the claim-holder the right to occupy the federal land for purposes of removal of valuable minerals as long as those minerals continue to exist. See *Best v. Humboldt Placer Mining Co.*, 371 U.S. 334, 336 (1963). The administering agency however may challenge a once-valid mining claim at any time by applying the federal prudent man/marketability test to determine whether the mineral deposit has been depleted to such an extent that it is no longer valuable. See *Chrisman v. Miller*, 197 U.S. 313, 322 (1905). The "prudent man" test requires a showing that there is sufficient valuable mineral remaining on the land that "a person of ordinary prudence would be

justified in the further expenditure of his labor and means with a reasonable prospect of success in developing a mine." *Id.* Generally, the test is met if the mineral can be removed and marketed at a profit. *United States v. Coleman*, 390 U.S. 599, 602 (1968).

¶24 Because unpatented mining claims on federal land are distinguishable in several aspects from mineral leases on state trust lands in Arizona, we are disinclined to apply the prudent man/marketability test to a state mineral lease. First, federal regulations specifically authorize such mining claim examinations at any time to determine whether the minerals in the claim may still be marketed at a profit. 43 C.F.R. §§ 3809.100, 6304.12. In contrast, as discussed, there is no authority under the Arizona statutes or regulations for such a mid-lease evaluation of a mining operation's profitability. Second, federal law does not require proof of a profitable mineral discovery as a prerequisite for obtaining a federal unpatented mining claim. See 30 U.S.C. § 22 ("all valuable mineral deposits in lands belonging to the United States . . . shall be free and open to exploration and purchase"). Such proof is a prerequisite to the issuance of a state mining lease. A.R.S. § 27-254.

¶25 The ongoing monitoring of a federal mine's continued viability makes sense because federal unpatented mining claims are for an unlimited duration and a claimant can acquire a patent (fee title) from the federal government upon proof of a profitable

mineral discovery. 2 Am. L. of Mining § 36.01 (2d ed. 1984). Such monitoring of an Arizona mineral lease is unnecessary as state mineral leases are for a limited term and lessees may not acquire title to the land. Therefore, there is no reason to examine the profitability of a mineral discovery during the term of an Arizona mineral lease.

¶26 We are also unpersuaded by the underlying premise of the Department's position. The crux of the Department's case is that the amount of the leasable minerals in the tailings Peeples seeks to process is so minimal, the tailings really constitute common variety minerals not subject to processing under the Lease or state law. In particular, the Department characterizes the tailings as "waste rock," an item expressly categorized as a common variety mineral under the statute. A.R.S. § 27-271(1).

¶27 While there may be waste rock in the tailings, the evidence does not support the conclusion that the tailings are composed solely (or even primarily) of waste rock. The tailings are material discarded during the initial mining process, i.e., they are actually "waste" not "waste rock." "Waste" is defined by the *Dictionary of Mining, Mineral and Related Terms* as "the part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later." (Emphasis added). In contrast, "waste rock" is defined as "barren or submarginal rock or ore that has been mined, but is not of sufficient value to warrant treatment and is

therefore removed ahead of the milling process." (Emphasis added). As the Department itself recognizes, the tailings are not "waste rock"; rather, they contain a variety of material, including leasable minerals. We note that under the federal Common Varieties Act, common variety mineral deposits that contain leasable minerals are not characterized solely as common variety minerals, but may be processed pursuant to a leasable mineral lease. 30 U.S.C. § 611. In *Tucson Rock and Sand*, our supreme court referred to this statute when noting that our courts would construe our mining laws in conformity with the laws and policies governing federal lands. 107 Ariz. at 78, 481 P.2d at 871.

¶28 The Department argues that it is not attempting to reevaluate the mineral deposit mid-lease. Instead, it claims that it should be able to perform a new assessment of the mineral value of the leased land because the land has already been mined, and Peeples' proposal to reprocess the tailings goes beyond the confines of permissible mining under the initial Lease. As noted by both Peeples and amicus Arizona Mining Association, however, it is a common practice in the mining industry to rework tailings to recover minerals previously missed. Eunice A. Eichelberger, Annotation, *Mine Tailings as Real or Personal Property*, 75 A.L.R.4th 965 (1990); 1 Am. L. of Mining § 1.02[2] n.7 (2d ed. 1985). Such reworking of tailings by the lessee to reclaim minerals previously rejected is appropriate as advances are made in mining techniques and equipment allowing capture of minerals that

could not be separated and recovered during earlier, more rudimentary processing. 75 A.L.R.4th at 970.

¶29 The Department has failed to demonstrate that it had authority to reevaluate the value of the mineral deposit mid-lease or to prevent Peeples from reworking the tailings to obtain leasable minerals discarded during the initial processing. Moreover, nothing in the mineral leasing laws allows the Department to terminate a lease or disapprove a plan of operation on the ground that it appears unprofitable. Such a provision would potentially wreak havoc with mineral leases given that mineral prices can fluctuate widely over time and, during a downturn in prices, companies sometimes operate at a loss.

¶30 Mining companies make large investments in equipment and technology to extract minerals from leased land. If the Department were able to reevaluate the minerals and rescind leases or suspend mining operations on the basis that mining was unprofitable, it would effectively nullify these leases and may eliminate any incentive to mine on state land. Finding no statutory or regulatory authority, we conclude that the Department arbitrarily, capriciously and contrary to law disapproved of Peeples' plans of operation and prohibited Peeples from extracting leasable minerals from the leased land.

¶31 Peeples has also presented an equal protection violation argument. However, due to our previous discussion and reasoning, we do not address that contention.

CONCLUSION

¶32 Lessees under state mineral leases have the right to mine and extract valuable minerals from leased land during the term of the lease. The relevant statutes and regulations, as well as the Lease at issue, give Peeples this right. The criteria for approval of general mining plans of operation do not give the Department authority to reevaluate the mineral character of leases for economic reasons. Accordingly, we reverse the judgment of the superior court affirming the Department's decision and remand this case for entry of judgment in favor of Peeples.

CECIL B. PATTERSON, JR., Judge

CONCURRING:

ANN A. SCOTT TIMMER, Presiding Judge

G. MURRAY SNOW, Judge