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Arizona Geological Survey
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5964
/xxx

October 12, 1970

Paradox Production Corp.
28 State Street
Boston, Mass. 02109

Attention: Mr. Francis F. Mills
Treasurer

Gentlemen:

Please send to us at the letterhead address, a copy of your annual report dated May 7, 1970.

Thank you.

Very truly yours,

HEINRICHS GEOEXPLORATION CO.

E. Grover Heinrichs, Vice President

EGH:td

Grover

Dr. Davie
c.c. Paradox Production Corp.

September 25, 2970

TO: H. Lanier

FROM: E.G. Heinrichs

SUBJECT: Telephone conversation with Jerry Russell 9-25-70

Jerry Russell of Russell Associates called this morning at 9:30 a.m. with reference to properties that they would like to submit to Essex for possible consideration. These properties include:

1. The Orizaba Copper Mine located approximately 20 miles north of Phoenix.

2. Mercury properties in the Milford area.

3. Copper King property in the Milford area.

Mr. Russell specifically mentioned the location of the Copper King and there seems to be a duplication of ownership or some thing unusual in the ownership, as Mr. Russell said that Lou Cooper, through a company un-named, is owner of the Copper King as well as some steam properties in the Milford area. I mentioned in the phone conversation a Dr. Davie who held some mining properties in the Milford area and Russell said, "He is a slippery one."

In summary, it appears that there is a conflict on who owns what in the Milford area, and it is possible that Davie is a stock holder in a company controlled by Lou Cooper. This would require further checking, perhaps through Clyde Davis.

CHECKED WITH CLYDE
NO CONFLICT.
DAVIE PUT PROPERTY IN
PARADOX PRODUCTION Co.
PRES IS COOPER

EGH:td

9/25
MET WITH RUSSELL - HE GAVE MAPS ETC ON ORIZABA & CINA MINES, WE ARE TO REVIEW & CONTACT IN OCT.

Grover

Dr. Davie
c.c. Paradox Production Corp.

September 25, 2970

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FROM: E.G. Heinrichs

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Checked with Clyde
No Conflict.
Davie put property in
Paradox Production Co.
Pres is Cooper

EGH:td

9/25
Met with Russell — He gave maps etc on Orizaba & Cina Mines, we are to review & contact in Oct.

EUGENE N. DAVIE, M. D.
BOX 188
MILFORD : UTAH

SXM
OCT 23 1970
RECEIVED

21 October, 1970

Mr. Howard Lanier,
General Manager, Copper Operations
Essex International, Inc.
2030 East Speedway
Tuscon, Arizona 85719

Dear Howard,

George Milly called me from Maryland regarding the ecology program. He had some very interesting comments, and plans to be in Arizona in about one month.

A copy of the proposal to LeGrande Belnap was received by me - and it looked good. LeGrande called yesterday saying that they would be talking with Ranchers today.

Clyde Davis is on his way to Arizona, so you will see him before this letter arrives.

Enclosed is a schedule on the drilling costs.

Sincerely,

Gene

Eugene N. Davie, M.D.

# SPEED MEMO

To Dr. Eugene Davies | At P.O. Box 188, Milford, Utah

Subject | Date Feb. 11, 1971

Dear Gene,

Enclosed is your copy of the Tentative Plan of Acquisition, Northwest Pipeline, by Paradox. I mentioned the proposal to Essex management and they have given it some consideration but have decided that it is not the sort of thing they want to get involved in at this time.

Please keep us informed of any new developments on the scene in Milford. Hope all is well with you.

Very truly yours,

**PLEASE REPLY TO** → Signed | At Tucson, Arizona

E. Grover Heinrichs

Date | Signed

**SENDER'S COPY**

December 6, 1971

Dr. Eugene N. Davie
Box 188
Milford, Utah

Dear Gene:

Thank you for your letter of December 1, 1971. I appreciate your continued interest in us even though we have at times been rather quiet in our dealings at Milford. I am sure that you understand the complex relationships that have been involved with the various parties surrounding the Toledo-Shield properties.

Certainly we are interested in your property. We will now have a full-time, competent exploration group at Milford and I am advising them via copy of this letter to contact you in the near future. The first step will be to acquaint them with your property, thus if you have claim maps and other information that will assist in their initial evaluation, it will be appreciated if you can make them available to us immediately.

The staff who will be involved in our project at Milford include Messrs. Paul Eimon, Exploration Manager; Ken Jones, Chief Geologist; and Dennis (Bud) Temple, Senior Geologist Resident at the Milford operation.

Again, thank you for your interest. My best personal regards to you and your family. I look forward to seeing you in Milford sometime in the near future.

Very truly yours,

Howard Lanier, General Manager
Copper Operations

ESSEX INTERNATIONAL, INC.

HL:td
cc: P.I. Eimon

EUGENE N. DAVIE, M. D.
BOX 188
MILFORD : UTAH

SXM
DEC 6 1971
RECEIVED

2 December, 1971

Mr. Howard Lanier
General Manager, Copper Operations
Essex International, Inc.
1704 West Grand Road
Tuscon, Arizona 85705

Dear Howard:

Congratulations on your accomplishments here at Milford.

I have about 500 claims, and wonder if you have plans for any additional acquisitions in the area.

My warmest personal regards to you and your wife.

Sincerely,

Gene

Eugene N. Davie, M.D.

May 11, 1971

Dr. Eugene N. Davie
P.O. Box 188
Milford, Utah 84751

Dear Gene,

Thank you for your letter giving your schedule. I too have been hoping to meet with you in Milford, however, circumstances have not permitted my trip as planned.

Paul Eimon met with Mr. Belnap in Salt Lake City this past week. Paul advised me that he was not given approval to inspect the property prior to discussions on an agreement. Under these conditions we have no basis for determining the potential of the property which would guide our action in negotiations.

I do hope to have an opportunity to see you soon.

Best personal regards.

Very truly yours,

Howard Lanier

HL:td

EUGENE N. DAVIE, M. D.
BOX 188
MILFORD : UTAH

SXM
MAY 5 1971
RECEIVED

May 1, 1971

Mr. Howard Lanier
General Manager, Copper Operations
Essex International, Inc.
1704 West Grand Road
Tuscon, Arizona 85705

Dear Howard:

The Utah Valley LDS Hospital has me scheduled for a medical meeting on May 9-14, 1971.

I have been waiting a long time for you to come to Milford, but don't come on those days.

LeGrande Belnap tells me that he has not heard from you. Other companies are talking with him now about these new 'finds' of his.

Best regards,

Gene

Eugene N. Davie, M.D.

9-29-30

Mr. Russell brought this in. He said it is the only one he has and would like it returned to him if we receive another one.

Grover

PARADOX PRODUCTION CORPORATION

28 State Street, Boston, Massachusetts 02109

# PARADOX PRODUCTION CORP.

## Report to Shareholders | May 7, 1970

# PARADOX PRODUCTION CORP.

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**1** *The Cina Mine*
**2** *and* **4** *General Industries, Inc.*
**3** *Oil Shale*
**5** *Milford Geothermal Deposit*
**6** *Haitian Copper Concession*
**7** *Coal*

## To the Shareholders of Paradox Production Corporation:

May 7, 1970

*This letter is intended to bring you up-to-date on the activities of Paradox Production Corporation over the past several years and to outline for you the present status and prospects of the corporation.*

# Historical Background of Your Company

As you probably know, Paradox Production Corporation is a Nevada Corporation qualified to do business under the laws of the State of Utah. Until very recently, Paradox had its principal office in Salt Lake City, Utah. That office will continue to be maintained, although the corporation has moved its executive offices to 28 State Street, Boston, Massachusetts. The corporation is in the process of qualifying to do business under the laws of the Commonwealth of Massachusetts.

From the date of its incorporation in 1956, until early 1964, the corporation was principally engaged in the acquisition, exploration and, if warranted, the development of oil and gas properties. Such activities were financed by the monies raised through sales of the corporation's common stock to the public and through cash loans advanced to the corporation by certain of its officers and directors. By November 1964, these loans, together with interest, were in the total amount of approximately $378,000.

Many of the men who organized Paradox had participated as executives in the construction of the Pacific Northwest Pipeline and had, thereafter, become executives in the operations of the Pacific Northwest Pipeline Corporation. They were displaced from those positions in 1957 when the Pacific Northwest Pipeline Corporation was acquired by El Paso Natural Gas Company.

On April 6, 1964, the United States Supreme Court determined that the acquisition of the Pacific Northwest Pipeline Corporation by El Paso Natural Gas Company violated the Federal Antitrust Laws, and the Court ordered that the property be divested "without delay".

Following that order by the Supreme Court, counsel for Paradox obtained letters of financial backing for the possible acquisition of the pipeline assets which were to be divested pursuant to the Court's mandate. Such financial backing was extended by The Massachusetts Protective Association (now The Paul Revere Corporation), Bear, Stearns & Co. of New York, and The Morgan Guaranty Trust Company of New York. In addition, counsel also obtained, in November 1964, a loan of $300,000 from The Massachusetts Protective Association to finance the efforts of Paradox to acquire the assets which were to be divested by the El Paso Natural Gas Company. In making that loan, The Massachusetts Protective Association required that all outstanding indebtedness of the corporation be subordinated to its loan. The officers and directors who were creditors of the corporation agreed to subordinate their loans, provided the new notes were convertible into common stock in the future at par value of one dollar per share. As a result, Five Percent Convertible Subordinated Demand Notes were issued on November 2, 1964 to Louis Cooper, O.L. Carson, Austin B. Smith and Walter C. Green in the aggregate principal amount of $377,995.83.

Under the terms of its 1964 loan agreement with The Massachusetts Protective Association, Paradox was obligated to use its best efforts to acquire the Pacific Northwest Pipeline assets, which El Paso Natural Gas Company was required to divest pursuant to the order of the Supreme Court. The Massachusetts Protective Association, in turn, was obliged to obtain the financing necessary to purchase the pipeline properties if Paradox was designated as the successful applicant for acquisition. In return for this undertaking, The Massachusetts Protective Association received an option on 900,000 shares of Paradox' common stock at par value and also the right to convert Paradox' note into 300,000 shares of its common stock. The option and right of conversion were exercisable only after the pipeline properties had been acquired by Paradox through financing obtained by The Massachusetts Protective Association. Other provisions of the 1964 loan agreement confined the activities of Paradox to its efforts to acquire the Pacific Northwest Pipeline properties.

On May 22, 1964, Paradox wrote to El Paso Natural Gas Company offering to purchase for cash the assets which the Supreme Court had ordered divested "without delay." Copies of the letter were also sent to the United States Department of Justice and to the United States District Court in Utah, where the divestiture proceedings were pending. Since that date, Paradox has participated in all of the divestiture proceedings as an applicant to purchase the assets. However, the $300,000 advanced by The Massachusetts Protective Association proved insufficient to fully finance such participation. That fund was exhausted by February 1968 and The Paul Revere Corporation, successor to The Massachusetts Protective Association, was unwilling to advance additional funds. Paradox was able to continue its efforts to acquire the Pacific Northwest Pipeline properties by reason of cash advances totalling $89,149.40 made to the corporation by Louis Cooper during the period from February 1968 to



## CONCLUSION

The foregoing information has been presented for the purpose of acquainting you with the past activities, present status and future prospects of your corporation. Every effort is being made to secure for Paradox a strong, vibrant and profitable future.

You will be kept advised as the future unfolds and you may expect to receive a further progress report at the Annual Meeting of Stockholders, which will be held on August 4, 1970. A formal notice of that meeting will be mailed out in due course.

Very truly yours,

Louis Cooper
Vice President

## OTHER FINANCIAL INFORMATION

**A.** As indicated in the section above relating to the Cina Mine property, management believes that it is in possession of sufficient factual data, including geological reports, to make a reasonable estimate of the computable wealth of this particular property. The following is the management's best estimate at this time.

With proven resources of 8,440,000 tons of mercury bearing ore containing an average of 3.2 pounds of mercury per ore ton, it is estimated that mineable mercury of 27,330,000 pounds will be yielded over the economic life of this resource. This will support a mining operation of 900,000 tons per year for nine plus years (or 2740 tons per day).

The price of mercury on April 30, 1970 as quoted in the Wall Street Journal was $450 for a flask containing 76 pounds, or $5.92 per pound.

Therefore, it is estimated that over the period of the nine plus years the property will develop gross revenues of $161,820,000, a net cash flow of $58,300,000, pre-tax earnings of $63,485,000 and net earnings of $21,748,000 after payment or allocation to Consolidated Virginia Mining Company of $5,437,000, representing its 20% interest in the property, and liquidating plant costs of $4,782,000.

For purposes of the above calculations, Paradox has utilized the estimates of production costs as furnished on pages 10 through 11, which aggregate $1,704,507, multiplied by three.

In addition, the estimate of plant cost, shown on page 23, of $1,593,869 was also multiplied by three. No provision has been made in the above calculations for possible costs for marketing and administration expenses.

**B.** Since the remaining properties, which have been described in detail at pages 12 through 36, have not yet been sufficiently developed to warrant calculations by management of what it considers to be reasonably dependable estimates of their computable wealth to the corporation, such information must be deferred until those developments take place. As they do occur, management will keep you periodically informed of progress.



December 16, 1969 and, further, by reason of the fact that counsel for Paradox performed legal services without payment of fees since June of 1967. As of December 10, 1969, the fees which had accrued on account of such unpaid legal services were $114,930.25.

On December 31, 1969, The Paul Revere Corporation and Paradox reached an agreement whereby all option and conversion rights were waived by The Paul Revere Corporation in consideration of Paradox' agreement to prepay the principal amount of the note, plus accrued interest, from the proceeds of any public offering of Paradox stock.

Since the original order of divestiture in April, 1964, the proceedings have twice been returned to the United States Supreme Court. A second mandate of divestiture was entered by the Supreme Court on February 27, 1967 in the case of *Cascade Natural Gas Corp. et al vs. El Paso Natural Gas Company.* In subsequent proceedings before the United States District Court in Denver, Colorado, Paradox participated fully, making exhaustive studies and presenting a complete and thorough plan of divestiture, which encompassed a cash purchase of assets to be divested. Paradox was the only applicant before the United States District Court which continually and consistently maintained that a cash sale of the assets to be divested was the most expeditious and effective way of accomplishing complete divestiture. The United States District Court, however, decided to divest the Pacific Northwest Pipeline property to Colorado Interstate Gas Company on a different basis. For the third time, the proceedings returned to the United States Supreme Court, which rendered its most recent decision in the matter on June 16, 1969. The Court again ordered complete divestiture and vindicated Paradox' position by stating that: "Only a cash sale will satisfy the rudiments of complete divestiture." The Court vacated the judgment of the District Court, remanded the case for proceedings in conformity with its opinion and issued its mandate to that effect on July 15, 1969, even though, on that date, various petitions seeking rehearing or reconsideration of the decision were pending in the Supreme Court.

Between June, 1969 and the present time, the aforementioned petitions have continued to rest on the docket of the Supreme Court without decision, possibly delayed because of controversies over the nomination and confirmation of a ninth member of the Court.

On March 23, 1970, at the request of the Department of Justice, the District Court in Denver held a hearing concerning the scheduling of further proceedings in that Court. Paradox was represented at the hearing by William M. Bennett, Esquire, former President of the California Public Service Commission, and former Deputy Attorney General of California. Mr. Bennett, in his official capacities, was the originator of, and the key participant in the proceedings over the past twelve years that resulted in the several opinions and divestiture orders of the Supreme Court described above. Paradox secured Mr. Bennett's services as Assistant Counsel following the last Supreme Court decision in the matter on June 16, 1969.

At the hearing before the District Court in Denver on March 23, 1970, Paradox, speaking through Mr. Bennett, informed the Court that it was still available as an applicant for acquisition. Paradox was the only applicant, other than Colorado Interstate Gas Company, to thus reiterate its interest in acquiring the Pacific Northwest Pipeline properties. Three of the nine previous applicants failed to appear, either in person or through counsel. Three others, although present, r[illegible] no comment and stated no position and one forme[illegible] applicant reported that it was present merely as [illegible] observer.

In addition to recording the continuing ava[illegible] of Paradox as an applicant for acquisition, M[illegible]nett urged the District Court to proceed with hea[illegible]s concerning the antitrust implications of des[illegible]ating Colorado Interstate Gas Company as the suc[illegible]ssful applicant and to go forward as promptly as pc[illegible]ible on all other aspects of the divestiture. The District Court stated its view that further proceedings should be conducted irrespective of the pendency in the Supreme Court of petitions for rehearing and reconsideration and that the proper place to begin is with an up-to-date analysis of the system-wide gas reserves of El Paso Natural Gas Company.

It is not possible at this time to predict the nature, scope and duration of future proceedings in the divestiture case. However, Paradox intends to resume its efforts to acquire the Pacific Northwest Pipeline properties.

The Pipeline project is by no means the only base upon which Paradox is building for the future. Recently, the corporation has entered into agreements for the acquisition of rights, titles and interests in and to several mining, mineral and other properties. In addition, Paradox has concluded contracts for the acquisition of the stock of corporations engaged in the development of new products, processes and techniques. The aforementioned agreements, properties and corporations are described in greater detail below.

# PRESENT STATUS OF YOUR COMPANY



Liabilities

| | |
|---|---|
| **Current Liabilities** | |
| Accounts payable - trade | $ 112,100 |
| Notes payable - directors | 557,156 |
| Accrued interest payable | 28,788 |
| Notes payable - officers | 1,190,000 |
| Total Current Liabilities | 1,888,044 |
| **Long-Term Liabilities** | |
| Notes payable - due after one year | 300,000 |
| **Stockholders' Equity** | |
| Capital Stock - authorized 5,000,000 shares, par value $1.00 per share; issued and outstanding 1,401,000 shares | |
| Committed for Acquisitions 940,000 shares | 2,341,000 |
| Paid-in capital in excess of par value | 74,436 |
| Capital Stock Premium | 8,460,000 (2) |
| Retained earnings (deficit) | (2,208,062) |
| Total Stockholders' Equity | 8,667,374 |
| Total Liabilities and Stockholders' Equity | $ 10,855,418 |

(1) The 940,000 common shares to be exchanged for stock of S&P Corporation, Coda Corporation, Copper King Mine, General Industries, Inc., and Challenger, Inc., were assigned a value of $10 per share in negotiating the acquisitions.

(2) The excess value over $1.00 par has been designated as "Capital Stock Premium".

PARADOX PRODUCTION CORPORATION

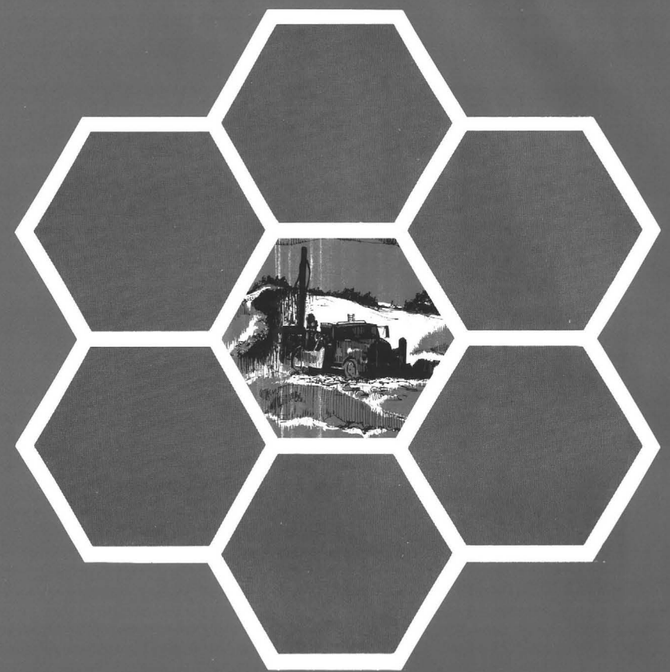
## Pro Forma Balance Sheet

BASED ON AUDITED BALANCE SHEET OF
SEPTEMBER 30, 1969, ADJUSTED TO
GIVE EFFECT TO ASSET ACQUISITIONS
AT COST. (1)

Assets

| | |
|---|---|
| **Current Assets** | |
| Cash on hand and in Bank | $ 3,554 |
| Accounts receivable-officers and affiliated company | 33,886 |
| Total Current Assets | 37,440 |
| **Investments (at cost)** | |
| S&P Corporation | 3,250,000 (1) |
| Copper King Mine | 150,000 (1) |
| Coda Corporation | 1,000,000 (1) |
| General Industries, Inc. | 4,000,000 (1) |
| Challenger, Inc. | 1,000,000 (1) |
| Orizaba Mine | 125,000 |
| Cina Mine | 825,000 |
| Creede Mine | 130,000 |
| Utah Coal Mine | 10,000 |
| Haiti Mining Concession | 100,000 |
| Total Investments | $ 10,590,000 |
| **Fixed Assets** | |
| Office Furniture and Fixtures (net) | 23 |
| **Other Assets** | |
| Pre-organization agreement | 3,000 |
| Unamortized organization expenses | 3,978 |
| Expenses of public offering | 133,389 |
| Direct drilling costs capitalized | 52,588 |
| Oil and Gas leases | 35,000 |
| Total Other Assets | 227,955 |
| Total Assets | $ 10,855,418 |





# The Cina Mine

Paradox has entered into agreements with Louis Cooper and with Consolidated Virginia Mining Co., Ltd., of Canada ("Consolidated Virginia") pursuant to which the corporation has acquired an 80% interest in and to 109 contiguous, unpatented lode mining claims situated on federal lands in southwest Utah. Mr. Cooper personally obtained title to these claims several years ago. He retained an undivided 50% interest in his own name and assigned an undivided 50% interest to Consolidated Virginia. Mr. Cooper is a major stockholder in Consolidated Virginia. Part of the consideration for Mr. Cooper's assignment to Consolidated Virginia was the commitment of that company to raise sufficient money to bring the property into production. In February 1970, Consolidated Virginia requested that it be released from that obligation and Mr. Cooper agreed to such release on the condition that Paradox be permitted to acquire from Consolidated Virginia an additional 30% interest in the mining claims. The 80% interest of Paradox in and to the claims is thus composed of an undivided one-half interest obtained from Mr. Cooper and a 30% interest obtained from Consolidated Virginia. The acquisition from Consolidated Virginia will be submitted for approval to the Canadian Stock Exchange. Consolidated Virginia will retain an undivided 20% interest in the mining claims.

The direct and indirect cost to Mr. Cooper of acquiring the 80% interest in the Cina Mine properties assigned to Paradox has been approximately $716,000. A Demand Note in that principal amount, bearing interest at the rate of 8% per annum, will be given by Paradox to Mr. Cooper in return for the assignment.

The mining claims in question, known as the Cina Mine, are located in Iron and Beaver Counties about 45 miles southwest of Milford, Utah and approximately 60 miles by road northwest of Cedar City, Utah. All of the claims expire on September 1 of each year if assessment work for the year has not been performed. Assessment work on these 109 claims is current, and performance certificates have been filed for the year ending August 30, 1970. The Cina Mine is believed to contain, in addition to sulphur deposits, one of the largest known, untapped reserves of mercury in the United States.

## History of Exploration and Development

Prior to 1967, exploration of the claims was minimal. There is no record of any production from any work done on the properties. Since 1967, however, an intensive program of scientific exploration and analysis has been conducted on portions of three of the claims by Consolidated Virginia and Mr. Cooper. The study, which concentrated upon relatively small representative block sections within the claims, included topographic mapping, extensive test bore drilling, trench cutting with bulldozers, tunneling, driving of a drift for over 450 feet along the fault's surface track, comprehensive "cat work", induced polarization studies and construction of geologic sections. Assays were conducted upon samples from the site by Parker and Company of Denver, by the Arizona Assay Office in Phoenix, by Arizona Testing Laboratories of Phoenix and by Southwestern Assayers and Chemists, Inc. of Tuscon, all registered assayers. In addition, mineral recovery tests have confirmed the feasibility of recovering mercury and sulphur from the ore at the Cina Mine.

During this study Consolidated Virginia and Mr. Cooper engaged the following independent consultants:

- Dr. Samuel Shaw III, mining engineer of the Colorado School of Mines;
- Dr. Willard Pye, of the geology department of the University of Arizona;
- Niles O. Jones, geologist of Tucson, Arizona;
- David K. Hamilton, engineer-geologist of Sahuarita, Arizona; and
- Gerald A. Russell, geologist of G.A. Russell & Associates, Tucson, Arizona.

The following information, unless otherwise identified, is based upon their verified studies and reports.

Within the block sections analyzed, the following reserves have been located:

### MERCURY

| | |
|---|---|
| Proven: | 8,440,000 tons of mercury-bearing ore, containing an average of 3.2 pounds of mercury per ton; or 27,330,000 pounds of mercury |
| Indicated: | 1,512,000 tons of mercury-bearing ore, containing an average of 2.0 pounds of mercury per ton; or 3,070,000 pounds of mercury |

### SULPHUR

| | |
|---|---|
| Proven: | 482,000 tons of sulphur-bearing ore, of an average grade of 20% or better; or 144,600 tons of sulphur |
| Indicated: | 1,457,000 tons of sulphur-bearing ore, of an average grade of 20% or better; or 291,400 tons of sulphur |

On the basis of the foregoing reserve calculations, it has been recommended that production be started as soon as possible and that further exploration be undertaken only in connection with mining and development work.

## Geology

The Cina Mine is located in southwestern Utah at the southern end of the Wah Wah Mountains, part of the Basin and Range Province. The region consists of a series of north-south trending mountain ranges separated by broad valleys. The mountains generally are uplifted fault blocks ranging in age from Precambrian to Tertiary. The Wah Wah Mountains themselves are primarily Tertiary volcanics containing a central area of undifferentiated Middle to Upper Cambrian carbonates in which occurs a window of Jurassic Nugget Sandstone. The pre-Jurassic surface rocks form part of an extensive thrust plate, altered by various stages of post-Paleozoic folding and faulting.

Within the immediate area of the Cina Mine, the rocks on the eastern boundary of mine exploration consist of a series of Middle or Upper Cambrian dolomitic limestones or shales. To the west lie a series of Tertiary volcanics, rhyolitic and andesitic in character. Between the carbonates and volcanics a wedge of highly altered siliceous rock expands southward, containing gypsum, opolite, native sulphur, red cinnabar and black metacinnabar (the last two being mercury sulphides). The boundary between this wedge and the Cambrian limestones consists of a major fault, the Cina Fault. The dominant structure in the area, the Cina Fault, extends approximately 7,200 feet with a strike of about N 35°E and a dip of 45°-75° NW. It intersects with an east-west fault, the Davie Fault, along which mineralization extends for at least 2,500 feet.

The highly altered area west and northwest of the Cina Fault contains principally gypsum, opolite and white, highly-altered siliceous rock ("pozlam").



PARADOX PRODUCTION CORPORATION

### Comparative Balance Sheet
### September 30, 1969 and 1968

Assets

| | 1969 | 1968 |
|---|---|---|
| **Current Assets** | | |
| Cash on hand and in bank | $ 3,554 | $ 869 |
| Accounts receivable - officers and affiliated company | 33,886 | 31,513 |
| Total Current Assets | 37,440 | 32,382 |
| **Fixed Assets** | | |
| Office furniture and fixtures | 2,341 | 2,341 |
| Less: Accumulated depreciation | 2,318 | 2,303 |
| Net Fixed Assets | 23 | 38 |
| **Other Assets** | | |
| Receivable - Utah Gas Pipelines - Note A | 218,871 | 218,871 |
| Pre-organization agreement | 3,000 | 3,000 |
| Unamortized organization expenses | 3,978 | 3,978 |
| Expenses of public offering | 133,389 | 133,389 |
| Direct drilling costs capitalized | 52,588 | 52,588 |
| Oil and gas leases | 35,000 | 35,000 |
| Total Other Assets | 446,826 | 446,826 |
| **Total Assets** | $ 484,289 | $ 479,246 |

Liabilities and Stockholders' Equity

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable - trade | $ 112,100 | $ 52,134 |
| Notes payable - directors | 557,156 | 497,031 |
| Accrued interest payable | 28,788 | 13,787 |
| Accrued rent payable | - | 200 |
| Accrued payroll taxes payable | - | 680 |
| Total Current Liabilities | 698,044 | 563,832 |
| **Long-Term Liabilities** | | |
| Notes payable - due after one year - Note B | 300,000 | 300,000 |
| **Stockholders' Equity** | | |
| Capital stock | 1,401,000 | 1,401,000 |
| Paid-in capital in excess of par value | 74,436 | 74,436 |
| Retained earnings (Deficit) | (1,989,191) | (1,860,023) |
| Total Stockholders' Equity | (513,755) | (384,587) |
| **Total Liabilities and Stockholders' Equity** | $ 484,289 | $ 479,246 |