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Volume 7 ; Book 34

# **TOMBSTONE**

Mining District Cochise County, AZ

Santa Fe Mining, Inc.
Land Work
Leasing Documents

VOLUME 7 BOOK 34

SANTA FE MINING, INC LAND WORK LEASING DOCUMENTS

### Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

February 2, 1988

Re: Herschell Patented Mining Claim Tombstone Area Cochise County, Arizona

Mr. Frank E. Brown 5709 Kingsfield El Paso, Texas 79112 (915) 581.0833

Dear Mr. Brown:

I received your telephone message and have enclosed for your consideration a proposed Mining Lease for the Herschell patented mining claim (MS 874) located in Section 11, Township 20 South, Range 22 East, containing 4.158 acres, more or less.

Basic terms of the lease include:

Term: 10 years and as long thereafter as any mining, development or processing is being conducted (as more fully set out in the lease).

Royalty: 4% net returns.

Advance Royalty: Initially for first two years - \$400.00 2nd through 5th anniversaries - \$100.00/year 6th anniversary and thereafter - \$200.00/year

Alternately, we would propose a Mining Lease with Option to Purchase. The form of the lease would be the same as enclosed with an added provision allowing Santa Fe the option to purchase the property at any time during the term of the lease. Total purchase price would be \$2,200.00 toward which all advance and production royalty payments would apply.

Under a Mining Lease and Purchase Option we would be willing to pay advance royalties along the following schedule:

Initially for first two years-\$ 400.00 2nd through 6th anniversaries-\$ 200.00/year 7th and 8th anniversaries -\$ 400.00/year

Total Purchase Price - \$2,200.00

Mr. Frank E. Brown February 2, 1988 Page 2

After you have a chance to review our offer, please give me a call at (505) 881-3050. Please call me collect.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR:fy

Enclosure

### MINING LEASE

THIS LEASE is made effective as of the day of	, 1988
by and between FRANK EARLE BROWN and wife,	
and BRYAN W. BROWN and wife	
(hereinafter designated as "Owner", whether one or more), and	SANTA FE PACIFIC
MINING, INC., a Kansas corporation (hereinafter designated as	"Lessee");

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

#### 1. The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-ofway now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

### 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

### 3. Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted: excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

#### 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract,

mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the

Leased Premises or upon any other lands owned or controlled by Lessee. rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

#### 5. Payments to Owner

A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of \_\_Four Hundred Dollars (\$400.00)

as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease; it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. <u>Weights and Analyses</u>: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

### 6. <u>Inspection</u>

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

### 7. Conduct of Operations: Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

### 8. <u>Taxes</u>

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

#### 9. Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects</u>, <u>Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. Lesser Interest Provision: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

### 10. Termination: Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises: provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises;

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

### 11. Suspension of Operations

- A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall: (i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided: (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing: and (iii) continue to make payments to Owner as required under Section 5.

### 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Mr. Frank Earle Brown and

Mr. Bryan W. Brown 5709 Kingsfield El Paso, Texas 79112

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

### 13. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

#### 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

### 15. <u>Construction: No Implied Covenants</u>

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

### 16. Counterparts; Joiner

This Lease, may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

### 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNER:	
Frank Earle Brown (SS #	)
( <u>SS</u> #	)
Bryan W. Brown	)
(SS #	)
LESSEE:  SANTA FE PACIFIC MINING, INC.	
ByVice President	

STATE OF)	
COUNTY OF) ss.	
The foregoing instrument was acknowledged before me this	day of
, 1988 by FRANK EARLE BROWN and	,
husband and wife.	
My commission expires:	
STATE OF	
COUNTY OF)	
The foregoing instrument was acknowledged before me this	
, 1988 by BRYAN W. BROWN and	
husband and wife.	
•	
My Commission Expires:	
STATE OF NEW MEXICO )	
COUNTY OF BERNALILLO ) ss.	
The foregoing instrument was acknowledged before me this	day
of, 1988 by, Vice President	of SANTA FE
PACIFIC MINING, INC., a Kansas corporation, on behalf of said corpor	
Notary Public	
My Commission Expires:	

.

## EXHIBIT A

		ease by and between FRANK EARLE BROWN and and BRYAN W. BROWN and
(as "Ow	ner") andSANT	TA FE PACIFIC MINING, INC.
(as "Le	ssee") and pertainin	ng to the following described real property situate
in	Cochise	County, State ofArizona
	Township 20 South, Surveyor General a	ented mining claim located in Section 11, Range 22 East, GSRM, identified by the s Mineral Survey #874, patented January 20, d Office Patent #19478; containing 4.158 s.
SUBJECT 1.		ch may constitute a lien but which are
	due and payable: a	ch may constitute a lien, but which are not yet
2.	Rights-of-way, if	any, for roads, telephone and telegraph lines and
	pipelines of recor	d in the office of the Clerk or Recorder of the
	county in which th	e above described property is situated; and
3.	Reservations conta	ined in the United States Patents thereto.
		Initial for Identification

# SCHEDULE I

SCHEDULE I to Mining	Lease betweenFRANK_E	EARLE BROWN and wife,			
; and BRYAN W. BROWN and wife,					
(as "Owner") andSAN	TA FE PACIFIC MINING, 1	NC.			
(as "Lessee").					
Advance Royalty Payment Sc	hedule (See Section 5.A	(.)			
Lessee agrees to make	payment to Owner of ea	ch of the following payments			
the due date of which occu	rs prior to termination	of the Lease to which this			
Schedule is attached.					
Anniversary Dat Execution of th		Amounts of Annual Advance Royalty Payment			
2nd anniversary 5th anniversary		\$100.00/year			
6th anniversary	and thereafter	\$200.00/year			
		Initial for Identification			

#### SCHEDULE II

	SCHEDULE	ΙΙ	to	Mining Lease between FRANK EARLE BROWN and	
				; and BRYAN W. BROWN and	
(as	"Owner")	and	_	SANTA FE PACIFIC MINING, INC.	
(as	"Lessee")				

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

# EXHIBIT A

EXHIBIT A to Mining Lease by and between FRANK EARLE BROWN and
; and BRYAN W. BROWN and
(as "Owner") andSANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situate
in Cochise County, State of Arizona
The Herschell patented mining claim located in Section 11, Township 20 South, Range 22 East, GSRM, identified by the Surveyor General as Mineral Survey #874, patented January 20, 1892 - General Land Office Patent #19478; containing 4.158 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are not yet
due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph lines and
pipelines of record in the office of the Clerk or Recorder of the
county in which the above described property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

STATE OF)
COUNTY OF) ss.
The foregoing instrument was acknowledged before me this day of
, 1988 by FRANK EARLE BROWN and
husband and wife.
My commission expires:
:
STATE OF
COUNTY OF)
The foregoing instrument was acknowledged before me this day of
, 1988 by BRYAN W. BROWN and
husband and wife.
My Commission Expires:
STATE OF NEW MEXICO )
COUNTY OF BERNALILLO ) ss.
The foregoing instrument was acknowledged before me this day
of, 1988 by, Vice President of SANTA F
PACIFIC MINING, INC., a Kansas corporation, on behalf of said corporation.
My Commission Expires:

.

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of the
day of, 1988 by and between FRANK EARLE BROWN and
; and BRYAN W. BROWN and
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method hereafter
developed), extract, mill, store, process, remove and market therefrom all ores,
minerals and materials of whatsoever nature or sort; all on the terms and
conditions and subject to the payments to be made to Owner, as fully set forth
in the said Lease which Lease is by this reference incorporated herein. Unless
sooner terminated in the manner therein provided, the term of the said Lease is
for a period of 10 years commencing on the effective date thereof and continuing
for as long thereafter as mining, development or processing operations are being
conducted thereunder or the Lease term is extended pursuant to the force majeure
and suspensions of operations provisions thereof, all as more fully set forth
in the Lease. Copies of the said Lease are in the possession of Owner c/o

Frank Earle Brown, 5709 Kingsfield, El Paso, Texas 79112,						
and in the possession of Lessee c/o						
Box 27019, Albuquerque,	New Mexico 87125.					
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed						
effective as of the date first above set f	forth.					
OWNER:						
	Frank Earle Brown					
÷	Flank Earle Brown					
	Bryan W. Brown					
	Digan ne Di omi					
LESSEE:						
SANTA FE PACIFIC MINING, INC.						
Bv:						

Vice President

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6300 San Mateo Blvd., N.E.	1	2 Jus	17	724 Lomas,	N.E.	1

the Hershell patiented claim, which he and his brother own. Please send lease form to his address!

5709 Kingsfield
El Paso, TX 79912

### Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

January 19, 1988

Re: Tombstone Area Cochise County, Arizona

Mr. Bryan W. Brown and Mr. Frank Earle Brown 1307 Cincinnati Avenue 5709 Kingsfield El Paso, Texas 79902-79912

Dear Messrs. Brown:

Our exploration group has an area they are interested in exploring for precious metals near the town of Tombstone, Arizona.

From a check of the records, it appears you own the "Herschell" patented mining claim (MS-874) in Section 11, Township 20 South, Range 22 East.

I would be interested in talking with you about a Mining Lease on the property. Would you please call me at your convenience to discuss this. Please call me collect at (505) 881-3050.

Thank you for your consideration.

TMR: fv

Very truly yours,

T. M. Roesch 1-27-88 Brown Called lase proposed

Mr. Frank reviewing

is interested in reviewing Landman

Pacific Minerals Corporation

Box 27019 Albuquerque, New Mexico 87125 (505) 881-3050

M. Roesch hom aff Lan

A Santa Fe Southern Pacific Company

A Santa Fe Southern Pacific Company

July 1, 1988

Tombstone Restoration Commission Dry Hill Patent Cochise County, Arizona

Ms. Kay Cline Tombstone Restoration Commission (602) 459-3804 P. O. Box 606 Tombstone, Arizona 85638

Dear Ms. Cline:

Thank you for taking the time to talk with me last concerning Santa Fe's interest in leasing the Dry Hill Patent. Attached for your review is the offer that we discussed. If you have any questions, please call me collect.

I will call the week of July 11th and advise you as to the next time I will be in Tombstone.

Thank you again for your time and consideration of this offer.

Very truly yours,

Dennis Cole Manager-Land

DC:IY

Attachment

#### MINING LEASE

THIS LEASE is mad	e effective as	of the	day of	<u>luly</u> , 1988
by and between	TOMBSTONE RE	STORATION COMM	ISSION	
(hereinafter designate	d as "Owner",	whether one or	more), and	SANTA FE PACIFIC
MINING, INC., a Kansas				
Transfer and a manage			0	<b>●</b> 50

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

### The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-ofway now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

### 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

#### 3. Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted; excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

### 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For no additional consideration the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the Leased Premises or as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease: it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. Weights and Analyses: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease. Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

## 6. Inspection

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

## 7. Conduct of Operations; Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

#### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

## Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects</u>, <u>Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. Lesser Interest Provision: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

## 10. Termination: Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises: provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises:

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

# 11. Suspension of Operations

- A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall: (i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

#### 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Tombstone Restoration Commission

P. O. Box 606

Tombstone, Arizona 85638

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

### 13. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

## 14. Memorandum:

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

## 15. Construction: No Implied Covenants

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

## 16. Counterparts: Joiner

This Lease may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNER:
TOMBSTONE RESTORATION COMMISSION
Ву
President
LESSEE:
SANTA FE PACIFIC MINING, INC.
ByVice President

STATE OF ARIZONA )
STATE OF
The foregoing instrument was acknowledged before me this day of
, 1988 by,
of TOMBSTONE RESTORATION COMMISSION, a corporation, on behalf
of said corporation.
Notary Public
My commission expires:
,
STATE OF NEW MEXICO )  ss.
COUNTY OF BERNALILLO )
The foregoing instrument was acknowledged before me this day
of, 1988 by,
of SANTA FE PACIFIC MINING, INC., a Kansas corporation,
on behalf of said corporation.
Notary Public
My Commission Expires:
• • • • • • • • • • • • • • • • • • •

# SCHEDULE I

SCHEDULE I to Mining Lease between	
TOMBSTONE RESTORATION CO	OMMISSION
(as "Owner") andSANTA FE PACIFIC MINII	NG, INC.
(as "Lessee").	
Advance Royalty Payment Schedule (See Section	5.A.)
Lessee agrees to make payment to Owner o	f each of the following payments
the due date of which occurs prior to terminate	tion of the Lease to which this
Schedule is attached.	
Anniversary Dates of the Execution of this Agreement  1st Anniversary 2nd Anniversary 3rd and 4th Anniversaries 5th and 6th Anniversaries 7th and 8th Anniversaries 9th Anniversary and thereafter	Amounts of Annual Advance Royalty Payment  \$ 600.00 \$ 900.00 \$ 1,200.00 \$ 1,500.00 \$ 2,000.00 \$ 3,000.00
	Initial for Identification

#### SCHEDULE II

	SCHEDULE	ΙI	to	Mining	Lease	between _				
***************************************				TOMBS	TONE R	RESTORATION	COMMISS	SION	 	
(as	"Owner")	and	-	S	ANTA F	E PACIFIC	MINING,	INC.		
(as	"Lessee")	•								

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment;
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
- (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit; provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

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Initial for Identification

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of the
day ofJuly, 1988 by and between
TOMBSTONE RESTORATION COMMISSION
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method hereafter
developed), extract, mill, store, process, remove and market therefrom all ores,
minerals and materials of whatsoever nature or sort; all on the terms and
conditions and subject to the payments to be made to Owner, as fully set forth
in the said Lease which Lease is by this reference incorporated herein. Unless
sooner terminated in the manner therein provided, the term of the said Lease is
for a period of 10 years commencing on the effective date thereof and continuing
for as long thereafter as mining, development or processing operations are being
conducted thereunder or the Lease term is extended pursuant to the force majeure
and suspensions of operations provisions thereof, all as more fully set forth
in the Lease. Copies of the said Lease are in the possession of Owner c/o

and in the possession of Lessee c/o Box 27019, Albuquerque, New Mexico 87125.
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed
effective as of the date first above set forth.
OWNER:
TOMBSTONE RESTORATION COMMISSION
Ву
President
LESSEE:
SANTA FE PACIFIC MINING, INC.
Rv.
By:Vice President

STATE OF ARIZONA ) COUNTY OF )	
COUNTY OF	
The foregoing instrument was acknowledged before me this day of	
, 1988 by,	_
of TOMBSTONE RESTORATION COMMISSION, a corporation, on behal	f
of said corporation.	
Notary Public	
My commission expires:	
OTATE OF NEW MENTOS	
STATE OF NEW MEXICO ) ) ss.	
COUNTY OF BERNALILLO )	
The foregoing instrument was acknowledged before me this day	
of, 1988 by,	
of SANTA FE PACIFIC MINING, INC., a Kansas corporation,	
on behalf of said corporation.	
Notary Public	
My Commission Expires:	

# EXHIBIT A

EXHIBIT A to Mining Lease by and between
TOMBSTONE RESTORATION COMMISSION
(as "Owner") andSANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situated
in Cochise County, State of Arizona
Township 20 South, Range 22 East
Section 15
Dry Hill Lode M.S. No. 3697 Patent No. 876057
Containing 5 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are not yet
due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph lines and
pipelines of record in the office of the Clerk or Recorder of the
county in which the above described property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification
the state of the s

October 31, 1988

Re: Longfellow Patented Claim

Tombstone Area

Cochise County, Arizona

Dr. Jack J. Goode 29736 Farmbrook Villa Lane Southfield, MI 48034-1005

Dear Dr. Goode:

Please refer to my letter last March 1 and our telephone conversations regarding Santa Fe's offer to lease the Longfellow Patented Mining Claim (MS 872-6.70 acres).

At that time you informed me you were not interested in leasing but would consider selling the 6.7 acres.

Enclosed for your consideration is a proposed Mining Lease and Purchase Option which provides a schedule of payments over five years as set out below toward a purchase price of \$7,000.00 for the Sunset patent. The purchase price would be paid through the advance royalty schedule and any production royalty during the five-year term.

Basic terms of the Lease and Option include:

Term: 5 years

Royalty: 4% Net Returns

Advance Royalty

Initial: \$ 750.00

1st through 4th anniversaries \$1,000.00/year

5th anniversary \$2,250.00

Once you have a chance to consider our offer, please call me collect at (505) 881-3050.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR: fy

Enclosure

### MINING LEASE AND PURCHASE OPTION

	TH	IS LEASE	is n	nade e	effective	as	of the	<u> </u>	day	of				,	1988
bу	and	between	-			JAC	CK J.	GOODE							
(h	erein	after des	signa	ted as	s "Owner"	, wh	ether	one or	more	e),	and	SANTA	FE	PACI	FIC
MI	NING,	INC., a	Kans	as coi	rporation	_ (r	nerein	after o	desig	nate	d as	"Less	see"	);	

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", together with the exclusive option to purchase the same, all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

## 1. The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-of-way now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

## 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

#### Term

Unless sooner terminated as hereinafter provided, or unless Lessee sooner exercises its option to purchase, the term of this Lease shall be for a period of 5 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted; excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

#### 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground,

solution mining or any other method, including any method hereafter developed), extract, mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted; together with the exclusive right, privilege and option as more fully set forth in Section 18 below to purchase the Leased Premises at any time prior to termination or expiration of this Lease. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment, roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as

will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the Leased Premises or upon any other lands owned or controlled by Lessee. The rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

## 5. Payments to Owner

- A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of Seven Hundred Fifty Dollars (\$750.00) as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease; it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.
- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. <u>Weights and Analyses</u>: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

regardless of changes in the ownership of the Leased Premises. Upon making any payment as described above, Lessee shall be relieved of any responsibility for the distribution of such payment to Owner or Owner's successors in interest. The delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

#### 6. Inspection

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from

and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

## 7. Conduct of Operations; Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

#### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments

and charges which Owner may receive. If this Lease is terminated other than by exercise by Lessee of its option to purchase, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

## 9. Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects, Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate

litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. General: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

#### 10. Termination; Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such

action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time prior to exercise by Lessee of its option to purchase execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations, if any, accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated other than by exercise by Lessee of its option to purchase or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available

non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises; provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises;

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

## 11. Suspension of Operations

A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.

B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 5-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall:

(i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

## 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Dr. Jack J. Goode 29736 Farmbrook Villa Lane Southfield, MI 48034-1005 If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

## 13. Binding Effect; Assignment

Subject only to the provisions of Section 18, the rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

#### 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

## 15. Construction; No Implied Covenants

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

#### 16. Counterparts; Joiner

This Lease may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of

releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

## 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

#### 18. Option to Purchase; Escrow

 company authorized to issue title insurance policies in the state where the Leased Premises are situated. Such policy shall insure Lessee's title thereto in the amount of the total purchase price and shall be subject only to the matters set forth in Exhibit A. Owner shall pay the cost of all applicable state and federal stamp or deed taxes. Upon closing of the escrow, this Lease shall terminate. Either party may elect at any time to establish an escrow for collection and disbursement of funds payable under this Lease and for deposit of appropriate deeds and releases. If such an escrow has not been established prior to exercise by Lessee of its option to purchase, Lessee shall designate and appoint a bank or title insurance company as escrow agent to receive and distribute all payments and to deliver the deed to the Leased Premises. The costs of any such collection, holding or closing escrow shall be borne one-half by Lessee and one-half by Owner.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease and Purchase Option effective as of the date first above set forth.

OWNER:		
	SS#	Jack J. Goode
LESSEE:		SANTA FE PACIFIC MINING, INC.
	Ву	Vice President

STATE OF		
COUNTY OF		) SS. )
The foregoing ins	strument was	acknowledged before me this da
	, 1988 by _c	JACK J. GOODE .
		Notary Public
My commission expires:	:	
		•
STATE OF NEW MEXICO	)	
COUNTY OF BERNALILLO	) ss. )	
The foregoing ins	strument was	acknowledged before me this da
of	, 1988 by	, Vice Presiden
of SANTA FE PACIFIC MI	NING, INC.,	a Kansas corporation, on behalf of said
corporation.		
		Notary Public
		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
My Commission Expires:	4 5	noodig raziro

## EXHIBIT A

EXHIBIT A to Mining Lease and Purchase Option by and between
JACK J. GOODE
(as "Owner") andSANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situate
in <u>Cochise</u> County, State of Arizona.
The LONGFELLOW Patented Mining Claim lying in Section 15, Township 20 South, Range 22 East, GSRM,; Identified by the U.S. Surveyor General as Mineral Survey #872; containing 6.70 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are
not yet due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph
lines and pipelines of record in the office of the Clerk
or Recorder of the county in which the above described
property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

## SCHEDULE I

	SCHEDULE I to Mining Lease and Purchase	Option between
	JACK J. GOODE	
(as	"Owner") and SANTA FE PACIFIC MIN	ING, INC.
(as	"Lessee").	
Adva	ance Royalty Payment Schedule (See Sectio	n 5.A.)
-	Lessee agrees to make payment to Owner	
the	due date of which occurs prior to termin	
	edule is attached.	
	Anniversary Dates of the Execution of this Agreement	Amounts of Annual Advance Royalty Payment
	1st through 4th anniversaries	\$1,000.00/year
	5th anniversary	\$2,250.00
		Initial for Identification

#### SCHEDULE II

	SCHEDULE	II t	to Mining Lease and Purchase Option between	
			JACK J. GOODE	
			OACK 0. GOODE	Ä
(as	"Owner")	and	SANTA FE PACIFIC MINING, INC.	
(as	"Lessee")	•		

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal

goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment;
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
- (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit; provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

Initial	Tor	Identification

## MEMORANDUM OF MINING LEASE LAND PURCHASE OPTION

Under the terms of that certain Mining Lease and Purchase Option dated
effective as of the, 1988 by and between
JACK J. GOODE
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method here-
after developed), extract, mill, store, process, remove and market therefrom
all ores, minerals and materials of whatsoever nature or sort, together with
the sole and exclusive option to purchase the Leased Premises; all on the terms
and and conditions and subject to the payments to be made to Owner, as fully
set forth in the said Lease which Lease is by this reference incorporated
herein. Unless sooner terminated in the manner therein provided, the term of
the said Lease is for a period of 5 years commencing on the effective date
thereof and continuing for as long thereafter as mining, development or pro-
cessing operations are being conducted thereunder or the Lease term is extended
pursuant to the force majeure and suspensions of operations provisions thereof,
all as more fully set forth in the Lease. Copies of the said Lease are in the

possession of Owner c/o 29736 Farmbrook Vi	lla Lane, Southfield, MI 48034-1005
	and in the possession of
Lessee c/oSanta Fe Pacific Mining, Inc.,	Box 27019, Albuquerque, New Mexico
87125.	
IN WITNESS WHEREOF, this Memorandum of	Mining Lease and Purchase Option
has been executed effective as of the date	first above set forth.
OWNER:	
;	
SS#	Jack J. Goode
LESSEE:	
	SANTA FE PACIFIC MINING, INC.
By:	
	Vice President

STATE OF	) ss.	
COUNTY OF	) 55.	*
	rument was acknowledged before me this	day
	1988 byJACK J. GOODE	
	Notary Publ	ic
	Motaly Publ	10
My commission expires:		
ki		
STATE OF NEW MEXICO	1	
	) ss.	
COUNTY OF BERNALILLO		1
	rument was acknowledged before me this	
of	_, 1988 by,	Vice President
of SANTA FE PACIFIC MI	IING, INC., a Kansas corporation, on be	half of said
corporation.		
corporation.		
corporation.	Notary Publ	ic
corporation.  My Commission Expires:	Notary Publ	ic

## EXHIBIT A

EXHIBIT A to Mining Lease and Purchase Option by and between
JACK J. GOODE
(as "Owner") andSANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situated
inCochise County, State of Arizona.
The LONGFELLOW Patented Mining Claim lying in Section 15, Township 20 South, Range 22 East, GSRM,; Identified by the U.S. Surveyor General as Mineral Survey #872; containing 6.70 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are
not yet due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph
lines and pipelines of record in the office of the Clerk
or Recorder of the county in which the above described
property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

## Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

March 1, 1988

733.802.3

Re: Longfellow Patented Claim Tombstone Area Cochise County, Arizona

Dr. Jack J. Goode 3330 Spanish Moss Terrace, Apt. #105 Lauderhill, Florida 33319

Dear Dr. Goode:

Thank you for calling last Thursday. As promised, enclosed for your consideration is a proposed Mining Lease for the "Longfellow" patented mining claim: (MS 872) located in Section 15, Township 20 South, Range 22 East, containing 6.70 acres, more or less.

Basic terms of the lease include:

Term:

10 years and as long thereafter as any mining. development or processing is being conducted

(as more fully set out in the lease).

Rovalty: 4% Net Returns

Advance

Initially for first two years -- \$500.00

Royalty:

2nd through 5th anniversaries - - \$200.00/year 6th anniversary and thereafter - - \$400.00/year

Alternately, we would propose a Mining Lease with Option to Purchase. The form of lease would be the same as enclosed with an added provision allowing Santa Fe the option to purchase the property at any time during the term of the lease. Total purchase price would be \$3,500.00 toward which all advance and production royalty payments would apply.

Under a Mining Lease and Purchase Option we would be willing to pay advance royalties along the following schedule:

> Initially for first two years - - \$500.00 2nd through 7th anniversaries - - \$500.00/year

> > Total - - - \$3,500.00

Mr. Jack J. Goode March 1, 1988 Page 2

After you have a chance to review our offer, please give me a call at (505) 881-3050. Please call me collect.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR: fy

Enclosure

#### MINING LEASE

	TH	IS LEASE	is made e	ffective a	as of th	e	day o	f		, 19	988
by	and	between	JAC	K J. GOODI	E and						
	husb	and and w	ri fe								_
(h	erein	after des	ignated as	"Owner",	whether	one o	or more),	and	SANTA FE	PACIFI(	<u>C</u>
MII	VING,	INC., a	Kansas cor	poration	(hereina	after o	designate	d as	"Lessee"	);	

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

### 1. The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-of-way now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

## 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises: and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

#### 3. Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted: excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

## 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract,

mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the

Leased Premises or upon any other lands owned or controlled by Lessee. The rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

#### 5. Payments to Owner

A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of \_\_Five Hundred Dollars (\$500.00)

as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease; it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. Weights and Analyses: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

## 6. <u>Inspection</u>

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

## 7. Conduct of Operations: Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

#### 9. <u>Title Matters</u>

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects</u>, <u>Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

## 10. Termination: Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. <u>Termination by Lessee</u>: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
  - C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
  - D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
    - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises: provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises:

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

### 11. Suspension of Operations

- A. Force Majeure: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall:

(i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided: (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

### 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Jack J. Goode

29736 Farmbrook Villa Lane Southfield, Michigan 48034

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

## 13. <u>Binding Effect: Assignment</u>

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

#### 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

### 15. <u>Construction: No Implied Covenants</u>

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

### 16. Counterparts; Joiner

This Lease may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

## 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNER:

OHILK.
Jack J. Goode
(SS #)
LESSEE:
SANTA FE PACIFIC MINING, INC.
By
Vice President

STATE OF) ss.			
The foregoing instrument was acknowled	ged before me	this	day of
, 1988 by _JACK J. GOODE			
husband and wife.			
Witness my hand and official seal.			
	Not a D		
My Commission Expires:	Notary Pu	JDITC	
Ty commits for Expires.			
STATE OF NEW MEXICO ) ) ss.			
) ss. COUNTY OF BERNALILLO )			
) ss. COUNTY OF BERNALILLO )  The foregoing instrument was acknowledge			
) ss. COUNTY OF BERNALILLO )			
) ss. COUNTY OF BERNALILLO )  The foregoing instrument was acknowledge		:	,
) ss.  COUNTY OF BERNALILLO )  The foregoing instrument was acknowledged of, 1988 by		:	,
) ss.  COUNTY OF BERNALILLO )  The foregoing instrument was acknowledged of, 1988 by  Vice President of SANTA FE PACIFIC MINING, I		:	,
) ss.  COUNTY OF BERNALILLO )  The foregoing instrument was acknowledged of, 1988 by  Vice President of SANTA FE PACIFIC MINING, I		:	,
) ss.  COUNTY OF BERNALILLO )  The foregoing instrument was acknowledged of, 1988 by  Vice President of SANTA FE PACIFIC MINING, I		corporation,	,

## EXHIBIT A

		JACK J. GOODE and GOODE	
(as "Ow	ner") and	SANTA FE PACIFIC MINING, INC.	
(as "Le	ssee") and	d pertaining to the following described real proper	ty situated
in	Cochise	County, State ofArizona	•
	S G M	The LONGFELLOW Patented Mining Claim lying in Section 15, Township 20 South, Range 22 East, SSRM - Identified by the Surveyor General as Mineral Survey #872; containing 6.70 acres, nore or less.	
SUBJECT	ТО:		
1.	Taxes, i	f any, which may constitute a lien, but which are	
	not yet	due and payable: and	
2.	Rights-o	f-way, if any, for roads, telephone and telegraph	
	lines and	d pipelines of record in the office of the Clerk	
	or Recor	der of the county in which the above described	
	property	is situated; and	
3.	Reservat	ions contained in the United States Patents thereto	1.
		Initial for Identification	.*

# SCHEDULE I

SCHEDULE I to Mining Lease betw	een
JACK J. GOODE an	d GOODE
(as "Owner") and SANTA FE PACI	FIC MINING, INC.
(as "Lessee").	
Advance Royalty Payment Schedule (Se	e Section 5.A.)
Lessee agrees to make payment t	o Owner of each of the following payments,
the due date of which occurs prior t	o termination of the Lease to which this
Schedule is attached.	
Anniversary Dates of the Execution of this Agreeme 2nd through 5th anniversa 6th anniversary and there	nt Royalty Payment ry \$200.00/year
¥*	Initial for Identification

### SCHEDULE II

	SCHEDULE	ΙΙ	to	Mining Lease	between				
				JACK J. GO	ODE and				
(as	"Owner")	and		SANTA FE	PACIFIC	MINING,	INC.		
(as	"Lessee").	•							

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment:
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
- (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit: provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

Initial	for	Identification
-	-	7 **
-		*** **********************************

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of	the
day of, 1988 by and between	
JACK J. GOODE and GOODE, husband and wife	
(therein and hereinafter referred to as "Owner", whether one or more)	and
SANTA FE PACIFIC MINING, INC., a Kansas corporation	
therein and hereinafter referred to as "Lessee"), Owner has granted, demis	ed,
leased and let and does hereby grant, demise, lease and let unto Lessee t	hat
property described in Exhibit A attached hereto and made a part hereof (	the
"Leased Premises"), including without limitation all ores, minerals and mine	ral
rights and together with all water and water rights in, upon and under	the
Leased Premises, exclusively unto Lessee, its successors and assigns, w	ith
the right and privilege to explore for, develop, mine (by open pit, str	ip,
underground, solution mining, or any other method, including any method hereaf	ter
developed), extract, mill, store, process, remove and market therefrom all ord	es,
minerals and materials of whatsoever nature or sort; all on the terms a	and
conditions and subject to the payments to be made to Owner, as fully set for	rth
in the said Lease which Lease is by this reference incorporated herein. Unle	ess
sooner terminated in the manner therein provided, the term of the said Lease	is
for a period of 10 years commencing on the effective date thereof and continui	ing
for as long thereafter as mining, development or processing operations are bei	ing
conducted thereunder or the Lease term is extended pursuant to the force majeu	ıre
and suspensions of operations provisions thereof, all as more fully set for	rth
in the Lease. Copies of the said Lease are in the possession of Owner of	-/0

Jack J. Goode, 29736 Farmbrook Villa Lane, Southfield, Michigan 48034								
94103 and in the possession of Lessee c/o SANTA FE PACIFIC MINING, INC.								
Box 27019, Albuquerque, New Mexico 87125								
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed								
effective as of the date first above set forth.								
OWNER:								
Jack J. Goode								
LESSEE:								
SANTA FE PACIFIC MINING, INC.								
Dv.								
By:Vice President								

STATE OF)		
COUNTY OF) ss.	٠,	
The foregoing instrument was acknowledged before me	this	day o
, 1988 byJACK J. GOODE and		
husband and wife.		
Witness my hand and official seal.	**************************************	
Notary P	ublic	
My Commission Expires:		
STATE OF NEW MEXICO ) ss.		
) ss.		
The foregoing instrument was acknowledged before me	thic	day
, 1988 by		
ice President of SANTA FE PACIFIC MINING, INC., a Kansas	corporation,	on beha
f said corporation.		
Notary	Public	
Notary y Commission Expires:	Public	

## EXHIBIT A

	EXI	HIBIT A 1	to Mining Le	ease and Pur	chase Optio	n by and between
				GOODE and		GOODE
(as	"Owr	ner") and	dSANT	A FE PACIFI	C MINING, I	NC.
(as	"Les	ssee") ar	nd pertainir	ng to the fo	ollowing des	cribed real property situated
					State of _	
			The LONGFEL Section 15, GSRM - Iden Mineral Sur more or les	Township 2 tified by to vey #872; c	O South, Rai he Surveyor	aim lying in nge 22 East, General as .70 acres,
SUBJ	ECT	TO:				
	1.	Taxes,	if any, whi	ch may cons	titute a lie	en, but which are
		not yet	due and pa	yable: and		
	2.	Rights-	of-way, if	any, for ro	ads, telepho	one and telegraph
		lines a	nd pipeline	s of record	in the offi	ice of the Clerk
		or Reco	rder of the	county in	which the at	pove described
		propert	y is situate	ed; and		
	3.	Reserva	tions conta	ined in the	United Stat	es Patents thereto.
					Initial	for Identification
					_	The state of the s
					-	- Control of the Cont

## Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

February 18, 1988

Re: Tombstone Area

Cochise County, Arizona

Mr. Jack J. Goode 29736 Farmbrook Villa Lane Southfield, MI 48034-1005

Dear Mr. Goode:

Our exploration group has an area they are interested in exploring for precious metals near the town of Tombstone, Arizona.

From a check of the records, it appears you own the "Longfellow" patented mining claim (MS-872) in Section 15, Township 20 South, Range 22 East.

I would be interested in talking with you about a Mining Lease on the property. Would you please call me at your convenience to discuss this. Please call me collect at (505) 881-3050.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR: fy

Santa Fe Pacific Minerals Corporation

Box 27019 Albuquerque, New Mexico 87125 (505) 881-3050

Thomas M. Roesch Staff Landman

A Santa Fe Southern Pacific Company

# Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

February 5, 1988

Re: Tombstone Area

Cochise County, Arizona

Mr. Jack J. Goode 29075 Fort Street Lincoln Park, MI 48146

Dear Mr. Goode:

Our exploration group has an area they are interested in exploring for precious metals near the town of Tombstone, Arizona.

From a check of the records, it appears you own the "Longfellow" patented mining claim (MS-872) in Section 15, Township 20 South, Range 22 East.

I would be interested in talking with you about a Mining Lease on the property. Would you please call me at your convenience to discuss this. Please call me collect at (505) 881-3050.

Thank you for your consideration.

Very truly yours,

Tom Roes ch T. M. Roesch Landman

TMR: fy

Santa Fe Pacific Minerals Corporation

Box 27019 Albuquerque, New Mexico 87125 (505) 881-3050

Thomas M. Roesch Staff Landman

A Santa Fe Southern Pacific Company

October 18, 1988

Mr. Donald Hawksworth P. O. Box 748 Tombstone, Arizona 85638

Re: Anchor, Trinity, Governor Henderson and Hard Up Patented Claims - Tombstone Area, Cochise County, Arizona.

Dear Mr. Hawksworth:

In regard to your recent conversation with Mr. Denny Cole, enclosed for your consideration is a Mining Lease for the Anchor (MS-333), Trinity (MS-841), Governor Henderson (MS-596) and Hard Up (MS-552) patented claims located in Sections 11 and 14, Township 20 South, Range 22 East, containing 33.79 acres, more or less.

Basic terms of the lease include:

Term: 10 years and as long thereafter as any mining, development or processing is being conducted (as more fully set out in the lease).

Royalty: 4% Net Returns

Advance Royalty:

Initially	\$ 4,000
1st auniversary	\$ 6,000
2nd and 3rd anniversaries	\$ 8,000
4th and 5th anniversaries	\$12,000
6th anniversary and thereafter	\$15,000

Please call me collect at (505) 881-3050 once you have had a chance to review our offer or if you have any questions.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR:fy

Enclosure

Jam Offer

#### MINING LEASE

	THIS LEASE	is ma	de ef	fective	as	of th	e	-	day	of		V	-	_, 1	988
by	and between _			SILVER	TECH	MINES	, INC	., 8	1						-
со	rporation														
(h	ereinafter des	signate	d as	"Owner'	١, ٧	whether	one	or	more	∍),	and	SANTA	FE	PACI	FIC
MI	NING, INC., a	Kansas	corp	oration	_ (h	ereina	fter	desi	gnat	ed	as "I	_essee'	1);		

### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

# 1. The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-ofway now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

### 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

#### Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted; excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

#### 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusive ly unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract,

mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the

Leased Premises or upon any other lands owned or controlled by Lessee. rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

### 5. Payments to Owner

A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of Four Thousand Dollars (\$4,000.00)

as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease: it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. Weights and Analyses: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

### 6. Inspection

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

### 7. Conduct of Operations; Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

### 9. Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects</u>, <u>Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

#### 10. Termination; Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. <u>Termination by Lessee</u>: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises: provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises;

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

### 11. Suspension of Operations

- A. Force Majeure: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall: (i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

### 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Silver Tech Mines, Inc.

470 Main Road

Towaco, New Jersey 07082

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

### 13. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

### 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

# 15. <u>Construction</u>: No Implied Covenants

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

### 16. Counterparts: Joiner

This Lease may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

# 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNER:
SILVER TECH MINES, INC.
By
Its
Fed. ID No.
LESSEE:
SANTA FE PACIFIC MINING, INC.
Ву
Vice President

STATE OF	)
COUNTY OF	) SS. )
The foregoing instrument was	acknowledged before me this day of
, 1988, by	,
of SILVER TECH MINES, a	corporation, on behalf of said corpora-
tion.	
	Notary Public
My commission expires:	
	•
STATE OF NEW MEYICO	
STATE OF NEW MEXICO ) ) ss.	
COUNTY OF BERNALILLO )	acknowledged before me this
	acknowledged before me this day
	8 by,
Vice President of SANTA FE	PACIFIC MINING, INC., a Kansas corporation,
on behalf of said corporation.	
	Notary Public
My Commission Expires:	

# EXHIBIT A

EXHIBIT A to Mining Le	ease by and between	).
Marie Principal Control Contro	SILVER TECH MINES, INC.	
(as "Owner") and	SANTA FE PACIFIC MINING, INC	
(as "Lessee") and pertaining	ng to the following describe	ed real property situated
in <u>Cochise</u>	County, State ofAr	rizona
The following patented mini	ing claims situated in Secti	ions 11 and 14, Township
20 South, Range 22 East, ar	nd identified by the Surveyo	or General with the Mineral
Survey Number shown:		
Claim Name	Mineral Survey Number	Acreage
ANCHOR TRINITY GOVERNOR HENDERSON HARD UP	MS 333 MS 841 MS 596 MS 552	12.72 2.94 8.39 9.74
SUBJECT TO:		
1. Taxes, if any, whi	ich may constitute a lien, b	out which are not yet
due and payable; a	and	
2. Rights-of-way, if	any, for roads, telephone a	and telegraph lines and
pipelines of recor	d in the office of the Cler	rk or Recorder of the
county in which th	ne above described property	is situated; and
<ol><li>Reservations conta</li></ol>	ained in the United States F	Patents thereto.

Initial for Identification

# SCHEDULE I

SCHEDULE I to Mining Lease b	etween
SILVE	R TECH MINES, INC.
(as "Owner") andSANTA FE	PACIFIC MINING, INC.
(as "Lessee").	
Advance Royalty Payment Schedule	(See Section 5.A.)
Lessee agrees to make paymen	t to Owner of each of the following payments
the due date of which occurs prio	r to termination of the Lease to which this
Schedule is attached.	
Anniversary Dates of Execution of this Agre  1st anniversary 2nd and 3rd anniversar 4th and 5th anniversar 6th anniversary and th	### Royalty Payment  \$ 6,000.00  ries \$ 8,000.00  ries \$12,000.00
	Initial for Identification

#### SCHEDULE II

	SCHEDULE II	to Mining Lease between	
		SILVER TECH MINES, INC.	_
(as	"Owner") and	SANTA FE PACIFIC MINING, INC.	_
(as	"Lessee").		

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment;
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
- (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit; provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

Initial	for	Identification
-		

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of the
day of, 1988, by and between
SILVER TECH MINES, INC., a corporation
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method hereafter
developed), extract, mill, store, process, remove and market therefrom all ores,
minerals and materials of whatsoever nature or sort; all on the terms and
conditions and subject to the payments to be made to Owner, as fully set forth
in the said Lease which Lease is by this reference incorporated herein. Unless
sooner terminated in the manner therein provided, the term of the said Lease is
for a period of 10 years commencing on the effective date thereof and continuing
for as long thereafter as mining, development or processing operations are being
conducted thereunder or the Lease term is extended pursuant to the force majeure
and suspensions of operations provisions thereof, all as more fully set forth
in the Lease. Copies of the said Lease are in the possession of Owner c/o

Silver Tech Mines, Inc., 470 Main Road, Towaco, New Jersey 07082
and in the possession of Lessee c/o
Box 27019, Albuquerque, New Mexico 878125
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed
effective as of the date first above set forth.
OWNER:
SILVER TECH MINES, INC.
By:
Its
LESSEE:
SANTA FE PACIFIC MINING, INC.
By:Vice President

STATE OF
COUNTY OF) ss.
The foregoing instrument was acknowledged before me this day of
, 1988, by,
of SILVER TECH MINES, acorporation, on behalf of said corpora-
tion.
Notary Public
My commission expires:
STATE OF NEW MEXICO )
COUNTY OF BERNALILLO )
The foregoing instrument was acknowledged before me this day
of, 1988 by,
Vice President of SANTA FE PACIFIC MINING, INC., a Kansas corporation,
on behalf of said corporation.
Notary Public
My Commission Expires:

# EXHIBIT A

EXHIBIT A to Mining Lease by and between
SILVER TECH MINES, INC.
(as "Owner") andSANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situated
in Cochise County, State of Arizona
The following patented mining claims situated in Sections 11 and 14, Township
20 South, Range 22 East, and identified by the Surveyor General with the Mineral
Survey Number shown:
Claim Name Mineral Survey Number Acreage
ANCHOR MS 333 12.72 TRINITY MS 841 2.94 GOVERNOR HENDERSON MS 596 8.39 HARD UP MS 552 9.74
SUBJECT TO:
l. Taxes, if any, which may constitute a lien, but which are not yet
due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph lines and
pipelines of record in the office of the Clerk or Recorder of the
county in which the above described property is situated; and
3. Reservations contained in the United States Patents thereto.

Initial for Identification



100 Years of Making Communications History

1987

Sunical Division 1

200 Hearst Building San Francisco CA 94103 415 777 0600 A Division of The Hearst Corporation

RECEIVED

March 17, 1988



T.M.Roesch
Staff Landman
Santa Fe Pacific Minerals Corporation
Box 27019
Albuquerque
New Mexico 87125

Re: Tombstone Area, Cochise County, Arizona.

Dear Mr. Roesch:

We received your proposal regarding our property in Tombstone, Arizona, occasionally referred to as the "Bob Ingersol" claim. The lease-option alternative would not be of interest to us at this time, and the straight lease suggested, we feel appears to be hardly worth our while. Perhaps conditions will change so that a more generous offer is prompted.

We appreciate your interest and the time given to preparing a proposal for our consideration.

XXXXXXX

Yours

Jack Cooke

# Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

February 1, 1988

Re: Bob Ingersol Patented Claim Tombstone Area

Cochise County, Arizona

Hearst Corporation 200 Hearst Building San Francisco, California 94103

Attention: Mr. Cook

(415) 777-0600 Mr. COOK

Gentlemen:

Enclosed for your consideration is a proposed mining lease for the Bob Ingersol patented mining claim (MS 271) located in Section 11, Township 20 South, Range 22 East containing 12.07 acres, more or less.

Basic terms of the lease include:

Term: 10 years and as long thereafter as any mining,

development or processing is being conducted

(as more fully set out in the lease).

Royalty: 4% net returns

Advance

Royalty: Initially for first two years - - \$500.00

2nd through 5th anniversaries - \$250.00/year 6th anniversary and thereafter - \$500.00/year

Alternately, we would propose a Mining Lease with Option to Purchase. The form of the lease would be the same as enclosed with an added provision allowing Santa Fe the option to purchase the property at any time during the term of the lease. Total purchase price would be \$6,500.00 toward which all advance and production royalty payments would apply.

Under a Mining Lease and Purchase Option we would be willing to pay advance royalties along the following schedule:

Initially for first two years - \$ 500.00 2nd through 5th anniversaries - 400.00/year 6th through 9th anniversaries - 600.00/year 10th anniversary - - - - - 2,000.00

Total purchase price - - \$6,500.00

Hearst Corporation February 1, 1988 Page 2

Once you have a chance to review our offer, please give me a call at (505) 881-3050.

Record title in the county appears to be held by Consolidated Mining Co. and I have prepared the lease using that name. If title has changed, please let me know and I can make the necessary corrections.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR:fy

Enclosure

#### MINING LEASE

T	HIS LEASE	is made ef	fective a	s of the		day of		1988
by and	l between	IN	IGERSOL CO	NSOLIDAT	ED MINI	NG CO.		
(hereinafter designated as "Owner", whether one or more), and							SANTA FE PAC	FIC
MINING, INC., a Kansas corporation (hereinafter designated as							"Lessee");	

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

### The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-ofway now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

### 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

#### 3. Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted: excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

### 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the

Leased Premises or upon any other lands owned or controlled by Lessee. rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

#### 5. Payments to Owner

A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of Five Hundred Dollars (\$500.00)

as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease; it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5: whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. <u>Weights and Analyses</u>: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

### 6. Inspection

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

## 7. Conduct of Operations; Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

#### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

## 9. Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects</u>, <u>Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

### 10. Termination; Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises; provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises:

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

## 11. Suspension of Operations

- A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall: (i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

## 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Ingersol Consolidated Mining Co.

200 Hearst Building

San Francisco, California 94103

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

# 13. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

## 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

## 15. Construction: No Implied Covenants

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

# 16. Counterparts; Joiner

This Lease: may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

# 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNER:	
INGERSOL CONSOLIDATED MINING CO.	
Ву	
Its	
(TAX ID #	.)
LESSEE:	
SANTA FE PACIFIC MINING, INC.	
Ву	
Vice President	

STATE OF	CALIFORNIA		) ) ss.		
COUNTY OF _	SAN FRANCIS	CO	)		
The fo	regoing instr	ument was	acknowledged	before me this	day
	,	1988 by _			
	of	INGERSOL	CONSOLIDATED	MINING CO.,	
	i		\$1144	Notary Public	
My commiss:	ion evnires:				
My commiss	ion expires:				
CTATE OF N	EN WEATOU	1			
STATE OF N	EW MEXICO	) ss.			
COUNTY OF	BERNALILLO	)			
The f	oregoing inst	rument was	acknowledged	d before me this	day
of		, 198	88 by		
				C., a Kansas corpor	
Vice Presi	dent of SANTA	, PE PACIFI	ic mining, inc	o., a kansas corpo.	
of said co	orporation.				
			-	Natara Dublia	
				Notary Public	•
My Commics	ion Fynires.			Notary Public	•
My Commiss	sion Expires:			Notary Public	•

# EXHIBIT A

EXHIBIT A to Mining Lease by and between
INGERSOL CONSOLIDATED MINING CO.
(as "Owner") and SANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situated
inCochiseCounty, State ofArizona
The Bob Ingersol Patented Mining Claim located in Section 11, Township 20 South, Range 22 East, GSRM, identified by the Surveyor General as Mineral Survey #271, patented October 14, 1884 - General Land Office Patent #9834 containing 12.07 acres, more or less.
SUBJECT TO:
<ol> <li>Taxes, if any, which may constitute a lien, but which are not yet due and payable; and</li> </ol>
2. Rights-of-way, if any, for roads, telephone and telegraph lines and
pipelines of record in the office of the Clerk or Recorder of the
county in which the above described property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

# SCHEDULE I

SCHEDULE I to Mining Lease between	
INGERSOL CONSOLIDATED MIN	ING CO.
(as "Owner") andSANTA FE PACIFIC MINING,	INC.
(as "Lessee").	
Advance Royalty Payment Schedule (See Section 5	.A.)
Lessee agrees to make payment to Owner of	each of the following payments
the due date of which occurs prior to terminati	on of the Lease to which this
Schedule is attached.	
Anniversary Dates of the Execution of this Agreement  2nd through 5th anniversary  6th anniversary and thereafter	Amounts of Annual Advance Royalty Payment  \$250.00/year  \$500.00/year
	Initial for Identification

## SCHEDULE II

	SCHEDULE	II to	Mining Lease between	
			INGERSOL CONSOLIDATED MINING CO.	
(as "	Owner")	and	SANTA FE PACIFIC MINING, INC.	
(as "	Lessee").	•		

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market: provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment;
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
  - (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit; provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

Initial	for	Identification	n
-			

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of the
day of, 1988 by and between INGERSOL CONSOLIDATED
MINING CO.
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method hereafter
developed), extract, mill, store, process, remove and market therefrom all ores,
minerals and materials of whatsoever nature or sort; all on the terms and
conditions and subject to the payments to be made to Owner, as fully set forth
in the said Lease which Lease is by this reference incorporated herein. Unless
sooner terminated in the manner therein provided, the term of the said Lease is
for a period of 10 years commencing on the effective date thereof and continuing
for as long thereafter as mining, development or processing operations are being
conducted thereunder or the Lease term is extended pursuant to the force majeure
and suspensions of operations provisions thereof, all as more fully set forth
in the lease. Copies of the said Lease are in the possession of Owner c/c

Ingersol Consolidated Mining Co., 200 Hearst Building, San Francisco, California
94103 and in the possession of Lessee c/o
Box 27019, Albuquerque, New Mexico 87125
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed
effective as of the date first above set forth.
OWNER:
INGERSOL CONSOLIDATED MINING CO.
Ву
By
LECCEE.
LESSEE:
SANTA FE PACIFIC MINING, INC.
By:
Vice President

STATE OF	ALIFORNIA		SS.			
COUNTY OFS	AN FRANCISCO		33.			
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	Ţ			Notary Pub	olic	and the second
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# EXHIBIT A

EXHIBIT A to Mining Lease by and between
INGERSOL CONSOLIDATED MINING CO.
(as "Owner") and SANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situate
inCochiseCounty, State ofArizona
The Bob Ingersol Patented Mining Claim located in Section 11, Township 20 South, Range 22 East, GSRM, identified by the Surveyor General as Mineral Survey #271, patented October 14, 1884 - General Land Office Patent #9834 containing 12.07 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are not yet
due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph lines and
pipelines of record in the office of the Clerk or Recorder of the
county in which the above described property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

January 19, 1988

Re: Tombstone Area

Cochise County, Arizona

Hearsy Corporation

Ingersol Consolidated Mining 200 Hearst Building San Francisco, California 94103

Gentlemen:

Our exploration group has an area they are interested in exploring for precious metals near the town of Tombstone, Arizona.

From a check of the records, it appears you own the "Bob Ingersol" patented mining claim (MS-271) in Section 11, Township 20 South, Range 22 East.

I would be interested in talking with you about a Mining Lease on the property. Would you please call me at your convenience to discuss this. Please call me collect at (505) 881-3050.

Thank you for your consideration.

Very truly yours,

Jon Roesch T. M. Roesch Landman

TMR: fy

Santa Fe Pacific Minerals Corporation

Box 27019 Albuquerque, New Mexico 87125 (505) 881-3050

as M. Roesch Staff Landman

A Santa Fe Southern Pacific Company

A sama i e southern i beine company

-> / Corporation
/-leavest

Mr. Cook CARED 1.22.88 Conse proposal
is interested in reviewing lone proposal

February 2, 1988

Re: Metallic Accident Patented Mining Claim - Tombstone Area Cochise County, Arizona

Mr. Norman Hudson Route 1, Box 102 Rochelle, Texas 76872

Dear Mr. Hudson:

I spoke on the phone last Friday with your son-in-law, Mr. Ed Campbell, regarding the Metallic Accident patented mining claim located in Section 11, Township 20, South, Range 22 East, containing 18.95 acres, more or less.

Enclosed for your consideration is a proposed Mining Lease for the Metallic Accident. By copy of this letter I am sending a photo copy of the lease to Mr. Ed Campbell.

Basic terms of the lease include:

Term: 10 years and as long thereafter as any mining, development or processing is being conducted (as more fully set out in the lease).

Royalty: 4% net returns.

Advance Royalty: Initially for first two years - \$500.00 2nd through 5th anniversaries - \$250.00/year 6th anniversary and thereafter - \$500.00/year

Alternately, we would propose a Mining Lease with Option to Purchase. The form of the lease would be the same as enclosed with an added provision allowing Santa Fe an option to purchase the property at any time during the term of the lease. Total purchase price would be \$9,500.00 toward which all advance and production royalty payments would apply.

For a Mining Lease and Purchase Option we would propose advance royalties along the following schecule:

Initially for first two years- \$ 500.00 2nd through 5th anniversaries- \$ 500.00/year 6th through 9th anniversaries- \$ 750.00/year 10th anniversary -\$4.000.00

Total purchase price - \$9,500.00

Mr. Norman Hudson February 2, 1988 Page 2

After you have a chance to review our offer, please call me at (505)881-3050. Please call me collect.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR: fy

Enclosure

cc: Mr. Ed Campbell w/enclosure 2648 South Extension Mesa, Arizona 85202

### MINING LEASE

	TH	IIS LEASE	is made e	effective	as of the	-	_ day of	Berry 10-2-1-2-1-2-1-2-1-2-1-2-1-2-1-2-1-2-1-2		,	1988
by	and	between	NORMAN	G. HUDSON	and RITA	D. PER	RY, each	dealin	g with	his	
so	le an	d separat	te propert	у							
(h	erein	after des	signated a	s "Owner"	, whether	one o	r more),	and SA	NTA FE	PACIF	FIC
MII	NING,	INC., a	Kansas co	rporation	_ (hereina	fter d	esignated	d as "L	essee")	:	

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

## The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-of-way now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

# 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

## 3. Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted: excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

## 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the

Leased Premises or upon any other lands owned or controlled by Lessee. rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

# 5. Payments to Owner

A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of Five Hundred Dollars (\$500.00)

as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease; it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. <u>Weights and Analyses</u>: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

## 6. Inspection

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

# 7. Conduct of Operations: Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

#### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

# 9. <u>Title Matters</u>

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects</u>, <u>Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

## 10. Termination; Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises; provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises;

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

# 11. Suspension of Operations

- A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall: (i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing: and (iii) continue to make payments to Owner as required under Section 5.

# 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Mr. Norman G. Hudson and

Ms. Rita D. Perry Route 1, Box 102 Rochelle, Texas 76872

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

# 13. <u>Binding Effect</u>; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

# 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

# 15. Construction: No Implied Covenants

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

### 16. Counterparts; Joiner

This Lease, may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

### 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNER:
Norman G. Hudson (SS #)
Rita D. Perry (SS #)
· · · · · · · · · · · · · · · · · · ·
LESSEE:
SANTA FE PACIFIC MINING, INC.
ByVice President

COUNTY OF	) ss.
The foregoing instrument was	acknowledged before me this day of
, 1988 by _	NORMAN G. HUDSON
Witness my hand and official	seal.
M. Caminin Funian	Notary Public
My Commission Expires:	
COUNTY OF	) ) ss.
COUNTY OF	)
The foregoing instrument was	acknowledged before me this day of
, 1988 by	RITA D. PERRY
Witness my hand and official	seal.
	Notary Public
My Commission Expires:	
STATE OF NEW MEXICO ) ss.	
COUNTY OF BERNALILLO )	
The foregoing instrument was	acknowledged before me this day
of, 1988 by	,Vice President of SANTA FE
PACIFIC MINING, INC., a Kansas co	rporation, on behalf of said corporation.
	Notary Public
My Commission Expires:	

# EXHIBIT A

EXHIBIT A to Mining Lease by and between
NORMAN G. HUDSON and RITA D. PERRY
(ac HOwerH) and CANTA EE DAOYEYO MYNTHO
(as "Owner") and SANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situate
inCochiseCounty, State ofArizona
The Metallic Accident patented mining claim located in Section 11, Township 20 South, Range 22 East, GSRM, identified by the Surveyor General as Mineral Survey #270; patented July 28, 1886 - General Land Office Patent #10789 containing 18.95 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are not yet
due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph lines and
pipelines of record in the office of the Clerk or Recorder of the
county in which the above described property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

# SCHEDULE I

SCHEDULE	I to Mining	Lease between	
	NOR	MAN G. HUDSON and RITA	A D. PERRY
(as "Owner") a	nd SAN	ITA FE PACIFIC MINING,	INC.
(as "Lessee").			
Advance Royalt	y Payment Sc	hedule (See Section 5	.A.)
Lessee ag	rees to make	payment to Owner of	each of the following payments,
the due date o	f which occu	rs prior to termination	on of the Lease to which this
Schedule is at	tached.		
An Exe	niversary Da cution of th	tes of the is Agreement	Amounts of Annual Advance Royalty Payment
2nd	through 5th	anniversaries	\$250.00/year
6th	anniversary	and thereafter	\$500.00/year
			Initial for Identification
			No. 20 of Contract Co

### SCHEDULE II

	SCHEDULE II	to Mining	Lease	be	etween _	-		
		NOR	MAN G.	HU	DSON and	RITA D.	PERRY	_
(as	"Owner") and		SANTA	FE	PACIFIC	MINING,	INC.	
(as	"Lessee").							

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment;
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
- (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit; provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

Initial	for	Identification	n
1-			

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of the
day of, 1988 by and between NORMAN G. HUDSON and RITA D.
PERRY, each dealing with his sole and separate property
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method hereafter
developed), extract, mill, store, process, remove and market therefrom all ores,
minerals and materials of whatsoever nature or sort; all on the terms and
conditions and subject to the payments to be made to Owner, as fully set forth
in the said Lease which Lease is by this reference incorporated herein. Unless
sooner terminated in the manner therein provided, the term of the said Lease is
for a period of 10 years commencing on the effective date thereof and continuing
for as long thereafter as mining, development or processing operations are being
conducted thereunder or the Lease term is extended pursuant to the force majeure
and suspensions of operations provisions thereof, all as more fully set forth
in the lease. Copies of the said lease are in the possession of Owner c/o

Mr. Norman G. Hudson, Rotue 1, Box 102, Rochelle, Texas 76872
and in the possession of Lessee c/o
Box 27019, Albuquerque, New Mexico 87125
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed
effective as of the date first above set forth.
OWNER:
Norman G. Hudson
Rita D. Perry
LESSEE:
SANTA FE PACIFIC MINING, INC.
By:

STATE OF TEXAS	.) ) ss.
COUNTY OF	
The foregoing instrument was	acknowledged before me this day of
, 1988 by _	NORMAN G. HUDSON
Witness my hand and official	seal.
	Notary Public
My Commission Expires:	
COUNTY OF	) ) ss.
COUNTY OF	)
The foregoing instrument was	acknowledged before me this day of
, 1988 by	RITA D. PERRY
Witness my hand and official	seal.
H 0 - 1 - 1 - 5 - 1	Notary Public
My Commission Expires:	
STATE OF NEW MEXICO ) ) ss.	
COUNTY OF BERNALILLO )	
The foregoing instrument was	acknowledged before me this day
of, 1988 by	,Vice President of SANTA FE
PACIFIC MINING, INC., a Kansas con	rporation, on behalf of said corporation.
	Notary Public
My Commission Expires:	

# EXHIBIT A

EXHI	BIT A to Mining Lease by and between
	NORMAN G. HUDSON and RITA D. PERRY
(as "Owne	r") and SANTA FE PACIFIC MINING, INC.
(as "Less	ee") and pertaining to the following described real property situated
in	Cochise County, State of Arizona .
	The Metallic Accident patented mining claim located in Section 11, Township 20 South, Range 22 East, GSRM, identified by the Surveyor General as Mineral Survey #270; patented July 28, 1886 - General Land Office Patent #10789 containing 18.95 acres, more or less.
SUBJECT TO	0:
1.	Taxes, if any, which may constitute a lien, but which are not yet
(	due and payable; and
2.	Rights-of-way, if any, for roads, telephone and telegraph lines and
t	pipelines of record in the office of the Clerk or Recorder of the
(	county in which the above described property is situated; and
3. F	Reservations contained in the United States Patents thereto.
	Initial for Identification

# Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

January 19, 1988

Re: Tombstone Area

Cochise County, Arizona

Mr. Norman G. Hudson, or Mr. and Mrs. Perry and Rita Hudson Route 1, Box 102 Rochelle, Texas 76872

Dear Mr. Hudson:

Our exploration group has an area they are interested in exploring for precious metals near the town of Tombstone, Arizona.

From a check of the records, it appears you own the "Metalic Accident" patented mining claim (MS-270) in Section 11, Township 20 South, Range 22 East.

I would be interested in talking with you about a Mining Lease on the property. Would you please call me at your convenience to discuss this. Please call me collect at (505) 881-3050.

Thank you for your consideration.

Very truly yours,

T. M. Roesch

Landman

TMR: fy

Santa Fe Pacific Minerals Corporation

Box 27019 Albuquerque, New Mexico 87125 (505) 881-3050

Thomas M. Roesch Staff Landman

A Santa Fe Southern Pacific Company

250 South Rock Blvd., Suite 100 Reno, Nevada 89502 702/329-8215

September 13, 1990

Mr. Thomas J. O'Toole, President Phelim O'Toole Real Estate Company 11777 Clayton Road St. Louis, Missouri 63131

Re: ST. LOUIS UNIVERSITY PROPERTY; DELHI, LUCKNOW, SILVER BELL AND TOPAZ PATENTED MINING CLAIMS SECTIONS 14 AND 15, TOWNSHIP 20 SOUTH, RANGE 22 EAST COCHISE COUNTY, ARIZONA

Dear Tom:

Enclosed is an Exploration Agreement and Option to Purchase prepared along those terms set out in my letter to you of September 5, 1990. I thought it would help in your consideration of our offer if you had the form of agreement available for review.

Thank you again for your consideration. If you have any questions, please let me know.

Very truly yours,

Ton Roesd

Thomas M. Roesch

Landman

Enclosure

# RECEIVED

# EXPLORATION AGREEMENT and OPTION TO PURCHASE

SEP - 6 1990

LAND DEPT.

This EXPLORATION AGREEMENT and OPTION TO PURCHASE ("Agreement") is made effective as of the \_\_\_\_\_\_ day of \_\_\_\_\_, 1990 by and between <u>Saint Louis University</u> ("Optionor") and SANTA FE PACIFIC MINING, INC., a Kansas Corporation ("Optionee").

### WITNESSETH

WHEREAS, Optionee wishes to acquire from Optionor, and Optionor wishes to grant to Optionee, the exclusive right to use and occupy the real property described in Exhibit A attached hereto and made a part hereof ("Option Property"), together with the exclusive option to purchase the same on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of Two Thousand Dollars (\$2,000.00) paid to Optionor by Optionee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Optionor and Optionee agree as follows:

1. Representations

Optionor represents to Optionee that it owns and has the exclusive possession of the Option Property, with full right, power and capacity to enter into this Agreement upon the terms set forth herein.

2. Grant

Optionor hereby gives and grants to Optionee for a period of four (4) years from the effective date hereofythe option to purchase the Option Property and the exclusive and irrevocable right to enter upon the Option Property to explore for all minerals thereon or thereunder including without limitation the right to perform drilling, construction of drill pads and roads, excavation, drifting, reclamation and all other associated exploration activities at such times and places and in such manner as Optionee in its sole discretion deems desirable.

3. Payments to Optionee

Optionee agrees to make each of the following payments to Optionor, the due date of which occurs prior to termination of this Agreement; it being expressly understood that should this option be terminated, Optionee

shall have no obligation to make any of the payments the due dates of which occur after such termination:

Anniversary Dates of the Effective Date of this Agreement	Amount
1st Anniversary 2nd Anniversary 3rd Anniversary 4th Anniversary	\$ 2,000.00 5,000.00 5,000.00 24,000.00

Payments may be made in currency or by check at the option of Optionee and mailed or delivered to Optionor at the address specified in Section 6 hereof. The delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

### 4. <u>Conduct of Operations; Protection from Liens</u>

Optionee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Optionee shall pay all expenses incurred by it in its operations on the Option Property and shall allow no liens arising from any act of Optionee to remain upon the interest of Optionor in and to the Option Property; provided, however, that if Optionee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Option Property, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable stature, Optionor may post a notice of non-liability and Optionee shall keep such notice posted during the term of this Option. Optionee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Option Property is situated.

Optionee agrees to indemnify and save Optionor harmless from any actions, claims or liability for injury to or death of persons or for damage to property arising out of the actions, operations or activities of the Optionee, its employees, agents and contractors. Optionee shall not indemnify nor save Optionor harmless from any actions, claims or liability arising out of Optionor's acts or omissions or conditions of the Option Properties not caused by Optionee.

# 5. Termination

A. <u>Termination by Optionor</u>: In the event of any default by Optionee in the performance of its obligations hereunder, Optionor shall give to

Optionee written notice specifying the default. If the default is not cured within 30 days after Optionee has received the notice, or if Optionee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Optionor may terminate this Agreement by delivering to Optionee written notice of such termination. Optionor shall have no right to terminate this Agreement except as set forth in this Section 5A.

- B. <u>Termination by Optionee</u>: Optionee shall have the right to terminate this Agreement at any time prior to exercise by Optionee of its option to purchase upon giving written notice thereof to Optionor. Upon the giving of notice in the manner hereinafter provided, all right, title and interest of Optionee in and to the Option Property shall terminate and Optionee shall not be required to make any further payments nor to perform any further obligations hereunder except as to payments or obligations, if any, which have accrued prior to the termination date.
- C. Obligations of Optionee Upon Termination: If this Agreement is terminated other than by exercise by Optionee of its option to purchase, or if this Agreement expires, Optionee shall (i) execute and deliver to Optionor a release and surrender of this Agreement and all of Optionee's interest in the Option Property; and (ii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation of any disturabance resulting from Optionee's activities hereunder.

# 6. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Optionor:

Saint Louis University

221 North Grand Boulevard Saint Louis, Missouri 63103

If to Optionee:

Santa Fe Pacific Mining, Inc.

P. O. Box 27019

Albuquerque, New Mexico 87125 Attn: Land Department

And deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices, hereunder.

7. Exercise of Option to Purchase

At any time prior to termination or expiration of this Agreement, Optionee shall have the exclusive right and option to purchase the Option Property by giving written notice thereof to Optionor in the manner hereinabove set forth. If Optionee elects to purchase the Option Property, the total purchase price shall be \$38,000.00. The total purchase price shall be reduced by all payments previously made hereunder. The total purchase price less all such credits is hereinafter called the "net purchase price" and, in the event Optionee exercises its option to purchase, the net purchase price shall be payable to Optionor upon delivery to Optionee of a Special Warranty Deed conveying to Optionee good and merchantable title to the Option Property as evidenced by an Owner's Standard Form Title Insurance Policy paid for by Optionor and issued by a title insurance company authorized to issue title insurance policies in the state where the Option Properties are situated. Such policy shall insure Optionee's title thereto in the amount of the total purchase price and shall be subject only to the matters set forth in Exhibit A.

8. Memorandum

The parties to this Agreement agree to execute and record a memorandum or short form of this Agreement in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Option Properties are situated.

9. Construction: No Implied Covenants

This Agreement and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Option Properties are situated. Section headings herein are for convenience only and shall not be considered a part of this Agreement nor used in its interpretation. All of the agreements and understandings of Optionee and Optionor with reference to the Option Properties are embodied in this Agreement which supersedes all prior agreements and understandings between Optionee and Optionor with reference to the Option Property. The compensation herein provided shall be deemed to be full payment to Optionor for any damages which may be caused to the Option Property by Optionee's operations hereunder so long as Optionee conducts such operations in a reasonable and prudent manner without negligence on the part of the Optionee. No implied covenants or conditions whatsoever shall be read into this Agreement relating to the prospecting or developing of the Option Property or any operations of Optionee hereunder, or as to the time therefore or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Optionee

upon the Option Property shall be conducted at such time and in such manner as Optionee, in its sole discretion, deems advisable, subject only to the express provisions of this Agreement.

10. Compliance with Law

While conducting activities on the Option Property, Optionee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Option Property or Optionee's activities on the Option Property.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date first above set forth.

OPTIONOR:	SAINT LOUIS UNIVERSITY
	Ву:
	Title:
	•
OPTIONEE:	SANTA FE PACIFIC MINING, INC.
By: K. S	ageser
Title: Vic	e President

STATE OF )
COUNTY OF ) ss.
The foregoing instrument was acknowledged before me this day of, 1990 by
Notary Public
My Commission Expires:
STATE OF NEW MEXICO ) ss.
COUNTY OF BERNALILLO )
The foregoing instrument was acknowledged before me this day of, 1990, by <u>K. Sageser, Vice President of SANTA FE</u> PACIFIC MINING, INC., a Kansas corporation, on behalf of said corporation.
Notary Public
My Commission Expires:

### **EXHIBIT A**

EXHIBIT A to that certain Exploration Agreement and Option to Purchase by and between Saint Louis University (as "Optionor") and Santa Fe Pacific Mining, Inc., a Kansas Corporation (as "Optionee") and pertaining to the following described real property situated in Cochise County, State of Arizona.

The following patented lode mining claims located in Sections 14 and 15, Township 20 South, Range 22 East, GSRM and identified by the U.S. Surveyor General under the mineral survey number as shown:

PATENTED CLAIM	MINERAL SURVEY #	SECTION .	TOWN.	RANGE	ACRES
DELHI	270	15	20S	22E	14.77
LUCKNOW	191	15	20S	22E	20.66
SILVER BELL	293	15	20S	22E	7.35
TOPAZ	875	14	20S	22E	2.91

Containing 45.69 acres, more or less

### SUBJECT TO:

- 1. Taxes, if any, which may constitute a lien, but which are not yet due and payable; and
- 2. Rights-of-way, if any, for roads, telephone and telegraph lines and pipelines of record in the office of the Clerk or Recorder of the county in which the above described property is situated; and
- 3. Reservations contained in the United States Patents thereto.


# Santa Fe Pacific Mining, Inc.

250 South Rock Blvd., Suite 100 Reno, Nevada 89502 702/329-8215

# RECEIVED

September 5, 1990

SEP - 6 1990

LAND DEPT.

Mr. Thomas J. O'Toole, President Phelim O'Toole Real Estate Company 11777 Clayton Road St. Louis, Missouri 63131

Re: ST. LOUIS UNIVERSITY PROPERTY; DELHI, LUCKNOW, SILVER BELL AND TOPAZ PATENTED MINING CLAIMS, SECTIONS 14 AND 15, TOWNSHIP 20 SOUTH - RANGE 22 EAST (45.69 ACRES), COCHISE COUNTY, ARIZONA

### Dear Tom:

Please refer to our previous conversations concerning the captioned Saint Louis University property. We propose the following terms under which Santa Fe Pacific Mining, Inc. would acquire an option to purchase the property from the University:

Purchase Price:

\$38,000.00

Term:

4 years

Payments:

Initially	\$	2,000.00
1st Anniversary		2,000.00
2nd Anniversary		5,000.00
3rd Anniversary		5,000.00
4th Anniversary		24,000.00
T-4-1	ф	20,000,00

Total

\$ 38,000.00

All payments to apply toward the purchase price.

Mr. Thomas J. O'Toole - September 5, 1990 - Page 2.

Surrender:

Santa Fe Pacific Mining, Inc. may surrender the agreement at any time and be relieved of any future payments with the University retaining all payments made prior to surrender.

Exploration:

Santa Fe Pacific Mining, Inc. will have the right during the option period to enter the property and conduct mineral exploration; including but not limited to drilling, excavation, drifting, reclamation and associated activities.

If acceptable, we will prepare and forward for your review an exploration agreement and option to purchase encompassing the above terms.

This offer is subject to title, approval of Santa Fe Pacific Mining, Inc. management, and if not previously revoked, will expire at 12:00 midnight on October 1, 1990.

Thank you for all your help in this matter. If you have any questions, please call me.

Very truly yours,

Tom Roesd

Thomas M. Roesch

Landman

October 17, 1988

Re: Belcher Patented Claim Tombstone Area Cochise County, Arizona

Mr. Tracy R. Thomas c/o Bonn & Anderson, P.A. 1112 West Camelback Road Phoenix, Arizona 85013

Dear Mr. Thomas:

Our exploration group at Santa Fe Pacific Mining has an area they are interested in exploring for precious metals near the town of Tombstone, Arizona.

In this area it appears you own the "Belcher" patented mining claim (MS-858) in Section 13, Township 20 South, Range 22 East, containing 19.58 acres, more or less.

We would like to include the Belcher claim with other properties we have and are attempting to lease in the area as part of our exploration program.

To this end, enclosed for your consideration is a proposed Mining Lease along the following terms:

Term:

10 years and as long thereafter as any mining, development or processing is being conducted (as more fully set out in the lease).

Royalty: 4% net returns

Advance Royalty:

Initially: \$ 3,200.00

1st anniversary \$ 5,000.00

2nd and 3rd anniversaries \$ 7,000.00

4th and 5th anniversaries \$ 9,000.00

6th anniversary and thereafter \$12,000.00

Once you have a chance to consider our offer, would you please call me collect at (505) 881-3050.

Thank you for your consideration

Very truly yours,

T. M. Roesch Landman

Enclosure

### MINING LEASE

	Th	HIS LEA	SE	is	made	ef	fect	ive	as	of	the			day	of				_,	1988
by	and	betwee	n _					TRA	CY	R.	THOM	1AS								
(he	erein	nafter	des	igna	ated	as	"Owr	ner"	, W	vhet	her	one	or	more	2),	and	SANTA	FE	PAC	IFIC
MINING, INC., a Kansas corporation (hereinafter designated as "Lessee");																				

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

# 1. The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-ofway now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

### 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

### 3. Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted; excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

# 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract,

mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the

Leased Premises or upon any other lands owned or controlled by Lessee. rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

#### 5. Payments to Owner

A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of <a href="https://doi.org/10.100/">Three Thousand Two Hundred Dollars</a> (\$3,200.00

as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease: it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. <u>Weights and Analyses</u>: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease. Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

# 6. <u>Inspection</u>

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

### 7. Conduct of Operations; Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

### Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects, Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

### 10. Termination; Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises: provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises;

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

### 11. Suspension of Operations

- A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall:

(i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

## 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Tracy R. Thomas

c/o Bonn & Anderson, PA 1112 West Camelback Road Phoenix, Arizona 85013

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

# 13. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

#### 14. Memorandum.

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

# 15. <u>Construction: No Implied Covenants</u>

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

# 16. Counterparts: Joiner

This Lease may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

# 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNE	₹:	
		Tracy R. Thomas
LESS	EE:	
	SANTA F	FE PACIFIC MINING, INC.
Ву	underface the second state of the second	Vice President

STATE OF ARIZONA ) COUNTY OF ) ss.
The foregoing instrument was acknowledged before me this day of
, 1988, byTracy R. Thomas
Notary Public
My commission expires:
STATE OF NEW MEXICO ) ) ss.
COUNTY OF BERNALILLO )  The foregoing instrument was acknowledged before me this day
of, 1988 by,
Vice President of SANTA FE PACIFIC MINING, INC., a Kansas corporation,
on behalf of said corporation.
Notary Public
My Commission Expires:

# EXHIBIT A

EXHIBIT A to Mining Lease by and between						
TRACY R. THOMAS						
(as "Owner") andSANTA FE PACIFIC MINING, INC.						
(as "Lessee") and pertaining to the following described real property situate						
in Cochise County, State of Arizona						
The BELCHER patented lode mining claim situated in Section 13, Township 20 South, Range 22 East, GSRM and identified by the Surveyor General as Mineral Survey #858; containing 19.58 acres, more or less.						
SUBJECT TO:						
1. Taxes, if any, which may constitute a lien, but which are not yet						
due and payable; and						
2. Rights-of-way, if any, for roads, telephone and telegraph lines and						
pipelines of record in the office of the Clerk or Recorder of the						
county in which the above described property is situated; and						
3. Reservations contained in the United States Patents thereto.						
Initial for Identification						

#### SCHEDULE II

	SCHEDULE	II	to	Mining	Lease	betwee	en			 	
					TRA	ACY R.	THOMA	.S			 
(as	"Owner")	and	_	n a standard and a st					 	 	 van Italia
(as	"Lessee")	•									

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment;
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
- (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit; provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

Initial for Identification

# SCHEDULE I

SCHEDULE I to Mining Lease between							
TRACY R. THOMA	S						
(as "Owner") andSANTA FE PACIFIC MINING, INC.							
(as "Lessee").							
Advance Royalty Payment Schedule (See Section 5.A.)							
Lessee agrees to make payment to Owner of each of the following payments:							
the due date of which occurs prior to termination of the Lease to which this							
Schedule is attached.							
Anniversary Dates of the Execution of this Agreement  1st anniversary 2nd and 3rd anniversaries 4th and 5th anniversaries 6th anniversary and thereafter	Amounts of Annual Advance Royalty Payment  \$ 5,000.00 \$ 7,000.00 \$ 9,000.00 \$ 12,000.00						
Initial for Identification							

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of the
day of, 1988 by and between
TRACY R. THOMAS
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method hereafter
developed), extract, mill, store, process, remove and market therefrom all ores,
minerals and materials of whatsoever nature or sort; all on the terms and
conditions and subject to the payments to be made to Owner, as fully set forth
in the said Lease which Lease is by this reference incorporated herein. Unless
sooner terminated in the manner therein provided, the term of the said Lease is
for a period of 10 years commencing on the effective date thereof and continuing
for as long thereafter as mining, development or processing operations are being
conducted thereunder or the Lease term is extended pursuant to the force majeure
and suspensions of operations provisions thereof, all as more fully set forth
in the lease Conies of the said lease are in the nossession of Owner c/o

Bonn & Anderson PA, 1112 West Camelback Road, Phoenix, Arizona 85013
and in the possession of Lessee c/o
Box 27019, Albuquerque, New Mexico 878125
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed
effective as of the date first above set forth.
OWNER:
Tracy R. Thomas
LESSEE:
SANTA FE PACIFIC MINING, INC.
2
By:Vice President

STATE OFARIZONA	
STATE OFARIZONA COUNTY OF	) ss.
	acknowledged before me this day of
, 1988, by _	Tracy R. Thomas
	Notary Public
My commission expires:	
CTATE OF NEW MEYICO	
STATE OF NEW MEXICO ) ) ss.	
COUNTY OF BERNALILLO )	
The foregoing instrument was	acknowledged before me this day
of , 1988	3 by,
	PACIFIC MINING, INC., a Kansas corporation,
	ractific mining, inc., a ransas corporation,
on behalf of said corporation.	
	Notary Public
W. 0	
My Commission Expires:	**

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# EXHIBIT A

EXHIBIT A to Mining Lease by and between						
TRACY R. THOMAS						
(as "Owner") and SANTA FE PACIFIC MINING, INC.						
(as "Lessee") and pertaining to the following described real property situated						
in Cochise County, State of Arizona						
The BELCHER patented lode mining claim situated in Section 13, Township 20 South, Range 22 East, GSRM and identified by the Surveyor General as Mineral Survey #858; containing 19.58 acres, more or less.						
SUBJECT TO:						
<ol> <li>Taxes, if any, which may constitute a lien, but which are not yet due and payable; and</li> </ol>						
<ol> <li>Rights-of-way, if any, for roads, telephone and telegraph lines and pipelines of record in the office of the Clerk or Recorder of the</li> </ol>						
county in which the above described property is situated; and						
3. Reservations contained in the United States Patents thereto.						
Initial for Identification						

UNILL OF PARIZ.



RECEIVED

**DEC** 7 1988

LAND DEPT.

December 1, 1988

Mr. T. M. Roesch Landman Santa Fe Pacific Mining, Inc. P. O. Box 27019 Albuquerque, NM 87125

RE: Sunset Patented Claim Tombstone Area Cochise County, Arizona

Dear Mr. Roesch:

In my letter to you dated November 22, 1988, it was indicated that your proposed Mining Lease and Purchase Option had been forwarded to our University Counsel for review. Mr. Thomas M. Thompson, University Attorney, advises the following.

The present policy under which state universities are guided, states that a lease that is 60 months or less in duration can be negotiated without prior Arizona Board of Regents approval. If more than 60 months or an option to purchase is involved, permission must be given in advance by the Regents, the property advertised for 10 weeks and an auction held. The next meeting that this matter could be presented to the Regents is scheduled in March 1989. Our deadline for agenda items is the first week in January 1989.

If you continue to be interested in a mining lease on the above-referenced property, and are interested in a lease for five years or less, without an option to purchase, please contact the undersigned.

Very truly yours,

Ca Hoodu

Leon Goodman, Director Land and Property Planning How about 19th options

En your and



#### The University of Arizona

Land & Property Planning 1628 E. Helen Tucson, Arizona 85719

RECEIVED
NOV 28 1988
LAIND DEPT.

November 22, 1988

Mr. T. M. Roesch Landman Santa Fe Pacific Mining, Inc. P. O. Box 27019 Albuquerque, NM 87125

RE: Sunset Patented Claim Tombstone Area Cochise County, Arizona

Dear Mr. Roesch:

Thank you for your letter of October 31, 1988, enclosing a proposed mining lease and purchase option for the Sunset Patented Claim in Cochise County.

The documents have been forwarded to the University Attorney for review and comment. When returned, this office will promptly contact you.

Very truly yours,

Res Youden )

Leon Goodman, Director Land and Property Planning

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October 31, 1988

Re: Sunset Patented Claim

Tombstone Area

Cochise County, Arizona

Mr. Leon Goodman
Assets and Land Management Department
University of Arizona
1628 East Helen
Tucson, Arizona 85719

Dear Mr. Goodman:

Please refer to my letter of February 26, 1988 on the same subject. Subsequent to that letter I had a number of discussions with Mr. Mico Willis of your office concerning a lease or lease and purchase option of the Sunset patented claim (MS 159-12.27 acres).

In a recent telephone call to your office I was informed Mr. Willis is no longer with your department and I should direct any new proposal to your attention.

Enclosed for your consideration is a proposed Mining Lease and Purchase Option along the following terms:

Term: 8 years

Royalty: 5% Net Returns

#### Advance Royalty:

Initial	\$1,000.00
1st anniversary	\$1,500.00
2nd anniversary	\$2,000.00
3rd anniversary	\$2,500.00
4th anniversary	\$3,000.00
5th anniversary	\$3,500.00
6th anniversary	\$5,000.00
7th anniversary	\$7,000.00
8th anniversary	\$7,000.00

Total Purchase Price: \$32,500 toward which all advance and production royalties apply.

Mr. Leon Goodman October 31, 1988 Page 2

Once you have an opportunity to review our offer, please call me at (505) 881-3050.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR: fy

Enclosure

#### MINING LEASE AND PURCHASE OPTION

	THIS LEASE	is made	effective as	of the	day	of		, ]	1988
by .	and between _		THE UNIV	ERSITY O	F ARIZONA				
(he	reinafter des	signated a	as "Owner",	whether	one or mor	e), and	SANTA FE	PACIF	FIC
MIN	ING, INC., a	Kansas co	orporation	(hereina	fter desig	nated as	Lessee'	');	

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", together with the exclusive option to purchase the same, all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

1. The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-ofway now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

# 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

#### 3. Term

Unless sooner terminated as hereinafter provided, or unless Lessee sooner exercises its option to purchase, the term of this Lease shall be for a period of 8 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted; excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

#### 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted; together with the exclusive right, privilege and option as more fully set forth in Section 18 below to purchase the Leased Premises at any time prior to termination or expiration of this Lease. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment, roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as

will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the Leased Premises or upon any other lands owned or controlled by Lessee. The rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

# 5. Payments to Owner

- A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of One Thousand Dollars (\$1,000.00 as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease; it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.
- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. <u>Weights and Analyses</u>: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

regardless of changes in the ownership of the Leased Premises. Upon making any payment as described above, Lessee shall be relieved of any responsibility for the distribution of such payment to Owner or Owner's successors in interest. The delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

#### 6. Inspection

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from

and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

# 7. Conduct of Operations; Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises; provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

#### 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments

and charges which Owner may receive. If this Lease is terminated other than by exercise by Lessee of its option to purchase, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

#### 9. Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects, Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate

litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

#### 10. Termination; Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such

action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time prior to exercise by Lessee of its option to purchase execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations, if any, accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated other than by exercise by Lessee of its option to purchase or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available

non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises; provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises;

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

#### 11. Suspension of Operations

A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.

- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 8-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.
- C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall:

  (i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

## 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Assets and Land Management Department University of Arizona 1628 East Helen Tucson, Arizona 85719 If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

## 13. Binding Effect; Assignment

Subject only to the provisions of Section 18, the rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

#### 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

#### 15. Construction; No Implied Covenants

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

#### 16. Counterparts; Joiner

This Lease may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of

releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

#### 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

#### 18. Option to Purchase; Escrow

At any time during the term of this Lease, Lessee shall have the exclusive right and option to purchase the Leased Premises by giving written notice thereof to Owner in the manner hereinabove set forth. If Lessee elects to purchase the Leased Premises, the total purchase price shall be the sum of Thirty-Two Thousand Five Hundred Dollars (\$32,500.00). The total purchase price shall be reduced by all payments made to Owner under the provisions of Section 5 and shall be further reduced by any applicable credits or deductions as provided in Section 9. The total purchase price, less all such credits and deductions, is hereinafter called the "net purchase price" and in the event Lessee exercises its option to purchase, the net purchase price shall be payable through escrow upon delivery to Lessee of a Warranty Deed conveying to Lessee good and merchantable title to the Leased Premises as evidenced by an Owner's Standard Form Title Insurance Policy paid for by Owner and issued by a title insurance

company authorized to issue title insurance policies in the state where the Leased Premises are situated. Such policy shall insure Lessee's title thereto in the amount of the total purchase price and shall be subject only to the matters set forth in Exhibit A. Owner shall pay the cost of all applicable state and federal stamp or deed taxes. Upon closing of the escrow, this Lease shall terminate. Either party may elect at any time to establish an escrow for collection and disbursement of funds payable under this Lease and for deposit of appropriate deeds and releases. If such an escrow has not been established prior to exercise by Lessee of its option to purchase, Lessee shall designate and appoint a bank or title insurance company as escrow agent to receive and distribute all payments and to deliver the deed to the Leased Premises. The costs of any such collection, holding or closing escrow shall be borne one-half by Lessee and one-half by Owner.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease and Purchase Option effective as of the date first above set forth.

OWNER:

# 

# SCHEDULE I

SCHEDULE I to Mining Lease and Purchase Option between						
THE UNIVERSITY OF ARIZONA						
(as "Owner") and SANTA FE PACIFIC MINING, INC.						
(as "Lessee").						
Advance Royalty Payment Schedule (See	Section 5.A.)					
Lessee agrees to make payment to	Owner of each of the following payments,					
the due date of which occurs prior to termination of the Lease to which this						
Schedule is attached.						
Anniversary Dates of the Execution of this Agreement	Amounts of Annual Advance Royalty Payment					
lst anniversary	\$1,500.00					
2nd anniversary	\$2,000.00					
3rd anniversary	\$2,500.00					
4th anniversary	\$3,000.00					
5th anniversary	\$3,500.00					
6th anniversary	\$5,000.00					
7th anniversary	\$7,000.00					
8th anniversary	\$7,000.00					
	Initial for Identification					

#### SCHEDULE II

	SCHEDULE I	I to	Mining Lease and Purchase Option between	
	and a section of the enthropolitics allowed action decreases and decreases at the	Partido No. Nato No. No. of State State of State	THE UNIVERSITY OF ARIZONA	
(as	"Owner") an	nd	SANTA FE PACIFIC MINING, INC.	
(as	"Lessee").			

Production Royalty (See Section 5.B.)

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 5% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market; provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal

goes into solution);

- (ii) costs of transporting Leased Substances from the Leased Premises to a concentrator or other place of treatment;
- (iii) costs of transporting Leased Substances from the concentrator to a smelter or other place of treatment; and
- (iv) production taxes, severance taxes and sales, privilege and other taxes measured by production or the value of production.

Production royalty payments shall be made within 30 days after the end of the calendar quarter and calculated on the Net Returns actually received by Lessee during such calendar quarter. Net Returns for Leased Substances processed at a smelter owned, operated or controlled by Lessee or treated on a toll basis for Lessee shall be computed in the above manner, with deductions for all charges and items of cost equivalent to the deductions set forth above. With respect to any mill tailings or other residue remaining after processing of Leased Substances, it is hereby agreed that Owner shall have no responsibility for or interest in such tailings or residues, and Lessee is deemed to be the owner of such materials and shall be responsible for disposal thereof in any manner as it shall see fit; provided, however, that any tailings not removed from the Leased Premises within one year from the date of termination of this Lease shall become the property of Owner.

Initial for Identification

# MEMORANDUM OF MINING LEASE AND PURCHASE OPTION

Under the terms of that certain Mining Lease and Purchase Option dated
effective as of the day of, 1988 by and between
THE UNIVERSITY OF ARIZONA
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method here-
after developed), extract, mill, store, process, remove and market therefrom
all ores, minerals and materials of whatsoever nature or sort, together with
the sole and exclusive option to purchase the Leased Premises; all on the terms
and and conditions and subject to the payments to be made to Owner, as fully
set forth in the said Lease which Lease is by this reference incorporated
herein. Unless sooner terminated in the manner therein provided, the term of
the said Lease is for a period of 8 years commencing on the effective date
thereof and continuing for as long thereafter as mining, development or pro-
cessing operations are being conducted thereunder or the Lease term is extended
pursuant to the force majeure and suspensions of operations provisions thereof,
all as more fully set forth in the Lease. Copies of the said Lease are in the

possession of Owner c/o Assets and Land Management Department of The Universit							
of Arizona, 1628 E. Helen, Tucson, Arizona 85719, and in the possession of							
Lessee c/oSanta Fe Pacific Mining, Inc., Box 27019, Albuquerque, New Mexico							
37125.							
IN WITNESS WHEREOF, this Memorandum of Mining Lease and Purchase Optio							
nas been executed effective as of the date first above set forth.							
OWNER:							
THE UNIVERSITY OF ARIZONA							
Its							

LESSEE:

SANTA FE PACIFIC MINING, INC.

By:\_\_\_\_\_\_Vice President

STATE OFARIZONA )
STATE OF ARIZONA ) ss. COUNTY OF )
The foregoing instrument was acknowledged before me this day of
, 1988 by,,
of THE UNIVERSITY OF ARIZONA
Witness my hand and official seal.
Notary Public
My Commission Expires:
CTATE OF NEW MEYICO
STATE OF NEW MEXICO ) ) ss.
COUNTY OF BERNALILLO )
The foregoing instrument was acknowledged before me this day
of, 1988 by,
Vice President of SANTA FE PACIFIC MINING, INC., a Kansas corporation, on behalf
of said corporation.
or said corporacion.
Notary Public
My Commission Expires:

# EXHIBIT A

EXHIBIT A to Mining Lease and Purchase Option by and between
THE UNIVERSITY OF ARIZONA
(as "Owner") and SANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situated
in <u>Cochise</u> County, State of <u>Arizona</u> .
The SUNSET; Patented Mining Claim located in parts of Section 14 and 15,
Township 20 South, Range 22 East, GSRM; identified by the Surveyor General as
Mineral Survey #159 and patented January 15, 1883 - General Land Office Patent
#7029; containing 12.27 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are
not yet due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph
lines and pipelines of record in the office of the Clerk
or Recorder of the county in which the above described
property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

STATE OFARIZONA )
STATE OF ARIZONA ) COUNTY OF ) ss.
The foregoing instrument was acknowledged before me this day of
, 1988 by,
of THE UNIVERSITY OF ARIZONA
Witness my hand and official seal.
Notary Public
My Commission Expires:
Ty Committee Exp. ( es.
CTATE OF NEW MENTOO
STATE OF NEW MEXICO ) ) ss.
COUNTY OF BERNALILLO )
The foregoing instrument was acknowledged before me this day
of, 1988 by,
Vice President of SANTA FE PACIFIC MINING, INC., a Kansas corporation, on behalf
of said corporation.
or sard corporactor.
Notary Public
My Commission Expires:

February 26, 1988

Re:

Sunset Patented Mining Claim

Tombstone Area

Cochise County, Arizona

Mr. Leon Goodman
Assets and Land Management Department
University of Arizona
1628 East Helen
Tucson, Arizona 85719

Mico will

MILO WILLIS (602) 621-1123

Dear Mr. Goodman:

In recent telephone conversation with Mr. Mico Willis, I was told to direct this request to your attention.

Santa Fe Pacific Mining, Inc. is interested in exploring for precious metals an area in Cochise County, Arizona near the town of Tombstone. In this area it appears The University of Arizona owns the "Sunset" patented Mining Claim (MS 159) lying in Sections 14 and 15, Township 20 South, Range 22 East, GSRM and containing 12.27 acres, more or less.

We would like to include the Sunset claim with other properties we have and are attempting to lease in the area as part of our exploration program.

To this end, enclosed for your consideration is a proposed Mining Lease along the following basic terms:

Term:

10 years and as long thereafter as any mining, development or processing is being conducted

(as more fully set out in the lease).

Royalty:

4% net returns

Advance

Royalty:

Initially for first two years:

\$500.00 250.00/year

2nd through 5th anniversaries: 6th anniversay and thereafter

500.00/year

Alternately, we would propose a Mining Lease with option to purchase. The form of this lease is the same as our straight lease with an added provision allowing Santa Fe an option to purchase the property at any time during the term of the lease. Total purchase price would be \$6,500.00 toward which all advance and production royalty payments would apply.

Mr. Leon Goodman February 26, 1988 Page 2

Under a Mining Lease and Purchase Option we would be willing to pay advance royalties along the following schedule:

> \$ 500.00 Initially for first two years: 400.00/year 2nd through 5th anniversaries: 6th through 9th anniversaries:

10th anniversary Total

600.00/year 2,000,00

\$6,550.00

Enclosed is a Mining Lease with Purchase Option prepared along these terms.

Also enclosed is our collection draft in payment of the initial \$500.00 advance royalty under either proposal.

If our offer is acceptable please have the Mining Lease (or Mining Lease with Purchase Option) and accompanying Memorandum of Lease executed in duplicate on behalf of the University and return through your bank with the collection draft. Upon receipt we will pay the draft, have both originals executed on behalf of Santa Fe, and return one original set of Lease and Memorandum for your records.

Thank you for your consideration and if you have any questions or wish to discuss this, please let me know.

Very truly yours,

T. M. Roesch Landman

TMR:ph

Enclosures

#### MINING LEASE

	TH	IS LEASE	is	made	effective	as of	the		day	of				1988
by	and	between			THE UNIV	ERSITY	0F	ARIZO	ONA					
									ALL THE RESERVE AND ADDRESS OF THE PERSON OF				**************************************	
(h	(hereinafter designated as "Owner", whether one or more), and SANTA FE PACIFIC													
MI	NING,	INC., a	Kar	isas c	orporation	_ (her	eina	after	design	ate	d as	"Lessee	·");	

#### WITNESSETH:

WHEREAS, Lessee wishes to acquire from Owner, and Owner wishes to grant to Lessee, a mining lease of the "Leased Premises" (hereinafter defined) pursuant to which Lessee shall have the exclusive right to explore, develop and mine the "Leased Premises", all on the terms and conditions hereinafter set forth:

NOW, THEREFORE, for a valuable consideration paid to Owner by Lessee, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants hereinafter set forth, Owner and Lessee agree as follows:

# 1. The "Leased Premises"

The Leased Premises shall mean all of the property and interest in property described in Exhibit A attached hereto and made a part hereof (whether consisting of patented mining claims or other real property, or any combination thereof) together with all of the ores, minerals and materials thereon and thereunder, and all right, title and interest of Owner in and to the surface of said property, and all water, water rights, easements and rights-of-way now and hereafter owned or held by Owner in, upon or under the said property or in any way pertaining thereto.

## 2. Warranties and Representations

Owner represents and warrants to Lessee: (i) that subject to the matters specifically set forth in Exhibit A, Owner owns and has the exclusive possession of the Leased Premises; and (ii) that Owner has the full right, power, and capacity to enter into this Lease upon the terms set forth herein.

#### Term

Unless sooner terminated as hereinafter provided, the term of this Lease shall be for a period of 10 years commencing on the effective date hereof and for a continuing term as long thereafter as any mining, development or processing is being conducted hereunder on a continuous basis. For purposes of this Section 3, such operations shall be deemed as being conducted on a continuous basis unless and until, and after the end of the initial term, a period of 365 consecutive days elapses during which no mining or development or processing is conducted; excluding, however, periods of force majeure and suspensions of operations due to economic causes, both hereinafter defined. The term "development" shall mean work or construction in preparation for mining or processing a proven or possible reserve, including further development drilling of such a reserve, but excluding exploration drilling. Unless otherwise specified, all references to the "term" of this Lease shall mean and include both the initial term and the continuing term.

#### 4. Grant

Owner hereby grants, demises, leases and lets the Leased Premises exclusively unto the Lessee, its successors and assigns, with the exclusive right and privilege to explore for, develop, mine (by open pit, strip, underground, solution mining or any other method, including any method hereafter developed), extract, mill, store, remove and market therefrom all ores, minerals and materials of whatsoever nature or sort (herein designated as "Leased Substances") and to use and consume so much of the surface thereof as may be necessary, useful or convenient for the full enjoyment of all of the rights herein granted. Lessee is hereby further granted the exclusive right to construct and use structures, facilities, equipment roadways, railroads and haulageways, and all other appurtenances (herein called "Production Facilities") installed on the Leased Premises for the purpose of producing, removing, treating or transporting metals, ores, minerals or materials from the Leased Premises or from adjoining or nearby property owned or controlled by Lessee, and the right to mine and remove Leased Substances from the Leased Premises through or by means of shafts, openings or pits which may be made in or upon adjoining or nearby property. For an additional consideration of One Thousand Dollars (\$1,000.00) the right to use said Production Facilities will continue after the expiration of this Lease for so long as use of the Production Facilities is required by Lessee in connection with operations on said adjoining or nearby property. Lessee's operations hereunder and in its mining of adjoining or nearby lands may be conducted upon the Leased Premises or upon such other lands as a single mining operation, to the extent as if the Leased Premises and all such other properties constituted a single tract of land. After Leased Substances from the Leased Premises have been sampled and weighed or measured by volumetric survey, truck factors, or any other manner as will permit the computation of royalty to be paid hereunder, Lessee may mix the same with ores, materials or products from other lands. Lessee shall have the right, at any time during the term hereof, to stockpile any material mined or produced from the Leased Premises at such place or places as Lessee may elect, either upon the Leased Premises or upon any other lands owned or controlled by Lessee. rights of Owner in and to any such material stockpiled on other lands shall not be divested by the removal thereof from the Leased Premises, but shall be the same in all respects as though such materials had been stockpiled on the Leased Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of the other lands agree to recognize the interest of Owner in materials stockpiled on such other lands. The stockpiling of materials from the Leased Premises on other lands shall not be deemed a removal or shipment thereof requiring payment of royalty thereon. Lessee shall have the further right, at any time during the term hereof, to stockpile on the Leased Premises any ore or material mined or produced by Lessee or its affiliate companies from other lands. Owner agrees to recognize the rights and interests of others in such ores and materials stockpiled on the Leased Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof for a reasonable time after termination of this Lease, all without liability or expense to Owner. All stockpiles on the Leased Premises shall be placed so as not to interfere with mining operations on the Leased Premises. Waste, overburden, surface stripping and other materials from the Leased Premises may be deposited off the Leased Premises and may be deposited on the Leased Premises only if the same will not interfere with mining operations on the Leased Premises.

#### 5. Payments to Owner

A. Advance Royalty: On the date of execution of this Lease by Lessee and Owner, Lessee shall pay to Owner the sum of \_\_Five Hundred Dollars (\$500.00)

as advance royalty for the initial year. As to the payments set forth in Schedule I attached hereto and made a part hereof, Lessee agrees to make each such payment to Owner, the due date of which occurs prior to termination of this Lease: it being expressly understood that should this Lease be terminated, Lessee shall have no obligation to make any of the payments, the due dates of which occur after such termination. Each sum of advance royalty paid shall be applied against and reduce the amount of any production royalty payments thereafter payable to Owner pursuant to paragraph B of this Section 5; whether accruing to Owner in the same year or in any year thereafter.

- B. <u>Production Royalty</u>: In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner a production royalty as set forth in Schedule II attached hereto and made a part hereof.
- C. <u>Weights and Analyses</u>: Lessee shall measure ore, weigh other product and take and analyze samples thereof in accordance with sound mining and metallurgical practice, and keep accurate records thereof as a basis for computing royalty payments, which records shall be available for inspection by Owner in accordance with Section 6.

delivery or the deposit in the mail of any payment hereunder on or before the due date thereof shall be deemed timely payment hereunder.

E. Adverse Claims: Disputes: In case of any suit, adverse claim, dispute or question as to the ownership of the Leased Premises or concerning advance or production royalties or any interest therein payable under this Lease, Lessee shall not be deemed to be in default in payment thereof until final disposition of such suit, claim, dispute or question, and Lessee may withhold payments due Owner hereunder with respect to the portion of the Leased Premises involved in such dispute and deposit the same in an interest-bearing account until there is a final adjudication or other determination of such dispute. Lessee shall make such payments, together with any interest earned thereon, within 30 days after being furnished with the original or certified copies of instruments disposing of such suit, claim or dispute in Owner's favor, or after delivery to Lessee of proof sufficient in Lessee's opinion to settle such question in Owner's favor.

## 6. Inspection

Owner, or its authorized agents, at Owner's risk and expense, may enter upon the Leased Premises to inspect the same at such times and upon such notice to Lessee as shall not unreasonably or unnecessarily hinder or interrupt the operations of Lessee. Owner, or its authorized agents, shall have the right to inspect the accounts and records used in calculating production royalty paid to Owner hereunder, which right may be exercised as to each quarterly payment of production royalty, at any reasonable time during a period of one year from and after the date on which the quarterly payment of production royalty was paid by Lessee. Owner agrees to treat all information received hereunder as confidential and hereby covenants and agrees that it shall not, without having first obtained

the written consent of Lessee as to the form and content, disclose any information it may obtain hereunder nor issue any press release concerning operations on the Leased Premises.

# 7. Conduct of Operations: Protection from Liens

Lessee agrees to comply with valid and applicable local, state and federal laws and regulations governing its operations hereunder. Lessee shall pay all expenses incurred by it in its operations on the Leased Premises and shall allow no liens arising from any act of Lessee to remain upon the interest of Owner in and to the Leased Premises: provided, however, that if Lessee, in good faith, disputes the validity or amount of any claim, lien or liability asserted against it with respect to the Leased Premises, it shall not be required to pay or discharge the same until the amount and validity thereof have been finally determined. If authorized by applicable statute, Owner may post a notice of non-liability and Lessee shall keep such notice posted during the term of this Lease. Lessee shall carry workman's compensation or industrial insurance coverage to the extent required by the laws of the state in which the Leased Premises are situated.

## 8. Taxes

Lessee shall pay all taxes, assessments and other governmental charges imposed upon the Leased Premises and upon any equipment and improvements placed by it thereon for the periods that this Lease is in effect. Owner agrees to promptly transmit to Lessee all notices pertaining to such taxes, assessments and charges which Owner may receive. If this Lease is terminated, such taxes shall be prorated between Lessee and Owner for the tax year in which such termination occurs. Lessee shall have the right to contest, in the courts or otherwise, in

its own name or in the name of Owner, the validity or amount of any such taxes or assessments if it deems the same unlawful, unjust, unequal or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction, re-adjustment or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of non-payment of any taxes, assessments or other such charges. Lessee shall not be liable for any taxes levied or measured by income or taxes applicable to Owner based upon advance or production payments to Owner under this Lease.

### 9. Title Matters

- A. <u>Title Documents</u>: Upon written request of Lessee at any time during the term hereof, Owner shall promptly deliver to Lessee all abstracts of title to and copies of all title documents affecting the Leased Premises which Owner has in its possession, together with copies of all plats and field notes of surveys of the Leased Premises which Owner has in its possession.
- B. <u>Title Defects</u>, <u>Defense and Protection</u>: If (i) in the opinion of Lessee's counsel, Owner's title to any of the Leased Premises is defective or less than as represented in Section 2, or (ii) Owner's title is contested or questioned by any person, entity or governmental agency, and if Owner is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt, with all reasonable dispatch, to perfect, defend, or initiate litigation to protect Owner's title. In that event, Owner shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect Owner's title. If the title is less than as represented in Section 2, then (and only then) the costs and expenses of

perfecting, defending or correcting title (including, but without being limited to, the cost of attorneys' fees and the costs of releasing or satisfying any mortgages, liens and encumbrances) shall be a credit against payments thereafter to be made to Owner under the provisions of Section 5 and Schedule I, unless the encumbrance or dispute arises from Lessee's failure to perform its obligations hereunder (in which case such costs shall be borne by Lessee).

- C. <u>Lesser Interest Provision</u>: If Owner owns less than the entire and undivided title and interest in and to the Leased Premises, then the rentals and royalties herein provided shall be proportionately reduced and paid to Owner only in the proportion which Owner's interest bears to the entire undivided title and interest in and to the Leased Premises.
- D. <u>General</u>: Nothing herein contained and no notice or action which may be taken under this Section 9 shall limit or detract from Lessee's right to terminate this Lease in the manner provided in Section 10.B.

#### 10. Termination: Removal of Property

A. <u>Termination by Owner</u>: In the event of any default by Lessee in the performance of its obligations hereunder, Owner shall give to Lessee written notice specifying the default. If the default is not cured within 30 days after Lessee has received the notice, or if Lessee has not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, Owner may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Leased Premises, as hereinafter provided. Owner shall have no right to terminate this Lease except as set forth in this Section 10.A.

- B. Termination by Lessee: Lessee may at any time execute and deliver to Owner, or place of record, a release or releases covering all or any portion or portions of the Leased Premises and thereby surrender this Lease as to all or such portion or portions and terminate from and after the date of release and surrender all obligations as to the acreage surrendered except rental and/or royalty obligations accrued as of the day of the release.
- C. Removal of Property: Upon any termination or expiration of this Lease, Lessee shall have a period of one year from and after the effective date of termination in which to remove from the Leased Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Leased Premises. Any property of Lessee not so removed at the end of said one year shall become the property of Owner.
- D. <u>Obligations of Lessee Upon Termination</u>: If this Lease is terminated, or if this Lease expires, Lessee shall:
  - (i) upon written request given by Owner within 30 days of such termination or expiration, furnish to Owner, within a reasonable time thereafter, copies of all available non-interpretive exploration data pertaining to the Leased Premises and prepared by or for Lessee and permit Owner, at Owner's expense, to pick up any available core from the Leased Premises; provided, however, that Lessee shall in no event be liable to Owner for the loss of any core from the Leased Premises;

- (ii) execute and deliver to Owner a release and surrender of this Lease and all of Lessee's interests in the Leased Premises, the same to be in a recordable form; and
- (iii) comply with all valid and applicable local, state or federal regulations as such relate to surface reclamation.

#### 11. Suspension of Operations

- A. <u>Force Majeure</u>: Lessee shall not be liable for failure to perform any of its obligations hereunder during periods in which performance is prevented by any cause reasonably beyond Lessee's control, which causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include acts of God, fire, flood, undue shortage of power, strikes, insurrections or mob violence, requirements or regulations of government and other causes of a similar nature which are beyond the control of Lessee. Lessee shall notify Owner of the date of commencement and cause of each period of force majeure and shall also notify Owner of the time of removal of such cause.
- B. <u>Suspensions Due to Economic Causes</u>: If at any time during the term hereof and after expiration of the initial 10-year portion of such term, mining, developing and processing operations are determined by Lessee to be uneconomic due to unavailability of a suitable market for Leased Substances, prevailing costs of mining, developing or processing with respect to prices available for Leased Substances, unavailability of equipment or of competent labor, or imposition of governmental statutes, requirements or regulations making it impractical to carry out such operations, Lessee shall have the right, from time to time, to temporarily discontinue operations hereunder for a cumulative period

not to exceed three years. In each such event, Lessee shall, within 30 days of expiration of each lease year in which such temporary discontinuance occurs, notify Owner of the total period of each such discontinuance during such year.

C. Obligations During Suspension of Operations: During any suspension of operations under either paragraph A or B of this Section 11, Lessee shall: (i) continue to pay all property and other taxes, assessments and charges payable by Lessee described in Section 8 as and when they become payable as therein provided; (ii) comply with all requirements of this Lease relative to maintaining the status and title of the Leased Premises in good standing; and (iii) continue to make payments to Owner as required under Section 5.

## 12. Notices

Any notice or communication required or permitted hereunder shall be effective when personally delivered or shall be effective when addressed:

If to Owner:

Assets and Land Management Department

University of Arizona

1628 East Helen

Tuscon, Arizona 85719

If to Lessee:

Santa Fe Pacific Mining, Inc.

Box 27019

Albuquerque, New Mexico 87125

and deposited, postage prepaid, certified or registered, in the United States mail. Either party may, by notice to the other given as aforesaid, change its mailing address for future notices hereunder.

#### 13. Binding Effect; Assignment

The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall inure to the benefit of and be binding upon its heirs, executors, administrators, successors and assigns, but no change or divisions in

the ownership of the Leased Premises or payment hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee hereunder. No such change or division in the ownership of the Leased Premises shall be binding upon Lessee for any purpose until the first day of the month next succeeding the month in which such person acquiring any interest shall furnish Lessee, at the address set forth in Section 12, with the instrument or instruments, or certified copies thereof, evidencing such change, transfer or division in ownership.

#### 14. Memorandum

The parties to this Lease agree to execute and record a memorandum or short form of this Lease in a form sufficient to constitute record notice to third parties of the rights granted hereunder, which may be recorded with the County Clerk or Recorder of the county or counties in which the Leased Premises are situated.

## 15. Construction: No Implied Covenants

This Lease and the rights and obligations of the parties hereunder shall be governed by the laws of the state in which the Leased Premises are situated. Section headings herein are for convenience only and shall not be considered a part of this Lease nor used in its interpretation. All of the agreements and understandings of Lessee and Owner with reference to the Leased Premises are embodied in this Lease, which supersedes all prior agreements and understandings between Lessee and Owner with reference to the Leased Premises. The compensation herein provided shall be deemed to be full payment to Owner for any damages which may be caused to the Leased Premises by Lessee's operations hereunder so long as Lessee conducts such operations in a reasonable and prudent manner without

negligence on the part of Lessee. No implied covenants or conditions whatsoever shall be read into this Lease relating to the prospecting, developing or mining of the Leased Premises or any operations of Lessee hereunder, or as to the time therefor or measure of diligence thereof, it being expressly agreed and understood that any operations conducted by Lessee upon the Leased Premises shall be conducted at such time and in such manner as Lessee, in its sole discretion, deems advisable, subject only to the express provisions of this Lease.

#### 16. Counterparts; Joiner

This Lease may be executed in any number of counterparts and any party who executes a counterpart need not execute the same counterpart as any other party. Each of such counterparts shall be deemed to be an original, all of which counterparts together shall constitute one and the same Lease. Execution hereof by the spouse of any Owner is with the intent and for the purpose of releasing and waiving any and all dower, homestead exemption, community property rights and all other rights conferred upon or reserved to such spouse by the laws of the state in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

#### 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

IN WITNESS WHEREOF, the Owner has executed this Mining Lease effective as of the date first above set forth.

OWNER:
THE UNIVERSITY OF ARIZONA.
Ву
LESSEE:
SANTA FE PACIFIC MINING, INC.
Ву
Vice President

STATE OF ARIZONA )	
STATE OF	
COUNTY OF)	
The foregoing instrument was acknowledged before me this	day of
, 1988 by,,	
of THE UNIVERSITY OF ARIZONA	
Witness my hand and official seal.	
Notary Public	
My Commission Expires:	
STATE OF NEW MEXICO )  SS.	
) ss.	
COUNTY OF BERNALILLO )	
The foregoing instrument was acknowledged before me this	day
of, 1988 by	
Vice President of SANTA FE PACIFIC MINING, INC., a Kansas corpor	ation, on behalf
of said corporation.	
Notary Public	
My Commission Expires:	

# EXHIBIT A

EXHIBIT A to Mining Lease by and between
THE UNIVERSITY OF ARIZONA
(as "Owner") andSANTA FE PACIFIC MINING, INC.
(as "Lessee") and pertaining to the following described real property situated
in Cochise County, State of Arizona
The SUNSET Patented Mining Claim located in parts of Section 14 and 15, Township 20 South, Range 22 East, GSRM; identified by the Surveyor General as
Mineral Survey #159 and patented January 15, 1883 - General Land Office Patent
#7029; containing 12.27 acres, more or less.
SUBJECT TO:
1. Taxes, if any, which may constitute a lien, but which are
not yet due and payable; and
2. Rights-of-way, if any, for roads, telephone and telegraph
lines and pipelines of record in the office of the Clerk
or Recorder of the county in which the above described
property is situated; and
3. Reservations contained in the United States Patents thereto.
Initial for Identification

# SCHEDULE I

SCHEDULE I to Mining Lease	e between				
THE UNIVE	ERSITY OF ARIZONA				
(as "Owner") and SANTA FE	E PACIFIC MINING, I	NC.			
(as "Lessee").					
Advance Royalty Payment Schedul	<u>le</u> (See Section 5.A	.)			
Lessee agrees to make paym	ment to Owner of ea	ch of the following payments,			
the due date of which occurs pr	rior to termination	of the Lease to which this			
Schedule is attached.					
Anniversary Dates of Execution of this Ag		Amounts of Annual Advance Royalty Payment			
2nd through 5th ann	iversary	\$250.00/year			
6th anniversary and	thereafter	\$500.00/year			
		Initial for Identification			

# MEMORANDUM OF MINING LEASE

Under the terms of that certain Mining Lease dated effective as of the
day of, 1988 by and between THE UNIVERSITY OF
ARIZONA
(therein and hereinafter referred to as "Owner", whether one or more) and
SANTA FE PACIFIC MINING, INC., a Kansas corporation
therein and hereinafter referred to as "Lessee"), Owner has granted, demised,
leased and let and does hereby grant, demise, lease and let unto Lessee that
property described in Exhibit A attached hereto and made a part hereof (the
"Leased Premises"), including without limitation all ores, minerals and mineral
rights and together with all water and water rights in, upon and under the
Leased Premises, exclusively unto Lessee, its successors and assigns, with
the right and privilege to explore for, develop, mine (by open pit, strip,
underground, solution mining, or any other method, including any method hereafter
developed), extract, mill, store, process, remove and market therefrom all ores,
minerals and materials of whatsoever nature or sort; all on the terms and
conditions and subject to the payments to be made to Owner, as fully set forth
in the said Lease which Lease is by this reference incorporated herein. Unless
sooner terminated in the manner therein provided, the term of the said Lease is
for a period of 10 years commencing on the effective date thereof and continuing
for as long thereafter as mining, development or processing operations are being
conducted thereunder or the Lease term is extended pursuant to the force majeure
and suspensions of operations provisions thereof, all as more fully set forth
in the Lease. Copies of the said Lease are in the possession of Owner c/o

ASSETS AND LAND MANAGEMENT DEPARTMENT OF THE UNIVERSITY OF ARIZONA								
1628 E. HELEN, TUSCON, AIROZONA 85719								
94103 and in the possession of Lessee c/o SANTA FE PACIFIC MINING, INC.								
Box 27019, Albuquerque, New Mexico 87125								
IN WITNESS WHEREOF, this Memorandum of Mining Lease has been executed								
effective as of the date first above set forth.								
OWNER:								
UNIVERSITY OF ARIZONA								
Ву								
LESSEE:								
SANTA FE PACIFIC MINING, INC.								
By:								
Vice President								

STATE OF
My Commission Expires:
STATE OF NEW MEXICO ) ) ss.  COUNTY OF BERNALILLO )  The foregoing instrument was acknowledged before me this day
of, 1988 by,
Vice President of SANTA FE PACIFIC MINING, INC., a Kansas corporation, on behalf of said corporation.  Notary Public
My Commission Expires:

# EXHIBIT A

# Santa Fe Pacific Mining, Inc.

6200 Uptown Blvd. N.E., Suite 400 Box 27019 Albuquerque, New Mexico 87125 505/881-3050

February 5, 1988

Re: Tombstone Area

Cochise County, Arizona

Arizona Board of Regents c/o H. T. Lucas - Land Agent University of Arizona Tucson, Arizona 85705

Gentlemen:

Our exploration group has an area they are interested in exploring for precious metals near the town of Tombstone, Arizona.

From a check of the records, it appears you own the "Sunset" patented mining claim (MS-159) in Sections 14 and 15, Township 20 South, Range 22 East.

I would be interested in talking with you about a Mining Lease on the property. Would you please call me at your convenience to discuss this. Please call me collect at (505) 881-3050.

Thank you for your consideration.

Very truly yours,

T. M. Roesch Landman

TMR: fy

Santa Fe Pacific Minerals Corporation

Box 27019 Albuquerque, New Mexico 87125 (505) 881-3050

Thomas M. Roesch Staff Landman

A Santa Fe Southern Pacific Company

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Revised 4-11-88 Top! purhase price

other rights conferred upon or reserved to such spouse by the ate in which the spouse resides and by the laws of the state in which the Leased Premises are situated, together with all rights which such spouse has or hereafter obtains (while this Lease is in effect) in and to the Leased Premises.

## 17. Compliance with Law

While conducting activities and operations on the Leased Premises, Lessee shall comply with all applicable laws and regulations of all governmental authorities with valid jurisdiction over the Leased Premises or Lessee's activities and operations on the Leased Premises.

## 18. Option to Purchase; Escrow

At any time during the term of this Lease, Lessee shall have the exclusive right and option to purchase the Leased Premises by giving written notice thereof to Owner in the manner hereinabove set forth. If Lessee elects to purchase the Leased Premises, the total purchase price shall be the sum of Six Thousand Five Hundred Dollars (\$6,500.00). The total purchase price shall be reduced by all payments made to Owner under the provisions of Section 5 and shall be further reduced by any applicable credits or deductions as provided in Section 9. The total purchase price, less all such credits and deductions, is hereinafter called the "net purchase price" and in the event Lessee exercises its option to purchase, the net purchase price shall be payable through escrow upon delivery to Lessee of a Warranty Deed conveying to Lessee good and merchantable title to the Leased Premises as evidenced by an Owner's Standard Form Title Insurance Policy paid for by Owner and issued by a title insurance

- 15 -

# SCHEDULE I

SCHEDULE I to Mining Lease and Purchase Opti	on between
THE UNIVERSITY OF ARIZON	Α
(as "Owner") andSANTA FE PACIFIC MINING,	INC.
(as "Lessee").	
Advance Royalty Payment Schedule (See Section 5.A.	)
Lessee agrees to make payment to Owner of each	ch of the following payments
the due date of which occurs prior to terminatio	n of the Lease to which thi
Schedule is attached.	
Anniversary Dates of the Execution of this Agreement  /37 2nd anniversary through 5th anniversary 6th anniversary through—9th—anniversary 746 10th anniversary 874 974 4	Amounts of Annual Advance Royalty Payment  500.00 \$ 400.00/year  600.00/year  700.00 \$2,000.00  2,000 8,000
	Initial for Identification

## SCHEDULE II

	SCHEDULE II	to Mining Lease and Purchase Option between	
-		THE UNIVERSITY OF ARIZONA	
(as	"Owner") and	SANTA FE PACIFIC MINING, INC.	
(as	"Lessee").		
Pro	duction Royalt	v (See Section 5.B.)	5

In the event Lessee mines and markets Leased Substances from the Leased Premises, Lessee shall pay to Owner, as a production royalty, 4% of the "Net Returns" from the sale of Leased Substances so mined and marketed. "Net Returns", as used herein, shall mean the total returns from the smelter or other purchaser less:

(i) custom smelting costs, treatment charges and penalties, including but without being limited to, metal losses, penalties for impurities and charges for refining, selling and transportation from smelter to refinery and from refinery to market: provided, however, in the case of leaching operations, all processing and recovery costs incurred by Lessee beyond the point at which the metal being treated is in solution shall be considered as treatment charges (it being agreed and understood, however, that such processing and recovery costs shall not include the cost of mining, crushing, dump preparation, distribution of leach solutions or other mining and preparation costs up to the point at which the metal

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