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0131

Volume 8 ; Book 10

TOMBSTONE

Mining District

Cochise County

ARIZONA

1981 Discovery Process - Volume #1
August 1978 to April 1979

Southwestern
Exploration
Associates

Mineral Exploration &
Natural Resource
Consultants
Tucson, Arizona

S.E.A. INC NOTEBOOK

TOMBSTONE HEAP LEACHING - P 418

NOTES, MEMOS & CORRESPONDENCE

VOLUME I - JAN. 1979 - APRIL 1979

✓ 9-28-78 Letter to DWIGHT LEE re CASE HISTORIES ON URANIUM EXPLORATION & DEVELOPMENT.

✓ 1. 1-19-79 - Tombstone Epitaph news clipping re: New York firm to relocet to Tombstone

✓ 2. 1-24-79 - Letter to Richard F. Hewlett re: Letter Agreement for the formation of S.E.A. Hydromet, Inc.

✓ 3. 1-25-79 - Memo to JAB from WES re: Phone call to Charlie Escapule re: leasing State of Maine mine dump.

✓ 4. 1-26-79 - Letter from WES to Charlie Escapule. re: leasing of State of Maine Mine.

✓ 5. 1-26-79 - Memo to file from WES re: Conversation this date with Charlie and Louie Escapule about leasing their land at the State of Maine Mine at Tombstone, Arizona

6. 2-1-79 - News article & memo from JAB to Barry Spak re: Silver fraud in Tombstone.

7. 2-2-79 - Letter to R.F. Hewlett from CMD re: Transmittal of supplies and flight information.

8. 2/2/79 - Telephone message — to Jim Briscoe from A.V. Greenbaum re: transfer of consolidation money

28-79 TRANSMITTAL LETTER TO A.J. GREENBAUM
OF HEWLETT MOUNT TOMBSTONE ST

9. 2-14-79 - Letter to Dwight Lee from CMD
re: Transmittal of copy of Tombstone Project
10. 2-14-79 - Letter to N.W. Hobbs from CMD
re: Transmittal of copy of Tombstone Project
11. 2-22-79 - Letter to Jim Schloss from Richard Newlett
re: Investment Schedule, newspaper article and changed copy of lease
12. 2-22-79 - Letter to Dusty Escapule
re: Advance of $100 to lay three inch PVC line
13. Draft of agreement between JRB + Tamco
14. Tombstone Development Company Claims (2 copies)
15. 2-26-79 - Letter from Tamco to William Night
16. 2-27-79 - Letter from New Pueblo Constructors to JRB
re: Cost Estimates + Schedule of Project Costs
17. 2-28-79 - Letter to Leo Smith from Richard Newlett
re: Copy of lease between T.D.C. and 1971 Minerals
18. 3-1-79 - Letter to Jim Schloss from Verity, Smith + Kearns
re: Comments Concerning TDC Lease Agreement
19. 3-3-79 - Letter to JRB from Verity, Smith + Kearns
re: Draft of proposed form of letter agreement on the Tombstone Heap Leaching Project
20. 3-5-79 - Letter to Leo Smith from JRB
re: Acceptance of letter agreement on Tombstone Heap Leaching Project
21. 3-1-79 - Letter to Jim Schloss from Leo Smith
re: Four copies of letter agreement

22. 3-7-79 - Copy of agreement between Tom Schloss + JAB
23. 3-12-79 - Tombstone Sampling Summary by Hewlett
24. Appendix Two - Immediate Expenses
25. Report on Precious Metal Processing
26. Ledger sheet on Cash Expenditures
27. 4-13-79 - Memo to Tom Schloss, Dick Hewlett + James Briscoe from Clark Shear
re: Rental + Restoration and Damage Bond for 2 Mineral Prospecting Permit Applications in Tombstone Target Area
28. JAB notes on Operating Agreement between TEI and Austin Exploration + Mining Corp.
29. 4-25-79 - Draft Copy of Operating Agreement between TEI and Austin Exploration + Mining Corp.
30. Copy of Lease Agreement between Tombstone Development Co. and Austin Exploration + Mining Corp.
31. 4-25-79 - Letter to JAB from Leo Smith
re: Transmittal of 3 copies of Tombstone Project Operating Agreement
32. 4-30-79 - Letter to Jay Kittle from Leo Smith re: Operating Agreement TEI/AEM

APRIL 1979

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VERITY, SMITH & KEARNS, P. C.
ATTORNEYS AT LAW
902 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701

VICTOR H. VERITY
LEO N. SMITH
DESMOND P. KEARNS
LARRY D. CLARK
PATRICIA G. MUNGER
REBECCA SITTERLY

TELEPHONE
(602) 623-6961

April 30, 1979

Mr. Jay S. Kittle
Corey & Kittle
Attorneys at Law
507 Transamerica Building
Tucson, Ari§ona 85701

Re: Operating Agreement
TEI/AEM

Dear Jay:

James Briscoe indicated that you had not had a chance to complete your review of the Operating Agreement, a copy of which was furnished to you on Friday. As indicated on page 5 of the copy furnished, we want to add an explanation of the method of computing the proportional reduction described in Section 3(c)(vi) on page 5. I would suggest that this subparagraph be revised to read as follows:

> (vi) If TEI acquires less than a 50.1% undivided interest, and if the Project or if AEM elects to proceed to obtain additional outside funding in excess of $200,000.00, it is agreed and understood by TEI that its undivided interest in the Project may be subject to further reduction, which reduction shall in no event reduce the undivided interest of TEI to less than the percentage that contributions made by TEI plus TEI's share of Project proceeds used for Project Operations bears to the total amount contributed to the Project. [As an example of the maximum reduction in TEI's undivided interest, assume that TEI were to contribute $100,000.00 and that $50,000.00 of TEI's share of Project proceeds were used for Project Operations; assume further that at the time of computation of the reduction, the total contributions by TEI, AEM and any outside funding together with all Project proceeds used for Project Operations totalled $1,000,000.00; in such case, TEI's undivided interest would be reduced to no less than a 150,000/1,000,000 (15%) undivided interest.] If TEI's undivided interest in the Project is thus reduced to 10% or less, TEI shall be obliged to relinquish its undivded interest to the other parties to the Project in return for a 10% "Net Profits Interest" as described in Section 11(c) below.

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On Thursday when I discussed the Operating Agreement with Tom Schloss, the only other item mentioned was the fact that James Briscoe should provide the figures to complete Exhibit C.

We have held off running execution copies incorporating the above change until you and your client have reviewed the Agreement. Please let us know when it is appropriate to prepare the execution copies since we have the Agreement on file in our word processing system.

Very truly yours,

Leo N. Smith

LNS/dmd

cc: Thomas H. Schloss
and Dwight Lee

RECEIVED APR 3 0 1979

(31)

VERITY, SMITH & KEARNS, P. C.
ATTORNEYS AT LAW
902 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
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VICTOR H. VERITY
LEO N. SMITH
DESMOND P. KEARNS
LARRY D. CLARK
PATRICIA G. MUNGER
REBECCA SITTERLY

TELEPHONE
(602) 623-6961

April 25, 1979

Mr. James Briscoe
Southwestern Exploration Associates, Inc.
4500 East Speedway Boulevard, Suite 14
Tucson, Arizona 85712

Dear Jim:

Enclosed are three copies of a draft of Operating Agreement pertaining to the Tombstone Project. I have discussed the provisions by phone with Tom Schloss and Dwight Lee, but neither has had the opportunity to examine the enclosed draft.

It is my understanding that you and Tom will be meeting tomorrow and I am delivering the draft herewith so that you will have an opportunity to review the same prior to your meeting. Please hold one copy for Tom Schloss since he will not have received a copy prior to his arrival in Tucson.

Very truly yours,

Leo N. Smith

LNS/jlm
Enclosures

cc: Messrs. Thomas H. Schloss and
Dwight Lee w/enclosure
Allen Taelsnick w/enclosure

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TO AVOID PAYMENT OF PENALTY AND INTEREST THIS PAYMENT MUST BE IN THE OFFICE OF THE STATE LAND DEPARTMENT OR BEFORE THE DUE DATE. DATE OF POSTAL STAMP NOT ACCEPTED AS DATE OF PAYMENT.

STATE OF ARIZONA
STATE LAND DEPARTMENT
1624 WEST ADAMS – 4th FLOOR – PHOENIX, ARIZONA 85007

RECEIPT – PAYEE

Southwestern Exploration Asso., Inc.
4500 E. Speedway, Suite 14
Tucson, Arizona 85712

SECTION	TOWNSHIP	RANGE

30248

KIND ENTRY	LEASE-REFERENCE NO.	
08	73608	00

	ACCOUNT NO. GRANT FUND	SUB	CARRYING CAPACITY	BILLING DESCRIPTION	RATE	ACRES	$ AMOUNT
14	030	04		Prospecting Permit Rental		601 89	1 203 78
				Lots 1-2; SESE; SWSW; N2S2;			
				N2 less M-2550			
				Sec. 32 Twp. 20S Rge. 22E		1	CK CK M 1203.78+
				Acres 601.89	0024	4 24 79	1203.78+T

CERTIFICATE OF PURCHASE UNPAID BALANCE $	BILLING PERIOD FROM MO.	DAY	YR	TO MO.	DAY	YR	DATE BILLED MO.	DAY	YR.	DATE DUE MO.	DAY	YR.	TOTAL ACRES	TOTAL AMOUNT $
	04	24	79	04	23	80	04	09	79	04	24	79	601 89	1 203 78

IF PAYMENT IS MADE ON OR BEFORE THIS DATE → PAY THIS AMOUNT

SEE OTHER SIDE FOR LAW PERTAINING TO PENALTY AND INTEREST – A. R. S. SEC. 37-288.

RENTAL AMOUNT SUBJECT TO PENALTY AND INTEREST IF NOT PAID ON OR BEFORE DATE DUE ($)

5% PENALTY OF RENTAL AMOUNT - - - - - - - - - - - $

TOTAL RENTAL AMOUNT PLUS PENALTY - - - - - - - - ($) TOTAL PENALTY AND INTEREST

10% INTEREST PER ANNUM OF RENTAL AMOUNT AND PENALTY – NUMBER OF DAYS DELINQUENT ( ) $ $

TOTAL AMOUNT DUE INCLUDING PENALTY AND INTEREST - - - - - - - - - - - - $

CASH RECEIVED $

BALANCE DUE OR OVERPAYMENT $

PENALTY AND INTEREST DISTRIBUTION			$

L

RECEIVED MAY 2 1979

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(29) DRAFT

APR 2 5 1979

OPERATING AGREEMENT

THIS AGREEMENT is made effective as of the ____ day of _____, 1979, by and between: TOMBSTONE EXPLORATION INC., a Delaware corporation qualified to do business in the State of Arizona ("TEI"), and AUSTIN EXPLORATION & MINING CORPORATION, an Arizona corporation ("AEM"), both of which parties are hereinafter sometimes collectively referred to as the "parties." The parties have agreed that Southwestern Exploration Associates, Inc. ("SEA") shall serve as the initial "Operator" (as hereinafter defined) and the execution of this Agreement by SEA shall serve as its agreement so to act pursuant to the terms and conditions of this Agreement and subject to the rights and obligations afforded "Operator" hereunder.

W I T N E S S E T H:

WHEREAS, the parties own, or intend to acquire, as tenants in common the entire leasehold estate in and to certain patented and unpatented mining claims owned by Tombstone Development Company ("TDC") all as more particularly described and defined in Section 1 as the "Initial Property Interests," and desire to participate in a program for further acquisition, exploration, development and mining of any or all of the minerals within the area defined in Section 1 as the "Area of Interest" and encompassing the Initial Property Interests and other areas within the Tombstone Mining District, Cochise County, Arizona;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

1. Definitions

As used in this Agreement, the following terms shall have the meanings assigned to them in this Section 1:

(a) "Operator" shall mean SEA, acting in that capacity as hereinafter provided and any successor Operator appointed hereunder.

(b) "Non-Operators" shall mean TEI and AEM, together with their respective successors and assigns, ~~and additional parties~~ including additional equity owners ~~which may~~ if any.

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(c) "Area of Interest" shall mean the following described area in Cochise County, Arizona:

(i) approximately 85 patented and 18 unpatented lode mining claims owned by TDC to be leased to one or more of the parties, a more particular description of which claims is set forth in that certain "Preliminary Draft of Lease Agreement" dated February 7, 1979, copies of which have been furnished to and examined by the parties hereto;

(ii) any additional mining claims, mineral interests or mineral properties leased, optioned, located or otherwise acquired by or on behalf of the parties, or either of them, or by or on behalf of the "Project," and which may be a part of, or an offset of, any mineralized deposits contained within properties leased from TDC, including without limitation the claims or areas known as the Tombstone Extension, Tombstone Mineral Reserve and the State of Maine areas (it being understood that claims and properties within the State of Maine area are owned principally by the Escapule family and that the Project may find it to its advantage to enter into some type of a joint venture with the Escapules); and

(iii) any potential porphyry copper targets in the Seth Horn and Robbers Roost areas leased, optioned, located or otherwise acquired by or on behalf of the parties, or either of them, or by or on behalf of the "Project";

less any portions thereof as may, from time to time, be deleted therefrom pursuant to the surrender provisions of Section 8 below.

Re for description

(d) "Initial Property Interests" shall mean the leasehold interest of "Lessee" created under that certain Lease Agreement dated _____, 1979, by and between TDC (as "Lessor") and _____ _____ (as "Lessee") a Memorandum of which is or will be placed of record in the office of the Cochise County Recorder.

(e) "Project" shall mean the joint program of acquisition, exploration, development and mining undertaken by the parties pursuant to this Agreement.

(f) "Project Operations" shall mean all of the operations conducted for the parties by Operator under the provisions of this Agreement.

(g) "Project Properties" shall mean any lands or interests in lands (including the Initial Property Interests) now owned or hereafter acquired by any of the parties hereto within the Area of Interest less any such lands or interests therein as may, from time to time, be deleted therefrom pursuant to the surrender provisions of Section 8 below.

(h) "Operating Committee" shall mean the committee provided in Section 5 consisting of representatives of each of the parties.

(i) "Plan" or "Plans" shall mean a plan or plans adopted by the parties pursuant to the provisions of Section 4.

(j) "Exploration" or "Exploration Operations" when used herein shall refer to the activity or work of prospecting and searching

for ores and minerals on, in or under the Project Properties and drilling, examining, measuring and sampling a mineral deposit ~~when found~~ in order to gain knowledge of the size, shape, position and characteristics to determine the value of the deposit and all other activity or work performed outside a Development Block.

(k) "Development" or "Development Operations" when used herein shall mean any and all operations conducted on or in connection with a Development Block.

(l) "Development Block" shall mean such portions of the Project Properties so designated as hereinafter provided after determination has been made that minerals are present therein of sufficient quantity and quality to warrant development.

(m) "Committing Party" shall mean the party or parties who have elected to participate in the costs incurred in any operation conducted pursuant to an effective Plan.

(n) "Non-Committing Party" shall mean the party or parties who have elected not to participate in the costs incurred in any operation conducted pursuant to an effective Plan.

(o) "Joint Account" shall mean the accounts and records maintained for the parties by the Operator for the purpose of accounting for and apportioning contributions, costs and credits with respect to the Project and Project Operations.

(p) "Accounting Procedure" shall mean the Accounting Procedure attached hereto as Exhibit A.

2. Title Examination and Loss of Leasehold or Interest

If for any reason title to the Initial Property Interests or any interests hereafter acquired fail or are lost in whole or in part, such loss shall be the joint loss of the parties and shall be borne by the parties in proportion to their interests owned in the Project.

3. Interest of the Parties

(a) The parties shall initially own, as of the effective date of this Agreement, the following undivided interests in the Project and in and to the Project Properties:

Party	Undivided Interest
AEM	70%
TEI	30%

(b) Unless this Agreement sooner terminates pursuant to the provisions of Section 24 below, the undivided interest of TEI in and to the Project and in and to the Project Properties shall increase in

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relation to the amounts initially contributed by TEI to the Project, and the interest of AEM shall decrease in a corresponding amount, pursuant to the following schedule:

Cumulative Funds Furnished to the Project by TEI*	Undivided Interest of TEI
$ 75,000.00	35%
$100,000.00	40%
$125,000.00	45%
$150,000.00	50%
$175,000.00	55%
$200,000.00	60%

must make $25,000 cont. here

*Cumulative Funds shall include all funds heretofore contributed by TEI and by its predecessor in interest pursuant to that certain letter agreement dated March 7, 1979 between Thomas H. Schloss and Dwight Lee (predecessors in interest to TEI) and James A. Briscoe.

The rights, obligations and elections by TEI to provide any such funds (and obtain the corresponding undivided interest) are all more particularly set forth in subparagraph (c) of this Section 3.

(c) TEI shall have the right, at its election, to provide the initial funds to the Project up to and including a total of $200,000.00 and, by so doing, to earn an undivided interest in the Project and the Project Properties in the percentage set forth in subparagraph (b) above, all in accordance with the following:

(i) The Project shall make calls at intervals no more frequent than twenty (20) days per call, all subject, however, to the provisions of subparagraph (v) below;

(ii) Contributions may be advanced by TEI at such other intervals as it may choose, whether or not the sums advanced are needed at the time of contribution and whether or not a Plan is in effect which would require such sums, all to the end that TEI shall maintain the right at its election to complete all or such portion of the cumulative investment as it may elect, thus entitling it to TEI's undivided interest set forth in subparagraph (b) above;

(iii) Unless AEM otherwise agrees in writing, the failure of TEI to make contributions within the schedule set forth in subparagraph (b) above shall terminate the right of TEI to thereafter acquire an additional percentage of undivided interest by making such additional contributions;

(iv) If TEI either elects not to make further contributions or if TEI loses the right to make further contributions, the undivided interest of TEI shall thereafter remain at the percentage specified in subparagraph (b) above, all subject, however, to the withdrawal and dilution provisions of Section 11 below;

(v) Anything in subparagraph (i) through (iv) to the contrary notwithstanding, until such time as TEI has made the total cumulative contributions described in subparagraph (b) of this Section 3 or has forfeited its right to make further contributions,

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major Project decisions including, without limitation, those relating to cash calls, payments to equity owners from cash flow, pursuing further exploration targets, acquisition of additional lands or mineral interests, expenses for plant or facility expansion, and decisions concerning termination or discontinuance of all or a portion of the Project Operations will require the unanimous approval of the Operating Committee; and

(vi) If TEI acquires less than a 50.1% undivided interest, and if the Project or if AEM elects to proceed to obtain additional outside funding, ~~in excess of $200,000.00~~, it is agreed and understood by TEI that its undivided interest in the Project may be subject to further reduction (which reduction shall not reduce the undivided interest of TEI to less than the percentage that contributions made by TEI plus TEI's share of Project proceeds used for Project Operations bears to the total amount contributed to the Project); provided, however, that if TEI's undivided interest in the Project is thus reduced to 10% or less, TEI shall be obliged to relinquish its undivided interest to the other parties to the Project in return for a 10% "Net Profits Interest" as described in Section 11(c) below.

(d) From and after the time that TEI's undivided interest has been determined under subparagraph (c) of this Section 3, the costs incurred and production developed under this Agreement shall be paid and shared by each of the parties as its interest exists at the time such costs are incurred or production is obtained.

4. Project Plans

Subject only to the provisions of Section 3(c), Project Operations hereunder shall be performed pursuant to Plans adopted by the parties from time to time after submittal by Operator of proposed Plans to the parties, it being understood that Plans leading to the diligent operations of the Project will be proposed at reasonable intervals during the term of the Project. In the event Operator fails to timely propose a Plan, a Plan is not approved as proposed, or more than six (6) months have elapsed since completion of the previous Plan without Operator proposing a subsequent Plan, then a Non-Operator may propose a Plan to the parties and to the Operator. A Plan or proposed Plan shall describe work to be performed, set forth estimates of costs to be incurred in carrying out the work, and give an estimated period of time to perform the work. Prior to such time as TEI's undivided interest has been determined pursuant to Section 3 above, any such proposed Plan shall not encompass operations for a period exceeding sixty (60) days nor shall the total expenditures proposed in any single Plan exceed $25,000.00. Thereafter, unless prior written approval is obtained from the parties, no proposed Plan shall encompass operations for a period exceeding three (3) months nor shall the total expenditures proposed in any single Plan exceed $500,000.00. No Plan shall combine Development Operations with Exploration Operations.

(a) Plans proposing Exploration shall be submitted separately from Plans proposing Development Operations and each such Exploration Plan shall be for a period of not less than two (2) months nor more than six (6) months. ~~and shall call for an estimated expenditure not to exceed $ 50,000.00.~~ Unless otherwise agreed by the parties, only one Exploration Plan shall be carried out at one time.

(b) The Initial Plan proposing Development Operations shall designate an area as a Development Block within which all operations proposed by the Plan shall be conducted. Thereafter, additional Development Plans within a designated Development Block may be proposed. Each time a Plan for Development Operations is proposed on lands not included within a designated Block, a new area shall be designated as a Development Block for such lands unless all of the parties agree to add such additional lands to an existing Development Block.

(c) ~~Until~~ such time as ~~Project expenditures~~ Capital contributions exceed $200,000.00, each party shall confirm to Operator and the other party in writing within seven (7) days after receipt of a Plan approved by the Operating Committee, evidencing its approval or disapproval of the proposed Plan. ~~Thereafter~~ After, each party shall ~~confirm~~ communicate to Operator and the other party in writing within thirty (30) days after receipt of a proposed Plan, its approval or disapproval of the proposed Plan. Failure to reply shall constitute an election not to commit to the Plan. No Plan shall become effective without the approval of both parties, until such time as either (i) contributions by TEI total $200,000.00; or (ii) TEI's undivided interest is finally determined as provided in Section 3 above. Thereafter, if any party or parties elect not to commit to such Plan, such Plan shall not become effective nor be carried out unless a party or parties ~~owning not less than an undivided 50.1% interest in the Project~~ committing thereto elects to proceed with the Plan for their own account. How is equity interest then distributed? Subject to provisions of Sect. 11 below.

Exceptions ?

What happens if minority insists proceed.

As this is written the 49.99% in this parties are in not acceptable

5. Operating Committee

An Operating Committee comprised of two representatives of each of the ~~parties~~ non-operators shall be established. Each party may designate one or more alternates to serve in the absence of each of the designated representatives. The names of the designated representatives and of any alternates shall be filed in writing with the Operator. Each representative shall have a vote equal to one-half of that percentage interest owned by the party which he represents. Except as otherwise specifically provided in this Agreement, decisions of the Operating Committee shall require the approval of those representatives representing a majority interest in the Project. Meetings of the Operating Committee may be held by conference telephone ~~at which all members of the committee are represented~~ and may be called by the Operator or by the representative of any of the parties. The Operating Committee shall meet at no less than semi-annual intervals at the Project's operations office (it being anticipated that such office shall be located either in Tombstone or in Tucson, Arizona). A party may change its representative (or any alternate representative) by notice to the Operator and to the

in which all members the committee participate

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other parties in writing. All decisions relating to the time and manner of distribution of Project proceeds shall be made by the Operating Committee. Subject to the provisions of Section 3, any calls upon the parties for funds or advances to the Project shall also be made by the Operating Committee. All reports from Operator shall be directed to all of the members of the Operating Committee.

6. Access to Premises

Non-Operators shall have access at their sole risk to the Project lands and Project Properties at any reasonable time to inspect any Project Operations, together with the right to inspect all drilling data, samples, cores, logs, and all other data pertaining to the Project obtained by Operator while conducting the Project Operations and upon reasonable request from Non-Operators, Operator shall be obligated to furnish directly to Non-Operators copies of all logs, assay reports, maps, feasibility studies, production records and other documents pertaining to the Project.

7. Land Acquisition

All interest heretofore acquired by the parties hereto or their agents within the Area of Interest shall be subject to the terms of this Agreement. Any interests within the Area of Interest hereafter acquired during the term of this agreement shall be acquired by the Project pursuant to a Plan or pursuant to the consent of all of the Non-Operators and the acquisition costs shall be Project costs. Nevertheless - - - - - - In the event any party hereto proposes to acquire any additional lands or mineral rights within the Area of Interest, such party shall notify the other parties of such proposal by written notice setting forth in such notice a description of the lands or interests, costs of acquisition, and the facts upon which the proposing party bases its conclusions that such lands should be acquired by the Project. During the term of this agreement Operator shall not acquire any interest within the Area of Interest for its own account without first obtaining the prior written approval of all of the parties.

exploration block be acquired by Project - if commitment not to renew

Land Disposition

Put in definition

8. Surrender - Liquidation

Except as hereinafter provided, no interest in any of the Project Properties shall be terminated or disposed of ~~surrendered~~, in whole or in part, without the consent of all parties. Whenever any party desires to terminate or dispose of ~~surrender~~ all or any portion of its interest in any Project Properties, it shall give notice thereof, in writing, to the other parties. Any party receiving such notice shall have the right to elect by notice in writing to the notifying party within fifteen (15) days thereafter to take from the party desiring to terminate or dispose of Project Properties ~~surrender~~ an assignment without warranty, express or implied, of the interest desired to be terminated or disposed of ~~surrendered~~. Any party so electing shall pay the party desiring to terminate or dispose of Proj properties ~~surrender its share of the salvage value of any salvable materials and equipment then located or used in connection with the Project Properties covered by such interest.~~ After assignment is made, the assigning party shall be relieved from all

a mutually agreeable price

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obligations thereafter accruing with respect to the interest so assigned; and such interest shall no longer be subject to this Agreement. If more than one party so elects, and the assignment is to more than one party, the interest so assigned shall be apportioned among the assignees in proportion to their respective participating interests. If no party elects to take assignment within such period, the parties shall proceed to take the necessary steps to ~~surrender~~ terminate or dispose of the Project Properties covered by the interest desired to be surrendered.

9. Operator's Powers and Rights

In accordance with the terms and conditions of each effective Plan, Operator shall have full, complete and exclusive control, charge and supervision of the Project Properties and the personal property included in the Project and all Project Operations conducted thereon. Operator shall conduct Project Operations to the best of its ability and in accordance with the terms and conditions of each effective Plan using modern techniques and good and economical mining practice. All operations shall be conducted with due regard for the development and preservation of said Project Properties and Project capital and in keeping with applicable federal, state and local laws and ordinances and regulations. Operator shall conduct its operations hereunder as an independent contractor and all work performed and equipment furnished by Operator shall at all times be in Operator's direct control and supervision. Pursuant to the provisions of each Plan, Operator shall select the means, manner and method of performing Project Operations. Operator shall abide by directions from the Operating Committee as to the end results to be accomplished, but Operator shall assume the sole responsibility for directing its employees and equipment as to the manner and means of accomplishing the same. Operator assumes all liability for, and agrees to defend, indemnify and hold the parties harmless, from and against any and all demands and any liabilities sought to be imposed upon the parties, and from and against all loss, damage, personal injury (including death), and costs and expenses arising from conduct by Operator of its operations hereunder.

Will carry appropriate insurance

10. Operator's Duties and Obligations

Operator shall have, among others and without limitation, the following specific duties and obligations:

(a) to manage, direct and control all Project Operations in and under the Project Properties in a prudent workmanlike manner and in accordance with the terms and conditions of each effective Plan, each instrument under which interests in the Project Properties were acquired, and all applicable laws, ordinances and regulations, including without limitation, those pertaining to mining claims and mining operations. Operator shall, before incurring total expenditures not previously included in an effective Plan in excess of $1,000.00 of the amount of such Plan, secure the approval of the Operating Committee.

(b) to keep true and correct books, accounts and records of operations hereunder and to permit at all reasonable times the inspection, examination and auditing thereof by Non-Operators, to submit monthly financial statements, and to submit to summaries of Operating Plans and projections to the Operating Committee;

(c) to keep the Project Properties free from liens and encumbrances occasioned by its operations hereunder, except only the lien hereinafter granted to Operator; Provided, that adequate funds are provided operator to discharge obligations which might occasion such lien;

(d) to furnish the Operating Committee on or before the 20th day following the close of each calendar month with a statement of minerals produced from the Project Properties, ~~and the proceeds thereof, if sold through Operator during the preceding calendar month;~~

(e) to pay ~~for~~ from available funds the Joint Account of the Parties, ~~on production sold from the Project Properties~~, all royalties payable under the terms of each lease or agreement ~~and charge the same to the Joint Account, as provided in the Accounting Procedure, a copy of which is attached hereto as Exhibit A;~~

(f) to pay from available funds all costs, expenses and liabilities accruing or resulting from Project Operations and to account to Non-Operators in accordance with the provisions of the Accounting Procedure; in the event the terms of the Accounting Procedure conflict with any of the provisions hereof, this Agreement shall be deemed to control;

(g) to account for any income received for the Joint Account and to distribute the same as directed in writing from time to time by the Operating Committee, to the extent such income exceeds each such party's pro-rata share of operating capital requirements;

(h) to furnish the Operating Committee within twenty (20) days following the close of each calendar month with a summary of operations conducted during the preceding calendar month.

11. Voluntary Withdrawal; Failure to Commit to Plan; Dilution

(a) Any party hereto shall have the right to voluntarily withdraw from the Project or from any Development Block and terminate its interest therein prior to termination of the Project by giving written notice of such withdrawal to the other party or parties. In the case of such a voluntary withdrawal, all of the rights and obligations of the withdrawing party under this Agreement or under the portion of the Project Properties constituting such Development Block shall terminate as of the date of the giving of notice of such withdrawal; and all right, title and interest of the withdrawing party in and to Project Properties or the applicable Development Block portion thereof shall be deemed to have been transferred automatically to the non-withdrawing parties in undivided interests in the same proportion as the respective interests of such non-withdrawing parties in the Project or in the applicable Development Block at that time bear to each other; provided, however, that: (i) the withdrawing party shall remain liable for all amounts chargeable to it with respect to any Plan to which it is committed, including costs incurred pursuant to such Plan after the

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effective date of the withdrawal but not in excess of the most recent cost estimates committed to, or approved by, such withdrawing party; and (ii) the withdrawing party shall remain obligated to execute and deliver such instruments as may be necessary to formally effect the transfer of its interest in the Project and in the Project Properties, or the applicable Development Block portions thereof, to the non-withdrawing parties. A withdrawing party shall be furnished with data acquired in connection with Project operations prior to withdrawal but shall not, other than under the provisions of this Agreement, conduct or become a part of any exploration program or prospecting venture nor obtain any interests within the Area of Interest for a period of two (2) years from the actual date of its withdrawal and for such period shall hold confidential any information acquired pursuant to this Agreement.

(b) Any party hereto who has elected not to commit itself to a proposed Development Plan which becomes an effective Project Plan shall not, for that reason alone, be deemed to have withdrawn from the Project, but such Non-Committing Party shall be deemed to have relinquished to the Committing Parties its share of any production from such Development Block, or the proceeds therefrom, until such time as the Committing Parties have recovered from the Non-Committing Party's ~~share of production an amount equal to the total of the following or, in the alternative,~~ the Non-Committing Party has paid to the Committing Parties in the same proportion as the respective interests of the Committing Parties at that time bear to each other an amount equal to the total of the following:

How do we determine this

(i) 300% of that portion of all Exploration Operations costs and expenses that would have been chargeable to the Non-Committing Party had it and all the other parties hereto participated from the beginning in the Development Plan, plus

(ii) 200% of that portion of Development Operations costs and expenses that would have been chargeable to the Non-Committing Party, had it and all other parties participated from the beginning in the Development Plan, during the period prior to the time the Non-Committing Party's relinquished interest in production shall revert to it under the provisions of this subparagraph (b), plus

(iii) 150% of the Project's royalty, overriding royalty and other lease burdens, if applicable, and the production taxes accruing on and with respect to the ores received by the Committing Parties and attributable to the share of production relinquished by the Non-Committing Party;

provided, however, that unless the Committing Parties have recovered the amount equal to the total of (i) plus (ii) plus (iii) within six (6) months from the completion of the Development Plan or unless within such six-month period the Non-Committing Party has paid such total amount to the Operator for the collective account of the Committing Parties, the interest of the Non-Committing Parties thereafter shall be subject to the

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What's that? How is that determined?

dilution provisions of subparagraph (c) of this Section 11. At any time prior to completion of a Development Plan, the Non-Committing Party may notify Operator and the Committing Parties in writing of its election to commit to the remainder of the Development Plan and may thereafter participate in operations under the Development Plan by paying to the collective account of the Committing Parties the full amount in cash that the Committing Parties would have recovered under (i), (ii) and (iii) above for actual expenditures made under the Plan through the current accounting period as provided in the Accounting Procedure. The Non-Committing Party shall receive credit for any amount which the Committing Parties have recovered from the Non-Committing Party's share of production from the applicable Development Block through the same accounting period.

B.S. Retro active pay this for simplicity sake? Time value of money?

(c) In the event the Non-Committing Party has not paid ~~or received credit for the amounts described in~~ (i), (ii) and (iii) of subparagraph (b) above within the six-month period provided therein, the Non-Committing Party's undivided interest in the Development Block shall be reduced to that percentage of the entire undivided interest therein that the Non-Committing Party's expenditures to such date bear to the total Development Block expenditures (capital contributions) to such date, and such Non-Committing Party shall have no right thereafter to participate in further Plans with respect to such Development Block. In a like manner, at the completion of each Development Plan thereafter, the interest of the Non-Committing Party shall be diluted to the percentage that its Development Block expenditures bear to the total Project expeditures; provided that if such Non-Committing Party's undivided interest in the Development Block is reduced to 10% or less, such Non-Committing Party's undivided interest in and to the Development Block and in and to the Project Properties constituting the same shall terminate subject only to the retension by the Non-Committing Party of a non-working ~~10%~~ 5% "Net Profits Interest" (as described in Exhibit B attached hereto and made a part hereof) in and to the proceeds, if any there be, taken by the Committing Parties, their successors or assigns, from the Project Properties constituting such Development Block (as such Project Properties exist as of the date of such termination).

12. Transfer of Interest

(a) Should any party desire to dispose of part or all of its interest in this Agreement to a prospective purchaser other than a party to this agreement, such party shall advise the other party in writing of its desire and of the terms and conditions of such desired disposition including the consideration in lawful money of the United States or its equivalent which it is willing to accept for such interest together with all other pertinent terms and conditions of such disposition, including the identity of the prospective purchaser, and the facts on which the transfering party based its calculations. Within thirty (30) days after receipt of such written notice, the other parties shall have the option of acquiring the interest proposed to be disposed of on the terms and conditions and for the consideration proposed. If more than one of the other parties elect to

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exercise such option, the acquisition shall be pro-rated according to each such other parties' interest in the Project. If the interest offered to be disposed of by disposing party is not so acquired by the other parties within the time provided, the disposing party shall have the right for a period of ninety (90) days from the expiration of the aforementioned thirty-day period to dispose of such interest to ~~any~~ the ~~third party or parties~~ prospective purchaser indicated in the afore mentioned notice upon substantially the same terms and conditions and for a consideration no greater than specified in such notice; provided, however, that such interest may not be disposed of unless the purchaser, concurrently with said sale and purchase, delivers to the other parties a written and enforceable assumption by the purchaser of the obligations of the disposing party under this Agreement, in a form acceptable to the other parties; provided ~~further, however, that if the initial notice given by disposing party~~ to other parties does not identify the prospective purchaser ~~of such interest, the party to whom disposition of such interest is intended~~ to be ~~made must first be approved in writing by other parties~~, ~~which approval shall not be unreasonably withheld~~. If such interest is not disposed of within such ninety-day period, it must first be re-offered to the other parties prior to any subsequent disposition thereof.

B M affiliates

(b) The right of first refusal granted in subparagraph (a) of this Section 12 shall not apply to any interest in this Agreement through merger, reorganization, consolidation, dissolution or where a party assigns its entire interest in this Agreement to a parent corporation or to a wholly owned subsidiary, but any such transaction shall not be valid until written notice thereof has been delivered to the other parties, together with a written and enforceable assumption by receiving person of the obligations of disposing party under this Agreement as they relate to the interest so acquired.

delete

(c) The right of first refusal granted in subparagraph (a) of this Section 12 shall not apply to any mortgage, pledge or hypothecation by the disposing party of all or any portion of its interest in this Agreement and in the Project Properties; but it is understood that such mortgage, pledge or hypothecation is and shall be made expressly subject to this Agreement and made subject to the condition that on any realization of the security, any person thus acquiring an interest shall deliver to other parties a written and enforceable assumption of the obligations of disposing party under this Agreement as they relate to the interests so acquired, and any such mortgage, pledge or hypothecation shall not be valid until written notice thereof has been delivered to the other parties.

a lien - borrower shall get approval other parties. other parties an purchase solitarily stock + pay under.

(d) Except as provided in Sections 8 and 11 and in this Section 12, no disposition of any interest shall be made by any party.

13. Insurance

Operator shall carry or maintain for the benefit and at the expense of the Joint Account the insurance coverage set forth in Exhibit C attached hereto and made a part hereof naming as additional insureds each of the parties, as their interests may appear.

Can this be done for workmen's comp - see Att. C

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14. Term

Subject to the rights of surrender and withdrawal as herein provided and unless sooner terminated or further extended by mutual agreement, this Operating Agreement shall remain in force and effect so long as the Project Properties are jointly owned by the parties and thereafter until all materials, supplies and equipment have been salvaged and disposed of and a final accounting has been made between the parties.

Provided that operating expenses have been paid and provision has been made for reasonable operating reserves

15. Disposition of Production

Each of the parties shall have the right to take in kind ~~or separately dispose of~~ its proportionate share of all ores and minerals produced from the Project Properties in such form as the Operating Committee deems appropriate and convenient. Any extra expenditures incurred by reason of the taking in kind ~~or separate disposition~~ by any parties of their proportionate share of said ores and minerals so produced shall be borne by each such party and each such party shall be required to construct, operate and maintain, all at its own expense, any and all facilities which may be necessary to receive, store and dispose of its share of production at the rate it is produced. In the event any party shall fail to make the arrangements necessary to take in kind ~~or separately dispose~~ of its proportionate share of said ores and minerals, such party shall be solely liable to the other party for any costs incurred by the Operator or by the Project in preserving or storing such proportionate share. ~~With the prior written consent of a party,~~ the Operating Committee may ~~enter into a sales contract for such party's~~ proportionate share of ores and minerals produced; provided that all contracts of sale for any such party's share of ores and minerals produced shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. If any party is not taking its share of such ores and minerals in kind, any proceeds received by the Project for such party shall be distributed or accounted for quarterly to such party; provided, however, that Operator shall be entitled to retain and apply any proceeds of production accruing to any party hereto on any unsatisfied expenses chargeable against such party as herein provided. In case of any adverse claim, dispute or question as to the right to receive the production or proceeds deliverable to or payable to any party under this Agreement, the Operating Committee shall not be required to make delivery or payment thereof under this Agreement until final disposition of such claim, dispute or question and the Operating Committee may withhold delivery or payment thereof and, in the case of payments, deposit the same in a separate account until the Operating Committee is furnished with the original or certified copies of an instrument disposing of such claim or dispute or until delivery to the Operating Committee of proof sufficient in the opinion of the Project's counsel to settle the same, in which event the Operating Committee shall make

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payment of the amounts so deposited in accordance with the instrument or proof so furnished. All costs incurred by the Project in stockpiling, selling or otherwise disposing of production so withheld shall be a charge against the Non-Operator whose right to receive the same has been so disputed or questioned.

16. Taxes

Operator shall pay from available funds for the Joint Account, as the same become due and payable, all taxes levied or assessed against the Project Properties and the production therefrom and against all personal property acquired in operations hereunder including, but not limited to, ad valorem, production, severance, sales, use and like taxes; provided that the Operating Committee or any of the parties shall have the right to contest in the courts or otherwise, the validity or amount of any such taxes if it deems the same unlawful, unjust, unequal or excessive and to take such other steps or proceedings as it may deem necessary to secure a cancellation, reduction, readjustment or equalization thereof before the same shall be required to be paid.

17. Rentals and Other Obligations

Operator shall pay from the Joint Account any and all ~~delay rentals and~~ other rentals, if any, which may become due and payable on the Project Properties. Operator agrees to follow good and customary practices in the matter of administrating said payments and to do all work necessary and make all payments necessary within the time required by any instrument under which interests in the Project Properties were acquired and to do whatever else is reasonably necessary to maintain the interests of the parties in the Project Properties and charge the Joint Account for the same.

? what's a delay rental

18. Operator's Lien

Non-Operators hereby grant to Operator a lien upon their respective interests in the Project and the Project Properties and in the jointly owned equipment and other property and upon their interests in all production as security for payment of costs chargeable to them, together with any interest payable thereon. Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by a Non-Operator in the payment of costs chargeable to it, Operator shall have the right to collect and receive from the purchaser or purchasers thereof the proceeds of such defaulting Non-Operator's share of production up to the amount owing by such Non-Operator plus interest at the rate of 12% per annum until paid; each such purchaser shall be entitled to rely on Operator's statement concerning the existence and amount of any such default.

The operator shall not be permitted to make a debit against a Non-Operator's share of production from which [illegible]

19. Change of Operator

Operator may resign from its duties and obligations at any time upon written notice of not less than 180 days given to Non-Operators. If Operator shall become bankrupt, subject to compliance with requirements of Section 12 hereof, it shall cease to be Operator without need of any further action other than selection, by the Operating Committee, of a successor operator. Provided that TEI has contributed capital of at least $200,000 The Operating Committee may, at any time subject to the provisions of 7B below discharge the Operator upon no less than ~~thirty (30)~~ 180 days' prior written notice by a vote of the Operating Committee's representatives holding a majority in interest in and to the Project. ~~Provided that~~ If any Non-Operator shall at any time consider that the Operator is in default of performance of any of its duties and obligations hereunder, such Non-Operator shall give the Operator and other Non-Operators written notice thereof setting forth in detail the matters wherein default is claimed. If, within thirty (30) days from its receipt of such notice, Operator does not either correct the matters of which complaint is made or show cause why such matters do not constitute a default, then thereafter, by the vote of one or more Non-Operators then owning a majority of the interest in the Project, upon a finding of such a default of Operator and that the default is continuing, remove the Operator and select a successor. The Operator, upon ceasing to act in such capacity for any reason, shall deliver to its successor the custody of all of the assets, records, books and other property, both real and personal, of the Project and shall not acquire, nor consult upon, any mineral properties within the area of interest ~~a distance of five (5) miles from the exterior boundary of the Project Properties~~ for a period of 2 years. The successor Operator shall assume the responsibilities and duties of, and shall have the rights granted to, the Operator pursuant to this Agreement.

20. Relationship of the Parties

It is understood and agreed between the parties that the ownership in the Project Properties and the personal property located thereon shall be and is as tenants in common, and the liability of the parties shall be several and not joint or collective. It is not the purpose or intent of this Agreement to create, and same shall never be construed as creating, a joint venture, mining partnership, commercial partnership or other partnership relation. Each party shall be responsible only for its obligations as herein set forth and shall be liable for its proportionate share of the cost of developing and operating the Project Properties. Each of the parties elects to be excluded from the application of all of the provisions of Sub-Chapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, and the Operating Committee is hereby directed and hereby agrees to file such elections with appropriate partnership returns for the first year in which this Agreement is in effect.

Get Kyle to Review

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21. Laws and Regulations and Force Majeure

(a) This Agreement shall be subject to all valid and applicable laws and official rules and regulations; and, in the event this Agreement or any of the provisions hereof or the operations contemplated hereby are found to be inconsistent with or contrary to any such valid laws or official rules or regulations, the latter shall be deemed to control and this Agreement shall be regarded as modified accordingly and, as so modified, to continue in full force and effect.

(b) In the event of Operator being rendered unable wholly or in part, by force majeure applying to its operations, to carry out its obligations under this Agreement ~~other than to make payment of amounts due hereunder,~~ from available funds in the joint account it is agreed that the obligations of the Operator so far as they are affected by such force majeure shall be suspended during the continuance of any inability so caused, but for no longer period; and such cause shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure," as employed herein, shall mean acts of God, strikes, lock-outs or other industrial disturbances, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, any state or federal laws, regulations or other matters beyond the reasonable control of the Operator, whether similar to matters herein specifically enumerated or not; provided, however, that performance shall be resumed within a reasonable time after such cause has been removed; and provided further that the Operator shall not be required against its will to adjust any labor dispute or to question the validity of or to refrain from judicially testing the validity of any state or federal order, regulation or law. This Agreement shall not terminate while operations hereunder are prevented by reason of any cause in this subparagraph.

22. Notices

For the purpose of receiving notices as required by this Agreement, the parties designate the following addresses and notices shall be deemed given upon deposit thereof in the United States mail, certified or registered, postage prepaid:

If to TEI:	Tombstone Exploration, Inc. 1700 Broadway New York, New York 10019
If to AEM:	Austin Exploration & Mining Corporation 4500 East Speedway Boulevard, Suite 14 Tucson, Arizona 85712
If to Operator:	Southwestern Exploration Associates, Inc. 4500 East Speedway Boulevard, Suite 14 Tucson, Arizona 85712

which addresses may be changed upon written notice given as as above set forth.

23. Information to Parties; Confidentiality

Operator shall keep Non-Operators informed, at reasonable intervals, of the progress and results of Project Operations performed hereunder. Except as otherwise provided in this Agreement, each party agrees that, without written consent of the other party first granted, it will treat as confidential and prevent disclosure to any third parties of any geological or geophysical or other technical information and data relating to the Project Properties or operations undertaken pursuant to this Agreement. This obligation shall be a continuing one throughout the term of this Agreement, notwithstanding such party may have ceased to be a party to this Agreement before its termination. While this Agreement is in effect, no party hereto shall, without the express written consent of the other parties, disclose any information it may obtain with respect to the results of Project Operations conducted hereunder nor issue any press releases concerning the Project's operations, except where counsel for such party renders a written opinion that such disclosure is required by applicable governmental statute or regulation. In such latter event, copies of the opinion and the text of the proposed disclosure or release shall be furnished to the other parties and at least fifteen (15) days prior to such disclosure or release. Nothing contained herein shall prohibit disclosure by a party to consultants or advisors employed by such party, provided that any such information shall be treated as confidential and proprietary by the consultant or advisor so retained.

24. Termination; Furnishing of Data

Each party shall, as soon as possible following termination pursuant to Section 14 hereof, complete the discharge of all of its proportional share of accrued or outstanding obligations to the other parties or to third parties incurred under this Agreement and not previously met. Any party, upon termination and upon discharge of the above mentioned obligations, may, if it so chooses, quitclaim to the other parties its interest in the Project Properties, or in any portion thereof. Upon termination of this Agreement, each of the parties shall be entitled to all information acquired under the Project, including copies of all maps, data and reports which can be reproduced and which have not theretofore been furnished, but any original work product of operator shall remain the property of operator

25. Headings for Convenience Only

The headings used in this Agreement are for convenience only and shall be disregarded in construing this Agreement.

26. Miscellaneous

(a) This Agreement, and all of the provisions hereof, shall inure to the benefit of, and be binding upon, not only the parties but also their respective successors and permitted assigns.

(b) Each party agrees to execute such deeds, assignments, endorsements and other instruments and evidences of transfers, give such

further assurances and perform any acts which are or may become necessary or appropriate to effectuate and carry out this Agreement.

(c) ~~Each party hereby waives any and all rights of partition it may have with respect to the Project Properties for so long as this Agreement is in effect.~~

Will replace with forced buy-sell PP

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

TOMBSTONE EXPLORATION, INC.

By _____

AUSTIN EXPLORATION & MINING CORPORATION

By _____

This shall serve to acknowledge that SOUTHWESTERN EXPLORATION ASSOCIATES, INC. ("SEA") as the initial Operator under the preceding Operating Agreement, acknowledges that it has read and understands the provisions thereof. The execution by SEA shall serve as its agreement to serve as Operator pursuant to and in accordance with the terms and conditions thereof.

SOUTHWESTERN EXPLORATION ASSOCIATES, INC.

DATE: _____ By _____

Let Kyle look over

EXHIBIT A

ACCOUNTING PROCEDURE

I. GENERAL PROVISIONS

A. Definitions

The terms used in this Exhibit A shall have the meanings assigned to them in the Operating Agreement (Agreement) to which this Exhibit is attached and of which it is made a part.

B. Accounting Records

Operator shall maintain the accounts and records required by the Agreement in accordance with generally accepted accounting principles consistently applied, including such separate accounts and records as are required for any Exploration or Development Block. Operator shall not dispose of any such records for any calendar year within five (5) years of the end of such calendar year without the prior written consent of the parties, ~~and shall retain any such records for a reasonable additional period if specifically requested by either of the parties during such five (5) year period.~~

C. Audits

1. The Operating Committee shall arrange for an annual audit of the Project's accounts by an independent public accounting firm acceptable to the parties. The cost of such audit will be a Project cost.

Incurred cost of audit shall be reimbursable to operator.

2. Each party shall have reasonable access to the accounts and records maintained by the Operator and by the Operating Committee for transactions relating to the Agreement and, in addition to the annual audit provided for in paragraph 1 above, shall have the right at reasonable times during normal business hours to audit such accounts and records for any period of any calendar year. Each party shall also have the right to appoint an independent public accounting firm acceptable to the other party, which approval shall not be unreasonably withheld, to perform such audit. The party who initiates an audit pursuant to this paragraph shall bear the full expense of such audit.

3. ~~The parties agree that all statements approved by the Operating Committee during any calendar year shall conclusively be presumed to be true and~~ correct after twenty-four (24) months following the end of each calendar year, ~~unless within the said twenty-four (24) month period any party shall take written exception thereto and unless at any time federal, state or local tax authorities take exception thereto.~~ In the event of such an exception, only the excepted item or items shall remain open for adjustment until resolved by the parties pursuant to the Agreement.

unless objected to in writing ~~within 2~~ by the operating Committee within 24 months of receipt of Audit report.

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D. Accounting Period

The accounting period shall be the calendar year.

II. CHARGES TO THE JOINT ACCOUNT FOR DEVELOPMENT AND OPERATIONS

Charges to the Joint Account shall mean all costs pursuant to transactions under this Agreement, including all costs of preliminary costs of investigation of the area of interest by the operator preparation of the Agreement to which this Exhibit is attached and costs related to further exploration, development, construction, mining, the concentration and beneficiation of production and smelting, refining, or treatment of such production, the loading and transporting of production, weighing, sampling, assaying and impurity penalties, laboratory and testing costs, and all other operations related thereto conducted according to industry practice, including, without limitation, costs such as:

A. Rentals and Royalties

Royalties and rentals and any other amounts due or paid under leases or other landholding or land acquisition agreements related to the Project.

B. Travel and Related Expenses

Travel and related expenses of the members of the Operating Committee in carrying out the work of the Operating Committee, to which no expense shall exceed [illegible] approval of the O.C. [illegible] two [illegible] per person [illegible]

C. Services

1. The cost of contract services (including those of Operator) ~~approved by the Operating Committee,~~ including cost of power, light, heat and effluent disposal, outside consultants', attorneys' and auditors' fees and travel and related expenses (except for special audits or legal services performed or requested independently by any party).

2. Charges for consulting services provided by either of the parties at the specific request of the Operating Committee; provided that the parties agree to the nature and cost of the consulting services prior to any charges to the Project therefor.

D. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with any activity or transaction which Operator is obligated to pay under the Agreement.

E. Other

1. Cost of maintaining and protecting the Project assets during any periods of no activity.

2. Other costs which are not specifically mentioned in this Section II but which are incurred by the Operating Committee or the Operator in accordance with the terms of the Agreement and are necessary and proper for the conduct of work under the Agreement.

EXHIBIT B

"NET PROFITS INTEREST"

The term "Net Profits Interest" as used in the Operating Agreement to which this Exhibit is attached shall mean the share of net profits from the operation of the subject premises retained and reserved by a party pursuant to subparagraph (c) of Section 11 thereof. Net profits for any calendar month shall be determined by deducting from gross revenues all costs and expenses incurred in connection with or attributable to the exploration, development and exploitation of the subject premises. 'Gross revenues' shall mean the gross receipts from the sales of the products resulting from the exploitation of the subject premises. 'Costs and expenses in connection with or attributable to the exploration, development and exploitation of the subject premises' shall mean all those costs and expenses incurred by the non-withdrawing party in the exploration, development and exploitation of the subject premises from and after the date on which the withdrawing party acquires its Net Profits Interest. Such costs and expenses shall include, but not be limited to, the costs and expenses of exploring, developing, mining, milling, smelting, refining, administrative overhead, including legal & accounting expenses freight, insurance and marketing the products resulting from the exploration, development and exploitation of the subject premises; all royalties, rental payments, taxes (other than taxes on income) and property payments resulting therefrom; the costs of all buildings, structures, machinery and equipment; and in the event of plant or mine expansion involving construction or replacement of buildings, machinery, structures and equipment, the cost of all such items. Interest charges incurred by the non-withdrawing party in financing its operations on the subject premises shall ~~not~~ be chargeable in determining net profits. Net profits for any calendar month as determined above, shall be reduced by the costs and expenses of any prior calendar month or months which previously have not been recovered from gross revenues of such prior calendar month or months. Accounting for gross revenues and costs and expenses shall be on the accrual basis and in accordance with generally accepted accounting principles.

Why not

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Let Alan Dochterman look over this

EXHIBIT C

SCHEDULE OF INSURANCE COVERAGE

Operator shall carry or provide for the benefit of the joint account of the parties the types and amounts of Insurance as are shown below.

(1) Workmen's Compensation Insurance to cover full liability under the Workmen's Compensation Law of the State of Arizona.

(2) Employer's Liability Insurance with a limit of not less than $_____ for accidental injuries or deaths of one or more employees as a result of one accident.

(3) Comprehensive General Liability Insurance with limits of not less than $_____ Combined Single Limit Per Occurrence for both Bodily Injury and Property Damage.

(4) Automobile Public Liability Insurance with limits of not less than $_____ Combined Single Limit Per Occurrence for both Bodily Injury and Property Damage.

The premiums paid for all such Insurance shall be charged as operation expense; provided, however, the premiums for Automobile Insurance on cars and trucks of Operator used for operations hereunder may be included in a flat rate mileage charge, in which event such premiums shall not be separately billed. No Insurance, other than that shown above, shall be carried for the benefit of the joint account except by mutual consent of the parties.

~~PRELIMINARY DRAFT~~ ~~of~~

LEASE AGREEMENT

(30)

JAB Copy - original in P-418 Vault file

THIS AGREEMENT, dated this 7th day of February, 1979, by and between TOMBSTONE DEVELOPMENT COMPANY, an Arizona Corporation, hereinafter referred to as "Lessor", and Tombstone Exploration, Inc, and The Austin Exploration & Mining Corporation, hereinafter referred to as "Lessee".

RECITALS

Leassors are the owners of certain groups of patented and unpatented lode mining claims, referred to herein as "Leased Claims", all of which are situated in Cochise County, Arizona, Mineral Survey numbers of which, and the book and page of the recording in the office of the Recorder of Cochise County, Arizona, are more particularly described in Appendix "A" attached hereto.

Lessee desires to obtain from Lessor a mining lease covering the Leased Claims, described in Appendix "A", and Lessor desires to grant to Lessee such mining lease, on the terms hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein, and other valuable consideration, Lessor hereby leasses to Leassee for the term and purposese hereinafter mentioned, all that certain land referred to herein as the "Leased Claims".

1. PURPOSE: This lease is made for the sole purpose of examining, searching and testing for opening and operating mines, of, and extracting, producing, treating, selling and shipping any and all minerals contained therein. Lessor also leases to Lessee, the necessary rights of way, easements and water rights, in connection with the leased claims, so as to facilitate exploration and development thereof. The parties hereto agree that all surface and water rights shall be retained by Lessor, but that the retention of those surface and water rights shall not unreasonably interfere with the exploration or mining and associated activities conducted by Lessee. Also, oil and gas rights are retained by Lessor.

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2. TERM: The term of this lease shall be for the initial period of one(1) year from the date hereof, and as long thereafter as valuable mineral is produced from said land in commercial quantities and so long as royalties are paid to Lessors, provided, however, that all of the terms and conditions hereof are fully met and that this lease has not been terminated pursuant to any clause hereof.

3. ROYALTIES: Royalties are to be paid to Lessor on all minerals mined from the leased claims, as a percentage of their market value after being duced to a marketable concentrate or other saleable minerals, and payable by a refinery of mutual choice on a basis ~~of 5%~~ SWBH of the net smelter return. The proceedes of the refinery can be taken in kind by the parties subject to this agreement. Lessee agrees that it shall not unreasonaly stockpile ore for any excessive period of time after active and substantial production from the leased claims has commenced, and in no event, shall Lessee stockpile ore for more than six months after production has commenced.

The royalty payable out of production for ores or concentrates sold from the leased claims are payable in varying percentages with the different percentages relating to different average gross value per ton of ore or concentrate produced and sold from the leased claims during each month. The average gross value of ore produced and sold from the leased claims over the period of each month shall be determined by dividing the net elter returns as defined by 3(A) recieved for such ore produced by the number of tons mined and shipped during the month. The royalties are payable as follows:

(a) Subject to the provisions of this paragraph, Lessor shall be paid a limited royalty out of production, payable in varying percentages. Each different percentage shall be derived from the average gross value per ton of e, or concentrate mined and shipped from the leased claims, listed as follows;

For any month in which the average gross value per ton of ore computed is less than $15.00 per ton, the royalty will be five(5%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore computed is from $15.00 to $20.00 per ton, the royalty will be 6 percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is $20.00 per ton or more, but less than $25.00 per ton, the royalty will be eight(8%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is $25.00 per ton or more, but less than $40.00 per ton, the royalty will be nine (9%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is $40.00 per ton or more, but less than $80,00 per ton, the royalty will be ten (10%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is $80.00 per ton or more, but less than $100.00 per ton, the royalty will be twelve (12%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is $100.00 per ton or more, but less than $150.00 per ton, the royalty will be fifteen (15%) percent of the net smelter returns from mineral produced from the leased claims;

For any month in which the average gross value per ton of ore figure is more than $150.00 per ton, the royalty will be twenty (20%) percent of the net smelter returns from mineral produced from the leased claims.

Definition of Net Smelter Income: The term net smelter return is understood by the parties to mean the amount recieved from the smelter after deducting actual freight for ore concentrate haulage from the mill to the smelter. For ores, minerals or metals not sent to the smelter, the lessee may deduct the actual cost of direct labor and materials for processing, but such cost deducted will not exceed 10% of the average gross value per ton of ore for that month. For example: If the average gross value of ore mined during a one month period is $50.00 per ton, the maximum deduction for direct processing cost will be 10% or $5.00 per ton. The royalty would be paid on $45.00 per ton.
The royalty percentage shall apply to all mineral and will be based on all monies recieved or the market value of all ore, metals, minerals, and non-metallic minerals removed from the property.

(b) Notwithstanding the above sub-paragraph, there shall be a minimum monthly royalty payable to Lessors of $7,500 starting May 1, 1979 and payable on the first day of each month thereof.

(c) Notwithstanding said sub-paragraphs (a) and (b), there shall be an advance minimum royalty payable to Lessor equal to a sum of money of $6,000.00, payable by Lessee, upon the execution of this agreement.

(d) The amount by which the minimum monthly royalty, or the advance minimum royalty, provided for in sub-paragraphs (b) and (c) herein, paid for any calendar month during the term of this lease, exceeds the royalty out of production for such month, may be recovered by Lessee out of, and credited against, the royalty out of production due for any succeeding month or months thereafter, during the term of this agreement.

4. OPERATION OF MINE: Lessee agrees to work said land in the manner necessary to good and economic mining, so as to bring about maximum and economic recovery from the property, with due regard to development and preservation of said premises as a workable mine. Lessee agrees to perform continuously and diligently in good faith, in an active and substantial way, development in mining work upon the said leessed claims directed toward the discovery and production of minerals or ore therefrom. The equipment and machinery brought onto the leased claims by Lessee is and shall remain the personal property of lessee, with the exception of any building constructed by Lessee, and title thereto shall not vest in Lessor by operation of law. Appendix "B" is an inventory of equipment, buildings, and other property owned by Lessor, which the Lessee will take care of and may use for an operation on the leased claims. The obligation of Lessee set forth in this paragraph shall be suspended only while Lessee's compliance is prevented by the elements, accidents, strike, lockouts, riots, delays in transportation, inability to secure materials in the open market, or interference by govermental action, or by any other causes beyond the reasonable control of Lessee, whether similar or dissimilar to the causes specifically mentioned. Lessee agrees to furnish at its own cost, any and all environmental impact studies required by any governmental authority as a result of its undertaking the exploration, development and mining operation contemplated by this agreement. Lessee agrees to honor any and all contractual obligation undertaken by Lessor relating to the sale of water or surface use of the herein leased claims, so long as those said obligations do not interfere with the exploration, development, mining, or similar activity on the leased claims by Lessee. Lessee hereby recognizes that Lessor intends to develop up to 200 acres of the surface of certain claims situated in the immediate vicinity of the townsite of Tombstone. Those said claims consist of the Content, Cocopah, North Point, Contentment, Empire, Tranquil, Silver Belt, Silver Thread, Contention, New Year, Cincinnati, Head Center, Yellow Jacket and Flora Morrisson claims. Lessor agrees that the said development of the surface on the hereinabove mentioned claims shall not interfere with activities of Lessee contemplated by this lease. Notwithstanding with activities of Lessee, any development of the surface of the above mentioned leased claims, Lessor further agrees that Lessee shall have access on or across the above mentioned claims so as not to interfere with the exploration, development, mining, or associated activities of Lessee contemplated by this lease, on those above named claims. ~~If the Lessee, in its sole~~

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however lessee will continue to have all rights for mineral exploration, development and mining 40 feet or more below the surface.

5. REPORTING: Lessee agrees that it will provide Lessor with a report on or before the 15th day of each month, pertaining to the previous month, to the Lessor, in writing, indicating the following:

(a) The number of tons of waste and ore mined.

(b) A summary of all assays taken on said ore and waste mined.

(c) The number of tons processed for which royalty is payable pursuant to this lease through mills, smelting, or reduction plants used to process said ores.

(d) The value of all minerals sold or otherwise disposed of from ores subject to royalty payments pursuant to this lease.

The above referenced statement and reports are to be accompanied by a draft payable to the Lessor. If no royalty out of production is due for any monthly period hereof, then a report containing all of the pertinent details above required, shall be submitted to Lessor with a statement to the effect that there is no royalty out of production due for the preceding month,

In addition to the above, weekly progress reports will be sent to the Lessor, as well as all data generated relating to the leased claims.

6. ADDITIONAL REPORTS AND ACCESS: Lessee shall keep a full set of accounts and records, and shall allow Lessor, or its agents and employees to examine them from time to time. Lessee will allow lessor to enter upon said premises, and into any workings, mills, or reduction works thereon, or wherever said ore may be worked or reduced, for the purpose of inspection to ascertain whether the terms and conditions of this lease are being promptly carried out and to take samples and to make tests and measurements, and to affix notices. Lessee shall provide to Lessor, its agents and employees, copies of assay reports, drillhole logs, and any and all other data assembled which could be used as an aid in determining the location, quanlity, and quality of any and all deposits on said land. All inspections shall be made at reasonable intervals, and shall be at the sole cost of, and risk of Lessor.

7. TAXES: Lessor shall pay all ad valorem and similar property taxes lawfully levied or assessed during the term of this agreement against the property, or any improvements thereto, but upon the receipt of a statement therefor from Lessor, Lessee shall reimburse Lessor for any such taxes paid by Lessor. In addition to the foregoing, Lessee shall pay all other taxes imposed by reason of Lessee's operation and improvements upon the property. Lessee shall pay any such taxes on installment basis upon receiving notice from Lessor that such installment payment of the said taxes is due. Lessee agrees to pay any such taxes before they become delinquent. Lessee shall not be liable for the payment of any tax assessment imposed by any city, county, state, federal or other law or ordinance, on the income of Lessor hereunder, or the interest reserved by Lessor thereunder or upon a transfer or passing by death or gift, of any interest of Lessor or for any similar tax. Lessee further agrees to do all other things necessary and required by federal, state and local laws and regulations to protect and defend and maintain Lessor's title to the leased claims, so that title will be as good as at the time of the execution of this agreement. A Performance Bond refered to in paragraph 12 will also cover tax payments.

8. WARRANTY: Lessor represents and warrants that it is the owner of the leased patented claims and the rights to unpatented claims, free of all claims, liems and encumbrances, and that Lessor has the exclusive possession of the leased claims, except for approximately two acres leased to the United States Department of Agriculture for surface and except to the extent that the United States Government holds title to unpatented claims. Also, Lessor may lease the "Vizina Mine Tour" provided the Lessor assumes all responsibility and liability for the tour enterprise.

9. BANKRUPCY: In case Lessee shall be adjudged a bankrupt by either voluntary or involuntary proceedings, Lessor may, at its option, terminate this lease by written notice. After termination by notice, Lessor may re-enter the leased claims and take exclusive possession. Upon exercise of the option to terminate, the estate and rights in the herein leased claims of Lessee, and any person claiming through the Lessee, by act of the parties or operation of law, shall immediately terminate.

10. IMPROVEMENTS: Lessee may construct, reconstruct, demolish, remove, maintain, and use such roads, ditches, ponds, buildings, fixtures, machinery, pumps, PVC pipe, mine dumps, pad, heap, and headframes on, through and upon said leased claims, as may be necessary in carrying on mining operations during the term of this lease. At the termination hereof, Lessee may remove all personal property, machinery, tools, appliances, supplies, pumps, pipe, and equipment on said leased claims by Lessee; except shaft timbering and linings, any underground supports, rails, electric, water, or steam or airline pipes, provided no default shall at such time exist with respect to any payments or rentals, or in respect to any covenants, agreements, or conditions to be kept and performed by Lessee; provided that all machinery, tools, appliances and buildings, and all personal property remaining on said premises sixty (60) days after the termination (by notice or otherwise) of this lease, shall be held to have become the property of Lessor and shall not be removed therefrom by Lessee. Lessee agrees to perform all environmental restorations on the claims required by any governmental authority at its sole cost and expense.

Lessee will obtain approval from Lessor on the site and type of building constructed either for a plant and laboratory facility or a building for another lessee to enable use of the present 71 Minerals plant.

11. HOLD HARMLESS: Lessee agrees to release and to indemnify and hold harmless Lessor, and any corporation wholly or in part affiliated with, owned or controlled by Lessor, from and against all claims, causes of action, liabilities, costs and expenses for losses, or damage to, all property whatsoever and injuries to, or death of, all persons whomsoever, arising out of, or in any way connected with, the use and occupation of the leased premises or exercise of the rights hereunder. Lessee agrees to comply with all such regulations promulgated by the responsible governmental agencies in carrying out the activities contemplated by this lease, and to fence all open shafts, pits, etc., which exist upon the claims according to the requirements of the State Mine Inspector.

12. LIENS: Lessee agrees to pay in full, all persons who perform labor or services on, furnish materials, joined or affixed to, or provide equipment for, said leased claims, at Lessee's instance or request. Lessor shall not permit or suffer liens of any kind or nature to be enforced against said leased claims for such labor, services, materials, or equipment. Lessor shall have the right to pay any amount required to release any such lien, or liens, or to defend any action brought thereon, and to pay any judgement entered therein, and lessee shall be liable to Lessor for all costs, damages and re asonable attorney's fees, and any amounts expended in defending any proceedings or payment of any kind of said liens or any judgments obtained therefor. Lessee should also provide a bond in the amount of $150,000.00 on payment of labor and materials on the property with the cost of the bond to be paid by the lessee.

13. ASSIGNMENT: This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto. Upon such assignment all references herein to "Lessee" or "Lessor" shall be deemed to refer to such succeeding heirs, administrators, executors, successors and assigns of such alienating party.

14. TERMINATION: After an exploration/development expenditure of $200,000, and an equivalent of 12 months advanced minimum royalties($90,000), Lessee shall have the right in its sole and exclusive discretion, to terminate this lease upon giving thirty (30) days written notice of termination to Lessor. Upon giving such notice of termination, Lessee shall be liable only for the payment of the minimum royalty or royalty out of production due for the thirty day period next following the date the notice of termination was given. Lessor can terminate this lease if the advanced minimum royalty is not sent by certified mail on the first day of every month, starting May 1, 1979, or if the Lessee is in default in regard to any other of the provisions of Paragraphs (3), (7) or (17) of this lease. Lessor shall give formal, written and detailed notice of the existance of same to Lessee. If Lessee has not cured the said default within thiry (30) days after receipt of said formal, written and detailed notice of default, Lessor can terminate the herein lease.

15. INSURANCE: Lessee agrees to maintain and keep in force at all times, a policy of liability insurance protecting Lessee and Lessor from personal and property liability that may be incurred on said leased claims in the amount of $2,000,000.00. Lessee further agrees to maintain and keep in force at all times, workmens compensation insurance and to furnish certificates of insurance and copies of the Insurance policies to the Lessor. Lessor will be named as Additional Insured.

16. NOTICES: Any and all notices required hereunder, or permitted to be given by either party to the other, shall be considered to have been delivered at the expiration of seventy-two (72) hours following deposit in the United States Mail, with registered or certified postage prepaid thereon, and addressed:

(a) If to Lessor: To: Tombstone Development Company
c/o William Hight
1824 North Broadwell
Grand Island, Nebrasks (68801)

(b) If to Lessee: To: Tombstone Exploration, Inc.
c/o Thomas H. Schloss

The Austin Exploration & Mining Corporation
c/o James A. Briscoe
4500 E. Speedway
Suite # 14
Tucson, Arizona (85712)

Either of the parties may change the location to which required notices to it shall be addressed, upon ten (10) days written notice to the other party.

17. ASSESSMENT WORK: Lessee agrees to perform all necessary assessment work required by federal and state laws for the continuing validity of all mining claims subject to this lease. Lessee further agrees to do all other things necessary and required by federal, state, and local laws and regulations to protect, defend and maintain, Lessor's title to the above referenced claims in effect on February 7, 1979, so that title will be as good as at the time of the execution of this agreement. If conflicts exist on the 18 unpatented claims, Lessee will do everything possible to validate the claims.

18. FIRST RIGHT OF REFUSAL: It is agreed to by and between the parties hereto that Lessee shall be given the first right of refusal to buy the interest of Lessor, should Lessor entertain to sell its interest herein, or the leased claims. For the purpose of this paragraph, Lessee has the first right of refusal to buy the leased claims at the same price as set forth in any bona fide offer in writing, acceptable to Lessor, given by any individual or company. Lessor shall, at its own exclusive discretion, determine what collateral, guarantes, or other evidences of Lessee's ability to purchase the said interest of Lessor herein, for the leased claims, are to be provided by Lessee.

19. MISCELLANEOUS: This agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements of the parties hereto with respect to the subject matter hereof, and may not be waived, amended or modified in any manner except in writing and signed by the party to be charged. Representations, warranties and agreements of the parties hereto, herein contained, regardless of any disclosure made to, or any investigation made by or on behalf of any party not making such representations, warranties and agreements, shall survive the execution and delivery of this agreement. This agreement, and such representations, warranties and agreements, shall be binding upon, inure to the benifit of, and be enforceable, by and against the heirs, successors, or assign of each of the parties hereto.

This Agreement may be recorded or registered with the Clerk, Recorder or similar officer of the county or counties of which these claims are located, or in any appropriate office of the United States Government, or anywhere else Lessee deems appropriate in order to protect its interests hereunder. This agreement may be executed in any number of counterparts, which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this agreement as of the date and year first above written.

Lessor:
TOMBSTONE DEVELOPMENT COMPANY

By _____

By _____

By _____

By _____

Lessee:
TOMBSTONE EXPLORATION, INC.

By _____
Thomas H. Schloss

THE AUSTIN EXPLORATION & MINING CORP.

By _____
James A. Briscoe

Appendix A

TOMBSTONE DEVELOPMENT COMPANY CLAIMS

Claim Name	Designation
North Point	E-4
Cocopah	E-2
Silver Belt	E-9
Empire	D-3
Hawkeye	D-7
Little Wonder	
Way Up	D-16
Goodenough	D-6
Gilded Age	D-5
Vigina	D-15
Poor X	D-10
Survey	D-12
Toughnut	D-13
SW Ext. Toughnut	D-11
Fortuna	D-4
Tranquillity	D-14
Protectors	E-5
Contentment	E-7
Content	E-3
Cinncinatti	E-8
Houghton	F-36
Defense	D-2
Surveyor	D-27
Westside	D-17
Sulphuret	D-25
Mayflower	D-23
Alta	H-1
San Rafael	F-28
Ninety Nine	D-24
Last Chance #2	D-8
Boss	D-1
Herald	D-22
Tribute	D-19/F-39
Eastside	F-6
Blue Monday	D-18/F-38
Eastside No.2	F-7
Old Guard	D-26/F-2
Lucky Cuss	F-16
COD	F-5
Lucky Sure	F-1
McCann	F-19
Owl's Last Hoot	F-23
Owl's Nest	F-24
Escondido	F-10
Wedge	F-33
Black Hawk	F-4
Oregon	C-2
Prompter	F-25
Contact	C-1

Claim Name	Designation
Florodoro	F-12
Antelope	C-5
Shoo Fly	C-5
Verde	C-9
Mexicana	F-18
Extacy	F-11
Shorty	F-29
Emerald So. Mine	F-9
Emerald	F-8
Hidden Treasure	F-15
Revenue	F-27
Telephone	F-32
Grand Dipper	F-14
Rattlesnake	F-26
Mammoth	F-19
Bunker Hill	F-3
Little Comet	C-4
Big Comet	C-4
Miner's Dream	C-4
Sidney	F-31
So. Ext. Central	F-30
Southern Belle	F-37
Buffalo	F-34
Naumkeag	F-21
Moonlight	F-20
Grand Central	F-13
Illinois	F-37
Michigan	F-37
Flora Morrison	F-41
Head Center	D-21
Yellow Jacket	D-21
Contention	D-20/F-20
New Year	F-22
Cornell	F-35

04-25-79

Conclusions

1. must change "proceeds" to profit & include all SEA Inc & Hydromet & consulting fees.

2. Eleminate the profit factor from the dilution formula on page 4

3. Need to identify Amount of SEA-AEM contributions to date - to be used as total contributions in dilution formula

4. Need to create "Exploration Blocks" to correspond to development blocks. Accounting for each Exploration Block - according to the Exploration Plan.

   1

   2. Bmy

(29) DRAFT

APR 2 5 1979

OPERATING AGREEMENT

THIS AGREEMENT is made effective as of the ____ day of _____, 1979, by and between: TOMBSTONE EXPLORATION INC., a Delaware corporation qualified to do business in the State of Arizona ("TEI"), and AUSTIN EXPLORATION & MINING CORPORATION, an Arizona corporation ("AEM"), both of which parties are hereinafter sometimes collectively referred to as the "parties." The parties have agreed that Southwestern Exploration Associates, Inc. ("SEA") shall serve as the initial "Operator" (as hereinafter defined) and the execution of this Agreement by SEA shall serve as its agreement so to act pursuant to the terms and conditions of this Agreement and subject to the rights and obligations afforded "Operator" hereunder.

W I T N E S S E T H:

WHEREAS, the parties own, or intend to acquire, as tenants in common the entire leasehold estate in and to certain patented and unpatented mining claims owned by Tombstone Development Company ("TDC") all as more particularly described and defined in Section 1 as the "Initial Property Interests," and desire to participate in a program for further acquisition, exploration, development and mining of any or all of the minerals within the area defined in Section 1 as the "Area of Interest" and encompassing the Initial Property Interests and other areas within the Tombstone Mining District, Cochise County, Arizona;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

1. Definitions

As used in this Agreement, the following terms shall have the meanings assigned to them in this Section 1:

(a) "Operator" shall mean SEA, acting in that capacity as hereinafter provided and any successor Operator appointed hereunder.

(b) "Non-Operators" shall mean TEI and AEM, together with their respective successors and assigns.

(c) "Area of Interest" shall mean the following described area in Cochise County, Arizona:

(i) approximately 85 patented and 18 unpatented lode mining claims owned by TDC to be leased to one or more of the parties, a more particular description of which claims is set forth in that certain "Preliminary Draft of Lease Agreement" dated February 7, 1979, copies of which have been furnished to and examined by the parties hereto;

(ii) any additional mining claims, mineral interests or mineral properties leased, optioned, located or otherwise acquired by or on behalf of the parties, or either of them, or by or on behalf of the "Project," and which may be a part of, or an offset of, any mineralized deposits contained within properties leased from TDC, including without limitation the claims or areas known as the Tombstone Extension, Tombstone Mineral Reserve and the State of Maine areas (it being understood that claims and properties within the State of Maine area are owned principally by the Escapule family and that the Project may find it to its advantage to enter into some type of a joint venture with the Escapules); and

(iii) any potential porphyry copper targets in the Seth Horn and Robbers Roost areas leased, optioned, located or otherwise acquired by or on behalf of the parties, or either of them, or by or on behalf of the "Project";

less any portions thereof as may, from time to time, be deleted therefrom pursuant to the surrender provisions of Section 8 below.

(d) "Initial Property Interests" shall mean the leasehold interest of "Lessee" created under that certain Lease Agreement dated _____, 1979, by and between TDC (as "Lessor") and _____ _____ (as "Lessee") a Memorandum of which is or will be placed of record in the office of the Cochise County Recorder.

(e) "Project" shall mean the joint program of acquisition, exploration, development and mining undertaken by the parties pursuant to this Agreement.

(f) "Project Operations" shall mean all of the operations conducted for the parties by Operator under the provisions of this Agreement.

(g) "Project Properties" shall mean any lands or interests in lands (including the Initial Property Interests) now owned or hereafter acquired by any of the parties hereto within the Area of Interest less any such lands or interests therein as may, from time to time, be deleted therefrom pursuant to the surrender provisions of Section 8 below.

(h) "Operating Committee" shall mean the committee provided in Section 5 consisting of representatives of each of the parties.

(i) "Plan" or "Plans" shall mean a plan or plans adopted by the parties pursuant to the provisions of Section 4.

(j) "Exploration" or "Exploration Operations" when used herein shall refer to the activity or work of prospecting and searching

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for ores and minerals on, in or under the Project Properties and drilling, examining, measuring and sampling a mineral deposit when found to gain knowledge of the size, shape, position and characteristics to determine the value of the deposit and all other activity or work performed outside a Development Block.

(k) "Development" or "Development Operations" when used herein shall mean any and all operations conducted on or in connection with a Development Block.

(l) "Development Block" shall mean such portions of the Project Properties so designated as hereinafter provided after determination has been made that minerals are present therein of sufficient quantity and quality to warrant development.

(m) "Committing Party" shall mean the party or parties who have elected to participate in the costs incurred in any operation conducted pursuant to an effective Plan.

(n) "Non-Committing Party" shall mean the party or parties who have elected not to participate in the costs incurred in any operation conducted pursuant to an effective Plan.

(o) "Joint Account" shall mean the accounts and records maintained for the parties by the Operator for the purpose of accounting for and apportioning contributions, costs and credits with respect to the Project and Project Operations.

(p) "Accounting Procedure" shall mean the Accounting Procedure attached hereto as Exhibit A.

2. Title Examination and Loss of Leasehold or Interest

If for any reason title to the Initial Property Interests or any interests hereafter acquired fail or are lost in whole or in part, such loss shall be the joint loss of the parties and shall be borne by the parties in proportion to their interests owned in the Project.

3. Interest of the Parties

(a) The parties shall initially own, as of the effective date of this Agreement, the following undivided interests in the Project and in and to the Project Properties:

Party	Undivided Interest
AEM	70%
TEI	30%

(b) Unless this Agreement sooner terminates pursuant to the provisions of Section 24 below, the undivided interest of TEI in and to the Project and in and to the Project Properties shall increase in

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relation to the amounts initially contributed by TEI to the Project, and the interest of AEM shall decrease in a corresponding amount, pursuant to the following schedule:

Cumulative Funds Furnished to the Project by TEI*	Undivided Interest of TEI
$ 75,000.00	35%
$100,000.00	40%
$125,000.00	45%
$150,000.00	50%
$175,000.00	55%
$200,000.00	60%

*Cumulative Funds shall include all funds heretofore contributed by TEI and by its predecessor in interest pursuant to that certain letter agreement dated March 7, 1979 between Thomas H. Schloss and Dwight Lee (predecessors in interest to TEI) and James A. Briscoe.

The rights, obligations and elections by TEI to provide any such funds (and obtain the corresponding undivided interest) are all more particularly set forth in subparagraph (c) of this Section 3.

(c) TEI shall have the right, at its election, to provide the initial funds to the Project up to and including a total of $200,000.00 and, by so doing, to earn an undivided interest in the Project and the Project Properties in the percentage set forth in subparagraph (b) above, all in accordance with the following:

(i) The Project shall make calls at intervals no more frequent than twenty (20) days per call, all subject, however, to the provisions of subparagraph (v) below;

(ii) Contributions may be advanced by TEI at such other intervals as it may choose, whether or not the sums advanced are needed at the time of contribution and whether or not a Plan is in effect which would require such sums, all to the end that TEI shall maintain the right at its election to complete all or such portion of the cumulative investment as it may elect, thus entitling it to TEI's undivided interest set forth in subparagraph (b) above;

(iii) Unless AEM otherwise agrees in writing, the failure of TEI to make contributions within the schedule set forth in subparagraph (b) above shall terminate the right of TEI to thereafter acquire an additional percentage of undivided interest by making such additional contributions;

(iv) If TEI either elects not to make further contributions or if TEI loses the right to make further contributions, the undivided interest of TEI shall thereafter remain at the percentage specified in subparagraph (b) above, all subject, however, to the withdrawal and dilution provisions of Section 11 below;

(v) Anything in subparagraph (i) through (iv) to the contrary notwithstanding, until such time as TEI has made the total cumulative contributions described in subparagraph (b) of this Section 3 or has forfeited its right to make further contributions,

major Project decisions including, without limitation, those relating to cash calls, payments to equity owners from cash flow, pursuing further exploration targets, acquisition of additional lands or mineral interests, expenses for plant or facility expansion, and decisions concerning termination or discontinuance of all or a portion of the Project Operations will require the unanimous approval of the Operating Committee; and

(vi) If TEI acquires less than a 50.1% undivided interest, and if the Project or if AEM elects to proceed to obtain additional outside funding in excess of $200,000.00, it is agreed and understood by TEI that its undivided interest in the Project may be subject to further reduction (which reduction shall not reduce the undivided interest of TEI to less than the percentage 200 that contributions made by TEI plus TEI's share of Project proceeds used for Project Operations bears to the total amount contributed to the Project); provided, however, that if TEI's undivided interest in the Project is thus reduced to 10% or less, TEI shall be obliged to relinquish its undivided interest to the other parties to the Project in return for a 10% "Net Profits Interest" as described in Section 11(c) below.

(d) From and after the time that TEI's undivided interest has been determined under subparagraph (c) of this Section 3, the costs incurred and production developed under this Agreement shall be paid and shared by each of the parties as its interest exists at the time such costs are incurred or production is obtained.

4. Project Plans

Subject only to the provisions of Section 3(c), Project Operations hereunder shall be performed pursuant to Plans adopted by the parties from time to time after submittal by Operator of proposed Plans to the parties, it being understood that Plans leading to the diligent operations of the Project will be proposed at reasonable intervals during the term of the Project. In the event Operator fails to timely propose a Plan, a Plan is not approved as proposed, or more than six (6) months have elapsed since completion of the previous Plan without Operator proposing a subsequent Plan, then a Non-Operator may propose a Plan to the parties and to the Operator. A Plan or proposed Plan shall describe work to be performed, set forth estimates of costs to be incurred in carrying out the work, and give an estimated period of time to perform the work. Prior to such time as TEI's undivided interest has been determined pursuant to Section 3 above, any such proposed Plan shall not encompass operations for a period exceeding sixty (60) days nor shall the total expenditures proposed in any single Plan exceed $25,000.00. Thereafter, unless prior written approval is obtained from the parties, no proposed Plan shall encompass operations for a period exceeding three (3) months nor shall the total expenditures proposed in any single Plan exceed $500,000.00. No Plan shall combine Development Operations with Exploration Operations.

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(a) Plans proposing Exploration shall be submitted separately from Plans proposing Development Operations and each such Exploration Plan shall be for a period of not less than two (2) months nor more than six (6) months, ~~and shall call for an estimated expenditure not to exceed $ 50,000.00~~. Unless otherwise agreed by the parties, only one Exploration Plan shall be carried out at one time.

(b) The Initial Plan proposing Development Operations shall designate an area as a Development Block within which all operations proposed by the Plan shall be conducted. Thereafter, additional Development Plans within a designated Development Block may be proposed. Each time a Plan for Development Operations is proposed on lands not included within a designated Block, a new area shall be designated as a Development Block for such lands unless all of the parties agree to add such additional lands to an existing Development Block.

(c) Until such time as Project expenditures exceed $200,000.00, each party shall confirm to Operator and the other party in writing within seven (7) days after receipt of a Plan approved by the Operating Committee, evidencing its approval or disapproval of the proposed Plan. Thereafter, each party shall confirm to Operator and the other party in writing within thirty (30) days after receipt of a proposed Plan, its approval or disapproval of the proposed Plan. Failure to reply shall constitute an election not to commit to the Plan. No Plan shall become effective without the approval of both parties until such time as either (i) contributions by TEI total $200,000.00; or (ii) TEI's undivided interest is finally determined as provided in Section 3 above. Thereafter, if any party or parties elect not to commit to such Plan, such Plan shall not become effective nor be carried out unless a party or parties owning not less than an undivided 50.1% interest in the Project committing thereto elects to proceed with the Plan for their own account.

5. Operating Committee

An Operating Committee comprised of two representatives of each of the parties shall be established. Each party may designate one or more alternates to serve in the absence of each of the designated representatives. The names of the designated representatives and of any alternates shall be filed in writing with the Operator. Each representative shall have a vote equal to one-half of that percentage interest owned by the party which he represents. Except as otherwise specifically provided in this Agreement, decisions of the Operating Committee shall require the approval of those representatives representing a majority interest in the Project. Meetings of the Operating Committee may be held by telephone and may be called by the Operator or by the representative of any of the parties. The Operating Committee shall meet at no less than semi-annual intervals at the Project's operations office (it being anticipated that such office shall be located either in Tombstone or in Tucson, Arizona). A party may change its representative (or any alternate representative) by notice to the Operator and to the

other parties in writing. All decisions relating to the time and manner of distribution of Project proceeds shall be made by the Operating Committee. Subject to the provisions of Section 3, any calls upon the parties for funds or advances to the Project shall also be made by the Operating Committee. All reports from Operator shall be directed to all of the members of the Operating Committee.

6. Access to Premises

Non-Operators shall have access at their sole risk to the Project lands and Project Properties at any reasonable time to inspect any Project Operations, together with the right to inspect all drilling data, samples, cores, logs, and all other data pertaining to the Project obtained by Operator while conducting the Project Operations and upon reasonable request from Non-Operators, Operator shall be obligated to furnish directly to Non-Operators copies of all logs, assay reports, maps, feasibility studies, production records and other documents pertaining to the Project.

7. Land Acquisition

All interest heretofore acquired by the parties hereto or their agents within the Area of Interest shall be subject to the terms of this Agreement. Any interests within the Area of Interest hereafter acquired shall be acquired by the Project pursuant to a Plan or pursuant to the consent of all of the Non-Operators and the acquisition costs shall be Project costs. In the event any party hereto proposes to acquire any additional lands or mineral rights within the Area of Interest, such party shall notify the other parties of such proposal by written notice setting forth in such notice a description of the lands or interests, costs of acquisition, and the facts upon which the proposing party bases its conclusions that such lands should be acquired by the Project. Operator shall not acquire any interest within the Area of Interest for its own account without first obtaining the prior written approval of all of the parties.

8. Surrender

Except as hereinafter provided, no interest in any of the Project Properties shall be surrendered, in whole or in part, without the consent of all parties. Whenever any party desires to surrender all or any portion of its interest in any Project Properties, it shall give notice thereof, in writing, to the other parties. Any party receiving such notice shall have the right to elect by notice in writing to the notifying party within fifteen (15) days thereafter to take from the party desiring to surrender an assignment without warranty, express or implied, of the interest desired to be surrendered. Any party so electing shall pay the party desiring to surrender its share of the salvage value of any salvable materials and equipment then located or used in connection with the Project Properties covered by such interest. After assignment is made, the assigning party shall be relieved from all

obligations thereafter accruing with respect to the interest so assigned; and such interest shall no longer be subject to this Agreement. If more than one party so elects, and the assignment is to more than one party, the interest so assigned shall be apportioned among the assignees in proportion to their respective participating interests. If no party elects to take assignment within such period, the parties shall proceed to take the necessary steps to surrender the Project Properties covered by the interest desired to be surrendered.

9. Operator's Powers and Rights

In accordance with the terms and conditions of each effective Plan, Operator shall have full, complete and exclusive control, charge and supervision of the Project Properties and the personal property included in the Project and all Project Operations conducted thereon. Operator shall conduct Project Operations to the best of its ability and in accordance with the terms and conditions of each effective Plan using modern techniques and good and economical mining practice. All operations shall be conducted with due regard for the development and preservation of said Project Properties and Project capital and in keeping with applicable federal, state and local laws and ordinances and regulations. Operator shall conduct its operations hereunder as an independent contractor and all work performed and equipment furnished by Operator shall at all times be in Operator's direct control and supervision. Pursuant to the provisions of each Plan, Operator shall select the means, manner and method of performing Project Operations. Operator shall abide by directions from the Operating Committee as to the end results to be accomplished, but Operator shall assume the sole responsibility for directing its employees and equipment as to the manner and means of accomplishing the same. Operator assumes all liability for, and agrees to defend, indemnify and hold the parties harmless, from and against any and all demands and any liabilities sought to be imposed upon the parties, and from and against all loss, damage, personal injury (including death), and costs and expenses arising from conduct by Operator of its operations hereunder.

10. Operator's Duties and Obligations

Operator shall have, among others and without limitation, the following specific duties and obligations:

(a) to manage, direct and control all Project Operations in and under the Project Properties in a prudent workmanlike manner and in accordance with the terms and conditions of each effective Plan, each instrument under which interests in the Project Properties were acquired, and all applicable laws, ordinances and regulations, including without limitation, those pertaining to mining claims and mining operations. Operator shall, before incurring total expenditures not previously included in an effective Plan in excess of $1,000.00 of the amount of such Plan, secure the approval of the Operating Committee.

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(b) to keep true and correct books, accounts and records of operations hereunder and to permit at all reasonable times the inspection, examination and auditing thereof by Non-Operators, to submit monthly financial statements, and to submit to summaries of Operating Plans and projections to the Operating Committee;

(c) to keep the Project Properties free from liens and encumbrances occasioned by its operations hereunder, except only the lien hereinafter granted to Operator;

(d) to furnish the Operating Committee on or before the 20th day following the close of each calendar month with a statement of minerals produced from the Project Properties and the proceeds thereof, if sold through Operator during the preceding calendar month;

(e) to pay for the Joint Account of the Parties, on production sold from the Project Properties, all royalties payable under the terms of each lease or agreement and charge the same to the Joint Account, as provided in the Accounting Procedure, a copy of which is attached hereto as Exhibit A;

(f) to pay all costs, expenses and liabilities accruing or resulting from Project Operations and to account to Non-Operators in accordance with the provisions of the Accounting Procedure; in the event the terms of the Accounting Procedure conflict with any of the provisions hereof, this Agreement shall be deemed to control;

(g) to account for any income received for the Joint Account and to distribute the same as directed in writing from time to time by the Operating Committee, to the extent such income exceeds each such party's pro-rata share of operating capital requirements;

(h) to furnish the Operating Committee within twenty (20) days following the close of each calendar month with a summary of operations conducted during the preceding calendar month.

11. Voluntary Withdrawal; Failure to Commit to Plan; Dilution

(a) Any party hereto shall have the right to voluntarily withdraw from the Project or from any Development Block and terminate its interest therein prior to termination of the Project by giving written notice of such withdrawal to the other party or parties. In the case of such a voluntary withdrawal, all of the rights and obligations of the withdrawing party under this Agreement or under the portion of the Project Properties constituting such Development Block shall terminate as of the date of the giving of notice of such withdrawal; and all right, title and interest of the withdrawing party in and to Project Properties or the applicable Development Block portion thereof shall be deemed to have been transferred automatically to the non-withdrawing parties in undivided interests in the same proportion as the respective interests of such non-withdrawing parties in the Project or in the applicable Development Block at that time bear to each other; provided, however, that: (i) the withdrawing party shall remain liable for all amounts chargeable to it with respect to any Plan to which it is committed, including costs incurred pursuant to such Plan after the

effective date of the withdrawal but not in excess of the most recent cost estimates committed to, or approved by, such withdrawing party; and (ii) the withdrawing party shall remain obligated to execute and deliver such instruments as may be necessary to formally effect the transfer of its interest in the Project and in the Project Properties, or the applicable Development Block portions thereof, to the non-withdrawing parties. A withdrawing party shall be furnished with data acquired in connection with Project operations prior to withdrawal but shall not, other than under the provisions of this Agreement, conduct or become a part of any exploration program or prospecting venture nor obtain any interests within the Area of Interest for a period of two (2) years from the actual date of its withdrawal and for such period shall hold confidential any information acquired pursuant to this Agreement.

(b) Any party hereto who has elected not to commit itself to a proposed Development Plan which becomes an effective Project Plan shall not, for that reason alone, be deemed to have withdrawn from the Project, but such Non-Committing Party shall be deemed to have relinquished to the Committing Parties its share of any production from such Development Block, or the proceeds therefrom, until such time as the Committing Parties have recovered from the Non-Committing Party's share of production an amount equal to the total of the following or, in the alternative, the Non-Committing Party has paid to the Committing Parties in the same proportion as the respective interests of the Committing Parties at that time bear to each other an amount equal to the total of the following:

(i) 300% of that portion of all Exploration Operations costs and expenses that would have been chargeable to the Non-Committing Party had it and all the other parties hereto participated from the beginning in the Development Plan, plus

(ii) 200% of that portion of Development Operations costs and expenses that would have been chargeable to the Non-Committing Party, had it and all other parties participated from the beginning in the Development Plan, during the period prior to the time the Non-Committing Party's relinquished interest in production shall revert to it under the provisions of this subparagraph (b), plus

(iii) 150% of the Project's royalty, overriding royalty and other lease burdens, if applicable, and the production taxes accruing on and with respect to the ores received by the Committing Parties and attributable to the share of production relinquished by the Non-Committing Party;

provided, however, that unless the Committing Parties have recovered the amount equal to the total of (i) plus (ii) plus (iii) within six (6) months from the completion of the Development Plan or unless within such six-month period the Non-Committing Party has paid such total amount to the Operator for the collective account of the Committing Parties, the interest of the Committing Parties thereafter shall be subject to the

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dilution provisions of subparagraph (c) of this Section 11. At any time prior to completion of a Development Plan, the Non-Committing Party may notify Operator and the Committing Parties in writing of its election to commit to the remainder of the Development Plan and may thereafter participate in operations under the Development Plan by paying to the collective account of the Committing Parties the full amount in cash that the Committing Parties would have recovered under (i), (ii) and (iii) above for actual expenditures made under the Plan through the current accounting period as provided in the Accounting Procedure. The Non-Committing Party shall receive credit for any amount which the Committing Parties have recovered from the Non-Committing Party's share of production from the applicable Development Block through the same accounting period.

(c) In the event the Non-Committing Party has not paid or received credit for the amounts described in (i), (ii) and (iii) of subparagraph (b) above within the six-month period provided therein, the Non-Committing Party's undivided interest in the Development Block shall be reduced to that percentage of the entire undivided interest therein that the Non-Committing Party's expenditures to such date bear to the total Development Block expenditures to such date, and such Non-Committing Party shall have no right thereafter to participate in further Plans with respect to such Development Block. In a like manner, at the completion of each Development Plan thereafter, the interest of the Non-Committing Party shall be diluted to the percentage that its Development Block expenditures bear to the total Project expeditures; provided that if such Non-Committing Party's undivided interest in the Development Block is reduced to 10% or less, such Non-Committing Party's undivided interest in and to the Development Block and in and to the Project Properties constituting the same shall terminate subject only to the retension by the Non-Committing Party of a non-working 10% "Net Profits Interest" (as described in Exhibit B attached hereto and made a part hereof) in and to the proceeds, if any there be, taken by the Committing Parties, their successors or assigns, from the Project Properties constituting such Development Block (as such Project Properties exist as of the date of such termination).

12. Transfer of Interest

(a) Should any party desire to dispose of part or all of its interest in this Agreement, such party shall advise the other party in writing of its desire and of the terms and conditions of such desired disposition including the consideration in lawful money of the United States or its equivalent which it is willing to accept for such interest together with all other pertinent terms and conditions of such disposition and the facts on which the transfering party based its calculations. Within thirty (30) days after receipt of such written notice, the other parties shall have the option of acquiring the interest proposed to be disposed of on the terms and conditions and for the consideration proposed. If more than one of the other parties elect to

exercise such option, the acquisition shall be pro-rated according to each such other parties' interest in the Project. If the interest offered to be disposed of by disposing party is not so acquired by the other parties within the time provided, the disposing party shall have the right for a period of ninety (90) days from the expiration of the aforementioned thirty-day period to dispose of such interest to any third party or parties upon substantially the same terms and conditions and for a consideration no greater than specified in such notice; provided, however, that such interest may not be disposed of unless the purchaser, concurrently with said sale and purchase, delivers to the other parties a written and enforceable assumption by the purchaser of the obligations of the disposing party under this Agreement; provided further, however, that if the initial notice given by disposing party to other parties does not identify the prospective purchaser of such interest, the party to whom disposition of such interest is intended to be made must first be approved in writing by other parties, which approval shall not be unreasonably withheld. If such interest is not disposed of within such ninety-day period, it must first be re-offered to the other parties prior to any subsequent disposition thereof.

(b) The right of first refusal granted in subparagraph (a) of this Section 12 shall not apply to any interest in this Agreement through merger, reorganization, consolidation, dissolution or where a party assigns its entire interest in this Agreement to a parent corporation or to a wholly owned subsidiary, but any such transaction shall not be valid until written notice thereof has been delivered to the other parties, together with a written and enforceable assumption by receiving person of the obligations of disposing party under this Agreement as they relate to the interest so acquired.

(c) The right of first refusal granted in subparagraph (a) of this Section 12 shall not apply to any mortgage, pledge or hypothecation by the disposing party of all or any portion of its interest in this Agreement and in the Project Properties; but it is understood that such mortgage, pledge or hypothecation is and shall be made expressly subject to this Agreement and made subject to the condition that on any realization of the security, any person thus acquiring an interest shall deliver to other parties a written and enforceable assumption of the obligations of disposing party under this Agreement as they relate to the interests so acquired, and any such mortgage, pledge or hypothecation shall not be valid until written notice thereof has been delivered to the other parties.

(d) Except as provided in Sections 8 and 11 and in this Section 12, no disposition of any interest shall be made by any party.

13. Insurance

Operator shall carry or maintain for the benefit and at the expense of the Joint Account the insurance coverage set forth in Exhibit C attached hereto and made a part hereof naming as additional insureds each of the parties, as their interests may appear.

14. Term

Subject to the rights of surrender and withdrawal as herein provided and unless sooner terminated or further extended by mutual agreement, this Operating Agreement shall remain in force and effect so long as the Project Properties are jointly owned by the parties and thereafter until all materials, supplies and equipment have been salvaged and disposed of and a final accounting has been made between the parties.

15. Disposition of Production

Each of the parties shall have the right to take in kind or separately dispose of its proportionate share of all ores and minerals produced from the Project Properties in such form as the Operating Committee deems appropriate and convenient. Any extra expenditures incurred by reason of the taking in kind or separate disposition by any parties of their proportionate share of said ores and minerals so produced shall be borne by each such party and each such party shall be required to construct, operate and maintain, all at its own expense, any and all facilities which may be necessary to receive, store and dispose of its share of production at the rate it is produced. In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of said ores and minerals, such party shall be solely liable to the other party for any costs incurred by the Operator or by the Project in preserving or storing such proportionate share. With the prior written consent of a party, the Operating Committee may enter into a sales contract for such party's proportionate share of ores and minerals produced; provided that all contracts of sale for any such party's share of ores and minerals produced shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. If any party is not taking its share of such ores and minerals in kind, any proceeds received by the Project for such party shall be distributed or accounted for quarterly to such party; provided, however, that Operator shall be entitled to retain and apply any proceeds of production accruing to any party hereto on any unsatisfied expenses chargeable against such party as herein provided. In case of any adverse claim, dispute or question as to the right to receive the production or proceeds deliverable to or payable to any party under this Agreement, the Operating Committee shall not be required to make delivery or payment thereof under this Agreement until final disposition of such claim, dispute or question and the Operating Committee may withhold delivery or payment thereof and, in the case of payments, deposit the same in a separate account until the Operating Committee is furnished with the original or certified copies of an instrument disposing of such claim or dispute or until delivery to the Operating Committee of proof sufficient in the opinion of the Project's counsel to settle the same, in which event the Operating Committee shall make

payment of the amounts so deposited in accordance with the instrument or proof so furnished. All costs incurred by the Project in stockpiling, selling or otherwise disposing of production so withheld shall be a charge against the Non-Operator whose right to receive the same has been so disputed or questioned.

16. Taxes

Operator shall pay for the Joint Account, as the same become due and payable, all taxes levied or assessed against the Project Properties and the production therefrom and against all personal property acquired in operations hereunder including, but not limited to, ad valorem, production, severance, sales, use and like taxes; provided that the Operating Committee or any of the parties shall have the right to contest in the courts or otherwise, the validity or amount of any such taxes if it deems the same unlawful, unjust, unequal or excessive and to take such other steps or proceedings as it may deem necessary to secure a cancellation, reduction, readjustment or equalization thereof before the same shall be required to be paid.

17. Rentals and Other Obligations

Operator shall pay from the Joint Account any and all delay rentals and other rentals, if any, which may become due and payable on the Project Properties. Operator agrees to follow good and customary practices in the matter of administrating said payments and to do all work necessary and make all payments necessary within the time required by any instrument under which interests in the Project Properties were acquired and to do whatever else is necessary to maintain the interests of the parties in the Project Properties and charge the Joint Account for the same.

18. Operator's Lien

Non-Operators hereby grant to Operator a lien upon their respective interests in the Project and the Project Properties and in the jointly owned equipment and other property and upon their interests in all production as security for payment of costs chargeable to them, together with any interest payable thereon. Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by a Non-Operator in the payment of costs chargeable to it, Operator shall have the right to collect and receive from the purchaser or purchasers thereof the proceeds of such defaulting Non-Operator's share of production up to the amount owing by such Non-Operator plus interest at the rate of 12% per annum until paid; each such purchaser shall be entitled to rely on Operator's statement concerning the existence and amount of any such default.

19. Change of Operator

Operator may resign from its duties and obligations at any time upon written notice of not less than 180 days given to Non-Operators. If Operator shall become bankrupt, subject to compliance with requirements of Section 12 hereof, it shall cease to be Operator without need of any further action other than selection, by the Operating Committee, of a successor operator. The Operating Committee may, at any time, discharge the Operator upon no less than thirty (30) days' prior written notice by a vote of the Operating Committee's representatives holding a majority in interest in and to the Project. If any Non-Operator shall at any time consider that the Operator is in default of performance of any of its duties and obligations hereunder, such Non-Operator shall give the Operator and other Non-Operators written notice thereof setting forth in detail the matters wherein default is claimed. If, within thirty (30) days from its receipt of such notice, Operator does not either correct the matters of which complaint is made or show cause why such matters do not constitute a default, then thereafter, by the vote of one or more Non-Operators then owning a majority of the interest in the Project, upon a finding of such a default of Operator and that the default is continuing, remove the Operator and select a successor. The Operator, upon ceasing to act in such capacity for any reason, shall deliver to its successor the custody of all of the assets, records, books and other property, both real and personal, of the Project and shall not acquire, nor consult upon, any mineral properties within a distance of five (5) miles from the exterior boundary of the Project Properties. The successor Operator shall assume the responsibilities and duties of, and shall have the rights granted to, the Operator pursuant to this Agreement.

20. Relationship of the Parties

It is understood and agreed between the parties that the ownership in the Project Properties and the personal property located thereon shall be and is as tenants in common, and the liability of the parties shall be several and not joint or collective. It is not the purpose or intent of this Agreement to create, and same shall never be construed as creating, a joint venture, mining partnership, commercial partnership or other partnership relation. Each party shall be responsible only for its obligations as herein set forth and shall be liable for its proportionate share of the cost of developing and operating the Project Properties. Each of the parties elects to be excluded from the application of all of the provisions of Sub-Chapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, and the Operating Committee is hereby directed and hereby agrees to file such elections with appropriate partnership returns for the first year in which this Agreement is in effect.

21. Laws and Regulations and Force Majeure

(a) This Agreement shall be subject to all valid and applicable laws and official rules and regulations; and, in the event this Agreement or any of the provisions hereof or the operations contemplated hereby are found to be inconsistent with or contrary to any such valid laws or official rules or regulations, the latter shall be deemed to control and this Agreement shall be regarded as modified accordingly and, as so modified, to continue in full force and effect.

(b) In the event of Operator being rendered unable wholly or in part, by force majeure applying to its operations, to carry out its obligations under this Agreement other than to make payment of amounts due hereunder, it is agreed that the obligations of the Operator so far as they are affected by such force majeure shall be suspended during the continuance of any inability so caused, but for no longer period; and such cause shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure," as employed herein, shall mean acts of God, strikes, lock-outs or other industrial disturbances, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, any state or federal laws, regulations or other matters beyond the reasonable control of the Operator, whether similar to matters herein specifically enumerated or not; provided, however, that performance shall be resumed within a reasonable time after such cause has been removed; and provided further that the Operator shall not be required against its will to adjust any labor dispute or to question the validity of or to refrain from judicially testing the validity of any state or federal order, regulation or law. This Agreement shall not terminate while operations hereunder are prevented by reason of any cause in this subparagraph.

22. Notices

For the purpose of receiving notices as required by this Agreement, the parties designate the following addresses and notices shall be deemed given upon deposit thereof in the United States mail, certified or registered, postage prepaid:

If to TEI:	Tombstone Exploration, Inc. 1700 Broadway New York, New York 10019
If to AEM:	Austin Exploration & Mining Corporation 4500 East Speedway Boulevard, Suite 14 Tucson, Arizona 85712
If to Operator:	Southwestern Exploration Associates, Inc. 4500 East Speedway Boulevard, Suite 14 Tucson, Arizona 85712

which addresses may be changed upon written notice given as as above set forth.

23. Information to Parties; Confidentiality

Operator shall keep Non-Operators informed, at reasonable intervals, of the progress and results of Project Operations performed hereunder. Except as otherwise provided in this Agreement, each party agrees that, without written consent of the other party first granted, it will treat as confidential and prevent disclosure to any third parties of any geological or geophysical or other technical information and data relating to the Project Properties or operations undertaken pursuant to this Agreement. This obligation shall be a continuing one throughout the term of this Agreement, notwithstanding such party may have ceased to be a party to this Agreement before its termination. While this Agreement is in effect, no party hereto shall, without the express written consent of the other parties, disclose any information it may obtain with respect to the results of Project Operations conducted hereunder nor issue any press releases concerning the Project's operations, except where counsel for such party renders a written opinion that such disclosure is required by applicable governmental statute or regulation. In such latter event, copies of the opinion and the text of the proposed disclosure or release shall be furnished to the other parties and at least fifteen (15) days prior to such disclosure or release. Nothing contained herein shall prohibis disclosure by a party to consultants or advisors employed by such party, provided that any such information shall be treated as confidential and proprietary by the consultant or advisor so retained.

24. Termination; Furnishing of Data

Each party shall, as soon as possible following termination pursuant to Section 14 hereof, complete the discharge of all of its proportional share of accrued or outstanding obligations to the other parties or to third parties incurred under this Agreement and not previously met. Any party, upon termination and upon discharge of the above mentioned obligations, may, if it so chooses, quitclaim to the other parties its interest in the Project Properties, or in any portion thereof. Upon termination of this Agreement, each of the parties shall be entitled to all information acquired under the Project, including copies of all maps, data and reports which can be reproduced and which have not theretofore been furnished.

25. Headings for Convenience Only

The headings used in this Agreement are for convenience only and shall be disregarded in construing this Agreement.

26. Miscellaneous

(a) This Agreement, and all of the provisions hereof, shall inure to the benefit of, and be binding upon, not only the parties but also their respective successors and permitted assigns.

(b) Each party agrees to execute such deeds, assignments, endorsements and other instruments and evidences of transfers, give such

further assurances and perform any acts which are or may become necessary or appropriate to effectuate and carry out this Agreement.

(c) Each party hereby waives any and all rights of partition it may have with respect to the Project Properties for so long as this Agreement is in effect.

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

TOMBSTONE EXPLORATION, INC.

By _____

AUSTIN EXPLORATION & MINING CORPORATION

By _____

This shall serve to acknowledge that SOUTHWESTERN EXPLORATION ASSOCIATES, INC. ("SEA") as the initial Operator under the preceding Operating Agreement, acknowledges that it has read and understands the provisions thereof. The execution by SEA shall serve as its agreement to serve as Operator pursuant to and in accordance with the terms and conditions thereof.

SOUTHWESTERN EXPLORATION ASSOCIATES, INC.

DATE: _____ By _____

EXHIBIT A

ACCOUNTING PROCEDURE

I. GENERAL PROVISIONS

A. Definitions

The terms used in this Exhibit A shall have the meanings assigned to them in the Operating Agreement (Agreement) to which this Exhibit is attached and of which it is made a part.

B. Accounting Records

Operator shall maintain the accounts and records required by the Agreement in accordance with generally accepted accounting principles consistently applied, including such separate accounts and records as are required for any Development Block. Operator shall not dispose of any such records for any calendar year within five (5) years of the end of such calendar year without the prior written consent of the parties and shall retain any such records for a reasonable additional period if specifically requested by either of the parties during such five (5) year period.

C. Audits

1. The Operating Committee shall arrange for an annual audit of the Project's accounts by an independent public accounting firm acceptable to the parties. The cost of such audit will be a Project cost.

2. Each party shall have reasonable access to the accounts and records maintained by the Operator and by the Operating Committee for transactions relating to the Agreement and, in addition to the annual audit provided for in paragraph 1 above, shall have the right at reasonable times during normal business hours to audit such accounts and records for any period of any calendar year. Each party shall also have the right to appoint an independent public accounting firm acceptable to the other party, which approval shall not be unreasonably withheld, to perform such audit. The party who initiates an audit pursuant to this paragraph shall bear the full expense of such audit.

3. The parties agree that all statements approved by the Operating Committee during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of each calendar year unless within the said twenty-four (24) month period any party shall take written exception thereto and unless at any time federal, state or local tax authorities take exception thereto. In the event of such an exception, only the excepted item or items shall remain open for adjustment until resolved by the parties pursuant to the Agreement.

D. Accounting Period

The accounting period shall be the calendar year.

II. CHARGES TO THE JOINT ACCOUNT FOR DEVELOPMENT AND OPERATIONS

Charges to the Joint Account shall mean all costs pursuant to transactions under this Agreement, including all costs of preparation of the Agreement to which this Exhibit is attached and costs related to further exploration, development, construction, mining, the concentration and beneficiation of production and smelting, refining, or treatment of such production, the loading and transporting of production, weighing, sampling, assaying and impurity penalties, laboratory and testing costs, and all other operations related thereto conducted according to industry practice, including, without limitation, costs such as:

A. Rentals and Royalties

Royalties and rentals and any other amounts due or paid under leases or other landholding or land acquisition agreements related to the Project.

B. Travel and Related Expenses

Travel and related expenses of the members of the Operating Committee in carrying out the work of the Operating Committee.

C. Services

1. The cost of contract services (including those of Operator) approved by the Operating Committee, including cost of power, light, heat and effluent disposal, outside consultants', attorneys' and auditors' fees and travel and related expenses (except for special audits performed or requested independently by any party).

2. Charges for consulting services provided by either of the parties at the specific request of the Operating Committee; provided that the parties agree to the nature and cost of the consulting services prior to any charges to the Project therefor.

D. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with any activity or transaction which Operator is obligated to pay under the Agreement.

E. Other

1. Cost of maintaining and protecting the Project assets during any periods of no activity.

2. Other costs which are not specifically mentioned in this Section II but which are incurred by the Operating Committee or the Operator in accordance with the terms of the Agreement and are necessary and proper for the conduct of work under the Agreement.

EXHIBIT B

"NET PROFITS INTEREST"

The term "Net Profits Interest" as used in the Operating Agreement to which this Exhibit is attached shall mean the share of net profits from the operation of the subject premises retained and reserved by a party pursuant to subparagraph (c) of Section 11 thereof. Net profits for any calendar month shall be determined by deducting from gross revenues all costs and expenses incurred in connection with or attributable to the exploration, development and exploitation of the subject premises. 'Gross revenues' shall mean the gross receipts from the sales of the products resulting from the exploitation of the subject premises. 'Costs and expenses in connection with or attributable to the exploration, development and exploitation of the subject premises' shall mean all those costs and expenses incurred by the non-withdrawing party in the exploration, development and exploitation of the subject premises from and after the date on which the withdrawing party acquires its Net Profits Interest. Such costs and expenses shall include, but not be limited to, the costs and expenses of exploring, developing, mining, milling, smelting, refining, administrative overhead, freight, insurance and marketing the products resulting from the exploration, development and exploitation of the subject premises; all royalties, rental payments, taxes (other than taxes on income) and property payments resulting therefrom; the costs of all buildings, structures, machinery and equipment; and in the event of plant or mine expansion involving construction or replacement of buildings, machinery, structures and equipment, the cost of all such items. Interest charges incurred by the non-withdrawing party in financing its operations on the subject premises shall not be chargeable in determining net profits. Net profits for any calendar month as determined above, shall be reduced by the costs and expenses of any prior calendar month or months which previously have not been recovered from gross revenues of such prior calendar month or months. Accounting for gross revenues and costs and expenses shall be on the accrual basis and in accordance with generally accepted accounting principles.

EXHIBIT C

SCHEDULE OF INSURANCE COVERAGE

Operator shall carry or provide for the benefit of the joint account of the parties the types and amounts of Insurance as are shown below.

(1) Workmen's Compensation Insurance to cover full liability under the Workmen's Compensation Law of the State of Arizona.

(2) Employer's Liability Insurance with a limit of not less than $_____ for accidental injuries or deaths of one or more employees as a result of one accident.

(3) Comprehensive General Liability Insurance with limits of not less than $_____ Combined Single Limit Per Occurrence for both Bodily Injury and Property Damage.

(4) Automobile Public Liability Insurance with limits of not less than $_____ Combined Single Limit Per Occurrence for both Bodily Injury and Property Damage.

The premiums paid for all such Insurance shall be charged as operation expense; provided, however, the premiums for Automobile Insurance on cars and trucks of Operator used for operations hereunder may be included in a flat rate mileage charge, in which event such premiums shall not be separately billed. No Insurance, other than that shown above, shall be carried for the benefit of the joint account except by mutual consent of the parties.

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• remote sensing • color aerial photography
• interpretation-image processing
• Worldwide Mobilization

P-418 file

4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

April 24, 1979

Mr. Thomas H. Schloss
COUNTER TO COUNTER
Frontier Flt. 106
Grand Island, NB
Hold for Pickup

Dear Tom,

Enclosed is one (1) full copy of the Lease Agreement which has been signed by Jim. Pages 1 (company names in top paragraph, and last sentence added) and page 12 (signature lines) have been modified according to Dick's instructions.

Dick requested that, in addition to the one full copy of the lease, we enclose three additional copies of the changed pages; each of the signature pages have been signed by JAB.

If you could please have the folks from Tombstone Development Company sign all four signature pages, the originals will go to the following:

one to Tombstone Development Company (Dick is sure they have a copy of the unchanged pages of the agreement; however, if not, they may keep the one enclosed herewith);

one to Tom Schloss (either the full copy of the lease or copies of the changed pages only -- whatever you and Tombstone Development decide; if they decide to keep the full copy we'll run you another when you come in on Thursday);

two copies returned to our office

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Also, when I spoke to you this morning, I failed to mention that you will have a Hertz waiting for you arrival.* They did not indicate that there were no compacts available, so they should have one for you. (*in Tucson)

Your reservations for Thursday morning are:

Frontier Flt. 101	Lv Grand Island	6:32 a.m.	(not yet confirmed)
	Ar Denver	8:25 a.m.	
Frontier Flt. 109	Lv Denver	10:00 a.m.	(confirmed)
	Ar Tucson	11:35 a.m.	

Hotel:

Problems again with winter visitors in Tucson; had to go with Rancho Del Rio again -- hope that's O.K.

Hope all goes well! See you Thursday.

Sincerely,

Chris

Christine M. Dodson
Mgr., Business Services

cmd
encl.
P-418

(27)

To: Tom Schloss, Jim Briscoe, Richard Hewlett
From: Clark D. Green
Date: 13 April, 1979

Re: Rental and Restoration and Damage Bond for Two (2) Mineral Prospecting Permit Applications in Tombstone Target Area

Two (2) applications for mineral prospecting permits in the Tombstone Target Area have been accepted by the Arizona State Land Department. To complete these applications we must submit to the State Land Office a rental payment of $2.00/acre and a surety bond of $2,000.00/section on or before 5:00 p.m. April 24, 1979, or our applications will be automatically terminated.

The properties covered in these prospecting permits and the rental and surety bond costs are outlined below:

P.P. Application No. 73609

Legal description	Sect.	Twp.	Rge.	Acres
NE1/4; N1/2S1/2;	29	20S	22E	320.00

One year rental fee @ $2.00/acre	$640.00
Surety bond cost from T.R.& T.	20.00
TOTAL	$660.00

P.P. Application No. 73608

Legal description	Sect.	Twp.	Rge.	Acres
Lots 1 & 2; SE1/4SE1/4; SW1/4SW1/4; N1/2S1/2; N1/2 less 17-2550	32	20S	22E	601.89

One year rental fee @ $2.00/acre	$1,203.78
Surety bond cost from T.R.& T.	20.00
TOTAL	$1,223.78

Total cost for the two (2) prospecting permits $1,883.78

Each application can be acted upon independently of the other.

These two sections are a part of the area designated as primary interest by Richard Hewlett and Jim Briscoe in the meeting of April 6, 1979, held to discuss the land acquisition procedures for this project area. As such, it is my recommendation that these Applications for Prospecting Permits be carried to completion, and that the rental and bond payments be obtained as soon as possible.

APPROVED

APR 27 1979

approved By 4/27/79

To: J.A.B., R.F.H., T.S.
From: C.D.G.
Date: 16 April, 1979

Re: Tombstone Study Area Prospecting Permits #73678, #73679, #73682, #73683, #73684, #73686, #73687, #73711 & #73712. Action date April 24, 1979.

Nine (9) of S.E.A.'s (as agents) Applications for Mineral Prospecting Permits in the Tombstone Study Area have been granted by the Arizona State Land Department. The properties covered in these prospecting permits and the rental and surety bond costs, at $2.00/acre rental and $2,000.00/section surety, are outlined below:

P.P. Application No. #73678

Legal description	Sect.	Twp.	Rge.	Acres
Lots 1,2,3,6 & 7; SE1/4NW1/4; S1/2NE1/4; N1/2SE1/4; E1/2SW1/4;	6	20S	22E	478.93

One year rental fee @ $2.00/acre	$957.86
Surety bond cost from T.R.& T.	20.00
TOTAL	$977.86

P.P. Application No. #73679

Legal description	Sect.	Twp.	Rge.	Acres
SE1/4SE1/4;	4	20S	22E	40

One year rental fee @ $2.00/acre	$80.00
Surety bond cost from T.R.& T.	20.00
TOTAL	$100.00

P.P. Application No. #73682

Legal description	Sect.	Twp.	Rge.	Acres
Lots 1,2,3 & 4; E1/2W1/2; E1/2;	7	20S	23E	638.80

One year rental fee @ $2.00/acre	$1,277.60
Surety bond cost from T.R.& T.	20.00
TOTAL	$1,297.60

P.P. Application No. #73683

Legal description	Sect.	Twp.	Rge.	Acres
Lots 1,2,3 & 4; S1/2N1/2; S1/2;	4	21S	22E	684.72

One year rental fee @ $2.00/acre	$1,369.44
Surety bond cost from T.R.& T.	20.00
TOTAL	$1,389.44

P.P. Application No. #73684

Legal description	Sect.	Twp.	Rge.	Acres
Lot 3; S1/2NE1/4; NE1/4SE1/4;	5	21S	22E	171.69

One year rental fee @ $2.00/acre	$343.38
Surety bond cost from T.R.& T.	20.00
TOTAL	$363.38

P.P. Application No. #73686

Legal description	Sect.	Twp.	Rge.	Acres
Lots 3 & 4; SE1/4SE1/4; N1/2SE1/4; SE1/4NE1/4;	7	21S	22E	227.36

One year rental fee @ $2.00/acre	$454.72
Surety bond cost from T.R.& T.	20.00
TOTAL	$474.72

P.P. Application No. #73687

Legal description	Sect.	Twp.	Rge.	Acres
N1/2N1/2; SW1/4NW1/4; W1/2SW1/4; S1/2SE1/4;	8	21S	22E	360

One year rental fee @ $2.00/acre	$720.00
Surety bond cost from T.R.& T.	20.00
TOTAL	$740.00

P.P. Application No. #73711

Legal description	Sect.	Twp.	Rge.	Acres
SE1/4; E1/2SW1/4;	24	20S	22E	240

One year rental fee @ $2.00/acre	$480.00
Surety bond cost from T.R.& T.	20.00
TOTAL	$500.00

P.P. Application No. #73712

Legal description	Sect.	Twp.	Rge.	Acres
E1/2; E1/2W1/2;	25	20S	22E	480

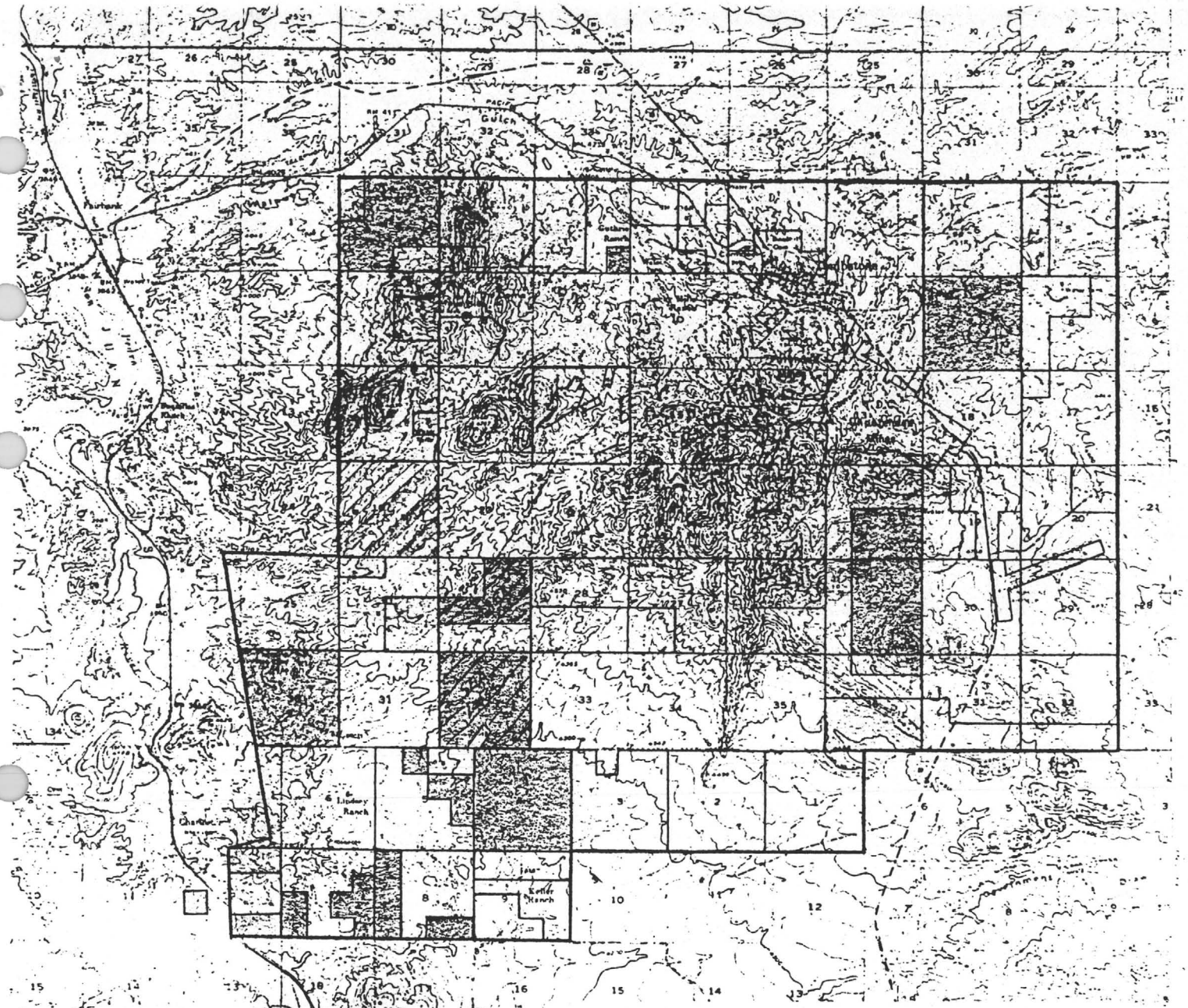
One year rental fee @ $2.00/acre	$960.00
Surety bond cost from T.R.& T.	20.00
TOTAL	$980.00

Total cost for the nine (9) prospecting permits $6,823.00

Each application may be acted upon independently of the others.

These nine sections all lie outside of the area designated as initial, primary land interest. As such, I feel it economically unwise to commit the large sums of money required to complete these applications at this time. It is my recommendation that these sections be held in "Limbo" per se, by the continued filing of Prospecting Permit Applications upon the termination of the present applications.

The A.S.L.D. imposed due date for action on these applications is 5:00 p.m. April 25, 1979, Wednesday.



P-418 Tombstone Study Area

Area of Interest

S.E.A. (agents); applications for prospecting permits accepted by the Arizona State Land Department, due April 24, 1979.

S.E.A. (agents); state lands held by applications for prospecting permits.

M.S. Horne; state lands held by applications for prospecting permits.

Stewart Mines; state lands held by applications for prospecting permits.

W.W. Grace; state lands held by an application for prospecting permit.

Simultaneous application filings.

4/18/79

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4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

April 6, 1979

Arizona State Land Department
1624 W. Adams
Phoenix, Arizona 85007

ATTENTION: Barbara, Land Case Examiner

This letter is to register Mr. Thomas E. Waldrip, Jr, and Mr. Clark D. Green as authorized signatories for transactions between your office of the Arizona State Land Department and Southwestern Exploration Associates, Inc. All future correspondence should be directed to these gentlemen.

Thank you for your cooperation in this matter.

Sincerely,

James A. Briscoe
President

JAB/cso
P-418
2131

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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

April 3, 1979

Mr. Dwight Lee
FAMCO
1700 Broadway
22nd Floor
New York, NY 10019

Dear Mr. Lee:

Per your conversation with Jim Briscoe on Saturday, March 31, we have duplicated our "Deals - Negotiated Agreements on Mineral Properties" file for your use. We have annotated pertinent articles for various entries. Also, Jim has asked that we periodically send you additional materials which are added to our file, so you can be expecting these.

Happy reading!

Sincerely,

Christine M. Dodson
Mgr., Business Services

CMD:jmp
encl.
P-418
2158

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MARCH 1979

FILE

tombstone

MEMO #0668

To: JAB

From: CMD

Date: March 6, 1979

Re: Reservations for Mr. Tom Schloss

I had some trouble getting a reservation at the Rodeway Inn as you requested. They have no available rooms for this evening, but do have rooms starting Wednesday evening through the weekend.

Rather than having Mr. Schloss change hotels in the middle of his stay, I contacted our travel agent (Rita) and she suggested the Ambassador Inn, 4425 E. 22nd Street. This is fairly close to S.E.A. and is of comparable quality.

The rate is $32.50 per night and it has been confirmed through Olivia at the Ambassador. This is not the same as a guaranteed reservation; i.e., Mr. Schloss will need to either register or contact the Ambassador before 6:00 p.m. this evening.

If Mr. Schloss would like to change over to the Rodeway for the rest of the week, please let me know.

CMD
P-418
0668

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4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

March 30, 1979

Mr. & Mrs. Tom Schloss
The Priory
Pelham Manor, NY 10803

Dear Harry and Tom,

It must be good to get home again after your travels! I hope all went well with your reservations at the Rancho del Rio and the Tac Room on Friday evening.

Harry, enclosed is the list of addresses and phone numbers you requested over the phone. Please don't hesitate to call any of these people should a question or problem arise.

We certainly enjoyed touring our offices with both of you on Thursday and hope you'll feel free to stop in and visit with us anytime.

Sincerely,

Christine M. Dodson
Mgr., Business Services

CMD:jmp
encl.
P-418
2150

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James A. Briscoe
4500 E. Speedway, Suite 14
Tucson, AZ 85712 (602) 795-6097

Trailer in Searchlight (702) 297-1605

Mr. & Mrs. Richard F. Hewlett
Nellie Cashman Apartments
Cottage #2
121 E. 5th
Tombstone, AZ (602) 457-3828

Alexis Briscoe - Marketing Representative
Mandelburg Investment Company (602) 881-1660

Home Address:

6550 E. Miramar Drive Answering Service: (602) 886-0363
Tucson, AZ 85715

Dana M. Slaymaker - Vice President, General Manager, S.E.A. Photography, Inc.
5110 N. Camino Esplandora
Tucson, AZ 85718 (602) 299-2747

Chris Dodson - Manager, Business Services
1501 E. Hedrick Drive
Tucson, AZ 85719 (602) 795-4697

P-418

CASH EXPENDITURES

(26)

	DRAFT	1 JANUARY	2 FEBRUARY	3 MARCH	4 TOTAL 1st QRT.	5
1	CONSULTING:					
2	JAMES A. BRISCOE, RPG	2646.00	1908.00		4554.00	
3	EXPLORATION PROG. MGR.	780.00	462.00		1242.00	
4	ASSISTANT GEOLOGIST	65.25	33.75		99.00	
5	LAND MAN		456.25	50.00	506.25	
6	ASSISTANT LAND MAN		810.00	2081.00	2891.00	
9	SUPPORT STAFF:					
10	CERTIFIED LIBRARIAN		300.		300	
11	LIBRARIAN	1200	6220	10920	15540	
12	TECHNICAL ASSISTANT	500	16300	3700	20500	
13	SR. GEOLOGICAL DRAFTS.	1500	3750		5250	
14	ADMINISTRATIVE SEC'TY	10500	94680	27300	132480	
15	DEC 100 TRANSCRIPT.	9000		6156	15156	
16	BOOKKEEPER	5400	5400	1560	12360	
17	SECRETARY	3750			3750	
19						
20	SUPPLIES:					
21	BUSINESS SERVICES	15413	53877	31277	120567	
22	DRAFTING DEPARTMENT	518	294	2125	2937	
23	LITERATURE RESEARCH	1840	4160	2320	7800	
24	[illegible] CLASSICS		704		704	
26	LEASE DEPOSIT		6000.00		6000.00	
28	[illegible] DENVER, CO.					
29	(CHARLOW)					
31	TRAVEL ADVANCE					
33	RICHARD F. HEWLETT	800.00	1500.00		2300.00	
35	LOEB					
36	[illegible]		1000.00	500.00	1500.00	
38	PERSONAL [illegible]					
39	[illegible]			125.00	125.00	
40	MISC. EXPENSES			1800	1800	
	TOTALS	47794.6	140315.5	86142	224251.73	

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TOMBSTONE PRECIOUS METAL PROCESSING

One million tons of gold and silver ore has been "heaped" into a large pile 1500 feet long, 400 feet wide, and 100 feet high. Processing of the ore was incomplete in the past. Crushing and chemical pre-treatment of the ore has been proven to liberate the gold and silver values.

Samples taken in February show a combined gold and silver value of $23 per ton of ore. This confirms previous sampling of the ore taken before it was heaped, when precious metal prices were 1/3 of today's prices. Existing leaching facilities on the property make the chemical processing of the ore very feasible and economic.

The cash flow from the processing of the ore would pay back a $200,000 capital investment in from 4 to 6 months, assigning 50% of the net operating profit to retiring the capital investment. However, the project would be structured in capital investment increments of $50,000 because the expected required capital investment is under $100,000. Following are the profits participating interest and return for various required investment increments:

Required Investment Increment	Profits Participating Interest	Expected Return
Under $100,000	15%	$1,500,000
$100,000-$150,000	20%	2,000,000
$150,000-$200,000	25%	2,500,000

One important feature of this investment is that the lease provides for taking "product in kind", which allows the investor to hold certificates of ownership of gold and silver issued by the refinery. Also, bullion can be owned and stored. Because of possession of bullion in some form, the time of sale and quantity sold is determined by the owner, and the "taxable event" occurs at the time of the sale.

REVIEWED

MAR 18 1979

By

TOMBSTONE EQUIPMENT

Required for re-processing the dumps would be the following:

Jaw and roll or cone crusher.

Grizzly for course at jaw feed.

One half (½) inch screen for re-cycle through roll/cone.

Conveyor belts.

Dozer.

Front-end loader.

Infrequently, a blade & water truck (pad construction).

We will pay the insurance and performance bond. Premiums - (2,000,000 liability & $150,000).

Following are the profits interest and expected profit returns:

Case	Profits Interest	Expected Profit Return	
		Total	Per Ton
Contractor pays operating costs for 60 days.	15%	$1,500,000	$1.50
Contractor pays operating costs for 30 days.	12%	$1,200,000	$1.20
S.E.A. Hydromet pays cost plus 10% from start.	10%	$1,000,000	$1.00

REVIEWED
MAR 18 1979
By

TOMBSTONE SERVICES

Services required for the Tombstone heap re-processing include but are not limited to:

1. Supervision and labor for metallurgical testing, equipment and pipe installation, and leaching personnel.
2. Use of laboratory equipment, such as, crushing & pulverizing equipment, wet-lab facilities and atomic adsorption analysis for gold or silver.

For the above, the following profits interest would be earned and the resulting expected profit return from the heap re-processing.

Actual Cost of Services and Equipment Rental	Profits Participating Interest	Expected Return
$0 - 25,000	2½%	$250,000
25,000 - 50,000	5%	500,000
50,000 - 75,000	7½%	750,000
75,000 - 100,000	10%	1,000,000

REVIEWED
MAR 18 1979
By

TOMBSTONE HEAP

Following are recent samples taken from the heap, grouped by screen size and mineral:

Ore Type	Troy Oz./Ton Au	Troy Oz./Ton Ag	Value* Au	Value* Ag	Total Value
Clay	.041	.26	$10.25	$1.95	$12.20
Fines	.086	.29	21.38	2.18	23.56
Large	.038	.53	9.38	3.94	13.32
Manganese	.155	1.44	38.75	10.80	49.55

The above were weighted by their respective weight percent age (15%,25%,40% & 20%) and the average value ($250 Au & $7.50 Ag*) is $22.95. Assuming a 65% recovery, the resulting ore value would be $15.00. The operating costs will be under $5.00 per ton ore, yielding a net operating profit before taxes of $10.00 per ton ore.

REVIEWED

MAR 1 8 1979

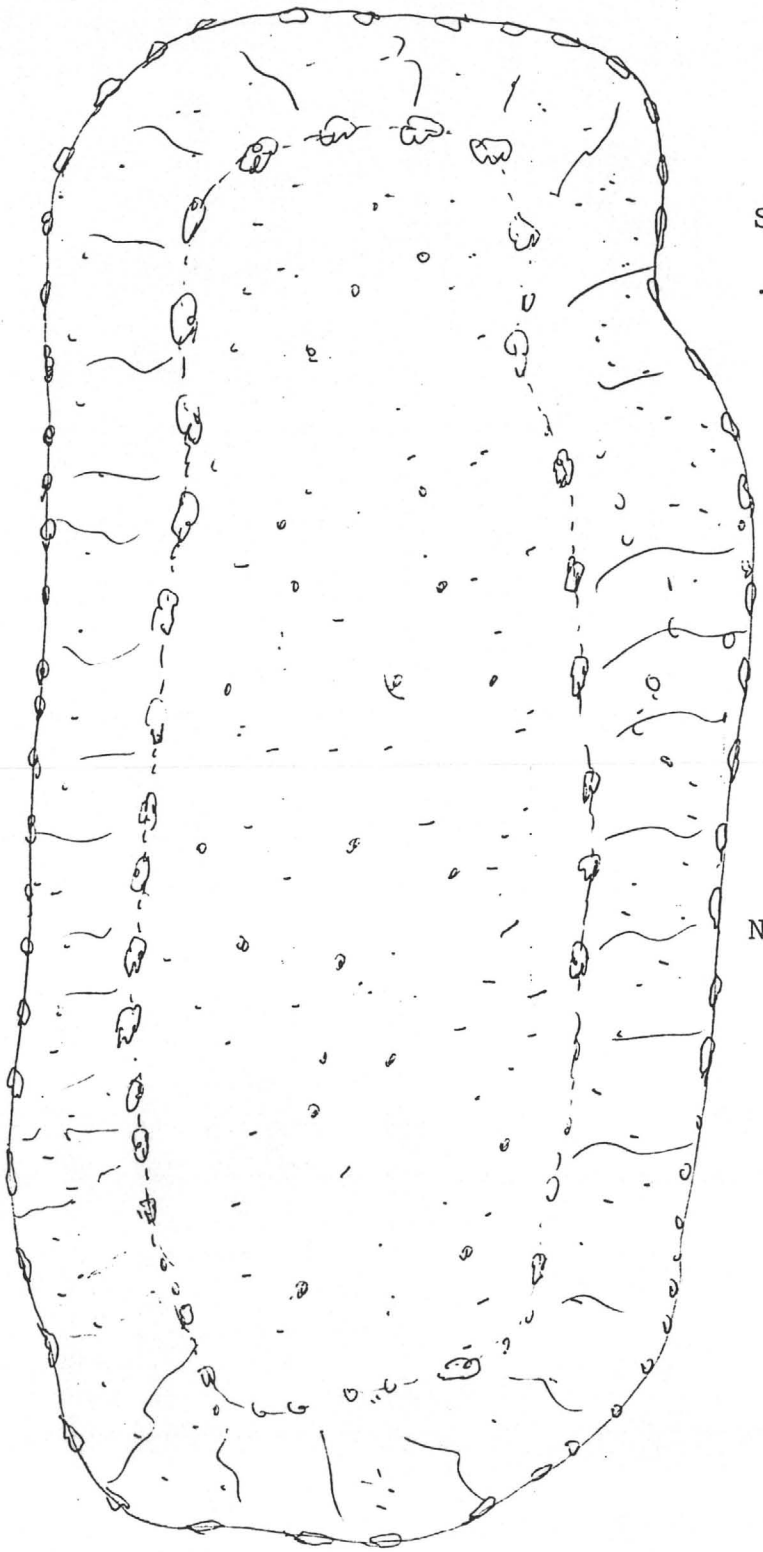
By

SOUTHEAST CLAY
.021 Au/.12 Ag

SOUTHWEST CLAY
.060 Au/.36 Ag

SOUTH FINES
.120 Au/.42 Ag

SOUTH LARGE
.042 Au/
.57 Ag



SOUTH MANGANESE

.150 Au/1.89 Ag

TOMBSTONE "HEAP"
****
Assays of ore types
and sizes.....

NORTH MANGANESE

East .177 Au/1.98 Ag

West .138 Au/.45 Ag

REVIEWED
MAR 1 8 1979
By

NORTH CLAY
.042 Au/.30 Ag

NORTH FINES
.051 Au/.15 Ag

NORTH LARGE
.033 Au/.48 Ag

APPENDIX TWO

(24)

TOMBSTONE
Immediate Expenses

Category	Activity	Quote	Estimate
Power	APS Hook-Up(Deposit);		
	West Side Water Pump	$ 800	
	Old '71 Min. Plant	2,400	
	Office	50	
	Box & Meter Loop		$ 600
	Electrician		500
	Cable		1,000
	Switches & Elec. Misc.		500
	Pump pannel/Installation		1,000
Water Line	3-inch PVC;3,000 feet	2,250	
	Installation	300	
PVC Fittings	Tees, Manifolds, etc.		100
Sprays	Directional rainbirds		80
Preg Pond	Liner & labor		100
Lab	Chemicals		100
Building	Trailer(40X8')-2 months + $215 Monthly rent=$135	500	
Plant	4-50 GPM filter/recovery units		2,500
Tank	1350 gallon	350	
Chemicals	Start-Up solvents & reagents		2,432
Moving	Lab equipment & office		1,500
Labor	Leaching & crushing		2,000
Management	RF Hewlett, et.al. Sal/Expenses		4,000
Office	Reports & support		900
Misc.	Processing, freight, etc.		1,038
		6.650	18,350

Total= $25,000

REVIEWED

MAR 1 8 1979

By

145

TOMBSTONE

Start-Up Chemicals

Name	Quantity	Unit Price	Total Price
SR-3 Resin (Ion-Exchange)	100 #	$ 6.50/#	$ 650
Lime-Paul Spur Processed(CaO)	20 tons	$14/ton	280
	Haul..	$25/hr	100
Sodium Hypochlorite (NaOCl-14% soln.)	5-55 gal.bbl.	$0.90/gal	248
Sodium cyanide (NaCN)	1000 #	$0.5615/#	562
Sodium sulfide (Na_2S)	400 #	$0.248/#	99
Zinc dust (Merrillite)	300 #	$0.662/#	199
Sodium thiosulfate ($Na_2S_2O_3 \cdot 5\ H_2O$)	300 #	$0.246/#	74
			$ 2,211

REVIEWED

MAR 18 1979

By HB

TOMBSTONE

Process Chemistry

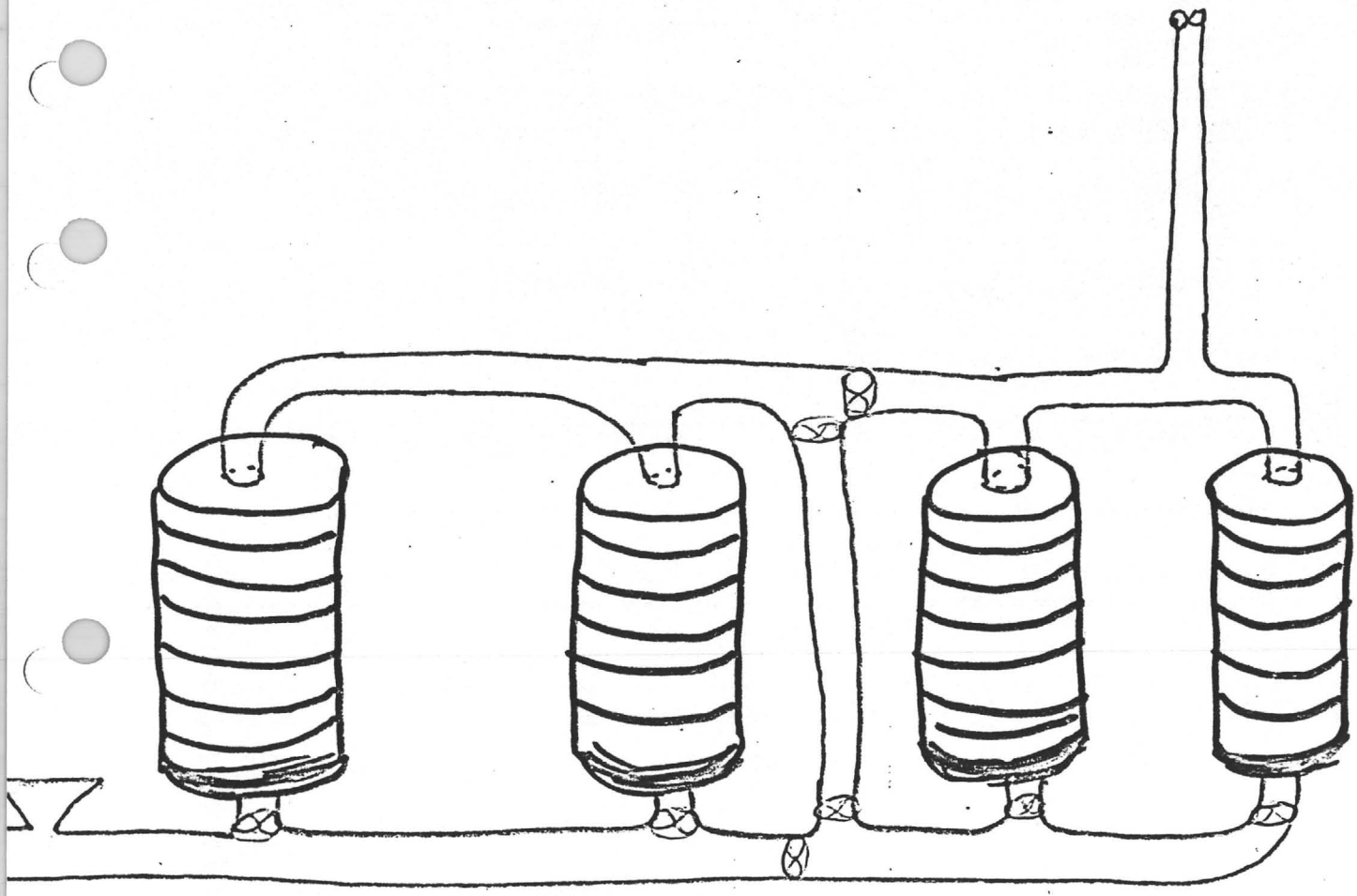
Activity	Solvent	Reagent	Recovery Method Ag	Recovery Method Au
A. Spray Side Slopes	(1) $Na_2S_2O_3$	None	Powd. Zn	Na_2S
	(2) NaCN	Lime	Na_2S	Resin
B. Crush & Leach No. Ramp	(1) $Na_2S_2O_3$	None	Powd. Zn	Na_2S
	(2) CN	Lime	Na_2S	Resin
C. Crush & Leach Heap (Low-Mn)	(1) NaCl	NaOCl	Na_2S	Resin
	(2) CN	Lime	Na_2S	Resin
D. Crush & Leach Heap (High-Mn)	(1) NaCl	NaOCl	Na_2S	Resin
	(2) $Na_2S_2O_3$	-	Powd. Zn	Na_2S
	(3) CN	Lime	Na_2S	Resin

REVIEWED

MAR 18 1979

By

TOMBSTONE
Plant Design



REVIEWED

MAR 18 1979

BY

RECEIVED MAR 24 1979 P 418

Tucson Realty & Trust Co.

Allan A. Dochtermann
Assistant Vice President

March 23, 1979

Mr. Richard Hewlitt
Southwestern Exploration Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dick:

To follow-up our phone conversation, the cost, on an annual basis, to increase the Property Damage portion of your General Liability Policy from the present limit of $100,000 to alternate limits of $250,000 or $500,000 would be $71.00 or $153.00 respectively. This, of course, is based on the salary estimations presently showing on the policy.

In addition, per Jim's letter of March 6, 1979 regarding a Performance Bond on your Tombstone properties, I explained to Chris that as far as we can tell after discussing this with several companies, a Performance Bond would not be the answer to your problems and indeed, a Performance Bond would not cover your liability. Instead a personal financial guarnaty is what they are in fact looking for.

Please let me know at your convenience the limits of liability you wish to carry.

Thanks,

Allan

Allan
Assistant Vice President
AAD:jo

cc: Chris

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(602) 795-6097

T 418

James A. Briscoe, President
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

March 22, 1979

Betty J. Murray
Land Case Examiner
Arizona State Land Department
1624 W. Adams
Phoenix, Arizona 85007

RE: Prospecting Permit Applications No. 73678 &73679

Madam,

As per our conversation in your office on March 15, 1979, enclosed please find one original each of the two (2) Prospecting Permit applications #73678 & 73679.

We realize this changes our application fee refund from $150.00 to $100.00. Thank you for your time and help in this matter.

Sincerely,

Clark D. Green
Geologist/Landman

CDG/cso
2130
P-418
enclosures

140

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4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

March 16, 1979

Mr. Tom Schloss
FAMCO
1700 Broadway
22nd Floor
New York, NY 10019

Dear Tom,

Enclosed is the progress report for the Tombstone Project for the period of February 23 to March 15, 1979. Also enclosed is the Muggins Mountain Study Area Proposal for Uranium Exploration in Yuma, Arizona prepared by Thomas E. Waldrip, Jr.

We are sending these to your office rather than to the home address given to Jim because, evidently, the post office does not deliver overnight to Pelham Manor.

We hope this change of plans does not inconvenience you. Should you have any questions about either of these reports, please do not hesitate to call.

Sincerely,

Christine M. Dodson
Mgr., Business Services

CMD:jmp
encl.
P-418, N-79
2039

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TOMBSTONE

Sampling Summary
March 12, 1979

Location	Ore Type	Troy Oz./ton ore		Gross Value
		Gold	Silver	($250/$7.5)
Heap	Coarse	.038	.53	$ 13.48
"	Clay	.041	.26	12.20
"	Fines	.086	.29	23.56
"	Manganese	.155	1.44	49.55
North Ramp	Contention	.138	1.31	44.33
Emerald Dump	Fines/coarse	.127	2.72	52.15
Contention	Tailings	.050	.63	17.23
Sh-t	Carbonaceous	.234	1.56	70.20
Contention Dike-Cave Open-Pit Area	Altered Dike/ Limestone- No Manganese	.158	1.94	36.00

REVIEWED
MAR 18 1979
By JMB

TOMBSTONE

North Ramp Sampling:
(Tom Schloss et. al.)

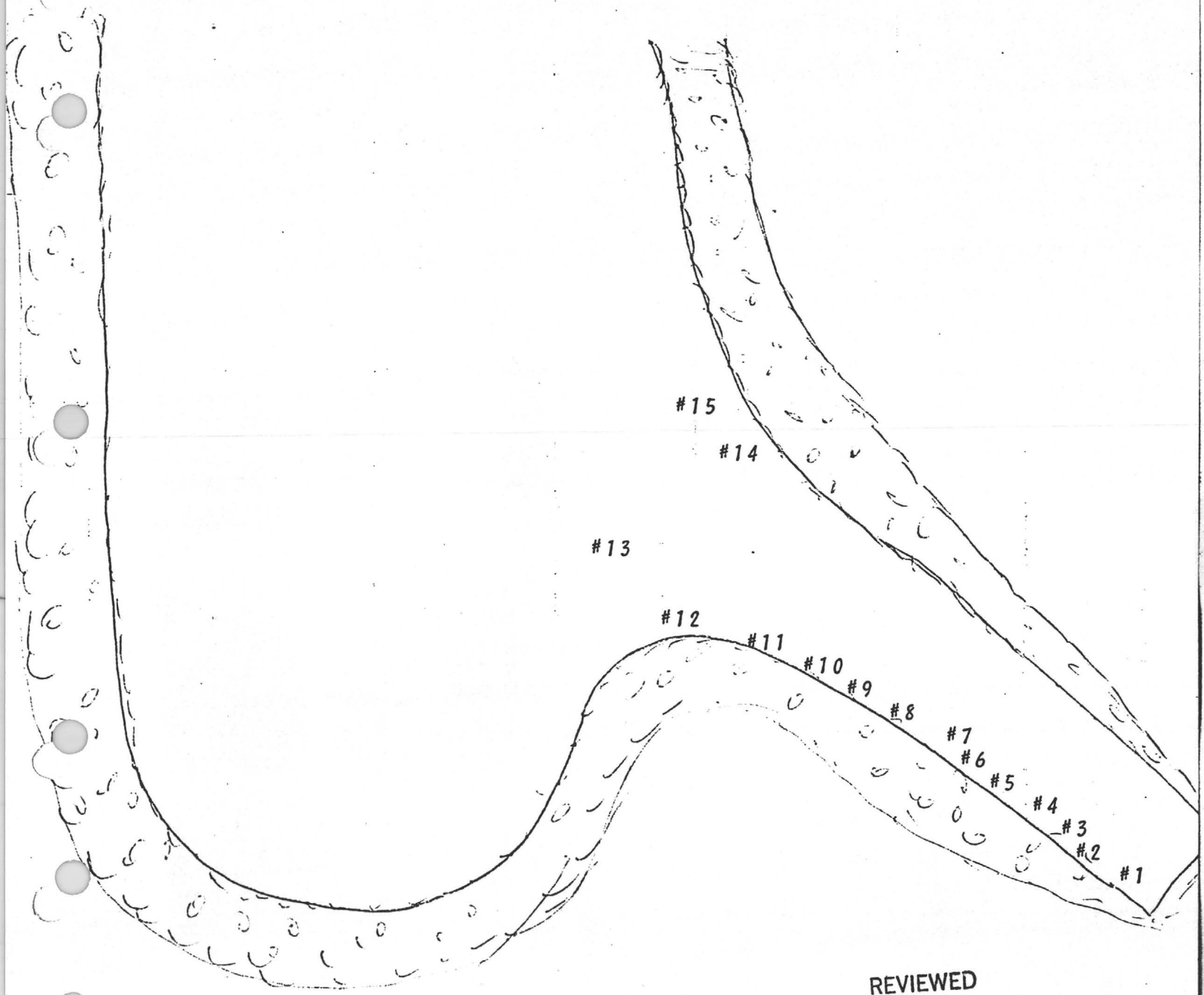
(C. Escapule Lab Results);

Sample Number	Troy Oz./ton soln.		Troy Oz./ton ore	
	Gold	Silver	Gold	Silver
NR- 1	.043	.31	.129	.93
NR- 2	.040	.38	.120	1.14
NR- 3	.063	1.80	.189	5.40
NR- 4	.039	.24	.117	.72
NR- 5	.043	.41	.129	1.23
NR- 6	.104	.58	.312	1.74
NR- 7	.037	.29	.111	.87
NR- 9	.039	.41	.117	1.23
NR-10	.034	.20	.102	.60
NR-11	.034	.29	.102	.87
NR-12	.040	.29	.120	.87
NR-13	.052	.46	.156	1.38
NR-14	.039	.20	.117	.60
NR-15	.037	.25	.111	.75
		Ave.	.138	1.31

REVIEWED
MAR 18 1979
By JB

TOMBSTONE

North Ramp Sample Map:



NORTH !

REVIEWED
MAR 18 1979
By JB

TOMBSTONE

Special Samples:
(Tom Schloss et. al.)

(C. Escapule Lab Results);

Sample Number	Troy Oz./ton soln.		Troy Oz./ton ore	
	Gold	Silver	Gold	Silver
Emerald Dump;				
Fines	.037	2.14	.111	6.42
Coarse	.060	.38	.180	1.14
High Ag	.026	.70	.078	2.10
Hot H	.046	.40	.138	1.20
			.127	2.72
Contention Tailings;				
East	.010	.21	.030	.63
Middle	.017	.28	.051	.84
West	.023	.14	.069	.42
			.050	.63
Sh-t	.078	.52	.234	1.56

REVIEWED
MAY 18 1979
JB

TOMBSTONE

Lab Comparisons

Sample Number	Gold-t.oz./ton soln.		Silver-t.oz./ton soln.	
	C. Escapule	Eocene	C. Escapule	Eocene
North Ramp- 1	.043	.090	.31	-
" 2	.040	.080	.38	.59
" 3	.063	.075	1.80	2.29
" 4	.039	.060	.24	.35
" 5	.043	.056	.41	-
" 6	.104	.138	.58	.85
" 7	.037	.065	.29	-
" 9	.039	.048	.41	.53
" 10	.034	.057	.20	.25
" 11	.034	.051	.29	-
" 12	.040	.052	.29	-
" 13	.052	.061	.46	-
" 14	.039	.049	.20	-
" 15	.037	.042	.25	.31
Contention Tailings;				
East	.010	.035	.21	.31
Middle	.017	.043	.28	.35
West	.023	.065	.14	.20
Emerald; Fines	.037	.058	2.14	2.38
Coarse	.060	.056	.38	.42
High-Ag	.026	.070	.70	.65
Hot-H	.046	.061	.40	.92
Sh-t	.078	.072	.52	.61

REVIEWED
MAR 18 1979
By JHB

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TOMBSTONE

Special Samples

CYANIDE vs. ACID LEACH:

To estimate the effectiveness of cyanide as a leaching solvent without pre-treatment, samples taken from the same location were leached with cyanide and aqua regia to determine the relative recoveries. It is known that aqua regia will dissolve all of the gold and some of the silver, making aqua regia a good estimator of total value(heads). For gold, aqua regia is more precise than fire assays, and with the use of an atomic absorption machine, is much faster. Following are the results:

	CYANIDE		AQUA REGIA		PerCent CYANIDE RECOVERY
	T.Oz./ton soln.		T.Oz./ton soln.		
Ore Type	Gold	Silver	Gold	Silver	Gold
Sh-t	.020	.27	.070	.42	29 %
Emerald Fines	.005	.24	.045	.21	11 %
Contention Tails	.020	.21	.047	.08	43 %
North Ramp-6-	.025	2.85	.082	.52	30 %

The above cyanide-aqua regia comparison confirms Ralph VanArsdale's statement concerning the recovery of only 10% of the values from the manganifeous ore left in the Emerald dump and what was hauled to the heap and leached.

REVIEWED

MAR 18 1979

By JB

TOMBSTONE

Open Pit Samples
Contention Dike

Summary of Contention Dike Open-Pit Samples:

Sample Identification	T.Oz./ton ore		Gross Value/ton ore
	Gold	Silver	($250/$7.50)
Channel Coarse	.126	.39	$ 34.43
A-Fines/coarse/mixed	.130	1.32	42.40
B-Fines/coarse/mixed	.135	2.88	55.35
C-Coarse	.105	.48	29.85
D-Fines/Coarse	.158	1.94	54.05
Ave.	.158	1.94	$ 36.00 .....

REVIEWED
MAR 18 1979
By

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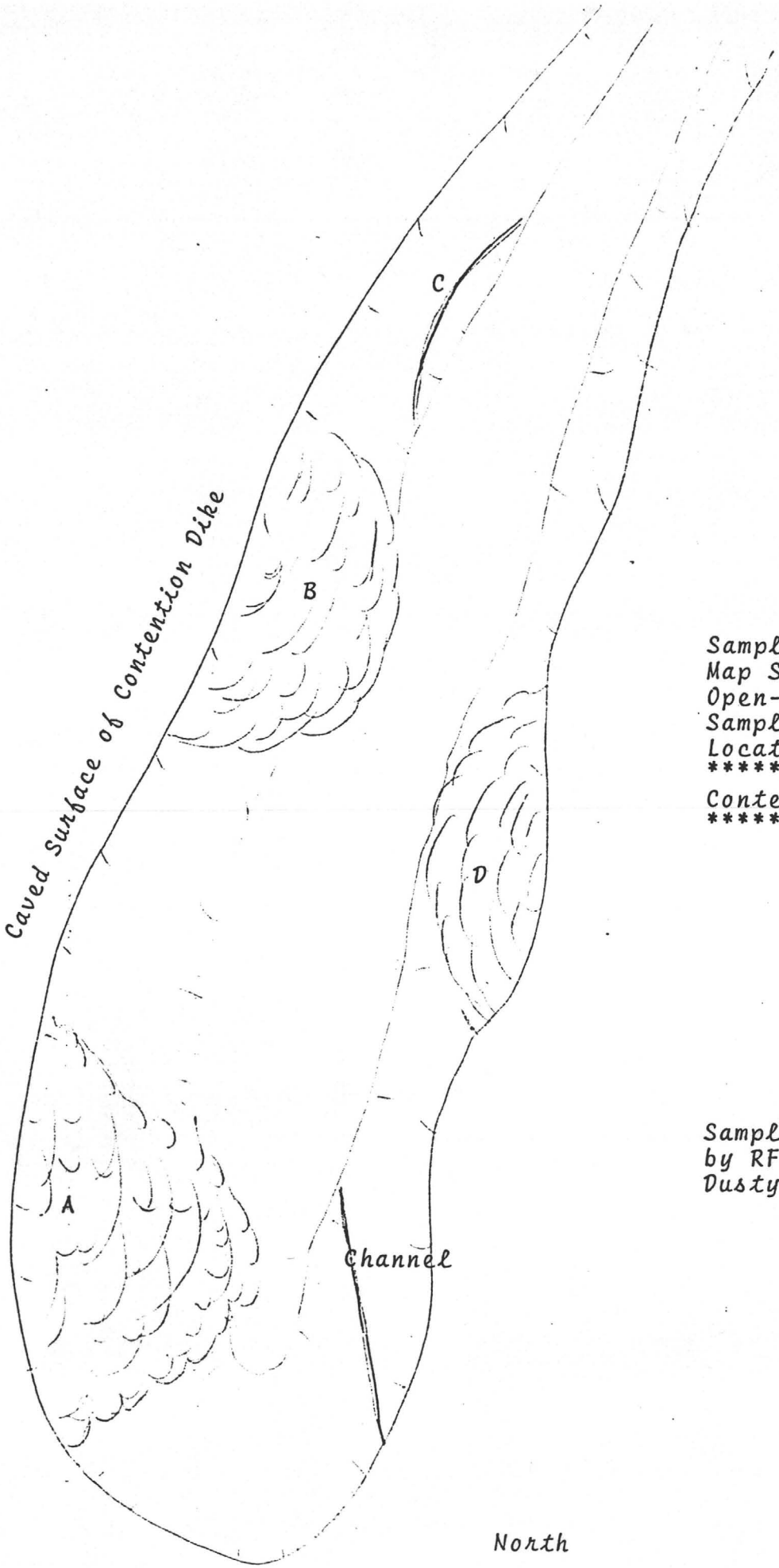
TOMBSTONE

Open Pit Samples
Contention Dike

Sample Identification	T.Oz./ton soln.		T.Oz./ton ore		Gross Value Ton Ore ($250/$7.5)
	Gold	Silver	Gold	Silver	
Channel Sample along Contention Dike	.042	.13	.126	.39	$ 34.43
A- Fines	.060	.70	.180	2.10	60.75
A- Mixed(mine run)	.035	.25	.105	.75	31.88
A- Coarse	.035	.37	.105	1.11	34.58
B- Fines	.055	2.03	.165	6.09	86.93
B- Mixed(mine run)	.040	.35	.120	1.05	37.88
B- Coarse	.040	.50	.120	1.50	41.25
C- Coarse(Channel)	.035	.16	.105	.48	29.85
D- Fines	.050	.96	.150	2.88	59.10
D- Coarse	.055	.33	.165	.99	48.68

REVIEWED
MAR 18 1979
By JDB



Sample Location
Map Showing
Open-Pit
Sample
Locations
****

Contention Dike
****

Sampled March 11, 1979
by RF Hewlett and
Dusty Escapule.....

REVIEWED

MAR 18 1979

130

YAB

1700 Broadway
New York, N.Y.
10019

March 7, 1979

22

Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Mr. Briscoe:

This letter will outline the basic terms and conditions under which the undersigned (individually, or in conjunction with other investor associates of the undersigned, whether one or more, hereinafter referred to as "INVESTORS") agree to participate in an exploration and development project with you (hereinafter "BRISCOE") on property situated in the Tombstone Mining District, Cochise County, Arizona. It is agreed that INVESTORS and BRISCOE, or their respective designees or assigns, will enter into a formal agreement incorporating provisions for the operation of the exploration and development program (hereinafter the "Project") and such other provisions as are customary and desirable in such an agreement. It is further agreed that, to the extent applicable, the formal agreement will include in substance those terms and conditions set forth in this letter agreement.

1. Mining Properties

It is anticipated that the Project will encompass (i) approximately 85 patented mining claims and 18 unpatented mining claims owned by Tombstone Development Company (hereinafter "TDC") and leased, or to be leased, to BRISCOE pursuant to a Lease Agreement (the "TDC Lease") containing essentially the provisions as set forth in that certain "Preliminary Draft of Lease Agreement" dated February 7, 1979, a copy of which has been heretofore furnished by BRISCOE; (ii) any additional mining claims, mineral interests or mineral properties leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity to be formed by BRISCOE and INVESTORS pursuant to Paragraph 4 below and which may be a part of, or an offset of, any mineralized deposits contained within properties leased from TDC, including without limitation the claims or areas known as the Tombstone Extension, Tombstone Mineral Reserve and the State of Maine areas (it being understood that claims and properties within the State of Maine area are owned principally by the Escapule family and that the Project may find it to its advantage to enter into some type of a joint venture with the Escapules); and (iii) any potential porphyry copper targets in the Seth Horn and Robbers Roost areas leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity described in Paragraph 4.

JB

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2. Condition of Agreement

The terms, conditions and covenants of this letter agreement, other than the payment obligation described in Paragraph 3 hereof, shall be expressly conditioned upon INVESTORS satisfying themselves within 30 days of the date of execution of this letter agreement by BRISCOE that the TDC Lease grants to BRISCOE the rights set forth therein, free and clear of all liens and encumbrances other than as specifically described therein, and that TDC has and possesses title as represented by TDC therein.

3. Initial Payment

Upon execution of this letter agreement by BRISCOE and delivery to INVESTORS of a fully executed copy, INVESTORS shall advance to BRISCOE the sum of Twenty-Five Thousand Dollars ($25,000.00), which sum shall be applied against Project expenditures.

4. Operating Entity

It is anticipated that the Project will be conducted by an entity formed by INVESTORS and BRISCOE and whereunder neither INVESTORS, individually, nor BRISCOE, individually, shall be obligated to assume personal liability, which entity may be in the form of a joint venture, joint operating agreement, limited partnership, corporation or any combination thereof. It is expressly agreed and understood that either INVESTORS or BRISCOE, or both, may assign the rights set forth herein to a corporation or other entity owned or managed by the respective parties. It is anticipated that the day to day operations of the Project will be conducted under the direction of an operating or project manager. Any such entity shall be under the general management and control of representatives of both INVESTORS and BRISCOE, and except as specifically provided below in this Paragraph 4, the voting rights of each party's representative with respect to the Project decisions shall be in proportion to the interest that each party has in and to the Project at the time such decision is made. Notwithstanding the foregoing, it is further agreed that until such time as INVESTORS have made the total cumulative contributions described in Paragraph 6 below or have forfeited their right to make further contributions, major Project decisions including, without limitation, those relating to cash calls, payments to equity owners from cash flow, pursuing further exploration targets, acquisition of additional lands or mineral interests, expenses for plant or facility expansion, and decisions concerning termination or discontinuance of all or a portion of the Project operations will be made by representatives designated by all parties with an interest in the Project. The agreement giving rise to, or the bylaws of, the operating entity shall contain a provision whereunder prior to the sale or transfer of an interest in the Project, the remaining parties to the Project shall have a right of first refusal, provided that no such transfer or assignment shall carry with it the right to manage the Project without the consent of the other parties. Promptly following the organization or formation of the operating entity,

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all of the mining properties described in Paragraph 1 then held by or on behalf of BRISCOE or INVESTORS shall be transferred to the operating entity by appropriate instruments of conveyance, assignment or other transfer.

5. Management

It is anticipated that Southwestern Exploration Associates, Inc. (hereinafter "SEA"), or a subsidiary thereof, shall be employed by the Project to manage the exploration and development operations pursuant to plans approved and adopted in accordance with the provisions of the agreement giving rise to, or the bylaws adopted by, the operating entity, it being understood and agreed that such approvals shall be made by a management committee or management group containing representatives of the owners of interests in and to the Project as described in Paragraph 4 above. BRISCOE, or the Project manager, shall provide INVESTORS with written progress reports detailing the activities undertaken by and planned for the Project at intervals no less than twice monthly. The Project manager shall fully disclose Project matters to the parties and the parties agree to fully disclose to each other information pertaining to the Project and its operations.

6. Interest Acquired by INVESTORS

Unless this letter agreement terminates pursuant to the provisions of Paragraph 9 below, the equity interest of INVESTORS in and to the Project shall be determined by the amounts contributed to the Project (under this letter agreement and under the agreements made, and through the entity established pursuant to Paragraph 4 above):

Cumulative Investment	Percentage of Equity	Funding Intervals
$ 25,000.00	25%	Upon execution of this letter agreement
$ 50,000.00	30%	Within 7 days of submittal to INVESTORS of the Report on First Phase described in Paragraph 8 below.
$ 75,000.00	35%	*
$100,000.00	40%	By 5/31/79
$125,000.00	45%	*
$150,000.00	50%	*
$175,000.00	55%	*
$200,000.00	60%	**

*Upon the voluntary contribution by INVESTORS or within 7 days of call of Project in accordance with approved expenditure plans.

**Upon the voluntary contribution by INVESTORS or within 7 days of call of Project in accordance with approved expenditure plans, but in any event no later than September 30, 1979.

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The Project shall make calls at intervals no more frequent than 20 days per call. Contributions may be made by INVESTORS at such other intervals as they may choose, whether or not funds advanced are needed at the time of contribution, to the end that INVESTORS shall maintain the right, at their election, to complete all or such portion of the cumulative investment as INVESTORS may elect and thus obtain the specified percentage of equity in and to the Project and the operating entity as set forth above, provided that unless otherwise agreed to by all of the parties to the Project, the failure of INVESTORS to make contributions within the schedule set forth above shall terminate the right of INVESTORS to thereafter make additional contributions. INVESTORS shall have the right at any time to elect not to make further contributions in the Project. If INVESTORS either elect not to make further contributions or if INVESTORS lose the right to make further contributions, ~~the equity interest of INVESTORS shall thereafter remain at the percentage specified in the table above.~~ If the contributions of INVESTORS and the cash flow resulting from the Project are not sufficient to fund the Project at the level at which the parties desire to sustain, it is anticipated that the parties may seek additional funds, in which event it is anticipated that it may be necessary to reduce the respective interests of the parties to enable the Project to obtain additional funding. If INVESTORS acquire less than a 60% interest in the Project and if the Project elects to proceed to obtain additional funding over and above the $200,000.00 funding level, INVESTORS recognize that their undivided interest in the Project may be subject to reduction. ~~Except as hereinafter expressly provided in this Paragraph 6, INVESTORS participating interest in the Project shall not be reduced to less than the percentage that contributions made by INVESTORS plus the INVESTORS' share of Project profits used for Project operations bears to the total capital investment in the Project.~~ If, however, INVESTORS' participating interest in the Project is reduced to 10% or less, INVESTORS shall relinquish their participating interest to the other parties to the Project in return for a 10% carried net profits interest.

7. <u>Deposit of Funds; Disbursements; Bookkeeping</u>

Unless and until the agreements giving rise to, or the bylaws adopted by, the operating entity provide to the contrary: (i) funds furnished by INVESTORS shall be deposited to the THL (Tombstone Heap Leach) Trust Account # 957-06641, The First National Bank of Arizona, University Medical Branch, P.O. Box 41960, Tucson, Arizona 85717; and (ii) disbursements will be made and books and records will be kept in the amounts and in the manner set forth in Appendix One attached hereto and made a part hereof.

8. Initial Capital Investment;
<u>General Outline of Operations</u>

Attached hereto as Appendix Two, and made a part hereof, is an outline of the anticipated initial capital investment together with a table setting forth anticipated durations of

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crushing operations as a function of the rate thereof and a general outline of anticipated operations. Upon evaluation of the results obtained by expenditure of the initial capital investment, as described in item I of Appendix Two, BRISCOE shall submit to INVESTORS a written report entitled "Report on First Phase" detailing the results of the initial work and setting forth BRISCOE's conclusions and recommendations based thereon. Except to the extent, if any, that Project funds are available for disbursement in accordance with the provisions of subparagraph (c) of Paragraph 9 below, the initial $25,000.00 contribution made by INVESTORS upon execution of this letter agreement shall be non-refundable.

9. Termination

(a) Unless INVESTORS timely elect to make the second $25,000.00 contribution, or unless extended in writing by INVESTORS and BRISCOE, this letter agreement, and the liabilities and obligations of the parties hereunder, shall terminate on the date 8 days after submittal by BRISCOE of the Report on First Phase described in Paragraph 8 above.

(b) If INVESTORS elect not to proceed beyond the initial $25,000.00 contribution, this letter agreement shall terminate and, after payment in full of all general creditor claims, all available cash resources, if any, shall be disbursed in the following order of priority.

(i) Out-of-pocket expenses incurred by INVESTORS and BRISCOE, including expenses incurred by SEA for or on behalf of the Project, and including professional services (other than those rendered by SEA) and travel expenses;

(ii) Professional services billed by SEA to the Project (which billings shall be made at the lowest rate or with the most favorable discount employed by SEA in billing its other clients); and

(iii) Remainder, if any, to be divided 25% to INVESTORS and 75% to BRISCOE.

(c) If after termination of this letter agreement, BRISCOE elects to proceed alone or in conjunction with parties other than INVESTORS, INVESTORS shall be entitled to receive 25% of the net profits, if any, derived from such continued operations, provided, however, that BRISCOE shall have the right at his election to extinguish such net profits interest by paying INVESTORS the sum of $50,000.00 no later than the date one year from the date of termination of this letter agreement.

10. Notices

Any notice or communication permitted or required to be given hereunder shall be effective when deposited in the United States mail, postage prepaid, and addressed as follows:

If to INVESTORS: Messrs. Thomas H. Schloss
and Dwight E. Lee
FAMCO
1700 Broadway
New York, New York 10019

If to BRISCOE: Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 E. Speedway, Suite 14
Tucson, Arizona 85712

11. Liability Several; Inurement

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations herein set forth. It is not the intention of the parties to create a partnership and this letter agreement shall not be construed so as to render the parties liable as partners, associates, or joint venturers or as creating a mining or other partnership or association. The terms of this letter agreement shall inure to the benefit of and be binding upon the parties hereto and their permitted assigns. None of the parties shall assign their rights or obligations hereunder without first obtaining written consent of the other parties hereto, which consent shall not unreasonably be withheld.

If this letter agreement sets forth your understanding of the basic terms outlined in previous discussions on this subject, please indicate your acceptance by executing the copy of this letter agreement in the space indicated and return it to the undersigned.

Very truly yours,

Thomas H. Schloss

Thomas H. Schloss

Dwight E. Lee

ACCEPTANCE BY BRISCOE:

Accepted this 7th day of March, 1979.

James A. Briscoe

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APPENDIX ONE

Project Disbursements and Bookkeeping

1. All Project disbursements will be made under a "purchase order" system in the same manner as presently employed by Southwestern Exploration Associates, Inc. ("SEA").

2. During the initial phase of Project operations and until Project expenditures totaling $25,000.00 have been made, all Project expenditures in excess of $100.00 shall, prior to payment, be approved by James A. Briscoe; thereafter, Project expenditures in excess of $250.00 shall be approved by James A. Briscoe.

3. Checks and drafts drawn against Project funds in the THL (Tombstone Heap Leach) Trust Account shall be signed either by James A. Briscoe or jointly by SEA's Bookkeeper, J.E. Talley, and its Business Service Manager, C.M. Dodson.

4. Time and expense records for all employees of the Project (and for any employees of SEA who perform services for the Project) shall be kept in accordance with the "Day Timer" record keeping system presently employed by SEA.

5. Bills, invoices and other supporting documents evidencing Project expenditures will be submitted to the Project management committee or group twice monthly for all services performed for the Project.

6. The Project operator shall keep accurate books, records and accounts in accordance with standard record keeping procedures, and the books, records and accounts shall be made available for examination by parties having an interest in the Project during normal working hours at the Project office.

TOMBSTONE
Immediate Expenses

Category	Activity	Quote	Estimate
Power	APS Hook-Up(Deposit);		
	West Side Water Pump	$ 800	
	Old '71 Min. Plant	2,400	
	Office	50	
	Box & Meter Loop		$ 600
	Electrician		500
	Cable		1,000
	Switches & Elec. Misc.		500
	Pump pannel/Installation		1,000
Water Line	3-inch PVC;3,000 feet	2,250	
	Installation	300	
PVC Fittings	Tees, Manifolds, etc.		100
Sprays	Directional rainbirds		80
Preg Pond	Liner & labor		100
Lab	Chemicals		100
Building	Trailer(40X8')-2 months + $215		
	Monthly rent=$135	500	
Plant	4-50 GPM filter/recovery units		2,500
Tank	1350 gallon	350	
Chemicals	Start-Up solvents & reagents		2,432
Moving	Lab equipment & office		1,500
Labor	Leaching & crushing		2,000
Management	RF Hewlett, et.al. Sal/Expenses		4,000
Office	Reports & support		900
Misc.	Processing, freight, etc.		1,038
		6.650	18,350

Total= $25,000

II. Crushing Duration as a Function of Crushing Rate

Rate	Duration
200 Tons per Day	250 months
400 "	125 "
600 "	83.3 "
1000	50 "
3000	16.7 "

III. General Outline of Operations

It is anticipated that the initial $25,000.00 provided by INVESTORS will be used to initiate and commence spray leaching operations. Any resulting cash flow and any remaining part of the $25,000.00 will be used to lease a crusher to process certain parts of the heap, to verify the process and to determine what the cost will be based on the type of ore to be processed. After these results have been obtained and analyzed, a decision will be made by the Project management committee or group to continue or to terminate the program. The current estimate for the use of the initial $25,000.00 is set forth in paragraph I of this Appendix. If the Project continues, an additional $25,000.00 to $50,000.00 will be used to sample the heap and, if the Project management committee or group deems it advisable, to increase the daily capacity of the heap. Results available at this time will be analyzed by the management committee or group and decisions will be made as to whether to continue or terminate the program. If the decision is made to continue, it is anticipated that the next step will be commencement of a plant for the leaching operation. Contributions made by INVESTORS or calls for additional funds will be used to: first, process the heap; second, further expand the crushing facilities; third, sample and drill the open pit potential; and fourth, secure mineral rights in the areas not as yet under lease to the Project, all subject, however, to approval of or change of such plans by the Project management committee or group. To the extent that the foregoing operations of the Project require additional funding, it is agreed that resulting cash flow from the Project shall be used therefor.

121

1700 Broadway
New York, N.Y.
10019

March 7, 1979

Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Mr. Briscoe:

This letter will outline the basic terms and conditions under which the undersigned (individually, or in conjunction with other investor associates of the undersigned, whether one or more, hereinafter referred to as "INVESTORS") agree to participate in an exploration and development project with you (hereinafter "BRISCOE") on property situated in the Tombstone Mining District, Cochise County, Arizona. It is agreed that INVESTORS and BRISCOE, or their respective designees or assigns, will enter into a formal agreement incorporating provisions for the operation of the exploration and development program (hereinafter the "Project") and such other provisions as are customary and desirable in such an agreement. It is further agreed that, to the extent applicable, the formal agreement will include in substance those terms and conditions set forth in this letter agreement.

1. Mining Properties

It is anticipated that the Project will encompass (i) approximately 85 patented mining claims and 18 unpatented mining claims owned by Tombstone Development Company (hereinafter "TDC") and leased, or to be leased, to BRISCOE pursuant to a Lease Agreement (the "TDC Lease") containing essentially the provisions as set forth in that certain "Preliminary Draft of Lease Agreement" dated February 7, 1979, a copy of which has been heretofore furnished by BRISCOE; (ii) any additional mining claims, mineral interests or mineral properties leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity to be formed by BRISCOE and INVESTORS pursuant to Paragraph 4 below and which may be a part of, or an offset of, any mineralized deposits contained within properties leased from TDC, including without limitation the claims or areas known as the Tombstone Extension, Tombstone Mineral Reserve and the State of Maine areas (it being understood that claims and properties within the State of Maine area are owned principally by the Escapule family and that the Project may find it to its advantage to enter into some type of a joint venture with the Escapules); and (iii) any potential porphyry copper targets in the Seth Horn and Robbers Roost areas leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity described in Paragraph 4.

2. Condition of Agreement

The terms, conditions and covenants of this letter agreement, other than the payment obligation described in Paragraph 3 hereof, shall be expressly conditioned upon INVESTORS satisfying themselves within 30 days of the date of execution of this letter agreement by BRISCOE that the TDC Lease grants to BRISCOE the rights set forth therein, free and clear of all liens and encumbrances other than as specifically described therein, and that TDC has and possesses title as represented by TDC therein.

3. Initial Payment

Upon execution of this letter agreement by BRISCOE and delivery to INVESTORS of a fully executed copy, INVESTORS shall advance to BRISCOE the sum of Twenty-Five Thousand Dollars ($25,000.00), which sum shall be applied against Project expenditures.

4. Operating Entity

It is anticipated that the Project will be conducted by an entity formed by INVESTORS and BRISCOE and whereunder neither INVESTORS, individually, nor BRISCOE, individually, shall be obligated to assume personal liability, which entity may be in the form of a joint venture, joint operating agreement, limited partnership, corporation or any combination thereof. It is expressly agreed and understood that either INVESTORS or BRISCOE, or both, may assign the rights set forth herein to a corporation or other entity owned or managed by the respective parties. It is anticipated that the day to day operations of the Project will be conducted under the direction of an operating or project manager. Any such entity shall be under the general management and control of representatives of both INVESTORS and BRISCOE, and except as specifically provided below in this Paragraph 4, the voting rights of each party's representative with respect to the Project decisions shall be in proportion to the interest that each party has in and to the Project at the time such decision is made. Notwithstanding the foregoing, it is further agreed that until such time as INVESTORS have made the total cumulative contributions described in Paragraph 6 below or have forfeited their right to make further contributions, major Project decisions including, without limitation, those relating to cash calls, payments to equity owners from cash flow, pursuing further exploration targets, acquisition of additional lands or mineral interests, expenses for plant or facility expansion, and decisions concerning termination or discontinuance of all or a portion of the Project operations will be made by representatives designated by all parties with an interest in the Project. The agreement giving rise to, or the bylaws of, the operating entity shall contain a provision whereunder prior to the sale or transfer of an interest in the Project, the remaining parties to the Project shall have a right of first refusal, provided that no such transfer or assignment shall carry with it the right to manage the Project without the consent of the other parties. Promptly following the organization or formation of the operating entity,

all of the mining properties described in Paragraph 1 then held by or on behalf of BRISCOE or INVESTORS shall be transferred to the operating entity by appropriate instruments of conveyance, assignment or other transfer.

5. Management

It is anticipated that Southwestern Exploration Associates, Inc. (hereinafter "SEA"), or a subsidiary thereof, shall be employed by the Project to manage the exploration and development operations pursuant to plans approved and adopted in accordance with the provisions of the agreement giving rise to, or the bylaws adopted by, the operating entity, it being understood and agreed that such approvals shall be made by a management committee or management group containing representatives of the owners of interests in and to the Project as described in Paragraph 4 above. BRISCOE, or the Project manager, shall provide INVESTORS with written progress reports detailing the activities undertaken by and planned for the Project at intervals no less than twice monthly. The Project manager shall fully disclose Project matters to the parties and the parties agree to fully disclose to each other information pertaining to the Project and its operations.

6. Interest Acquired by INVESTORS

Unless this letter agreement terminates pursuant to the provisions of Paragraph 9 below, the equity interest of INVESTORS in and to the Project shall be determined by the amounts contributed to the Project (under this letter agreement and under the agreements made, and through the entity established pursuant to Paragraph 4 above):

Cumulative Investment	Percentage of Equity	Funding Intervals
$ 25,000.00	25%	Upon execution of this letter agreement
$ 50,000.00	30%	Within 7 days of submittal to INVESTORS of the Report on First Phase described in Paragraph 8 below.
$ 75,000.00	35%	*
$100,000.00	40%	By 5/31/79
$125,000.00	45%	*
$150,000.00	50%	*
$175,000.00	55%	*
$200,000.00	60%	**

*Upon the voluntary contribution by INVESTORS or within 7 days of call of Project in accordance with approved expenditure plans.

**Upon the voluntary contribution by INVESTORS or within 7 days of call of Project in accordance with approved expenditure plans, but in any event no later than September 30, 1979.

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The Project shall make calls at intervals no more frequent than 20 days per call. Contributions may be made by INVESTORS at such other intervals as they may choose, whether or not funds advanced are needed at the time of contribution, to the end that INVESTORS shall maintain the right, at their election, to complete all or such portion of the cumulative investment as INVESTORS may elect and thus obtain the specified percentage of equity in and to the Project and the operating entity as set forth above, provided that unless otherwise agreed to by all of the parties to the Project, the failure of INVESTORS to make contributions within the schedule set forth above shall terminate the right of INVESTORS to thereafter make additional contributions. INVESTORS shall have the right at any time to elect not to make further contributions in the Project. If INVESTORS either elect not to make further contributions or if INVESTORS lose the right to make further contributions, the equity interest of INVESTORS shall thereafter remain at the percentage specified in the table above. If the contributions of INVESTORS and the cash flow resulting from the Project are not sufficient to fund the Project at the level at which the parties desire to sustain, it is anticipated that the parties may seek additional funds, in which event it is anticipated that it may be necessary to reduce the respective interests of the parties to enable the Project to obtain additional funding. If INVESTORS acquire less than a 60% interest in the Project and if the Project elects to proceed to obtain additional funding over and above the $200,000.00 funding level, INVESTORS recognize that their undivided interest in the Project may be subject to reduction. Except as hereinafter expressly provided in this Paragraph 6, INVESTORS participating interest in the Project shall not be reduced to less than the percentage that contributions made by INVESTORS plus the INVESTORS' share of Project profits used for Project operations bears to the total capital investment in the Project. If, however, INVESTORS' participating interest in the Project is reduced to 10% or less, INVESTORS shall relinquish their participating interest to the other parties to the Project in return for a 10% carried net profits interest.

7. Deposit of Funds; Disbursements; Bookkeeping

Unless and until the agreements giving rise to, or the bylaws adopted by, the operating entity provide to the contrary: (i) funds furnished by INVESTORS shall be deposited to the THL (Tombstone Heap Leach) Trust Account # 957-06641, The First National Bank of Arizona, University Medical Branch, P.O. Box 41960, Tucson, Arizona 85717; and (ii) disbursements will be made and books and records will be kept in the amounts and in the manner set forth in Appendix One attached hereto and made a part hereof.

8. Initial Capital Investment; General Outline of Operations

Attached hereto as Appendix Two, and made a part hereof, is an outline of the anticipated initial capital investment together with a table setting forth anticipated durations of

crushing operations as a function of the rate thereof and a general outline of anticipated operations. Upon evaluation of the results obtained by expenditure of the initial capital investment, as described in item I of Appendix Two, BRISCOE shall submit to INVESTORS a written report entitled "Report on First Phase" detailing the results of the initial work and setting forth BRISCOE's conclusions and recommendations based thereon. Except to the extent, if any, that Project funds are available for disbursement in accordance with the provisions of subparagraph (c) of Paragraph 9 below, the initial $25,000.00 contribution made by INVESTORS upon execution of this letter agreement shall be non-refundable.

9. Termination

(a) Unless INVESTORS timely elect to make the second $25,000.00 contribution, or unless extended in writing by INVESTORS and BRISCOE, this letter agreement, and the liabilities and obligations of the parties hereunder, shall terminate on the date 8 days after submittal by BRISCOE of the Report on First Phase described in Paragraph 8 above.

(b) If INVESTORS elect not to proceed beyond the initial $25,000.00 contribution, this letter agreement shall terminate and, after payment in full of all general creditor claims, all available cash resources, if any, shall be disbursed in the following order of priority.

(i) Out-of-pocket expenses incurred by INVESTORS and BRISCOE, including expenses incurred by SEA for or on behalf of the Project, and including professional services (other than those rendered by SEA) and travel expenses;

(ii) Professional services billed by SEA to the Project (which billings shall be made at the lowest rate or with the most favorable discount employed by SEA in billing its other clients); and

(iii) Remainder, if any, to be divided 25% to INVESTORS and 75% to BRISCOE.

(c) If after termination of this letter agreement, BRISCOE elects to proceed alone or in conjunction with parties other than INVESTORS, INVESTORS shall be entitled to receive 25% of the net profits, if any, derived from such continued operations, provided, however, that BRISCOE shall have the right at his election to extinguish such net profits interest by paying INVESTORS the sum of $50,000.00 no later than the date one year from the date of termination of this letter agreement.

10. Notices

Any notice or communication permitted or required to be given hereunder shall be effective when deposited in the United States mail, postage prepaid, and addressed as follows:

If to INVESTORS: Messrs. Thomas H. Schloss
and Dwight E. Lee
FAMCO
1700 Broadway
New York, New York 10019

If to BRISCOE: Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 E. Speedway, Suite 14
Tucson, Arizona 85712

11. Liability Several; Inurement

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations herein set forth. It is not the intention of the parties to create a partnership and this letter agreement shall not be construed so as to render the parties liable as partners, associates, or joint venturers or as creating a mining or other partnership or association. The terms of this letter agreement shall inure to the benefit of and be binding upon the parties hereto and their permitted assigns. None of the parties shall assign their rights or obligations hereunder without first obtaining written consent of the other parties hereto, which consent shall not unreasonably be withheld.

If this letter agreement sets forth your understanding of the basic terms outlined in previous discussions on this subject, please indicate your acceptance by executing the copy of this letter agreement in the space indicated and return it to the undersigned.

Very truly yours,

Thomas H. Schloss

Thomas H. Schloss

Dwight E. Lee

ACCEPTANCE BY BRISCOE:

Accepted this 7th day of March, 1979.

James A. Briscoe

James A. Briscoe

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APPENDIX ONE

Project Disbursements and Bookkeeping

1. All Project disbursements will be made under a "purchase order" system in the same manner as presently employed by Southwestern Exploration Associates, Inc. ("SEA").

2. During the initial phase of Project operations and until Project expenditures totaling $25,000.00 have been made, all Project expenditures in excess of $100.00 shall, prior to payment, be approved by James A. Briscoe; thereafter, Project expenditures in excess of $250.00 shall be approved by James A. Briscoe.

3. Checks and drafts drawn against Project funds in the THL (Tombstone Heap Leach) Trust Account shall be signed either by James A. Briscoe or jointly by SEA's Bookkeeper, J.E. Talley, and its Business Service Manager, C.M. Dodson.

4. Time and expense records for all employees of the Project (and for any employees of SEA who perform services for the Project) shall be kept in accordance with the "Day Timer" record keeping system presently employed by SEA.

5. Bills, invoices and other supporting documents evidencing Project expenditures will be submitted to the Project management committee or group twice monthly for all services performed for the Project.

6. The Project operator shall keep accurate books, records and accounts in accordance with standard record keeping procedures, and the books, records and accounts shall be made available for examination by parties having an interest in the Project during normal working hours at the Project office.

II. Crushing Duration as a Function of Crushing Rate

Rate	Duration
200 Tons per Day	250 months
400 "	125 "
600 "	83.3 "
1000	50 "
3000	16.7 "

III. General Outline of Operations

It is anticipated that the initial $25,000.00 provided by INVESTORS will be used to initiate and commence spray leaching operations. Any resulting cash flow and any remaining part of the $25,000.00 will be used to lease a crusher to process certain parts of the heap, to verify the process and to determine what the cost will be based on the type of ore to be processed. After these results have been obtained and analyzed, a decision will be made by the Project management committee or group to continue or to terminate the program. The current estimate for the use of the initial $25,000.00 is set forth in paragraph I of this Appendix. If the Project continues, an additional $25,000.00 to $50,000.00 will be used to sample the heap and, if the Project management committee or group deems it advisable, to increase the daily capacity of the heap. Results available at this time will be analyzed by the management committee or group and decisions will be made as to whether to continue or terminate the program. If the decision is made to continue, it is anticipated that the next step will be commencement of a plant for the leaching operation. Contributions made by INVESTORS or calls for additional funds will be used to: first, process the heap; second, further expand the crushing facilities; third, sample and drill the open pit potential; and fourth, secure mineral rights in the areas not as yet under lease to the Project, all subject, however, to approval of or change of such plans by the Project management committee or group. To the extent that the foregoing operations of the Project require additional funding, it is agreed that resulting cash flow from the Project shall be used therefor.

APPENDIX TWO

TOMBSTONE
Immediate Expenses

Category	Activity	Quote	Estimate
Power	APS Hook-Up(Deposit);		
	West Side Water Pump	$ 800	
	Old '71 Min. Plant	2,400	
	Office	50	
	Box & Meter Loop		$ 600
	Electrician		500
	Cable		1,000
	Switches & Elec. Misc.		500
	Pump pannel/Installation		1,000
Water Line	3-inch PVC;3,000 feet	2,250	
	Installation	300	
PVC Fittings	Tees, Manifolds, etc.		100
Sprays	Directional rainbirds		80
Preg Pond	Liner & labor		100
Lab	Chemicals		100
Building	Trailer(40X8')-2 months + $215		
	Monthly rent=$135	500	
Plant	4-50 GPM filter/recovery units		2,500
Tank	1350 gallon	350	
Chemicals	Start-Up solvents & reagents		2,432
Moving	Lab equipment & office		1,500
Labor	Leaching & crushing		2,000
Management	RF Hewlett, et.al. Sal/Expenses		4,000
Office	Reports & support		900
Misc.	Processing, freight, etc.		1,038
		6.650	18,350

Total= $25,000

If to INVESTORS: Messrs. Thomas H. Schloss
and Dwight E. Lee
FAMCO
1700 Broadway
New York, New York 10019

If to BRISCOE: Mr. James A. Briscoe
Southwestern Exploration
Associates
Suite 14
5712

1168

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210 64

PRIORY PARTNERS
THE PRIORY
PELHAM MANOR, N.Y. 10803

3/7/79 19

PAY TO THE ORDER OF T H L Trust Account # 957-06641 $25,000.00

Twenty five thousand dollars and 00/100 DOLLARS

THE BANK OF NEW YORK
51 WEST 52ND STREET
NEW YORK, N.Y. 10019

MEMO

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DELUXE CHECK PRINTERS • LM

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be binding
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gations hereunder
consent of the other parties
shall not unreasonably be withheld.

If this letter agreement sets forth your understanding of the basic terms outlined in previous discussions on this subject, please indicate your acceptance by executing the copy of this letter agreement in the space indicated and return it to the undersigned.

Very truly yours,

Thomas H. Schloss

Dwight E. Lee

ACCEPTANCE BY BRISCOE:

Accepted this 7th day of March, 1979.

James A. Briscoe

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(21)

VERITY, SMITH & KEARNS, P. C.
ATTORNEYS AT LAW
902 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701

VICTOR H. VERITY
LEO N. SMITH
DESMOND P. KEARNS
LARRY D. CLARK
PATRICIA G. MUNGER

TELEPHONE
(602) 623-6961

March 7, 1979

Mr. Thomas H. Schloss
c/o Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Tom:

Enclosed are four copies of a letter agreement containing revisions to the draft submitted with my letter to you of March 2. I read the revisions over the phone to Dwight Lee. Dwight indicated his approval of the revisions and suggested that you need contact him only if further major revisions are to be made.

Unfortunately, Dick Hewlitt phoned while I was on a call from Dwight, and I was unable to ascertain whether any changes were necessary to the schedule set forth in item I of Appendix Two.

Please note that I did not attempt to make any allocations between the individual parties and the operating entity as to legal fees. I suggest that this be handled in the operating agreement or other operating entity documents. If the Project terminates at the end of the first phase, it would appear that the provisions of Paragraph 9(b)(i) would appropriately take such fees into account.

Very truly yours,

Leo N. Smith

LNS/dmd
Enclosures

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Consultants in:
• base & precious metals • uranium
• coal • geothermal • environment
• remote sensing • color aerial photography
• interpretation-image processing
• worldwide Mobilization

4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

(20)

Southwestern Exploration Associates, Inc.

March 5, 1979

Leo N. Smith
Attorney-at-law
902 Transamerica Building
Tucson, Arizona 85701

Dear Leo,

Thank you for your letter of March 3, 1979 enclosing a draft copy of the proposed letter agreement with Tom Schloss and Dwight Lee relating to the Tombstone Heap Leaching Project.

I have reviewed the proposed form of letter agreement, and find it to be acceptable with the clarification set out in the enclosed addendum.

By copy of this letter I am sending Tom and Dwight a copy of the clarification referred to above. After you and they have had an opportunity to discuss the final draft of the letter agreement, I will look forward to hearing from you. In the meantime, please give me a call if you have any questions.

Very truly yours,

James A. Briscoe
President

JAB/kar
encl.
P-418
097

109

3/4/79 letter agreement FAMCO - Briscoe.

1. OK.

2. OK with insertion of "and Briscoe" under liability

3.

4. Except that if further investment is deemed to be required, Investors will be diluted by the amount of further capital input required by the investment committee.
Upon Investment of $200K Investors will be considered to be fully vested and should any further capital be required, then Briscoe & Investors will have the option to make such necessary investment. Should a party elect not to make such investment, they will be diluted on a pro rata share by those making the required investment.

5.// See many formula.

(19)

VERITY, SMITH & KEARNS, P. C.
ATTORNEYS AT LAW
902 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701

VICTOR H. VERITY
LEO N. SMITH
DESMOND P. KEARNS
LARRY D. CLARK
PATRICIA G. MUNGER

TELEPHONE
(602) 623-6961

March 3, 1979

Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Jim:

At the request of Tom Schloss and Dwight Lee, I am enclosing herewith two copies of a draft of a proposed form of letter agreement pertaining to the Tombstone Heap Leaching Project. As you may have discussed with Tom or Dwight, neither has had an opportunity to review the draft. Both had an opportunity to see an earlier draft (without Appendices) and I have discussed revisions to the earlier draft by phone with Tom and Dwight.

It is my understanding that after you have had a chance to review the enclosed draft you will be in touch with Tom and Dwight.

Best personal regards.

Very truly yours,

Leo N. Smith

LNS/dmd
Enclosures

cc: Thomas H. Schloss (w/enclosure)

1700 Broadway
New York, N.Y.
10019

March 2, 1979

Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Mr. Briscoe:

This letter will outline the basic terms and conditions under which the undersigned (individually, or in conjunction with other investor associates of the undersigned, whether one or more, hereinafter referred to as "INVESTORS") agree to participate in an exploration and development project with you (hereinafter "BRISCOE") on property situated in the Tombstone Mining District, Cochise County, Arizona. It is agreed that INVESTORS and BRISCOE will enter into a formal agreement incorporating provisions for the operation of the exploration and development program (hereinafter the "Project") and such other provisions as are customary and desirable in such an agreement. It is further agreed that the formal agreement will include in substance those terms and conditions set forth in this letter agreement.

SEA
(perhaps expand to give SEA sole right & option as Investors)

1. Mining Properties

It is anticipated that the Project will encompass (i) approximately 85 patented mining claims and 18 unpatented mining claims owned by Tombstone Development Company (hereinafter "TDC") and leased, or to be leased, to BRISCOE pursuant to a Lease Agreement (the "TDC Lease") containing essentially the provisions as set forth in that certain "Preliminary Draft of Lease Agreement" dated February 7, 1979, a copy of which has been heretofore furnished by BRISCOE; (ii) any additional mining claims or mineral properties leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity to be formed by BRISCOE and INVESTORS pursuant to Paragraph 4 below and which may be a part of, or an offset of, any mineralized deposits contained within properties leased from TDC, including without limitation the claims or areas known as the Tombstone Extension, Tombstone Mineral Reserve and the State of Maine areas (it being understood that claims and properties within the State of Maine area are owned principally by the Escapule family and that the Project may find it to its advantage to enter into some type of a joint venture with the Escapules; and (iii) any potential porphyry copper targets in the Seth Horn and Robbers Roost areas leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity described in Paragraph 4.

initial payment not re-fundable.

2. Condition of Agreement

The terms, conditions and covenants of this letter agreement, other than the payment obligation described in Paragraph 3 hereof, shall be expressly conditioned upon INVESTORS satisfying themselves within 30 days of the date of execution of this letter agreement by BRISCOE that: (i) the TDC Lease grants to BRISCOE the rights set forth therein, free and clear of all liens and encumbrances other than as specifically described therein, and that TDC has and possesses title as represented by TDC therein, all as evidenced by an opinion of counsel employed and retained by INVESTORS; and (ii) formation of an operating entity by INVESTORS and BRISCOE pursuant to Paragraph 4 below.

caveat

3. Initial Payment

Upon execution of this letter agreement by BRISCOE and delivery to INVESTORS of a fully executed copy, INVESTORS shall ~~advance~~ pay to BRISCOE the sum of Twenty-Five Thousand Dollars ($25,000.00) as a non-refundable deposit, which sum shall be applied against Project expenditures.

4. Operating Entity

It is anticipated that the Project will be conducted by an entity formed by INVESTORS and BRISCOE and whereunder INVESTORS and BRISCOE individually, shall assume no personal liability, which entity may be in the form of a joint venture, joint operating agreement, limited partnership, corporation or any combination thereof. It is anticipated that the day to day operations of the Project will be conducted under the direction of an operating or project manager. Any such entity shall be under the general management and control of representatives of both INVESTORS and BRISCOE to the end that decisions including, without limitation, those relating to payments to equity owners from cash flow, pursuing further exploration targets, acquisition of additional lands or mineral interests, expenses for plant or facility expansion, and decisions concerning termination or discontinuance of all or a portion of the Project operations will be made by representatives of all parties with an interest in the Project. Promptly following the organization or formation of the operating entity, all of the mining properties described in Paragraph 1 then held by or on behalf of BRISCOE or INVESTORS shall be transferred to the operating entity by appropriate instruments of conveyance, assignment or other transfer.

who?

in what percentages

5. Management

BRISCOE shall manage the exploration and development operations pursuant to plans approved and adopted in accordance with the provisions of the agreement giving rise to, or the bylaws adopted by, the operating entity, it being understood and agreed that such approvals shall be made by a management committee or management group containing representatives of the owners of

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interests in and to the Project. BRISCOE shall provide INVESTORS twice monthly with written progress reports detailing the activities undertaken by and planned for the Project.

6. Interest Acquired by INVESTORS

Unless INVESTORS terminate this letter agreement pursuant to the provisions of Paragraph 9 below, the equity interest of INVESTORS in and to the Project shall be determined by the amounts contributed to the Project (under the agreements made and through the entity established pursuant to Paragraph 4 above):

Cumulative Investment	Percentage of Equity	Funding Intervals
$ 25,000.00	25%	Upon execution of this letter agreement
$ 50,000.00	30%	*
$ 75,000.00	35%	*
$100,000.00	40%	*
$125,000.00	45%	*
$150,000.00	50%	Approximately ~~6~~ 5/30/79
$175,000.00	55%	*
$200,000.00	60%	*

Typo To be discussed

*Upon the voluntary contribution by INVESTORS or upon call of Project in accordance with approved expenditure plans.

3 The Project shall make no capital calls at intervals more frequent than 20 days per call and no call shall be made prior to establishment of the entity described in Paragraph 4 above. Investments may be made by INVESTORS at such other intervals as they may choose, whether or not funds advanced are needed at the time of contribution, to the end that INVESTORS shall maintain the right, at their election, to complete all or such portion of the cumulative investment as INVESTORS may elect and thus obtain the specified percentage of equity in and to the Project and the operating entity as set forth above. INVESTORS shall have the right at any time to elect not to make further investments in the Project, in which event the equity interest of INVESTORS shall thereafter remain at the percentage specified in the table above.

Except that such entity shall be formed within 20 days of signing of this document which date can be extended by mutual agreement. If so extended, the next call can be initiated immediately not extended by investors, the approval becomes void. If will have to take dilution

Except that if further

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7. Deposit of Funds; Disbursements; Bookkeeping

Unless and until the agreements giving rise to, or the bylaws adopted by, the operating entity provide to the contrary: (i) funds furnished by INVESTOR shall be deposited to the THL (Tombstone Heap Leach) Trust Account # 957-06641, The First National Bank of Arizona, University Medical Branch, P.O. Box 41960, Tucson, Arizona 85717; and (ii) disbursements will be made and books and records will be kept in the amounts and in the manner set forth in Appendix One attached hereto and made a part hereof.

8. Initial Capital Investment; General Outline of Operations

Attached hereto as Appendix Two, and made a part hereof, is an outline of the anticipated initial capital investment together with a table setting forth anticipated durations of crushing operations as a function of the rate thereof and a general outline of anticipated operations.

9. Termination

Unless extended in writing by INVESTORS and BRISCOE, this letter agreement, and the liabilities and obligations of the parties hereunder, shall terminate on April 5, 1979 unless on or before such date the conditions described in Paragraph 1 have been met; provided, however, that INVESTORS shall be entitled to reimbursement of the initial $25,000.00 payment described in Paragraph 3 above from first proceeds obtained by BRISCOE or his assigns from production from the TDC Lease.

10. Notices

Any notice or communication permitted or required to be given hereunder shall be effective when deposited in the United States mail, postage prepaid, and addressed as follows:

If to INVESTORS: Messrs. Thomas H. Schloss
and Dwight E. Lee
FAMCO
1700 Broadway
New York, New York 10019

If to BRISCOE: Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 E. Speedway, Suite 14
Tucson, Arizona 85712

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11. Liability Several; Inurement

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations herein set forth. It is not the intention of the parties to create a partnership and this letter agreement shall not be construed so as to render the parties liable as partners, associates, or joint venturers or as creating a mining or other partnership or association. The terms of this letter agreement shall inure to the benefit of and be binding upon the parties hereto and their permitted assigns. None of the parties shall assign their rights or obligations hereunder without first obtaining written consent of the other parties hereto, which consent shall not unreasonably be withheld.

If this letter agreement sets forth your understanding of the basic terms outlined in previous discussions on this subject, please indicate your acceptance by executing the copy of this letter agreement in the space indicated and return it to the undersigned.

Very truly yours,

_____
Thomas H. Schloss

_____
Dwight E. Lee

ACCEPTANCE BY BRISCOE:

Accepted this _____ day of
_____, 1979.

_____
James A. Briscoe

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APPENDIX ONE

Project Disbursements and Bookkeeping

1. All Project disbursements will be made under a "purchase order" system in the same manner as presently employed by Southwestern Exploration Associates, Inc. ("SEA").

2. During the initial phase of Project operations and until Project expenditures totaling $25,000.00 have been made, all Project expenditures in excess of $100.00 shall, prior to payment, be approved by James A. Briscoe; thereafter, Project expenditures in excess of $250.00 shall be approved by James A. Briscoe.

3. Checks and drafts drawn against Project funds in the THL (Tombstone Heap Leach) Trust Account shall be signed either by James A. Briscoe or jointly by SEA's Bookkeeper, J.E. Talley, and its Business Service Manager, C.M. Dodson.

4. Time and expense recorde for all employees of the Project (and for any employees of SEA who perform services for the Project) shall be kept in accordance with the "Day Timer" record keeping system presently employed by SEA.

5. Bills, invoices and other supporting documents evidencing Project expenditures will be submitted to the Project management committee or group twice monthly for all services performed for the Project.

6. The Project operator shall keep accurate books, records and accounts in accordance with standard record keeping procedures, and the books, records and accounts shall be made available for examination by parties having an interest in the Project during normal working hours at the Project office.

APPENDIX TWO

Outline of Anticipated Initial Capital Investment; Crushing Operations; and General Outline of Operations

I. Anticipated Initial Capital Investment

It is anticipated that the initial investment for the anticipated slope leach shall be as follows:

A.	Power hook-up		$2400
B.	Electric		2000
C.	Pump installation/electric		1000
D.	Water line installation		2040
E.	Spray lines/manifolds		100
F.	Directional rainbirds		80
G.	Preg pond		100
H.	Laboratory		100
I.	Building		200
J.	Plants		2200
K.	Tanks		1000
L.	Chemicals		
	1. Resin-SR-3	100#	650
	2. Lime	1000#(.087)	87
	3. Salt		
	4. NaOCl	5-55 gal	247
	5. $Na_2S_2O_3$	300#	74
	6. NaCN	1000#	561
	7. Na_2S	400#	100
	8. Powd. Zinc	100#	66
M.	Insurance and bond		4500
N.	Management		4000
O.	Labor		2000
P.	Misc.		1495
			25,000

II. Crushing Duration as a Function of Crushing Rate

Rate	Duration
200 Tons per Day	250 months
400 "	125 "
600 "	83.3 "
1000	50 "
3000	16.7 "

III. General Outline of Operations

It is anticipated that the initial $25,000.00 provided by INVESTORS will be used to initiate and commence spray leaching operations. Any resulting cash flow and any remaining part of the $25,000.00 will be used to lease a crusher to process certain parts of the heap, to verify the process and to determine what the cost will be based on the type of ore to be processed. After these results have been obtained and analyzed, a decision will be made by the Project management committee or group to continue or to terminate the program. The current estimate for the use of the initial $25,000.00 is set forth in paragraph I of this Appendix. If the Project continues, an additional $25,000.00 to $50,000.00 will be used to sample the heap and, if the Project management committee or group deems it advisable, to increase the daily capacity of the heap. Results available at this time will be analyzed by the management committee or group and decisions will be made as to whether to continue or terminate the program. If the decision is made to continue, it is anticipated that the next step will be commencement of a plant for the leaching operation. Contributions made by INVESTORS or calls for additional funds will be used to: first, process the heap; second, further expand the crushing facilities; third, sample and drill the open pit potential; and fourth, secure mineral rights in the areas not as yet under lease to the Project, all subject, however, to approval of or change of such plans by the Project management committee or group.

Liberal (?) Seen come from

the partners will be reimbursed for expenses in the following order of priority until all cash resources are expended:

1) Out of pocket expenses will be reimbursed.
2) Time will be reimbursed at an agreed upon billing rate (see Attachment 3) and Investment capital will be re-imbursed.
3) After payment of the above, remaining profit will be reimbursed equally on a 1/3, 1/3, 1/3 basis.

5. Life of the partnership (clarify)
   a. Life of the partnership will be three years unless unanimously extended.
6. Dissilution
   a. The partnership can be dissolved on unanimous agreement.
7. Disagreements
   a. All decisions will be unanimous What about a quorum for the major jobs.
   b. If unanimity cannot be arrived at, the partners will submit their disagreement to binding arbitration under the rules of the National Arbitration Association.
8. Valuation of assets.
   a. From time to time, and not less than yearly, inventory of equipment and assets will be made. These assets will then be valued by appropriate appraisal techniques.
9. Sale of partnership interests.
   a. If a partner should desire to sell his interest in the partnership, he will be first required to give the other partners right of first refusal. This offer shall be made on a pro rata basis to the other partner or partners as the case might be. If after a 30 day decision period, the partners have decided not to purchase the selling partner's assets, the selling partner will have the right to sell those assets to any other purchasor at a price not less than that offered to the remaining partner or partners.

   The remaining partners shall determine by unanimous decision, whether the individual or corporation purchasing the selling

TDC - 71 Minerals

1. No conveyance from TDC to anyone - especially not 71 Minerals

   a. Lease does not call for it
   b. Court house check shows claims are in the name of TDC

2. Warranty made by TDC - they own the claims free of all claims, liens and encumberances (p. 7 new lease)

3. Termination (p. 9 ¶ 13 (TDC/71))

   a. Lessee (71) terminates in writing
   b. Lessee (71) was in default with ¶ 3 - Royalty & Taxes ¶ 7 and Lessor can terminate

   Was terminated on or before last Sept. 1978

J. Austin B.

Call Tom Schloss:

Reasons for ("Good Faith $"):

1. "Black-hat" Dick Hewlett has been working on this with-out much $ - must pay $1,000 back-+-termination rent by Friday, or he will be locked-out and owe another $500

2. Must get Dick Hewlett moved at once - cost nearly $1,000 - with Gordon Coristine (plant) and Ken Haney (sampling, leaching, + plant)

3. Must make house-office rental payment by Thursday in Tombstone ($185)

4. Must continue with water line (James - I - have paid for labor)

5. Loose respect and confidence of TDC if we stop work and wait untill Next week

6. Have to continue with services - as Power - or it will take a long time before we have much to <u>show investors</u>

7. I - James A. Briscoe - have a cash bind due to recent rapid expansion and I - JAB - have invested over $20,000 - on good faith

∴ Therefore, send some good faith $

(19)

VERITY, SMITH & KEARNS, P. C.
ATTORNEYS AT LAW
902 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701

VICTOR H. VERITY
LEO N. SMITH
DESMOND P. KEARNS
LARRY D. CLARK
PATRICIA G. MUNGER

TELEPHONE
(602) 623-6961

March 3, 1979

Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Jim:

At the request of Tom Schloss and Dwight Lee, I am enclosing herewith two copies of a draft of a proposed form of letter agreement pertaining to the Tombstone Heap Leaching Project. As you may have discussed with Tom or Dwight, neither has had an opportunity to review the draft. Both had an opportunity to see an earlier draft (without Appendices) and I have discussed revisions to the earlier draft by phone with Tom and Dwight.

It is my understanding that after you have had a chance to review the enclosed draft you will be in touch with Tom and Dwight.

Best personal regards.

Very truly yours,

Leo N. Smith

LNS/dmd
Enclosures

cc: Thomas H. Schloss (w/enclosure)

1700 Broadway
New York, N.Y.
10019

March 2, 1979

Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Mr. Briscoe:

This letter will outline the basic terms and conditions under which the undersigned (individually, or in conjunction with other investor associates of the undersigned, whether one or more, hereinafter referred to as "INVESTORS") agree to participate in an exploration and development project with you (hereinafter "BRISCOE") on property situated in the Tombstone Mining District, Cochise County, Arizona. It is agreed that INVESTORS and BRISCOE will enter into a formal agreement incorporating provisions for the operation of the exploration and development program (hereinafter the "Project") and such other provisions as are customary and desirable in such an agreement. It is further agreed that the formal agreement will include in substance those terms and conditions set forth in this letter agreement.

1. Mining Properties

It is anticipated that the Project will encompass (i) approximately 85 patented mining claims and 18 unpatented mining claims owned by Tombstone Development Company (hereinafter "TDC") and leased, or to be leased, to BRISCOE pursuant to a Lease Agreement (the "TDC Lease") containing essentially the provisions as set forth in that certain "Preliminary Draft of Lease Agreement" dated February 7, 1979, a copy of which has been heretofore furnished by BRISCOE; (ii) any additional mining claims or mineral properties leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity to be formed by BRISCOE and INVESTORS pursuant to Paragraph 4 below and which may be a part of, or an offset of, any mineralized deposits contained within properties leased from TDC, including without limitation the claims or areas known as the Tombstone Extension, Tombstone Mineral Reserve and the State of Maine areas (it being understood that claims and properties within the State of Maine area are owned principally by the Escapule family and that the Project may find it to its advantage to enter into some type of a joint venture with the Escapules; and (iii) any potential porphyry copper targets in the Seth Horn and Robbers Roost areas leased, optioned, located or otherwise acquired by or on behalf of BRISCOE or the entity described in Paragraph 4.

2. Condition of Agreement

The terms, conditions and covenants of this letter agreement, other than the payment obligation described in Paragraph 3 hereof, shall be expressly conditioned upon INVESTORS satisfying themselves within 30 days of the date of execution of this letter agreement by BRISCOE that: (i) the TDC Lease grants to BRISCOE the rights set forth therein, free and clear of all liens and encumbrances other than as specifically described therein, and that TDC has and possesses title as represented by TDC therein, all as evidenced by an opinion of counsel employed and retained by INVESTORS; and (ii) formation of an operating entity by INVESTORS and BRISCOE pursuant to Paragraph 4 below.

3. Initial Payment

Upon execution of this letter agreement by BRISCOE and delivery to INVESTORS of a fully executed copy, INVESTORS shall advance to BRISCOE the sum of Twenty-Five Thousand Dollars ($25,000.00), which sum shall be applied against Project expenditures.

4. Operating Entity

It is anticipated that the Project will be conducted by an entity formed by INVESTORS and BRISCOE and whereunder INVESTORS, individually, shall assume no personal liability, which entity may be in the form of a joint venture, joint operating agreement, limited partnership, corporation or any combination thereof. It is anticipated that the day to day operations of the Project will be conducted under the direction of an operating or project manager. Any such entity shall be under the general management and control of representatives of both INVESTORS and BRISCOE to the end that decisions including, without limitation, those relating to payments to equity owners from cash flow, pursuing further exploration targets, acquisition of additional lands or mineral interests, expenses for plant or facility expansion, and decisions concerning termination or discontinuance of all or a portion of the Project operations will be made by representatives of all parties with an interest in the Project. Promptly following the organization or formation of the operating entity, all of the mining properties described in Paragraph 1 then held by or on behalf of BRISCOE or INVESTORS shall be transferred to the operating entity by appropriate instruments of conveyance, assignment or other transfer.

5. Management

BRISCOE shall manage the exploration and development operations pursuant to plans approved and adopted in accordance with the provisions of the agreement giving rise to, or the bylaws adopted by, the operating entity, it being understood and agreed that such approvals shall be made by a management committee or management group containing representatives of the owners of

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interests in and to the Project. BRISCOE shall provide INVESTORS twice monthly with written progress reports detailing the activities undertaken by and planned for the Project.

6. Interest Acquired by INVESTORS

Unless INVESTORS terminate this letter agreement pursuant to the provisions of Paragraph 9 below, the equity interest of INVESTORS in and to the Project shall be determined by the amounts contributed to the Project (under the agreements made and through the entity established pursuant to Paragraph 4 above):

Cumulative Investment	Percentage of Equity	Funding Intervals
$ 25,000.00	25%	Upon execution of this letter agreement
$ 50,000.00	30%	*
$ 75,000.00	35%	*
$100,000.00	40%	*
$125,000.00	45%	*
$150,000.00	50%	Approximately 6/30/79
$175,000.00	55%	*
$200,000.00	60%	*

*Upon the voluntary contribution by INVESTORS or upon call of Project in accordance with approved expenditure plans.

The Project shall make no calls at intervals more frequent than 20 days per call. ~~and no call shall be made prior to establishment of the entity described in Paragraph 4 above~~. Investments may be made by INVESTORS at such other intervals as they may choose, whether or not funds advanced are needed at the time of contribution, to the end that INVESTORS shall maintain the right, at their election, to complete all or such portion of the cumulative investment as INVESTORS may elect and thus obtain the specified percentage of equity in and to the Project and the operating entity as set forth above. INVESTORS shall have the right at any time to elect not to make further investments in the Project, in which event the equity interest of INVESTORS shall thereafter remain at the percentage specified in the table above.

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7. Deposit of Funds; Disbursements; Bookkeeping

Unless and until the agreements giving rise to, or the bylaws adopted by, the operating entity provide to the contrary: (i) funds furnished by INVESTOR shall be deposited to the THL (Tombstone Heap Leach) Trust Account # 957-06641, The First National Bank of Arizona, University Medical Branch, P.O. Box 41960, Tucson, Arizona 85717; and (ii) disbursements will be made and books and records will be kept in the amounts and in the manner set forth in Appendix One attached hereto and made a part hereof.

8. Initial Capital Investment; General Outline of Operations

Attached hereto as Appendix Two, and made a part hereof, is an outline of the anticipated initial capital investment together with a table setting forth anticipated durations of crushing operations as a function of the rate thereof and a general outline of anticipated operations.

9. Termination

Unless extended in writing by INVESTORS and BRISCOE, this letter agreement, and the liabilities and obligations of the parties hereunder, shall terminate on April 5, 1979 unless on or before such date the conditions described in Paragraph 1 have been met; provided, however, that INVESTORS shall be entitled to reimbursement of the initial $25,000.00 payment described in Paragraph 3 above from first proceeds obtained by BRISCOE or his assigns from production from the TDC Lease.

10. Notices

Any notice or communication permitted or required to be given hereunder shall be effective when deposited in the United States mail, postage prepaid, and addressed as follows:

If to INVESTORS: Messrs. Thomas H. Schloss
and Dwight E. Lee
FAMCO
1700 Broadway
New York, New York 10019

If to BRISCOE: Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 E. Speedway, Suite 14
Tucson, Arizona 85712

11. Liability Several; Inurement

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations herein set forth. It is not the intention of the parties to create a partnership and this letter agreement shall not be construed so as to render the parties liable as partners, associates, or joint venturers or as creating a mining or other partnership or association. The terms of this letter agreement shall inure to the benefit of and be binding upon the parties hereto and their permitted assigns. None of the parties shall assign their rights or obligations hereunder without first obtaining written consent of the other parties hereto, which consent shall not unreasonably be withheld.

If this letter agreement sets forth your understanding of the basic terms outlined in previous discussions on this subject, please indicate your acceptance by executing the copy of this letter agreement in the space indicated and return it to the undersigned.

Very truly yours,

_____
Thomas H. Schloss

_____
Dwight E. Lee

ACCEPTANCE BY BRISCOE:

Accepted this _____ day of
_____, 1979.

_____
James A. Briscoe

89

APPENDIX ONE

Project Disbursements and Bookkeeping

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K.	Tanks		1000
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	5. $Na_2S_2O_3$	300#	74
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	7. Na_2S	400#	100
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(18)

VERITY, SMITH & KEARNS, P. C.
ATTORNEYS AT LAW
902 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701

VICTOR H. VERITY
LEO N. SMITH
DESMOND P. KEARNS
LARRY D. CLARK
PATRICIA G. MUNGER

TELEPHONE
(602) 623-6961

March 2, 1979

Mr. James A. Briscoe
Southwestern Exploration
Associates, Inc.
4500 East Speedway, Suite 14
Tucson, Arizona 85712

Dear Jim:

At the request of Tom Schloss, I am enclosing a copy of my letter to Tom commenting on the Preliminary Draft of Lease Agreement with TDC.

Very truly yours,

Leo N. Smith

LNS/dmd
Enclosure

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(18)

VERITY, SMITH & KEARNS, P. C.
ATTORNEYS AT LAW
902 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701

VICTOR H. VERITY
LEO N. SMITH
DESMOND P. KEARNS
LARRY D. CLARK
PATRICIA G. MUNGER

TELEPHONE
(602) 623-6981

March 1, 1979

Mr. Thomas H. Schloss
FAMCO
1700 Broadway
New York, New York 10019

Re: Comments Concerning TDC Lease Agreement

Dear Tom:

I have reviewed a document entitled Preliminary Draft of Lease Agreement dated February 7, 1979, between Tombstone Development Co. ("TDC"), a corporation, and Karin Lake Exploration, Ltd. (the nature of which entity is undeterminable from the draft).

It was explained to me by Jim Briscoe and Dick Hewlitt that the Lease is the best that can be made under the circumstances and that any changes would not be acceptable to TDC. Further, it was explained that the Lease was fashioned after a Lease Agreement dated August 31, 1973 between TDC and 1971 Minerals, Ltd.

The Lease is not artfully drafted and contains numerous ambiguities and uncertainties that exist, as more fully discussed below.

Of initial concern from your standpoint, in deciding whether or not to become a party to the Lease, are the obligations assumed by Lessee upon execution of the Lease. The most onerous obligation appears to be the commitment that Lessee assumes under Paragraph 14 to expend $200,000 in exploration and development and to pay $90,000 in advance royalties before Lessee is entitled to terminate the Lease. As I read Paragraph 14, this is an absolute commitment on the part of Lessee. With this in mind, I assume that you would not elect to become personally liable as a Lessee.

Dexed to NYC on 3/1/79
Mailed " " " "

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Other commitments assumed by Lessee do not appear as onerous, and include items such as an initial $6,000 advance royalty payment upon execution and a $7,500 monthly advance royalty payment commencing May 1, 1979 and each month thereafter (Paragraph 3); an obligation to "continuously and diligently" and "in an active and substantial way" explore and develop the mining claims (Paragraph 4); a requirement that Lessee furnish a myriad of reports and data (Paragraphs 5 and 6); payment of taxes (Paragraph 7); a $150,000 bonding requirement to protect Lessor for liens or labors and materials furnished for Lessee's account (Paragraph 12); a requirement that Lessee furnish a comprehensive liability policy in a minimum amount of $2,000,000 (Paragraph 15); and an obligation that Lessee perform assessment work and that Lessee "do everything possible to validate" the unpatented claims (Paragraph 17).

As mentioned above, the Lease contains numerous ambiguities, including:

1. Surface and Water Rights - Paragraph 1 contains a most peculiar provision whereunder Lessor "leases" the "necessary rights-of-way, easements and water rights" to enable Lessee to explore and develop the claims, followed by an express statement to the effect that all surface and water rights shall be "retained" by Lessor. This ambiguity is compounded even further by the flat statement that the "retention of those surface and water rights shall not unreasonably interfere with the exploration and mining and associated activities conducted by Lessee." Under Paragraph 4, Lessee agrees to honor "any and all contractual obligation undertaken by Lessor relating to the sale of water or surface use" but only so long as the obligations do not interfere with Lessee's activities. Frankly, I haven't the slighest idea what the true intent of the parties is, nor do I find any express provision indicating the extent to which Lessee may use the surface other than for access and for certain specified facilities, such as the improvements specifically mentioned in Paragraph 10 as "roads, ditches, ponds, buildings, fixtures, machinery, pumps, PVC pipe, mine dumps, pad, heap, and head frames." Clearly, however, "Lessee will continue to have all rights for mineral exploration, development and mining 40 feet or more below the surface" (Paragraph 4).

2. Buildings - Paragraph 4 indicates that any equipment and machinery placed upon the property by Lessee shall remain Lessee's property "with the exception of any buildings constructed by Lessee." Alone, this

provision infers that any building constructed by Lessee would pass to Lessor upon termination. However, Paragraph 10 contains a provision that unless Lessee removes within sixty days of termination certain items, including "buildings," the same shall become the property of Lessor.

3. Use of Existing Facilities - The last sentence of Paragraph 10 requires Lessee to obtain approval from Lessor "on the site and type of building constructed for a plant and laboratory facilitiy or a building for another lessee to enable use of the present 71 Minerals plant." I find it hard to believe that Lessor anticipates leasing portions of the claims to another mineral lessee -- however, the sentence quoted above raises a strong inference that such may be the intent of Lessor.

4. Production Royalties - I find nothing in the provisions concerning production royalties that properly anticipates a method of computing production royalties from a leaching operation. Although the first sentence of Paragraph 3 refers to a production royalty of five percent net smelter return, subparagraph (a) of Paragraph 3 describes varying percentages based on the "gross value per ton of ore," which in turn is based on the number of tons of "ore or concentrate" produced and shipped. Although the ambiguity in the production royalty provisions is definitely in favor of the Lessee with respect to "ores and concentrates produced and shipped," the lack of any definitive method of calculating production royalty from a leaching operation could lead to future disagreement over the manner and method in which production royalties should be calculated. A couple of other features of the production royalty provision should also be mentioned: (i) the first sentence of Paragraph 3 refers to "a refinery of mutual choice," thus imposing an unusual constraint on the operator's freedom to market product; and (ii) the same sentence gives the Lessor the right to take in kind but does not make any provisions for crediting advance minimum royalties against Lessor's share of such product if Lessor takes product in kind.

If it were at all practical to so do, it would be preferable that a new Lease be prepared to eliminate many of the ambiguities and uncertainties that exist in the present Lease form. If, however, the present Lease is the only Lease acceptable to TDC, the possibility of disputes with TDC concerning the numerous ambiguities must be recognized.

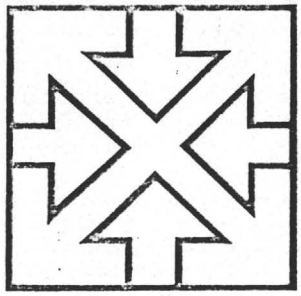
Very truly yours,

LNS/dmd

Leo N. Smith

FEBRUARY 1979

Consultants in:
• base & precious metals • uranium
• coal • geothermal • environment
• remote sensing • color aerial photography
• interpretation-image processing
Worldwide Mobilization



4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

(17)

Southwestern Exploration Associates, Inc.

February 28, 1979

REVIEWED
FEB 27 1979
By

Mr. Leo N. Smith
Verity, Smith, & Kearns
Suite 902
Transamerica Building
Tucson, Arizona 85701

Dear Mr. Smith,

Enclosed please find a copy of the lease between T.D.C. and 1971 Minerals. Notice that it was signed by myself, R.F. Hewlett, as general partner for 71 Minerals.

My general partner functions have been terminated by 1971 Minerals after I left the group close to three years ago. Upon my letters of resignation, I recieved notice of my termination in the various limited partnerships by Bruce Stevenson, et.al.

With the termination of the lease agreement by 71 Minerals with T.D.C., August 31, 1973, by letter from 71 Minerals, page 9, paragraph 14, 71 Minerals now has no properties, leases, etc., and the partnership could be closed or terminated. In any event, I have had no involvement with 71 Minerals for a number of years.

Concerning the 71 Minerals-T.D.C. lease:

A. No conveyance was ever made of the claims to 71 Minerals. The lease does not call for such a conveyance and there was no record in the Cochise County Court House at Bisbee of such a conveyance.

B. There are no liens recorded in the Cochise County Court House against the T.D.C. claims. However, a tax lien was filed by the State of Arizona against 71 Minerals.

C. Termination of the 71 Minerals and T.D.C. was accomplished by:

1. Written notice by 71 Minerals to T.D.C.; Frank Gallup, T.D.C., is sending the notice directly to Leo Smith, paragraph 14.

2/28/79

2. 71 Minerals is in default of paragraph 14 by:

   a. Not paying taxes, paragraph 7.

   b. Not paying royalty, paragraph 3.

3. 71 Minerals have left the property in Sept. 1978.

71 Minerals terminated their lease because they were not making any further profit by leaching a heap of uncrushed ore, 100 feet high. They processed the heap for over 60 months, they paid T.D.C. over $300,000 in royalties at $5,000 per month. Without a new capital investment and metallurgical technology, which, they do not possess, further leaching was not possible. Simply stated, by crushing, adding oxygen, and substances to induce percolation and hence increase recovery, a good profit can be made by re-processing the heap, heaped dump ore.

Concerning the present lease with T.D.C., this is the very best that I could do and any changes would not be acceptable to T.D.C. Reasons for this attitude are:

1. They are independently wealthy, and plus 65 with an average of 75.

2. They have owned the property over 20 years.

3. They have only leased their claims to me - once when I was with 71 Minerals and now.

4. After Bruce Stevenson, also a 71 Mineral general partner, took over the management of the Tombstone Heap Leaching Project, five years ago and I was not involved, Bill Hight and other T.D.C. shareholders had monthly fights with Bruce to pay the royalty and 71 Minerals left the taxes unpaid, as well as having numerous outstanding claims.

Therefore, T.D.C. does not want:

1. Problems with payment of the minimum royalty.

2. Problems with unpaid taxes, liens, and encumberances, <u>after</u> the lease is terminated by the lessee.

3. An investment group to conduct exploration for a short period of time and leave, also a group not knowledgeable in heap leaching.

In summary, they want me to prove my metallurgical system of re-processing the heap, 1,000,000 tons, and to confirm the existance of extensive open-pit ore that we will process. At such time, T.D.C. would welcome an offer by us to buy their claims. In other words, we would prove to ourselves the value of the claims.

REVIEWED

FEB 27 1979

By

80

2/28/79

Contact me concerning any questions.

Sincerely yours,

Richard F. Hewlett

Richard F. Hewlett

RFH/slr
P-418
enc.
2082

REVIEWED
FEB 27 1979
By

79

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(602) 795-6097

File P-418

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

February 28, 1979

Mr. Frank Gallup
Alda Grain Co.
P.O. Box 150
Alda, NB 68810

Dear Mr. Gallup:

At the request of Mr. Dick Hewlett, I am enclosing this bound copy of the Tombstone Development Company Progress Report, Feb. 4 - Feb. 22, 1979.

Thank you.

Sincerely,

Christine M. Dodson

Christine M. Dodson
Mgr., Business Services

CMD:jmp
enc.
2084
P-418

78

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Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

February 28, 1979

Mr. Thomas H. Schloss
FAMCO
1700 Broadway
New York,
New York(10019)

Dear Tom:

Enclosed please find a letter to Leo Smith relating to the 71 Minerals-TDC lease. Also enclosed is a copy of the 71 Minerals-TDC lease.

Mr. Leo Miller was furnished the above and a lease-land status report on the TDC claims at Tombstone. I spoke by phone with him at noon and explained what was being delivered to him and reviewed the 71 Minerals termination letter.

Also, please find the article concerning uranium within <u>your</u> area of influence from Cordero.

Best personal regards.

Sincerely yours,

Richard F Hewlett

Richard F. Hewlett

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File: P-418
Corres
James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

February 28, 1979

Mr. John Niedfelt
Tombstone Development Co.
P.O. Box 1445
Grand Island, NB 68801

Dear Mr. Niedfelt:

At the request of Mr. Dick Hewlett, I am enclosing this bound copy of The Tombstone Development Company Progress Report Feb. 4 - Feb. 22, 1979.

Thank you.

Sincerely,

Christine M. Dodson

Christine M. Dodson
Mgr., Business Sefvices

CMD:jmp
encl.
2083

76

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James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

February 27, 1979

Mr. William Hight
Tombstone Development Company
P.O. Box 1445
Grand Island, Nebraska 68801

Dear Mr. Hight,

The purpose of this letter is to inform you of our investment group that will be a lessor with myself and Southwest Exploration Associates, Inc., as the contractor for exploration and development services.

Mr. Thomas H. Schloss is chairman of the board of FAMCO Securities, Inc., in New York City. They are a member of the New York Stock Exchange and have been very active in investments for many years. In fact, they are an investor in the Cordero Mercury Mine at McDermitt, Nevada. Dick Hewlett has known the Schloss family for over nine years, and I was once financed by them for exploration and development of precious metal deposits that could be heap leached.

We are very happy that Mr. Schloss has agreed to finance our exploration and development activities on the Tombstone Development Company's mining claims at Tombstone, Arizona. He is sending under separate cover his financial information to Grand Island.

The lease agreement has been accepted without any changes, as was discussed in the February 22nd progress report. The names of Mr. Schloss and his group and myself are being substituted on page one for Karin Lake and our signatures on page twelve. This is being sent to Grand Island.

Our most recent progress report is included.

Sincerely yours,

James A. Briscoe
President

JAB/slr
P-418
enc.
2073

75

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James A. Briscoe, President
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

February 27, 1979

Mr. William Hight
Holiday Inn
Rural Road and Apache
Tempe, Arizona

Dear Mr. Hight,

As an extension of our progress report dated February 22, 1979, I am enclosing our updated information concerning our investment group and other matters relating to the Tombstone Development Company's mining claims at Tombstone, Arizona.

Contact Dick Hewlett or myself if you have any questions concerning our progress.

Best personal regards,

James A. Briscoe
President

JAB/slr
P-418
enc.
2072

74

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James A. Briscoe, President
Registered Professional
Geologist

File P-418

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President

JAB/slr
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File P-418

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James A. Briscoe, President
Registered Professional
Geologist

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February 27, 1979

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Tombstone Development Company
P.O. Box 1445
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Our most recent progress report is included.

Sincerely yours,

James A. Briscoe
President

JAB/slr
P-418
enc.
2073

72

(16)

New Pueblo CONSTRUCTORS Inc.

P. O. BOX 27566
TUCSON, ARIZONA 85726
4115 EAST ILLINOIS STREET — PHONE 748-8000
GENERAL CONTRACTORS AND HEAVY ENGINEERING

KARL G. RONSTADT
PRESIDENT

February 27, 1979

Mr. James Briscoe
S.E.A. Hydromet
4500 East Speedway Blvd.
Tucson, Arizona 85712

Dear Jim:

Confirming the conversation Dick Yaeger, you and I had yesterday I am enclosing copies of estimates for your precious metals project at Tombstone.

To summarize: Estimated costs for varying quantities with a Commander III crusher (16 X 48 jaw, 6' X 20' triple deck screen, triple 30" rolls, 700 hp engine and necessary support equipment), product crushed to 1/2" minus and stockpiled by stacking conveyor only. Excluded are facilities for blending in chemicals or additives

Minimum	150/Ton/Hour	200/Tons/Hour
30,000 Tons	$4.96/Ton	$4.39/Ton
100,000 Tons	3.45/Ton	2.91/Ton
1,000,000 Tons	2.70/Ton	2.14/Ton

Included in the preceding cost is amoritization of the crushing plant and associated conveyors to a maximum of $300,000, an allowance for an increase of 7% in wages over current wage schedules and one month's standby costs on crushing equipment of approximately $15,000.

As an alternative (on behalf of commencing the project and creating current cash flow for minimum expenditure) we have provided a second estimate which includes crushing approximately 30,000 tons to a maximum of 1 1/4". This would be done by a combination of a jaw crusher and an 855 Cedarapids Commander crusher. This equipment would be moved in sometime after March 15, crushing for approximately two weeks, stockpiling 30,000 tons by stacking conveyor and thereupon be removed. It is anticipated this 30,000 tons would be of the highest grade ore available and thereby accelerate cash flow on the project. The remaining course rock above 1/2" could be crushed to a finer dimension (1/2") at a later date. The estimated cost per ton for 30,000 tons would be $2.44/ton or $73,260.00.

Payment for costs incurred would be due 30 days after invoicing. These costs would include all direct costs plus 11% overhead and administration as contained and accounted for in New Pueblo's standard job cost accounting system. Method of defining costs would be in accordance with attached "Schedule of Project Costs".

We propose to take no profit on the project until such time as the cash flow of the project exceeds expenditures and necessary reserves at which time we would receive 10% of the net profit on the project as our share of the profits. Thus we are hereby offering to manage the costs of processing and stockpiling for minimum cost and overhead and participating in the net results as a 10% partner entitled to 10% of the net revenues or benefits. All expenditures concerning the processing and crushing would be subject to review by management of the project and accounting by both parties would be subject to audit as appropriate.

Your acceptance of this proposal by signature below and return of one copy will constitute agreement.

Very truly yours,

NEW PUEBLO CONSTRUCTORS, INC.

Karl G. Ronstadt, President

KGR/kb

Attachments: Two Cost Estimates (copies)
NPC Schedule of Project Costs

ACCEPTED BY:

_____

Date: _____

(16)

New Pueblo CONSTRUCTORS Inc.
P. O. BOX 27566
TUCSON, ARIZONA 85726
4115 EAST ILLINOIS STREET — PHONE 748-8000
GENERAL CONTRACTORS AND HEAVY ENGINEERING

KARL G. RONSTADT
PRESIDENT

February 27, 1979

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4500 East Speedway Blvd.
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Karl G. Ronstadt, President

KGR/kb

Attachments: Two Cost Estimates (copies)
NPC Schedule of Project Costs

ACCEPTED BY:

_____

Date: _____

NEW PUEBLO CONSTRUCTORS, INC.
SCHEDULE OF PROJECT COSTS

(16)

Description	I Items Reimbursable At Cost, Including Direct Costs on Salaries & Wages	II Non-reimbursable Items Covered Administrative & Overhead Charges
1. HOME OFFICE COSTS		
A. Executive Salaries & Expenses		X
B. Engineering		
1. Chief Engineer		X
2. Project Engineer	X	
3. Design Engineer	X	
4. Detail Draftsman	X	
5. Material Take-Off	X	
6. Estimating Engineer	X	
7. Specifications Engineer	X	
8. Critical Path Scheduling	X	
9. Engineering Clerk	X	
10. Secretarial Service	X	
11. O.A.B., Social Security and Other Payroll Tax	X	
12. Compensation Insurance, Public Liability and Similar Insurance	X	
13. Payroll and Accounting Expense		X
14. Sick Leave and Absence for Cause		X
15. Standby Salaries		X
16. Pensions		X
17. Proportional Cost of Light, Heat, Rent, etc.		X
18. General Supplies and Equipment		X
19. Personnel Procurement		X
20. Actual Cost of Copy Work	X	
21. Computer Service	X	
22. Overtime As Necessary		
22.1 Straight time portion of cost	X	
22.2 Premium portion of cost	X	
C. Project Management		
1. Project Manager	X	
2. Project Engineers	X	
3. Cost Engineers	X	
4. Stenographic and Clerical	X	
5. Expediters & Purchasing Clerk	X	
D. Central Accounting		
1. Chief Accountant and Staff		X
2. Field Auditor		X

Description	I Items Reimbursable At Cost, Including Direct Costs on Salaries & Wages	II Non-reimbursable Items Covered By Administrative & Overhead Charges
1. HOME OFFICE COSTS - cont'd		
E. Labor Relations Personnel		X
F. Construction Manager and Staff		X
G. Chief Purchasing Agent		X
H. General Office Expenses		
1. Traveling Expenses of above employees when on trips authorized by you	X	
2. Long Distance Telephone, Telegraph and Teletype	X	
3. Local Telephone Service		X
4. Rental on Business Machines		X
5. Group Insurance, Hospitalization		X
6. Parcel Post and Express	X	
7. Postage	X	
8. Depreciation, Repairs & Maintenance		X
9. Rent, Light, Heat, Taxes and Insurance		X
10. Office Supplies and Stationery		X
11. Forms required specially for a particular Customer	X	
12. Miscellaneous Items, such as Want Ads, Subscriptions, Dues, Catalogs, Bulletins		X
13. For monthly field service which includes project ledgers, cost report work sheets, cost reports, field payroll earnings records, quarterly reports, workmens compensation for field personnel.		X
2. MATERIALS, SUBCONTRACTS, AND CONSTRUCTION SUPPLIES COSTS		
A. Actual cost of all material and equipment, including transportation and unloading of same, whether purchased by you or by ourselves. All discounts and commissions are passed on to the Customer.	X	
B. Actual Manufacturing cost of any Equipment made in our shops. Equipment can be furnished at fixed prices.	X	

Description	I Items Reimbursable At Cost, Including Direct Costs on Salaries & Wages	II Non-reimbursable Items Covered By Administrative & Overhead Charges
MATERIALS, SUBCONTRACTS, AND CONSTRUCTION SUPPLIES COSTS - cont'd		
C. All Subcontracts	X	
D. All expendable materials and construction supplies, also water & electricity	X	
3. FIELD LABOR AND RELATED COSTS		
A. Salaries and Wages		
1. Field Superintendent of Construction	X	
2. Assistant Superintendent	X	
3. General Foreman	X	
4. Resident Engineer	X	
5. Chief Surveyor	X	
6. Instrument Men, Stakers & Rodmen	X	
7. Field Accountant and Staff	X	
8. Cost Analysis Engineer	X	
9. Timekeepers	X	
10. Field Purchasing Agent	X	
11. Warehousemen and Helpers	X	
12. Safety Engineer, Doctor & Nurses	X	
13. Watchmen and Guards	X	
14. Other necessary Non-Manual Field Employees	X	
15. Overtime pay for 3-A (1 to 14) above, in accordance with Established Policy and with your prior approval	X	
15.1 When Overtime is Worked, the overtime premium payroll will be a job cost.		
16. Vacation and Holiday allowances, in accordance with NPC policy	X	
17. Sick leave for monthly salary employees		X
B. Travel and living expense and subsistence for personnel 3-A (1 to 14) above, in accordance with NPC policy	X	
Social Security, Unemployment Insurance and Payroll Taxes applicable to Employees, 3-A (1 to 15) above.	X	
D. All Job Site Craft and common labor salaries, wages and fringe benefits as required by working rules of Unions having jurisdiction, including travel and premium pay allowances for field manual employees.	X	

Description	I Items Reimbursable At Cost, Including Direct Costs on Salaries & Wages	II Non-reimbursable Items Covered By Administrative & Overhead Charges
FIELD LABOR AND RELATED COSTS - cont'd		
D(a) When overtime is worked, the premium overtime payroll will be a job cost with no addition for Contractors burden or fee.		
(1) Labor for tie in of subcontract installations	X	
(1.1) Material for tie in of subcontract installations	X	
(2) Labor to install changes after start-up	X	
(2.1) Material needed to install changes after start-up	X	
E. Social Security, Unemployment Insurance and Payroll Taxes applicable to employees in 3-D.	X	
F. Workmen's Compensation; Liability, Property Damage, Builders Risk and other insurance as required.	X	
G. Cost of labor recruitment, testing and transportation to the Job Site.	X	
H. Cost of labor negotiations, specifically for this work as required.	X	
I. Cost of Engineers, Technicians, or Manufacturer's Specialists for installation and start-up.	X	
4. CONSTRUCTION EQUIPMENT AND TOOL COST		
A. Transportation and handling costs to move tools and equipment to and from the job.	X	
B. Purchase of major construction equipment.	X	
C. Rental of major construction equipment from others, at cost (outside rented equipment).	X	
D. Rental and transportation of any construction equipment, whether furnished by contractor or others. Rental rates for contractor owned equipment, if available, will be negotiated.	X	

Description	I Items Reimbursable At Cost, Including Direct Costs on Salaries & Wages	II Non-reimbursable Items Covered By Administrative & Overhead Charges
CONSTRUCTION EQUIPMENT AND TOOL COST - cont'd		
D(a) Normally NPC equipment "Use" rate will be charged. This rate includes all costs of ownership, and operation except operator labor. These rates are fueled & maintained, and are based on A.E.D. Rates. 50% of this rate will be charged for standby time. No charge will be made if equipment is stored or inoperative.		
E. Small Tools and Rigging	X	
F. Maintenance of outside rented equipment and tools, including renovating at end of job.	X	
G. Gas, Oil and other maintenance supplies on outside rented equipment only.	X	
5. MISCELLANEOUS JOB COSTS		
A. Temporary Construction Facilities	X	
B. Field Office, Furniture, Office Equipment	X	
C. Building Permits and Licenses	X	
D. Field Telephone & Telegraph	X	
E. Premium of Compensation Insurance, Public Liability and Property Damage, Automobile Public Liability and Property Damage, and any other insurance required for Field Payroll or Plant, job incurred only.	X	
F. Losses or Expenses not compensated by Insurance.	X	
G. Rental cars at cost.	X	
H. Sales, Use and Privilege Taxes (if any).	X	
I. All other direct cash outlays for job costs not specifically excluded.	X	
J. Outside consultants.	X	

Description	I Items Reimbursable At Cost, Including Direct Costs on Salaries & Wages	II Non-reimbursable Items Covered By Administrative & Overhead Charges
MISCELLANEOUS JOB COSTS - cont'd		
K. Inspection in Suppliers Shop or in Field. Includes travel time and travel and living expense.	X	
L. Cost of legal fees and expenses caused by Force Majeure.	X	
M. Cost of Performance Bond (if required).	X	

JOB NUMBER. CL JOB ITEM	PCT COMPL	UNIT COSTS PER EST	UNIT COSTS THIS MO	UNIT COSTS TO-DATE	UNITS COMPLETED THIS MO	UNITS COMPLETED TO-DATE	TOTAL COSTS ESTIMATE	TOTAL COSTS THIS MO	TOTAL COSTS TO-DATE	OVER/UNDER ACTUAL	OVER/UNDER PROJECTED	COST TO COMPLETE
2 MATERIAL PROD-INA RD									CONTINUED			
75 0002 6800 MECH OT PREM					MC	EST. UNITS		.0	TN			
01 LAB	.0	.00	.00	.01	34150.0	74350.0	0	0	429	429	429	0
TOTAL **		.00	.00	.01			0	0	429	429	429	0
75 2 ****						01 LAB	25995	13424	38803	16490	19989	7191
						02 EQ	91250	39025	99149	20276	22721	14902
						03 MATL	16300	4047	6253	11901	11901	21948
						04 CEQR	0	0	1937	1937	1937	0
						06 MISC	0	2341	3847	3847	3847	0
						07 R&S	0	12954-	47708-	0	0	47708
						09 EQS	0	83	389	389	400	0
						JOB TOTALS	133545	45966	102670	54840	60795	91749

CONTRACT AMOUNT	BILLING PREVIOUS	BILLING CURRENT	BILLING TO-DATE
.00	.00	.00	.00

JOB NUMBER CL	JOB ITEM	PCT COMPL	UNIT COSTS PER EST	UNIT COSTS THIS MO	UNIT COSTS TO-DATE	UNITS COMPLETED THIS MO	UNITS COMPLETED TO-DATE	TOTAL COSTS ESTIMATE	TOTAL COSTS THIS MO	TOTAL COSTS TO-DATE	OVER/UNDER ACTUAL	OVER/UNDER PROJECTED	COST TO COMPLETE
00	JOSEPHINE CANYON PIT												
75 0100 0100	WASH MATERIALS					MC	EST. UNITS		.0	TN			
01	LAB	.0	.00	.00	.00	.0	.0	0	0	867	867	867	0
02	EQ	.0	.00	.00	.00	.0	.0	0	0	1589	1589	1589	0
03	MATL	.0	.00	.00	.00	.0	.0	0	0	191	191	191	0
04	CEQR	.0	.00	.00	.00	.0	.0	0	0	65	65	65	0
TOTAL	**		.00	.00	.00			0	0	2712	2712	2712	0
100 0220	1-1/2IN ABC					*MC	EST. UNITS		35000.0	TN			
01	LAB	372.3	.28	.23	.26	72507.0	130312.0	9800	16922	34443	24643	24643	0
02	EQ	372.3	.55	.77	.76	72507.0	130312.0	19250	55484	99606	80356	80356	0
03	MATL	372.3	.00	.00	.01	72507.0	130312.0	0	360	1006	1006	1006	0
04	CEQR	372.3	.00	.08	.05	72507.0	130312.0	0	6000	6065	6065	6065	0
09	EQS	372.3	.00	.00	.00	72507.0	130312.0	0	0	176	176	176	0
TOTAL	**		.83	1.08	1.08			29050	78766	141296	112246	112246	0
00 0230	UNWASHED ROCK SAND					MC	EST. UNITS		.0	TN			
01	LAB	.0	.00	.00	.00	.0	.0	0	0	246	246	246	0
TOTAL	**		.00	.00	.00			0	0	246	246	246	0
75 0100 0300	SUBSISTENCE					MC	EST. UNITS		500000.0	TN			
01	LAB	.0	.00	.00	.00	.0	.0	0	170	510	510	510	0
03	MATL	.0	.00	.00	.00	.0	.0	0	0	50	50	50	0
TOTAL	**		.00	.00	.00			0	170	560	560	560	0
75 0100 0350	1/2IN MA ROCK					*MC	EST. UNITS		27168.0	TN			
01	LAB	184.5	.46	.00	.55	.0	50131.0	12409	16	27734	15325	15325	0
02	EQ	184.5	1.25	.00	1.45	.0	50131.0	33868	748	72903	39035	39035	0
03	MATL	184.5	.00	.00	.08	.0	50131.0	0	0	3874	3874	3874	0
06	MISC	184.5	.00	.00	.00	.0	50131.0	0	0	65	65	65	0
09	EQS	184.5	.00	.00	.01	.0	50131.0	0	0	425	425	425	0
TOTAL	**		1.71	.00	2.09			46277	764	105001	58724	58724	0
75 00 0500	SAND					MC	EST. UNITS		.0	TN			
01	LAB	.0	.00	.00	.00	.0	.0	0	0	16	16	16	0
TOTAL	**		.00	.00	.00			0	0	16	16	16	0
75 0100 0600	CONCRETE ROCK					MC	EST. UNITS		5000.0	TN			
01	LAB	18.0	.40	.00	.28	.0	900.0	2000	0	251	109-	109-	1749
02	EQ	18.0	.80	.00	1.26	.0	900.0	4000	0	1136	416	416	2864
TOTAL	**		1.20	.00	1.54			6000	0	1387	307	307	4613

NEW PUEBLO CONSTRUCTORS INC.
JOB COST ANALYSIS
MONTH ENDING 1-28-79

DIST NO 0016 ACCT-KGR-MD

CONTINUED

JOB NUMBER CLASS JOB ITEM	PCT COMPL	UNIT COSTS PER EST	UNIT COSTS THIS MO	UNIT COSTS TO-DATE	UNITS COMPLETED THIS MO	UNITS COMPLETED TO-DATE	UNITS COMPLETED ESTIMATE	TOTAL COSTS THIS MO	TOTAL COSTS TO-DATE	OVER/UNDER ACTUAL	OVER/UNDER PROJECTED	COST TO COMPLETE
100	JOSEPHINE CANYON PIT											
75 0100 0700	HAUL ROAD MAINTENANCE				*MC	EST. UNITS	70000.0	TN				
01 LAB	13.0	.00	.00	.01	7239.9	9089.1	0	0	114	114	114	0
02 EQ	13.0	.00	.00	.01	7239.9	9089.1	0	0	83	83	83	0
TOTAL **		.00	.00	.02			0	0	197	197	197	0
75 0100 0710	STRIP BACKFILL				*MC	EST. UNITS	.0	TN				
01 LAB	.0	.00	.00	.01	54157.0	108062.0	0	171	853	853	853	0
02 EQ	.0	.00	.01	.01	54157.0	108062.0	0	517	1573	1573	1573	0
TOTAL **		.00	.01	.02			0	688	2426	2426	2426	0
75 0100 0720	SCALEMAN WATCHMAN				*MC	EST. UNITS	.0	TN				
01 LAB	.0	.00	.05	.07	7239.9	24448.4	0	349	1619	1619	1619	0
02 EQ	.0	.00	.00	.01	7239.9	24448.4	0	30	166	166	166	0
03 MATL	.0	.00	.00	.00	7239.9	24448.4	0	0	49	49	49	0
09 EQS	.0	.00	.00	.00	7239.9	24448.4	0	0	17	17	17	0
TOTAL **		.00	.05	.08			0	379	1851	1851	1851	0
75 0100 0730	LOAD TRUCKS				*MC	EST. UNITS	5000.0	TN				
01 LAB	520.5	.30	.08	.04	7239.9	26024.5	1500	609	924	576-	576-	0
02 EQ	520.5	.60	.21	.07	7239.9	26024.5	3000	1549	1944	1057-	1057-	0
TOTAL **		.90	.29	.11			4500	2158	2868	1633-	1633-	0
75 0100 0740	ROYALTY				MC	EST. UNITS	.0	TN				
06 MISC	.0	.00	.11	.01	2232.5	36852.4	0	237	439	439	439	0
TOTAL **		.00	.11	.01			0	237	439	439	439	0
75 0100 0745	DEPRECIATION ON IMPROVEMENTS				MC	EST. UNITS	60000.0	TN				
03 MATL	287.4	.00	.00	.01	72507.0	172443.0	0	122	1342	1342	1342	0
TOTAL **		.00	.00	.01			0	122	1342	1342	1342	0
75 0100 0750	HAUL RD RENTAL				MC	EST. UNITS	100.0	%				
03 MATL	100.0	.00	.00	.10	7239.9	100.0	0	0	10	10	10	0
04 CEQR	100.0	.00	.00	11.00	7239.9	100.0	0	0	1100	1100	1100	0
TOTAL **		.00	.00	11.10			0	0	1110	1110	1110	0
75 0100 0760	QUALITY CONTROL				*MC	EST. UNITS	.0	TN				
01 LAB	.0	.00	.00	.00	72507.0	172443.0	0	0	27	27	27	0
03 MATL	.0	.00	.00	.00	72507.0	172443.0	0	34	250	250	250	0
05 SUBC	.0	.00	.00	.00	72507.0	172443.0	0	0	78	78	78	0
TOTAL **		.00	.00	.00			0	34	355	355	355	0

.JOB NUMBER. CL JOB ITEM	PCT COMPL	UNIT COSTS PER EST	UNIT COSTS THIS MO	UNIT COSTS TO-DATE	UNITS COMPLETED THIS MO	UNITS COMPLETED TO-DATE	UNITS COMPLETED ESTIMATE	TOTAL COSTS THIS MO	TOTAL COSTS TO-DATE	TOTAL COSTS ESTIMATE	OVER/UNDER ACTUAL	OVER/UNDER PROJECTED	COST TO COMPLETE
75 0	JOSEPHINE CANYON PIT												
									CONTINUED				
0100 0770	SAFETY				*MC		EST. UNITS		.0 TN				
01 LAB	.0	.00	.00	.00	72507.0	172443.0	0	0	526	526	526		0
03 MATL	.0	.00	.00	.00	72507.0	172443.0	0	97	654	654	654		0
TOTAL **		.00	.00	.00			0	97	1180	1180	1180		0
75 0100 0940	SET UP PLANT				*MC		EST. UNITS		.0 TN				
01 LAB	.0	.00	.06	.19	72507.0	172443.0	7500	4107	33466	25966	25966		0
02 EQ	.0	.00	.03	.13	72507.0	172443.0	7500	2296	22980	15480	15480		0
03 MATL	.0	.00	.01	.03	72507.0	172443.0	0	610	4962	4962	4962		0
04 CEQR	.0	.00	.00	.03	72507.0	172443.0	0	0	4452	4452	4452		0
09 EQS	.0	.00	.00	.00	72507.0	172443.0	0	74	609	609	609		0
TOTAL **		.00	.10	.38			15000	7087	66469	51469	51469		0
75 0100 0941	DEFERRED START-UP OFFSET						EST. UNITS		.0				
03 MATL	.0	.00	.00	.00	.0	.0	0	0	9112-	0	0		9112
TOTAL **		.00	.00	.00			0	0	9112-	0	0		9112
75 0100 0942	AMORTIZATION & START-UP COST						EST. UNITS		.0				
03 MATL	.0	.00	.00	.24	.0	13630.0	0	2175	3318	3318	3318		0
TOTAL **		.00	.00	.24			0	2175	3318	3318	3318		0
75 0100 0945	ELECTRICAL REPAIRS				MC		EST. UNITS		.0 TN				
01 LAB	.0	.00	.00	.20	.0	3200.0	0	0	631	631	631		0
02 EQ	.0	.00	.00	.00	.0	3200.0	0	0	15	15	15		0
03 MATL	.0	.00	.00	.15	.0	3200.0	0	65	478	478	478		0
09 EQS	.0	.00	.00	.00	.0	3200.0	0	0	8	8	8		0
TOTAL **		.00	.00	.35			0	65	1132	1132	1132		0
75 0100 0950	AIR POLLUTION CONTROL				*MC		EST. UNITS		.0 TN				
01 LAB	.0	.00	.00	.00	72507.0	172443.0	0	0	720	720	720		0
02 EQ	.0	.00	.00	.00	72507.0	172443.0	0	0	462	462	462		0
03 MATL	.0	.00	.00	.00	72507.0	172443.0	0	242	670	670	670		0
09 EQS	.0	.00	.00	.00	72507.0	172443.0	0	0	26	26	26		0
TOTAL **		.00	.00	.00			0	242	1878	1878	1878		0
75 00 0990	INCO TRANSFERS				MC		EST. UNITS		.0 TN				
07 RES	.0	.00	.00	.00	.0	.0	0	849	3759	3759	3759		0
TOTAL **		.00	.00	.00			0	849	3759	3759	3759		0
75 0100 0995	INVENTORY ADJUSTMENT				MC		EST. UNITS		.0 IN				
07 RES	.0	.00	.00	.00	.0	.0	0	61409-	130975-	0	0		130975
TOTAL **		.00	.00	.00			0	61409-	130975-	0	0		130975

.JOB NUMBER. CL JOB ITEM	PCT COMPL	.....UNIT COSTS..... PER EST	THIS MO	TO-DATE	..UNITS COMPLETED THIS MO	TO-DATE	.....TOTAL COSTS..... ESTIMATE	THIS MO	TO-DATE	...OVER/UNDER.. ACTUAL	PROJECTED	COST TO COMPLETE
7 00	JOSEPHINE CANYON PIT								CONTINUED			
75 0100 6800	MECH UT PREM				*MC		EST. UNITS		.0 TN			
01 LAB	.0	.00	.00	.00	72507.0	169243.0	0	0	554	554	554	0
TOTAL **		.00	.00	.00			0	0	554	554	554	0
75 0100 9999	CONTR ACCOUNT						EST. UNITS		.0			
03 MATL	.0	.00	.00	.00	.0	.0	0	0	32211-	0	0	32211
TOTAL **		.00	.00	.00			0	0	32211-	0	0	32211
75 0100 ****					01 LAB		33209	22344	103501	71932	71932	1749
					02 EQ		67618	60624	202457	138118	138118	2864
					03 MATL		0	3705	24469-	16854	16854	41323
					04 CEQR		0	6000	11682	11682	11682	0
					05 SUBC		0	0	78	78	78	0
					06 MISC		0	237	504	504	504	0
					07 R&S		0	60560-	127216-	3759	3759	130975
					09 EQS		0	74	1261	1261	1261	0
					JOB TOTALS		100827	32424	167798	244188	244188	176911

CONTRACT AMOUNT	*.....BILLING..... PREVIOUS	CURRENT	TO-DATE*
.00	.00	.00	.00

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JOB NUMBER CL	JOB ITEM	PCT COMPL	UNIT COSTS PER EST	UNIT COSTS THIS MO	UNIT COSTS TO-DATE	UNITS COMPLETED THIS MO	UNITS COMPLETED TO-DATE	TOTAL COSTS ESTIMATE	TOTAL COSTS THIS MO	TOTAL COSTS TO-DATE	OVER/UNDER ACTUAL	OVER/UNDER PROJECTED	COST TO COMPLETE
01	NOGALES WASHPLANT												
75 0101 0100	WASH MATERIALS					MC	EST. UNITS	21000.0	TN				
	01 LAB	.0	.31	.00	.00	.0	.0	6500	0	0	0	0	6500
	02 EQ	.0	.62	.00	.00	.0	.0	13000	0	0	0	0	13000
	09 EQS	.0	.01	.00	.00	.0	.0	210	0	0	0	0	210
	TOTAL **		.94	.00	.00			19710	0	0	0	0	19710
01 0360	3/8 INCH PEA GRAVEL					MC	EST. UNITS	2000.0	TN				
	01 LAB	.0	.35	.00	.00	.0	.0	700	0	0	0	0	700
	02 EQ	.0	.79	.00	.00	.0	.0	1580	0	0	0	0	1580
	09 EQS	.0	.01	.00	.00	.0	.0	20	0	0	0	0	20
	TOTAL **		1.15	.00	.00			2300	0	0	0	0	2300
75 0101 0500	CONCRETE SAND					MC	EST. UNITS	8400.0	TN				
	01 LAB	.0	.08	.00	.00	.0	.0	700	0	0	0	0	700
	02 EQ	.0	.59	.00	.00	.0	.0	4956	0	0	0	0	4956
	03 MATL	.0	.00	.00	.00	.0	.0	0	0	0	0	0	0
	09 EQS	.0	.01	.00	.00	.0	.0	84	0	0	0	0	84
	TOTAL **		.68	.00	.00			5740	0	0	0	0	5740
75 0101 0520	MORTAR SAND					MC	EST. UNITS	6000.0	TN				
	01 LAB	.0	.32	.00	.00	.0	.0	1920	0	0	0	0	1920
	02 EQ	.0	.83	.00	.00	.0	.0	4980	0	0	0	0	4980
	09 EQS	.0	.01	.00	.00	.0	.0	60	0	0	0	0	60
	TOTAL **		1.16	.00	.00			6960	0	0	0	0	6960
75 0101 0600	CONCRETE ROCK					MC	EST. UNITS	10800.0	TN				
	01 LAB	.0	.28	.00	.00	.0	.0	3024	0	0	0	0	3024
	02 EQ	.0	.66	.00	.00	.0	.0	7128	0	0	0	0	7128
	03 MATL	.0	.00	.00	.00	.0	.0	0	0	0	0	0	0
	09 EQS	.0	.01	.00	.00	.0	.0	108	0	0	0	0	108
	TOTAL **		.95	.00	.00			10260	0	0	0	0	10260
75 0101 0760	QUALITY CONTROL					MC	EST. UNITS	27000.0	TN				
	01 LAB	.0	.01	.00	.00	.0	.0	270	0	0	0	0	270
	03 MATL	.0	.00	.00	.00	.0	.0	0	0	0	0	0	0
	04 CEQR	.0	.00	.00	.00	.0	.0	0	0	0	0	0	0
	06 MISC	.0	.01	.00	.00	.0	.0	270	0	0	0	0	270
	TOTAL **		.02	.00	.00			540	0	0	0	0	540
75 0101 0940	MOVE IN & SETUP					MC	EST. UNITS	27000.0	TN				
	01 LAB	.0	.11	.00	.00	.0	.0	3000	0	0	0	0	3000

.JOB NUMBER. CL JOB ITEM		PCT COMPL	UNIT COSTS PER EST	UNIT COSTS THIS MO	UNIT COSTS TO-DATE	UNITS COMPLETED THIS MO	UNITS COMPLETED TO-DATE	TOTAL COSTS ESTIMATE	TOTAL COSTS THIS MO	TOTAL COSTS TO-DATE	OVER/UNDER ACTUAL	OVER/UNDER PROJECTED	COST TO COMPLETE
75 0001	HUGHES PIT												
75 0001 0100	WASH MATERIALS					MC		EST. UNITS	30000.0 TN				
01 LAB		299.1	.33	.24	.36	11983.2	89719.8	9900	2821	32003	22103	22103	0
02 EQ		299.1	.66	.44	.53	11983.2	89719.8	19770	5249	47923	28153	28153	0
03 MATL		299.1	.00	.01	.07	11983.2	89719.8	0	170	6590	6590	6590	0
04 CEQR		299.1	.00	.00	.03	11983.2	89719.8	0	1908-	2400	2400	2400	0
06 MISC		299.1	.00	.00	.00	11983.2	89719.8	0	0	0	0	0	0
09 EQS		299.1	.01	.00	.00	11983.2	89719.8	360	48	58	302-	302-	0
TOTAL **			1.00	.69	.99			30030	6380	88974	58944	58944	0
75 0001 0230	UNWASHED ROCK & SAND					*MC		EST. UNITS	60000.0 TN				
01 LAB		187.0	.30	.30	.35	15780.0	112176.6	18000	4690	39775	21775	21775	0
02 EQ		187.0	.65	.89	.89	15780.0	112176.6	39000	14084	100026	61026	61026	0
03 MATL		187.0	.00	.01	.01	15780.0	112176.6	0	170	629	629	629	0
04 CEQR		187.0	.00	.00	.00	15780.0	112176.6	0	1908-	1126-	0	0	0
06 MISC		187.0	.00	.00	.00	15780.0	112176.6	0	0	0	0	0	0
09 EQS		187.0	.02	.00	.00	15780.0	112176.6	1200	0	85	1115-	1115-	0
TOTAL **			.97	1.20	1.25			58200	17036	139389	82315	82315	0
75 0001 0240	3/4IN MINUS ABC					*MC		EST. UNITS	25000.0 TN				
01 LAB		257.1	.21	.00	.34	.0	64285.3	5185	1757	21878	16693	16693	0
02 EQ		257.1	.61	.00	.69	.0	64285.3	15240	4252	44324	29084	29084	0
03 MATL		257.1	.00	.00	.01	.0	64285.3	0	75	329	329	329	0
04 CEQR		257.1	.00	.00	.01	.0	64285.3	0	0	636	636	636	0
06 MISC		257.1	.04	.00	.00	.0	64285.3	1000	0	50	0	0	0
09 EQS		257.1	.02	.00	.00	.0	64285.3	500	0	270	230-	230-	0
TOTAL **			.88	.00	1.05			21925	6084	67487	46512	46512	0
75 0001 0300	SUBSISTENCE							EST. UNITS	.0				
01 LAB		.0	.00	.00	.00	.0	.0	0	0	100	100	100	0
TOTAL **			.00	.00	.00			0	0	100	100	100	0
75 0001 0301	CRUSH KERLEY ROCK					MC		EST. UNITS	13500.0 TN				
01 LAB		74.5	.63	.00	.88	.0	10051.0	8465	0	8851	2549	3416	3035
02 EQ		74.5	1.21	.00	1.39	.0	10051.0	16325	0	14014	1862	2498	4808
04 CEQR		74.5	.00	.00	.38	.0	10051.0	0	1500	3780	3780	3780	0
TOTAL **			1.84	.00	2.65			24790	1500	26645	8191	9694	7843
75 0001 0330	1IN MINUS MA					MC		EST. UNITS	10000.0 TN				
01 LAB		143.8	.38	.75	.87	14383.7	14383.7	3752	10817	12569	8817	8817	0
02 EQ		143.8	1.10	2.04	2.10	14383.7	14383.7	11029	29327	30269	19240	19240	0
03 MATL		143.8	.00	.00	.10	14383.7	14383.7	0	7	1443	1443	1443	0

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.JOB NUMBER. CL JOB ITEM	PCT COMPL	.....UNIT COSTS..... PER EST	THIS MO	TO-DATE	..UNITS COMPLETED THIS MO	TO-DATE	.....TOTAL COSTS..... ESTIMATE	THIS MO	TO-DATE	...OVER/UNDER.. ACTUAL	PROJECTED	COST TO COMPLETE
75 0001	HUGHES PIT								CONTINUED			
06 MISC	143.8	.05	.00	.00	14383.7	14383.7	500	0	0	0	0	0
09 EQS	143.8	.05	.00	.00	14383.7	14383.7	500	0	13	487-	487-	0
TOTAL **		1.58	2.79	3.07			15781	40151	44294	29013	29013	0
75 0001 0350	1/21N MINUS MA				MC	EST. UNITS		20000.0	TN			
01 LAB	132.2	.37	.57	.74	10783.4	26447.9	7483	6118	19631	12148	12148	0
02 EQ	132.2	1.10	1.74	1.80	10783.4	26447.9	21991	18725	47520	25529	25529	0
03 MATL	132.2	.00	.13	.08	10783.4	26447.9	0	1417	2005	2005	2005	0
04 CEQR	132.2	.00	.00	.00	10783.4	26447.9	0	0	60	60	60	0
06 MISC	132.2	.05	.00	.00	10783.4	26447.9	1000	0	0	0	0	0
09 EQS	132.2	.03	.00	.03	10783.4	26447.9	500	0	728	228	228	0
TOTAL **		1.55	2.44	2.65			30974	26260	69944	39970	39970	0
75 0001 0351	CRUSH FAA SPECIAL				MC	EST. UNITS		4550.0	TN			
01 LAB	364.5	1.20	.00	.50	.0	16584.0	5460	0	8248	2788	2788	0
02 EQ	364.5	2.30	.00	.95	.0	16584.0	10465	0	15835	5370	5370	0
09 EQS	364.5	.04	.00	.00	.0	16584.0	200	0	0	200-	200-	0
TOTAL **		3.54	.00	1.45			16125	0	24083	7958	7958	0
75 0001 0360	3/8 INCH PEA GRAVEL				MC	EST. UNITS		10000.0	TN			
01 LAB	.0	.40	.00	.00	.0	.0	4000	0	451	451	451	3549
02 EQ	.0	1.38	.00	.00	.0	.0	13800	0	435	435	435	13365
09 EQS	.0	.02	.00	.00	.0	.0	200	0	0	0	0	200
TOTAL **		1.80	.00	.00			18000	0	886	886	886	17114
75 0001 0361	3/8 INCH POPCORN				*MC	EST. UNITS		2000.0	TN			
01 LAB	102.8	.50	.01	.01	2055.5	2055.5	1000	24	24	976-	976-	0
02 EQ	102.8	1.20	.03	.03	2055.5	2055.5	2400	66	66	2334-	2334-	0
09 EQS	102.8	.02	.00	.00	2055.5	2055.5	40	0	0	40-	40-	0
TOTAL **		1.72	.04	.04			3440	90	90	3350-	3350-	0
75 0001 0400	REJECT SAND				MC	EST. UNITS		.0	TN			
01 LAB	.0	.00	.00	.69	.0	4360.7	0	0	3006	3006	3006	0
02 EQ	.0	.00	.00	1.77	.0	4360.7	0	0	7731	7731	7731	0
03 MATL	.0	.00	.00	.00	.0	4360.7	0	0	1001-	0	0	0
09 EQS	.0	.00	.00	.00	.0	4360.7	0	0	13	13	13	0
TOTAL **		.00	.00	2.46			0	0	9749	10750	10750	0
75 0001 0402	SCREEN SAN XAVIER SAND				MC	EST. UNITS		13500.0	TN			
01 LAB	17.8	.49	.00	.18	.0	2400.0	6615	0	424	752-	752-	6191
02 EQ	17.8	.95	.00	.30	.0	2400.0	12825	0	718	1563-	1563-	12108
TOTAL **		1.44	.00	.48			19440	0	1142	2315-	2315-	18299

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.JOB NUMBER. CL JOB ITEM	PCT COMPL	.....UNIT COSTS..... PER EST	THIS MO	TO-DATE	..UNITS COMPLETED THIS MO	TO-DATE	.....TOTAL COSTS..... ESTIMATE	THIS MO	TO-DATE	...OVER/UNDER.. ACTUAL	PROJECTED	COST TO COMPLETE
75 0001	HUGHES PIT											
									CONTINUED			
75 0001 0500	CONCRETE SAND				MC		EST. UNITS	20000.0	TN			
01 LAB	.0	.35	.00	.00	.0	.0	7000	0	97	97	97	6903
02 EQ	.0	1.23	.00	.00	.0	.0	24600	0	54	54	54	24547
03 MATL	.0	.00	.00	.00	.0	.0	0	0	0	0	0	0
09 EQS	.0	.02	.00	.00	.0	.0	400	0	0	0	0	400
TOTAL **		1.60	.00	.00			32000	0	151	151	151	31850
75 0001 0510	DOUBLE WASH SAND				MC		EST. UNITS	5000.0	TN			
01 LAB	.0	.40	.00	.00	.0	.0	2000	0	0	0	0	2000
02 EQ	.0	1.48	.00	.00	.0	.0	7400	0	0	0	0	7400
09 EQS	.0	.02	.00	.00	.0	.0	100	0	0	0	0	100
TOTAL **		1.90	.00	.00			9500	0	0	0	0	9500
75 0001 0520	MORTAR SAND				MC		EST. UNITS	5000.0	TN			
01 LAB	.0	.39	.00	.00	.0	.0	1950	0	0	0	0	1950
02 EQ	.0	.96	.00	.00	.0	.0	4800	0	0	0	0	4800
09 EQS	.0	.02	.00	.00	.0	.0	100	0	0	0	0	100
TOTAL **		1.37	.00	.00			6850	0	0	0	0	6850
75 0001 0600	CONCRETE ROCK				MC		EST. UNITS	30000.0	TN			
01 LAB	.0	.35	.00	.00	.0	.0	10500	0	158	158	158	10343
02 EQ	.0	.78	.00	.00	.0	.0	23400	0	35	35	35	23365
09 EQS	.0	.02	.00	.00	.0	.0	600	0	0	0	0	600
TOTAL **		1.15	.00	.00			34500	0	193	193	193	34308
75 0001 0700	MAINTAIN HAUL ROAD				*MC		EST. UNITS	30000.0	TN			
01 LAB	563.0	.02	.00	.00	23336.8	168910.0	600	0	112	488-	488-	0
02 EQ	563.0	.03	.00	.00	23336.8	168910.0	900	0	268	632-	632-	0
03 MATL	563.0	.00	.00	.00	23336.8	168910.0	0	0	200	200	200	0
TOTAL **		.05	.00	.00			1500	0	580	920-	920-	0
75 0001 0705	UTILITIES & TELEPHONE				*MC		EST. UNITS	55000.0	TN			
01 LAB	613.3	.00	.00	.00	54985.8	337304.9	0	0	361	361	361	0
02 EQ	613.3	.00	.00	.00	54985.8	337304.9	0	0	6	6	6	0
03 MATL	613.3	.11	.03	.04	54985.8	337304.9	6000	1782	14054	8054	8054	0
TOTAL **		.11	.03	.04			6000	1782	14421	8421	8421	0
75 0001 0710	STRIP & BACKFILL				*MC		EST. UNITS	55000.0	TN			
01 LAB	491.9	.05	.00	.05	44440.2	270549.1	2997	132	13583	10586	10586	0
02 EQ	491.9	.11	.00	.19	44440.2	270549.1	5994	0	51229	45235	45235	0

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.JOB NUMBER. CL JOB ITEM	PCT COMPL	.....UNIT COSTS..... PER EST	THIS MO	TO-DATE	..UNITS COMPLETED THIS MO	TO-DATE	.....TOTAL COSTS..... ESTIMATE	THIS MO	TO-DATE	...OVER/UNDER.. ACTUAL	PROJECTED	COST TO COMPLETE
75 0001	HUGHES PIT							CONTINUED				
09 EQS	491.9	.01	.00	.00	44440.2	270549.1	500	0	0	500-	500-	0
TOTAL **		.17	.00	.24			9491	132	64812	55321	55321	0
75 0001 0720	SCALEMAN WATCHMAN				*MC	EST. UNITS	30000.0	TN				
01 LAB	563.0	.02	.04	.04	23336.8	168910.0	600	839	6268	5668	5668	0
02 EQ	563.0	.03	.02	.02	23336.8	168910.0	900	459	2779	1879	1879	0
03 MATL	563.0	.00	.01	.01	23336.8	168910.0	0	304	1126	1126	1126	0
09 EQS	563.0	.08	.00	.00	23336.8	168910.0	2250	62	563	1687-	1687-	0
TOTAL **		.13	.07	.07			3750	1664	10736	6986	6986	0
75 0001 0730	LOAD TRUCKS				*MC	EST. UNITS	30000.0	TN				
01 LAB	563.0	.07	.06	.05	23336.8	168910.0	2100	1429	9119	7019	7019	0
02 EQ	563.0	.11	.11	.10	23336.8	168910.0	3300	2622	16781	13481	13481	0
03 MATL	563.0	.00	.00	.00	23336.8	168910.0	0	0	112	112	112	0
04 CEQR	563.0	.00	.00	.02	23336.8	168910.0	0	0	2663	2663	2663	0
09 EQS	563.0	.02	.01	.00	23336.8	168910.0	500	129	526	26	26	0
TOTAL **		.20	.18	.17			5900	4180	29201	23301	23301	0
75 0001 0740	ROYALTY				MC	EST. UNITS	85000.0	TN				
03 MATL	197.0	.00	.00	.00	23336.8	167450.0	0	440-	289-	0	0	0
04 CEQR	197.0	.00	.00	.00	23336.8	167450.0	0	0	0	0	0	0
06 MISC	197.0	.18	.25	.20	23336.8	167450.0	15300	5908	32825	17525	17525	0
TOTAL **		.18	.25	.20			15300	5468	32536	17525	17525	0
75 0001 0745	DEPRECIATION ON IMPROVEMENTS				MC	EST. UNITS	225000.0	TN				
03 MATL	149.9	.00	.03	.04	54985.8	337304.9	0	1854	12978	12978	12978	0
06 MISC	149.9	.07	.00	.00	54985.8	337304.9	16548	0	0	0	0	0
TOTAL **		.07	.03	.04			16548	1854	12978	12978	12978	0
75 0001 0760	QUALITY CONTROL				*MC	EST. UNITS	55000.0	TN				
01 LAB	621.5	.00	.00	.00	54985.8	341836.9	0	0	137	137	137	0
03 MATL	621.5	.02	.00	.00	54985.8	341836.9	1100	68	270	0	0	0
05 SUBC	621.5	.00	.00	.00	54985.8	341836.9	0	0	157	157	157	0
TOTAL **		.02	.00	.00			1100	68	564	294	294	0
75 0001 0770	SAFETY				*MC	EST. UNITS	55000.0	TN				
01 LAB	606.8	.00	.00	.00	54985.8	333763.9	0	0	287	287	287	0
03 MATL	606.8	.01	.01	.00	54985.8	333763.9	550	395	1146	596	596	0
TOTAL **		.01	.01	.00			550	395	1433	883	883	0
75 0001 0940	PLANT SET-UP				*MC	EST. UNITS	55000.0	TN				
01 LAB	606.8	.04	.01	.05	54985.8	333763.9	2000	617	15750	13750	13750	0

.JOB NUMBER. CL JOB ITEM	PCT COMPL	UNIT COSTS PER EST	UNIT COSTS THIS MO	UNIT COSTS TO-DATE	UNITS COMPLETED THIS MO	UNITS COMPLETED TO-DATE	TOTAL COSTS ESTIMATE	TOTAL COSTS THIS MO	TOTAL COSTS TO-DATE	OVER/UNDER ACTUAL	OVER/UNDER PROJECTED	COST TO COMPLETE
75 0001	HUGHES PIT											
								CONTINUED				
02 EQ	606.8	.05	.01	.01	54985.8	333763.9	3000	286	4195	1195	1195	0
03 MATL	606.8	.06	.00	.01	54985.8	333763.9	3250	218	3320	70	70	0
05 SUBC	606.8	.00	.00	.00	54985.8	333763.9	0	0	1151	1151	1151	0
09 EQS	606.8	.00	.00	.00	54985.8	333763.9	0	16	305	305	305	0
TOTAL **		.15	.02	.07			8250	1137	24721	16471	16471	0
75 0001 0945	ELECTRICAL MODIFICATIONS				*MC		EST. UNITS	55000.0	TN			
01 LAB	113.8	.01	.00	.01	.0	62606.0	700	88	483	217-	217-	0
02 EQ	113.8	.00	.00	.00	.0	62606.0	100	0	0	100-	100-	0
03 MATL	113.8	.02	.00	.01	.0	62606.0	1000	0	771	0	0	0
TOTAL **		.03	.00	.02			1800	88	1254	317-	317-	0
75 0001 0950	AIR POLLUTION CONTROL				*MC		EST. UNITS	55000.0	TN			
01 LAB	596.5	.01	.01	.02	54985.8	328069.9	550	383	7994	7444	7444	0
02 EQ	596.5	.01	.00	.02	54985.8	328069.9	550	180	6312	5762	5762	0
03 MATL	596.5	.00	.01	.01	54985.8	328069.9	0	305	1958	1958	1958	0
04 CEQR	596.5	.00	.00	.00	54985.8	328069.9	0	0	0	0	0	0
09 EQS	596.5	.00	.00	.00	54985.8	328069.9	0	0	0	0	0	0
TOTAL **		.02	.02	.05			1100	868	16264	15164	15164	0
75 0001 0990	INCO TRANSFERS				MC		EST. UNITS	.0	TN			
07 R&S	.0	.00	.00	.00	.0	.0	0	0	60128	60128	60128	0
TOTAL **		.00	.00	.00			0	0	60128	60128	60128	0
75 0001 0995	INVENTORY ADJUSTMENT				MC		EST. UNITS	.0	TN			
07 R&S	.0	.00	.00	.00	.0	.0	0	32165-	45229-	0	0	45229
TOTAL **		.00	.00	.00			0	32165-	45229-	0	0	45229
75 0001 6800	MECH OT PREM				*MC		EST. UNITS	.0	AN			
01 LAB	.0	.00	.00	.00	54985.8	318536.9	0	0	716	716	716	0
TOTAL **		.00	.00	.00			0	0	716	716	716	0
75 0001 ****												
01 LAB							100857	29715	202025	134220	135087	33971
02 EQ							237789	75250	390520	241448	242084	90393
03 MATL							11900	6325	45641	36090	36090	0
04 CEQR							0	2316-	8413	9539	9539	0
05 SUBC							0	0	1308	1308	1308	0
06 MISC							34348	5908	32875	17525	17525	0
07 R&S							0	32165-	14899	60128	60128	45229
09 EQS							7950	255	2561	3989-	3989-	1400
JOB TOTALS							392844	82972	698242	496269	497772	170993

CONTRACT AMOUNT *.....BILLING.....* PREVIOUS CURRENT

BID # [illegible] (NEW PUEBLO CONSTRUCTORS (

JOB # _____ Cost Estimate PRECIOUS METALS PROJECT.

1 of 1 Date FEB'79 Est T. ALLEN

ENGINEER S.E.A. PLAN NO. _____ Dated 2/15 Revised _____

BID ITEM	DESCRIPTION	QUANTITY Unit	1. LABOR Unit	1. LABOR Amount	2. EQUIP. RENT Unit	2. EQUIP. RENT Amount	3. MATERIALS Unit	3. MATERIALS Amount	4. CASH E-R Unit	4. CASH E-R Amount	5. SUBS Unit	5. SUBS Amount	6. MISC. Unit	6. MISC. Amount	TOTAL COST Unit	TOTAL COST Amount	SALES PRICE Unit	SALES PRICE Amount
	Crush 1,000,000 Tons of					22 Work days / Month on Ave												
	1/2" Minus Material @ 150 TPH																	
	=6667 Hrs 8 Hr Single Shift		30,000T = 200 Hrs		= 25 Days	= 1.125 Months			- 1.5									
	Equipment		100,000T = 667 Hrs		84	= 3.8 Months			- 4									
			1,000,000T = 6667 Hrs		833	= 37.36 Months			- 38									
	Cannon III Crusher																	
	120' Radial Stacker						30,000T		#25,140									
	Feed Belt						100,000T		67,040									
	Product Belt		Total				1,000,000T		300,000	(Max Rent)	Crusher & 760 Power 49 Fine Screen 38 Stacker 89							
	Return Belt		#16,760/Month															
	6-Schuster Belts @ 200'/m space	1% Maintenance																
	Belt Feeder 10.[illegible]																	
	1- D-8 Dozer 1/2 TIME 24.[illegible]																	
	1- 988 Loader 33																	
	1- 14T Hydraulic Crane 12.[illegible]	2000/Mo CER.																
	1- 600 Arc Welder 16.[illegible]	600/Mo CER.																
	1- Pump 4.[illegible]																	
	1- Mechanics Truck & junction 8.[illegible]	400/Mo CER				#14,200 (30,000T)			#3,000									
	1- Pozzi Van 2.[illegible]	100/Mo CER.				47,357 (100,000T)			8,000									
	# 71-/hr	#2,200/Mo CER.				473,357 (1,000,000)			60,000	- Max Rent	Crane 4400 Junction 10,000 Pump 8,000							
	1- Month Stand By time on Crusher & belts								15,000									
	Labor (add 10% to eq. time)																	
	1- Foreman 16.[illegible]	30,000T = 220 Hrs		23,217														
	1- Operator 14.[illegible]	100,000T = 733		77,427														
	1- Oiler 12.[illegible]	1,000,000T = 7333		773,925														
	1- Loader Oper 15.[illegible]																	
	1 Dozer Oper & Crane 15.[illegible]																	
	1- Mechanic 16.[illegible]																	
	1- Laborer 11.[illegible]																	
	(72.0/2) 10.5[illegible]	30,000T = 18 Days		2,593														
	Supervisions #13/Day/Man	100,000T = 92 Days		8,358														
		1,000,000T = 916 Days		83,413														
	7% Wage Increase on 700,000 Tons			54,600														
	Diesel Fuel					30,000T		#16,000										
	Screen Cloth					100,000T		53,360										
	Welding rod Manganese	80¢/Hr				1,000,000		533,360										
	Misc. Grease & Oil & Maint Parts							5,000										
	ELECT POWER #10/hr.							5,000										
								10,000										
	Move In & Set up #30,000 — Exclude Water Line			#8,000		#7,000												
	VARIABLE PRODUCTION COSTS	OH.															OH.	TOTAL
	OPR. COST/T : OPR COST @ 150 T/HR. 200 T/Hr. T Fixed	11%	30,000	#33,770		#21,200		#36,000		#43,140					4.47	#134,060	+ 11%	= #4.96
	#2.03 #1.52 + #2.44 = 3.96	= #4.39	100,000T	93,765		54,350		73,360		90,040					3.11	311,522	"	3.45
	1.91 1.43 + #1.20 #2.63	= 2.91	1000,000T	919,338		580,350		553,360		375,000					2.43	2,478,055	"	2.70*
	2.03 1.52 + 40% #1.93	= 2.41/T*																
	SUBTOTAL																	

* Note: Labor will increase 7% on June 1, '79

Additional Cost

30,000T = 2360

100,000T = 6564

1,000,000T = 60,574 Less 6500 = 54,000

Minimum Guarantee = #150,000 - 30,000T

FIXED COST 30,000T — #73,140 - #2.44/T

100,000T. — 120,040 #1.20/T

1000,000T — #465,000 .98/T

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JOB #_____ Cost Estimate Crush 30,000 T Tailings Material

1 of 1 Dr 7/27/75 E Tony Allen

ENGR. SEA PLAN NO. _____ Dated _____ Revised _____

BID ITEM	DESCRIPTION	QUANTITY Unit	1. LABOR Unit	1. LABOR Amount	2. EQUIP. RENT Unit	2. EQUIP. RENT Amount	3. MATERIALS Unit	3. MATERIALS Amount	4. CASH E-R Unit	4. CASH E-R Amount	5. SUBS Unit	5. SUBS Amount	6. MISC. Unit	6. MISC. Amount	TOTAL COST Unit	TOTAL COST Amount	SALES PRICE Unit	SALES PRICE Amount
	Crush 30000 Tons Material																	
	70% Rock 30% Fines to																	
	1 1/4" Minus @ 200 TON																	
	150 Hrs Equipment Time																	
	10.75 single shift days																	
	3.75 wks "																	
	10 Double shift Days																	
	2 wks " "																	
	EQUIPMENT 150 HRS																	
	#1042 Primary 35																	
	#1002 Secondary 66																	
	#1059 Power Source 14																	
	#1039 Apron Feeder 8																	
	#1237 Generator 12																	
	#1911 Stacker 6																	
	2- Feed Belts 2																	
	1- Discharge Roll 1																	
	1- 988 Loader 33																	
	1- Parts Van 2																	
	1- Water Trailer 2																	
	1- Pump 4																	
	185					27750										27750		
	LABOR 165 HRS																	
	1- Foreman 16.03																	
	1- Operator 14.61																	
	1- Oiler 13.18																	
	1- Loader Oper 15.43																	
	1- Laborer 11.29																	
	70.53			11645												11645		
	Subsistance 115 Days @13/Day			1495												1495		
	Move In Setup & Move out			15000		7000		3000								25000		
	SUBTOTAL			28140		34750		3000								65890		

NEC FORM #1 REV. 7-70

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JOB #_____ Cost Estimate Crush 30,000 T Tailings Material

1 of 1 Date 1/27/79 Est Tony Allen

OWNER SEA PLAN NO._____ Dated_____ Revised_____

BID ITEM	DESCRIPTION	QUANTITY Unit	QUANTITY Unit	1. LABOR Unit	1. LABOR Amount	2. EQUIP. RENT Unit	2. EQUIP. RENT Amount	3. MATERIALS Unit	3. MATERIALS Amount	4. CASH E-R Unit	4. CASH E-R Amount	5. SUBS Unit	5. SUBS Amount	6. MISC. Unit	6. MISC. Amount	TOTAL COST Unit	TOTAL COST Amount	SALES PRICE Unit	SALES PRICE Amount
	Crush 30000 Tons Material																		
	70% Rock 30% Fines to																		
	1 1/4" Minus @ 200 TPH																		
	150 Hrs Equipment Time																		
	18.75 single shift days																		
	3.75 wks "																		
	10 Double shift Days																		
	2 wks " "																		
	EQUIPMENT 150 HRS																		
	#1042 Primary 75																		
	#1007 Secondary 66																		
	#1059 Power Source 14																		
	#1039 Apron Feeder 8																		
	#1237 Generator 12																		
	#1911 Screen 6																		
	2- Feed Belts 2																		
	1- Discharge Roll 1																		
	1- 988 Loader 33																		
	1- Parts Van 2																		
	1- Water Trailer 2																		
	1- Pump 4																		
	185						27750										27750		
	LABOR 165 HRS																		
	1- Foreman 16.03																		
	1- Operator 14.61																		
	1- Oiler 13.18																		
	1- Loader Oper 15.47																		
	1- Laborer 11.29																		
	70.57				11645												11645		
	Subsistence 115 Days @13/Day				1495												1495		
	Mobe In Setup & Move Out				15000		7000		3000								25000		
	SUBTOTAL				28140		34750		3000							220	65890		

117 CY 244 T. #

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MCC FORM #1 REV 3-70

BID # [illegible] NEW PUEBLO CONSTRUCTORS

JOB # _____ Cost Estimate Feeding Metals Project.

1 of 1 Date Feb 79 Est. Allen

ENGR. S.E.A. PLAN NO. _____ Dated 2/15 Revised _____

BID ITEM	DESCRIPTION	QUANTITY Unit	1. LABOR Unit	1. LABOR Amount	2. EQUIP. RENT Unit	2. EQUIP. RENT Amount	3. MATERIALS Unit	3. MATERIALS Amount	4. CASH E-R Unit	4. CASH E-R Amount	5. SUBS Unit	5. SUBS Amount	6. MISC. Unit	6. MISC. Amount	TOTAL COST Unit	TOTAL COST Amount	SALES PRICE Unit	SALES PRICE Amount
	Crush 1,000,000 Tons of					22 work days/Month on Ave												
	1/2" Minus Material @ 150 TPH																	
	=6667 Hrs 8 Hr Single Shift			30,000T = 200 Hrs		= 25 Days =		1.125 Months		- 1.5								
	Equipment			100,000T = 667 Hrs		84 = 3.8 Months				- 4								
				1,000,000T = 6667 Hrs		833 = 37.86 Months				- 38								
	Commander III Crusher																	
	120' Radial Stacker						30,000T		# 25,140									
	Feed Belt						100,000T		67,040									
	Product Belt			Total			1,000,000T		300,000	(Max Rent)								
	Return Belt			#16,760/Month														
	10-Schedule Belts @ 100'/n space	1% Maintenance																
	Bell Feeder	10																
	1- D-8 Dozer 1/2 TIME	24																
	1- 988 Loader	33																
	1- 14T Hydraulic Crane	12	- 2000/Mo CER.															
	1- 600 Amp welder	16	600/Mo CER.															
	1- Pump	4																
	1- Mechanics Truck & welder	8	400/Mo CER			#14,200 (30,000T)			#3,000									
	1- Pass Van	8	100/Mo CER.			47,357 (100,000T)			8,000									
	# 71/hr	#2400/Mo CER.				473,357 (1,000,000)			60,000	- Max Rent.								
	1- Month Stand By time on Crusher & belts								15,000									
	Labor (add 10% to eq. time)																	
	1- Foreman 16.96	30,000T = 220 Hrs		= 23,217														
	1- Operator 14.61	100,000T = 733		= 77,427														
	1- Oiler 12.56	1,000,000T = 7333		= 773,925														
	1- Loader Oper 15.47																	
	1- Dozer Oper & Crane 15.03																	
	1- Mechanic 16.26																	
	1- Laborer 11.62																	
	(Total) 105.53	30,000T = 28 Days		2,953														
	Subsistence "13/Day/Man	100,000T = 92 Days		8,358														
		1,000,000T = 916 Days		82,413														
	7% Wage Increase on 900,000 Tons			54,600														
	Diesel Fuel					30,000T		#16,000										
	Screen Cloth					100,000T		53,360										
	Welding Rod Manganese	80%/hr				1,000,000T		533,360										
	Misc. Grease & Oil & Maint Parts							5,000										
	ELECT Power #10/hr.							5,000										
	Move In & Set up #30,000 — Equipment Water Up			#8,000		#7,000		18,000										
	VARIABLE PRODUCTION COSTS	OH 11%															OH	TOTAL
	OPR. COST/T @ 120/T/HR	OPR COST 200 T/HR FIXED													4.47	#134,060	+11%	#4.96
	#2.03	#1.52 + #2.44 = #3.96	#4.39	30,000T		#33,720	#21,200	#36,000	#43,140						3.11	311,522	"	3.45
	1.91	1.43 + #1.20 #2.63	2.91	100,000T		93,765	54,35	73,360	90,040						2.43	2,428,055	"	2.70*
	2.03	1.52 + 40% #1.93	2.14/T*	1,000,000T		919,338	580,35	553,360	375,000									
	SUBTOTAL																	

Fixed Cost 30,000T — #73,140 — #2.44/T

100,000T — 120,040 #1.20/T

1,000,000T — #465,000 .48/T

Minimum Guarantee = #150,000 - 30,000T

* Note: Labor to increase 7% June 1, '79

Additional Cost

30,000T = 2360

100,000T = 5,564

1,000,000T = 60,576 Less 6500 = 54,000

47

2/26/79 Meeting w/ Dick Yeager, Karl Boonstedt.

Tombstone

Additives — how to apply.

1. Cement — we're all on allocation & prob. can't get
   Substitute Fly ash

2. How do we get Chlorox into H_2O & how do we apply the solution

3. How do we get I.P.S. additives into heap material

   RFH ans. for high volume production not suitable for KR & DY.

4. Will have to move Crusher 2 poss. 3 times during operation.

5.

Alternatives

1. $150K to move in & crush 30K Tons for pilot test.

2. Take 1 ton or more lots to Freeport for large leach tests

(15)

FAMCO | 1700 Broadway • New York, New York 10019 • (212) 247-0420

February 26th, 1979

TOMBSTONE DEVELOPMENT CO.
c/o Mr. William Hight
1824 North Broadwell
Grand Island, Nebraska 69901

Dear Mr. Hight:

At the request of Richard Hewlett I am writing you to describe my background.

My partner, Dwight Lee and myself have been in the investment business for over ten years. During this time I have known and pursued mining interests with Mr. Hewlett for ten years, and Mr. Briscoe for seven years.

For the last five years our firm, FAMCO, has had a seat on the New York Stock Exchange, American Stock Exchange and The Chicago Board Option Exchange. We specialize in the hedging of securities for institutions and money management clients. If you need further information in regard to this firm I can suggest that the New York Stock Exchange is best qualified to give an unbiased answer to any questions you might want to ask.

We have also been involved in the venture capital business and have successfully invested in this area for about seven years.

For personal,as well as business references, I suggest you contact Mr. Howard Poduska, Vice Chairman of the Board, The Bank of New York.

If you need any furthere information please give me a call and if by chance you are in New York I would look forward to meeting with you.

Sincerely,

Thomas H. Schloss

Thomas H. Schloss
Chairman of the Board

THS/avc

cc: Dick Hewlett
LJAB

RECEIVED MAR 2 197

45

~~0667~~

Appendix A

TOMBSTONE DEVELOPMENT COMPANY CLAIMS

Claim Name	Designation
North Point	E-4
Cocopah	E-2
Silver Belt	E-9
Empire	D-3
Hawkeye	D-7
Little Wonder	
Way Up	D-16
Goodenough	D-6
Gilded Age	D-5
Vigina	D-15
Poor X	D-10
Survey	D-12
Toughnut	D-13
SW Ext. Toughnut	D-11
Fortuna	D-4
Tranquillity	D-14
Protectors	E-5
Contentment	E-7
Content	E-3
Cinncinatti	E-8
Houghton	F-36
Defense	D-2
Surveyor	D-27
Westside	D-17
Sulphuret	D-25
Mayflower	D-23
Alta	H-1
San Rafael	F-28
Ninety Nine	D-24
Last Chance #2	D-8
Boss	D-1
Herald	D-22
Tribute	D-19/F-39
Eastside	F-6
Blue Monday	D-18/F-38
Eastside No. 2	F-7
Old Guard	D-26/F-2
Lucky Cuss	F-16
COD	F-5
Luck Sure	F-1
McCann	F-19
Owl's Last Hoot	F-23
Owl's Nest	F-24
Escondido	F-10
Wedge	F-33
Black Hawk	F-4
Oregon	C-2
Prompter	F-25
Contact	C-1

Claim Name	Designation
Florodoro	F-12
Antelope	C-5
Shoo Fly	C-5
Verde	C-9
Mexicana	F-18
Extacy	F-11
Shorty	F-29
Emerald So. Mine	F-9
Emerald	F-8
Hidden Treasure	F-15
Revenue	F-27
Telephone	F-32
Grand Dipper	F-14
Rattlesnake	F-26
Mammoth	F-19
Bunker Hill	F-3
Little Comet	C-4
Big Comet	C-4
Miner's Dream	C-4
Sidney	F-31
So. Ext. Central	F-30
Southern Belle	F-37
Buffalo	F-34
Naumkeag	F-21
Moonlight	F-20
Grand Central	F-13
Illinois	F-37
Michigan	F-37
Flora Morrison	F-41
Head Center	D-21
Yellow Jacket	D-21
Contention	D-20/F-20
New Year	F-22
Cornell	F-35

Agreement between JAMES BRISCOE hereinafter called JAB and THOMAS H. SCHLOSS, DWIGHT E. LEE AND FAMCO or other investors designated by SCHLOSS OR LEE (hereinafter called INVESTORS).

Investors desired to invest and JAB desires to sell present interest ~~of~~ and future interest on the following basis in the mineral rights described below in the following manner:

DOLLARS INVESTED	% OWNERSHIP IN MINERAL AREA	TIMING OF CASH TRANSFER
$ 25,000	25%	on signing
50,000	30%	when required but not less than days from signing
75,000	35%	
100,000	40%	14 working
125,000	45%	
150,000	50%	by May 31, 1979
175,000	55%	
200,000	60%	

MINERAL RIGHTS

Mineral rights shall include but not be limited to the rights listed in the preliminary draft of lease agreement dated February 7, 1979, between TOMBSTONE DEVELOPMENT COMPANY (hereinafter referred to as either Lessor or TDC) and KARIN LAKE EXPLORATION COMPANY (hereinafter referred to either as Lessee or JAB). JAB intends to develop the patent and unpatent claims described in the TDC agreement and including the 200 acres of certain claims situated in the immediate vicinity of the townsite of Tombstone. Those claims consist of the Content, Cocopah, North Point, Contentment, Empire, Tranquil, Silver Belt, Silver Red, Contention, New Year, Cincinnati, Head Center, Yellow Jacket and Flora Morrison claims plus the Vigina Mine Tour claims. Also included above, but not specifically mentioned is the heap located on the TDC property.

Although the lease speaks of surface rights it is understood to mean for the agreement, surface rights as well as underground mining if the economics warrant. We have the right to clarify or correct or

perfect any inconsistencies that may be present in the current TDC lease. What may be part of the same ore body or offset from the TDC are the Tombstone Extension, Tombstone Mineral Reserve (TMR), and the State of Maine area. The State of Maine area and other claims are chiefly owned by the Escapules and concern only the ~~2~~200~~'~~ feet below surface underground ore zones on a joint venture with the Escapules. The Seth Horn and Robbers Roost area are potential porphyry copper targets. Although it is not planned at this time to explore or mine the porphyry copper area it is understood that at a later time when an agreement is reached with owners of these areas, investors would participate in the same manner through their ownership in the TDC agreement.

SIGNING

A. Upon signing of this agreement $25,000 will be paid to JAB to be used to start the chemical process plant defined. These funds will pay for the initiation of spray leaching. Any resulting cash flow and or remaining part of the $25,000 will be used to lease a crusher to process certain parts of the heap, to verify the process and determine what the cost will be based on the type of ore to be processed. After these results have been obtained and analyzed then a decision will be made to continue or terminate the program. Attachment 1 is the current estimate for the use of funds for the first $25,000.

B. If continued, an additional $25,000 to $50,000 will be used to sample the heap if appropriate, and to increase the daily capacity of the heap ~~plus to start building the plant for the~~ leaching operation. Based upon ~~these~~ cost configurations a decision will be made to continue or terminate.

C. The rest of the funds will be raised by Memorial Day, but credited as raised and needed and used according to JAB directive to: first, process the heap; second, to sample and drill the open pit potential; and third, to secure the mineral rights of the areas currently not under contract at this time.

DEPOSIT OF FUNDS, DISBURSEMENT AND BOOKKEEPING

Funds will be deposited to the THL (Tombstone Heap Leach) Trust account #957-0641 1st National Bank of Arizona University Medical Branch. Tucson, Arizona

All disbursements will be by the purchase order system used throughout S.E.A., Inc. organization.

During the expenditure of the first $25,000, Phase A items over $100 will be approved by J. A. Briscoe.

During Phase B, the expenditure of the second 25 to 50 thousand dollars, items over $250 will be approved by J. A. Briscoe.

J. A. Briscoe, singly; bookkeeper J. E. Talley and Business Service Manager C. M. Dodson, jointly; will have capability to write checks against this THL checking account.

The Day Timer record keeping system, in use throughout the S.E.A., Inc. organization, will be used to keep time and expense records for all employees of the Tombstone Leach Project.

Bills in support of the expenses for the operation will be submitted to the partnership on a bimonthly basis.

Books will be kept on the operation, with these subject to examination by the partners during normal working hours.

ATTACHMENT 1

Required capital investment for the slope leach is as follows:

A.	Power hook-up		$2400
B.	Electric		2000
C.	Pump installation/electric		1000
D.	Water line installation		2040
E.	Spray lines/manifolds		100
F.	Directional rainbirds		80
G.	Preg pond		100
H.	Laboratory		100
I.	Building		200
J.	Plants		2200
K.	Tanks		1000
L.	Chemicals		
	1. Resin-SR-3	100#	650
	2. Lime	1000#(.087)	87
	3. Salt		
	4. NaOCl	5-55 gal	247.50
	5. $Na_2S_2O_3$	300#	73.80
	6. NaCN	1000#	561.50
	7. Na_2S	400#	99.20
	8. Powd. Zinc	100#	66.20
M.	Insurance and bond		4500
N.	Management		4000
O.	Labor		2000
P.	Misc.		1495
			25,000

Crushing Rate	Crushing Duration
200 Tons per Day	250 months
400 "	125 "
600 "	83.3 "
1000 "	50 "
3000 "	16.7 "

Appendix A

TOMBSTONE DEVELOPMENT COMPANY CLAIMS

Claim Name	Designation
North Point	E-4
Cocopah	E-2
Silver Belt	E-9
Empire	D-3
Hawkeye	D-7
Little Wonder	
Way Up	D-16
Goodenough	D-6
Gilded Age	D-5
Vigina	D-15
Poor X	D-10
Survey	D-12
Toughnut	D-13
SW Ext. Toughnut	D-11
Fortuna	D-4
Tranquillity	D-14
Protectors	E-5
Contentment	E-7
Content	E-3
Cinncinatti	E-8
Houghton	F-36
Defense	D-2
Surveyor	D-27
Westside	D-17
Sulphuret	D-25
Mayflower	D-23
Alta	H-1
San Rafael	F-28
Ninety Nine	D-24
Last Chance #2	D-8
Boss	D-1
Herald	D-22
Tribute	D-19/F-39
Eastside	F-6
Blue Monday	D-18/F-38
Eastside No. 2	F-7
Old Guard	D-26/F-2
Lucky Cuss	F-16
COD	F-5
Luck Sure	F-1
McCann	F-19
Owl's Last Hoot	F-23
Owl's Nest	F-24
Escondido	F-10
Wedge	F-33
Black Hawk	F-4
Oregon	C-2
Prompter	F-25
Contact	C-1

Claim Name	Designation
Florodoro	F-12
Antelope	C-5
Shoo Fly	C-5
Verde	C-9
Mexicana	F-18
Extacy	F-11
Shorty	F-29
Emerald So. Mine	F-9
Emerald	F-8
Hidden Treasure	F-15
Revenue	F-27
Telephone	F-32
Grand Dipper	F-14
Rattlesnake	F-26
Mammoth	F-19
Bunker Hill	F-3
Little Comet	C-4
Big Comet	C-4
Miner's Dream	C-4
Sidney	F-31
So. Ext. Central	F-30
Southern Belle	F-37
Buffalo	F-34
Naumkeag	F-21
Moonlight	F-20
Grand Central	F-13
Illinois	F-37
Michigan	F-37
Flora Morrison	F-41
Head Center	D-21
Yellow Jacket	D-21
Contention	D-20/F-20
New Year	F-22
Cornell	F-35

	Total	OOP
1.) Lab.		
AA	3,500	~~1,000~~
Acetelene		
2.) Chemicals	1,500	1,500
3. Pumps	3,000	0
4. Power	5,000	5,000
5. Labor	3,000	
RFH	2,000	
	5,000	5,000
6. Misc.	1,000	1,000
7. Water line 2,000' 3" PVC	1,000	1,000
8. Plant	1,500	1,500
	21,500	16,000

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4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

February 22, 1979

Mr. Max Bishop
ARIZONA PUBLIC SERVICE
P.O. Drawer J
Bisbee, Arizona 85603

Dear Mr. Bishop,

We desire power service in the Tombstone area. We have leased from the TOMBSTONE DEVELOPMENT COMPANY the mining leases previously leased by 71 Minerals. We would like basically the same service they had, which was to the 71 Minerals plant facility and to the Westside Mine for the water pump.

At the old 71 Minerals plant, there is a conflict with "United Sporting Arms", which have a lease for six (6) months. Because of this, we will have a temporary building near that facility, which would be about 200 feet south of your "main-service" power pole close to the 71 Minerals building. We are very flexible as to the location of our meter box, as we will run lines to pumps, plants, etc., from that location. The service to the Westside would be the same as before, (by 71 Minerals).

Our operation will have a five-year life. Our financial commitments to TOMBSTONE DEVELOPMENT COMPANY, plus our leaching operation, open-pit and underground exploration require a minimum of five (5) years to complete various phases of our activities.

The hours per day would be as follows:

West Side

Eight (8) hours per day for the first several weeks, then intermittent; just enough make-up water to compensate for evaporation.

Plant

Eight (8) hours per day for the first three (3) months, then sixteen (16) hours per day and then three (3) shifts in six (6) months.

34

The days per week will be five (5), and then after three (3) months, two (2) shifts at the plant.

Please contact me concerning any questions you may have concerning our request.

Sincerely yours,

James A. Briscoe
President

JAB/slr
P-418
2052

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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

(12)

Southwestern Exploration Associates, Inc.

February 22, 1979

Mr. Dusty Escapule
P.O. Box 1103
Tombstone, Arizona 85638

Dear Dusty,

We are pleased to accept your bid of $300.00 to lay the three inch PVC line from the Westside pump station to a location near the old '71 minerals plant; close to the new barren-precip pond just north of the heap.

Enclosed please find an advance of $100.00. The additional $200.00 will be paid when you complete your work and furnish us with your final bill.

Thank you for your proposal.

Best personal regards,

Richard F. Hewlett

Richard F. Hewlett

RFW/slr
P-418
enc.
2050

32

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(11)

James A. Briscoe, President
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

February 22, 1979

Mr. Thomas H. Schloss
Chairman of the Board-FAMCO
1700 Broadway
New York, New York 10019

Dear Tom,

Enclosed please find the following:

1. Proposed investment schedule and sequential investment interest to FAMCO, et.al.

2. Newspaper article on "Gun Company" that leased our building.

3. Lease; the first and last pages will only be changed to reflect that Tom Schloss (FAMCO) and James A. Briscoe (S.E.A., et.al.) will be the only lessees in order that Richard Hewlett shows no involvement (with respect to SBM).

Dick and myself are very anxious to work with you and Dwight and your group.

As we discussed at breakfast this morning, to have an operation for inspection by your clients, it is most urgent that you advance us $25,000 to initiate the heap leaching, by the first of next week. This we can easily accomplish by wire.

Please contact me concerning any questions that you may have concerning our relationship.

Best personal regards,

James A. Briscoe
President

JAB/slr
P-418
enc.
2056

31

TOM SCHLOSS

Year One

Start investment of $25,000 to initiate leaching. Advance up to a total of $100.000 to sponsor the heap re-processing, which will provide a "sales location" for investor visits.

FAMCO will raise an additional $400,000 for the year (before June).

For the total $500,000 investment, FAMCO would earn a 60% interest.

Incremental interests would be:as follows:

FAMCO Investment	FAMCO Interest
$25,000	3%
50,000	6%
75,000	9%
100,000	12½%
200,000	25%
300,000	36%
400,000	48%
500,000	60%

10 mm to 3.2

Use of funds would be:

1. $200,000; re-process heap
2. $250,000; open-pit exploration
3. $50,000; porphyry copper exploration

The FAMCO offering and resulting partnership would initially hold an interest in the TDC lease and be a part of the lease (see enclosed lease). I would request that James Briscoe sign and Tom Schloss sign for FAMCO or other name. One thing that we need is FAMCO or some responsible financial information/ statement for the insurance company and for the performance bond.

For an expected return, I am very confident that I can produce to following net operating profit before taxes:

Month	Net Operating Profit Before Taxes
April, 1979	$20,000
May, 1979	40,000
June, 1979	60,000
July, 1979	80,000
Aug., 1979	100,000
Sept., 1979	100,000
Oct., 1979	100,000
Nov., 1979	100,000
Dec., 1979	100,000
	$700,000

FAMCO's interest would be (60%), $420,000 by the end of 1979.

In the first year, the FAMCO partnership would begin re-processing the heap, (TDC claims), open-pit exploration on TDC claims, and acquisition of additional claims for the FAMCO partnership.

Then the following year, FAMCO would raise another $500,000 to maintain their 60% interest, for exploration on the claims (properties) acquired in the first year (by the partnership).

Richard B Hewitt

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(10)

4500 E. Speedway, Suite 14
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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

February 14, 1979

REVIEWED
FEB 19 1979
By

Mr. H. W. Hobbs
Route 1
Box 590
McAllen, TX 78501

Dear Mr. Hobbs:

At the request of Mr. James A. Briscoe, I am enclosing this bound copy of the Tombstone Project prepared by Southwestern Exploration Associates, Inc.

Mr. Briscoe is presently out of town; however, should you have any questions, I do have phone contact with him. Please contact me and I will see that a message is transmitted to Mr. Briscoe.

Sincerely,

Christine M. Dodson
Mgr., Business Services

CMD:jmp
encl.
P-418
2020

28

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Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

9

Southwestern Exploration Associates, Inc.

REVIEWED
FEB 19 1979
By

February 14, 1979

Mr. Dwight Lee
FAMCO
1700 Broadway
22nd Floor
New York, NY 10019

OVERNIGHT DELIVERY

Dear Mr. Lee:

At the request of James A. Briscoe, I am enclosing this copy of the Tombstone Project prepared by Southwestern Exploration Associates, Inc.

Mr. Briscoe is presently out of town, but if you should have any questions, please feel free to contact me - I do have phone communication with Mr. Briscoe.

Sincerely,

Christine M. Dodson
Mgr., Business Services

CMD:jmp
encl.
P-418
2019

TELEPHONE MESSAGE

№ 000114

DATE CALL RECEIVED: 2/2/79

TIME: answering system

WHO CALLED: A.V. Greenbaum

FIRM:

CITY, STATE:

PHONE: 684-2207

AREA CODE: 316

☐ RETURN CALL, DATE, TIME

☐ WILL CALL AGAIN, DATE, TIME

CALL TAKEN BY: J.U.

SOUTHWESTERN EXPLORATION ASSOCIATES
4500 E. SPEEDWAY, SUITE 14
TUCSON, ARIZONA 85712

(8)

MESSAGE FOR .... Jim

MESSAGE

Wants to give you the athority to go ahead & order the consolidation money for Tombstone through Barry by having Barry call Dexie and getting it wire to your bank by wire.

Please return call

DAY-TIMER Time Saver RE-ORDER NO. 83214L-2 PART 83215L-3 PART ORIGINAL © DAY-TIMERS, Allentown, Pa. 18001

26

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James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

February 2, 1979

Mr. Richard F. Hewlett
2602 Monte Verde Way
Sparks, NV 89431

Dear Mr. Hewlett:

Enclosed is a check (#104) in the amount of $6,000 drawn on the Tombstone Mining District Trust Account in the name of Tombstone Development Co. Escrow Account.

Also enclosed are promotional portfolios which S.E.A. has been using during the last year or so. We have also included some preliminary promotional material which will eventually be finalized for a new promotional brochure for S.E.A. These have been bound and labeled as such.

Please note that we have made reservations for and arranged to have a prepaid ticket waiting for you at the United Airlines ticket counter for United Flight #710, leaving Reno at 3:05 p.m. arriving Denver at 5:56 p.m. then connecting to Frontier Flight #564, leaving Denver at 7:46 p.m. and arriving Grand Island, NV at 10:36 p.m. on Sunday, February 4. Be sure to give the ticket people your prepaid ticket number: 0168032041965.

I've also enclosed your extra toll call book which you did not have room for on your last trip to Tucson.

Have a good trip!

Sincerely,

Christine M. Dodson
Mgr., Business Services

CMD:jmp
encl.
P-418
1990

25

RECEIVED FEB - 1 1979

State reportedly was warned of silver fraud

[redacted]

Barry Spak - This is the newspaper article I was telling you about in our conversation about noontime on Wednesday the 31st.

None of the people involved in this are known to me. However, I do know the approximate area in which these operators purported to have leachable mine dumps. I believe this to be the area adjacent to the State of Maine Mine. The dumps on this state ground, probably do bear silver, but they are simply too small to be economically operated, a point lost on the investors. The underground potential in this same area, however, may be significant, but it bears no relationship to what these characters were trying to do.

I thought it best that you and A.J. be aware of this situation in case anyone should inquire as to how it relates to the leach project Dick Hewitt has proposed. As I mentioned in our telephone conversation, the projects are related only semantically in the words "silver," "dump," and "leaching." Whereas both the scope and the engineering in our proposed project suggest profitable operation, the size of the dumps these fellows were working on could never have supported an economic operation, even though they might have been very high grade.

Should any of this warrant further detail, please give me a call.

Very truly yours,

James A. Briscoe

JAB/lje
1998

JANUARY 1974

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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

January 28, 1979

Dr. A.J. Greenbaum
Guest - Room 182
Arizona Biltmore
24th Street & Missouri Avenue
Phoenix, AZ 85016

Dear Dr. Greenbaum:

Enclosed for your review are the original and four (4) copies of the Hewlett Management Tombstone Study prepared by Mr. Richard F. Hewlett.

These have been sent via ~~Frontier Air Freight~~ Hughes, Flight ~~106~~ 81, Counter-to-Counter, leaving Tucson at ~~4:37~~ 6:05 p.m. and arriving at Phoenix at ~~5:08~~ 6:35 p.m., January 28, 1979.

Sincerely,

Christine M. Dodson
Mgr., Business Services

CMD:jmp
encl.
P-418
1975

23

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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

**Southwestern
Exploration Associates, Inc.**

January 29, 1979

Dr. A.J. Greenbaum
Guest - Room 182
Arizona Biltmore
24th Street & Missouri Avenue
Phoenix, AZ 85016

Dear Dr. Greenbaum:

Enclosed is the corrected and signed Certificate which you discussed with Mr. Jim Briscoe. These copies will be inserted in the appropriate place in each of the five Hewlett Management Tombstone Studies transmitted to you yesterday, January 28, 1979 via Air Freight.

These have been sent via Cochise Air Freight Flight 432 arriving Phoenix at 11:10, January 29, 1979.

Sincerely,

Christine M. Dodson

Christine M. Dodson

CMD:jmp
encl.
P-418
1976

22

HEWLETT MANAGEMENT

R. F. HEWLETT
PHONE (702) 359-1069

2602 Monte Verde Way
Sparks, Nevada 89431

January 27, 1979

CERTIFICATE

I, Richard F. Hewlett of the City of Sparks, Washoe County, in the State of Nevada, U.S.A. hereby certify:

1. That I am a practicing Chemical and Mining Engineer in the States of Nevada and Arizona. My offices are at 2602 Monte Verde Way, Sparks, Nevada (89431).

2. That I am a graduate of Iowa State University and hold a Bachelor of Science Degree in Chemical Engineering and that I am a graduate of the University of Arizona and hold a Masters of Science Degree in Mining Engineering. Also, while completing my course work for a Doctorate in Geological Engineering, I was on the teaching faculty of the University of Arizona and the Colorado School of Mines.

3. That I have been practicing my profession as a Chemical and Mining Engineer since 1957.

4. That I have no interest, either direct or indirect, in the properties of Karin Lake Explorations Limited, and do not expect to receive, either directly or indirectly, any interest in the projects listed herein.

5. That the accompanying report is based on a study of all reports and maps available on the property with numerous visits to all surface and most underground sites mentioned in this report.

6. I hereby consent to inclusion of this report in the prospectus of Karin Lake Explorations Limited for the Vancover Stock Exchange.

DATED AT TUCSON, ARIZONA, U.S.A., this 27th day of January, 1979.

Richard F. Hewlett

Richard F. Hewlett
Chemical & Mining Engine
State of Arizona

HEWLETT MANAGEMENT

R. F. HEWLETT
PHONE (702)359-1069

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Sparks, Nevada 89431

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5. That the accompanying report is based on a study of all reports and maps available on the property with numerous visits to all surface and most underground sites mentioned in this report.

6. I hereby consent to inclusion of this report in the prospectus of Karin Lake Explorations Limited for the Vancouver Stock Exchange.

DATED AT TUCSON, ARIZONA, U.S.A., this 27th day of January, 1979.

Richard F. Hewlett

Richard F. Hewlett
Chemical & Mining Engineer
State of Arizona

HEWLETT MANAGEMENT

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PHONE (702)359-1069

2602 Monte Verde Way
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Richard F. Hewlett

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16

HEWLETT MANAGEMENT

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2602 Monte Verde Way
Sparks, Nevada 89431

Richard F Hewlett

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7AB

(5)

Memo

TO: FILE

FROM: WES

DATE: January 26, 1979

RE: Conversation This Date With Charlie and Louie Escapule About Leasing Their Land at the State of Maine Mine at Tombstone, Arizona.

This memo lists some of the key points and information that I learned today in my conversations with the Escapules.

1. Charlie and Louie Escapule are conducting a heap cyanide leaching operation on their claims at the State of Maine mine and have been doing this for two years. They estimate that they have leached 17,000 tons of dump rock and have recovered 34,000 ounces of silver and an unspecified minor amount of gold.

2. In addition to their leaching operation, they have also been constructing 65 ton per day and 300 ton per day leach mills which they then mount on trucks for haulage to any place or leaching operations. Although they have not been advertising, their reputation has spread and they have more orders than they can fill for these mills, and they are presently working on their 28th mill. They have given me some of the specifications on their mills. However, this has been extremely profitable for them and is even more profitable than the silver leaching they are doing at the State of Maine. I have taken pictures of one of their mills in operation at the State of Maine mine and they have given me several black and white snap shots of these plants. They are extremely efficient, and instead of using filter presses, they use a different filtering system which they find very efficient and economical, which runs about $300 a piece for the 300 ton per day mill. The 300 ton per day refers to 300 tons of leach solution per day. The 300 ton per day mill

sells for $16,500. It's possible that S.E.A. would be interested in these mills in the future.

3. Concerning the leach operation the Escapules are running at the State of Maine mine, they are using zinc precipatation and are refining the precipitates themselves and electro-winning silver to a purity of 99.999 percent pure which they are casting into 1 ounce, 10 ounce, 50 ounce and 100 ounce bars and are selling these to local people.

4. The Escapules are interested in leasing their ground at the State of Maine mine, however, they do not want to be interrupted in the mining and leaching operations that they have going on right now. I informed them that this would not be a problem and they were satisfied. They do have plans for going underground to do some mining and pulling of gob but this is on a very small scale. Charlie Escapule's son is graduating in a month or two as a mining and geological engineer and plans now are for him to take over the exploration and mining at the State of Maine mine.

5. After explaining our plans for an exploration program at the State of Maine mine which would involve surface and subsurface sampling along with mapping followed by drilling - the Escapules were very interested in this operation. We spent considerable time this afternoon discussing the geology of the mine area. They agree that numerous drill holes and assay of those drill cuttings is the type of data which is needed to find additional ore bodies. Their sampling and very detailed surveying indicates that there is 200,000 tons of gob in the State of Maine mine which averages 10 ounces silver per ton. And here the gold is extremely small to negligable.

6. The Fox and Misy claims which are owned by Ernie Escapule are unpatented claim blocks and parts of these have been leased

to other companies. However the actual status of those leases and the termination dates are not known at this time. It is quite possible that Ernie would be willing to lease the remainder of his claims to S.E.A. at this time with an option to lease all of the claims when they become available again.

7. Louie Escapule also pointed out that the majority of the ground in the State of Maine area is covered by Section 16 which is a state owned section and it is possible that the person who has this section has not paid the rental and the section is therefore open for leasing. This individual is Mr. Tom Colvin, a Tombstone resident who owns many other claims in the Tombstone area. This is a point that should be immediately checked by the Land Status Division.

8. The Escapules are concerned about creating interest in their ground before April 1st, which is when the 71 Minerals lease expires on the 71 Minerals plant which is on one of the patented claims. And also expiring April 1 is the deed to .85 acres of ground on which the mill sits. At the present time, this is the only remaining property which 71 Minerals owns or has legal title to. However, the Escapules are concerned that if at a time before April 1, we generate interest in the district or in the area, that 71 Minerals will come back and claim that they still retain some interest in the total Escapule ground which they previously had leased however those leases probably expired two years ago. Charlie Escapule is unclear on the validity of this and he feels it would be safer to just wait until April 1 after which there would be no question as to the interest of 71 Minerals. That is, on April 1 all interest that 71 Minerals has will be expired. It appears to me that this is a legal question in which the lawyers can answer with just a little bit of checking. I think the main concern of Charlie's is that he does not trust 71 Minerals and he feels that if they had any chance whatsoever to claim they still had some interest in

the Escapule's ground based on the fact that they had previously leased the Escapule ground - that 71 Minerals would come back in and try and pull a con scheme.

9. A man by the name of Steve Henderson also owns some unpatented claims in the State of Maine mine area and the Escapules felt that he would be willing to make a lease agreement. Various other claims both patented and unpatented are also in the area, however the Escapules feel that the owners would be willing to make valid lease agreements.

10. Charlie Escapule indicated that he felt the 71 Minerals lease on the TDC claims had expired and he feels that there are probably several companies trying to pick up the TDC leases at this time. This means that S.E.A. should check this out immediately and move as quickly as possible if we intend to pick up those claims.

11. Charlie did not know of any lease which is presently on the TMR claims so it appears these are still open if we want them.

12. Charlie did say that the TMR mill has been leased to a group called Energy Resources who are renovating the mill and putting it into operation. They have some of Ernie Escapule's Fox claims leased to the southwest of Uncle Sam hill where they are stripping for testing purposes.

13. Steve Henderson is operating a leaching operation in the Charleston mine area. However, he does not have the Charleston mine itself. His ground does contain recoverable values in lead, silver, and vanadium.

14. Charlie and Louie Escapule have collected lots of data on the mines, on the patented claims at the State of Mine area and any evaluation of the mineral potential there should take

into account all the data which they have collected over the years. Some of the assay sheets and sample lists that they showed me indicated that we might expect most of the ground to run several ounces of silver per ton in areas of obvious mineralization and it appeared to me that there might be a considerable tonnage perhaps even open pitable tonnage which might run less than an ounce of silver but still ore grade. Again, the gold contribution in the State of Maine area is not very great.

15. I invited Charlie and Louie to stop by our office in Tucson the next time they are in town which will probably be next week and at that time I would hope to have more specifics on any potential lease agreements that we might have. At this point, they are willing to talk and are interested in a lease agreement which could add to their present mining and leaching operation.

16. They showed me three color aerial photographs of the State of Maine area which had been given to them by Tenneco personnel. These are some of the prints of the photography that Lana flew over the area for Tenneco several months ago. The Escapules also had two black and white photographs at a larger scale which they were considering having blown up so that they could use these for base maps. I informed them that in our exploration proposal for the area we would be flying again and getting very good color aerial photography completing the detailed topographic maps and that they would be able to get copies of these for their own purposes.

17. The Escapule's gave me a copy of their detailed land status map of the entire Tombstone District. They have loaned me this map and I intend to laminate it and return it to them. They have also given me a blackline copy of the map which we can use for ourselves to copy for our own information. These land status maps are the best maps in the district and will

save us hundreds of hours of time putting together. In return for this - I have offered to get the Escapule's copies of the Cooper aerial photo topographic maps that we have of the State of Maine area. Likewise any other data or information that we can pass on to them would be greatly appreciated and help ensure our position in lease negotiations with them.

18. The 71 Minerals mill sitting on the Escapule ground at the State of Maine mine, still belongs to 71 Minerals. However, the large vats or tanks belong to the Escapules. 71 Minerals owns the rest of the equipment and has until April 1 to remove it from the property. Any of the 71 Minerals mill equipment remaining on the property after April 1 becomes the property of Charlie and Louie Escapule. The mill is in very sad shape. It has been stripped out by 71 Minerals to use in their leach plant at Tombstone and again later to use at their leach plant at Cripple Creak Colorado, therefore very little of the mill actually remains. Louie Escapule estimates that it would take $125,000 to put the mill back into operating condition. The grinding circuit is still in place. This is a ball mill. The classifier is also still in place as well as the ore bins and conveyors. However, the crusher has been removed already. The Escapules also pointed out that most of the pipes have been robbed and used in the other mills. Therefore, it looks like to refurbish this mill would be a major undertaking involving over $100,000. It appears too that there is probably only $20,000 - $50,000 worth of equipment remaining in the mill.

19. Because the Escapules are concerned about us generating new interest in the dsitrct and causing 71 Minerals to become again interested in the district and perhaps holding onto or reclaiming some of their prior holdings, the Escapule ask that we keep these negotiations completely confidential and they agreed to do the same.

WES

WES/sjo
P418

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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

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Southwestern Exploration Associates, Inc.

January 26, 1979

Mr. Charlie Escapule
State of Maine Mine
Tombstone, Arizona

Dear Mr. Escapule,

S.E.A. is interested in obtaining a lease on the Escapule ground at the State of Maine Mine, Tombstone, Arizona. The purpose of this project is to discover mineable ore, to earn an interest in such ore, and to mine and process this ore at a profit for all parties concerned. We envision an extensive exploration program, involving drilling, followed by mining any proven ore bodies. S.E.A. has a client willing to finance this exploration program based on the recommendations of Jim Briscoe and Ed Speer.

The following points pertain to this project:

1. S.E.A. would like to make a mining lease agreement for the Escapule claims in the Tombstone District.

2. S.E.A. proposes to conduct a complete exploration program consisting of surface and subsurface sampling, geologic mapping, and drilling. This work will be supervised and conducted by Jim Briscoe and Ed Speer.

3. The lease agreement can provide for continuation of the current mining and milling operation, while the exploration is being carried out.

4. The lease agreement will also provide for mining any ore discovered or proven by this exploration program, with appropriate compensation to the Escapule land owner.

5. The present mining and milling operations can be given prime consideration for mining and milling ore developed by the exploration program.

Jim and I are very pleased to have this opportunity to possibly be working again in the Tombstone District, especially with the Escapules. We look forward to seeing you again

Sincerely,

Ed Speer

Ed Speer

WES/sr
P418
1973

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DAY/TIMER Time-Saver

Southwestern Exploration Associates
4500 E. SPEEDWAY, SUITE 14
TUCSON, ARIZONA 85712

(602) 795-6097

LETTER

(3)

IN REFERENCE TO: PHONE CALL TO CHARLIE ESCAPULE

AIRMAIL ☐ FIRST CLASS MAIL ☐ INTER-OFFICE ☒

FOR JAB

STATE OF MAINE MINE 457-3601

CHARLIE ESCAPULE 457-3865 (unlisted)

HOW TO USE THIS DAY/TIMER Time-Saver LETTER TO SAVE TIME.
Type or write your reply in the space below. Then mail the white copy to us and keep the pink copy for your files. You'll save time and effort, and we'll have your answer much faster! Thank you.

MESSAGE

DATE: 1/25/79

Charlie and Louie are running heap leaching of state of Maine Mine dump with good results - not overly interested in leasing that ground; anticipate stripping and underground work beginning in Feb. They are also building and selling truck-mounted leaching units at 300 or 65 tons each. 71 Minerals Mill is to be removed or sold by April 1, 1979, will belong now to 71 Minerals. There are several other small leaching groups in the area. 17 Fox claims leased to Nev. group. Escapules has 16 patented claims in all (4 in S of M area)

TDC ground is open for lease - contains 88 patented and 20 unpatented claims.

No one on duty at S of M on Sat or Sun - However Charlie will meet us there on Sat if we want, but he wanted to take Sat & Sun off. I didn't ask him up here on Sat. BY

REPLY

DATE:

He will talk about leasing and offered to help us in any way possible. I feel I should go down there tomorrow (Friday) and try to get them to come up on Sat. to meet with you.

Agreed 1/25/79

BY EJ

7

DAY/TIMER Time-Saver REORDER FORM No. 82420 DAY TIMERS, Allentown, Pa. 18001

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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

(2)

Southwestern
Exploration Associates, Inc.

January 24, 1979

Richard F. Hewlett
2602 Monte Verde Way
Sparks, Nevada 89431

RE: Letter Agreement for the Formation of S.E.A. Hydromet Incorporated

Dear Dick,

During the fall months of 1978 in or about the first part of November you contacted me regarding metallurgical systems or techniques you had developed for more efficient heap leaching ores for gold, silver, molybdenum, tungsten and possiblly other metals. These techniques involve your research with various combinations of chemical solvents, and your system of induced perculation systems which you term the IPS process. By using a combination of IPS and your chemical solvents, orders of magnitude increased efficiency in leaching of various types of ores can be attained. After our various discussions and your presentation to me of a brief outline on the IPS system, I feel that these techniques have considerable merit.

We have discussed on numerous occassions and specifically that particular telephone call during the evening of December between I in Searchlight, Nevada, and you in Reno, Nevada, we have agreed to form a subsidiary company to Southwestern Exploration Associates Incorporated called S.E.A. Hydromet Incorporated. The objectives of S.E.A. Hydromet Incorporated are as follows:

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1. To conduct further metallurgical research into your techniques regarding IPS and various solvents and techniques for extraction of any and all metal or non-metallic constituents of economic value from ores, and to bring these techniques to patent if possible. In order to provide the company with its initial operating capital, we will purchase for cash a sufficient amount of the company's stock to cover initial incorporation expenses as well as initial operating overhead.

2. The licensing and/or sale of the techniques, ideas, and your services as a consultant acting under the auspices of S.E.A. Hydromet Incorporated.

3. The acquisition and leaching of various tailings and or mine dumps which may contain economically recoverable constituents, amenable to extraction by the IPS and/or your leaching techniques or those which might be developed during the course of future research. These tailings and mine dumps may be located in the various mining dumps of the western United States, Canada, Mexico or other mining areas of the world. This agreement will cover all such dumps or tailing deposits which we might be able to acquire under the auspices of S.E.A. Hydromet Incorporated anywhere in the world.

   It would be the specific responsibility of S.E.A. Hydromet Incorporated to research the metallurgical aspects, engineer, and manage the exploitation of such dumps and tailings. It is understood, however, that the various other divisions of S.E.A. Incoporated, including Exploration Geology, Land Research/Mining Law, Literature Research, Drilling Services, Drafting and Scientific Illustration, S.E.A. Rental Equipment

and S.E.A. Photography, Inc., will yield their respective expertise and manage those aspects of any technical work which may fall within their area of responsibility.

4. We have agreed that S.E.A. Incorporated will own 51% of the stock of S.E.A. Hydromet Incorporated, while Richard F. Hewlett will own 49%. Richard F. Hewlett will act as Vice President and General Manager and have responsibility for all day-to-day operating details of S.E.A. Hydromet Inc., and exercise technical direction of the company. J.A. Briscoe will be President and Chief Executive Officer of S.E.A. Hydromet and will have the responsibility for overall business management and supervision of the company.

For consulting with clients of S.E.A. Hydromet Inc., Richard F. Hewlett will be reimbursed from collected billings 40% of his billable consulting rate. The remainder of his consulting fees will go to payment of overhead.

Careful documentation of all time expended in professional or managerial services by any employees of S.E.A. Hydromet Incoproated will be kept to the nearest tenth of an hour on a daily basis using the daytimer system which is enforced throughout the S.E.A. organization. Expense accounts will be kept on standard S.E.A. daytimer forms and submitted for approval and payment in not more than bi-weekly periods.
An employment contract detailing the above will be drawn as soon as practicable.

5. In recognition of your research work to date, after reasonable provisions have been made for capital needs and current operating expenses, bonus compensation, if any, shall be paid as follows:

   75% Richard F. Hewlett
   25% James A. Briscoe

   The foregoing allocation shall apply until a total of $100,000 bonus compensation has been paid. Thereafter, bonus compensation shall be paid as follows:

   49% Richard F. Hewlett
   51% James A. Briscoe

6. All patents, licensing rights, etc. will reside and be the property of S.E.A. Hydromet Incroporated.

7. As soon as practicable, you and I shall enter into a shareholders agreement concerning the disposition of capital stock in the event of death, disability, or retirement.

James A. Briscoe 1/28/79

James A. Briscoe

Approved:

Richard F. Hewlett 1/28/79

Richard F. Hewlett

ne Epitaph.

Tombstone Epitaph Centennial
1880-1980
"No tombstone is complete without its epitaph."
—Editor John P. Clum, in the first Epitaph, May 1, 1880

ARIZ

Jan. 19, 1979

PRICE: 15 CENTS

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he use of alcohol
not be a halfway

without charge.
"The place was packed," said Flo

of February.
Shumar said he and Sig Him-

Bids were open for bleachers at
Huachuca City School but final ac-

AUGUST 1978

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New Address:
4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

FILE

Tombstone
Chrono file

September 28, 1978

Dwight Lee
FAMCO
120 Sylvan Avenue
Englewood Cliffs, New Jersey 07632

RE: Transmittal of Case Histories on Uranium Exploration and Development prepared by S.N. Craft, September, 1978

Dear Dwight,

Enclosed with this letter is a report on exploration case histories prepared by our certified librarian, Susan N. Craft, entitled "Uranium Exploration - An Exciting Past and Profitable Future". This is in response to your request for data as to why an investment should be made in uranium, and other exploration. Also in preparation by Susan, are similar research papers on exploration case histories for gold, silver, and molybdenum. These will be transmitted to you on their completion.

I am also continuing to work on a specific venture proposal. There are a number of very specific reasons why this is a particularly good time for mineral exploration, which I will cite and document in the proposal.

Best personal regards,

James A. Briscoe

JAB/mp
Enclosure
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