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8-2-86  
From  
M. Hood

LIMITED PARTNERSHIP AGREEMENT

OF

JAMESTOWN SAND & GRAVEL, LTD.

(J S & G, Ltd.)

This Limited Partnership Agreement is entered into this 30th day of December, 1985, by and between ROBERT BEAVER, General Partner, and EVELYN WRIGHT, Limited Partner;

W I T N E S S E T H:

The parties hereby form a limited partnership pursuant to the provisions of the Uniform Limited Partnership Act, Chapter 88 of the Nevada Revised Statutes.

I. NAME AND PRINCIPAL PLACE OF BUSINESS: The Limited Partnership shall operate under the name: JAMESTOWN SAND & GRAVEL, LTD. The principal place of business shall be 305 North Carson Street, Carson City, Nevada 89701.

II. PURPOSE: The business of this partnership will be to explore, develop and mine aggregates and precious minerals, including the sale thereof, on that certain tract of realty described as Assessor's Parcels No. 58-230-14 and No. 58-250-10 located in Sonora County, State of California, and the Limited Partnership may engage in such other business and activities as permitted by law and agreed to in writing by the partners.

III. MEMBERS:

1. General Partner: The name and address of the General Partner is as follows: ROBERT BEAVER, 690 E. Patriot, Suite 374, Reno, Nevada 89511.

2. Limited Partner: The name and address of the original Limited Partner is as follows: EVELYN WRIGHT, P.O. Box 4282, Sparks, Nevada 89432.

3. Additional Limited Partners may be admitted with the written consent of all Partners upon the recording of a Certificate of Amendment.

4. A substituted Limited Partner is a person admitted with the rights of a Limited Partner who has died, or has assigned his interest in the partnership subject to the restrictions herein contained.

5. An assignee, who does not become a substituted Limited Partner, has no right to require information, to inspect the partnership books, or to vote on any matters, and is only entitled to receive the share of the profits or the return of capital contribution to which his assignor would be entitled.

6. Additional Limited Partners shall be admitted as the need arises and upon such terms and conditions as may be mutually agreed upon, but admission of such Limited Partners shall not diminish the interest held by existing Limited Partners.

IV. DURATION: The partnership shall continue until the death of the General Partner, or until termination as herein provided.

V. CAPITAL:

1. The initial capital shall be the sum of \$25,000.00 to be contributed as follows:

EVELYN WRIGHT: \$25,000.00

and the GENERAL PARTNER will contribute the leasehold estate upon which the exploration, development and mining

activities will take place and will arrange for an operator to conduct such activities.

2. No Limited Partner shall be required to otherwise contribute to the capital, nor to creditors of the Partnership, and the liability of each Limited Partner shall be limited to the amount of the capital contribution specified in this Agreement.

3. So long as a Limited Partner does not take part in the control or management of the Partnership's business, he or she shall not become liable as a General Partner.

4. A Limited Partner shall not be deemed to take part in the control of the business by virtue of his possessing or exercising a power to vote upon matters affecting the basic structure of the Partnership.

5. The net proceeds of the business venture shall be distributed, after payment of all operating expenses and the establishment of a suitable cash reserve fund, as follows:

a. Fifty Percent (50%) thereof to the Limited Partners until such time as their capital investment is returned.

b. The remaining Fifty Percent (50%) shall be apportioned in the manner following:

EVELYN WRIGHT -----	15%
OTHER LIMITED PARTNERS ----	15%
ROBERT BEAVER -----	70%

c. At such time as capital investments are returned the net proceeds shall be divided in the above percentages.

d. All partners, general and limited, shall have the option of receiving their respective proceed per-

centages of precious metals "in kind", and such value shall be the average Handy & Harman Bid Price on the date of payment.

VI. ASSIGNABILITY: A Limited Partner may assign all or part of his share of the profits and losses without the consent of other Partners, except no Limited Partner and no one acting by authority of, or for a Limited Partner, may pledge, assign or hypothecate, or in any manner transfer his interest in any of the assets, receivables, records, or files, all such interests of each Limited Partner being personal and non-transferable and non-assignable except as provided herein.

VII. ACCOUNTING AND DISTRIBUTION: The General Partner will cause the business to keep and maintain a full and complete set of accounts and will retain invoices and statements of costs and transactions which will be available for inspection by the Limited Partners at any reasonable time. Net proceeds will be distributed on a monthly basis, on the 10th day in the month following sales of the product. The net of any precious metals shall be distributed every 10 days. Any Limited Partner shall have right to have an Audit of the business.

VIII. GENERAL PARTNER DUTIES: The General Partner will devote such time as may be reasonably necessary to the efficient business operation and will be responsible for engaging the services of an operator. It is contemplated that Superior Engineering and Mining Equipment, Inc. will be engaged as operator and such operator will be responsible for providing all equipment, machinery, including all electrical systems, water systems, and mechanical work necessary to make the mining operation capable of processing at least 500 yards of material per day. The General Partner will

insure that the operator will conduct all operations on the land in a good, minerlike manner, producing the greatest amount of product consistent with workmanlike development of the land. The General Partner will insure that the operator complies with all applicable Federal, State and Local Laws, Regulations, Rules and Ordinances, including those relating to restorations and rehabilitation of the land, as provided in the Loyd Reclamation Plan.

IX. LIMITATIONS: Jamestown Sand & Gravel, Ltd. will not, without the consent of the other Limited Partners, (i) borrow any money or utilize collateral owned by the business for such loans; (ii) assign, transfer, pledge, compromise or release any of the claims or debts due the business except upon full payment; (iii) lease or mortgage any asset or interest therein, or enter into any contract for any such purpose; (iv) pledge, or in any manner transfer, his interest except to the other parties to this Agreement; or (v) become a surety or guarantor to any obligation of the business.

X. BANKING: The Limited Partnership shall open and thereafter maintain a bank account in the name of the Limited Partnership in which there shall be deposited all of the funds of the Partnership. No other funds shall be deposited in this account. Such funds shall be used solely for the business of the Partnership and all withdrawals therefrom are to be made only on checks signed by the General Partner or by such other person as may from time to time be designated.

XI. ACCOUNTING BASIS AND FISCAL YEAR: The books of account shall be kept on a cash basis and shall be kept on a calendar year basis.

XII. WITHDRAWAL OF LIMITED PARTNER:

1. In the event of death, permanent disability, insanity, or withdrawal of a Limited Partner, the remaining Partners shall continue the business under its present name, either by themselves or in conjunction with other persons.

2. The value of the withdrawing Limited Partner shall be the sum of his capital account, together with any unpaid loans due him, his proportionate share of the accrued, undistributed net profits, and his proportionate interest in the appraised value of the business property. The appraised value shall be determined by mutual agreement between the Partners and the legal representative of any withdrawing Limited Partner, or by a written appraisal made by a qualified independent appraiser.

3. The value of the Limited Partners' interest shall be paid, with interest at the prime rate as reported in the Wall Street Journal on the date the capital contribution is made. Such payment to be made within ninety (90) days after demand therefor.

4. In event the remaining Limited Partners do not elect to purchase the interest of the withdrawing Limited Partner, or in event the Limited Partners mutually agree to dissolve this partnership, the partnership shall terminate and the Partners shall proceed with reasonable promptness to liquidate the business. The assets shall first be used to pay or provide for all debts of the business. Thereafter, all monies remaining undistributed shall be paid to the Partners respectively entitled thereto. Then the remaining assets shall be divided in the manner as set forth in Paragraph V herein, after crediting or debiting for any net profit or loss accrued from the date of the last accounting.

XIII. OPERATING COSTS: The phrase "operating costs" as used herein shall mean any and all reasonable direct costs, expenses and expenditures incurred by the operator in mining development and processing activities during the term of this Agreement which shall include (i) costs of wages, supplies, salaries (except there shall be no provision for salaries or bonuses to directors, officers or shareholders, nor travel, entertainment or fringe benefit costs) and other services incurred by the operator in connection with its operations on the Land; (ii) rental charges for machinery and equipment used in connection with the operations, but such charges shall be no more than are customarily charged in the area; (iii) all ecological cost, including costs of reclaiming mined ground and maintaining bonds or security deposits for permits or reclamation plans; and (iv) all royalty payment.

XIV: NOTICES: All notices provided for under this Agreement shall be in writing and sufficient if sent by registered mail or certified mail to the addresses as set below, or such change of address as a Limited Partner may give to the General Partner in writing.

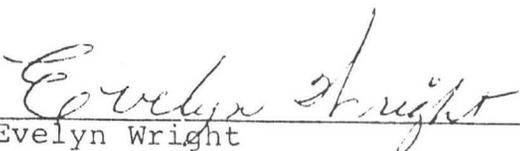
ROBERT BEAVER  
690 E. Patriot, Suite 374  
Reno, Nv. 89511

EVELYN WRIGHT  
P.O. Box 4282  
Sparks, Nv. 89431

XV. MERGER: This Agreement constitutes the full and complete understanding between the parties hereto and supercedes all prior negotiation, understandings and agreements between them with respect to the subject matter of this Agreement. An amendment hereto may alter, revise, delete, or add to any provision of this Agreement, provided that such amendment is executed in writing by all of the Partners.

XVI: BINDING: Except as otherwise expressly provided herein, this Agreement and the terms and conditions hereof inure to the benefit of, and are binding upon themselves, their successors, heirs and representatives, or anyone claiming by, through, or under them.

IN WITNESS WHEREOF, the Partners' have executed this Agreement the date above written.

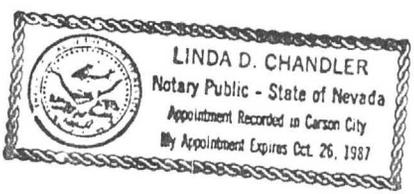
  
\_\_\_\_\_  
Evelyn Wright

  
\_\_\_\_\_  
Robert Beaver

STATE OF NEVADA )  
 ) ss:  
CARSON CITY )

On this 31<sup>st</sup> day of December, 1985, before me, the undersigned Notary Public in and for said County and State, duly commissioned and sworn, personally appeared ROBERT BEAVER and EVELYN WRIGHT, known to me to be the persons whose names are subscribed to the within Limited Partnership Agreement and who acknowledged to me that they executed the same freely and voluntarily and for the uses and purposes therein mentioned.

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



*Linda D. Chandler*  
NOTARY PUBLIC

mail to:  
Jack Christensen  
305 N. Carson St.  
C.C.

DEC 31 1985 P1:52  
41936  
FILED  
ALAN BEAVER  
CARSON CITY RECORDER  
-9-BY *T. Clark* DEPUTY  
\$13.00 Pd

8-3-86  
J. M. Hood

CERTIFICATE OF AMENDMENT

JAMESTOWN SAND & GRAVEL, LTD., a Nevada Limited Partnership, under the hands of its partners, does hereby certify:

That it is deemed advisable, in the judgment of the partnership, and of the individual partners thereto, that Article III, Article V, and Article XIV be corrected so as to accurately reflect that agreement of the parties and the factual basis existing therefore, and that said Articles be, and the same hereby are, amended as follows:

FIRST: Articles III and XIV shall provide that the address of the General Partner is "Patriot St." rather than "Pariot".

SECOND: Article V, Paragraph 1, in its entirety, shall read as follows:

"V. CAPITAL:

1. The initial capital investment shall be the sum of \$25,000.00, to be contributed as follows:

EVELYN WRIGHT: (a) \$10,000.00 contributed as the initial payment for the leasehold estate upon which the development and mining activities will take place, with payments remaining on said lease to be paid by the partnership; and (b) the providing of start-up working capital in the sum of \$15,000.00.

The GENERAL PARTNER will contribute his expertise and experience in mining, development, and management in aggregate and mineral production, exploration and processing, and will assume full responsibility for the efficient conduct of all such activities."

AND FURTHER, it is deemed advisable, in the judgment of the partnership, and of the individual partners, that Article III, Article IV, Article V, and Article XIV be, and they hereby are, amended as follows:

THIRD: Article III, paragraph 2, shall have added to it the following:

"Other Limited Partners are: CHARLES R. MARADEN, JR., 12585 Creek Crest, Reno, Nevada 89511, and LARRY WHITTON, 1930 Prince Charles Court, Reno, Nevada 89503."

FOURTH: Article IV shall be deleted, and substituted as to read, in its entirety, as follows:

"IV. DURATION: The partnership shall exist for a period of forty (40) years, unless sooner terminated as provided herein. In event of the death of the General Partner, or other removal, the Limited Partners shall elect whether or not to continue the partnership, shall determine and pay the value of the General Partner's interest, in the manner provided in Article XII, and shall

elect a successor General Partner."

FIFTH: Article V, paragraph 5.b, shall be amended  
by deleting the following:

"OTHER LIMITED PARTNERS ----- 15%"

and substituting in its place and stead the following:

"CHARLES R. MARADEN, JR. ----- 10%

LARRY WHITTON ----- 5%"

SIXTH: Article VI shall be amended by adding:

"CHARLES R. MARADEN, JR.  
12585 Creek Crest  
Reno, Nv. 89511

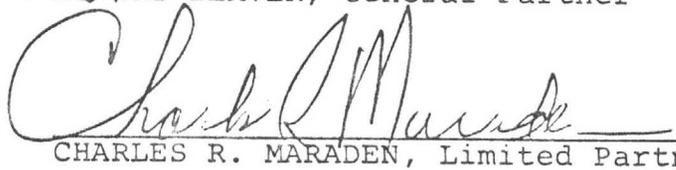
LARRY WHITTON  
1930 Prince Charles Court  
Reno, Nv. 89503"

IN WITNESS WHEREOF, the Partners have executed this  
Certificate of Amendment this 28<sup>th</sup> day of March, 1986.

  
EVELYN WRIGHT, Limited Partner

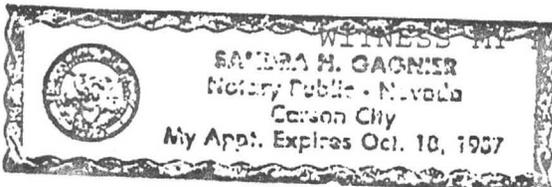
  
ROBERT BEAVER, General Partner

  
LARRY WHITTON, Limited Partner

  
CHARLES R. MARADEN, Limited Partner

STATE OF NEVADA     )  
                                  ) ss:  
CARSON CITY         )

On this 28<sup>th</sup> day of March, 1986, before me the under-  
signed, a Notary Public in and for said State, personally appeared  
EVELYN WRIGHT, ROBERT BEAVER, CHARLES R. MARADEN, JR. and LARRY  
WHITTON, proven to me on the basis of satisfactory evidence to be  
the persons that executed the within instrument as General and  
Limited Partners on behalf of Jamestown Sand & Gravel, Ltd., the  
partnership therein named, and who acknowledged to me that the  
partnership executed it.



WITNESS MY HAND and OFFICIAL SEAL.

  
NOTARY PUBLIC

①

Synopsis of Jamestown Sand,  
Gravel + Gold Project - Jamestown, CA

Owner of Property (Patented) Frank E. Cummings  
15653 Highway, Box 536  
Jamestown, CA 95327

Cummings Leased his property to Gordon Loyd  
Box 3428  
Visalia, CA 93278

Maybe  
lower?

Gordon Loyd is to pay a royalty to Cummings of 10% gross  
royalty on the GOLD AND 5% ON GRAVEL operations.

Loyd set up a small inefficient plant in 1985. He  
reported that he was losing 50% of his gold recovery  
on \$6.00 gold per yard. (Recovered \$3.00 per yard)

Loyd also reported that he had the sales for 600 tons of  
Sand + Gravel at \$4.00 per ton = \$5.20 per yard.  
Total = \$8.20 per yard including recovered gold.

Out of site  
Sand -  
Sonoran Gold  
Canadian  
Joe Davis  
J. Ellis

Loyd apparently had a too small and inefficient plant  
and operation, and a lack of water, and could not produce.  
So he sold his lease to Robert C. Beaver  
Reno, NV

Loyd sold for \$100,000, \$10,000 down and the payout  
by 5% royalty on GOLD AND 2.5% royalty on SAND +  
GRAVEL. \$500 Mo to Loyd.

SO! Now Robert Beaver comes in + borrows \$50,000.  
to get set up and brings in a plant that, in our opinion,

Now asking  
\$100,000

is no better than Loyd's plant, and now Beaver cannot produce and he wants to sell. Beaver is asking \$500,000, which would take all persons out and back to the lease with the owner Cummings. However, I believe we can do a much better deal with Beaver.

1. I believe at this point we could hold to the estimated value of GRAVEL & GOLD at \$8.20 per yard. Some testing & verification of market would be necessary.

Crusher

2. My GOLDFIELD PLANT would do the job with some additional screens for sizing gravel & a SAND SREW or Log Washer.

Asbestos

3. We would need a crusher for producing base rock.

3 or 4 days  
shut out  
\$1500  
all

4. We would need a well for additional water. There is one already there but needs deepened. Surrounding ranches are irrigating with 250' to 300' wells, so water should be available.

Revenue

We would plan to start operations at 1000 yd/day.	
1000 yds X \$8.20 =	per day \$ 8,200.
X 22 days per mo =	per mo. 180,400.
Less Royalty to owner =	Less 12,320.
(Mr. Cummings)	Gross per mo. \$ 168,080.

Note: If the sand & gravel market were there in this rapidly developing area we could double this production without additional equipment

### Cost of Testing

Note: Before testing for gold, one man would go to Jamestown and check for validity of operating permits & market for sand & gravel. Check for asbestos in rock (bad!!)

One time cost, estimated \$ 1500.00

### Testing for Gold

Estimate 12 days, includes hauling test equipment, 2 pickups, Back Hoe, 1 man additional, Motel, Food.

One time cost, estimated 8000.00

test total \$ 9500.00

### Operation Cost

(one time cost)

Drill Well, purchase Pump 300' set - \$ 15,000.00

Transportation of Equipment 7000.00

Preparation of 3 ponds & Set-up Plant 8000.00  
& Crusher - <sup>100,000 or lease</sup>

Electrical Wiring, Plumbing & Water Lines 8000.00

Down Payment on \$ 500,000 Lease to Robert Beaver 100,000.00

\$ 138,000.00

South end of  
old Bales  
Chinese camp  
channel.  
some springs  
in area  
qui - water

Monthly Operation Cost

Goldfield Placer Plant	with additional Screens #	14000.00
Crusher - Purchase #100,000 - Amortized or Leased	* Sand Screw-conveyors	7000.00
Two (2) 5 cu. yd. Loaders - Leased		14000.00
One (1) Cat D8 Dozer		8000.00
One (1) 200 KW Generator		1200.00
Fuel		3000.00
Maintenance		3000.00
Two Vehicles, Pick-up Trucks - Lease		800.00
Mobile Office & Lab, Telephone & Utilities		1500.00
Misc. Supplies & Chemicals		800.00
Travel		800.00
Insurance, Industrial, Medical, Liability		1200.00
Accounting & Legal		500.00
* Monthly Payment on Balance of Beaver	#500,000 Now Lease less	10000.00
SALARIES		8000.00
Secretary		1200.00
Labor - 2 operators - 1 Laborer		5810.00
		<u>80,810.00</u>

15% Contingency 12,120.00

Total Monthly Cost \$ 92,930.00

\* 10,000  
\$ 82,930

Total One Time Cost \$ 147,500

$\frac{147,500}{1.5} = 98,333$   
\$ 310,000 Total

80.6% Profit for \$ 92,930 Monthly Investment

MH 2000 mo  
JL 2000 mo  
Lor 1500 mo

until production

# 3

THE CUMMINGS PROPERTY

8/2/86

Owner: Frank E. Cummings and Stella Cummings  
Lessee: Gordon Loyd. Loyd sold his lease to Robert Beaver.

Present Involvement: Beaver offered to sell his lease and plant to Jay Landis & I for \$500,000.00. We refused this as excessive. Gordon Loyd was told by us that if he bought back his lease from Beaver that we would talk to him about buying it from him. We told him that the buyout from Beaver should not exceed \$110,000.00. He and Beaver agreed to a figure of \$106,000.00 with Loyd in turn selling his lease to us for \$100,000.00 with a down payment to Loyd of \$10,000.00 and the balance from production. This would result in a total leasehold cost to the incoming investor or \$206,000.00 and a front cost of \$116,000.00.

When Beaver found out that Loyd was dealing with Landis and I, he called Jay and said he was going to file a lawsuit for collusion. He has since backed away from this position and has agreed to sell to either Loyd or us for a "fair price".

There seems to be some ego problems involved here. I have suggested that the deal be put together as follows:

1. Beaver sells his lease to us for \$111,000.00 (\$106,000.00 + \$5,000.00)
2. We take over his position in the Loyd Lease for \$95,000.00 with a \$5,000.00 down payment to Loyd as soon as the deal is closed.

This results in the same cost to the investor as the original proposal and assists in ego maintenance.

  
Milton W. Hood

CUMMINGS PROPERTY  
 Jamestown, CA

8/5/86 MH

Estimated Screen Analysis:

<u>Product Size</u>	<u>Percentage</u>
1. +4-inches	10.0%
2. 3/8"-4-inches	55.0%
3. Sand	25.0%
4. Silt & Ash	10.0%

Product Prices F.O.B.Plant:

1. + 4-inch	@ \$2.50/ton	\$3.38/yd
2. 3/8-4-inch	@ 3.50 "	4.72 "
3. Sand	@ 5.00 "	6.75 "

Value of Production per 1000-yds of Feed:

1. + 4-inch	1,000.0 x 0.10 x \$3.38 =	\$ 338.00
2. 3/8-4-inch	1,000.0 x 0.55 x 4.72 =	2,596.00
3. Sand	1,000.0 x 0.25 x 6.75 =	<u>1,687.50</u>
	Total	4,621.00 = <u>\$4.621/yd</u>

Estimated Direct Operating Cost = \$3.50/yd; Oper Margin = \$1.121/yd

Operating Margin With Various Gold Recoveries:

<u>Value of Au/yd</u>	<u>Operating Revenue/1000-yds (after royalties)</u>
\$ 0.00	\$ 1,121.00
1.00	1,964.95
1.50	2,099.00
2.00	2,865.00
3.00	3,765.00
4.00	4,665.00
5.00	5,556.00
6.00	6,465.00

*Prover*

*7/11/86  
885-0898*

THE CUMMINGS PROPERTY

8/2/86

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Lessee: Gordon Loyd. Loyd sold his lease to Robert Beaver.

Present Involvement:

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There seems to be some ego problems involved here. I have suggested that the deal be put together as follows:

*#50,000?  
Loyd's limited partner  
part of obligation*

1. Beaver sells his lease to us for \$111,000.00 (\$106,000.00 + \$5,000.00)
2. We take over his position in the Loyd Lease - for \$95,000.00 with a \$5,000.00 down payment to Loyd as soon as the deal is closed.

This results in the same cost to the investor as the original proposal and assists in ego maintenance.

  
Milton W. Hood

*Drone*

REPORT OF VISIT

Subject: Followup Visit to The Cummings Property Near James-town, CA.

Purpose: The following items of interest were checked during the visit to the property and surrounding locality on July 30-31, 1986.

1. Check on local market potential for sand and gravel products that might be produced from the property.
2. Check on status of operating and reclamation permits that have been issued for the property by the County Planning Board.
3. Find out what permits are needed to build the access road from the property onto the state highway.
4. Check on status of water rights and permits needed to develop additional supplies of water.
5. Check on title search, title insurance and escrow costs.
6. Obtain copies of maps and records
7. Meet with the property owner

Summary: One and one half days were spent talking with public officials and members of various material supply firms in the local area. Everyone was very helpful and questions were answered readily and additional information and opinions added for good measure. Without exception, everyone felt that a strong market exists locally for sand and gravel products and this property should have little trouble selling quality products because of the favorable location.

The permits seem to be in order for any operation of similar size and scope and approval of changes would be handled quickly if submitted prior to implementation.

Permitting the access road would be routine. A local drilling contractor supplied information on permits necessary for developing additional water on the property. He is familiar with the property and feels sure that an adequate supply can be developed at a relatively low cost.

Frank Cummings, property owner, seems to be a reasonable person who wants the property developed and operated in a sound and business like manner. It seems likely that he will cooperate in any reasonable matters needed to get the property into operation.

Market: Information concerning local market potential for sand and gravel products came out of meetings with people from both the public and private sectors. Without exception, everyone was very courteous and all felt that a strong local market exists for quality products and that more suppliers are needed.

Meetings were held with the following organizations.

1. State of California Department of Transportation (Caltrans) Harvey E. Smith, Area Supt.

Smith was very helpful both on the question of permits for the access road and market information. He gave information on products used by Caltrans in his area along with prices and quantities. He felt that sand, chips and asphalt were hot items and would be good sellers. The following is a summary of average prices paid for their purchases.

<u>Product</u>	<u>Price</u>	<u>\$/ton</u>
Asphalt	\$23-26	jobsite
Chips (1/4"x10m, 5/16x8m, 3/8x6m)	8-10	"
Sand	8-10	"

Supplier estimated prices f.o.b. plant were as follows:

Sand	\$5-6/ton
Drain Rock	3-4 "
Basecourse	3-4 "
Chips	5-6 "
Aggregate	4-5 "

Meetings were held with the following suppliers:

1. A & L Ready Mix  
Sonora, CA
2. Twain Harte Materials  
Twain Harte, CA

Both firms said they would be interested in buying sand and gravel from the property because of the location and their past purchases make them familiar with the quality.

Permits: James E. Nuzem, Director, of County Planning said that if the plant and process was similiar in scope and size to the one permitted by Loyd that nothing additional would be required. However, if significant changes in scope or size is anticipated, applications to amend should be filed in advance of implementation. If so filed, they would be approved without delay or problems.

#### Title

Search: First American Title/Sonora of Sonora, CA has done a partial title search on the property and have all the records on file. They could complete the title search, issue an opinion and provide title insurance along with handling of the escrow for an estimated \$1,000.00 or less depending on the amount of insurance required. Contact here is Rick Lobaugh (209) 532-3156.

#### Water

Rights: Water rights are reserved to the property from past use as a mining operation. Canepa & Sons Drilling, Inc., a local drilling contractor said that a permit from the Environmental Health Department is required to improve the existing well or drill additional wells. This permit can be obtained by the contractor and costs \$86.00. It was reported that the procedure will be changed soon and will become much more expensive and complicated. Canepa is familiar with the property and feels that there is a good supply of water on the property. They recommend cleaning and deepening the existing well as a first step. The estimate for this is about \$1,400.00 to clean and deepen the existing well 100.00 feet. Estimates total costs to be under \$15,000.

Maps : Copies of the following maps and documents were obtained.

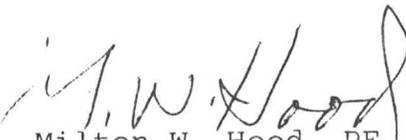
1. Deed from Jacob Hosig conveying part of the Hosig Placer Claim to Peter Mouli dated Dec 15, 1885.
2. Tax Assessor's Plat Map
3. Location Map, Site Map and Reclamation Map for the Gordon Loyd Operation on the Cummings Ranch.
4. USGS Map of NW 1/4 of Sonora, CA Quadrangle

Summary: Meetings with Caltrans and local suppliers of sand and gravel materials indicated that a strong demand exists locally for these products. At the present all of the sand used locally is being hauled from suppliers in the valley at least 15 miles further than the Cummings property. Two local suppliers are selling crushed rock. Both are getting their feed from quarried material with the associated mining costs. One has about the same haul distance, and the other is further away than the Cummings Property. The closer operator is reported to have environmental problems and is reported to be unable to expand or modernize because of permitting problems. It appears to be a very old and low productivity operation. The other operator has a good looking rock operation but is hauling in sand from the valley.

Summary: Information gathered from observation and discussions  
(cont) with local officials of both Caltrans and local materials  
supply firms indicates that a strong market for sand and  
gravel products exists locally. Most of the users would  
welcome another supplier of materials if the quality is  
good and the location of the operation is closer to the  
area of use. The Cummings Property seems to satisfy both  
these criteria.

Gordon Loyd and his son, Craig were very helpful since  
they knew the locations of various places visited along  
with the people to see for answers.

Frank Cummings, property owner, was very pleasant and  
seems to be willing to cooperate any way possible to  
get his property developed in a businesslike fashion.

  
Milton W. Hood, PE

*Milt Hood  
885-0898*

Property Name: The Cummings Property

Owners: Frank E. Cummings & Stella Cummings  
15653 Highway 108, Box 536  
Jamestown, CA 95327

Lessee: Gordon Loyd  
Box 3428  
Visalia, CA 93278

*87 Milt Hood  
Cummings*

*State - Jay  
Resource - Jay  
Placer - Jay*

Location & Legal Descript.: Approximatly 3-miles south of Jamestown, CA just south of Highway 108 and Highway 49 inter-section. It is described as Tuolomne County Assessor's Parcel No. 58-230-14 and Parcel No. 58-250-10 containing 180 and 25 acres respectively more or less.

History: The property is reported to be the south end of the China Camp paleochannel. This may or may not be the case. The gravels appear to be typical of channel placers in this part of the state. Exposed gravels are well rounded, and appear to be a mixture of intrusives, volcanics and quartz. The aveage size appears to be under 6-inches and have been cemented by clay. The clay seems to break down reasonably well in a wash plant but may require some extra steps to handle well in sustained operations.

Placer operations have been carried out on the property intermittently since the 1880's. Most of the past work seems to have been small scale underground drift mines and some small pits and shafts from the surface. In recent years, some smallscale openpit operations have been undertaken for sand and gravel production with gold recovered as a by product. Lack of an adequate washing plant along with enough water is reported to be the reason this operation did not make it. Mr. Loyd sub leased the property and this lessee set up a screening plant with homemade bowls for gold recovery. This operation failed because of lack of operating capital for startup along with lack of an adequate water supply. They said that they sold some sand and recovered some gold, but they never got through the startup phase.

**Reserves:** Estimated Gravel reserves are reported to be between 500,000 and 1,000,000 yards in place. This appears to be a reasonable estimate from a preliminary examination. It is uncertain how much of this yardage may contain payable gold values. However, if the property is to be developed it should be on the basis of a sand and gravel operation with valuable gold by product sales as a bonus.

**Outlook:** The location and sensitivity of this type operation to current zoning and environmental regulations would make this property very attractive economically if the reported local market for sand and gravel does exist. The material will produce sand from washing and with the addition of a crushing plant, suitable base course rock could be produced. The estimated price for these products is \$4.00/ton. Mr. Loyd reported that he was able to recover \$3.00/ton of gold and estimated his recovery at only 50%. Assuming a recovery of 90% of the gold with a good recovery system, and production of one ton of salable product per bank yard of material washed, the value of the gravels would run \$10.75/yd recovered.

**Business Deal :** Jay and I have an agreement with Loyd whereby he will buy out his lessee for the sum of \$106,000 thereby clearing all obligations on the property and returning the lease to him. He has agreed to sell his lease to us for \$100,000. This would be \$10,000 down and the balance from production payments. A royalty of 10% on gold and 5% on sand and gravel goes to the land owner. These are gross royalties with no provisions for buyout. Minimum royalties are \$250.00/month to the land owner and \$500.00/month to Loyd. Some flexibility may be possible on the royalties from both parties if serious money is shown to them.

**Program:** Loyd is putting together a buyout for his lessee. He has agreed to sell his lease for \$100,000. This would be based on a down payment of \$10,000 payable upon signing with the balance coming out of production. The critical part of the preliminary program would be determining whether or not a local market exists for the quantity of sand and gravel that would be produced from the property. In addition to this, a title search along with a check on all required permits would be made. If the results of the market check and permit check are good, it would be a go ahead for development of the property.

**Program:** Jay and I would be responsible for the development and operation of the property. Jay would use his Goldfield Placer Plant equipped with additional screens and a sand screw as the primary washing and recovery systems for the sand and gold. A crusher would be added to produce base course material.

**Costs :**

**A. Preliminary**

1. Survey of local markets, checking permits and examination of titles	\$ 1,500.00
2. Legal Expenses for Contract Preparation	1,600.00
3. Contingency	<u>500.00</u>
<b>Total</b>	<b>3,600.00</b>

**B. Moveon Costs**

1. Drill and equip well	15,000.00
2. Transport of Equipment	7,000.00
3. Pond prep and equip setup	12,000.00
4. Elect, plumbing and water system	12,000.00
5. Contingency	<u>4,500.00</u>
<b>Total</b>	<b>50,500.00</b>

**C. Leasehold Costs**

*Sufficient to all permits and start of production*

1. Robert Beaver buyout	106,000.00
2. Gordon Loyd Down Payment	<u>10,000.00</u>
<b>Total</b>	<b>116,000.00</b>

**D. Highway Access (estimate)** 75,000.00

**Total to Startup** **245,000.00**

**E. Operating Costs (Monthly)**

*Jarvis's Plant that we had brought for \$135,000 cash to buy.*

1. Goldfield Plant w/extra equip	14,000.00
2. Crusher \$100,000 @ \$9,000/mo	9,000.00
3. Loaders 2 @ \$7,000	14,000.00
4. Tractor D-8 size w/ripper	8,000.00
5. Generator, 200KW	1,200.00

*1/2 this amt after Jay delta*

Costs : Operating (cont)

6. Fuel		\$ 3,000.00
7. Maintenance		3,000.00
8. Repairs & Parts		10,000.00
9. Supplies		1,500.00
10. Insurance		1,500.00
11. Accounting & Legal		500.00
12. Travel		800.00
13. Salaries (Principals)	<i>Mo. Jay Milt + Son</i>	6,000.00 -
14. Salaries (Office & Purchasing)		1,200.00
15. Operating Labor, 2-ops, 1-laborer		<u>5,810.00</u>
	Total	79,510.00
16. Contingency @ 10%		<u>7,951.00</u>
	Total Cost/month	87,461.00

Production: Assume 1,000-yds/day & 22-days/month 22,000/mo

Revenue : Assume \$10.75/ bank yard washed x 22,000 \$236,500/mo

Sand & Gravel, 22,000x \$4 = \$88,000  
Gold 22,000x\$6.75=148,500

Less Royalties- Gold @ 10% 14,850  
S&G @ 5% 4,400 -19,250

Less Payment to Loyd @ 10,000/mo -10,000

After Royl. Oper Revenue \$207,250

Less Operating Costs -87,461

Operating Profit \$119,789/mo

Schedule &

Budget : Contracts drawn and signed 1-month

Access road approved & built, Plant moved onsite and set up, Water system in, Start up on test basis 1-month

Commence production on full basis & reach full production by end of month 3.

Estimated Project Budget for 3-months

PreProduction	\$245,000.00
Operating costs 3-months @ 87,461	<u>262,383.00</u>
Total	\$507,383.00
Less Est Revenue 1.5x119,789	<u>-179,683.50</u>
Net Required	\$327,699.50 -

Schedule &  
Budget(cont) : Operating Profit/yard  $\$119,789/22,000 = \$5.44$

Breakeven Production  $\$507,383/\$5.44/\text{yd} = 93,268\text{yds}$

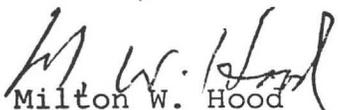
Payback time  $93,268/22,000 = 4.25$  months or  
6-months from start of project.

Profit from Operations

1. 300,000 yds reserves	x	$\$5.60$	=	$\$1,680,000$	
2. 500,000 yds	"	x	$5.72$	=	$2,859,600$
3. 750,000 yds	"	x	$5.78$	=	$4,335,000$
4. 1,000,000 yds	"	x	$5.81$	=	$5,810,000$

Split of Revenue: It is proposed that the incoming partner who will provide financing will receive 80% of the operating revenue defined as revenue after agreed upon operating costs and royalties are deducted until 125% of funds invested prior to full production is achieved. Thereafter, a split of 50/50 will be made of the operating revenues.

  
Jay Landis

  
Milton W. Hood

PLANNING DEPARTMENT

A. N. Francisco Bldg.  
45 West Yancey Street  
MARIANA  
2 South Green Street  
Sonora, CA 95370  
Phone (209) 533-5611

8-2-84  
Jain  
M. L. Hood

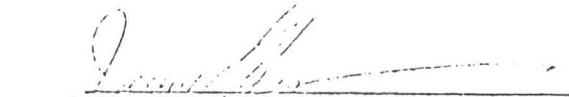
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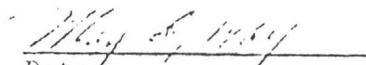
May 8, 1984

This letter constitutes receipt of a Non-negotiable Time Certificate of Deposit in the amount of \$2,500.00, made payable to Tuolumne County.

The above mentioned Time Certificate is dated May 7, 1984, and maturity is noted as five years.

This Certificate will be held by the County of Tuolumne until such time as the terms and conditions of the Reclamation Plan dated May 4, 1984 (copy attached) are complied with. The document shall be referred to as the Loyd Reclamation Plan.

  
James E. Nuzum  
Planning Director

  
Date

- 4 19-A Hendricks Mining Co. (Bolder County) Au, Ag; 1982 report seeking money. Cross Mine
- 4 56-A Dinero Dumps (Lake County) Au, Ag; 1980 sampling, assays by J. Wojcik
- 4 57-A Cumberland Mines (La Plata County) Ag; 1982 Submittal by H. Stanfield
- 4 73-A Snowstorm Gold Placer (Park County) Au; 1987 fact sheet
- 4 75-A Coronado Silver (Conejos County) Ag; 1978 proposal for mine and mill
- 4 75-B Oil Shale (Rio Blanco County) Oil; 1964 IC 8216. Misc papper
- 4 89-A Great Eastern Mine (San Juan County) Ag; 1948 report by M. Price. Claims maps
- 4 100-A Anschutz Minerals (Ochlocknee & Thomas  
Co.) GEORGIA Fuller's Earth; 1978 report by R. Olson