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Volume 9 ; Book 2

TOMBSTONE

Mining District

Cochise County

ARIZONA

Correspondence
1/4/79 to 6/28/79

1979

SEA

Karin Lake
Toronto, Canada

Dear Sirs:

The purpose of this letter is to express regret that KARIN LAKE has terminated their interest in the Tombstone Project.
The $5,000 advanced as seed money to S.E.A. was returned as you know to Dr. A. J. Greenbaum at his insistance due to his lack of further interest in the project from KARIN LAKE's point of view and the fact that KARIN LAKE failed to advance S.E.A. any further funds which you agreed to do if you had any further interest.
At one time, Dr. Greenbaum considered financing the project himself, which seemed as a conflict of interest with KARIN LAKE, but Dr. Greenbaum assured us that KARIN LAKE had no further rights or interest in the Tombstone Project.
Also, our group was mislead concerning Dr. Greenbaum's method of financing the Tombstone Project. As you know, it was his intent to have Karin Lake make a stock offering on the Toronto Exchange, which was not known from the start. In retrospect the funding of the Tombstone Project by the sale of stock in Canada would not have been possible due to the fact that no lease on the properties could have been obtained due to the recent "Tombstone Silver Fraud" presently being heard by a grand jury and investigated by the FBI and the SEC. Fraudulant stock sales have been common in the Tombstone area, and the owners of the properties ~~condidered~~ considered in the Tombstone Project will not lease their property to a stock promotion of any kind.

Due to the fact that the Tombstone Project has been terminated as previously discussed by KARIN LAKE and can not be financed as a stock promotion, we would appreciate your returning all reports, data, photographs, etc., pertaining to the Tombstone Project, as it is our property.

If we generate any projects that we think could be of interest to KARIN LAKE, we will contact you with the information concerning the project. If you have any guide-lines that you follow in selecting a project, please send it to us with the data from the Tombstone Project that you will be returning.

Our exploration activities consist of base and precious metal exploration, evaluation, and development as well as Hydrometallurgy studies. We conduct a great deal of aerial photography and related activities(see enclosed brochure).

It has been a pleasure to have had brief contact with your group and we looking forward to some longer duration project in the future.

Thank you for your kind consideration.

Sincerely yours,

James Briscoe

S.E.A.

1979

SEA

Pangea Limited of Arizona
Pangea Limited of California
1400 Willow Lane
Wichita, Kansas 86208

Dear Sirs: (Ray Combe-?)

The letter of understanding of January 22, 1979 discusses the financing by Pangea and Dr. A. J. Greenbaum of three projects; Tombstone, Matrix, and Randsburg.

Considering first the Tombstone Project, $5,000 was advanced by KARIN LAKE but was returned at the insistance of Dr. Greenbaum who is the signatory of the letter of understanding of January 22, 1979. Dr. Greenbaum signed the letter of understanding as a duly authorized Agent of Pangea(see enclosed letter of agreement). Dr. Greenbaum terminated the letter of understanding on the Tombstone Project by insisting on and recieving the return of the $5,000 from S.E.A. advanced by KARIN LAKE.

If Dr. Greenbaum is <u>not</u> a duly authorized Agent of Pangea and can not terminate a letter of understanding with S.E.A., then Dr. Greenbaum can <u>not</u> bind Pangea and therefore, no letter of understanding ever existed between Pangea and S.E.A. ~~In case~~ Because you question whether Dr. Greenbaum is your duly authorized agent, please deal with that matter with Dr. Greenbaum on your own basis, because it is not our affair.

As a further confusing issue, Dr. Greenbaum did not inform our group initially that he intended to finance the Tombstone Project by a stock offering on the Toronto Exchange(KARIN LAKE). This ~~is~~ was totally unexceptable by the claim owners, as there is presently a "Tombstone Silver Stock Fraud" hearing before a special grand jury with investigations being made by the SEC and the FBI. In addition, the claim owners required a full financial disclosure by all investors or investor groups, which Dr. Greenbaum refused to do, resulting in the termination of discussions with the claim owners concerning Dr. Greenbaum, Pangea, or Karin Lake investing in the Tombstone Project.

Also, Dr. Greenbaum's more recent discussion concerning him personally financing these projects may be in conflict with Pangea and Karin Lake, although he later decided against such a move.

Concerning the Matrix and Randsburg projects, Pangea had untill the end of February to perform, which they did not do, and these projects are also dead from Pangea's point of view, as is Tombstone. Obviously, the existing conflict within Pangea as to whether Dr. Greenbaum can bind any understandings seriously effects anything Dr. Greenbaum does in behalf of Pangea. In this regard, Pangea has cost S.E.A. considerable time and expense dealing with Dr. Greenbaum who can not terminate agreements and therefore can not make or bind any agreements in behalf of Pangea. Why did not Pangea inform S.E.A. of this in the beginning?

In view of the previously discussed facts concerning Dr. Greenbaum and Pangea, we will require the data, reports, and other information concerning Tombstone, Matrix, and Randsburg returned to our Tucson office within a few days. We are sorry that Pangea is not in a position to invest in our proposed projects, but the circumstances seemed to be against such an investment from the beginning.

We would be happy to discuss other projects in the future, provided you could furnish us with a clear guide-line as to how you operate, fund projects, and what your criterions are concerning new projects. This would allow our group to generate projects that you may have an interest to fund on some basis with our group.

Thank you for your consideration.

Sincerely yours,

James Briscoe

S.E.A.

RECEIVED AUG 20 1979

REVIEWED
AUG 20 1979
By

4 January 1979
P.O. Box 872
Douglas AZ 85607

William Hight
Tombstone Development Co
Box 1445
Grand Island Nebraska 68801

Dear Mr. Hight:

During the course of my mineralogical studies in the Tombstone district I have found a number of new tellurium minerals in very small quantities on the remains of the dumps. As you know, most of the material has been removed by 71 minerals and destroyed by leaching operations. Last year I obtained permission from 71 minerals to spend two days digging in the few remaining waste piles with a back-hoe in an effortto find more materials for study. This was partially successful, and the reprint I enclose is an example of the results of those efforts.

The reason I write is to ask permission to do a small amount of additional work on the Grand Central and Old Guard claims, again digging into the remains of certain portions of the dumps. There are several other new tellurates in these two areas but too little has been found so far to characterize them.

If you could give me this permission I would be happy to provide you with a release of liability and I assure you that the digging done would be of very minor nature, causing no damage to the property.

Sincerely,

Sidney A. Williams

SAW/s

COPY

SOUTHWESTERN
EXPLORATION ASSOCIATES, INC.
4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(607) 795-6097

January 22, 1979

Pangea Limited of Arizona
Pangea Limited of California
1400 Willow Lane
Wichita, Kansas 67208

Hand delivered to Dr. Greenbaum by JAB at the Arizona Biltmore Hotel, Scottsdale, Arizona

RE: Proposals submitted during meeting of January 18, 1979 - Tombstone, Arizona, Matrix, California, and Randsburg, California

Dear A.J.,

This is a recap of our meeting of Tuesday evening, January 18, 1979, starting at approximately 7:05 and finishing at approximately 10:30 p.m. at the Biltmore Hotel, Scottsdale, Arizona, and several subsequent telephone conversations up through Sunday evening, January 21, 1979.

During that meeting I presented you with three projects; 1) the Tombstone Mining District Heach Leap and Exploration Proposal; 2) the Matrix Project and; 3) the Randsburg Mining District, San Bernardino and Kern Counties, California.

It is my understanding it is your intention to fund certain portions of these exploration proposals yourself but also to seek additional capital from various other joint venture partners. It is also my agreement with you that I will not deal separately with such potential venture partners should they approach me in an effort to go around you. In a like manner, it is my understanding you will not deal separately with property owners or any of my contacts in these three areas. In the case that any of these individuals should try to go around either you or me, we will simply inform each other and take appropriate action at that time.

Tombstone Project

During that meeting and subsequent conversations it is my understanding that the following will be done:

1. I feel that it will require approximately $50,000* to check the details of these suggestions made in the Hewlett report. This should be done in a careful manner prior to committing and expending the $200,000 suggested by Hewlett in his report. This will include:

   a) A leach test using the IPS system.

   b) Drilling, back-hoe cutting, or other sampling procedures on the existing heap to verify that reported values are still in place.

   c) Preliminary geologic mapping and sampling to verify presence of some of the gob material, and some of the open pit material reported to be present by Hewlett.

2. As a first step, the Tombstone Development Corporation lands must be secured. In addition to the $50,000 in Paragraph 1 above, this will take approximately $3,000** in labor, and $6,000** as a first payment to the property owners. We believe that the following property strategy will secure a lease-option on the Tombstone Mineral Development ground.

   a) pre-payment of $6,000 for back taxes to secure the ground for six months.

   b) commitment of $100,000 in exploration and/or development funds as also part of our six month free option commitment.

   c) at the end of the six months free time, an agreement with the property owners with your prior written approval as to the royalty and other pertinent provisions.

*any portion not expended shall go to you.

**I will receive $5,000 and $10,000, respectively, of which you will receive $2,000 and $4,000, respectively.

3. We will be setting up a checking account called the SEA-T.M.D. (which signifies Tombstone Mining District) trust account to receive operating funds on this project. It is my understanding that an initial $5,000 will be wired to The First National Bank of Arizona, University Medical Branch, Tucson, Arizona, for the account of SEA-T.M.D. Trust Account, Acount No. 951-12589 on completion of a letter agreement during our meeting scheduled for this afternoon at the office of Barry Spack, Lawyer for the KARIN Lake Limited.

Matrix Project

1. The Matrix Project, located adjacent to the ASARCO Waterloo Mine and the Superior Oil Company Langtry Mine in the Calico Mountains, has potential for a hi-grade stratabound silver deposit in basal limestone of the Miocene Barstow formation. This limestone lies at an approximate depth of 2,000 feet below surface in the Matrix area. A substantial geochemical anomaly has been delineated by previous drilling in the area but no drilling has been sufficiently deep to test the high-grade potential of this limestone. The alteration zone at the Matrix, has approximately twice the aerial extent of the combined Superior ASARCO ore bodies. There may also be some disseminated lower grade values over the hypothetical high-grade limestone replacement manto-type ore body. Because of the depth of these assumed disseminated low-grade deposits, it is not known whether they can be exploited under present price - technological conditions.

2. It has been my recommendation to you and to which you agreed that exploration will consist of:

   a) compilation and interpretation of existing data and some additional on site geological mapping at a cost of approximately $20,000.*

   b) the drilling of three diamond drill holes to depth of not less than 2,000 feet at an estimated cost of $25/foot (including drilling, assaying, and supervisory costs) for a budget of $150,000.** The old Geodata hole reported to be drilled to a depth of 1800 feet may be reentered, washed out, and continued via diamond coreing to a depth of 2,000 feet. This could substitute for one of the three holdes, although it may be in addition to the three previously mentioned holes.

   c) obviously this is contingent on our agreement, and obtaining a reasonable lease-option agreement from the current property owners.

3. Providing a reasonable option on the property it is my understanding that the above outlined exploration program will be funded by Thunderwood Resources and Reach Resources Limited, both on the Vancouver Exchange. Funds will be advanced from these entities in the following manner: $5,000 at the end of February, $5,000 at the end of March and $10,000 at the end of April.

4. These monies should be deposited to the S.E.A. CMD (which stands for Calico Mining District) Trust Account No. 959-12585.

*any portion not expended shall go to you.
**maximum dollar limiation for total footage drilled regardless of number of wells.

Randsburg District

1. In the same meeting I presented the Randsburg District to you. I suggested this as a potential target for disseminated ore bodies of silver, tungsten and gold mineralization in the Kelly Mine Area, the Atolia Area, but more specifically in hidden pediment targets based on structural geology and alteration performed by myself and labeled targets 1, 2, 3, 4 and 5 in the white bound illustrated report on the Randsburg District which I left with you after our meeting of Thursday, January 18.

   These disseminated mineral targets are on ground primarily held by Texas Gas Exploration. Other high-grade bonanza-type as well as open pit ore bodies are located in the Kelly Mine Area held by Mines Exploration Incorporated. Additionally I mentioned potential for dump leaching of tailings from the Kelly Mine having significant values of gold, silver and tungsten remaining in those tailings. These tailings would be ~~i~~menable to the IPS system of leaching. Unfortunately, Mines Exploration is currently engaged in litigation, though we mutually believe this might be solveable by an outside mediator - possibly yourself.

   Further potential for low-grade gold mineralization exists in the Yellow Aster Mine Area which has recently been drilled by RENCO Petroleum Limited. It is my belief that they have missed the major potential of this zone, though they have apparently have outlined some low-grade values.

2. It is your feeling that this a much larger project that will require approximately $.5 million dollars in exploration

expenditures prior to any meaningful tests of the district. With this I agree. I agree to give you exclusive options on the district until the last day of February, at which point you will be talking with Mr. Roy Becken of Roberstson Resources Group, who represents the Rothchild Group. It is my understanding that should I have any offers between the present time and February, I will immediately get in contact with you by telephone and you will contact Dr. Becken to see what their interest in the project is.

The above is my understanding of our various conversations since our meeting on January 18 and numerous telephone conversations subsequent to that time.

Your initials on the signature line provided below indicate your agreence to the above. If any of the above is not to your understanding, I invite you to change it in your own hand those items to indicate what your understanding was of our conversations.

Very truly yours,

James A. Briscoe

JAB/mp
1961

PANGEA LIMITED OF ARIZONA

By _____
A. J. Greenbaum
Its duly authorized Agent

PANGEA LIMITED OF CALIFORNIA

By _____
A. J. Greenbaum
Its duly authorized Agent

TOMBSTONE

1. Turnkey Consulting Management Contract for all phases of the project

   A. Land, Research, Acquisition
   B. Geology
   C. Exploration Drilling
   D. Ore Reserve Calculations
   E. Mine Planning and Design
   F. Initial Management

2. For our information and submittal of this proposal, as well as any proprietary metallurgical systems or geologic data, the following carried interest should apply:

	Months from Signing
30% NPI or 10% NSR whichever is greater	0 - 6
25% NPI or 5% NSR whichever is greater	6 - 12
20% NPI or 3% NSR whichever is greater	12 - 18
15% NPI or 2.5% NSR whichever is greater	over 18 months

NPI is defined as: Net profits of the operation before taxes, including all reasonable overhead expenses of the operation, but not to include operation expenses of headquarter offices of the participants. This is to commence after payback of original investment and interest at prime plus 1.5%.

MATRIX

1. Turnkey Consulting Management Contract for all phases of the project

   A. Land, Research, Acquisition
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   C. Exploration Drilling
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RANDSBURG

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   B. Geology
   C. Exploration Drilling
   D. Ore Reserve Calculations
   E. Mine Planning and Design
   F. Initial Management

2. For our information and submittal of this proposal, as well as any proprietary metallurgical systems or geologic data, the following carried interest should apply:

   20% NPI or 2% NSR whichever is greater

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TOMBSTONE

1. Turnkey Consulting Management Contract for all phases of the project

   A. Land, Research, Acquisition
   B. Geology
   C. Exploration Drilling
   D. Ore Reserve Calculations
   E. Mine Planning and Design
   F. Initial Management of all developed mines and management of heap leaching of the present dumps.

2. For our information and submittal of this proposal, as well as any proprietary metallurgical systems or geologic data, the following carried interest should apply:

	Months from Signing
30% NPI or 10% NSR whichever is greater	0 - 6
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   A. Land, Research, Acquisition
   B. Geology
   C. Exploration Drilling
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   E. Mine Planning and Design
   F. Initial Management *

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Agreement between Pangea (AVL)

RANDSBURG

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Henderson's operation at Charleston

(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.

1979 Time frame

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 Dana 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

RECEIVED FEB - 1 1979

[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

(6)

TELEPHONE MESSAGE

№ 003133

DATE CALL RECEIVED: 2/5

TIME: 2:00

WHO CALLED: A.J. Greenbaum

FIRM:

CITY, STATE:

PHONE: 684-2207

AREA CODE: 316

[X] RETURN CALL, DATE, TIME

[ ] WILL CALL AGAIN, DATE, TIME

CALL TAKEN BY: MP

SOUTHWESTERN EXPLORATION ASSOCIATES
4500 E. SPEEDWAY, SUITE 14
TUCSON, ARIZONA 85712

MESSAGE FOR .... JAB

MESSAGE

DAY/TIMER Time Saver RE-ORDER NO. 83214L–2 PART 83215L–3 PART

ORIGINAL

© DAY-TIMERS, Allentown, Pa. 18001

TC #7041 2/4/79 f. A.J. Greenbaum Wichita Kansas
to JAB Tucson Ariz. 8:37-8:58 PM

Part of Telephone Call #7041

AJG: They may in fact want to just junk it out to you. Just to get rid of the nusance of them, of the other people who are pestering them.

JAB: Uh huh.

AJG: That's type the situation if you wouldn't mind doing it. And they say, well, the hell with it. $50,000 or something like that...if you're with my idea.

JAB: Yeah.

AJG: We can pro-rate that $50,000 actually.

JAB: Yeah. Okay, are they still liable? 71 Minerals?

AJG: No.

JAB: Okay.

AJG: And our chap is in trouble.

JAB: Bruce? Yeah. Okay.

AJG: In fact he is some trouble with some people I know very well.

JAB: Uh huh.

AJG: And those are the kind of people that you don't want to get in trouble with.

JAB: Well, I'm not terribly surprised.

AJG: You may have even heard about it. I don't know how close you were to them - did you know that in fact he was dealing with those type of people?

JAB: Well...

AJG: ...ever come up to you?

JAB: I'm not sure that...

AJG: Well, lets just say that people that don't need to use courts to get things settled.

JAB: Oh I see. No, I quite frankly did not realize that. I had assumed that he was dealing with some very wealthy individuals.

AJG: Very.

JAB: Okay. Is...

AJG: There are 2 specific individuals in New York that know him very very well and I don't particularly care to, because it is of no use except to pass on to you that he has made some very serious

mistakes and these type of people that you make mistakes with are not the type of people that particuarly to have things solved through litigation.

JAB: Uh huh.

AJG: However they normally do get solved. So his smartelic arrogant attitude has got him in alot of trouble I'm afraid.

JAB: I see.

AJG: At least this is, and again I don't want to spend alot of time or money on it, all I'm saying is that from what I am led to understand that if there is any interest at all generated and makes it appear as if you're going to crack that State of Main into action and that that mill is going to play any major part - any major roll, you are going to pay through the nose and you may not even get it and you may contest it.

JAB: Yeah.

AJG: That's just my assessment of it so far.

JAB: Right. Well, I think realistically that mill is an asset so if we make any discoveries over a magnitude which I think are possible there, whether it is there or not is of only passing interest.

AJG: Yes. I think if the utility from the standpoint that - if the utility where it is, only, is my appraisal...

JAB: Right...correct...

AJG: is in fact and because of that presentation in the beginning - it may be essential to go ahead and put a new coat of paint on it and give it an appealing position with the anticipation of actually utilizing it later on, but I don't think its important either to me, if in fact any major or any strike is accomplished on any major magnitude.

JAB: Right. It is, we do have to keep in mind that, although it probably will run and probably will process 100 or maybe 150 tons a day, it is antiquated and rickety and so forth. And we certainly don't want to get in a bind by leading anybody astray in that manner.

AJG: No no. I understand what you're saying. Okay, well, it really doesn't... the whole, the mill as you and I both can appraise

it, doesn't play that major of a part. It would only play a major part if in fact it can be comfortably acquired.

JAB: Right.

AJG: If it can be comfortably acquired and we can actually see that in true form $100 or $125,000 and crank 150 tons per day into action to get us started there, it is a simple process.

JAB: Yes. Absolutely.

AJG: If it becomes a problem or if we have to get into a great deal of nonsense which anyone we set forward on a course savaging decent reserves and by doing so, that in itself constitutes a generous investment of maybe 5 - $800,000 to go ahead and build our own.

JAB: Yeah. Well...

AJG: Isn't that about the way you look at it?

JAB: Yeah. That's right. And while this thing would probably not be adequate for a long term, I think that there is some real high grade down there and I think we could put it through even if it only worked, gosh, we might amertise $125,000 in six months to a year, still make it very very worthwhile.

AJG: Well that's fine.

JAB: Okay, so that's...

AJG: So that takes care of the mill discussion, however, I do want that brought into any discussions that we have with the Escapuls so that we can cover every possible aspect of it. Alright, onward now to your next subject.

JAB: Okay. Let me just mention a couple of other things with the Escapuls. I did mention to them...they are very very concerned about not having somebody mess with their surface things that they are trying to accomplish. I did say that I understook that and what we were trying to accomplish was really not counter-productive. However, I did add in the caviot that you might be interested in helping them along to the tune of $30 - $50,000 in a Joint Venture of some means if they knew of some way in which that amount of money might be helpful to what they are trying to accomplish. And of course made it clear that I...

AJG: Did you mean that simple as a dangle?

JAB: Yes.

AJG: Alright.

JAB: And I also made it clear that that was subject to your approval and I could not speak for you but that, that you had mentioned that that might be something of possibility.

AJG: I understand.

JAB: Okay, so they're...

AJG: Fine, sure...

JAB: They're busily thinking about that. Because I think that it would be nice if we could tie somehow into their small production because I think that they may end up having some production which you could get tangible silver and gold out of quickly.

AJG: Okay. In other words they're not...while they're approaching it, they may not be approaching it most efficiently and feasible way?

JAB: Right.

AJG: Is that what you're saying?

JAB: Precisely. Now, it is, in the discussions with them we have found that the American Smelting and Refining Company, ASARCO, has been actively looking at some of that very ground over the last 6 months. And one of the geologists that I used to work with has been down there. They spent alot of time on Joe Escapul's ground who is their Uncle and who has held some important ground for many many years and nobody has ever been able to strike a deal with him. We think that we might, through the help of Charlie and Louie, be able to get that squared away. And that is important ground.

AJG: Is that ground knowledgeable to you?

JAB: Yes.

AJG: Do you know what may or may not be there?

JAB: I think that there is pretty good potential on it. There are...

AJG: As primary facilities? A primary strike?

JAB: Yes. Yeah I think it is very important ground.

AJG: Alright.

JAB: Okay. They do have some claims scattered around in the main

part of the district, too. One of which we'll need to - or should consolidate with the TDC ground.

AJG: How did silver close on Friday? I was so damned mixed up in meetings I didn't really have a chance to look.

JAB: Quite frankly I was the same way and I didn't even look. I think it's...boy, I don't know.

AJG: Well, go ahead.

JAB: Okay. Where does that get us. I talked with Dick Hewlett and he's outward bound for the meeting with the farmers at Grand Island and that's well in hand.

AJG: Has he talked to Barry about that 10?

JAB: Yes. I asked him to get it on the was Thursday morning and I have not touched base him since that time. I'll talk with him tomorrow morning. See whether it's in the pipeline or not.

AJG: Well, we don't...Hewlett is on his way to Nebraska, is that correct?

JAB: Right.

AJG: So that's the _____ on that. Matrix I assume would be the next?

JAB: I don't...

AJG: Anything further to report on?

JAB: Not really. They are in the throws of getting their lawyer to get it all squared away and so on.

AJG: Alright. Let's hear number 4. Kelly Mine.

JAB: Yes, Kelly Mine. Finally got in contact with him. He's embroiled in this lawsuit and has some very high powered lawyers working on it. He feels that it is going to come to a head sometime within the next month to two months. He thinks he's going to be back in control at that point.

AJG: Does he want to discuss anything on the off-chance that it may come to a head in the next month or two?

JAB: Well, we're in a little bit of a sticky wicket there because right before this contest broke - I had gotten Occidental Minerals Corporation very interested in the property and they were right on the verge of signing a deal when, indeed this interloper loped in. He feels, this fellow is a real gentleman and man of his word, and he feels that he has given him a verbal

committtment which he feels bound to honor.

AJG: Okay.

JAB: However, he had forgotten that I was the guy that got him interested in the first place. So I reminded him of this and so he's cogitating about that...we may get a shot at it before OXY. I don't know, but certainly for sure after OXY. And not had a chance to get back with Number 4. I called him early this evening and he's out. But all that is beginning to gel.

AJG: That's a pretty damn good report all in all. It's a good report all in all. I would like to when I come down, however, if we can tie with the Escapuls great, and if not I'd like to make a physical inspection of the area. And I would suggest calling Barry in the morning. You might also tell Barry that I will be calling him some time tomorrow with some additional instructions pertaining to other business. And, I think that should nearly cover it all. Don't you?

JAB: Sure. Yes.

AJG: Anything else that you have on the burner?

JAB: No, not at this point. I just thought that I would give you a quick run down on what had happened in the last few days.

AJG: Very thoughtful. Thanks very much. And we'll talk when I am down your way or if anything does occur that is of interest to both of us, why either you'll reach me or I'll reach you.

JAB: Okay.

AJG: Fair enough? Nice talking with you.

JAB: Okay. Have a good evening.

TC #7059 2/6/79 5:26PM-6:27PM
R.F. Hewlett Grand Island Nebraska
J.A.B. SEA Treasury Office

JAB: Hi Dick.

DH: Hello.

JAB: Where are you?

DH: Sounds like I'm in a discoteque, doesn't it?

JAB: Sounds like it.

DH: In a motel. Came over here and this is the only phone booth right in the...

JAB: Juke box?

DH: Orchestra pit.

JAB: I see. I was afraid you had gotten frozen to a telephone post over there. Hope you took your overcoat.

DH: Things are coming along pretty good.

JAB: Good.

DH: I think really the only...I'm going to type up an agreement tonight. Hello?

JAB: Okay. I'm listening. You're going to type it up?

DH: Yeah. It will be, you know, I'm sure your lawyer and their's will still want to go over it, but I'm typing a retype of the old '71 agreement. You know, which lawyers have already gone over.

JAB: Yeah.

DH: And put in all the legalees. So I can get closer this way, you know, as a letter of intent. Do you follow me?

JAB: Sounds good.

DH: Then if I just put down everything. I've got everybody to agree to it. What a mess I've been having.

JAB: Really?

DH: You know, there's 5 guys. Five old farmers. The one's - they get a call. I've got to go talk to Fred, the pigs are sick or something and then, I've been here since Sunday night.

JAB: Have you had...

DH: I'm gonna be here all day tomorrow too. You know, making sure that everybody gets it done. But I've got everybody convinced. That was the first step.

JAB: Beautiful.

DH: And they all think that I could do the job for them.

JAB: Uh huh.

DH: They always have that confidence in me. They just sit and cuss Bruce (inaudible), you know, that's academic.

JAB: Right.

DH: So you know, I haven't lost any respect from them which is important. I don't think any ... today John Nesaks (ph) says I don't think we should even do this. You know, I went out and wound up with Bill Height made John Nesaks mad. Bill Height is almost 80. Real skinny guy, well you remember him?

JAB: Uh huh.

DH: And he said something about being a dummy...any dummy would figure that out. Then John Nesaks got mad and thought that he was really calling him a dummy and he stormed out. You know, I've been putting out personality brush fires all the time. Then Bill Height quit just now.

JAB: Quit?

DH: As president. What do you son of a bitches know, you guys run the thing.

JAB: I'm glad its you back there and not me. I think you better treat yourself to a drink, that's for sure.

DH: I'm having one. There's the only bar - you know - he put me in the Carnico Motel and the only bar is this one across the street in this disco pub. You know, there's hardly anybody in here but there is that loud music. Anyway, I am treating myself to a beer. Anyway, there are some bad things and some good things about it. The good thing is that I, you know, I could get them to agree and sign this tomorrow. However, there are some things that are a little different than what I thought they'd be.

JAB: Okay. What's the bad news?

DH: Well, it might be bad and it might be good. Well, I think the worst thing is that they're just so steamed up on getting a pre-production royalty. And instead of $5,000 they want $7,500. And they wanted it to start immediately. Now I've got it pushed back to May 1st.

JAB: They want $7,500 per month?

DH: Yes.

JAB: Ouch. Okay.

DH: Case (inaudible) was $5,000. Your old group.

JAB: Okay.

DH: I think the good part is that, God, just about everything is there. The pump is in the west side. We just have to hook up the electrical. We have to run a line over. They think they've pulled out the 3" pvc from the west side to the plan. That would be $2,000. About $1 a foot. Actually a little less but counting laying it, it would take about a day to lay it. The ditch is already dug. So that's another negative thing. But positive - a huge positive thing - that overshadows everything, is the grade of it. Now they've had a bunch of people sample it...and I've had the Escapuls sample it for me. And it averages 03 gold and 3.26 silver.

JAB: When were these samples taken?

DH: Within the last 2 - 3 weeks. They were just collected and processed. I got the results today.

JAB: Okay.

DH: Silver cracked 7.40 today.

JAB: Is that right?

DH: Yes.

JAB: I knew it could do it. I saw it was 7.17 this morning, but boy...

DH: It cracked 740.

JAB: What did gold do?

DH: What's that? No that's up to $6.

JAB: That's up $2.50 then.

DH: Whatever the hell it was. That dump was worth getting close to $30 a ton.

JAB: So at $250 thats $750 in gold...

DH: $21.

JAB: What did you say it was? $775?

DH: No, 740. Silver.

JAB: Yeah, that's $24.12. $24.12 plus 7.5 - that's $31.62.

DH: Like I said, you're cracking $30. And that's the ore that they put on there last and hardly leached in all this.

JAB: Yeah but isn't that the refactory stuff?

DH: This is secondary manganese. Its from the Emerald and...see the Emerald was a vein, you know, and all of that manganese was washed down in the vein that weathered out of the Bisbee...

JAB: Yeah.

DH: You know the Emerald is low, hell that could go into the precambrian.

JAB: Okay, you don't think that's refactory then?

DH: No its not, no.

JAB: Why did they leach it?

DH: They didn't leach it. They quit.

JAB: Why? I don't understand that.

DH: I didn't either and they clearly explained it to me today.

JAB: What was that?

DH: The county has a lien on it.

JAB: The county has a lien on it?

DH: They put a lien on the building because 71 Minerals didn't pay the back taxes. That's why everything is there.

JAB: I see. I'll be damned.

DH: Now they're still responsible...they're going to pay it out of the $6,000. But they're still responsible for those. Do you follow me?

JAB: Uh huh.

DH: I mean they are. According to the lease I said on signing they will be responsible for any liens.

JAB: So they've got to get everything paid off which they'll pay off...

DH: They'll do that out of the $6,000. Just like we originally planned. And then I've pushed the production, you know, pushed that $7,500 minimum back to May 1st.

JAB: Okay. So that gives us February, March, April.

DH: You ought to have that production in one month, Jim.

JAB: You feel confident of that?

DH: Absolutely. We called their (inaudible) 2 or 3 times today and he called back just a moment ago, before they brought me down here, the gun company they don't know if they want the building

now. And I said, well, after we get into production we could build them a building.

JAB: Yeah.

DH: But see, in the mean time, you know, we could build a building for I guess $15,000.

JAB: Oh really? That cheaply for...

DH: Yes. And, but until we - see what I'd do is I'd start crushing and working that damn heap leach immediately. And hell, I'd put up a tent, for the recovery plan.

JAB: Okay.

DH: Well, but what do you need?

JAB: I was going to say...what...

DH: Okay. A nice tent maybe.

JAB: I understand.

JAB: Is there any reason...do you need those (inaudible) or can you use some of those swimming pool filter type (inaudible)

DH: Like a swimming pool. I'd use iron exchange. Yeah I'd use the swimming pool filters rather. I'd recover the silver first and just chip...See we'd get a good value on the silver and I might even have Louie and Charlie melt it for us. Except that I don't have that...you know, you're biggest loss is, they'll tell you oh its 10% moisture. But bull shit. It's 10% you know, value. I think I can make a deal with Charlie and Louie for them to melt it, and then we'd know exactly what we're shipping em. You know, the umpire assay would take care of assay. When you use (inaudible) you don't loose 10% by weight to air. You know. Pure profit. Sometimes as high as 15%. So at least we'd dry them. You know, do something, we might as well charge them and fire them. That's no big deal.

JAB: What's the feasibility of electrolitically refining it right on the spot?

DH: Yeah, we could do that, too. That's what Ernie and Charlie and Louie do.

JAB: Right.

DH: See, I'd make it so pure. I'd just use hypo...I wouldn't oxidize it first, I'd just use hypo and leave the gold in the

ores. Do you follow me?

JAB: I see. Okay.

DH: And leave the gold in the ore and circulate only hypo first and then use sodium sulfide or else either sodium sulfide or powdered zinc to precipitate it. You know, you don't use variation...

JAB: I see...

DH: and then you have a pure silver product.

JAB: I see. Don't you have zinc in there from the zinc?

DH: Yeah, but you burn that off when you fire it.

JAB: Oh, I see. So you just fume it off?

DH: Yes. Just like, you know, making bullion.

JAB: A doree (ph).

DH: Its a doree but it won't have any gold in it.

JAB: I see.

DH: Silver bullion.

JAB: Is there going to be any copper? The copper does not go in the solution with the hypo?

DH: Not with sodium sulfate. And then we go and come back and add clorox, you know, the oxident, you know, hypo chloride salt, and then load the gold on resin.

JAB: Don't you have to remix it or anything to do that?

DH: No.

JAB: It's just simply adding the solution...

DH: Yes.

JAB: I see. Okay.

DH: You see, that doesn't interfere. They don't fight. You know, then we would use that same solution on the next batch because that - what we're doing, I only add enough hypochloride so that you consume it, do you follow me? You consume it - just small amounts. And then when we get a new batch to leach - then all that's really left in there is salt and biosulfate. Which will get the silver again and then follow it up with a hypochloride leach which will then bring the gold into solution. And we just keep using that same solution all the time, as far as the solvent solution. And its not cionide. That will give us all

the value. And then be selective so that we produce bullion immediately. And then with the sodium sulfide precipitate the silver as silver sulfide and then just reduce it by heating - by oxidizing, you know, melting it down to bullion. And then the same way with, then we would ignite the resin for gold.

JAB: So you'd end up with a bullion...

DH: ...product.

JAB: So you ship that to Handy and Harmond, is that what you're suggesting?

DH: Yeah, (inaudible) so that we can get the product in kind.

JAB: What does that mean. They turn around and ship us refined...

DH: No, they'd send it to Tucson development...see, first, we're only interested in cash.

JAB: Yes. Okay.

DH: You know, for operating capital. And after a while we can take gold and silver certificates.

JAB: I see.

DH: Certificates of ownership. That's what Tucson development's interested to do. To have the option but we want the option too of taking either product kind which is in fact bullion certificate, certificate of ownership or the cash.

JAB: Well wouldn't it be better then to get a bullion certificate and then go to the bank and borrow cash against it?

DH: Absolutely.

JAB: That's getting a little bit far down the road.

DH: I'll get it to that stage and then you take over.

JAB: Okay. Tell me about these samples. Who took them and when and where did you get them assayed and all that good stuff?

DH: Campbell, he took about 3,000 tons and he took them over to that, you know, he's got that old tmr plant or facility. Crushed them and bound them and assayed them there. You know, really bulk samples.

JAB: What was the reason for that?

DH: I wanted to know.

JAB: Oh I see. So Height, when you started talking to him he contracted to get that done?

DH: Yes. Actually he had done it before. Before I had talked to him. And then I sampled it, so has Ralph, so has Ernie. You know, Ralph has run them there. And I just felt, well I'm sure of $11. Remember?

JAB: Uh huh.

DH: But we're going to recover over $11. We could recover on $31. We could get almost all of that. My (inaudible) don't misunderstand me. Crushing and IPS.

JAB: Okay. What kind of personality need to do that?

DH: 3 people.

JAB: 3 people?

DH: (inaudible) to operate the dozer. And I'll operate the plant - he can operate the plant too. And somebody to operate the crusher. And, maybe we need 4 people. You know, minimum. We'd from the belt - we'd add the line diatonaceous earth, you know, clay. You know what I mean on the belt from the crusher?

JAB: Uh huh.

DH: And then I'd add the slurry (ph) the water to it and then stack it and then heap it up.

JAB: Okay. So, we're really talking about you, a crusher operator, dozer operator, and a plant operator?

DH: Yes. Miscellaneous.

JAB: And then a last...

DH: We'll be really doing one activity at a time. You know, after we get it heaped up and then we'll be working on putting the spray lines on and then the plant. We'll need about 4 people. Counting myself.

JAB: I see. And then how long do you think it's going to take you to shake it down and are you going to assign another operator - how long do you want to live with it?

DH: Quite a while. Six months.

JAB: So you kind of want to stick with it for six months?

DH: I want to make it so it's routine and making a hell of a lot of money. Do you know how much we could make a month?

JAB: No. Tell me.

DH: We could crack $200,00 a month. Consider what an 05 is, if we

have ore that runs 05 and 2ounce of silver, now if you don't think there is any of that there, we could find that in a heap. But 05 and 2 ounces of silver...

JAB: And you know with just this 3,000 that we've already verified with 3 ounces.

DH: Well, that was sampled from the entire heap. Composit.

JAB: That was a composit?

DH: Yeah, he took a loader load here and a loader load there. loader everywhere, loader, loader, loader. So that's a pretty damned deposit. But an analysis of the total heap.

JAB: Okay. Then why are you using 05 versus...

DH: I'm talking open pit.

JAB: Oh, I see.

DH: Because I know we'd have all kinds of 05 samples because of open pit, you know, in that (inaudible) dike. So 05 is $10...

JAB: 05 is what?

DH: $10 minimum. 05 is $10 gold.

JAB: $12.25 actually.

DH: Yeah. And then the silver is another $10, you know, you're cracking $20 rock. Aren't you? And at 50,000 tons a month, that's how much?

JAB: That's 2725 times - 50,000 per month?

DH: 50,000 a month is 2,500 tons a day on a one shift basis for 20 days. Five days a week.

DH: You don't have only $2 million dollars?

JAB: It's a million three hundred and sixty two thousand.

DH: On 50,000 tons a month. That's open pit ore, of course.

JAB: But that's the same grade that you're talking about that's already in heap.

DH: No, the 05 is a little higher than the gold...

JAB: Yeah, but we're still talking about even - the silver lower but the dollar value is higher. Okay, what can we process - what do you think that we can process per month in crushing and leaching. Of course as I know, it is hard to get a recovery.

DH: What I would do is rent some crushers. We'd get awfully close to 100% recovery. But anyway, I would rent the crushers

initially, I could buy them up here to get me 50 tons a day - I'm sorry, 50 tons an hour. I can buy a jar and a what's called a roll crusher which is like a cone. For a total with belts for $50,000. I don't want to buy anything yet. We can rent the cone crusher. I'd put in a grizely to separate the biggies, you know, there isn't that much relative value in the big donies, you know? We crush the donies later. The real value in the fines. The reason being that the fines weren't leached. They blinded. So we agglomerate the fines, you know, and go through a grizley with some railroad ties and then put those - oh lets say - 2" max, maybe 3" max, whatever the total it takes into a shorthead cone at least a 36" shorthead. And that you could buy for $13,000...IF we had to buy it.

JAB: What if we just rent it.

DH: That's the idea. But I say, even if we had it buy it - it's only $13,000. So we get a cone crusher and then agglomerate it - we might want to rent 2 or 3 cone crushers. So we could - at 50 - one on a one shift basis all month would 10,000 tons as I calculate it. 50 times 50 tons an hour is one that would cost 13,000. Maybe we could get one bigger. But initially we could start off perhaps by renting two of them. And that would give us 100 tons an hour. That's almost 1,000 a day. You know, we can run a little extra with longer. On a 7 day - that would be almost 30,000 tons a month. Are you with me? So we could get our production up there - you know - cracking 25,000 tons a month. And if we cracked 25,000 tons a month which wouldn't be too hard to do with 2 cones. Well, for example Plasser has a 5 foot shorthead that puts out 300 tons an hour. You know, so I'm not saying that we have to rent that, we wouldn't - we'd want to start small, you know, but hell, you can get up to really have the production. I just went over that with them when I was up there. That 5 foot shorthead is 300 tons an hour. Well anyway, we could crack at least 20,000 tons a month. With 2 shortheads. And that would be how much? Over $20 wasn't it?

JAB: Well, if we're talking about 30...

DH: Over $400,000...

JAB: 30,000 tons per month times the gross value of that ore would be $960,000 per month times what 50% recovery?

DH: No no no. We'll get at least 75%. And remember we're doing the mine stuff that has the high values in it that we can agglomerate and that will get all - you'll get on the agglomerated fines - we can get 100% recovery. Now the particles that lets say a 2" that only breaks down to 1/4" we're not going to get all of that 1/4" cause we're not going to go on any further down. So we could at least get 75% - if you follow me.

JAB: ...cost and a little bit extra

DH: You'd crack 1/2 million a month.

JAB: Uh huh. That's fantastic.

DH: And if you want to divide it by 2 you can. But that's the realism of it.

JAB: Gee. That means we might be making something like $100,000 a month each. The way I've got it figured.

DH: Well, I'm not worried about that part of it right now.

JAB: I'd be happy to get $20,000 a month.

DH: I've got a lot of - you know - I'm doing my cementation job here. But anyway the bad part - the only bad part is that they keep pushing for...see, they're not content. To show them a newspaper - copy of a newspaper article... that didn't really convince them. They don't even know who they are, they said well we'd rather have you pay us $7,500 a month and have no exploration committment. You can sit on your ass and hold it as long as you want for $7,500 a month - they said we have trouble relating to $100 or $200 or any kind of a committment really means to us. Do you follow what I'm saying?

JAB: Uh huh.

DH: You know, a lack of confidence. The thing that was instilled in their mind when your friend Bruce had it, was that they'd never got their money and they never got paid, you know. The contract was just worthless. And so, in trying to be sure that this contract would be worth something, the thing that they really key it to is if they could get $7,500 a month then

they'll feel that everything is okay.

JAB: I see.

DH: But if we give them all sorts of data and all this they have more trouble really appraising whether its worth it to them. You know if we spend $100,000 and don't pay them anything, and then if they wouldn't get any of the data, then they wonder what they have.

JAB: I see. Okay.

DH: And if they have thousands of reports, then they still would have to sell those reports to somebody. That's why getting somebody else interested. They say how do we know, and you Dick or Jim, we trust you but they said, Height said God I'm almost 80 years old and for me to have a cabinet full of reports that doesn't excite me too much.

JAB: Uh huh.

DH: He said as a matter of fact there isn't much that does excite me. He said - just that one gal. Well, anyway, that's really his philosophy.

JAB: That's understandable.

DH: He says will that put in a light for me? To find this in here you had to turn on a special light. So anyway, that's - that's not really a bad thing Jim. But, you know, the $7,500 a month, but it is something

END OF SIDE 1 TAPE 1

JAB: Wait just a minute. Tell me what right away means. We've got essentially $6,000...

DH: I've got it pushed back to May 1st.

JAB: They want the $6,000 immediately?

DH: Yeah. Well we've got to do that. Because they have got to clear up those taxes that 71 didn't pay. You know, to get that lien off of the property. I don't know that I would suggest that to AJ, but I'm being honest and truthful with you. But that's the negative thing - but still that's not our problem. You see the lease states that they have to have it cleared. Do you follow me? So I wouldn't bother anybody with that information. However, they need the $6,000 to do it. And

that's really part of our deal.

JAB: Okay.

DH: But there isn't - I don't think that they're being unrealistic. At first I did, but, you know, I looked and you know, God what a facility they have. You know, the pad and then that ore. And a submercible pump in the west side. God damn that's $20,000 if you had to do all that. That's 600 feet of pipe. That has to be at least 2 1/2 or 3" black iron. That goes for $1 a foot.

JAB: And they actually - Height gave you these assays? Is that right?

DH: Yes.

JAB: Okay.

DH: Yes. The guy just called him and read them off. But see, this is what Ralph has been getting anywas. You know, before they shut it down. That just confirms what Ralph told me.

JAB: Ralph...

DH: Van Arsdale. Who was the operator. He said it was (inaudible). And I know that they got a little bit but that's why they shut it down. That's why they shut the whole thing down. That stuff they just didn't get it leached. And you got to crush it.

JAB: And this is the ore from the Emerald that you're talking about? That's why they didn't...

DH: Yeah, all that manganese ore. They didn't get anything out of.

JAB: And you think you can recover...

DH: ...composite of the whole heap.

JAB: Pardon?

DH: These numbers I gave you are a composit of the whole heap on a 3,000 ton lot.

JAB: And you feel that the Emerald ore is not going to be refactory?

DH: No. Yeah, it's going to be refactory by definition, but that - but you see by crushing it and using hypochloride on it, that oxidizes those refactory minerals and - as well as the manganese if there's any innersticial silver and manganese minerals. So no, we'll leach that very easily. I've done that alot. Hell out of the Candaleria's refactory. And I've worked on that at Mount Diablo for OXY and got a real good recovery.

JAB: Okay.

DH: No no. No technical problem with that. Talk about technical problems, the one guy today got on this kick - see all they do is trying to impress each other at my expense. And Height says well now lets fix this deal up and says, what would we do where you won't touch the heap... Just gone through the old 71 Mineral lease and made all the changes, corrections, additions - that was about 5:00 our time, and I said...

JAB: Don't they understand that that's precisely what we want to do is work on the heap?

DH: Yeah. But I've given alot of the emphasis on the open pit.

JAB: I see.

DH: As strategy.

JAB: I see.

DH: And anyway, he brought that up but, then this Laverne Wallace - he spoke up and said well by God if they can process that heap and make any money that's going to give them development money for the open pit. He says, they should do that. And that made Height mad. You know, that somebody contradicted or opposed his thought. And then Frank Gallop said well sure, that's part of their deal, he said, what are we gonna do? First give them a lease and then tell them well you can't do this and you can't touch this and you can't go on this claim and you can't do this - and then that's when he felt well maybe we just better call this whole thing off. As I thumped to the floor.

JAB: Did you break out in a hot sweat?

DH: Yeah. And then later - then he said to Height, well he said, My God, we've been all through this, he's given us pictures of the heap and told us what he thought he could recover, he says they've got a (inaudible) as far as the flexibility of mining the open pit, putting it on the pads, making new room for it on the pads, you know, everybody else understood it. And then that's when Height got mad and said well I resign. You can do whatever you want to with this.

JAB: So, well...

DH: And then they called each other dummies. Got into that.

JAB: Well, did they all leave on a good note?

DH: No. They're mad at each other. But they're not mad at me.

JAB: Are they going to be able to sign some kind of a contract together?

DH: Oh yes. They've all agreed to that. Height brought me home and he even asked me if I wanted to use his car. And I said I'm going to be typing all nite. But he apologized to John Nefaks and John said well God damn it Dick Hewlett has come out here and he's honest about what he wants to do and he never mislead us, he said, Jesus, first we go over everything in agreement on every term and then you come up with some asenine thing that well now they can't process the heap. He says, what are you trying to do to those guys? And so they're really all on my side.

JAB: Well that's great.

DH: So then when Height brought me home, then he said, well those dumb asses, they don't understand this...really all they are trying to do is impress each other. At really my expense. I am the one that suffers when they say, "Oh, let's call it off." But they don't really mean it to me they mean it to each other. But if you act dumb and can't negotiate this with him and he is good faith and here you have a $6,000 check that is really a gem.

JAB: Well, that's great.

DH: I keep fanning it in my face. Every night, well you should take it home and I say, "No, it is yours." And now they are believing it is yours. Just like a little game.

JAB: So you have just left it there?

DH: Yes, I leave it there purposely. Possession is 99% of something and now they are really thinking that that is theirs. And that helps. You see that has helped me do get over the fact on who in the hell is this Riddlebaum and what is Tangea. That article was kind of hard to read. They keep asking these questions. You know, can we have some information on their financial worth, can we have this, can we have that? We are going to have to get something together. In that case Gallup???? was just saying it to kind of impress Height. And so I can send Gallup anything, a comic book. But they are all contibuting so to speak at my expense. It should be about 5 hours of typing tonight. I must come back with it signed, better than a letter of agreement. It will be a contract, call it a real super letter of agreement, it will really be a contract that the lawyer's haven't gone over, that is what it amounts to. So it is the ultimate extension of a letter of intent and I thought that was the best thing to get. Each one of them would corner me when we went to dinner last night and they would say, "My God, you better get those old farts... like this young Laverne, his dad died and left him his shares, see, his dad was partners of (inaudible) so he is more my age and he would say, "You better get those old farts to sign it, before they get into a fight about who called what where". He then gave the waitress hell about how cold his ribs were and then Height got mad at him for that. And then (somebody's) wife got fighting with Virginia. She thought that Virginia was laughing at John, you know her husband, for saying that his ribs were cold. And really she told me, "You know how Nelson Rockefeller died." And I said no, I have been to Cortez all week, 80 miles

from the nearest town, no absolutely not, I don't know. She said he died in his mitresses apartment and they had it all hushed up. And I thought that was funny and we laughed about that just about the time that John said his ribs were cold and his wife jumped on Virginia. (Laughter). Then another guy's wife backed him and Virginia was telling me how dumb she was. And then Bill would say don't say don't say that about her. They are all so critical of each other and they are always fighting, but they are all partners. Wierd.

JAB: So you had the whole string of them out last night. The wives.. But they gave up the ghost tonight.

DH: Well, I have got to get this typed. Well, I can't get away tomorrow anyway, all the damn flights are booked. There was one a 1:48 which I thought I could get. So I will get it typed tonight and corrected tomorrow by noon and then I could have left. So I will have to wait another day.

JAB: If we can get this taken care of... if we get their signature ...

DH: I will. That is the only thing I can promise you.

JAB: On the check, you are going to have them put that in escrow, is that correct?

DH: Yeah. Actually what Frank Gallup, when you meet him you will really like him, he's younger than the rest of them. He says, "Well, we will put it in escrow but then we have to pay an escrow agent and I'm the secretary-treasurer and I'll just put it in a savings account and put it there until the agreement is signed. And I said that is allright. Because really my contract, I am going to have almost a contract and I mean it really will be a contract, it is just a super extension of a letter of intent. But there really isn't very many things that any lawyer will do to it.

JAB: OK. Before they cash that or anything we better make sure they that is clarable with A.J. I don't want to have something go wrong and end up paying their $6,000 back. How about having them just hang on to it without cashing it. Can you do that?

DH: That is your business. I can convince them to do anything that I tell them to and I am not saying that is easy to do. But that is my job.

JAB: Well, why don't you let me discuss it with A.J. this evening. Personally I don't care but you know the understanding was that they not cash until we got his OK on the contract.

DH: Yeah, but really what they are going to do is just deposit it in an account, in a special account that they will set up that won't have anything else in it. And then if for some reason A.J. doesn't sign it they will return it.

JAB: That is the rub, I guess. If he wants to trust them to return it or not. And I know that you don't have any qualms about that.

DH: I don't. You will really be impressed with Gallup or with them in general. They don't give a damn really.

JAB: Well, that all sounds real good, Dick. Let's assume that everything is just fine and the lawyer says super.

DH: Do you think that AJ is going to find this $7,500 a month obligation excessive?

JAB: Well, I don't know. I think that the next thing I am going to ask is say we get it signed this Friday or Saturday, how long do you think it is going to take you to get cracking on the plant and get things going?

DH: One month. Selling product in one month.

JAB: So it doesn't sound to me that we are risking anything.

DH: Absolutely not. I still have to be honest with you. There is no risk but it is a change. But I think the change is a real positive thing and I would suggest to you is that you mention to AJ that we have a whole plant, the pumps, water, you know the reverasable pump on the west side and all of the pipes, the electrical lines are in, we just have to hook it up. Really that $7,500 a month is really buying us the use of all the facilities which I would point out, if I were you, that we weren't sure of before. That in the budget I made up I put in those items and they add up to hell of a lot more than $7,500 a month. And so I think that would be the best way to couch it with him. That we are saving money by paying him $7,500 a month for the use of all of their equipment. How does that sound?

JAB: I think that sounds reasonable.

DH: That is true. .... terrible time buying all that stuff. We would have delays. I will be making you gold and silver in one month. I never said that before. Becuase of everything that I had confirmed I'll be producing gold and silver in one month.

JAB: Can you name a date that you will be done in Tombstone and beginning this thing?

DH: Next week.

JAB: OK. Well, fine. Why don't I just try this on for size with AJ.

Quite frankly I don't think he is going to object to it, but timing couldn't be better with the price of silver going bananas.

DH: Put it this way. Because they have all the equipment they translated the rental of it for the use of it which is really a rental into a monthly production preproduction royalty as they call it, which in fact is deducted from their royalty schedule. So we are really making them an advance on the use of their equipment that we get back are the royalty. And I could be in production in a month. Need a $100,000 however. (Laughter)

JAB: Now the $100,000 is going to go to for what specifically. I lost track of all these figures.

DH: The $100,000 will now be sent now totally on production. For $100,000 I could be producing gold and silver in one month.

JAB: How does that relate to our previous cost estimates?

DH: Oh, fine.

JAB: Is that going to be chemicals, crushing equipment, dozer, blade work.

DH: We are just moving some of that stuff up.

JAB: So that is $150,000 less than we have in our budget.

DH: Yes.

JAB: I am trying to put this back into perspective as to what we have already talked about.

DH: Because we can use a lot of their equipment and facilities, you know I won't have to buy a lot of things that were in the previous budget. And that means, putting it very generally for the first $100,000 whatever is left after this (inaudible) miscellaneous what we have spent so far and then I will have it producing in one month.

JAB: I am just looking over your first estimate; water we had at $15,000; power $12,000.

DH: See that $15,000 is down to $2,000.

JAB: OK.

DH: I know that it is not more than 2,000 feet from the west side to the plant. At a dollar a foot ...

JAB: And the power we had at $12,000, I assume that this will still be in that range?

DH: Hook-up price. Because I would guess maybe 3 or 4.

JAB: The pumps and the spray and the precipitant that you had at $20,000, well that is already all there, I guess.

DH: I am going to have to buy a few pumps, but it would be under $3,000. Because I am going to put it, you know where we walk betwen the north end of the heap and the plant, so the difference is not much. We could almost carry it up in a bucket.

JAB: Building and lab we had a $35,000.

DH: There is a problem there. This gun company has it, but they think they can get them out. And then I am going to tryn and find them something else.

JAB: If worse came to worse you could always lease a trailer for the lab. And whatever you need for the plant.

DH: That is $3,000. If you buy an empty trailer it is $2,000. That was what we did in Nelson. Put that generator and the laboratory in it. OK, so we are way down on that.

JAB: So that would cost $10,000 max? Building the laboratory?

DH: Yeah, 10.

JAB: Plant, at $50,000. But the plant is essentially there. Chemicals at $5,000.

DH: Chemicals should remain the same.

JAB: Management at $8,000. OK. Operators at $5,000.

DH: Yeah, that is fine.

JAB: Water and pumps is going to be about $2,000.

DH: We just need that CDC from the left side over.

JAB: I am just adding those up very quickly. $44,000. Let's say $100,000 will get you off the ground, with $60,000 to spare.

DH: Sure.

JAB: With $56,000 to spare.

DH: Something to spare. Don't be too tough on me. Don't forget crushing.

JAB: That is right we don't have drilling, or dozing and crushing work.

DH: We don't care about drilling right at first.

JAB: Dozing and crusing another $30,000. So that is $75,000.

DH: What if I have to buy a crusher. Then that is $13,000 you know.

JAB: You could rent it. At any rate we are easily talking in the range of $100,000.

DH: If I could do it for a $100,000, that is what it all boils down to.

JAB: OK. Have you got a phone number there.

DH: Yes, I am at the Konico Court. I'll be back over there pretty soon. Why don't you call back.

JAB: I figure I will call AJ right now and try this on for size.

DH: Do you want to call me here? Will it be quick?

JAB: I suspect it will probably be an hour.

DH: Then call me over there. You can leave word.

JAB: You don't have the phone number so I will have to get it from Grand Island, Nebraska. That is where you are.

DH: There is no phone book here. On the key it doesn't have the phone number.

JAB: If you don't hear from me in an hour and a half why don't you give my a buzz.

DH: Why don't I just call you. I'll call you in about an hour or an our and a half. But, gee if you call and then just give me a call there under 17 at least you can leave word. I'll be leaving here and going to eat pretty soon.

JAB: And it is Conoco?

DH: Just like the oil station.

JAB: OK, Dick sounds good.

DH: I don't know why they don't have a phone book here.

JAB: Well, I tell you what I'll make sure that we have a troop of young virgins sprinkling rose petals in your path if we end up getting this thing under way in a month and making that kind of money.

DH: I can do it in a month. I need the $100,000. As you can see. But for that $100,000 I can have it in production. And there is no contingencies. I am not going to use cyanide. I am going to call Natcho, my old friend. Did you know tha Vern McCutcheon died?

JAB: Yeah, I did.

DH: God damn. He was a very close personal friend of mine.

JAB: Oh, is that right, I didn't know that.

DH: Anyway I'll call Natcho and have him come down and start working on this thing right away so I don't have to apply for a permit. So I won't have any permit problems, any problems. There really won't be any problems. I can start generating that cash right away. And so I present to AJ just sort of change in plans. That is using their available facilities and the ore for that $7,500.

JAB: OK.

DH: Keep in touch.

JAB: Sounds good.

JAB: AJ, this is Jim.

AJ: Jim. How are you doing this evening?

JAB: Real good. I have got some interesting news from Grand Island. Do you a minute to talk?

AJ: From where?

JAB: Grand Island, Nebraska. From Hewlett. A little bit of it is discouraging, a lot of it is very exciting. The farmers feel that they want a $7,500 a month minimum royalty starting three months from today. From the signing rather. OK. However, what we found is all of the equipment is there, is was apparently a tax situation, they were behind in their county assessment so the county has a lien against the property and closed the thing down. That means that the last amount of ore that was put on that heap was not really leached as they came in and actually shut them down. So everything is really sitting there waiting to be turned on.

AJ: How much would it take to turn it on and get it leached out?

JAB: Not very much. Let me review a couple of figures here with you.

AJ: $20,00?

JAB: It is going to take more than that. It will take about $100,000 to get the full thing underway, we figured it about $200,000, but Dick's original figures were, I'll just read through these very, very quickly. Water - $15,000; Power - $12,000; Pumps - $20,000; Building and Laboratory - $$35,000; Plant - $50,000; Chemicals - $5,000; Managment - $8,000; Operators - $5,000 for $150,000.

AJ: Are you telling me that there is a hand full of tonnage on that heap that the primary customer ...

JAB: That is my understanding. But even better than that, at least I think, is the fact that the Bill Height who is the President of TDC apparently had a fellow in Tombstone go down and take a composit sample 3,000 tons of the dump and ran it through one of the crushing plants down there and took a good sample of it and it assayed 300ths gold and 3.26 ounces silver.

AJ: What does that give us?

JAB: At present prices that is $7.50 gold and $24.12 silver for a total value of $31.62. That is using today's prices $2.50 and $7.50 for silver.

AJ: (inaudible) the bottom dollar?

JAB: Well, I hate to get so terribly excited about something but Dick

feels that he can have that plant underway in one month
(End of Tape)

AJ: .... let's go ahead.

JAB: Making silver. We could if we get 75% recovery on that and mill 30,000 tons per month which means we have got to put through a 1,000 tons per day. But we can do that be renting two or three crushers. We could gross about 3/4 of a million dollars per month on that. Means that dump is worth approximately 31 million dollars as it sits.

AJ: I am doing the following with this information. I am kicking out Karin Lake legally. I will call Barry now after this discussion and I can legally do it so you have no concern. And then it is just you and I and a couple of our inside people. Can they deliver surtitle?

JAB: TDC?

AJ: TDC, yeah.

JAB: I assume they can. Sure. Let me just say Yes.

AJ: I want this information delivered to Barry. I am on my way down now in the morning to Phoenix and I intend to....I have rented a place there for six months. At the Biltmore. So that is where I am going to stay and put my hat.

JAB: At the Biltmore Hotel?

AJ: Actually at the Biltmore Green which is townhouses. Now what I would suggest doing, I interruped you, but let me suggest this. Go ahead and tell Barry to prepare to receive whatever he needs to set up a structured give clearance of title so that we won't have any interruptions in making a sound program from the inception. Are you with my thinking?

JAB: OK. To clear title for TDC you mean?

AJ: Not just to clear title for TDC, clear title for TDC to Pangea. Then Pangea to Mineala Pangea of Arizona and Jesus Christ isn't that a nice piece of news?

JAB: Yeah, it really is.

AJ: Do you believe it?

JAB: Even if it is 25% true that is still a hell of a deal.

AJ: That would put the son of a bitch in operation.

JAB: I simply cannot see any impediment to it. I really can't.

AJ: Well let's plan to do this. I have a vast amount of meetings. I am crowded from the morning Friday to probably 2:00 Saturday morning and all around. But I would plan to go ahead and leave

myself open for maybe Sunday and let's sit down and chew this thing up and get cracking. Now tell me what the farmers want. They want $4,500 but commenced in three months.

JAB: No they want $7,500 per month.

AJ: Pardon me. $7,500 as opposed to $5,000. Commence in (inaudible) and how much other...

JAB: What Dick said, what their view point is you know they are up in their 80's and so they said all we want is $7,500 per month and you don't have to guarantee us any exploration if you turn it back to us and we are not going to have a closet full of reports but we will have $7,500 per month. So you know their perspective is some what different that ours is. And we have got the check for $6,000 in there. They are interested in clawing on to that as we thought they might.

AJ: They are?

JAB: Yeah.

AJ: Well, I don't know if I approve of that. If they are going to hype themselves up three months and hype themselves up $7,500 just on their information that there is all those goodies out there, I don't know if that is the proper move. Hear me through. I am not an egotist, but I am the best negotiator in the world. OK. I may be running a close first with you, but (Laughter)

JAB: I would have to take a back seat on that.

AJ: At any rate they sent you information which means this is bigger and better than you had anticipated at the same time and hand in hand they told you they wanted to go three months as opposed to six months and hand in hand they sold you the fact ... they are selling you is what they are doing.

JAB: NO, I don't really get that impression because they....

AJ: I am not saying that it is incorrect.

JAB: No I don't think that they are really focusing on that because what Dick has emphasized to them is the open pit potential. It just happens that they have gone ahead and made this check.

AJ: Does all the equipment go with the deal?

JAB: All the equipment goes with the deal.

AJ: Were they included in the pictures I looked at?

JAB: The equipment that we are talking about is what we thought we would have to spend $50,000 on and #20,000 on so we are saving at least $70,000.

AJ: Is the equipment in pretty good shape, Jimmy?

JAB: Yes. Yeah, it is. I have been down there and again... except for the need to ... there are a few pumps that need to be replaced and Dick tells me that is around the $2,000 mark but everything else... essentially they just walked away and left it. We may have to run a water line about 600-800 feet, I believe. But this is the type of thing that Dick had assumed had been completely pulled out. And instead of being pulled out it is just sitting right there. But if we had to redo all that...we would have to wait delivery and scout around and pick that stuff up.

AJ: I want to have a complete and absolute total physical inspection and I want to see a list. We are wanting inventory on everything. Let's get down to the essentials. If we are going to approach it this way.... cause shit I will come up with the money if we have to.

JAB: OK. Looks good enough to me that I would certainly recommend that. I just don't.... Let's look at it this way. If we go ahead and give them that $6,000 and we ..

AJ: Wait a minute. Before we start giving things away. That $6,000, dear heart, is subject to the clearance of title. I am not accepting anything until such time. If you want to give them $6,000 it is on you. But I don't accept anything until I am ready to clear title to those claims and that equipment. It is just a simple god damn matter of clearance of title through mineral claims and it can be done in a matter of an afternoon of diligent work. You know that, don't you?

JAB: Sure.

AJ: So I would just simply go ahead and whatever they need to do to be impressed by the fact that the 6 is viable and theirs, fine. They can house it with their attorney with their attorney to attorney they can house it in a bank. They can do anything they want to. But I am not going to release $6,000 for them subject on the come to clearance of title. First we want to see that their machine is clean and ready to sell, that there is no loan or claims against the bloody thing because obviously because of (inaudible)

JAB: Well, that's fine. I understand what you are saying. But, let's assume that the title has been cleared. So they have got $6,000 that is going to make them happy. If we go ahead and start working on the thing and something goes wrong, obviously, I don't

know what is going to go wrong, and and any rate...

AJ: Who the hell cares what goes wrong?

JAB: But, if we don't get the thing cranked over in three months we always have the option of saying OK, that was our three month period you can have it back or we can renegotiate the fee. So.

AJ: What I would like to see is this. I would like to hear that Hewlett... is he still back in Nebraska?

JAB: Yeah, he is back in Nebraska.

AJ: I would like to hear the following. That he has a gentlemen's understanding handwritten...

JAB: He is going to have it better than that, AJ. What he is doing is redoing the 71 minerals lease and he tells me he will have that signed in hand when he comes back subject to Barry's and your approval.

AJ: One thing that bothers the piss out of me is are we going to be fail-safe inside of that agreement for any period that we might be dogged.

JAB: Force Majure type of thing?

AJ: But of course.

JAB: That is my understanding and I think that we simply have to sit down and have you and Barry look at it and see if you like it or not.

AJ: We all sit down and look at it. What the hell we are all entities. And three months while I am not opposed to the three months remember we are going on someone else's statement that which now brings us to the position (inaudible). That now brings our picture to the position that we can crank into action faster. Before we felt that six months was comfortable for us, but now we see that new information brought to us that says that we might be able to go faster on that. Well that is all well and good; however, that is the them saying it god damnit, that is not professional approach to it. That is not your appraisal of it yet.

JAB: I guess what I am doing is...They haven't said anything really except that they are anxious to see money rather than our action. In other words they don't really care if we do anything with it as long as they get their $7,500 per month.

AJ: You brought me information which now leads me to belive that we can get into action a hell of a lot faster because the equipment is there and they seem to have left a bunch of the primary heap

in such condition that we might be able to end up in a few weeks with some product. Is that correct?

JAB: Let us say four weeks. Hewlett feels that he can get it underway in a month. That is assuming we can get some crushing rented. That is not terribly difficult.

AJ: How much bottom, cold, hard glut money... when I say glut money that on the come, renting on the come, going on the come, and running on the come, how much money, bottom dollar would it take to see that into action? Don't give me maximums.

JAB: You want mimimums. Water, rather than $15,000 we think we can get it underway for $2,000. Power...

AJ: Give me a total, partner.

JAB: $74,000. That is with no leeway whatsoever. At any rate that is what is looks like.

AJ: I am going to double back on you. How about us with probably the msot sophicated professional people as far as investment people are concerned, the kind of people that you would just love to be in bed with, I'll tell you who they are at a later date. How about us doing this. Taking advantage of the situation which you may have smelled out.... Have Barry very legaly back us out of Karine Lake and let Pangea house it and you and I work together on this thing and move into a small private, when I say private I mean like three people, situation and go forward with it on that basis and see if we can't crack that little child back into action and if need be we may want to go ahead and I would be delighted to readjust you and our position a little bit in lieu of some type of participation on the other side.

JAB: I'm not sure exactly what you mean by participation on the other side.

AJ: Net smelter return can be adjusted, not changed but jacked up obviously. We can work out a working interest for you, or SEA or whomever and go with it on that basis, would be fine with me. I am talking about you participating in it. Right along with us.

JAB: OK. Sure.

AJ: If in fact you feel it is viable. If you have a question it won't stop me. I am going to go ahead and do it anyway. If you think that this new information is strong enough and exciting enough that we could crank that child into action. Hell, let's go do it.

JAB: I am behind you. Let's do it. I think it sounds real good.

Don't see any impediments to it. Hewlett says it is going to take four guys including himself. Crusher operator, dozer operator and plant operator and he is ready to be down there next week assuming we get the thing signed and wrapped up and ready to go to work.

AJ: It will take me...we may have to make some moves on me personally in order to keep things smoothed out until everything is closed properly as far as any joint venture participation with these other three. Well, I guess we could manage it, hell. I have got credit running out of my ass up here. There are a lot of ways we can make arrangments on the come, can't we. 30 day come that type of thing. What I am thinking of is if in fact .....I don't want anything to stop us. So I am saying is what is it that we need to do show as who we are. If I came and put 50 or 100 in the bank...

End of tape.

rental crushing programs, this, that, and the other thing, whatever the hell we need to keep things going smoothly until everyrbody comes in with their money. This is a little faster than I had anticipated, obviously.

JAB: Yeah, I think that would probably...I would like to see a working balance in the bank if that is what you mean cause you know that would put me in a bit of a bind.

AJ: No, I am not looking to lean on you by any means. Hear me through. There has got to be a way, if in fact we are only talking about 70, 74 thousand dollars. If that be the case, you know we are not talking about major dollars. What I wanted to do was to see that everything is cranked into action preferably me not paying for it until everybody comes in and pays their own way. But I would like to see it on move, going.

JAB: Let me ask you this. If you are going to do that do you want to bring anybody else in.

AJ: This is the way it might go and this is between us boys. If in fact you can show me a first stage move where we can walk away with something, I'll be damn sure face to face with you I will work it out with you and I will come up with the money and we will just go to work and make it easy on everybody and take a bunch of money away from the place. We must be very, very sure that we know what we are faced with. As far as the productivity is concerned. If you can show me that in fact that X is going to

represent productivity, god damnit I will hand you the money. But if you say AJ it is spotty here, there is pretty grey area, then damnit we want to spread our risk. So that is just where it is at. It is a matter of saying, AJ these are the steps in order to validate it for both of us and we follow our steps and all of a sudden we pop up h the same analysis then in fact this X equals profit at a certain period of time I'll hand the money to you and we will go to work. It maybe an adjunct to our whole appraisal program.

JAB: OK. Why don't we do this. Of course the appraisal makes it, you know I was going to bring it to you risk free, and I can't at this point have any way of saying, "Yeah, that is absolutely right and know that it is absolutely right because I have not tested it." On the other hand it seems that these figures are reasonable. I know that all of the pumps, pipes, buildings, sprays are down there. I have no reason to believe that any of the composite samples have been misrepresented.

AJ: I can't see that they would. The only thing I can see is if in fact there were left with kind of strange information and they put it all together and it has come out a little bit differently is the only thing I can see. Not that they would misrepresent it. I can't see that would be anything more advantageous than their move to the term situation.

JAB: I don't think that that is anything more than you know they read the Wall Street Journal everyday too and they can see the price is jumped and that is really what makes a lot of difference here. But, if you can crack in the $100,000 to get this thing...to let Hewlett determine whether we are right or wrong what we might do is give some of our associates the option to come in if necessary after 30 days and maybe if we should need extra money buy into it. But I just wonder if for that amount of money if it is going to go. The figures are simply astounding and I always worry about free money.

AJ: We have got to be very, very sure because you and I are on the same side of the street. Whether we know it or not. If there is risk involved, I'll hustle the money. If there is minor risk involved I'll hustle a little money and put in a little of my own and if there is god damn little risk involved you and I will get into bed together and go to work on the son of a bitch. A part from everything else we have going with the program which we must

not lose sight of. I am talking about should this new information fall by the wayside we simply must pick right up and go on with it. And I am ready to pick right up and go on with it immediately. However, as we both now there is a varium of risk involved in that area as far as the program as it was presented for our definition aspect of it. But if this son of a bitch is ready and that child is just waiting to have her pipes blown out and cleaned up, brushed up, painted, and put to work and were are talking about $100,000. We are this close to me saying to you X is OK, god damn it, Jim, I will give you the money.

JAB: Let me just kind of review the figures that Dick and I went over and you know I always worry when these look too good, but I don't see at this point any quiches in this situation.

AJ: Are we talking about one major heap which was established or ...

JAB: We ar talking about the major heap and I'm going to use this bulk sample just at face value of 3.26 ounces and I don't think that is unrealistic. See, when I first started down there silver was about $1.00 a $1.50 let's say. Three ounces that is $7.00. But when silver is $7.50 and you are talking about 3.26 ounces at $24.00 and another $7.50 in gold when gold is not $100, but $250. Once you get over that operating margin every penny that that goes up is another penny in your pocket. So in the heap, assuming this composit sample is correct, and I have every reason that it should be, we are talking $31.00 at the present price and I think you and I both feel that the prices are going to continue on up for awhile, we are talking about 31 million bucks in that heap. It is already there, already been moved, all the expenses have been paid. The only thing that needs to have done is crushing and leaching. It is not much of a trick to crush a thousand tons a day of rock. So that is 30 thousand tons per month at $32 per ton which is the rounding of $31.62. That rock will continue $960,000 in gold and silver. If we get 75%, if we got 50%, we are talking about 1/2 million dollars. And Dick feels we can get 75%, actually Dick feels we can get more.

AJ: Essentially we can walk away with a couple of hundred thousand dollars a month. That is OK for me, how about you.

JAB: That would make me just tickled pink.

AJ: How many tons are available with that type of percentage in it on that major heap?

JAB: 900 thousand tons.

AJ: 900 thousand tons convert to at net gain, at 50% what are we looking at. 15 million dollars? Net?

JAB: No gross.

AJ: What are we looking at net? Half.

JAB: Usually.

AJ: More?

JAB: Let us assume that it is costing half of that to get it out. So we are still talking about 32 million dollars times a 50% recovery ratio is 16 million dollars and we would be talking about 8 million dollars.

AJ: His deal was 11 to 3 so that is a 33-1/3 to 4 so assuming those same figures so if there is 15 so there is 5 million at net. How does that feel?

JAB: That is a pretty good investment for $100,000.

AJ: Would you turn that away.

JAB: Pretty tough to do.

AJ: Is there some way that we can creep into than son of a bitch and crush out a hand full of that stuff and see if in fact we can't burn her out? In other words could we go at it in a miner way so we could prove our position, or not?

JAB: Well, I tell you what. I think what Dick is going to do is come back with a signed contract. Why don't we all go down there this Sunday, if you have the time and the only thing that I guess is the question is whether that is a fair sample of the entire dump.

AJ: That is the big looming question. Where in the fuck did they take the sample from?

JAB: My understanding is that they picked up front inloader folds from various places in the dump and put 3,000 tons in a bulk sample through a crusher and assayed that which is the proper way to take a sample. Now, once we get the option we can do precisely the same thing. I don't know what it would cost. $1,000 or something to go down and do exactly the same thing.

AJ: Where do we have it crushed it?

JAB: There is one down on the Tombstone Mineral Reserves ground or I think we could run it through the Escapuls crusher. I don't think that is a real problem.

AJ: Then what, just leach it out there?

JAB: What we would do is simply split it all down and take an assay of it and see how it comes out. Run a leach test on it for that matter.

AJ: I would like to run a leach test on it with Hewlett goodies.

JAB: Well, why don't we simply do that and start Dick to work and simply run a leach test on it. That is pretty simple too.

AJ: After we have got it smashed out that whole god damn thousand tons is that what you want to put through?

JAB: No. That would not really work. We would put it in ten gallon garbage cans and back leach it like that.

AJ: How much do you want to have crushed up?

JAB: Oh, why don't we simply see whether we can duplicate what they did and we'll just take some front end loaders and load them up and

AJG: Might not be a bad idea, guy. In fact it's a god damned good idea.

JAB: Then we're only risking...

AJG: What if that thing proved out?

JAB: I tell you, it sounds like a hell of an opportunity to me.

AJG: Well, it's damn good news and I'm just as enthusiastic, I don't want to get too excited about it however.

JAB: Well, you know, that's - you know me, I think you've accused me of being overly cautious.

AJG: Well, I'm like you now. I'm not overly cautious I'm just cautious and I don't want to get too wound up about anything.

JAB: Yeah. Well, I think its a good opportunity. Dick has done a good job with these gentlemen.

AJG: Obviously he's done a good job. About the only thing I object to the whole thing would be is the force, if its not in there I need to look at that. I'm a little bit uneasy with that 3 month period.

JAB: Well, I am too but...

AJG: And I'm frank to tell you that we may have to do something about that.

JAB: Okay.

AJG: I may want to move that another 30 days just because of, if our target is now concentrating on this effort on me, and then we say - we say good, it's great, we go forward, you know, we can beat the hell out of it. But if we say, oh oh something has bogged us here and we've got to the other direction, I've got to go right back to my same position again. Which means that I'm in the up with 60 days or 30 days left to crack a dash on the other approach. Which puts me in a rather precarious position.

While they don't appreciate my position, I must protect my position. But I'm not going to discuss that now because I think what we can do is this.....Let him come home with that subject to the clearance and titles on all those planes allowing them to either hold the check or do whatever the hell he wants to. With my permission they cannot cash the check and it really should be placed in escrow. Some trust department or someplace. Subject to the clearance of the title. Okay?

JAB: Okay, now, can we actually put a check uncashed into escrow or does that have to be cashed?

AJG: They can certify the check - in other words you hand the bank the check at an escrow department, subject to the clearance of title - and subject to - well, let's see...God damn it. Because we may want to change that 3 months to 4 months. Alright. Subject to the approval of all et al is what it amounts to.

END OF SIDE 2 TAPE 2

AJG: All principals agreement to that agreement. Okay? Then what he does is, the check goes into the bank, the bank then calls to have wired certification to that check that its okay, and they can hold that in escrow.

JAB: Okay.

AJG: By the way, do you have enough money? Well you just come up with the money and I'll give it to you when I see you. Do you have enough?

JAB: Yeah. I think we can cover that. Yeah.

AJG: What have I got left down there?

JAB: Well lets see. We gave $1,000 to Barry Spak and I gave $1,000 to Hewlett for expenses.

AJG: Okay.

JAB: Which leaves $3,000.

AJG: Hold it right there then. And I'll come up with the other 3.

JAB: Okay.

AJG: But I think that, I'm pretty sure - unless you want to call Barry on this to be double sure, in the morning, my suggestion would be a) subject to clearance and title so that it is not clouded in any way and b) subject to the approval of all principals. Okay? Then we'll hand that contract to Barry and he'll, you know, whenever you want to win a game alot of times you got of either change the players, the rules or the payoff. So we might bring him into the subject with the explanation of

here's the new approach and let him go ahead and negotiate it with that, but at least they're left with the money that is subject to minor provisions. Does that make any sense to you at all?

JAB: Yes, I'm still taking notes. Well, yeah, now let me just couch that by saying these guys are old crotchity fellows all of whom are in their early '70s to late '70s and early '80s - nobody has been able to deal with them before Dick Hewlett came along, and...

AJG: I know what you're setting me up for. If that's the case then you better tell them 4 months.

JAB: Okay, well...

AJG: What you're doing is that, we're creating our own clear of a deal by the following: if in fact with this new information we can go ahead and crack forward, we're a shoe in. But if in fact it does not prove out based on the information they've given us, now we've checked it out, we'll say that we checked it out - it takes whatever the hell it is, who in the hell knows how long it takes, but I'm left with just smaller x period of time in order for me to shift now and get everybody back together again...and go my direction. So that, of course we can always come up with the another $7,500 bucks but that's another $7,500 bucks not out of production but out of our pockets.

JAB: Yeah, sure. Okay. Well I'll tell you what. Let's go ahead and have Dick bring the contract back as is. Let's get down there Sunday and look at the dump and then let's see what does sound realistic and what doesn't.

AJG: Okay.

JAB: And I think you'll feel better by having been on the site and seen what it is we're talking about. There is one other little glidge in there which is annoying but not serious, they have tentatively leased the mill building to some gun manufacturing outfit. They think that they can get that back out. If they can't it's really not terribly critical because we can put the assay off the sand plant inside of a rented trailer which would maybe cost us a couple thousand dollars. So aside from being kind of an annoyance...

AJG: Gun manufacturer?

JAB: What?

AJG: Guns?

JAB: Yeah, this is what I understand that he's going to make. Antique guns or new guns or God knows what. That's the only thing I know about it, is just some gun manufacturer.

AJG: How does that make you feel?

JAB: You mean about the gun manufacturer?

AJG: No, about the overall picture.

JAB: I think it's as exciting as hell. I think its just, you know the timing on this is just absolutely unbelievable because, you know, here '71 Minerals has bowed out while the price...

AJG: Jimmy, when '71 Minerals bowed out, what was the price of gold and the price of silver? Do you remember?

JAB: Around $4.75 I believe. I'm sure that I've got those records someplace. The price of gold had taken a big drop down at that point. Do you remember that's when the bottom kind of fell out, I beleive.

AJG: To $1.35 or something?

JAB: Yeah, I think so. We'd have to go back and reconstruct that.

AJG: It was really some pretty critical periods back then.

JAB: I think so. I think that that was in that region. But at any rate the price of silver, of course you know the price of silver has not been what it is today, ever.

AJG: I want to make an overture to you because you're tight in the pocketbook. If you're tight in the pocketbook and you gave me some affirmative answer...based on what you've heard so far, would you buy any part of the deal? With cash money?

JAB: Well, looking at those figures I think I'd probably put up whatever I could afford to squeeze out.

AJG: Do you like it that well, Jim?

JAB: I think it's very exciting. It really is.

AJG: Good. I'm delighted to hear it. I will call...okay, so you're going to let Hewlett come back with the contract as it stands with the understanding that we may have to change it? Is that correct?

JAB: Yeah.

AJG: But to change - Barry is a pretty cool guy, too. Barry might be able to do it legally type of thing. We did need another 30 days Mr. X,Y,Z. Or whatever the hell it is. Okay?

JAB: Okay. Well, sure...I think...

AJG: Because really, we want to win and we want to come up with the least amount of money as possible. You have to consider, you're

not coming up with it so you can't appreciate it the way I appreciate it. Well?

JAB: I know what you're saying. I have to scrounge for this bunch, too. So I certainly appreciate it.

AJG: So you understand what I'm saying. Its just physically impossible for a guy to discuss terms, times, and all the rest unless he's coming up with the bread. You're on the receiving end of it at this time, at least...and so are they. I'm on the sending end. But I also see that it may cause an impediment if in fact this new approach doesn't work, and we may need to have an extra 30 days or 45 days or who the hell knows. And they better damn well be prepared to discuss - and you might even say that to Hewlett to elude to that - that that part may have to be expanded either for legal reason or some reason. Who the hell knows.

JAB: Yeah. Well, let's look at it this way; if for example, we work on that for 2 months or even 3 months, we don't have any penalty clauses. We can always turn the thing back to them.

AJG: Why would you want to turn it back to them at that degree because all we'd do is if in 2 or 3 months we don't do any good, I would want to simply crack and then give them the $7,500 and go into our next phase and we'll know within a matter of weeks whether or not we're productive. If we can't know in a matter of weeks whether we're productive, we shouldn't be in that business then.

JAB: Oh, you mean in a matter of weeks from Sunday is what you're saying.

AJG: You're damn right.

JAB: Okay, well that's the point that I'm getting at AJ, I think you're precisely right. Why agitate these crotchity old guys worrying about another 30 days when in fact we're going to know one way or the other.

AJG: The reason is because if in a couple of months, we're not productive in this new phase, you will then say well we want to crack into action in the original plan...

JAB: The original plan with the 200 or what did we have...

AJG: Well, the program that we had set up before and the gobs and gobs - you know - the open program. And that's going to call for, I guess you would want to go forward with that, wouldn't you?

JAB: Absolutely. Because I, you know, again, the heap is simply the tip of the iceburg, that's what they threw away. And I think that there is more just like what they're operating on down there.

AJG: So what I'm suggesting is that sqeezes, we don't want to have Greenbaum come up with $7,500 a month when he's out hustling the money, he could put the next - crack it back into its original form of - no, I'm just going to - when he leaves he's just gonna have to say now on principals this escrow act is a viable program. We feel that we can meet our obligations however, in this very first phase, the 30 days is needed extra, for whatever reason which I cannot forsee, I'm mentioning it to you now so that it won't come as a shock later, just have him leave in that manner because - and they want it to work, too. And they're not gonna say, what the hell, well we might work out something. I don't know $1,000 for the extra 30 days or something.

JAB: Well, we're essentially getting 90 days for $6,000 so we can get another 30 days for $2,000.

AJG: Something like that makes sense, doesn't it?

JAB: Yeah.

AJG: If need be.

JAB: Yeah.

AJG: That's a good argument in fact. An excellent argument. If that time comes. Remember that one. Okay. How much bottom dollar will it take us if we do want to be able to work a little pile and say, hey, we got it? If we walked this down to the Escapuls, crush it, and IPS it and see what comes of it?

JAB: Oh, you mean on that test?

AJG: Not just on the test but get into a minor operation. For like, let's say, 2 weeks time? Process just a minor operation?

JAB: Um...

AJG: $30,000?

JAB: Let me look at my figures here.

AJG: See, what I was thinking about doing is that if it tests out, Jim, and you and I look each other eyeball to eyeball, maybe we could put it into a minor operation. And in such a manner that we could just step it up. What I'm saying is that I give you - 30,40, 50, or whatever the hell it is. I don't come up with the full hundred,...

JAB: Yeah. Okay, well lets say approximately 50 because our big

cost, the only big lump cost is in the crushing and dozing. So, if we go at that in a smaller way, then we're going to get less out of it but its going to take less money in the front end.

AJG: What's the front? Well what if we put, at that answers our first key question.

JAB: Is it really there.

AJG: Is it really there and is it really productive? We could work hand in hand with the Escapuls on the crushing couldn't we?

JAB: No, because I think that...

AJG: They can't process that much?

JAB: Its not that, if we simply pick it up and crush it with a portable crusher, I think we can rent a portable crusher from some construction outfit or contract it or whatever - then all you do is essentially take a front end loader, push it into the hopper, crush it and dump it right next to the crusher. Otherwise you'd have to load it in the trucks, drive the truck 5 miles. So that's expensive. That's the one beauty of the heap is that all that money has already been spent. It's already in one big pile. All we're going to do is run it through the crusher and move it 100 feet.

AJG: What the hell does a crusher cost to rent? What can it cost? $5,000 a month?

JAB: Yeah. Probably. We can buy a small crusher for $13,000, enough to do the amount...500 tons a day.

AJG: That may be the thing for us to do. What I am suggesting to you is if we can be, you know, if we can be miracle workers, lets say, by a) pick up 1,000 tons. Alright? And process it? Isn't that what you want to process to confirm what they said?

JAB: Oh yeah. Precisely. As a test you mean. Yes.

AJG: Stage 1. Stage 2 - lets go out and we'll buy ourselves a small crusher...

JAB: Well, I don't even think we ought to buy it. I think we ought to simply rent one because we can rent one for less - probably rent one that's ready to go for less than we can buy a used one.

AJG: Okay, so we get ourself a small crusher right there on location. We put magic man Hewlett and his gue together and we'll just go ahead and process it for a couple of weeks right then and there and see where the hell we end up in a arithmatically gear it up and shove it down so we'll know where we're at. Then I'll go ahead and if the son of a bitch is there, you've got your money.

Turned it into a major operation and get it going and at the same time with the understanding, and I meant to say this to you before, when I volunteered my own participation singularly, if this is productive. I would like a generous portion of this to immediately go into the development of the rest of the property, Jimmy.

JAB: That's wonderful.

AJG: In other words, I'm, as you know by now I'm okay. I don't particularly need to take anything from it. What I'd like to do is I'd like to see it complete if fold right back in a program of the gob program, drilling program, State of Main program, whatever the hell we feel is most viable, workable, and important that we can get to as quickly, you know, that type of thing. I would like to see it fold immediately back into that type of process that something is greeting us

END OF SIDE 1 TAPE 3

AJG: make sense?

JAB: Makes great sense to me, I'll say. Yeah, that means that we're simply not going to be handing this over to Uncle Sam. Now the other thing AJ, maybe you've already thought about it, but we can take production in kind, in gold bullion and Dick can essentially give us almost electrolitically pure gold and silver...

AJG: And leave it in that state...

JAB: And leave it in that state, don't pay taxes on it, go take your gold and silver bars, put them in a bank and get a bank loan against it so you're not paying any taxes.

AJG: Maybe that would be the best. Just simply take it in kind, as you suggested, take it in kind, go to the bank, bank it loan, loan it to the SEA (inaudible) work in the field type of thing, creating a tremendous loss carry forward, which it would be.

JAB: Yeah. I guess that's right.

AJG: Well naturally. And at any time we wanted to later on down the line in a year or so after we're comfortable, anybody that wants to go ahead such as myself and take a little something out or you guys want to take a little something out at that time some more or salaries or whatever the hell we want to, we're in a position, if you follow what I'm trying to say...apart from the royalties, we're in a position at that time to go ahead and we're looking at a tremendous loss carry forward, we're making

no net profit and its using us as a loss also in its own process. All we're looking at of course is our own natural tax position. What the hell, so we walk off with a few bars ourself. What difference does it make?

JAB: Yeah. Precisely. Well it sounds awfully good and...

AJG: Well I'm sorry you called and told me this because I don't like this kind of, you know, I am a funny guy I guess in a way kind of like you, I don't like to get too excited about things because it's kind of like an LSD trip. But I have had in my lifetime projects similar to this come to me that look so God damn good and you get so feverish about it, and you know they do turn out sometimes. I can take you to a little field west of town here about 85 miles out (inaudible) County Kansas that we still have it's kind of dead on its old knees, but you know, about 20 years old. And when it first came to us it looked solid, it all added up, there was no question about it in any of our minds. I have 75% of the son of a bitch I had so much faith in it. Buy God everything just came through like clockwork. Things like that obviously happen but I just don't like to get too excited about things because I have been let down so many many times and it takes so God damn much energy to come back. When you're let down.

JAB: Precisely. I'm with you on that because I always hate to have something slip out from under you but on the other hand that's really precisely what this Cordero thing was. And we knew that there was a very very high grade...

AJG: God I wish we would have known each other then.

JAB: We simply could not get the money together.

AJG: What was the total requirement on that?

JAB: It was pretty hefty because we had put about $300,000 into drilling it and we needed about, had we had $100,000 in working capital I think we practically could have boot strapped it along It was so rich. But (inaudible) went ahead and did it up right and they spent 5 million dollars building a super class A plant with all the whistles and bells on it...but on the other hand...

AJG: That just makes you proud, too though.

JAB: Oh yeah.

AJG: I know you're not getting the dividends but that should make you proud.

JAB: It makes me feel good but that was the situation that we could

see that was very similar to this. We simply didn't have the cash to - even a little bit of cash to make it go. Hell, I couldn't even get a barrel of diesel oil without practically leaving my watch with the standard oil dealership then.

AJG: I know what you mean.

JAB: So, but this, it looks very exciting to me.

AJG: Well, lets do one thing. Let's please not now - if its not there in the manner in which we feel is comfortable for you and me alone, Dick included naturally...lets be real frank with each other about it and just simply snap into 2nd and go right on with our program. But if it is there, lets just simply stay in first and go on.

JAB: Well, that's kind of what I wanted to touch base with you about is that after going through these figures it looks so good and takes so relatively small amount of money that I'd just hate to see you give a substantial portion of it away to anybody else.

AJG: Well, I'll have that cleared up in the morning and you can go ahead - if it's convenient for you sometime in the next day or two, as I'm driving down, touch base with Barry and simply aware him with the fact that the contract is coming and need to be cleared and all the rest of it that needs to be done. And that's about the extent of it and I'll see you when I get in. We'll try to get together on Sunday. If not, whatever day it is...you know, I'm available Monday or Tuesday because I feel that this is important enough to get in on the ground floor and I'll just simply come on down to Tucson and we'll go from there.

JAB: Okay. Well, as you are, my time is super pressed and I'm actually letting some very important clients backslide on this, of course, this is pretty damned important too, but I've - I would like to be able to do it on Sunday because I've simply got to get out in the field.

AJG: Alright, well I'm leaving in the morning which is Wednesday morning. It normally takes me to drive - around 2 1/2 days. That puts me there when? Friday?

JAB: If you leave Wednesday, Thursday, Friday. That will put you there Saturday. You might be a bit bushed.

AJG: No it won't, it has to put me there Friday. 2 1/2 days.

JAB: Oh, I see, you're talking about driving Wednesday and Thursday. Yeah.

AJG: I've got a full day of meetings Friday there. So I've got to be there on Friday so I can rest Saturday and come to you on Sunday early enough so we can just go ahead and drive on. Fair enough?

JAB: Okay. Sounds good.

AJG: I'll touch base with you on the way down. You might rework those figures in case you made a mistake.

JAB: Yeah, well, okay, we'll kind of put Hewlett to the test on this.

AJG: Okay fine. I'll see you then.

JAB: Jim again.

DH: Hi Jim.

JAB: How you doing?

DH: Alright.

JAB: Did you get some dinner?

DH: Oh yeah.

JAB: Good.

DH: I'm sitting here typing.

JAB: Oh, okay. I've talked with AJ. What he feels is that with these in your cost projections, that he's interested in going alone without Karen Leigh.

DH: Jesus, he should. You know, I want to be honest and fair with him as well as with you and God damn it, I can do that. Frank Gallop just called, I thought it was interesting. He said old pantancerous Bill just called me and he wanted this and wanted that...then I brought him up to date on Bill quitting and all this. Frank laughed and said he does that all the time. But he said the thing that - and Frank - even though he's not the President, he's just the secretary treasurer, he really has the say of what happens because they all respect him.

JAB: I see.

DH: It's funny, you know, he's gonna pick me up in the morning, I told him, I promised him I'd have this all to him. (inaudible) So that he could get away he said he stayed here a couple extra days. So anyway, I said I'd have it done so I'll sign it he says, if he don't like what Bill wants to do, we'll get it done anyway. You know, they're really on our side.

JAB: Beautiful.

DH: And really I think AJ should do it himself. It's too much screwing around. We don't need - I don't need $465,000. That's ridiculous. I might need $150,000 but I'm going to really give it an honest try on a 100 and I think I can do it on a 100.

JAB: Okay, well lets be frank with him.

DH: With who?

JAB: With AJ. Okay, let me outline what I discussed with him obviously for that - for that type of figure, if he goes it alone, then you and I are just going to make out very much better than if somebody else comes in with at all that other money in there.

DH: I'm not really thinking about that. It isn't that much money.

That he's losing too much by going through all that other crap.

JAB: Yeah well precisely. I think...

DH: What do you think of him putting out a million and a half for this, half a million for the geophisics and then 20 million for the drilling on other things. May or may not prove out...I'm sorry, go ahead.

JAB: Yeah well, that's precisely, and I think it would be unfair to him not to apprise him of the optomistic figures as well as...

DH: Realistist. And like I say, I'm the guy that's got to do it. You know like I told Height and them, you know, I can prove the value of your property. And they want to sell it. I think AJ can buy it. At his liesure, and that's the way I've structured all this. They'd look awful hard at a million dollars.

JAB: I see. You mean after we get into production?

DH: Yeah. Oh not today.

JAB: Well thats...

DH: You see Height, just like Gallop just mentioned to me, of course I know the fact, but he said do you know how old Height Bill is? I said yes I do, he's 78 coming on 9. He said that's right. He said how did you know that I said his wife Virginia told me when we were discussing happy's demised husband.

JAB: Oh yeah.

DH: But Bill, you know, he wants, like he told me when he brought me home tonight, because there were 5 - this is one of those subchapter F corporation, but he had to transfers shares out of his name into his son's wife's name so that the 5 partners didn't own 50%. And so, you know, Bill is really in the estate planning stage. Sure. Well that's for sure. Like Gallop mentioned, he said it well hell, Bill's not going to spend any of that money. He said he hasn't made that much, but he said he's not poor. And he felt if I had to guess I'd be sure he's worth over 3 million dollars. Probably 20. Gallop is worth probably 2 million. So you see the guys don't really (inaudible). And that's why the whole thing has been a little tough because it has become a matter of principle. More than whether they need the money. For example today, and that was one of my interruptions. Height sold silver futures and made $40,000.

JAB: Good heavens.

DH: Today. Today while the guy is sitting. And he sold a bunch

for, then he showed me his receipts for and Nefeld and he made $12,000. 2 weeks ago. And his wife has, she sold today also, and made $25,000 I think it was. Alright, well Height doesn't have multitudal millions like the rest of them do, you know, 2,3,5,10,20 million, but he doesn't need the money either. Its estate planning for all of them. That's why its been a matter of principle. I don't think that anybody else could have got this agreement with them. You know...

JAB: I think you're precisely right. Well, okay. AJ is still concerned that if something goes wrong, then he's the one that's got to scroung up and come up with the $7,500 a month. He would like to see that extended for another month if we have some kind of a...

DH: Can't get it done.

JAB: Can't get it done. Okay what do you think about...

DH: Honestly can't.

JAB: Okay.

DH: You mean beyond May 1?

JAB: Yeah. What do you think if we - essentially what we're doing is we're paying $2,000 per month for the option, do you think we can push that forward and get another month for a couple of thousand? That kind of flies in the face of what you just said I guess. Well, he is concerned about that. And one other thing he's concerned about is to not release that money to them except through and escrow account until the title has cleared and all the principals have agreed to whatever the contract is.

DH: Well I'm going to get all their signatures tomorrow.

JAB: I understand that. But until he sees the contract he doesn't want to release that - you know - have them cash it.

DH: I can take care of that with Gallup. You mean he doesn't want it cashed?

JAB: Yeah. Well, we can cover the check he just doesn't want to give it to them.

DH: He wants the protection of it. Okay, I have that already.

JAB: Okay.

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DH: Have Gallup put that in a trust account. HE said he has an account you can call it anything you like. Really basically...

JAB: Okay. Well, now I don't know whether their trust account is going to do that. I think what AJ means is an escrow account.

Is there any reason we simply can't use an escrow agent?

DH: No. No, I'll have Frank do that.

JAB: Okay, now the other thing is that AJ is going to drive back down to Scottsdale and what we talked about is him coming down here and actually looking at the heap and, you know, what I'd like to do is have all 3 of us. Come down and look at the heap and decide what we can do to do any further fall scale test work so that you know, that he's not risking his money on many unknowns. And risking our reputation.

DH: He's not.

JAB: I think we'd be alot further ahead if we could go down there and kick the heap and..

DH: Oh sure. That's fine but gees, I'll take all the samples he wants - I'll run them all but they're not going to be any different on the values left in there.

JAB: Okay.

DH: You know, there is no risk there. But we'll do anything he wants.

JAB: Okay. Why don't we go ahead and run a tonnage test, you know, essentially like what Bill Height had done. Go ahead and run a quick leach test just to make sure we're not leaving anything uncovered. That's not going to cost us more than what - a couple thousand at most?

DH: Yeah. No, that's fine. I don't blame him, don't misunderstand me. But I...

JAB: If I had 75 or 100,000 or whatever it is that I was going to put in, I think I would feel the same way.

DH: But I lived there. I feel completely different about it.

JAB: You're more confident than...

DH: Because I have sampled all the dumps before they were hauled (inaudible)

JAB: Well you know its...

DH: I must have taken 4 or 5,000 samples. But I'm happy to do it. I'll get paid for it. I'm not arguing against it. Don't misunderstand me. That's great.

JAB: You know, those are all things that you're familiar with and I'm kind of in the middle and I'm not as familiar...

DH: I'm sort of in the middle up here today. I know this middle business. No no no, we'll do that.

JAB: Okay. Is there any reason you can't get down here this coming

Sunday?

DH: No, as long as you're paying me.

JAB: Okay. Well,

DH: Silence on that end...

JAB: I think the way things stand now we're kind of all taking this a little bit on the cum but of course you're going to be reimbursed for your time down there. God I'm absolutely pressed to the wall timewise. I've got so many things...

DH: You want to get me down there Sunday?

JAB: Yeah.

DH: Fly down?

JAB: Yeah. I guess...

DH: ...start...well, maybe I should fly I guess. Instead of drive.

JAB: Suit yourself. But, well, I don't know, you're going to leave Grand Island ...

DH: I better fly down.

JAB: I wouldn't mind doing it Monday or Tuesday but I've got a seminar I'm supposed to go to over on the coast, and I've got a report I'm already 2 weeks behind on. I could name you about 3 other things that...

DH: Now, how soon will he want to start on this?

JAB: I told him he could start next week.

DH: He wants to have the results of the barrel test first?

JAB: Yeah. You know, I think that this meeting and getting together...

DH: Probably just my talking to him is really probably I hope, more important than a bunch of barrel tests.

JAB: Yeah. I think so.

DH: Do you agree?

JAB: Yeah, I think so. I think that you're going to have to make it - you're going to have to kind of sell the whole thing, but one thing...

DH: I'll run any tests he wants but...

JAB: Well the only thing I want for my peace of mind is I don't want him hounding me for the rest of my life because I got him into something that didn't work right.

DH: Is he going to advance some money for this?

JAB: For the test work?

DH: Yeah.

JAB: Yeah, he's gonna foot the bill for the whole thing. Is that

what you mean?

DH: Yeah.

JAB: Yeah. I think so. What we're telling the guy is that he's footing the bill for this that's gonna make us literally hundreds of thousands in the next few months.

DH: You mean you shouldn't tell him that?

JAB: No no. I say what he is, when you ask about is he footing the bill for this, what he's going to say is, yeah, but I'm advancing the money that's gonna make you guys be-nothings hundreds of thousands of dollars in the next few months.

DH: You don't mean that that's a conflict though?

JAB: Oh no. No no. I already told him, I already went over these figures that we talked about just a little bit ago. So. You know, if you have any qualms about any of that.

DH: No, I have no qualms, I'm just gonna need some money to do the test.

JAB: Oh yeah. No, I understand that. What he wants to make sure of is that he's not plunking down $100,000 to have us tell him 3 weeks from now that its not gonna work after all.

DH: No no. What I'm trying to formulate in my mind is, you know, how to do it. Will he advance you the $2,000 for the test work?

JAB: Lets talk about what needs to be done when we get down there. And, yeah. That's my understanding. That he's gonna foot the bill for the, for all the test work. Or whatever is necessary. If you can convince he and I that we don't need any further tests -

DH: Oh no, I don't want to do that.

JAB: Well, what do you think that we need...

DH: What I want to do is to walk around the pile with him, take samples, and run them. So that he will know where they came from - remember that they were taken and then look at the results.

JAB: Okay.

DH: That's the way to satisfy him. But I just want to make sure he can pay for it.

JAB: Yeah. Okay.

DH: $2,000 would more than cover it. How much does it cost me to fly down there - I'm just debating whether I should fly, or drive?

JAB: Why don't you drive on down with a supply of stuff to stay here

for a while and...

DH: Cause see I could bring alot of chemicals and stuff that I've bought. You know, to do the testing.

JAB: Well, today is only Tuesday. If you wrap things up there you can fly back tomorrow evening.1

DH: I won't get out of here until Thursday. I can't. I'll be back Thursday at 4:30 into Reno. So I could be down there by Sunday by driving. Why don't you advance me some money?

JAB: How much more do you need? I'm kind of in the same situation.

DH: $500?

JAB: Okay.

DH: Just to come down there.

JAB: Okay. Alright. Okay. Well, let me advance you that and we can go from there.

DH: I'm trying to think where I could run them down there. All I need is a double a and I can operate myself.

JAB: Are you talking about barrel test? Why don't we just get a good assay sample to start off with? Isn't that the way to go?

DH: Yeah but I can do that with a double a. See, I'll use (inaudible)

JAB: Why don't we just run them through olie and olie or somebody?

DH: No then you'd want a fire assay.

JAB: Why?

DH: Do they have a double A?

JAB: Oh yeah. I mean Skyline labs.

DH: I'd like to make up the sample and I'd like to show him how I will use this IPS and show him you know in a barrel test the kind of recovery I can get. That's what I'd like to do.

JAB: That's gonna take longer than a day isn't it?

DH: No, I'll get my values out in one day. But there would be a delay of a day or two. See, I'd do it one day and have the results in another day or so. Because I just circulate in one day.

JAB: Well, okay. I think the way I see it, there is a couple of problems. 1) lets verify that we've got some values in the dump...

DH: The head?

JAB: Yeah. Which is simply head assay.

DH: He's more interested in the head?

JAB: Yeah.

DH: Okay, well then I can get the heads and crush and pulvarize them - lets see - I could use Ernie's crusher and pulvarizer, I'll have the chemicals to get the gold and silver value, so all I'd need with the solution - I'll filter them and then I'll just have a bunch of solution samples that we can run on some double a someplace in Tucson.

JAB: Okay, well why don't we simply have a ...

DH: See that's a turn around of one day, that's all.

JAB: I'll let you handle that. But why don't we simply run that through a commercial lab?

DH: That's what I mean. I said a double a in Tucson.

JAB: Oh, okay.

DH: Some commercial laboratory. You know, they should have a very quick turn around because they'll just take in the solution samples already filtered. They'd have no sample preparation or anything. They'll just run them on the gold or silver. There won't be any interference, they won't need to use background correction or anything.

JAB: Okay.

DH: That's childs play. So we'd have that in a lapse time in 2 days. You know, going down there in 1 day and getting them and I can get them pressed and pulvarized and leached and then to the assayer in the next day. We could collect them Sunday and then I'd get them run Monday.

JAB: Alright. Sounds reasonable. Well, why don't we plan on doing that then, and I'll just plan on seeing you again on Sunday.

DH: Okay, I'll drive down.

JAB: Alright well let me know if there is any other problems that come up with your - well let me know how things go tomorrow, okay?

DH: Okay. So you'll wire me that $500?

JAB: Right.

DH: Okay, fine.

JAB: Give me a call tomorrow evening and let me know how things go.

DH: Okay.

JAB: AJ?
AJG: Jim?
JAB: Yeah, how you doing?
AJG: Pretty good, hold on just a second. I'm in Tucomcarri right now.
JAB: I thought you might be on the road.
AJG: Yeah, well I made a little bit better time than I thought. I had to stop off in the panhandle area to see some boys and look at some of my old wells that I haven't seen in years. And I thought that it would tie me down a little longer than it did. But I made pretty good time coming from there to Tucomcarri so...
JAB: Boy you really must have been burning up the road?
AJG: Well I burn it up pretty good anyway. But at any rate, I might suggest that if you'd like if you got any time, I can go Tucomcarri - Santa Rosa - Las Cruces - Tombstone and I don't know what your schedule looks like but I'll meet you in Tombstone maybe Friday. Unless you're cramped we can...
JAB: Let me look at my schedule here. I'm kind of behind the 8 ball on some of these reports that I've been letting lapse but - I'll tell you what, I think we'd be better off having Hewlett down there when we take a look around. Unless you have a particular reason for not having him down.
AJG: I don't see why not. Why, what are you suggesting?
JAB: Well, I think that what he's going to do is he's going to leave Grand Island tomorrow, or at least that's what his plans were yesterday when I talked with him. Fly back to Reno, jump in his car and drive down here and meet us in Tombstone on Sunday.
AJG: Okay.
JAB: And I think that we would probably be able to take care of the whole thing, well, at least have a pretty good feeling of where we stand on the contract, Tombstone, what to do next, let you get a feeling for the whole project plus Dick.
AJG: Alright, well that of course means me turning around and come back down but that's alright.
JAB: Well...
AJG: What would be wrong with having him come from Grand Island straight to Tucson?
JAB: Well, simply because if he goes back to Reno he picks up all his gear and chemicals and then we can go to work essentially Monday.
AJG: You mean with some testing?
JAB: Yeah, right.
AJG: What was your plan? Or did you have a plan?
JAB: Well, as to what to do on Sunday you mean?
AJG: Yes. You're talking about him brining chemicals and the like. What are you planning to do?
JAB: Well, he's as I explained to you - if the contract is satisfactory and we're all together on what we should do next, he's ready to - he scouts himself in an apartment down there and go to work.
AJG: I must caution you now that unless in fact we can see that this proves out in a minaturized way, I'm not going for it 100%. If in fact it proves out and we can see that it does the

minaturiezed way ought to go ahead and tell us what the hell to do from that point forward. In fact that minaturized position may even give us a commercial footing.

JAB: Well, I think that we're going to have to do some small tests which are certainly not going to be economic, but they will tell us what the risk is. As a matter of fact Ed and I were just discussing this about 20 minutes ago and what I think we can do is rent a dump truck and go ahead and crush up some ore - maybe 10 tons depending on the size of the dump truck, the Escapuls have some small plants of the type that is very similar to what Dick would put up. They are 60 ton per day unit, we can simply make 10 ton tests. And tell very quickly.

AJG: What would the penalty be?

JAB: Cost wise?

AJG: Sure.

JAB: Well gosh I can't imagine its going to be too expensive. Oh I don't know, $5,000 or $10,000 max. That's one reason why I would want to have Dick to kick in his ideas on what the expense is going to be.

AJG: Well. Remember now, I want to make myself very very (inaudible) about this. You'all are not putting up a fucking dime, I'm putting it all up. Is that understood?

JAB: I understand that.

AJG: Okay. And in lieu of that, we are now taking a position in which it is all on me. And that if in fact it is all on me the testing period is even all on me. So we have to take into consideration how much money we're going to spend in order to establish our footing there. To see whether or not it's commercial. And if it is commercial of course there is no question, we could go forward. But we don't want to lose sight of something here now. This is where all things fall down. All things fall down. We don't take the whole picture in its proper position based on saving Greenbaum's ass if it doesn't prove out. We're all in jeopardy and up shit creek without a paddle and thats just normal everyday conversation for you. In other words we've got to have time, we've got to have the available movement, we've got to have the flexibility so that we can kick this thing around and get back in a position of promoting by using part of my money, yes. But the basis of the whole program will be a promotional system as we had before.

JAB: You mean if the...

AJG: You just put yourself, you just put your hand in your pocket and come up with that 5 or 10. You know it's very easy for you to say now, but its me that's coming up with the money.

JAB: Well, AJ, I've got a pretty substantial amount of time involved in this now and I realize that...

AJG: I understand that and I'm not debating the situation with you.

JAB: Okay.

AJG: What I'm saying is that we've got to set down a plan so that we do not by any stretch of the imagination, create the atmosphere of getting ourself in dutch with expenses that we a) cannot overcome either through a promotional program or b) through a productive program.

JAB: Well I certainly agree with you and that's precisely why I think

its best for Dick to come on down and go through these smaller leach tests. Now of course the other side of it is that I if pointed out the good side of this project in that if it works as it sounds like it should, it's gonna throw off an awful lot of cash. But it is going to require enough to get the thing rolling.

AJG: Well which again gets us back to the position of housing that money and housing that money as far as the - if there is any borderline question we have got to be - as an example I might make a suggestion. While we're taking these tests, do you find anything wrong in taking the tests in lieu of, with people that may be potential investors down the line? With the understanding that if it is good they don't get any fucking part of it. If it's borderline they can have a piece of it which of course is better than any type of stocks, bonds, participation bull shit, cd's, and that type of thing and have a lock in for the rest of the promotion down the line? As far as the...

JAB: Sure. Yeah, I think that sounds fine. I'm not precisely sure what you have in mind or how you can swing that. But if you can swing it, you know, I'd say, go to it. In other words he's talking about bringing somebody in to defer some of the current cost?

AJG: No, I don't particularly care about the actual current cost, that's not particularly my, I don't want to get in a trap... $100,000 in cash out of my pocket for the shot if it is a borderline case no body will ever see that one. If its a borderline case we'll tie that into a progressive program of going ahead and doing the work, working the interior, the gob program and going on with the drilling program as we had first set it up.

JAB: Yeah. No, I certainly agree with you and what I think we could do is get down there Sunday, look the thing over, let you have a feeling for what the ground looks like. I think that we can line up some of these low cost barrel tests.

AJG: We want those tests certified in some way not - with all due respect to Dick but Dick he's got an advantage in this program. We want to have outside certification in some way so that if we needed to, we can save all of our asses in this deal. In other words what I am suggesting to you is bring the Escapuls over to visit, chat with them, hell I don't know who all. I'll think of some people that we can get down there to view the process so that in fact we have - you know damn well you don't and I don't and Dick doesn't want to go ahead on that son-of-a-bitch if its in that its my money. If its a borderline situation. There is no reason for it. I don't want to be hustled into that game.

JAB: Well I certainly agree with you.

AJG: We're all on one side of the God damn street. All of us. And we better sure realize it. Just like you said a moment ago you've got a hell of a lot of time involved in this and Dick does too. The important thing we want to do is we want - if that son-of-a-bitch washes out we want to walk off with some money anyway.

JAB: Well I would certainly agree with that. Lets do these minimum test and you know, you're asking me to put myself in jeopardy in

your eyes when you ask me for definite figures off the top of my head. Because...

AJG: I suppose you're right there.

JAB: Cause then you're going to come back and haunt me with them. That's why I want to get Dick down, we can talk about this and actually talk about getting some crushing and so forth to see what it is going to take to...

AJG: Do the Escapul's have a little crushing plant there that we can work on?

JAB: Yeah, I think that they do. But we can find that out very quickly on Sunday. They do have a, they're making a small leach plant for testing purchases which you can put in the back of a pickup truck.

AJG: Is that right? That's a cute idea.

JAB: Its real slick and they've sold about 60 of these things I think.

AJG: They're making them commercial?

JAB: Yeah. I'm sorry not 60, 18. I was confused.

AJG: That's still fantastic though.

JAB: Absolutely.

AJG: What are they taking flat beds and working the flat beds?

JAB: Well its...

AJG: Does it become like a bathtub back there or something?

JAB: No. What they're - all this is hydrometalurgy and what I think basically part of Dick's idea that they kind of picked up, now they're not using the same chemistry and they're not using the IDS, but they're using swimming pool filters and swimming pool pumps and selling these things. They've got one operative in Georgia and 2 or 3 down in Mexico and some around the s/w United States...

AJG: That's just cuter than hell isn't it?

JAB: Yeah. It's a slick deal. So the 60 tons of water per day plant will fit in the back of a pickup truck and I am quite sure - although I'm not going to guarantee it, I'm going to try and never tell you anything for certain that I can't verify...

AJG: I see your direction...

JAB: I feel if they've got a crusher down there, we can go down and crush, we can rent a dump truck from - depending on what the cost of the dump truck is and where it comes from - but lets say a 10 ton dump truck, crush this stuff up and line it with plastic so that we don't lose the solution, let Dick do his ITS on it and its chemistry. Run the solution through this 10 ton lot and see how it comes out. Now that may cost a couple of thousand bucks to do that. But...that is the best kind of test that you can make because its big enough to have some meaning...

AJG: You taking a 10 ton lot?

JAB: You can test in the smaller 2 or 3 pound leaches but the bigger it is the more ...

AJG: Precise you are?

JAB: More precise it is. It's more like a pilot plan. So this is something that just struck Ed and I today, actually it was partially the Escapul's suggestion but by doing that we can get a very substantial test very quickly and very cheaply.

AJG: Now looking at the pad and the extent of the pad, by the way we

want to be sure to define that pad in its boundaries when we're down there. I'm pretty sure that most of it's visible but...

JAB: Oh yeah. When you see it you'll have a better feeling for it.

AJG: But as far as the selection we should be very very spontaneous about the selection of those tests. Well yes and no. There is one area that they didn't get around the leaching but is seggregated into one portion of the pad so we want to take a test from that and then we'll want to take just a general sampling...

AJG: You want to take a leached area and that which is not?

JAB: Right. Well, yeah. In the n/e part of the dump, the Emerald mine dump which was hauled in last and for some reason they didn't leach it. Whether they got closed down by the Sheriff or what is not clear but it was not subject to much leaching.

AJG: About how many tons was that?

JAB: I can't really tell you - maybe 100,000 tons, something like that. If its leachable its a significant amount. So we ought to take a test of that and then test the other dump.

AJG: I guess so I can clarify my position a little bit further is - I am no different than you are when it comes to coming out of pocket with money. I'm probably just like you. I just simply want to be God damned sure that if I want to ease our way into it and not impose too much expense but with a complete relief program available for us immediately to fall back on if I've got to grab ahold of a couple of backer friends of mine - there in Phoenix. Bring Barry down - hell I don't care who we drag down there. Drag them down there and lets go through the process and lets see what the hell that pad's got to yield. And if it is commercial, delightful. If its not or its borderline, we've got ourself a ready market for a partnership to go forward with at least something that we can put figures to that we say damn it to hell now where can you get this kind of return for your money.

JAB: I think that that's right. And the thing that I'm looking at is if it turns out that the figures that we discussed last night are real, I don't think you want to let loose of any of it so you don't have to.

AJG: If they're real then we're home free. Naturally. And by the by its not going to take any $100,000 to kick that son-of-a-bitch into action I don't think. It will take around $60,000-$70,000 is the way my head is going all evening.

JAB: Yeah well...

AJ: If you are front loading and processing all the time. Again I am not there and I am not a professional in the field as you are. I am just doing equipment, you know, just from years passed and movement and the process is relatively a simple process I would gather.

JAB: Yes, it is a very simple process.

AJ: When you said $100,000 I thought it seemed a bit excessive. I am not opposing it, don't get me wrong. If it is there, what the hell do we care. The $100,000 comes back 30 days later or close to it.

JAB: Well, yeah, I think that we can certainly boot strap the thing along if the values and the eases is as Dick feels it is. On

the other hand, of course, as you probably know, when you get involved in drilling or exploration or exploitation of minerals there is always some damn little thing that you never thought about turns up and costs more money. So I kind of cringe when we talk about cutting it too tight because I always have problems with projects running....

AJ: What would you guess are the major expenses? What is your big dollar expense in the whole thing?

JAB: I think crushing...

AJ: That is what I though too. And of course your cat or loader work.

JAB: Right.

AJ: I have a man who is a very good friend of mine who I started in business 15 years ago, I mentioned him to you. Clyde Murray, Murray Construction Co. He is also the chap who had the coal mine in eastern Okloahoma with me. He has all kinds of ready equipment if we needed to use him. He is in Texas.

JAB: I think we can get all the equipment we need right there in Tombstone preferably or in Tucson. Dick has got a crushing mill in Reno that he can buy for about $13,000 but our feeling is that we simply should rent stuff. As long as we rent rather than buy we can continue to keep cost low in the long run.

AJ: There is something else I use to do years ago and I would be very frank to tell you. I would not be ashamed to knock on these boys' doors if they are big enough, such as the people who have the loaders and like and say here we are, hell come along with us, we have got this bank and that bank, my people you know. Here is your spot and your position, take a shot for three months and see where we end up together. Something of that accord.

JAB: Sure

AJ: Were I could go ahead and coordinate it as long as they know that is suitable dollars involved that is protected why all of that can be coordinated too. I have done that a hell of a lot of times with drilling programs. As long as they know the dollars are there to protect the whole program they are willing to take a piece of the action in the long run. Do you follow my point?

JAB: Yeah.

AJ: There maybe 25 or 20% to be aabsorbed my the very matter of the equipment people.

JAB: I am sure that that is a possibility. But if we can simply get a low cost crusher and simply start her up I think our costs are going to be pretty low. Let me look at one thing. We have to have an atomic absorption machine which will run us $5,000 unless we can rent one or find one used. The laboratory is going to cost about $10,000 which is one big cost. Mangement at $8,000, chemicals at $5,000 and then the operators would fill $5,000. And then we would have to get a power hook-up and the power company is going to require some front end money to make sure they don't get burned.

AJ: I thought that was already connected with power.

JAB: The power is there but they don't throw the switch until you get some kind of credit arrangment with them. They may have to

reconnect a few wires. The power is to the poles.

AJ: So I am up to $50,000.

JAB: That is what I totaled up last night. Up to $44,000. Then the crushing and dozing would be another $30,000. It just depends how quickly we start....

AJ: Jim, that is an ongoing process though.

JAB: Precisely. We may be able to start cranking. Dick feels he will some metal out in one month but he also feels it is going to cost about $100,000 to get it underway. I think the critical thing is to go ahead and make some small tests and we can probably start with some very small tests in garbage can leaches were we would leach a 100 pounds or so of material. Then we could go on the scale upward. The dump truck...

AJ: I sure like that idea.

JAB: This sounds complex, AJ, but it is so much simpler than any metallurgical process that you get metal out of the ground with. It is just simply astounding.

AJ: Are you talking about Dick's work?

JAB: Dick's work and the general idea of leaching of gold and silver with the chemicals.

AJ: Do you simply bathe it?

JAB: Yeah. The chemicals that Dick is talking about

AJ: Do they anticipate very quickly those chemicals?

JAB: The standard is cyanide and that is a little bit tricky because it is highly poisonous and then you start to get a little bit of static from the environmental folks.

AJ: We can't have that.

JAB: So we are going to use photo chemicals, sodium phyosulfate which is hypo. That is non-toxic and is specific for silver so we would leach the silver out first then go to a hydochloric acid leach with salt which brings out the gold and so we will end up with essentially metallurgically pure silver and metallurgically gold.

AJ: Does the solution dissapate rapidly or is it fairly reusable over a period of of time.

JAB: The hypo dissapates fairly rapidly but it's cost is about $.18 a pound versus about $.40 a pound for cyanide. Quite inexpensive material.

AJ: Do they rule those baths back or do they just discharge them after they feel they are...

JAB: Oh, no. You just keep recirculating the same water adding the proper chemicals.

AJ: I see. In other words you are just timing your process.

JAB: Right, right.

AJ: Well, I don't want to get too god damn excited about it but it sounds awfully, awfully good, doesn't it.

JAB: It sure does to me.

AJ: I try to shoot holes in the son of a bitch and you can't shoot holes until you get all the information but the only thing I can do is just simply say... I want to be able to protect the program. I talked to Barry today about it and he said he had talked to you. And I said we must protect the progam. In other words if anything happens to this we simply shift back to where we were before and go straight forward. I don't want any time

lost to where we can't save ourselves and substitute. See, I have got the god damn thing sold twice.

JAB: I see. Well I certainly agree with you, AJ. Because as good as it sounds if there is some quich that we don't know about. The district is still there there is still all the potential that we have talked about before....

AJ: It must not in any way defer our enthusiasm.

JAB: Precisely. But on the other hand you simply. Gee, I have never walked into a situation where everything is right there and you literally have to do practically nothing. They have spent, I would imagine, about a $1.00 a ton to pick up those dumps and move them. So we have got a million dollars right there. It is like someone handing you a million dollar bill. They have got $150,000 involved in the plant. OK so someone is giving you another $150,000. The only thing that we have to do is if those values we talked about yesterday are indeed there, all we have to do is crush them, deliberate them and go ahead and leach them.

AJ: Another thing I want to forwarn you about is this. In the future if you would, for Christ's sake don't divulge dollars to other people. No matter who they are. I know that was an oversight and these things to happen. As an example we are working on and earning a postion, I assume it is written up this way, that eventually we pay these people out, the Tombstone Development Co. Is that correct?

JAB: Right.

AJ: In other words we own what they have.

JAB: Yeah, I think that is written in. Quite frankly I can't verify that for you but I am pretty sure that is written in.

AJ: So actually we end up with the game. Is that correct?

JAB: Well, that was our objective whether they will go for that or not is unknown but I think Dick said he had negotiated that with them.

AJ: At any rate let me take the next step. There is a million dollars in treating the dumps, there is a couple of hundred thousand dollars in the plant. Well, god damnit, that is all ours. For somebody to buy into our game, based on our position we can justify if you will no matter the heap is, what percentage it would be obviously commercial because we would go back to our first A position. Basically it is commerical because if the price of gold and silver keep going up, who in the hell knows what will happen. My point being, when we make a presentation to people we make a presentation in lieu of what is available to us. But that becomes a cost factor to them. In other words what we ended up with is our goodies, but what we invite them in for is a second number. When we talk about expenses let's keep in in-house and in-family, that means you and me and maybe Dick.

JAB: Are you specifically referring to my discussion with Barry.

AJ: Because Barry is enormousley excited about this. Between us, he has a gentlemen that he had been trying to get together with me who is a heavy, heavy, heavy weight and the type of guy we can take hand-in-hand along with me and do some.....

End of tape.

AJ: ..... that in effect rang a bell to me because these numbers are privy to ourselves and not privy to anyone else.

JAB: I did not realize you felt that way regarding Barry but I will certainly....

AJ: It is not that I feel that way regarding him personally. Barry I would tell him a 100 or whatever it is we know it is. But I don't want him to go ahead and start talking. To be frank, he started to talk to his firm about this. And I don't want him to talk to his firm about this and say it is 100, and what the hell is 100 when ... The time that you spent, the time that Dick spent, the time that I have spent all of it put together. Then the money, the contributions, then what is there in assets, you put the whole story together there is a couple of million dollars worth of game going.

JAB: Yeah, you are absolutely right.

AJ: They are walking in for whatever it would be. Who in the hell knows what it would be. The point is that it is for their benefit and they can write it off; therefore, we coughed it out to them. I don't care. It doesn't make any difference. It is still for their benefit. Enough said. You see the direction...

JAB: Right, right. OK. We will keep mum on that. I agree with your for another reason. I always hate to bandy figures around too much if they are going to get too widely spread because then there is anything wrong with this then I have got to wipe pie off my face.

AJ: Who is going to pay for the $12 a night room I am spending in Tucumcari and those type of expenses. I had a bowl of chili tonight. How is going to pay for that son of a bitch. (Laughter).

JAB: The best way to get a real handle on this is to meet down there on Sunday with Dick and then we will be ready to roll from there on which ever way we think is the best way to go. We mutually think.

AJ: That will be fine. Then I will go on to Phoenix and turn around and come back through Tucson.

JAB: OK. If you want to fly down there, there is an airstrip there and we could meet you there if that will save any time. But that is up to you.

AJ: What is the drive time between Tucson and Phoenix?

JAB: Depending on how good you are dodging cops. It is about two hours I would say. Then it another hour and a half to Tombstone.

AJ: I am sorry I started so early in the week. I could have run into you guys on Sunday. I'm right here, on this side coming in. Well, can't do anything about that now. In closing, did Dick get everyone signed up.

JAB: I haven't talked with him this evening and I guess he is probably fratinizing with them or something.

AJ: Was it singed up?

JAB: Last night the intention was to get their signature on this contract so unless something has gone rye, I am sure that Dick has got their signature.

AJ: OK, fine. I'll let you go then. Look forward to seeing you Sunday. If you need me leave a message with Barry because I

touch base with him everyday.
JAB: Sounds good.
AJ: Talk with you later then.
JAB: Have a good trip.

J

TC # 7067 - 2/8/79 - 11:47-12:29 From RFH Denver To JAB SEA Office

JAB: Hi.

RFH: Hello?

JAB: Sounds like you're in a barrel.

RFH: Are you on your speaker phone?

JAB: Right. Got all the undercover agents here gathered around listening to you.

RFH: (inaudible). I'm on my shoe phone.

JAB: Are you still in the discoteque?

RFH: I'm in Denver now. I've got load of alfalfa here I'm trying to sell.

JAB: What's new?

RFH: I think I made you a millionaire.

JAB: Wonderful. Hold it, let me switch you over to my regular phone here. Okay. Now I'm with you.

RFH: I think I made you a millionaire today. Not today, last night.

JAB: Wonderful.

RFH: I've got that signed contract...

JAB: Beautiful...

RFH: It isn't just a letter of intent. It's a full contract that (inaudible). Now that's the good news.

JAB: Okay.

RFH: Do you know what happened to me yesterday?

JAB: I can't imagine.

RFH: ____ got a call from a guy that offered them a million dollars for the heap. I had some competition. Gees I didn't finish till about 10:00 last night. Then the price of gold hit $2.51, silver $7.50...I don't know what. I had three bits of competition. Price of gold, price of silver, and then this (inaudible) that offered them a million dollars.

JAB: Good heavens. I can understand the position you must have been in.

RFH: The complicating factor is that in the way that I had to draw up - finally got them to agree. Five times they said no, we're not going to do anything. Yesterday. Anyway, a complicating factor

was that - remember when I told you from the start that I'd like to have AJ go and see them?

JAB: Right.

RFH: And they said we don't even know who we're dealing with. They kept coming back to that. So then, you know what they did? Those dears, those darlings, they said Dick, we think you can do the job there, by God we're thinking about financing you ourselves.

JAB: I'll be darned.

RFH: I said but I've got partners. Briscoe is my partner. I got that in your contract by the way, you'll be happy about that.

JAB: Wonderful.

RFH: And they said well, we appreciate that, but what if this guy doesn't come through? Have you ever met him? I said no. Mistery guest. They changed - I really learned alot about contracts. I thought I knew alot before but...I typed the whole God damned thing.

JAB: Do you carry a typewriter with you now?

RFH: No, I borrowed theirs. Took it home last night.

JAB: I see.

RFH: Anyway, it is one page short of being unlucky. There are 12 pages. They've signed it and I've signed it. They said this is what we'll honor. We don't need any more damn lawyers and they thought I did a good job on the contract. Anyway, the peculiar news - there is no bad news - the peculiar news is that they have it structured, and I can't blame them, that somebody - whoever - they said now if this guy konks out we're going to write the agree so that you and Briscoe have an agreement so you can get a different investor. They said we don't wany anybody else. We want you to manage it. Bill Height there calling to get me a place to stay...

JAB: In Tombstone? Is that right?

RFH: They said we might even buy you a trailer. And they were thinking about taking some land and making a trailer park and oh dear...they're gonna all come down. I couldn't have gotten a better response. So anyway this is the peculiar way now that

the agreement was all twisted around. That whoever is going to sign it and I still hope it's AJ. Don't misunderstand me. But I'm just saying that things changed so fast that they've written it so that - it's written I should say, so that somebody can just show a little financial worth and then get the deal. But - the only but is - that I had to agree that they would get $90,000 in royalties over a year.

JAB: Okay.

RFH: That's that $7,500 a month.

JAB: Uh huh.

RFH: So they have it structured so that whoever comes in, will guarantee them over a period of a year, $90,000. That's 12 months of $7,500 a month. Do you follow me?

JAB: Okay.

RFH: And then after that there is really no committment. You know I kept saying AJ the DJ - I didn't put it that way but...they said we don't give a, Dick, we don't care what you put in the contract as far as what an obligation is before you determine (inaudible). Because how are we going to do if you spend $50,000 if you spend 500? That's obvious - but they said we can't prove if you've spent $100,000. We can't prove - we don't want to. We want to trust you and we want to have an investor that you feel comfortable with and that gives you the money to get it into production. And so they structured it that way.

JAB: Okay.

RFH: Now they have in there - or I suggested, well hell, I'll put in that before you can terminate the lease, see the termination - it all boils down to the termination clause. The termination clause reads this way; after an expenditure/development expenditure $200,000 is spent and an equivalent of 12 months minimum royalties ($90,000) you know, 12 x $7,500, then the lease can be terminated.

JAB: Okay.

RFH: That's what the whole damn thing boils down to. Now I couched it so that I put in there that there be a bond put up which would cover that. And I found out that a performance bond costs

$10 per thousand. And so I put in there that there be a performance bond of $150,000, you know, which would cost $1,500. So anybody with any financial worth at all, you know, could get a bond...

JAB: Yeah. The only thing about those bonds is that all that means is that the bonding company assures the owners that the bonding company also goes back and attaches the assets of whosever signed the bond.

RFH: So that's how they determine whether the person has any worth. Do you follow me?

JAB: I see. Okay.

RFH: In other words they said, well God you can tell me this and we believe you, but if whoever this person is is another shakey. Bill Height calls Bruce shakey. We want to (inaudible) and we want to protect you and Briscoe. And so we couldn't come up with any other way - he said - you know, I showed him this newspaper, I don't have to comment on that...so now the owner to get that performance bond is on the bonding company. But like I said we called and talked to him. I went over there. And they said it ranged from $7 to $11. Per thousand. That would guarantee you know, that there aren't any liens or anything. The insurance $2 million dollars insurance is what you would want anyway, and that costs $2,000 or $3,000 a year. I think it was $3,000.

JAB: Okay. We'll that's no sweat. I've got bonds running out of my ears already in relation to some other projects.

RFH: Well anyway, that's what it all boils down to. You know what that heap is worth, don't you?

JAB: At present prices? Yeah.

RFH: Okay let's cut them to thirds. You can recover oh 2 - 1 1/2 ounce of silver, would you agree with that?

JAB: Yeah, well yeah.

RFH: $15? Can't be over $5. That's $10 a ton profit. For a million tons that's $10 million dollars net profit.

JAB: Well I don't see how we can go wrong.

RFH: Not talking about open pit. (inaudible) million dollars in your

little pocket.

JAB: Chuckle chuckle

RFH: It's true.

JAB: Yeah that's right. That sounds good. That ought to go a long ways towards your law suits with Big Bruce or whatever.

RFH: I would like to forget about him.

JAB: That'd probably make it a boot point actually. How realistic do you think that sample is that they took?

RFH: I don't know if it's that high if it all averaged 3 1/2. I'd say this, there would be at least 50,000 tons that would run that high. They hauled more than that. They hauled, there would be at least 200,000 tons that would run that. But I'm just assuming, you know, an 02 recovery and 1 1/2 silver. But see Ralph sampled the hell out of that at the request of Bruce when they were trying to get a (inaudible)

JAB: Why in the world did they walk off and leave that? I just don't understand it.

RFH: If somebody can explain to me the philosophy of Bruce Stevenson you will have accomplished something. Maybe have to put in more money, and then, you know I was down there a lot with Ralph when that was coming to an end, and (inaudible) dies (inaudible) dies. And that froze up all their assets. They didn't have any money at all. Remember I told you that - Ralph told me that Dan Cook was fired and that whole house of cards tumbled down. They just didn't have any money to spend - see I think too that all of the ideas that I had on what I called the secondary recovery of it, they didn't want to do because they would have to admit I was right. That isn't really the case but, well, they just didn't do it. But Stan Sleepy (ph) getting fired, Dan Cook, (inaudible) died and it killed everything. It is funny, one of these partners is his wife, married to a Hammond. (PH)

JAB: One of whose partners?

RFH: Baxter.

JAB: You mean one of the farmer's partners?

RFH: Yeah. And he knew about that (inaudible) died and he shitcanned all these mineral projects.

JAB: I see. How come Arol (?) wasn't involved in any of that?

RFH: Well he was a politician. And Rolland always stated that he just bought him a governorship and an ambassadorship to get him out of the way. To get him out of the business. Arol my God, what is he? 85, 86 now?

JAB: Yeah, something like that.

RFH: He was 83 when he married that 26 year old snapper and hell I thought that would kill him first. You know that was 2 or 3 years ago so he's got to be 86...would you call him active? Better ask that snapper. She's never really been involved with the business side of it. Those are all trusts. The trust precludes him to be involved with it.

JAB: I see. Okay well, AJ is very intrigued with this like anything that sounds so good you know, sounds to good to be true which makes him terribly nervous. And what I've made arrangements as we talked about before is all of us go down there on Sunday and go over these things.

RFH: Got a million tons of money sitting there. He got a fantastic deal.

JAB: Oh yeah, it's overwhelming.

RFH: I'm sure that I'll be able to sell AJ on it after dealing with these farmers I could sell anything to anybody.

JAB: I don't think there is a doubt about it. But he...

RFH: But, it still has to be done.

JAB: Precisely. He's not, he doesn't really have a feeling what tough turkeys these guys have been to deal with for years and years...

RFH: They said when I got there Bill said because you're a friend we'll listen to you, but we're not interested in doing anything with it. Silver at that time was $7.15. Height when I was there he sold - he made $100,000 on that silver (inaudible)

JAB: Did he take product in kind from Bruce down there?

RFH: No.

JAB: So this is other speculations.

RFH: But I've got that in the agreement that everybody can take product in kind. But, you know, those guys are really wealthy.

And that's another reason why they're so hard to deal with. Nufelt is the richest man in Grand Island. He must be worth, I don't know, I'd say 30 million.

JAB: Is that right?

RFH: And Frank Gallup is a pauper. He's probably worth 10 million dollars. They all said well nobody has ever had on any kind of a deal ever got them to all sit down for 4 days. They all remarked on that.

JAB: I can beleive that. Do you think that they would want to put some money into this if for some reason AJ doesn't want to put all of it up? I don't know that that's the problem...

RFH: They wouldn't want any partners.

JAB: So they would want to do it all themselves.

RFH: I couldn't get them to believe that this guy was real.

JAB: I know what you mean. Quite frankly I have to tell you he's not come through with any money yet so I'm going on good faith and I've been told by other sources that

END OF SIDE 1

RFH: I though he was going to send you $15,000 last week.

JAB: Well that was Karen Lake and they have not done that. By the way what did you do with that check?

RFH: They have it.

JAB: Okay. Are they cashing it or...

RFH: No. The agreement states it on signing. And that depends on whoever signs it. If AJ isn't the bird so to speak...I don't like to put it that way Jim but I'm only saying that they, you know, changed the deal around, you know, in other words AJ's philosophy is I'm going to put up $300,000 and that's guarantee for them. But they don't want that. How can we tell how much money is spent? Fly up in the air and smell and I can tell Briscoe's plane was up here taking pictures?

JAB: Well I understand precisely what they're saying. They don't want to run around with a bunch of bookkeepers and accountants checking the books.

RFH: And Height said, you know how old I am Dick? I said yeah, your wife told me. One more birthday he's 80. He says Dick I want

you to pick a person who you want to operate it and he said, all the protection we're going to have is over a period of a year we'll get $90,000. And gees you'd knock that off in a couple months. 3 months or so. 2 months. Depends on how many crushers. That's no big deal and I can't disagree with him. I figured out that 25,000 tons a day at .1 and 2 ounce silver, they'd be getting over $60,000.

JAB: Okay now the one thing that I know AJ is going to bring up because he is very intrigued but he's also very worried about sticking his own money is this, I guess anybody would since he's gonna be the one on the hook for the cash - is what if something goes wrong and he signs it, then he's going to be on the hook for $190,000 I guess plus whatever.

RFH: It's just 90. Mike (inaudible) says well how, I've got the number in there of spending $200,000 but hell that's academic. It would be as hard for them to prove 100 as it is 200. So really all they're concerned about is that the person is going to guarantee $90,000. And that's over a period of a year.

JAB: A year from signing?

RFH: Yeah. $7,500 a month. Still you got to focus on that. You know it has boiled down to that precisely. That's the exposure. The budget (inaudible) you know, performance bonds and insurance, there is no big (inaudible) but the person on the performance bond would require a financial statement. And the only risk that they have would be $5,000 worth of taxes. In a year. So the risk is really about $100,000 exposure plus $100,000 investment.

JAB: Right.

RFH: And that's a hell of a lot less than this $465,000. You know from the point of view that they were going to raise that much.

JAB: Oh yeah. Right. Precisely. Okay, what he wants to do is if we can clearly test and be sure that everything is gonna go ahead, he wants to go ahead and put up that money...

RFH: Its easy to prove Jim.

JAB: Okay.

RFH: That's childs play.

JAB: I guess what it boils down to Dick is...

RFH: ...he hasn't sent you any money. You didn't exactly tell me that. You hinted at it but...

JAB: Let me. Let me tell you what is happening is that this $15,000 was supposed to come from Karen Lake. They've made a call on it but as far as I know they have not come through on it. So what AJ is going to do is bail them out for failure to perform. Well, the fact remains I still don't have any $15,000.

RFH: Well I'm sorry I asked you for that $500. I didn't realize that.

JAB: That's okay. I haven't shipped...that's why I wasn't being overly generous I guess. But quite frankly except for the $5,000 that I received which $1,000 went to the lawyer and $1,000 went to you and I've got $3,000 left in the bank and a check for $6,000. That's all I've got. So I'm working pretty much on faith that this will come through.

RFH: I understand.

JAB: So I think you've got one more selling job to do and that's to make sure that AJ is enthusiastic. Then we'll see whether he come's through. If he doesn't then it sounds to me like you've pretty much got the contract in pocket anyway.

RFH: No, we do. Don't make any mistake about that.

JAB: Okay. Okay. So...

RFH: AJ was the one that initiated this and I'm not going to think beyond that.

JAB: Well I think that that's right.

RFH: (inaudible) because it's a responsibility.

JAB: Right. Precisely. And I think that he can perform. He's like anybody that suddenly you tell him that you're going to plop more than a million dollars in their lap for very little investment. You know you wonder where the catch is. Whether you're buying the Brooklyn Bridge.

RFH: 22. Well...

JAB: Let me go ahead and explain a little bit more of my conversation with him last night you got to get him on strong. I suggested that we crush up a dumptruck load of stuff and run it though one

of Louie and Charlie's little plants as essentially pilot test. Is that reasonable and possible?

RFH: Sure. For that type of thing yes.

JAB: I think what you ought to do is outline a sequential testing operation so that we can say yeah the values are here and yes the system can work and here's a slightly bigger test and slightly bigger test and everything is all go. And lets go ahead and plonk in the money.

RFH: That's easy.

JAB: And a time schedule. That's not going to take very long is it?

RFH: A week.

JAB: Okay.

RFH: I could do it in less but I've got to physically get there and locate this stuff. You know got to locate a crusher, got to locate the guy to find out whether I can use their...

JAB: Charlie and Louie you mean?

RFH: And there is a good chance I can't.

JAB: Okay. Now Ed and I have been talking with them about corraling their other ground, you know, in the State of Maine. And they seemed very ameniable to that. So, and they don't seem to really hold any terribly hard feelings towards you. I think they're kind of shell shocked about the whole thing which I think is probably understandable.

RFH: I've been over to see them every time I go down there.

JAB: Great. I really wasn't...

RFH: I might just bring an iron exchange column. I can build that. In case I can't get one of their plants.

JAB: Yeah. Okay.

RFH: Is he going to give you some money for this?

JAB: I don't know. We're gonna find out. We're gonna get squared away on that hopefully Sunday.

RFH: It will cost about $2,000 for me to do all that.

JAB: Well, what I'd like to have you do is work out a procedure and budget for the initial test. Okay what he wants to do is - and I think what we're talking about is splitting this 50/50. If we can get it underway for that $100,000. That he'll put in his

money. If theres any goiches in it then he wants to go back to the original plan which is just great.

RFH: You mean that 30 or going down to 15?

JAB: No, the original plan of raising the 450.

RFH: Oh I'm sorry. I understand.

JAB: In which we go out and do geology and so on.

RFH: We don't need that right now.

JAB: See you're absolutely convinced and I certainly have faith in your opinions on that, but what he wants is a contingency because he said that he has - if Karen Lake does not come through, he has got 2 other groups that he's essentially sold this thing to.

RFH: (inaudible) $100,000. You're figuring out one crusher at 50 tons a day would give me 10,000 tons a month times a minimum of $10 profit thats $100,000 the first month. Profit. That's at 02 and 1 1/2 silver.

JAB: So you think you're actually gonna - how long is it going to take you...

RFH: The day I'd start down there I'd start crushing. I mean on a production basis.

JAB: Right.

RFH: So I'd generate $100,000 the first month. Net profit. And then I'd have the money to buy another crusher. Because the crusher is really is the critical factor.

JAB: So really the only thing, if we go ahead and rent some of this stuff -

RFH: But I don't know if I could find it. I had Johnny, remember we talked to him in the Wagon Wheel. I had him search and he couldn't find it with all the construction companies. There are rental stuff available. I found a cone up here - I'm in Denver now but I mean in Sparks for $13,000.

JAB: How much?

RFH: $13,000.

JAB: Oh yeah you told me that the other day.

RFH: So what I would do is put - that's at Silverlake machinery company.

JAB: You don't think that we can simply get any contractor in there to work on assembly because they're busy with other things?

RFH: I don't know. There is a possibility but I don't honestly know. And I won't know that stuff until I get started down there. I'm out of touch.

JAB: Yeah. Okay. Why don't we attack that the first part of the week...

RFH: It's quite possible because you've been having chilly weather.

JAB: Yeah, lots of rain and so forth so many things...

RFH: So its possible that there would be one but I can't promise that until I get down there and actually get a guy to swing a deal.

JAB: Right.

RFH: Now you see, Ernie has got a little bit of equipment.

JAB: Yeah.

RFH: He's got a good front end loader. With this (inaudible) guy has 2 crushers. But Johnny couldn't make any progress with him. And I didn't want to disclose the fact that I was trying to get this stuff from Height anyway to anybody which I didn't do and haven't done yet. Other than you. And so probably Johnny Escapul didn't pull a, didn't seem like a financially stable person. Looks like a guy that's on welfare. (inaudible) working on that fox and he does have 2 crushers just sitting there. And then this guy Campbell - that's the name I could never remember, he's the one thats working out there at TMR and they've got a (inaudible) cone and a jaw (?).

JAB: They'd have to relocate that.

RFH: That's child's play.

JAB: Is it?

RFH: Take a day. A good day. Cause you would have to locate a truck. No, that's childplay. And then Bill Height said well why don't you see what the hell the deal is with Shakey and the crusher and the grinder there at the State of Maine mill, I said I don't want to even see those men.

JAB: Yeah.

RFH: He said well I don't blame you - I don't either, you see if Charlie and Louie get that, and I don't know how that's going.

Last time I was there which was at Thanksgiving equipment was there.

JAB: Yeah. I think April 1 is the trigger date on that. But boy I sure don't want to poke a sleeping dog before then. I'm afraid that Shakey would descend on us with some kind of...

RFH: Well anyway there's just a few around there and I'm sure Johnny didn't try in Sierra Vista or hell, a guy in St. David can have one. I just have to physically

END OF SIDE 2

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James A. Briscoe, President
Registered Professional
Geologist

CDG

Southwestern Exploration Associates, Inc.

February 9, 1979

RETURN RECEIPT REQUESTED

State Land Department
1624 West Adams
Phoenix, Arizona 85007

Dear Sir or Madam:

Enclosed is our Purchase Order #4111 and four (4) checks (#1002, 1003, 1004 and 1005) each in the amount of $25.00. These are for the following sections of land:

LEGAL DESCRIPTION:	SECTION	TOWNSHIP	RANGE	ACRES	COUNTY	GRANT
Lots 1,2,3&4 $S\frac{1}{2}, N\frac{1}{2}, NW\frac{1}{4}, SW\frac{1}{4}, NE\frac{1}{4}SE\frac{1}{4}$ and all other open state grounds in section	2	20S	22E	398.12	Cochise	
Lots 3,4,5&6 $S\frac{1}{2}NW\frac{1}{4}, SE\frac{1}{4}NE\frac{1}{4}, NW\frac{1}{4}SE\frac{1}{4}$ and all other open state grounds in section	3	20S	22E	299.27	Cochise	
Lot 2, $NW\frac{1}{4}SE\frac{1}{4}, SW\frac{1}{4}$ and all other open state grounds in section	8	20S	22E	263.76	Cochise	
All state Lands in section not presently under mineral lease	16	20S	22E	320.84	Cochise	

If there are any questions, please contact either Mr. Clark Green or Mr. Thomas Waldrip at the number above.

Thank you.

Sincerely,

Christine M. Dodson

Christine M. Dodson
Mgr. Business Services

CMD/lje
encl.
P-418
2003

DAY/TIMER time-Saver LETTER

Southwestern Exploration Associates
4500 E. SPEEDWAY, SUITE 14
TUCSON, ARIZONA 85712

(602) 795-6097

IN REFERENCE TO:

AIRMAIL ☐ FIRST CLASS MAIL ☐ INTER-OFFICE ☐

FOR JAB

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

FOLD FOLD

DATE: 2/9/79

Jane informed me you needed the total amount for P-418 Jan. 30 billing. The total will be $3,971.66.

Consulting	3,491.25
support staff	318.50
Expenses	161.91
TOTAL	3,971.66

Just incase you might need it, for the week of 1/27/79-2/2/79 the total is $3,215.84

FOLD FOLD

BY JMC

REPLY

DATE:

BY

DAY/TIMER time-Saver® REORDER FORM No. B2420L, DAY-TIMERS, Allentown, Pa. 18001

Telephone Conversation Of 2/20/79 Between JAB and A.J. Greenbahm 9:45a.m. to 10:01a.m.

JAB: "Hello"

Operator: "Mr. Briscoe?"

JAB: "Yes"

Operator: "Long distance calling."

AJG: "Hello Jim"

JAB: "Hello A.J., how are you?"

AJG: "Hi, how are you doing?"

JAB: "Good, sorry I missed your...."

AJG: "I heard you were off on a seminar over in California."

JAB: "Ya, it was a very useful, uh, seminar."

AJG: "What was it, Jim?"

JAB: "Oh, it was called, uh, Fundamentals of Finance and Accounting For the Non-Financial Executive, given by the American Management Research Institute."

AJG: "Oh, alright."

JAB: "Ya"

AJG: "I would, kind of, liked to have gone over to that myself."

JAB: "Ya, its one of the best seminars I've ever attended, quite frankly."

AJG: "How many days was it?"

JAB: "Ah, a three day shot with, uh, three different, lets see, UCLA business professors giving it. It was certainly not the uh...."

AJG: "You don't happen to know the professors of Financial, I mean, the Finance teacher who gave that?"

JAB: "I uh...."

AJG: "I've got a friend who teaches, uh, finance and accounting at UCLA; I went to school with him; his name is Dr. Burkholder."

JAB: "Uh, that was not one of the professors, although that name sounds familiar. I don't know whether he was an alternate or not.

AJG: "Jim Burkholder is his name, B-U-R-K-H-O-L-D-E-R. I went to Harvard with him, he's a double, double sharp guy.

JAB: "Well, I'll be darned."

AJG: "But at any rate, that sounds awfully interesting. Do they give them periodically?"

JAB: "Ya, they do, its, uh, given, gosh, I probably, about four times a year I expect. The fellas that gave this were a David K. Ikeman, uh, Maurice B. Goodwartz, and Keith V. Smith, and all three of them were very very excellent. They did not spend much time on the, you know, the normal, uh, you know, what, how do they term it, the Bean Counting type of accounting, but this is business accounting, cash flow, budgeting and, uh, time value of money, discounted cash flow, rate of return and so forth. So it was a very...."

AJG: "Sounds like it would have really been the ticket for me."

JAB: "Ya, it was highly useful, I, as a matter of fact, it was so useful I'm having Maurice Goodwartz come down and give, uh, a, the same seminar for all of my managers."

AJG: "Would you do me a favor?"

JAB: "Sure"

AJG: "When they do that, I would be delighted to send a token, if I could be counted in on that."

JAB: "Oh sure."

AJG: "I would like that very very much, because I, everytime uh, uh, Max Glenn is my accountant, he's been my accountant along with, uh, well first of all, Elmer Fox was my accountant years ago, but Elmer got so dammed big, you know they did the routine, the large firm type of accounting program, kind of like an Auther Anderson. Hello?"

JAB: "Ya, ya."

AJG: "Or a Price Waterhouse program for the midwest."

JAB: "Uh huh."

AJG: "And I used to corner him all the time and, you know, milk him down for information, because, you know, I'm just not, I'm not knowledgeable in those areas. And then I turned and went to Max and I do the same thing with Max. What I would like to do is kind of have a effective program like you have, uh, a really, uh, saturation program."

JAB: "Uh huh, well you know I've, uh, been working with a CPA over the last five or six, well actually about seven years

years, but, uh, uh, he simply has not given me the detail that I got on this one seminar and I....."

AJG: "I'll bet that would be true of me too."

JAB: "Ya, just, uh, what they really showed us was, uh, oh, how to do, oh, cash flow budgeting, for example, was one of the more useful things and uh, cost accounting uh, that type of thing...."

AJG: "The type of things that are essential to management."

JAB: "Ya, ya, precisely."

AJG: "In todays, in todays, you know, fast changing pace, you need to have a, thats one of the, one of the, back breakers as far as management is concerned, you've got to, you've got to have the figures there so you can look at them and stack them up and know where the hell you're going."

JAB: "Uh huh, uh huh, ya, well, uh, we're trying to make arrangements for this fella to come in now, uh, I think what we are going to, well, about the only weekend we've got that everyone is still, still going to be in the office is, uh, March, uh, eight, nine and ten, which is Thursday, Friday and Saturday, but, uh,...."

AJG: " Well count, if you'll invite me, count me in and if you count me in, I'm delighted to contribute to it."

JAB: "OK."

AJG: "Because it would be, uh, enormously important to me."

JAB: "OK, well I think you'd, uh, find this particular guy very enjoyable and, uh, and very useful."

AJG: "And his name again was, Maurice...."

JAB: "Uh, Maurice, uh, Goudzwaard, I think is how it is pronounced, let, me, uh...."

AJG: "Goudzwaard?"

JAB: "Let me, let me spell it for you, uh, its G-O-U-D-Z-W-A-A-R-D."

AJG: "Goudzwaard."

JAB: "Ya, I....."

AJG: "Well of course, you're not, you don't have any gutteral, good gutteral."

JAB: "Goudzwaard."

AJG: "Goudzwaard, OK, well one of the purposes of my, do count me in on that, if you don't mind."

JAB: "OK."

AJG: "One of the purposes of my calling, is I've, since last Friday, I guess it was, have had some inquiries with regards to Tombstone and, uh, I've not been able to say anything more than just to, uh, leave it, leave it in limbo and what I wanted to do was, uh, does, uh, does, does not by any means, have, I'm not in the picture...."

JAB: "Uh huh."

AJG: "I'm not placing myself in the picture, however, I wanted to know where you were, size up where you were on, on that program because if in fact, if in fact, you're ongoing I need to know that, if you're not ongoing, what I might do is, these people that I know are enormously important people to me and uh, to the degree that I don't have to be in the picture in order to put them next to someone else."

JAB: "Uh huh, uh huh."

AJG: "To have them benefit by the program, in other, I've done this before in the past when, truthfully, I, there was times when I couldn't drill their money, there, they, they are bigger than I am in that regard. In other words they select, oh, what ever it is, five or ten or fifteen different independents to spend money with at one fell sweep and uh, I was never capable of, if you will, drilling up their money, it was that simple. I, I, just didn't have the programs, I just, I guess, I guess, like my wife says "you always blame it on the fact that you can't spend the money or have the programs is because you're fucking lazy sometimes. And that's true too, you know. But uh, they called and just as a courtesy I said "OK, fine I'll pick up the telephone and talk to Mr. Briscoe and find out exactly how far the program is along and size up the situation," quite bluntly I didn't tell them about us falling out."

JAB: "Uh huh."

AJG: "I simply wanted to find out where you were at with the idea in mind is that, that, uh, well...."

JAB: "OK, well uh, at this point, ya, it is uh, it is ongoing uh, we are, uh talking to, with some folks, uh, we've kind of, honed things down, uh, but uh, uh, possibly there's still some chance of them getting in, uh, uh, but I've kind of given some other folks the first right of refusal."

AJG: "OK, alright, fine...."

JAB: "On the thing.... Uh, but dig in, you know if, depending on what you're interest and their interest is, well sure...."

AJG: "Well I don't think that I have an interest, I don't think that that would be fair to the project."

JAB: "Uh huh."

AJG: "As far as them, and the project is concerned, if the project is, if you've been able to assess whether or not the project is buyable, and uh, is in fact all, if it has all the representations that we feel is there, I'm delighted to put you next to these people, with my blessing and of course, uh, my recommendations for them to participate."

JAB: "OK, well, uh, it certainly appears to be in uh, uh...."

AJG: "Have you been able to do any assay work, by the way?"

JAB: "Nothing additional to what, uh, I think we had at the time you were down."

AJG: "Uh huh."

JAB: "Uh, but, uh, everything else seems to be falling into place, uh, nicely, so...."

AJG: "In reference to what?"

JAB: "Oh, uh, we've made arrangements to get the power hooked up and we've talked to a few, some uh, contractors regarding uh, crushing of, uh, of the uh, heap material and uh, oh, lets see, uh, got some costs on additional sprinklers we need and pumps inventoried, uh, that type of thing."

AJG: "Were you planning to take that assay step before crushing?"

JAB: "Well, uh, I think what we'll start doing is simply start by irrigating, uh, the existing dumps without going further...."

AJG: "OK."

JAB: "Uh, the assaying again is uh, to do it in a meaningful fashion is fairly expensive, uh, and uh, I think we can simply go ahead and uh, try uh, irrigating the dumps as they are now and see what happens...."

AJG: "Oh."

JAB: "With about the same effect."

AJG: "Ok, well, I'll, if that's the end of the summary, well, I'll just simply state what you stated and, uh, I can get back to you in a week or so and, uh, find out how you are progressing."

JAB: "OK, what's the situation with that, the contract that was supposed to come from the Matricks people, did Barry ever get that or....?"

AJG: "inaudible...in fact I asked him about that, the, Barry's a little tight on this deal, by the way, and I'm out to calm him down. He says that we have a contract together and he's pretty adament about it, and uh, I told him we'll see about that, cause the only one who is basically, is involved is my, you know, the number two partnership and myself, the contracts you signed were with me and it's up to me to release you or not to release you. I don't give a damn, if the contracts were signed here in this office they are binding contracts and until they are written up and released uh, you've got a contract. I understand that you are particulary trying to get my business obviously and I understand that you are trying to protect me, but then, you know, they're still left up to me, and the man is, uh, and I have, you know, basically said that there was, verbally, and I want it backed up with, uh, a dismissal of the program, you know...."

JAB: "Uh huh, uh huh."

AJG: "But at the time when I was talking to him, at any rate, we eluded to the Matricks deal, Mary Beth never sent a damn thing over to him...."

JAB: "You say that he hasn't recieved anything?"

AJG: "No, no, not a thing!"

JAB: "OK, what...."

AJG: "Which is rather curious, because you said they had mailed it, I guess a week or so ago."

JAB: "Well, that's what I thought, I quite frankly, I'm just getting to the bottom of my mail so I thought it might be in it, that's why I asked you whether you...."

AJG: "No, it's not."

JAB: "Uh huh."

AJG: "Not a bit of it."

JAB: "Well, I've been out of touch with them since last Monday uh, I really don't know whats happened to it, but, uh, I'll see and if you have any interest in looking at it I'll certainly have them send it along."

AJG: "OK, and the Randsburg, I still have the Randsburg book, by the way...."

JAB: "Ya,...."

AJG: "Oh, and I have the originals on the Tombstone, with me in fact, they're not back at the office...."

JAB: "Uh huh."

AJG: "So I can send those to you."

JAB: "Ya, I would, I would, uh, appreciate, particularly the Randsburg uh, book, of course Tombstone too."

AJG: "Ya, I'll send those all on down to you and uh, when do you think you'll have electricity and everything connected on Tombstone and movement out there?"

JAB: "Uh, oh, I suspect it will probably be another week, I think."

AJG: "For electricity?"

JAB: "Ya, I think so."

AJG: "So then basically your program should be off and running, then uh, about when?"

JAB: "Well, I think it will probably be about another uh, seven to ten days, I suspect."

AJG: "OK, fine, well then I'll go ahead and, and plan to call you then uh, in the, in a ten day period and give you plenty of room to do what you have to do and then if, then if, there's something to talk about, why we can pick it up at that time."

JAB: "OK, uh, if, do you have any, any, uh, phone number you can be reached at now or are you still...."

AJG: "Right now we're not giving it out, to be frank with you."

JAB: "OK."

AJG: "And I will uh, uh, give you one number that you can contact me at uh, anytime, nine-five-five-zero-five-two-three, (955-0523)."

JAB: "Nine-five-five-zero-five-two-three, OK."

AJG: "And uh, well alright fine, we'll leave it there and uh, like I say, I'll talk to you in about ten days or so and, and see where you're at at that time and and, if I may, with your permission, I'd like to, uh, they'll be reaching for me again, I'd like to, disclose the program as you,

AJG: you've stated it to me."

JAB: "Sure, OK."

AJG: "And tell them where it's at."

JAB: "OK, that nine-five-five number is in Arizona?"

AJG: "It's Phoenix."

JAB: "In Phoenix, OK."

AJG: "I've got a town out there now."

JAB: "OK, well I just didn't know where, where your present location was...."

AJG: "inaudible."

JAB: "Ya."

AJG: "inaudible."

JAB: "OK, well now my understanding is then that uh, at some point you're going to uh, send a quick claim or uh, a release or something along."

AJG: "Well, as soon as Barry calms down a little bit, because he was pretty well inflamed about it."

JAB: "Uh huh, uh huh."

AJG: And uh, because he, it is a binding contract between you and I."

JAB: "Uh huh, right."

AJG: "And uh, I figured I'd just let him go ahead and do his indignant, you can't do that to me, client type thing, you know, you understand how attorneys are?"

JAB: "Sure."

AJG: "And uh, that's just drumming up business, is all the hell it is, you should, I'm, I'll protect you and so forth and so on, you shouldn't let it go and all that bullshit and I'll just let him calm down and uh, I have business to talk to him about today and I'll see what his feeling is about that today and uh, to answer your question, yes."

JAB: "Ok, ok."

AJG: "So this is left up to me uh, to uh, I don't think that it's a quick claim, I think it's less than a quick claim. I'ts a disclaimer is what it is."

JAB: "Uh huh, uh huh."

AJG: "inaudible, and that Karen letter, pertaining to Karen, by the way, they did, they wrote up that contract pertaining to Karen with, which was curious. Did you see that agreement?"

JAB: "Which, uh, agreement are you talking about?"

AJG: "Between you and Hyke, between Hyke and...."

JAB: "Ya, we...."

AJG: "Between Hyke and Karen Lake."

JAB: "Ya, ya...."

AJG: "Which, uh, inaudible, Because your agreement was with me."

JAB: "Well, I think that there's a bit of confusion to, uh, let, uh, to be changed, uh, but I think that there's a bit of confusion as to uh, who that was, who it was suppose to go to, at, at that point."

AJG: "I think you're right, but uh...."

JAB: "That was...."

AJG: "You wrote, that contract is a, it's uh, it's kind of a invalid contract as it stands, it had we, inaudible."

JAB: "Uh huh."

AJG: "Inaudible."

JAB: "Ya, I guess that's right, well...."

AJG: "Inaudible."

JAB: "OK, sounds good."

AJG: "Inaudible."

JAB: "Bye-bye."

Date is 2/26/79, time is 8:28. Toll Call #7151 from A.J. Greenbaum.

JAB: Morning, AJ.

AJ: Hi, Jim. How are you?

JAB: Pretty good. How are you?

AJ: Good. How is your Tombstone project going?

JAB: Well, I think it is underway as of tomorrow. I think we have it pretty well in hand. I did get in contact with the folks from Matrix over the weekend. And their lawyer left that contract sit on his desk for two weeks, but it is on the way to Barry Spak's office and my office and obviously you can do with it whatever you please from that point on. There is one other thing I wanted to mention to you. We will be having Maurice Goodvarth giving us a seminar on the Non-Financial Accounting for Financial Executives. It is on March 8, 9, 10. I would be happy to have you attend.

AJ: How many are going to be there, do you know?

JAB: My entire office staff and some other business friends and lawyers possibly. I suspect there will be about 15.

AJ: That would be fine. I sure will try to come down. 8, 9, and 10.

JAB: It will start at 8:00 in the morning and break for an hour at noon, I guess, and then run through until about 4:00 and then on Saturday we will knock off a bit early and won't take a lunch break.

AJ: All right then. I will talk with you later on and let you know. I will let you know sometime this week if I am coming down to the seminar.

JAB: Did you have a chance to get any of that material wrapped up and mailed. I guess you still have some of the original Tombstone report.

AJ: No, I did not.

JAB: Will you have a chance to do that?

AJ: Sure.

JAB: OK. Anything else I can help you out with I would certainly be happy to do so.

AJ: Fine. I am supposed to meet with Barry sometime this week to ???? you call it a Quit Claim Deed, I simply call it a Disclaimer.

JAB: Whatever.

AJ: I am hoping there is no problem with Barry and we should have it off to you sometime this week.

JAB: I certainly appreciate that and I am certainly sorry that things have not worked out. However, if the opportunity arises in the future I certainly will do whatever I can to get us back together again.

AJ: OK, fine. I will be talking with you sometime this week, probably after I have talked with Barry.

JAB: Are you going to be in Arizona for awhile?

AJ: Yes, we have bought a townhouse here in Phoenix.

JAB: How is your move coming?

AJ: We have moved in. Everything that we need came except for some stuff that my wife has in storage in London.

JAB: Well, that is great. I know that moving can be a real hassle

AJ: Not for me because I don't do anything. I just point my finger

JAB: Well, that is the way to do it.

AJ: Good bye, Jim. Will talk with you a little later.

JAB: Bye.

(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: _____

NEW PUEBLO CONSTRUCTORS, INC.
SCHEDULE OF PROJECT COSTS

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		
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	
C. 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	
E. Purchase of major construction equipment.	X	
G. 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 stand-by 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
5. 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	

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

DIST NO 0016 ACCT-KGR-MD

.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
										CONTINUED		
75 0002	MATERIAL PROD-INA RD											
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 0002 ****	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	CURRENT	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	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 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
0100 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 0100 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

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
100	JOSEPHINE CANYON PIT													
75 0100 0700	HAUL ROAD MAINTENANCE													
	01 LAB	13.0	.00	.00	.01									
	02 EQ	13.0	.00	.00	.01									
	TOTAL **		.00	.00	.02									
75 0100 0710	STRIP BACKFILL													
	01 LAB	.0	.00	.00	.01									
	02 EQ	.0	.00	.01	.01									
	TOTAL **		.00	.01	.02									
75 0100 0720	SCALEMAN WATCHMAN													
	01 LAB	.0	.00	.05	.07									
	02 EQ	.0	.00	.00	.01									
	03 MATL	.0	.00	.00	.00									
	09 EQS	.0	.00	.00	.00									
	TOTAL **		.00	.05	.08									
75 0100 0730	LOAD TRUCKS													
	01 LAB	520.5	.30	.08	.04									
	02 EQ	520.5	.60	.21	.07									
	TOTAL **		.90	.29	.11									
75 0100 0740	ROYALTY													
	06 MISC	.0	.00	.11	.01									
	TOTAL **		.00	.11	.01									
75 0100 0745	DEPRECIATION ON IMPROVEMENTS													
	03 MATL	287.4	.00	.00	.01									
	TOTAL **		.00	.00	.01									
75 0100 0750	HAUL RD RENTAL													
	03 MATL	100.0	.00	.00	.10									
	04 EQR	100.0	.00	.00	11.00									
	TOTAL **		.00	.00	11.10									
75 0100 0760	QUALITY CONTROL													
	01 LAB	.0	.00	.00	.00									
	03 MATL	.0	.00	.00	.00									
	05 SUBC	.0	.00	.00	.00									
	TOTAL **		.00	.00	.00									

CONTINUED

*MC	EST. UNITS	70000.0	TN							
7239.9	9089.1	0	0	114	114	114	0			
7239.9	9089.1	0	0	83	83	83	0			
		0	0	197	197	197	0			
*MC	EST. UNITS	.0	TN							
54157.0	108062.0	0	171	853	853	853	0			
54157.0	108062.0	0	517	1573	1573	1573	0			
		0	688	2426	2426	2426	0			
*MC	EST. UNITS	.0	TN							
7239.9	24448.4	0	349	1619	1619	1619	0			
7239.9	24448.4	0	30	166	166	166	0			
7239.9	24448.4	0	0	49	49	49	0			
7239.9	24448.4	0	0	17	17	17	0			
		0	379	1851	1851	1851	0			
*MC	EST. UNITS	5000.0	TN							
7239.9	26024.5	1500	609	924	576-	576-	0			
7239.9	26024.5	3000	1549	1944	1057-	1057-	0			
		4500	2158	2868	1633-	1633-	0			
MC	EST. UNITS	.0	TN							
2232.5	36852.4	0	237	439	439	439	0			
		0	237	439	439	439	0			
MC	EST. UNITS	60000.0	TN							
72507.0	172443.0	0	122	1342	1342	1342	0			
		0	122	1342	1342	1342	0			
MC	EST. UNITS	100.0	%							
7239.9	100.0	0	0	10	10	10	0			
7239.9	100.0	0	0	1100	1100	1100	0			
		0	0	1110	1110	1110	0			
*MC	EST. UNITS	.0	TN							
72507.0	172443.0	0	0	27	27	27	0			
72507.0	172443.0	0	34	250	250	250	0			
72507.0	172443.0	0	0	78	78	78	0			
		0	34	355	355	355	0			

JOB NUMBER. CL JOB ITEM		PCT COMPL	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.. THIS MO	OVER/UNDER.. TO-DATE	COST TO COMPLETE
75 0100	JOSEPHINE CANYON PIT														CONTINUED
75 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 0100 0990	INCO TRANSFERS					MC	EST. UNITS			.0 TN					
	07 R&S	.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 R&S	.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	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 0100		JOSEPHINE CANYON PIT								CONTINUED		
75 0100 6800		MECH OT 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	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
0101	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
75 0101 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

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

JOB NUMBER. CL JOB ITEM		PCT COMPL	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	TO-DATE*
0	0	0	0

BID # _____ NEW PUEBLO CONSTRUCTORS

JOB # _____ Cost Estimate Crush 30000 T Tailings Material

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

ENGINEER 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 TPH																		
	150 Hrs Equipment Time																		
	18.75 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 15.47																		
	1- Laborer 11.29																		
	70.57				11645												11645		
	Subsistance 115 Days @13/Day				1495												1495		
	Move In Setup & Move out				15000		7000		3000								25000		
	SUBTOTAL				28140		34750		3000							2.20	65890		

11% OH. 244 [illegible] #73 [illegible]

Copy 1

BID # NATIONAL D.V. (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	Amount	2. EQUIP. RENT Unit	Amount	3. MATERIALS Unit	Amount	4. CASH E-R Unit	Amount	5. SUBS Unit	Amount	6. MISC. Unit	Amount	TOTAL COST Unit	Amount	SALES PRICE Unit	Amount
	Crush 1,000,000 Tons of					22 work days/Month on Ave													
	1/2" Minus Material @ 150 TPH																		
	=6667 Hrs @ 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									
	Commelon III Crusher							30,000T		# 25,140-									
	120' Radial Stacker							100,000T		47,040-									
	Feed Belt							1,000,000T		300,000 (Max Rent)									
	Product Belt																		
	Return Belt																		
	16-Schutel Belts @ 100'/m each																		
	Bell Feeder	10																	
	1-D-8 Dozer 1/2 TIME	24																	
	1-988 Loader	33																	
	1-14T Hydraulic Crane	12																	
	1-600 AMP Welder	16																	
	1-P-up	4																	
	1-Mechanics Truck & welder	8				#14,200 (30,000T)				# 3,000									
	1-Parts Van	2				47,357 (100,000T)				8,000									
		# 71/hr				473,357 (1,000,000)				60,000 - Max Rent.									
	1-Mentor Stand By time or Crushing	1 boss								15,000									
	LABOR (and 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																	
	(72 Hrs)	105.53		30,000T = 18 Days =	2583														
	Subsistence #13/Day/Man			100,000T = 92 Days =	8,358														
				1,000,000T = 916 Days =	82,413														
					(54,000)														
	7% WAGE INCREASE on 900,000 Hours																		
	Diesel Fuel					30,000T		# 16,000-											
	Screen Cloth					100,000T		53,360											
	Welding Rod Manganese	80¢/Hr				1,000,000T		533,360											
	Misc. Grease & O:I & Maint Parts							5,000											
	ELECT POWER # 10/Hr.							5,000											
								10,000											
	Move In & Set up # 30,000 — Eclipse Western				# 30,000	# 7,000													
	VARIABLE PRODUCTION COSTS	OH 11%																OH	TOTAL
	OPR. COST/T @ 150 T/HR.	OPR COST 200 T/H, T FIXED	Total													4.47	# 134,060-	+ 11%	= # 4.96
	# 2.03	# 1.52 + # 2.44 = 3.96	# 4.39	100,000T	93,765	# 21,200	# 36,000		# 43,140							3.11	311,522-	"	3.45
	1.91	1.43 + # 1.20 # 2.63 =	2.91	1,000,000	919,338	54.35	73,360		90,040							2.43	2,428,055	"	2.70*
	2.03	1.52 + 40% # 1.93 =	2.14/T*			580.35	553,360		375,000										
	SUBTOTAL													Minimum Guarantee = # 150,000- Jobs Cost					

* Note: Labor to increase 7% June 1, '79
Additional Cost
30,000T = 2360-
100,000T = 3564-
1,000,000T = 60,576- Fuel @ 500 = 5,000-

FIXED COST 30,000T — # 73,140- # 2.44/T
100,000T — 120,040 # 1.20/TON
1,000,000T — # 405,000 .40/TON

BID # _____ NEW PUEBLO CONSTRUCTORS

JOB # _____ Cost Estimate Crush 30000 T Tailings Material

_____ of 1 Date 7/79 Est Toby Allen

ENGINEER 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	MISC. Unit	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 25"																		
	#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 11.39																		
	70.59				11645											11645			
	Subsistence 115 Days @ 13/Day				1495											1495			
	Move In Setup & Move Out				15000		7000		3000							25000			
	SUBTOTAL				28140		34750		3000							65890			

Copy 1

BID # Alternate No. 1 — NEW PUEBLO CONSTRUCTORS

Job — Estimate Preliminary — MAPLE — PROJECT

Sheet 1 of 2 — Date FEB 79 — Est. — 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 ½" Minus Material @ 150 TPH = 6667 Hrs 8 Hr Single Shift Equipment				22 Work days/Month on Ave													
			30,000 T = 200 Hrs = 25 Days = 1.125 Months						1.5									
			100,000 T = 667 Hrs = 84 = 3.8 Months						4									
			1,000,000 T = 6667 Hrs = 833 = 37.86 Months						38									
	Cornelius III Crusher						30,000 T		#25,140									
	120' Radial Stacker						100,000 T		47,040									
	Feed Belt	#2,200/Mo plus Maintenance	To-al of #16,760/Month				1,000,000 T		300,000	(Max Rent)								
	Product Belt																	
	Return Belt																	
	60-Schutel Belts @ $200/m spec	1'/ft Maintenance																
	Bell Feeder 10'																	
	1- D-8 Dozer ½ TIME 24'																	
	1- 988 Loader 33'																	
	1- 14 T Hydraulic Crane T2'	2000/Mo CER.																
	1- 600 Amp Welder T6'	500/Mo CER.																
	1- Pump 4'																	
	1- Mechanics Truck - Welder 8'	400/Mo CER.			#14,200 (30,000 T)				#3,000									
	1- Pettibone 7'	100/Mo CER.			47,357 (100,000 T)				8,000									
	# 71-1/4	#2,700/Mo CER.			473,357 (1,000,000)				60,000	Max Rent.								
	1-Months Stand By time on Crusher & belts								15,000									
	LABOR (and 10% to eq. time)																	
	1- Foreman 16.96	30,000 T = 220 Hrs =	23,217															
	1- Operator 14.61	100,000 T = 733 =	77,427															
	1- Oiler 12.56	1,000,000 T = 7333 =	773,925															
	1- Loader Oper 15.47																	
	1- Dozer Oper & CRANE 15.03																	
	1- Mechanic 16.26																	
	1- Laborer 11.62																	
	(7 Total) 105.13	30,000 T = 78 Days =	2553															
	Subsistence $13/Day/man	100,000 T = 92 Days =	8358															
		1,000,000 T = 616 Days =	82,413															
			(54,600)															
	7% WAGE INCREASE on 700,000 Hrs																	
	Diesel Fuel	80¢/Hr			30,000 T	#16,000												
	Screen Cloth				100,000 T	53,360												
	Welding Rod Manganese				1,000,000 T	533,360												
	Misc. Grease & Oil & Maint Parts						5,000											
	ELECT POWER @ 10/Hr.						5,000											
	Move In & Set up #30,000 — Exclusive of Water Pipe		#0,000		#7,000		10,000											
	VARIABLE PRODUCTION COSTS	ON 11%															ON TAPE	
	OPR. COST/T @ 150 T/Hr. — OPR COST 200 T/Hr + Fixed																	
	#2.03 — #1.52 + #2.44 = 3.96	#4.39 / 100	30,000	#33,720	#21,200	#36,000			#43,140						4.47	#134,060	-11% =	#4.196
	1.91 — 1.43 + #1.20 = 2.63	2.91 / 1000	100,000	93,765	54,35	73,360			90,040						3.11	311,522	•	3.45
	2.03 — 1.52 + 40% #1.93 = 2.44/T*			919,338	580,35	553,360			375,000						2.43	2428,055	"	2.70
															Minimum Guarantee = #150,000 - Jo Amt			

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

Additional Cost

30,000 T = 2360

100,000 T = 3564

1,000,000 T = 60,574 — Less 6500 = 54000

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

100,000 T. — 120,140 #1.20/T

1,000,000 T — #403,000 .40/T

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• coal • geothermal • environment
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• interpretation-image processing
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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 28, 1979

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. 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.

Contact me concerning any questions.

Sincerely yours,

Richard F Hewlett

Richard F. Hewlett

RFH/slr
P-418
enc.
2082

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.

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

Dwight E. Lee

ACCEPTANCE BY BRISCOE:

Accepted this 7th day of March, 1979.

James A. Briscoe

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.

APPENDIX TWO

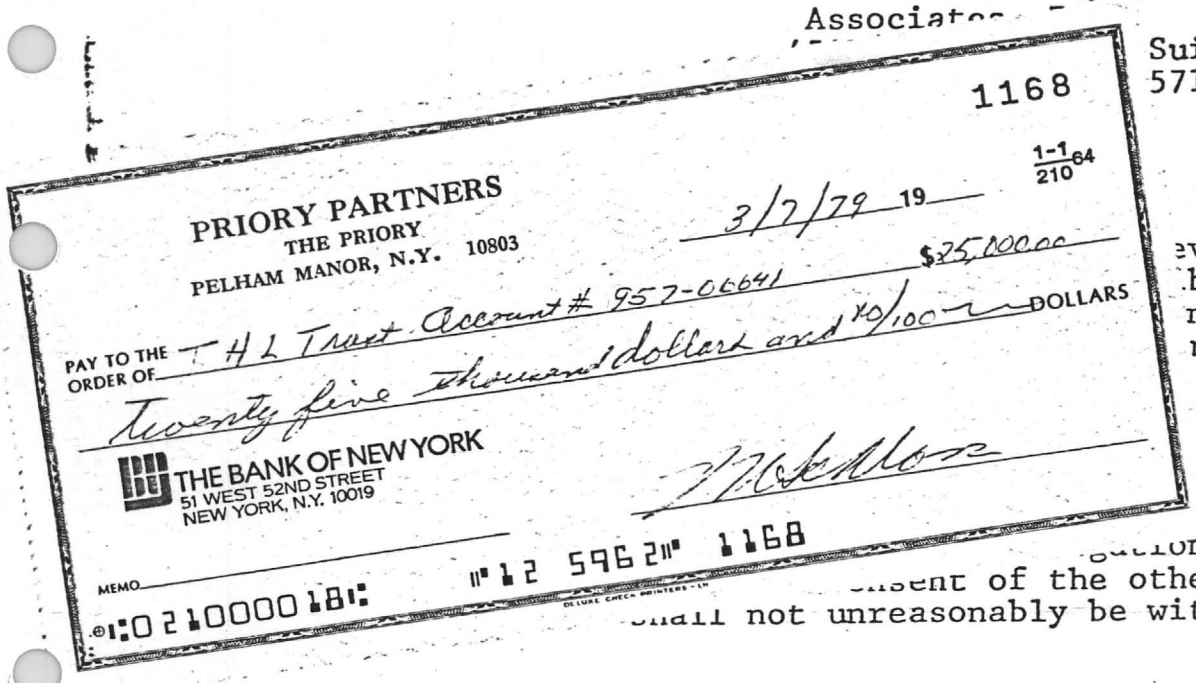
TOMBSTONE
Immediate Expenses

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

3/7/79 19

PAY TO THE ORDER OF T H L Trust Account # 952-06641 $25,000.00

Twenty five thousand dollars and no/100 DOLLARS

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

MEMO

⑈021000018⑈ ⑈12 5962⑈ 1168

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sent 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

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

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

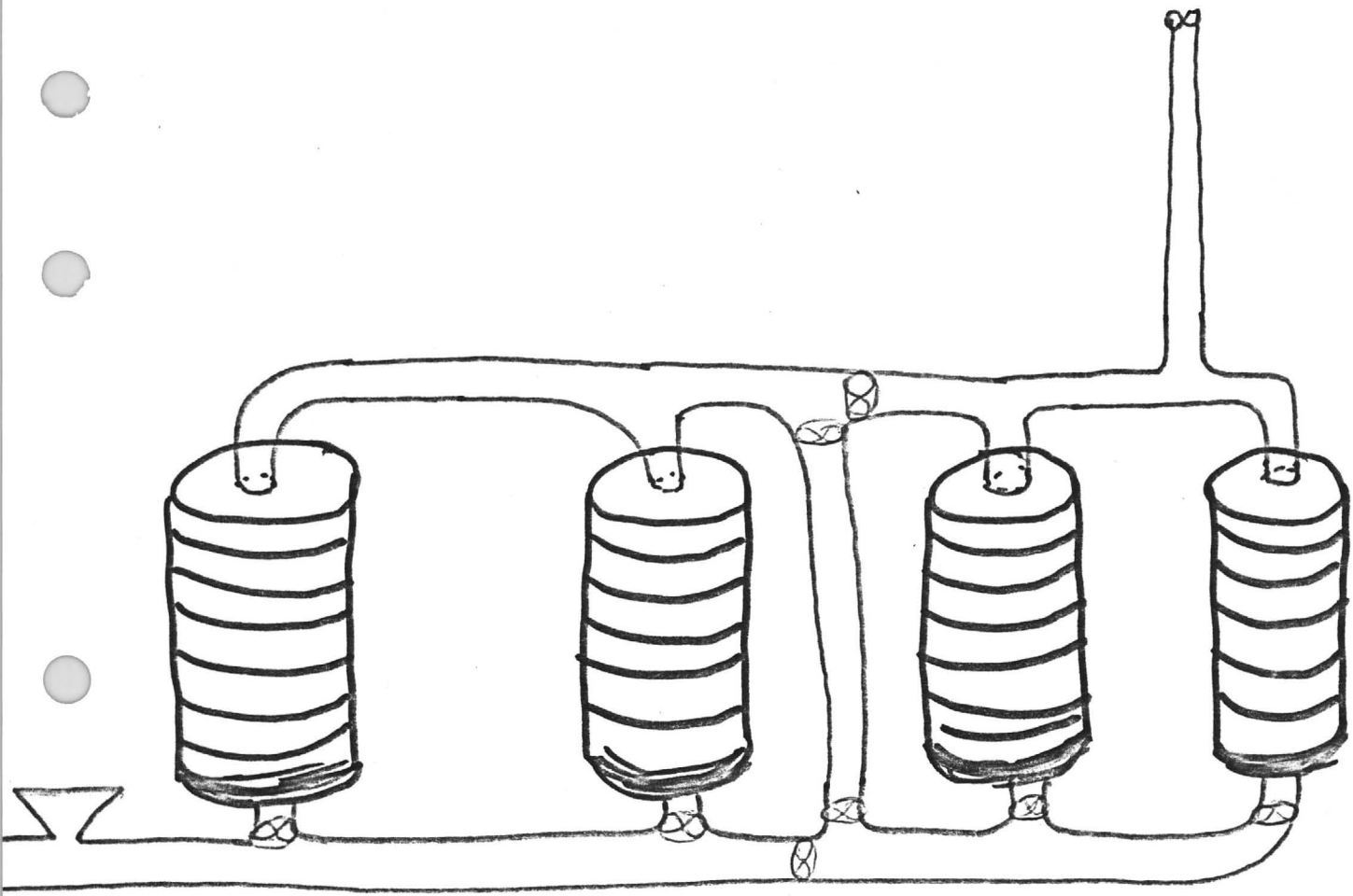
REVIEWED
MAR 18 1979
By

TOMBSTONE
Process Chemistry

Activity	Solvent	Reagent	Recovery Method Ag	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 1 8 1979
By

TO: Tom Schloss, Jim Briscoe, Richard Hewlett
FROM: Clark D. Green
DATE: March 28, 1979
RE: Rental and Restoration and Damage Bond for Three (3) Mineral Prospecting Permit Applications in Tombstone Target Area.

Three (3) applications for mineral prospecting permits in the Tombstone Target Area have been accepted by the Arizona State Land Department. It is now our responsibility to 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 5th, 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. 73008

Legal discription	Sect.	Twp.	Rge.	Acres
Lots 1,2,3,& 4; S½N½; NW¼SW¼; NE¼SE¼	2	20S	22E	398.12

One year rental fee @ $2.00/acre	$796.24
Surety bond cost from T.R. & T.	20.00
TOTAL	$816.24

P.P. Application No. 73009

Legal discription	Sect.	Twp.	Rge.	Acres
Lots 3,4,5, & 6; S½NW¼; SE¼NE¼; NW¼SE¼; Less M & B in Lot 6	3	20S	22E	296.54

One year rental fee @ $2.00/acre	$593.08
Surety bond cost from T.R. & T.	20.00
TOTAL	$613.08

P.P. Application No. 73007

Legal discription	Sect.	Twp.	Rge.	Acres
Lot 2; NW¼SE¼; SW¼	8	20S	22E	236.76

One year rental fee @ $2.00/acre	$473.52
Surety bond cost from T.R. & T.	20.00
TOTAL	$493.52

Total cost for the three (3) prospecting permits $1922.84

Each application can be acted upon independantly of the others.

Should S.E.A. (acting as agents for T.D.C.) choose to secure these prospecting permits, the rights conveyed therein are as follows:

1. Exclusive right to explore for minerals within state lands covered by the permit.

2. Surface rights necessary for prospecting and exploration on state lands covered by the permit, including ingress to and egress from.

3. The right to an annual renewal of permit for an aggregate of five years.

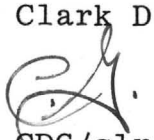
4. Exclusive right to apply for and obtain a mineral lease or leases to the land.

5. To remove from the land the amount of material necessary for sampling, assay and metallurgical testing purposes.

A prospecting permit does not convey mining rights. This is obtained only through the mineral lease.

Should S.E.A. choose not to secure these applications but still wish to tie up the land, a second prospecting permit application can be filed immediately upon the termination of the present prospecting permit applications with the State Land Office for a fee of $25.00 each. This is a common practice in Arizona, however, it is possible for a second party to successfully interfere in this process. The application for a prospecting permit does not in itself, convey rights or privileges to the land.

Clark D. Green



CDG/slr
0677
P-418

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

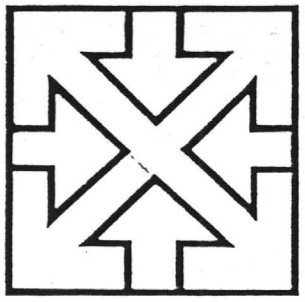
One year rental fee @ $2.00/acre	$1,203.78
Surety bond cost from T.R.& T.	20.00
TOTAL	$1,223.78

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.

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



4500 E. Speedway, Suite 1
Tucson, Arizona 8571
(602) 795-609

James A. Briscoe, Presider
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

April 13, 1979

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

Attention: Barbara Ann Burg
Land Case Examiner

Re: Withdrawal of Applications for Prospecting Permit Numbers 75265, 75266, 75269, 75270

Dear Ms. Burg,

With the understanding that Southwestern Exploration Associates, Inc., S.E.A. Photography, Inc. and S.E.A. Hydromet, Inc. are the only filings for Mineral Prospecting Permits of 8:00 a.m., April 12, 1979, for Arizona State Mineral Lands in Sections 27 and 28, Township 20S, Range 22E, I hereby request the withdrawal from consideration of the Southwestern Exploration Associates, Inc. applications (P.P. #75265 and P.P. #75266) and the S.E.A. Photography, Inc. applications (P.P. #75269 and P.P. #75270), leaving only the S.E.A. Hydromet, Inc. applications (P.P. #75267 and P.P. #75268) for your consideration.

Thank you for your time.

Sincerely,

Clark D. Green
Geologist/Landman

CDG/kar
P-418

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 refiling 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.

3-33

RECEIVED AUG 20 1979

FILE JAB Tombstone File

REVIEWED
AUG 20 1979
By JAB

P. O. Box 872
Douglas, AZ 85607
April 30, 1979

William Hight
Tombstone Development Co
Box 1445
Grand Island, Nebraska 68801

Dear Mr. Hight:

As I promised I am writing to tell you that I dug at the Grand Central dump on March 5 and 6; the dig was delayed a week by equipment breakdowns. I was told while there that TDC had leased the ground about the first of the month so probably my presence there was questionable.

Six pieces were found during the dig, each containing at least one of the new tellurites/tellurates I spoke of earlier. One also contains a lead tellurite known only from Las Cruces, New Mexico previously. Although only six pieces were found, I would term the project a success, and again I want to thank you for your permission.

Sincerely,

Sidney A. Williams

SAW:bj

RECEIVED AUG 20 1979

REVIEWED
AUG 20 1979
By

Khinite, parakhinite, and dugganite, three new tellurates from Tombstone, Arizona

S. A. WILLIAMS

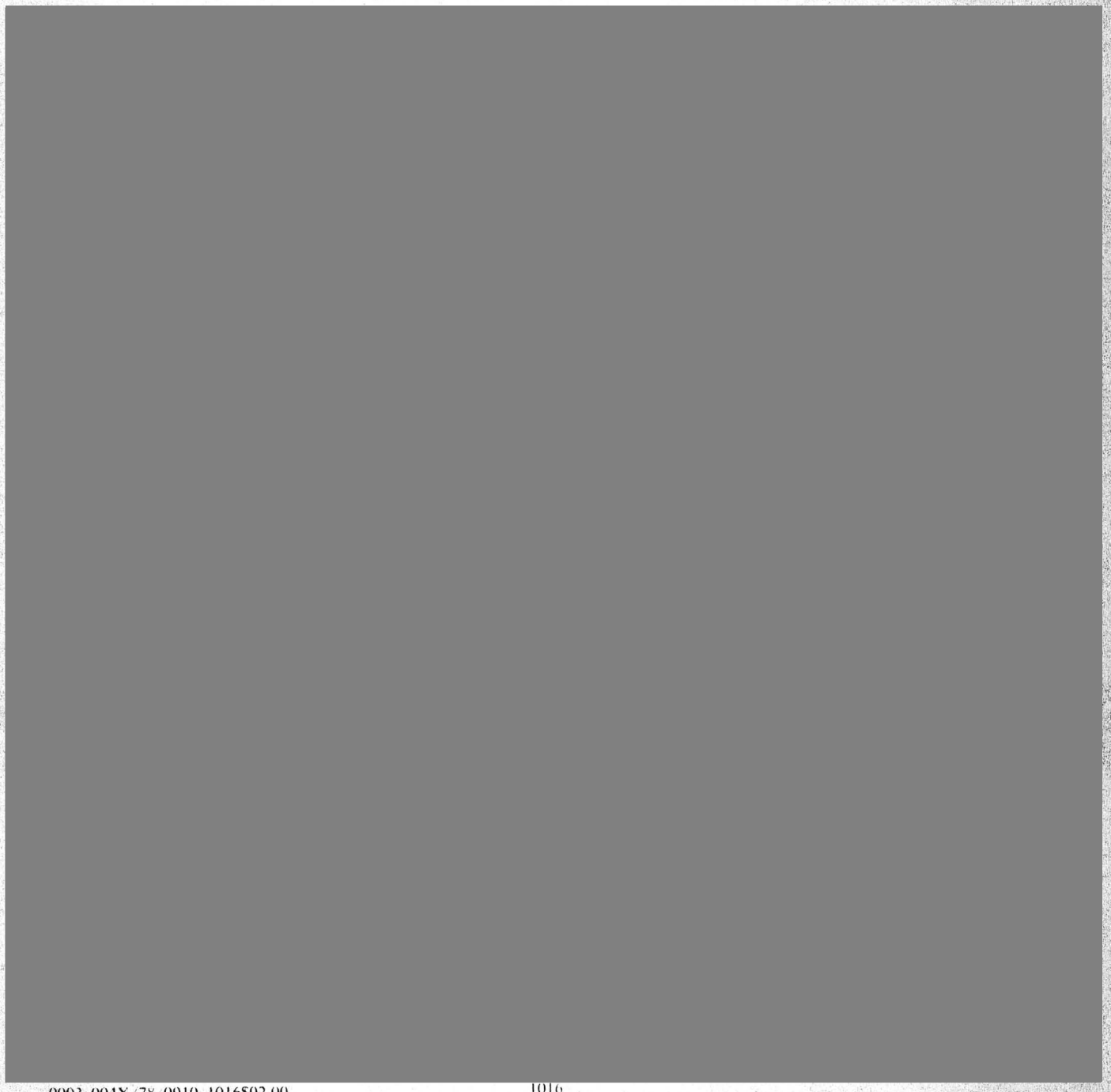
Reprinted from
THE AMERICAN MINERALOGIST
September-October, 1978

American Mineralogist, Volume 63, pages 1016–1019, 1978

Khinite, parakhinite, and dugganite, three new tellurates from Tombstone, Arizona

S. A. Williams

Phelps Dodge Corporation
Douglas, Arizona 85607



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Dnc

P07 6193103

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO	Dr Dean Box 230
STREET AND NO.	Rural Rt 2
P.O., STATE AND ZIP CODE	North Scituate RI 02857
POSTAGE	$2.25
CERTIFIED FEE	.80 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED	.45 ¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$3.50
POSTMARK OR DATE	

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES
RETURN RECEIPT SERVICE

PS Form 3800, Apr. 1976

P07 6193102

RECEIPT FOR CERTIFIED MAIL

30¢ NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO	Dwight Lee Jamco
STREET AND NO.	700 Broadway 22 floor
P.O., STATE AND ZIP CODE	New York NY 10019
POSTAGE	$.41
CERTIFIED FEE	.80 ¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED	.45 ¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	$1.66
POSTMARK OR DATE	

CONSULT POSTMASTER FOR FEES
OPTIONAL SERVICES
RETURN RECEIPT SERVICE

PS Form 3800, Apr. 1976

3-33

RECEIVED AUG 20 1979

REVIEWED
AUG 20 1979
By

4 January 1979
P.O. Box 872
Douglas AZ 85607

William Hight
Tombstone Development Co
Box 1445
Grand Island Nebraska 68801

Dear Mr. Hight:

During the course of my mineralogical studies in the Tombstone district I have found a number of new tellurium minerals in very small quantities on the remains of the dumps. As you know, most of the material has been removed by 71 minerals and destroyed by leaching operations. Last year I obtained permission from 71 minerals to spend two days digging in the few remaining waste piles with a back-hoe in an effortto find more materials for study. This was partially successful, and the reprint I enclose is an example of the results of those efforts.

The reason I write is to ask permission to do a small amount of additional work on the Grand Central and Old Guard claims, again digging into the remains of certain portions of the dumps. There are several other new tellurates in these two areas but too little has been found so far to characterize them.

If you could give me this permission I would be happy to provide you with a release of liability and I assure you that the digging done would be of very minor nature, causing no damage to the property.

Sincerely,

Sidney A. Williams

SAW/s

Copy

JOHN G. DEAN

401 -- 934-0060 Elmdale Road, Box 230, Route 2, North Scituate, Rhode Island 02857

May 1, 1979

FAMCO, Inc.
1700 Broadway
New York, N. Y. 10019

Attention: Mr. T. H. Schloss, Chairman of the Board

Statement for April, 1979

SERVICES:

Review of 250 page report from Southwestern Exploration Associates, conference discussion in R. I. supplemented with extended phone discussions and correspondence.

Two day portion of time worked ---- $600.00

Respectfully submitted,

John G. Dean

JGD:bm

May 1, 1979

Memo to: T. H. Schloss, FAMCO

From : J. G. Dean

Subject: Further Development of Specific Plans for Tombstone Project.

Dear Tom:

In response to your request, additional suggestions beyond those in my memo of April 24 are given below to help with the planning and development of priorities for the Tombstone project.

The most critical need is to sharpen the focus for process selection and to assign priorities to assure optimum cash flow and ultimate selection of a unified flowsheet providing maximum profit.

Perhaps the best place to start in doing this is to prepare a master tabulation of ore types with their response to specific extractive treatments, somewhat along the lines sketched on the enclosed sheet. The more auxilliary information which can be included, such as gold and silver content, anticipated recoveries, etc., the better.

One of the big problems in treating tailings, dumps, and prior heaps is coping with uncertain mixtures of ore types and pretreatments. Perhaps the suggested tabulation will help select the most versatile unified treatment most likely to give the best overall results. It would be a great step forward to start with the best possible process sequence and put all resources behind its rapid development.

We certainly want to avoid basic chemical incompatibilities, such as acid-alkali systems, oxidation-reduction conflicts, and destruction of leaching reagents by residues from pretreatments. We also want to minimize surprises from loss of reagents by leakage, absorption, adsorption, ion exchange, decomposition, etc; and we want to minimize the research required to perfect the final gold and silver recovery steps. These concerns, stemming from experience, urge the selection of the simplest sure-fire flowsheet with a crystal-clear best-efforts plan in advance.

Dick is in the best position to evaluate his extensive work and select the best flowsheet sequence. For anyone else to help effectively in this important step, more information on test variables and methods will be required.

My enthusiasm from preliminary appraisal centers in the IPS system with incorporated additives selected to induce percolation and liberate values. This approach seems to merit high priority for conclusive tests with ideal feed and processing

sequence and detail.

Perhaps a relatively ideal feed which is already minus 3" can be found for start-up and will be amenable for an IPS heap leach with a minimum of capital expense for crushing and sizing equipment. In order to treat the main heap, it would seem that at least one substantial crusher will be required; perhaps it can be operated by a direct diesel or gasoline drive, thereby reducing energy costs and saving the expense of providing more electrical capacity.

With respect to reagents, cyanide leaching followed by zinc precipitation, and possibly preceeded by a compatible chemical pretreatment in association with IPS preparation, seems the most versatile and sure-fire approach. Historically, cyanidation has displaced both salt and thiosulfate leaching with very good reasons in my experience. This is, of course, just a suggestion designed to encourage Dick to review his options, starting with a penetrating analysis of his data and extending through a flow sheet showing capital equipment requirements and projected operating costs.

The enclosed tabulation is just a draft designed to help visualize the complex of factors involved and the importance of following them all the way through to a unified and clarified plan. For example, the pretreatment must be as versatile as possible to handle the typical spread of ore types. It also affects the final recovery method and the value and character of the finished products.

There seems a good possibility that there are advantageous places for both heap and tank leaching with respect to ore types, pretreatments, and other variables. Close cooperation with Eocene and perhaps with the Escapuls could be very helpful in evolving the best possible treatment methods.

Please call on me if clarification or further comments are needed.

Best regards,

John

JGDean:bm

Ore Types vs. Processing Methods and Variables

	Ore Type	IPS HEAP LEACH	H_2SO_4 + additives	NaOCl + NaCl	ACID Combinations	ALKALINE $Na_2S_2O_3$	Cyanide
1	Silver chloride (horn Silver)	*	–	–	–	*	*
2	High-iron + Clay	*	*	–	*	-	*
3	Jarosite, $KFe_3(OH)_6(SO_4)_2$	*	*	–			*
4	Oxidized sulfides	*	–	–			*
5	Siliceous interstitial	*			*		*
6	Sulfide ores	*		*			*
7	Manganese oxides	*	*				
8	Carbonaceous ores			*			*
	Precipitation Ag Au		iron	Na_2S exchange			Zn Zn

VARIABLES

	IPS HEAP	CYANIDE TESTING
Ore type	✓	✓
Screen analysis	✓	✓ e.g. 70 - 200 mesh
Pretreatment	✓ e.g. NaOCl, H_2SO_4, etc	✓ e.g. NaOCl, lime, etc
Leach. reagents & Concn	✓	✓ e.g. NaCN, lb/T.
Regrinds; Solids Ratio	✓	✓ e.g. 25% Solids
Agitation	—	✓
Time	✓	✓ e.g. 2 hr. intervals
Temperature	✓	✓
Percolation	✓	—
Settling Rate	—	✓
Residual Reagent Concn	✓	✓ e.g. free cyanide, pH.
Filtration characteristics	✓	✓
Au & Ag concentration	✓	✓
Recovery	✓	✓ Taggart, pp 19-187-189, Handbk Mineral Dressing

JSS 5/1/79

Deal's file
Paulo

RECEIVED MAY 14 1979

FAMCO/ 1700 Broadway • New York, New York 10019 • (212) 247-0428

May 9th, 1979

Mr. James Briscoe
Mr. Dick Hewlett
SOUTHWESTERN EXPLORATION ASSOC.
4500 E. Speedway
Suite # 14
Tucson, Ariz. 85712

Dear Jim & Dick:

Endlosed is the material sent to me by George Jewett.

It is of interest to note the financial terms he was able to negotiate with Tenneco.

Please give me your opinions as to the potential of this area.

Very truly yours,

Tom

Thomas H. Schloss
Chairman of the Board

THS/avc

Encl.

Eocene Research, Ltd.
ORE RECLAMATION SYSTEMS

RECEIVED MAY 14 1979

May 4, 1979

Mr. Thomas H. Schloss
Famco
1700 Broadway
New York, N.Y. 10019

Dear Tom,

Please find enclosed a copy of exploration and license agreement with Tenneco Oil on the millsites located on the Boquillas Ranch.

I am also enclosing a copy of a letter sent to the former partners of Eocene Research, Ltd.

I will call you next week regarding the above..

Best regards,

George

GEORGE M. JEWETT
President

NEVADA: 2813 CAMEO CIRCLE • LAS VEGAS, NEVADA 89107 • 702-878-1376
ARIZONA: P.O. BOX 475 • TOMBSTONE, ARIZONA 85638 • 602-457-3907

Tenneco Oil
A Tenneco Company

Tenneco Building
P.O. Box 2511
Houston, Texas 77001
(713) 757-2131

February 20, 1979

Eocene Research, Ltd.
Box 475
Tombstone, Arizona 85638

Gentlemen:

Re: License Agreement

Eocene Research, Ltd. (Eocene), ~~a limited partnership organized under the laws of Connecticut~~ a NEVADA CORPORATION, has expressed its desire to enter upon certain abandoned millsite claims (millsites) of Tenneco Oil Company (TENNECO) located on its Boquillas Ranch in Cochise County, Arizona, and to take samples from the tailing dumps located thereon for assay purposes in order to determine whether or not such tailing dumps contain metals in sufficient quantities to be processed commercially, and to obtain an option to process these tailings for precious metals in the event an assay of such samples indicates the commercial feasibility of processing such deposits.

Said millsites are located on the east side of the San Pedro River approximately two miles northerly of Charleston Crossing and/or were originally designated by the following names:

a. Sunset
b. Grand Central
c. Boston
d. Gird
e. Corbin

Tenneco is willing and does hereby grant to Eocene a license to enter upon the above described millsites and to take samples from the tailing dumps located thereon and an option to process these tailings to extract the metallic minerals from such tailing deposits subject to the following terms and conditions:

1. Eocene shall have the right of ingress to and egress from said millsites by means of existing roads across Tenneco's Boquillas Ranch. Eocene shall not have the right to the use of any of Tenneco's properties outside of the millsites except for the use of said existing roads for the purpose of access to such millsites.

2. The term of this license shall commence on the 1st day of May, 1979 and shall continue thereafter for 45 days.

3. Eocene shall have the right to enter upon the said millsites or any of them and to locate and determine the approximate tonnage of tailings at each such millsite, and to take samples of such tailings and have them assayed. In entering upon the premises, Eocene shall use the most direct accessible route to each location using the existing roads and keeping the use of the surface and damages to such millsites to a minimum.

4. Eocene shall notify Tenneco's Tucson office by telephone prior to each entry upon Tenneco's property, and Tenneco shall have the right to have a person present to witness and collect samples during each such operation if it so desires. Also, Eocene shall advise the Boquillas Ranch foreman prior to each entry upon the Ranch.

5. Eocene shall furnish Tenneco with detailed information concerning its operations on the millsites, including the location of the respective tailing dumps, approximate tonnage of each tailing dump, all assay results of samples from each respective tailing dump, and the access route used to reach each tailing dump.

6. Eocene agrees to pay Tenneco for all damages caused by its operations to any portion of Tenneco's Boquillas Ranch, including but not limited to the above described millsites during the term of this agreement, and Eocene agrees to indemnify and hold Tenneco harmless from any damages or injury caused to any persons, including but not limited to any employees of Eocene, or any property belonging to Tenneco or third parties.

7. Tenneco hereby grants to Eocene an option to be exercised during the 45 day period of the license granted hereby to enter into a contract with Tenneco to process the tailing deposits located on the millsites and to own the metals extracted therefrom subject to the terms and conditions of said contract, which said contract is attached hereto as Exhibit A. The option granted hereby may be only exercised by Eocene during the said 45 day period by giving written notice to Tenneco to the address shown above on this letterhead together with a cashier's check in the amount of $50,000.00 to be applied as the first advance annual minimum royalty; such written notice of the exercise of said option by Eocene and cashier's check must be actually received by Tenneco during said 45 day period. Upon receipt of such written notice and cashier's check by Tenneco, the terms and provisions of the contract attached hereto as Exhibit A shall become applicable by the parties and said contract shall be binding without further execution and the term of the contract shall Commence on such date; provided, however, the parties agree that upon request of either party both parties will execute a formal contract on the form attached as Exhibit A, dated the date of receipt of such notice and check by Tenneco. Time is of the essence and failure by Eocene to exercise the option granted hereby in strict conformance with the terms herein set out shall terminate all of Eocene's rights hereunder.

In the event the foregoing satisfactorily and completely sets forth the terms and conditions under which you are granted a license to enter upon Tenneco's Boquillas Ranch and the option pursuant to which you have the right to enter into a contract to process tailing dumps located on the said millsites and extract the metals contained therein, please signify your acceptance of this contract by your execution in the space provided below. Unless this contract is accepted and executed by you and returned to Tenneco within 30 days from the date hereof, this agreement shall become null and void and no subsequent execution shall be valid.

Yours very truly,

TENNECO OIL COMPANY

By J M Oswald

ACCEPTED AND AGREED TO this
17th day of April, 1979.

EOCENE RESEARCH, LTD.

By George M. Jewett, President

TLP/sc

September 8, 1978

TO THE LIMITED PARTNERS OF EOCENE RESEARCH

I am sorry to advise that I have been unable to obtain unanimous consent from all the Limited Partners of Eocene Research to the Cosgriff proposal of July 11, 1978 and it is not possible to raise additional financing on the present partnership agreement. Since the partnership has insufficient funds to continue operating, I am exercising my option under the partnership agreement and liquidating the partnership.

I have formed a corporation in Nevada known as Eocene Research, Ltd., and the initial ownership in this company for those limited partners of the liquidated partnership, who sign this letter accepting an interest in Eocene Research, Ltd. and return their acceptance to Peter Cosgriff by September 25, 1978, will be as follows:

George M. Jewett,	20%	3000 shares
Hugh A. Ghiringhelli	7%	1050 shares
Gregory Grosbard	4%	600 shares
John G. Dean (to be acquired over 8 months at 56.25 shares per month in return for his services to Eocene Research, Ltd.)	3%	450 shares
Present Non-Subscribing Limited Partners (pro-rated as per Cosgriff's letter of July 11, 1978)	5%	750 shares
Present Subscribing Limited Partners (In the form of convertible debentures for the total sum of $435,000 at 1% earned interest convertable at their option into a 25% interest (3750 shares) on January 1, 1981 or cash over a two year period from that date at Eocene's choosing. These convertible debentures will be allocated to the present subscribing limited partners using their relative percentage as shown in Cosgriff's letter of July 11, 1978.)	25%	3750 shares
New Financing of $300,000 (will be achieved by the selling of 36% interest in Eocene Research, Ltd. at $55.56 per share or $8,333.33 for each additional 1% interest. 14.4% to come from the above interest has been set aside for immediate interim financing, 2,160 shares, to be sold this week.)	36%	5400 shares

There are presently authorized 50,000 shares of Eocene Research, Ltd., and I will at present issue or reserve for conversion of debentures 15000 shares to

represent 100% ownership in Eocene Research, Ltd. after the present financing is completed. Those limited partners that do not sign this letter and return it to Peter Cosgriff by September 25, 1978 will have no interest in the new company.

Please advise your interest in participating in the new financing of Eocene Research Ltd., and to what extent you wish to participate. Whatever part is not desired by the present limited partners has been spoken for by new investors. I plan on completing the financing by September 30, 1978, so if you wish to participate in the new financing you must reply to Peter Cosgriff or contact me before September 25, 1978.

Sincerely

George M. Jewett

George M. Jewett, President
Eocene Research, Ltd.

I,_____, a Limited Partner of Eocene Research, accept the above proposal and the interest offered me in Eocene Research, Ltd., a Nevada corporation.

Signed_____

EXHIBIT A
ATTACHED TO AND MADE A PART OF
LICENSE AGREEMENT DATED THE 20TH DAY OF FEBRUARY 1979

PROCESSING LICENSE

THIS AGREEMENT is entered into this _____ day of _____ 1979, by and between TENNECO OIL COMPANY (TENNECO), a Delaware corporation, whose address is P. O. Box 2511, Houston, Texas 77001, and EOCENE RESEARCH, LTD. (EOCENE), a limited partnership organized under the laws of Connecticut, whose address is Box 475, Tombstone, Arizona 85638.

W I T N E S S E T H:

WHEREAS, Eocene desires to enter into an arrangement with Tenneco pursuant to which Eocene will have the right to enter upon certain abandoned millsite claims (millsites) located on the property belonging to Tenneco within the boundaries of its Boquillas Ranch in Cochise County, Arizona and to remove therefrom tailing dumps, or portions thereof, containing commercial quanitites of metals and to process such deposits for the purpose of extracting metals contained in such deposits; and

WHEREAS, Tenneco is willing to grant to Eocene a license to enter upon such millsites and to process the tailing dump deposits, subject to the terms and conditions hereinafter set out;

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein set out, the parties hereto agree as follows:

1. Tenneco does hereby grant to Eocene the right to enter upon and the exclusive right to remove and process, during the term hereof, the tailing dump deposits located on the following described abandoned millsites situated within the boundaries of Tenneco's Boquillas Ranch in Cochise County, Arizona, being located on the east side of the San Pedro River approximately 2 miles northerly of the Charleston Crossing, said millsites being originally designated by the following names:

a. Sunset
b. Grand Central
c. Boston
d. Gird
e. Corbin

2. The cash consideration to be paid to Tenneco by Eocene is $50,000.00 per year payable in advance. Payment of the first $50,000.00 payment has been received and is hereby acknowledged by Tenneco. Payment of the second $50,000.00 payment shall be due on or before one year from date hereof, unless this agreement is then terminated.

3. The term of this contract shall commence on the date hereof and shall continue for two calendar years thereafter (the first calendar being the twelve months following the date hereof; and the second calendar year being the twelve months following the first anniversary date hereof); provided Eocene shall have the right to terminate this contract at the end of one year from its commencement date by giving Tenneco sixty (60) days prior written notice of such termination and be relieved of the obligations to make the second $50,000.00 payment required under Paragraph 1. hereof. Unless sooner terminated as herein provided, at the end of 24 months following the date hereof, this contract shall terminate and Eocene shall have no further right to remove deposits of tailing dumps from said millsites.

4. All tailing deposits removed from said millsites will be promptly processed in Eocene's mill located approximately seven (7) miles east of said millsites between said millsites and Tuscon, Arizona. Title to said tailings shall remain in Tenneco's possession until they are processed. Any tailings not processed within a reasonable time shall be returned to the millsite from which they were removed. All tailings will be weighed on certified scales prior to processing, and Tenneco shall have the right to have a representative present at such weighing should it so desire. Monthly reports shall be made by Eocene to Tenneco reflecting the tonnage of material weighed, and types and quantities of metal extracted.

5. Each year during the term hereof, Eocene agrees to pay Tenneco monthly, as royalty hereunder, an amount equal to 2% of the market value of the metals extracted from said tailing dumps, until 5% of the market value of such metals extracted during such year equal $50,000.00 after which Eocene agrees to pay to Tenneco monthly as royalty 7% of the market value of such metals extracted during such year. Royalties payable as a result of metals extracted during any month shall be valued as of the first day of the following month based on published market value as shown in the Engineering and Mining Journal. In the event no such values are published during any given month, such value shall be determined on the bases of the then most recent publication

of the Engineering and Mining Journal which does reflect such values. Amounts owing as royalty for metals extracted during any month shall be paid to Tenneco at its Houston office, at the address shown above, on or before the 15th day of the following month.

6. In conducting is operations hereunder, Eocene agrees to comply with all laws and regulations, both Federal and State, including but not limited to regulations promulgated under the Environmental Polution Act and the Occupational Safety and Health Act. Also, in conducting its operations hereunder, Eocene agrees to utilize only that portion of the surface of said millsites as is reasonably necessary to conduct such operations and agrees to indemnify and hold Tenneco harmless from all damages or injuries caused to persons or property as a result of Eocene's operations.

7. Tenneco hereby grants Eocene during the term of this agreement the right to utilize existing roads across Tenneco's Boquillas Ranch for purposes of ingress to and egress from said millsites. Eocene agrees to be responsible for damages caused to such roads and to make any repair of any damages to such roads as may be caused by it, all at Eocene's sole cost and expense. Upon termination hereof, Eocene agrees to repair all surface damages and restore the surface of the millsites as nearly as practicable to its present condition and shall plant the disturbed ground with native grass seed. Eocene agrees to furnish Tenneco its bond in the amount of $10,000.00, guaranteed by a corporate surety satisfactory to Tenneco, insuring the repair of all surface damages in accordance herewith.

8. Eocene agrees to keep accurate books and records concerning all operations involving the processing of the tailing deposits hereunder and extracting of metals therefrom and agrees that Tenneco's personnel shall have access at all reasonable times to such books and to inspect Eocene's processing mill and laboratory for purposes of observing, auditing and verifying all facets of Eocene's operations pursuant hereto. Eocene agrees to maintain its books and records available for audit by Tenneco for a period two years beyond the expiration of the term hereof.

9. So long as Eocene is removing deposits of tailing dumps from the millsites pursuant hereto, Eocene agrees not to process in its mill any material acquired from other sources, and in the event other material is processed in said mill during the term hereof, this agreement shall ipso facto terminate without notice and Eocene shall have no further rights hereunder; provided,

however, Eocene shall not be relieved of any obligations theretofore accrued hereunder.

10. In conducting operations hereunder, Eocene agrees to notify Tenneco's Exploration Research office at 1001 E. Mossman Road #1, Tucson, Arizona 85706, telephone (602) 889-8027, prior to each entry on Tenneco's property so that Tenneco may have a representative present during such operation if it so desires. Also, Eocene agrees to notify Tenneco's Boquillas Ranch foreman at Fairbanks, Arizona prior to each entry upon said Ranch.

11. Eocene, at its expense, shall carry: (a) workmen's compensation insurance, (b) public liability insurance with liability limits of such reasonable amounts as may be required from time to time by Tenneco, but in no event less than $200,000 for the injury to or death of one person and $500,000 for the injury to or death of more than one person in any one accident, and (c) property damage insurance with liability limits of not less than $50,000. All such policies shall provide:

(i) Underwriters will have no right of recovery or subrogation against Tenneco, its divisions, affiliates, or subsidiary companies, it being the intention of the parties that the insurance so effected shall protect both parties and be primarily liable for any and all losses covered by the above described insurance; and

(ii) Underwriters acknowledge the existence of liability and property damage insurance carried by Tenneco, its affiliated and subsidiary companies, and it is understood and agreed that the provisions relating to other insurance in this policy, if any, shall not be applicable to said company or companies. It is further understood that the insurance provided by this policy shall be primary insurance for all assureds, and such other companies, shall not be called upon by these insurers for contributing, deficiency, concurrent or double insurance or otherwise.

All such insurance shall be carried with insurance companies satisfactory to Tenneco, and shall cover not only the liability of Eocene for bodily injury to or death of persons and property damage, but also such liability which has been assumed by Eocene under the indemnity agreement of this license. Eocene shall forthwith procure and cause to be furnished to Tenneco certificates from Eocene's insurers stating that such insurance is in full force and effect, that the premiums have been paid thereon and that the insurers will give Tenneco at le

thirty (30) days prior written notice of any termination, cancellation or modification of the terms of such insurance.

12. Tenneco makes no representation or warranty of the quality, quantity or suitability of use of the tailing deposits within the premises.

13. This license shall be binding upon and insure to the benefit of the heirs, administrators, executors, successors and assigns of the respective parties. Eocene shall not, however, and it hereby agrees that it will not sublicense the premises or any party thereof, or assign, transfer, mortgage or otherwise convey this license or any of its rights and interest hereunder without prior written consent of Tenneco.

14. This agreement is not and shall not be considered as an agreement for the sale of tangible personal property. If, however, the removal or sale of the materials are alleged or determined to be subject to Sales or Use taxes, Eocene agrees to pay such taxes when due, and Tenneco shall have no responsibility or liability for any part thereof.

IN WITNESS WHEREOF, the parties have executed this license in duplicate as of the date hereinabove written.

TENNECO OIL COMPANY

By_____

EOCENE RESEARCH, LTD.

By_____

Eocene Research, Ltd.
ORE RECLAMATION SYSTEMS

RECEIVED MAY 14 1979

May 4, 1979

Mr. Thomas H. Schloss
Famco
1700 Broadway
New York, N.Y. 10019

Dear Tom,

Please find enclosed a copy of exploration and license agreement with Tenneco Oil on the millsites located on the Boquillas Ranch.

I am also enclosing a copy of a letter sent to the former partners of Eocene Research, Ltd.

I will call you next week regarding the above..

Best regards,

George

GEORGE M. JEWETT
President

NEVADA: 2813 CAMEO CIRCLE • LAS VEGAS, NEVADA 89107 • 702-878-1376
ARIZONA: P.O. BOX 475 • TOMBSTONE, ARIZONA 85638 • 602-457-3907

Tenneco Oil
A Tenneco Company

Tenneco Building
P.O. Box 2511
Houston, Texas 77001
(713) 757-2131

February 20, 1979

Eocene Research, Ltd.
Box 475
Tombstone, Arizona 85638

Gentlemen:

Re: License Agreement

Eocene Research, Ltd. (Eocene), ~~a limited partnership organized under the laws of Connecticut~~ a NEVADA CORPORATION, has expressed its desire to enter upon certain abandoned millsite claims (millsites) of Tenneco Oil Company (TENNECO) located on its Boquillas Ranch in Cochise County, Arizona, and to take samples from the tailing dumps located thereon for assay purposes in order to determine whether or not such tailing dumps contain metals in sufficient quantities to be processed commercially, and to obtain an option to process these tailings for precious metals in the event an assay of such samples indicates the commercial feasibility of processing such deposits.

Said millsites are located on the east side of the San Pedro River approximately two miles northerly of Charleston Crossing and/or were originally designated by the following names:

a. Sunset
b. Grand Central
c. Boston
d. Gird
e. Corbin

Tenneco is willing and does hereby grant to Eocene a license to enter upon the above described millsites and to take samples from the tailing dumps located thereon and an option to process these tailings to extract the metallic minerals from such tailing deposits subject to the following terms and conditions:

1. Eocene shall have the right of ingress to and egress from said millsites by means of existing roads across Tenneco's Boquillas Ranch. Eocene shall not have the right to the use of any of Tenneco's properties outside of the millsites except for the use of said existing roads for the purpose of access to such millsites.

2. The term of this license shall commence on the 1ST day of May, 1979 and shall continue thereafter for 45 days.

3. Eocene shall have the right to enter upon the said millsites or any of them and to locate and determine the approximate tonnage of tailings at each such millsite, and to take samples of such tailings and have them assayed. In entering upon the premises, Eocene shall use the most direct accessible route to each location using the existing roads and keeping the use of the surface and damages to such millsites to a minimum.

4. Eocene shall notify Tenneco's Tucson office by telephone prior to each entry upon Tenneco's property, and Tenneco shall have the right to have a person present to witness and collect samples during each such operation if it so desires. Also, Eocene shall advise the Boquillas Ranch foreman prior to each entry upon the Ranch.

5. Eocene shall furnish Tenneco with detailed information concerning its operations on the millsites, including the location of the respective tailing dumps, approximate tonnage of each tailing dump, all assay results of samples from each respective tailing dump, and the access route used to reach each tailing dump.

6. Eocene agrees to pay Tenneco for all damages caused by its operations to any portion of Tenneco's Boquillas Ranch, including but not limited to the above described millsites during the term of this agreement, and Eocene agrees to indemnify and hold Tenneco harmless from any damages or injury caused to any persons, including but not limited to any employees of Eocene, or any property belonging to Tenneco or third parties.

7. Tenneco hereby grants to Eocene an option to be exercised during the 45 day period of the license granted hereby to enter into a contract with Tenneco to process the tailing deposits located on the millsites and to own the metals extracted therefrom subject to the terms and conditions of said contract, which said contract is attached hereto as Exhibit A. The option granted hereby may be only exercised by Eocene during the said 45 day period by giving written notice to Tenneco to the address shown above on this letterhead together with a cashier's check in the amount of $50,000.00 to be applied as the first advance annual minimum royalty; such written notice of the exercise of said option by Eocene and cashier's check must be actually received by Tenneco during said 45 day period. Upon receipt of such written notice and cashier's check by Tenneco, the terms and provisions of the contract attached hereto as Exhibit A shall become applicable by the parties and said contract shall be binding without further execution and the term of the contract shall Commence on such date; provided, however, the parties agree that upon request of either party both parties will execute a formal contract on the form attached as Exhibit A, dated the date of receipt of such notice and check by Tenneco. Time is of the essence and failure by Eocene to exercise the option granted hereby in strict conformance with the terms herein set out shall terminate all of Eocene's rights hereunder.

In the event the foregoing satisfactorily and completely sets forth the terms and conditions under which you are granted a license to enter upon Tenneco's Boquillas Ranch and the option pursuant to which you have the right to enter into a contract to process tailing dumps located on the said millsites and extract the metals contained therein, please signify your acceptance of this contract by your execution in the space provided below. Unless this contract is accepted and executed by you and returned to Tenneco within 30 days from the date hereof, this agreement shall become null and void and no subsequent execution shall be valid.

Yours very truly,

TENNECO OIL COMPANY

By J M Oswald

ACCEPTED AND AGREED TO this
17TH day of APRIL, 1979.

EOCENE RESEARCH, LTD.

By George M. Jewett, President

TLP/sc

September 8, 1978

TO THE LIMITED PARTNERS OF EOCENE RESEARCH

I am sorry to advise that I have been unable to obtain unanimous consent from all the Limited Partners of Eocene Research to the Cosgriff proposal of July 11, 1978 and it is not possible to raise additional financing on the present partnership agreement. Since the partnership has insufficient funds to continue operating, I am exercising my option under the partnership agreement and liquidating the partnership.

I have formed a corporation in Nevada known as Eocene Research, Ltd., and the initial ownership in this company for those limited partners of the liquidated partnership, who sign this letter accepting an interest in Eocene Research, Ltd. and return their acceptance to Peter Cosgriff by September 25, 1978, will be as follows:

George M. Jewett,	1978 SAL. 643 SHARES	20%	3000 shares
Hugh A. Ghiringhelli	1977 SAL. 81 SHARES	7%	1050 shares
Gregory Grosbard	TOTAL 729 SHARES	4%	600 shares
John G. Dean (to be acquired over 8 months at 56.25 shares per month in return for his services to Eocene Research, Ltd.)		3%	450 shares
Present Non-Subscribing Limited Partners (pro-rated as per Cosgriff's letter of July 11, 1978)		5%	750 shares
Present Subscribing Limited Partners (In the form of convertible debentures for the total sum of $435,000 at 1% earned interest convertable at their option into a 25% interest (3750 shares) on January 1, 1981 or cash over a two year period from that date at Eocene's choosing. These convertible debentures will be allocated to the present subscribing limited partners using their relative percentage as shown in Cosgriff's letter of July 11, 1978.)		25%	3750 shares
New Financing of $300,000 (will be achieved by the selling of 36% interest in Eocene Research, Ltd. at $55.56 per share or $8,333.33 for each additional 1% interest. 14.4% to come from the above interest has been set aside for immediate interim financing, 2,160 shares, to be sold this week.)		36%	5400 shares

3738 SHARES
3127
(G.M.J. Jr. 150)
(KRISTIANNE 150)
(HAMISH 150)
(M.M.JEWETT 150)

There are presently authorized 50,000 shares of Eocene Research, Ltd., and I will at present issue or reserve for conversion of debentures 15000 shares to

represent 100% ownership in Eocene Research, Ltd. after the present financing is completed. Those limited partners that do not sign this letter and return it to Peter Cosgriff by September 25, 1978 will have no interest in the new company.

Please advise your interest in participating in the new financing of Eocene Research Ltd., and to what extent you wish to participate. Whatever part is not desired by the present limited partners has been spoken for by new investors. I plan on completing the financing by September 30, 1978, so if you wish to participate in the new financing you must reply to Peter Cosgriff or contact me before September 25, 1978.

Sincerely

George M. Jewett

George M. Jewett, President
Eocene Research, Ltd.

I,_____, a Limited Partner of Eocene Research, accept the above proposal and the interest offered me in Eocene Research, Ltd., a Nevada corporation.

Signed_____

EXHIBIT A
ATTACHED TO AND MADE A PART OF
LICENSE AGREEMENT DATED THE 20TH DAY OF FEBRUARY 1979

PROCESSING LICENSE

THIS AGREEMENT is entered into this _____ day of _____ 1979, by and between TENNECO OIL COMPANY (TENNECO), a Delaware corporation, whose address is P. O. Box 2511, Houston, Texas 77001, and EOCENE RESEARCH, LTD. (EOCENE), a limited partnership organized under the laws of Connecticut, whose address is Box 475, Tombstone, Arizona 85638.

W I T N E S S E T H:

WHEREAS, Eocene desires to enter into an arrangement with Tenneco pursuant to which Eocene will have the right to enter upon certain abandoned millsite claims (millsites) located on the property belonging to Tenneco within the boundaries of its Boquillas Ranch in Cochise County, Arizona and to remove therefrom tailing dumps, or portions thereof, containing commercial quanitites of metals and to process such deposits for the purpose of extracting metals contained in such deposits; and

WHEREAS, Tenneco is willing to grant to Eocene a license to enter upon such millsites and to process the tailing dump deposits, subject to the terms and conditions hereinafter set out;

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein set out, the parties hereto agree as follows:

1. Tenneco does hereby grant to Eocene the right to enter upon and the exclusive right to remove and process, during the term hereof, the tailing dump deposits located on the following described abandoned millsites situated within the boundaries of Tenneco's Boquillas Ranch in Cochise County, Arizona, being located on the east side of the San Pedro River approximately 2 miles northerly of the Charleston Crossing, said millsites being originally designated by the following names:

a. Sunset
b. Grand Central
c. Boston
d. Gird
e. Corbin

2. The cash consideration to be paid to Tenneco by Eocene is $50,000.00 per year payable in advance. Payment of the first $50,000.00 payment has been received and is hereby acknowledged by Tenneco. Payment of the second $50,000.00 payment shall be due on or before one year from date hereof, unless this agreement is then terminated.

3. The term of this contract shall commence on the date hereof and shall continue for two calendar years thereafter (the first calendar being the twelve months following the date hereof; and the second calendar year being the twelve months following the first anniversary date hereof); provided Eocene shall have the right to terminate this contract at the end of one year from its commencement date by giving Tenneco sixty (60) days prior written notice of such termination and be relieved of the obligations to make the second $50,000.00 payment required under Paragraph 1. hereof. Unless sooner terminated as herein provided, at the end of 24 months following the date hereof, this contract shall terminate and Eocene shall have no further right to remove deposits of tailing dumps from said millsites.

4. All tailing deposits removed from said millsites will be promptly processed in Eocene's mill located approximately seven (7) miles east of said millsites between said millsites and Tuscon, Arizona. Title to said tailings shall remain in Tenneco's possession until they are processed. Any tailings not processed within a reasonable time shall be returned to the millsite from which they were removed. All tailings will be weighed on certified scales prior to processing, and Tenneco shall have the right to have a representative present at such weighing should it so desire. Monthly reports shall be made by Eocene to Tenneco reflecting the tonnage of material weighed, and types and quantities of metal extracted.

5. Each year during the term hereof, Eocene agrees to pay Tenneco monthly, as royalty hereunder, an amount equal to 2% of the market value of the metals extracted from said tailing dumps, until 5% of the market value of such metals extracted during such year equal $50,000.00 after which Eocene agrees to pay to Tenneco monthly as royalty 7% of the market value of such metals extracted during such year. Royalties payable as a result of metals extracted during any month shall be valued as of the first day of the following month based on published market value as shown in the Engineering and Mining Journal. In the event no such values are published during any given month, such value shall be determined on the bases of the then most recent publication

of the Engineering and Mining Journal which does reflect such values. Amounts owing as royalty for metals extracted during any month shall be paid to Tenneco at its Houston office, at the address shown above, on or before the 15th day of the following month.

6. In conducting is operations hereunder, Eocene agrees to comply with all laws and regulations, both Federal and State, including but not limited to regulations promulgated under the Environmental Polution Act and the Occupational Safety and Health Act. Also, in conducting its operations hereunder, Eocene agrees to utilize only that portion of the surface of said millsites as is reasonably necessary to conduct such operations and agrees to indemnify and hold Tenneco harmless from all damages or injuries caused to persons or property as a result of Eocene's operations.

7. Tenneco hereby grants Eocene during the term of this agreement the right to utilize existing roads across Tenneco's Boquillas Ranch for purposes of ingress to and egress from said millsites. Eocene agrees to be responsible for damages caused to such roads and to make any repair of any damages to such roads as may be caused by it, all at Eocene's sole cost and expense. Upon termination hereof, Eocene agrees to repair all surface damages and restore the surface of the millsites as nearly as practicable to its present condition and shall plant the disturbed ground with native grass seed. Eocene agrees to furnish Tenneco its bond in the amount of $10,000.00, guaranteed by a corporate surety satisfactory to Tenneco, insuring the repair of all surface damages in accordance herewith.

8. Eocene agrees to keep accurate books and records concerning all operations involving the processing of the tailing deposits hereunder and extracting of metals therefrom and agrees that Tenneco's personnel shall have access at all reasonable times to such books and to inspect Eocene's processing mill and laboratory for purposes of observing, auditing and verifying all facets of Eocene's operations pursuant hereto. Eocene agrees to maintain its books and records available for audit by Tenneco for a period two years beyond the expiration of the term hereof.

9. So long as Eocene is removing deposits of tailing dumps from the millsites pursuant hereto, Eocene agrees not to process in its mill any material acquired from other sources, and in the event other material is processed in said mill during the term hereof, this agreement shall ipso facto terminate without notice and Eocene shall have no further rights hereunder; provided,

however, Eocene shall not be relieved of any obligations theretofore accrued hereunder.

10. In conducting operations hereunder, Eocene agrees to notify Tenneco's Exploration Research office at 1001 E. Mossman Road #1, Tucson, Arizona 85706, telephone (602) 889-8027, prior to each entry on Tenneco's property so that Tenneco may have a representative present during such operation if it so desires. Also, Eocene agrees to notify Tenneco's Boquillas Ranch foreman at Fairbanks, Arizona prior to each entry upon said Ranch.

11. Eocene, at its expense, shall carry: (a) workmen's compensation insurance, (b) public liability insurance with liability limits of such reasonable amounts as may be required from time to time by Tenneco, but in no event less than $200,000 for the injury to or death of one person and $500,000 for the injury to or death of more than one person in any one accident, and (c) property damage insurance with liability limits of not less than $50,000. All such policies shall provide:

(i) Underwriters will have no right of recovery or subrogation against Tenneco, its divisions, affiliates, or subsidiary companies, it being the intention of the parties that the insurance so effected shall protect both parties and be primarily liable for any and all losses covered by the above described insurance; and

(ii) Underwriters acknowledge the existence of liability and property damage insurance carried by Tenneco, its affiliated and subsidiary companies, and it is understood and agreed that the provisions relating to other insurance in this policy, if any, shall not be applicable to said company or companies. It is further understood that the insurance provided by this policy shall be primary insurance for all assureds, and such other companies, shall not be called upon by these insurers for contributing, deficiency, concurrent or double insurance or otherwise.

All such insurance shall be carried with insurance companies satisfactory to Tenneco, and shall cover not only the liability of Eocene for bodily injury to or death of persons and property damage, but also such liability which has been assumed by Eocene under the indemnity agreement of this license. Eocene shall forthwith procure and cause to be furnished to Tenneco certificates from Eocene's insurers stating that such insurance is in full force and effect, that the premiums have been paid thereon and that the insurers will give Tenneco at least

thirty (30) days prior written notice of any termination, cancellation or modification of the terms of such insurance.

12. Tenneco makes no representation or warranty of the quality, quantity or suitability of use of the tailing deposits within the premises.

13. This license shall be binding upon and insure to the benefit of the heirs, administrators, executors, successors and assigns of the respective parties. Eocene shall not, however, and it hereby agrees that it will not sublicense the premises or any party thereof, or assign, transfer, mortgage or otherwise convey this license or any of its rights and interest hereunder without prior written consent of Tenneco.

14. This agreement is not and shall not be considered as an agreement for the sale of tangible personal property. If, however, the removal or sale of the materials are alleged or determined to be subject to Sales or Use taxes, Eocene agrees to pay such taxes when due, and Tenneco shall have no responsibility or liability for any part thereof.

IN WITNESS WHEREOF, the parties have executed this license in duplicate as of the date hereinabove written.

TENNECO OIL COMPANY

By_____

EOCENE RESEARCH, LTD.

By_____

2.2

ENGELHARD

ENGELHARD INDUSTRIES WEST, INC.
ENGELHARD MINERALS & CHEMICALS CORPORATION
1250 NORTH GROVE STREET, ANAHEIM, CALIFORNIA 92806 • (714) 630-5390 • TELEX: 18-1555

Copy to JB
DH

May 10, 1979

RECEIVED MAY 18 1979

Rev. 5/18/79

FILE Tombstone P-418

Mr. T. Schloss
FANCO, INC.
1700 Broadway
New York, N. Y. 10019

Dear Tom:

In reference to our conversation of May 1st with respect to the refining and purchase of silver and gold dore bullion which you expect to produce shortly from your Tombstone Exploration Company mine in Tombstone, Arizona, I am pleased to confirm our terms for the refining and purchase of these materials.

Material: Silver and Gold Bearing Dore Bullion

Quality: Of two qualities classified as follows:

(a) Silver - Greater than 93%
Gold - Less than 10%

(b) Gold - Greater than 93%
Silver - Less than 10%

Quantity: In lots of a size and shipped at intervals most suitable to you.

Treatment Charge: Variable, depending upon the size of individual shipments and the quality of material as noted above.

Individual Lot Size (Troy Ounces)	Per Troy Ounce Net Weight Received Quality A	Quality B
Less than 1000	$0.15	$0.25
1000 - 4999	0.10	0.15
5000 & over	0.05	0.10

Refining Charges: As per the following schedule:

	Per Troy Ounce Recovered	
	Quality A	Quality B
Gold	$1.75	$1.25
Silver	0.06	0.08

Recovery: As per the following schedule:

	Percent of Assayed Content	
	Quality A	Quality B
Gold	99.0	99.5
Silver	99.5	99.0

Purchase: Recovered gold and silver to be purchased at the following terms:

Gold - At the London PM fixing price per troy ounce.

Silver - At the Engelhard selling base price less $0.02 per troy ounce.

Quotational Period: Prices for silver and gold would be fixed on the following basis:

(a) 90% of the recoverable silver and gold content based on Engelhard provisional assays or, at our option, on the advised assays would be priced on the fifth business day following the date of receipt or the date of sampling, if representation is requested.

(b) The balance of recoverable silver and gold based on final weights and assays would be priced on the date of settlement. If, on the date of settlement, final weights and assays have not been completed, the balance would be priced on the next business day following the date such final weights and assays have been established.

Payment:	The provisional value determined in (a) less estimated treatment and refining charges would be paid three (3) business days following the pricing date. The balance would be paid promptly following the date of final settlement. Any over-payments by Engelhard arising from differences in quantities paid for is refundable to Engelhard based upon the values applied to such differential quantities. We would be pleased to arrange alternate pricing terms if desired and subject to mutual agreement.
Settlement:	Six (6) weeks from the date of receipt or the date of sampling, if representation is requested.
Minimum Charge:	$150 per lot.
Delivery Point and Special Terms:	F.O.B. Engelhard Industries West, Inc., 1250 North Grove Street, Anaheim, CA. 92806, and subject to our standard terms and conditions of sale.
Risk of Loss and Title:	Risk of loss and title to each lot of material would remain with Fanco, Inc. until actual receipt of such material by Engelhard, at which time risk of loss and title would transfer to Engelhard.
Quote Validity:	Our quotation is valid for sixty (60) days from the date above. Thereafter, terms and conditions may be continued or changed as dictated by cost and market conditions.

With respect to the mechanics of processing material received for refining, upon receipt, individual lots would be verified as to weight, assigned a refining control number and formally acknowledged. Each lot would be melted to homogenize it, and

the melt sampled for the purpose of assay. Your authorized representative is invited to attend and witness the melting and sampling process and to verify weights. Settlement would be based on the after-melt weight and the assayed content of the sample drawn at the time of sampling. The assay can be made subject to assay exchange and this procedure, with the appropriate splitting limits, is attached.

We appreciate this opportunity to provide our quotation and trust that this quotation will meet with your approval. We look forward to being of service to you in the near future. I apologize for the delay in providing this quotation and hope that it has not inconvenienced you greatly.

Very truly yours,

R. L. Searle
Executive Vice-President

RLS:slk

ENGELHARD

ENGELHARD INDUSTRIES WEST, INC.
ENGELHARD MINERALS & CHEMICALS CORPORATION
1250 NORTH GROVE STREET, ANAHEIM, CALIFORNIA 92806 • (714) 630-5390 • TELEX:18-1555

ASSAY EXCHANGE PROCEDURE

1. The samples from each lot would be divided into four parts of which one part would be submitted to customer for assay, one part would be retained by Engelhard for assay, and two parts would be sealed and held in reserve.

2. The assays would be performed independently by customer and Engelhard and then exchanged verbally or in writing.

3. Assays within the designated splitting limits would be averaged and the exact mean of the reported assays would be the basis for final settlement.

4. If the assays exceed the splitting limit, at the option of either party, a reassay would be performed and the results re-exchanged. If no agreement is reached or the reassays exceed the splitting limit, one of the reserve samples would be submitted to a mutually agreed upon umpire for assay.

5. Final settlement would then be based on the middle assay of the umpire assay, the customer assay, and the Engelhard assay. The party whose assay is more at variance with the umpire assay would pay the cost of the umpire assay.

ENGELHARD
MINERALS & CHEMICALS CORPORATION

SCHEDULE OF SPLITTING LIMITS

BULLION

COPPER ASSAY Percent	Split Units
25% and over	0.50

SILVER ASSAY Parts Per 1,000	Split Parts Per 1,000
Up to and including 1.00	0.20
Over 1.00 up to and including 5.00	0.50
Over 5.00 up to and including 25.00	1.00
Over 25.00 up to and including 100.00	2.00
Over 100.00 up to and including 350.00	3.00
Over 350.00 up to and including 800.00	2.50
Over 800.00 up to and including 950.00	1.50
Over 950.00	1.00

GOLD ASSAY Parts Per 1,000	Split Parts Per 1,000
Up to and including 50	0.15
Over 50 up to and including 100	0.25
Over 100 up to and including 300	0.50
Over 300	1.00

PLATINUM AND/OR PALLADIUM ASSAY Parts Per 1,000	Split Parts Per 1,000
Up to and including 0.50	0.10
Over 0.50 up to and including 1.00	0.15
Over 1.00 up to and including 5.00	0.20
Over 5.00 up to and including 10.00	0.30
Over 10.00 up to and including 25.00	0.50
Over 25.00 up to and including 50.00	0.75
Over 50.00 up to and including 100.00	1.00
Over 100.00 up to and including 350.00	2.00
Over 350.00 up to and including 500.00	3.00
Over 500.00 up to and including 800.00	4.00
Over 800.00	5.00

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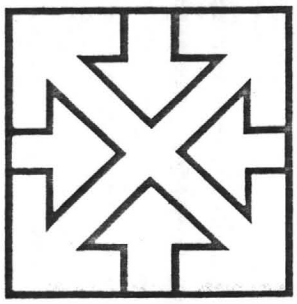
• interpretation-image processing
Worldwide Mobilization



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

James A. Briscoe, President
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

May 11, 1979

Barbara Burg
Arizona State Land Department
1624 W. Adams
Phoenix, Arizona

Re: Withdrawal of Prospecting Permit Applications #76127 & #76155.

Dear Ms. Burg,

This is to inform you of our intent to withdraw from consideration our Applications for Prospecting Permits Nos. 76127 & 76155 filed on April 26, 1979 for Section 18, Township 20 south, Range 22 east, 603 acres.

Thank you for your time.

Sincerely,

Clark D. Green
Geologist/Landman

CDG/slr
P-418

CDG

MEMO

To: JAB, P-418 Project File

From: CDG

Date: May 22, 1979

RE: TERMINATION OF LAND ACQUISITION ACTIVITIES IN P-418 PROJECT AREA

It is my understanding, from a communique by Thomas E. Waldrip Jr. on this date, that you, in cooperation with Mr. Thomas Schloss and Mr. Dwight Lee, wish all land acquisition activities for the Tombstone Project Area (P-418) to be terminated as of this date.

Your signature below, verifies your knowledge of, and agreement to, the above.

James A. Briscoe — 6/21/79

Date

CDG:dlr
P-418

Thomas H. Schloss — 6/21/79

Date

Dwight Lee

Date

No. 967276

RECEIPT FOR CERTIFIED MAIL

**NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL**

(See Reverse)

SENT TO
Ms. Greg Grady

STREET AND NO.
200 Carson Avenue

P.O., STATE AND ZIP CODE
Las Vegas, Nevada 89101

POSTAGE				$ 15
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE			80 ¢
	OPTIONAL SERVICES	SPECIAL DELIVERY		¢
		RESTRICTED DELIVERY		¢
		RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED	45 ¢
			SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
			SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
			SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES				$ 140

POSTMARK OR DATE

PS Form 3800, Apr. 1976

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE, CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, **leaving the receipt attached,** and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, afix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

☆ GPO 1978 -256-915

PS Form 3811, Apr. 1977

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered..... 45 ¢
- ☐ Show to whom, date, and address of delivery.. ____ ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered..... ____ ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Ms Greg Grady
County Surveyor's Office
300 Carson Ave - Las Vegas, NV. 89101

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	967276	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. Lois Warren

DATE OF DELIVERY: MAY 29 1979

POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

☆ GPO : 1977—O-234-337

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, and 3 on the reverse.
- Moisten gummed ends and attach to front of article if space permits. Otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

RETURN TO

SOUTHWESTERN EXPLORATION ASSOCIATES,

(Name of Sender)

4500 E. SPEEDWAY, SUITE 14

(Street or P.O. Box)

TUCSON, ARIZONA 85712

(City, State, and ZIP Code)

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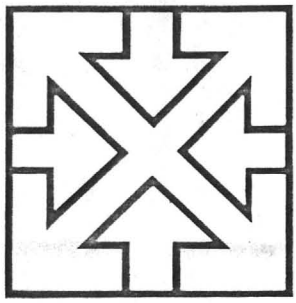

4500 E. Speedway, Suite 14
Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern
Exploration Associates, Inc.

May 24, 1979

Ms. Greg Grady
County Surveyor's Office
200 Carson Avenue
Las Vegas, Nevada 89101

Dear Ms. Grady:

As per our telephone conversation of May 24, 1979, we wish to order paper copies of your county surveyor's sheets showing status of public domain land and mineral titles for the following seven (7) townships located in Clark County, Nevada:

Twp 24S - Rge 60E, Twp 24S - Rge 61E
Twp 25S - Rge 59E, Twp 25S - Rge 60E, Twp 25S - Rge 61E
Twp 26S - Rge 59E
Twp 27S - Rge 59E

Enclosed please find payments in the amount of $14.00 to cover the cost for the above requested materials.

Please include reference to our purchase order number #4637 on return invoice receipt.

Thank you for your assistance.

Sincerely,

Clark D. Green
Geologist/Landman

CDG/slr
P-148
encs. P.O. #4637
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(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

JAB

2-16

FILE P-418 Tombstone

Southwestern Exploration Associates, Inc.

June 22, 1979

6/23/79 Transmitted by phone to RFH, SC #7582 9:19-9:57 AM by JAB

Mr. Richard F. Hewlett
Vice President
S.E.A. Hydromet, Inc.
Nellie Cashman Apts.
Cottage # 2
121 E. 5th
Tombstone, AZ 85638

Re: Tom Schloss, Dr. John Dean Visit - Evaluation of Progress - Setting of Objectives, Activities, and Record Keeping for the Next Week and Plans for the Future

Dear Dick,

Since yesterday afternoon, I have spent approximately eight (8) hours reviewing progress at Tombstone with Tom Schloss and metallurgical consultant John Dean. John was engaged by Tom to help us with what appear to be definite problem areas, but particularly because of unsatisfactory performance at Tombstone to date. Without going into a great deal of detail, we are at least four (4) weeks behind your projections, and 400% over budget.

Our original objectives of Tombstone were to expend in the range of $25,000 to make insitu tests of your metallurgical techniques, which you warranted would verify the techniques and put us into profitable production with a substantial cash flow. Up to this time, we have:

1. expended approximately $100,000,
2. changed metallurgical approaches several times with inadequate documentation, and
3. have not scientifically verified nor documented even the negative results, to my knowledge.

Obviously, it is imperative to do the following:

1. Pick one metallurgical test at a time and follow it through to completion, with careful documentation that can be corroborated by other engineering or metallurgical investigators -- negative as well as positive information to be reported in an unbiased manner.

2. Layout the goals and specific objectives of a meaningful, concise, and reproducible metallurgical program.

3. Layout a tight operating budget for such a testing program.

4. Determine a realistic timetable and action plan for the above.

If the above is carefully done and realistic, I am sure that I will be able to endorse it, and I feel that Tom will underwrite it, assuming John Dean's technical approval. Without such a careful re-evaluation and plan, I would have no option but to recommend termination of further work.

The above summarizes in only very brief outline form our problems to date and the intermediate term solutions to these problems. Of even more critical importance is what we do in the next seven (7) days. Tom, John Dean, and I have discussed this in great detail. It is absolutely imperative that you carry out, to the best of your ability, and in the highest professional manner, the following seven-day action plan to meet the stated objectives. I think it is obvious that the continuation of the program depends on this. I think it is also obvious that no changes should be made without documentation and verbal O.K. from Tom and/or myself.

The activities and objectives to be reached are as follows:

ACTIVITIES

1. a) as a maximum, construct the following:

Area #1 - 3 lifts
Area #2 - 2 lifts
Area #3 - 2 lifts

b) set up test leaches exactly like the USBM-Reno for 1) North slope dump "ore" and 2) Manganese dump "ore";

c) after completion of the above, terminate the dozer for the present;

d) prepare documented proposal of chemistry to be used and wait for approval.

2. a) do not work on any other pads until written notice from Tom or myself;

b) put Dusty in charge of heap. Have him do all physical work there during the day and have Ed Rice take over the night shift and report to Dusty. Dusty should report to you. You are not to take any physical part of the heap activities but only concern yourself with engineering work, i.e.:

1) chemistry-metallurgy
2) budget
3) engineering and quantification

3. Leach areas 1, 2, & 3.

4. Melt percipitates daily. Mail these to Tucson daily by return receipt requested mail.

5. Keep accurate, concise, records which can be checked by any independent professional. This should be done on a form or forms of your own design, to include, but not limited to, the following:

a) daily record of dimensions of dump under leach and tonnage calculated for that area, plus supporting data, measurements, etc.

b) record of through-put -- hours of leach per shift, down time, etc.

c) titrate return hypo solution to determine barren strength, and for presence of zinc.

d) determination of H_2O balance per shift; i.e. H_2O added to replace that lost to evaporation, absorption in dump, or loss through pad.

e) weigh out of zinc used per shift.

NOTE: Materials balance is the key.

6. W. Edward Speer will take sample of:

   a) Emerald ore -- high MnO_2 ore from dump

   b) North Ramp ore

7. Prepare a two (2) page memo specifying your opinion of the best option for leaching Mn ore.

8. Come up with a realistic budget for the above.

OBJECTIVES

1. Document silver production from a specific amount of heap ore, specifically from areas 1, 2, & 3, processed from 6/22/79 to 6/27/79.

2. Have documented budget for the above by the evening of 6/23/79.

3. Have test leach pads (as in Activities, #1b, sections 1 & 2) and an action plan with proper miner-like record keeping forms and budget by 6/26/79.

4. Have two (2) page "best options" report on metallurgy to use on Mn Ox ore by 6/26/79.

On or before the dates specified above, mail, by registered, return receipt requested mail, one copy of all paperwork required above to Tom Schloss in New York, one copy to John Dean in Rhode Island, and one copy to myself in Tucson. Also be prepared to discuss all of the material in concise, brief terms on the morning of June 27, 1979.

Dick, I do not expect to have to tell you the details of how to do and document your job. I do expect, at minimum, the above outlined documentation, but it should not be limited to the above. It is your responsibility to do what is necessary for documentation and you will be held accountable for any omissions.

Very truly yours,

James A. Briscoe

JAB:cmd
P-418
cc: Tom Schloss
Dwight Lee
Dr. John Dean

2-22 J. A. Brusoe

June 26, 1979

REVIEWED

JUL 4 1979

By JGD

Memo to: Richard F. Hewlett, TEI

From : J. G. Dean

Subject: Silver Leaching with Thiosulfate and Precipitation with Zinc.

Dear Dick:

We greatly appreciated our visit with you and specially want to express sincere thanks to you and Mickey.

Although I was apprehensive about some aspects of the present thiosulfate process, I want to help you constructively to give it every chance. So I have reviewed the available reference material and carried out a few small scale experiments in the lab.

Since the hypo dissolves primarily the silver halides, I started out by preparing an experimental batch of pregnant liquor by agitating 5 times the calculated amount of old silver chloride with 1 g/l thiosulfate solution.

Dissolution was quite slow, but after a few hours a pregnant solution was obtained somewhat in accord with the following:

$$\underset{248.2\times2=496.40}{\overset{1\,g/l}{2Na_2S_2O_3 5H_2O}} + AgCl = Na_3Ag(S_2O_3)_2 + NaCl$$

Ag=0.2173g/l or 6.33Toz/T sol'n.

A point of special interest is that the starting silver chloride contained some of the black subhalide, Ag-AgCl, due to exposure to light, and this part seemed resistant to dissolution, just as it is in the photographic process.

Precipitation of the silver with zinc powder was rapid as you have observed, but the presence of sulfides was observed. Additional experiments with zinc powder and the fresh hypo solution also suggested that sulfides were being formed, perhaps by reduction of the thiosulfate by the zinc or liberated hydrogen.

To check this point, a sample of the dried precipitate we brought back was treated with dilute sulfuric acid which is supposed to dissolve selectively the zinc, leaving the silver behind. The residue was brown, suggestive dominantly of silver sulfide. No metallic silver particles could be observed under the microscope. Treatment of the brown residue with hot 6N nitric acid slowly dissolved everything but the DE, and addition of normal HCl to the filtrate gave a heavy white precipitate, AgCl.

These observations: the refractory nature of Ag-AgCl, and the precipitation of Ag_2S in place of crystalline silver, might have important implications on the process. Your comments and suggestions for further work will be of special interest.

JGD:bm; cc: THSchloss

P. S.

The composition of the silver precipitate sampled 6/20 was approximately as follows:

Zn + ZnS (6N H_2SO_4 soluble)	60.0%
Ag + Ag_2S(6N HNO_3 soluble)	8.0
Diatomaceous earth	32.0

John G. Dean

2.24

J. A. Brierley

June 27, 1979

REVIEWED

JUL 4 1979

By JB

Memo to: Richard F. Hewlett, TEI

From : J. G. Dean

Subject: Silver Leaching with Thiosulfate.

Dear Dick:

During our phone conversation this morning you mentioned that the 13,000 pounds of sodium thiosulfate purchased todate had virtually all disappeared from the solutions in the heap leaching operations. This startled me since at $.20/lb, just the $2600 cost of this reagent would require the production of over 300 Toz silver just to meet the costs.

You suggested that spraying in the sunshine increased the rate of decomposition and that just spraying at night might be helpful. A review of the reference material suggests some additional points of interest.

Sodium thiosulfate, as you know, is used as an analytical standard. One of the suggestions given for preparing the standard is to boil the water to eliminate air and carbondioxide. Both dissolved oxygen and carbonic acid greatly accelerate the decomposition.

Spraying, day or night, would thus appear to aggravate the problem. Would it be possible to use seep hoses as currently being used for irrigation as a substitute for the sprays?

I also found that the pH is a very major factor in the stability, e. g. just adding 0.1g/l Na_2CO_3 greatly prolongs the life of analytical solutions. If the ph were simply raised in the recycle solution or at the heap, the hypo life might be greatly extended.

Any contact with sulfuric acid or hypochlorite from the pretreatment of the heap will, of course, cause almost instant destruction of hypo and is to be avoided as completely as possible.

I also found a reference in the Ency. Chem Tech. I, 14, p. 111, to the effect that ammonium thiosulfate as a substitute for hypo dissolves silver halides much more rapidly, is much easier to recycle effeciently, and has twice the life of the sodium solution. With all these cumulative advantages involving multiple factors, it might merit investigation.

I have also gone through the thiosulfate analysis by preparing an iodine solution by dissolving 1.00g I_2 with 10g KI in a small volume of water and diluting to one liter. It gives a sharp blue endpoint when titrated against thiosulfate solutions plus starch.

JGD:bm; cc: THS

JGD

JAB

2-23

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Tucson, Arizona 85712
(602) 795-6097

James A. Briscoe, President
Registered Professional
Geologist

Southwestern Exploration Associates, Inc.

June 27, 1979

Dr. John Dean
Box 101 Route 2
North Scituate, RI 02857

Dear Dr. Dean:

This package contains the samples from Tombstone, Arizona that you requested. These are representative splits of the 50 to 80 pound samples that I collected from the heap on Saturday, June 23, 1979. My samples were crushed to 1/4 - 1/2 inch before splitting down to the samples in this package. In an attempt to get representative material, I collected the original samples along traverses of 30 to 50 feet each in areas of immediate interest on the heap. The sample descriptions follow:

623791 Mn-rich Emerald Mine rock, South ramp
623792 Mn-rich Emerald Mine rock, South End of heap
623793 Mn-rich Emerald Mine rock, South End of heap
623794 Ls-rich rock middle of heap
623795 Ls-rich rock middle of heap
623796 Contention Mine rock, North End of heap
623797 Contention Mine rock, North End of heap
623798 Shale and Quartzite, North ramp

The first three samples could be treated seperately, or added together to get a single sample representative of the manganese-rich rock on the south end of the heap.

I should also point out the limitations of the sampling I have done. I collected only the less than four inch fraction, which generally makes up 60 to 80% of the total dump material. Therefore, my sampling represents only the more readily leachable material, and not the total dump material. Likewise, my samples are few in number and were collected from the surface of the dump. Additional sampling, especially at depth through the dump, is needed to properly evaluate the entire dump. However,

these samples are the most representative collected to date and test results on them will be indicative of the dump as a whole.

Fire assays on my samples are being done by a firm in Tucson, and results may be ready by Friday, June 28, 1979. We are of course saving the sample rejects (crushed to 1/4 - 1/2 inch).

If I can help you in any way, please feel free to call.

Best regards,

Ed Speer

W. Edward Speer

WES:dlr
P-418

TOMBSTONE

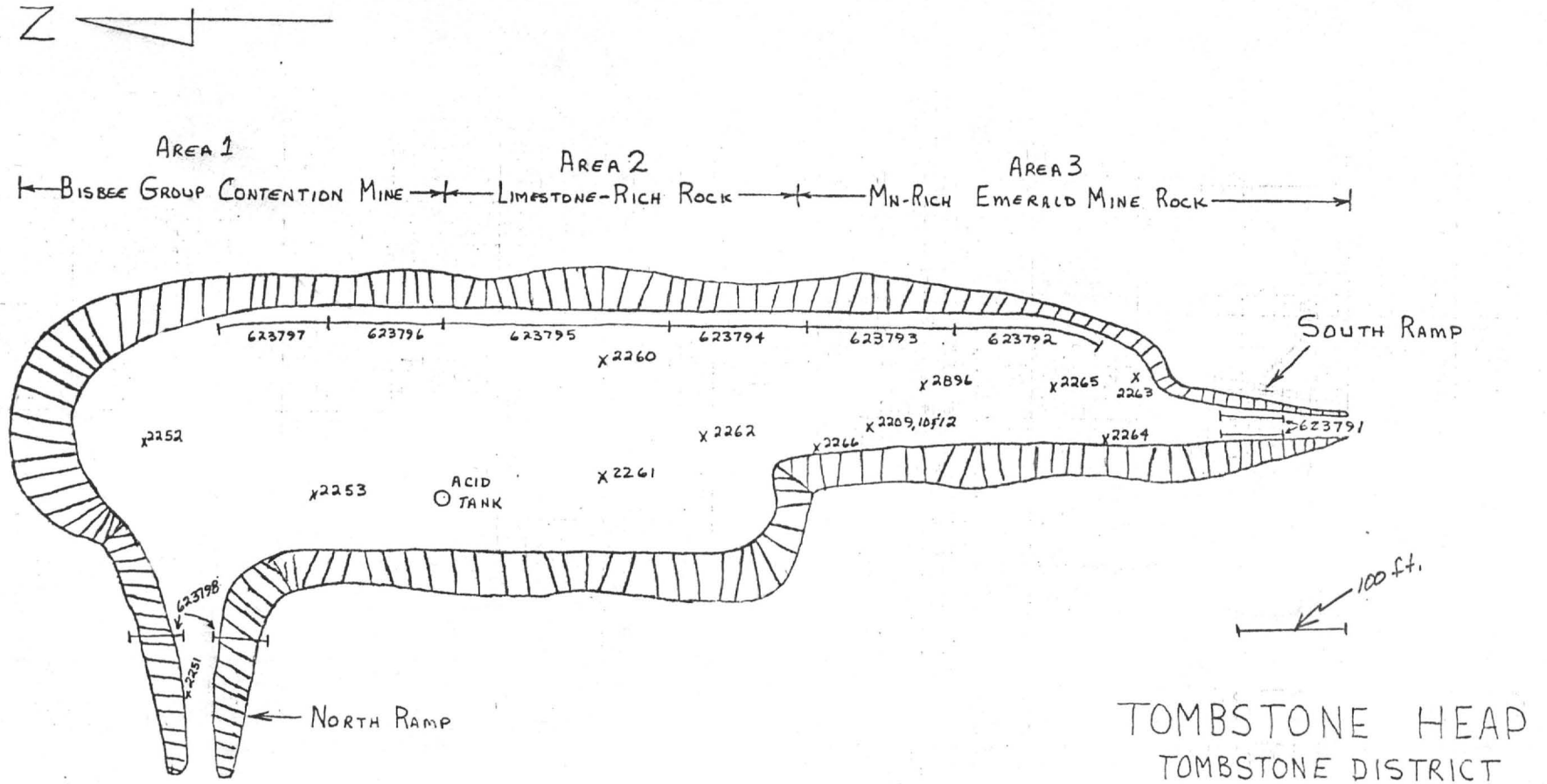
ADDITIONAL EXPLORATION WORK RECOMMENDED

1. Map of the heap
   - A. Surveying (Brunton & Tape/wheel) $160 — 8 man Hours
   - B. Drafting $50 — 4 man Hours

2. Ore reserve sampling
   - A. Backhoe trenching (3,000 feet), $600 — 50 man hours; $2500 — 50 hrs Backhoe
   - B. Collecting bulk samples (27 total) 100 lbs @ $640 — 32 man hours
   - C. Assaying (Au & Ag - $10 @, crush, pulp, Assay, etc) $270 — $270

3. Screen Analyses
   - A. Collect bulk sample (from backhoe trenches) $300 — 1 TON Backhoe & Truc
   - B. Separation by size fractions - Screening ABM(?) $500 — $500 (?)
   - C. assaying of each size fraction
     Splitting, crushing, split, pulp Au & Ag $ $100 — $100

$5,120.00 (EST)



TOMBSTONE HEAP

TOMBSTONE DISTRICT

COCHISE COUNTY, ARIZONA

SCALE APPROX 1 INCH = 100 FEET

W.E. Speer July, 1979

NOTES:

This is a rough field sketch supported by a few pace measurements only
Samples 623791-8 are 50 to 80 lb each and were collected along traverses as indicated. Collected by WES
All other samples are 5 lb grab samples

2.21
P1 of 2

SAMPLE SUBMITTAL

6/26/79
PROJECT 418

TO: JACOBS ASSAY OFFICE
1435 S. 10 AV.
TUCSON, AZ 622-0813

FROM: SOUTHWESTERN EXPLORATION ASSOCIATES, INC
4500 E. SPEEDWAY #14
TUCSON, AZ 85712 795-6097

SAMPLE PREP — Crush each sample to 1/4-1/2 inch, split to 1 lb and pulverise, split and handle pulp as usual. Return rejects and pulps

SAMPLE #'S	MATERIAL	ELEMENTS	METHOD
623791	ROCK & FINES	Au, Ag	FIRE ASSAY
623792	"	"	"
623793	"	"	"
623794	"	"	"
623795	"	"	"
623796	"	"	"
623797	"	"	"
623798	"	"	"

PROJECT 418

JACOBS ASSAY
SOUTHWESTERN EXPLORATION ASSOCS.

6/26/79

SAMPLE #	MATERIAL	ELEMENTS	METHOR
2209	Rock chips	Au, Ag	Fire Assay
2210	"	"	"
2212	"	"	"
2251	"	"	"
2252	"	"	"
2253	"	"	"
2260	"	"	"
2261	"	"	"
2262	"	"	"
2263	"	"	"
2264	"	"	"
2265	"	"	"
2266	"	"	"
2896	"	"	"
2267	BULLION..(small)	Ag	Fire Assay
2268	" (LARGE)	Ag	"

1435 S. 10th AVE.
~~P. O. BOX 1889~~
DUPLICATE

Jacobs Assay Office
Registered Assayers

PHONE 622-0813

2-27
JAB

Certificate No. 60231

TUCSON, ARIZONA 85713 29 June 1979

Sample Submitted by Mr. Southwestern Exploration Assoc. Inc.

SAMPLE MARKED	Hu OZ/TON	X	Hg OZ/TON	SAMPLE MARKED	Hu OZ/TON	X	Hg OZ/TON
623791	0.010		1.50	2251	TRACE		1.25
2	0.015		2.45	52	0.010		4.20
3	0.010		1.20	53	0.005		12.85
4	0.010		0.60	60	0.005		0.95
5	0.010		0.70	61	0.005		0.70
6	0.010		0.90	62	0.010		2.05
7	0.005		2.55	63	0.010		6.80
623798	0.010		1.40	64	TRACE		2.05
2209	0.005		7.30	65	TRACE		2.10
2210	TRACE		1.15	66	0.005		0.60
2212	TRACE		1.40	2896	0.010		6.65
2267	DRILLING	CONTAIN	---	750.7 Fine Silver & 5.9 Fine Gold			
2268	"	"	---	740.2 Fine Silver & 5.4 Fine Gold			

* Gold Figured $35.00 per oz. Troy

Charges $ 208.00 +

Very respectfully,

[signature]

RECEIVED JUL - 5 1979

ESTABLISHED 1880

JACOBS ASSAY OFFICE
REGISTERED ASSAYERS
PHONE 622-0813 1435 SOUTH 10TH AVE.
TUCSON, ARIZONA 85713

June 30,1979

Southwestern Exploration Assoc. Inc.
4500East Speedway
Suite #14
Tucson, Ariz. 85712

Assaying

6-29---Cert.#60231----------$ 208.00

Total----$ 208.00

APPROVED
JUL 10 1979
By JAB

FILE P-418 Tombstone

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

TOMBSTONE

TO: Tom Schloss, Dr. John Dean, James Briscoe
DATE: June 27th, 1979
FROM: Dick Hewlett
RE: COMBINED PROGRESS REPORT AND "PILOT TEST" DESIGN

TOMBSTONE PILOT LEACH

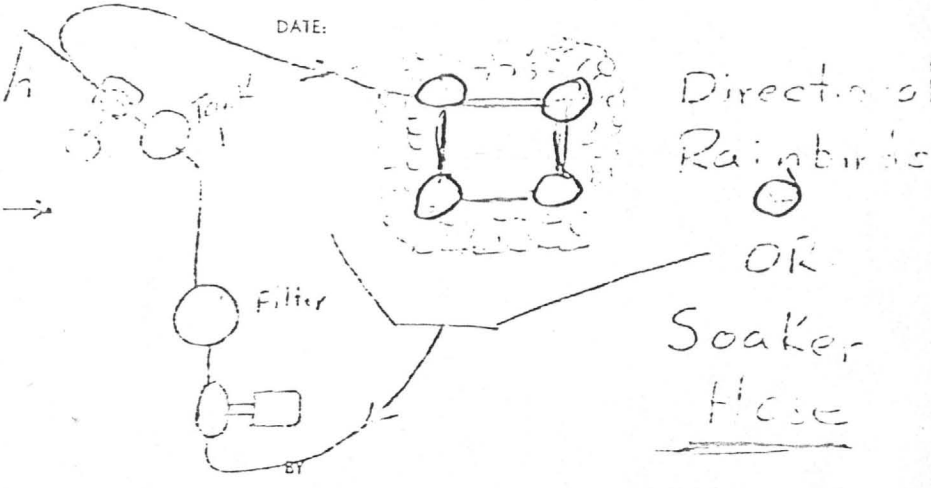
A pad and leaching area will be constructed on the north side of the heap, starting near the north ramp and extending north around the heap (see sketch A).

Activities required are:

1. Doze brush and prepare site.
2. "Grade" area to level and build in a drainage slope.
3. Haul tails on to site.
4. Level to 3-inch lift.
5. Water -saturate with water truck
6. Compact with loaded - loader
7. Repeat 3-6 until 4-3 inch lifts are layed down, leveled, saturated & compacted.

The above constructed in a manner such that in addition to provide an impermeable base for "pilot" leach tests, the pad will later be used for production without further construction.

The "pilot" leach will be as shown opposite →



Heap Pilot Tests:

Tonnage for each test to be "heaped" on each separate section of the pad will be 200 tons. This will occupy a square area of:

$$200 \quad T = \frac{L \; w \; h}{TF} \qquad = Lw \; \frac{(5 \text{ ft high})}{\text{Tonnage factor}}$$

$$18.5$$

$$200 \quad T = L \; w \; \frac{5}{18.5} \qquad Lw = 740 \text{ ft.}^2$$

or L=w= 27 ft.

Therefore, the area would be 30' x 30' and 5 foot high.

Pilot Spray Parameters:

Lift Height	Ore Mean Surface Area	Number Sprays	Tons Treated per Spray	Gal/min per Spray	Gal/Min per 100 ft^2
5'	740 ft^2	4	50	5	0.68

Flow Rates:

$$20 \quad 6PM = \frac{20\ 6PM\ (60\ M.P.Hr.)}{240\ Gal/Ton} = 5\ ton/hour$$

For Spray Mainfold for 20 6 PM

$$\text{Pipe size (Di)} = \frac{2.2\ W^{0.45}}{e^{0.31}} \quad \Big\} \quad Di = 1.9 \text{ or } 2 \text{ inches}$$

Where Di = Pipe Diameter
W = Weight flow (thousand #'s mass/hr)
e = Fluid density = mass/ft^3

Solution Balance:

A. Water of saturation
10% of tonnage = 0.10 (200 T) = 20 tons

B. Period of total saturation

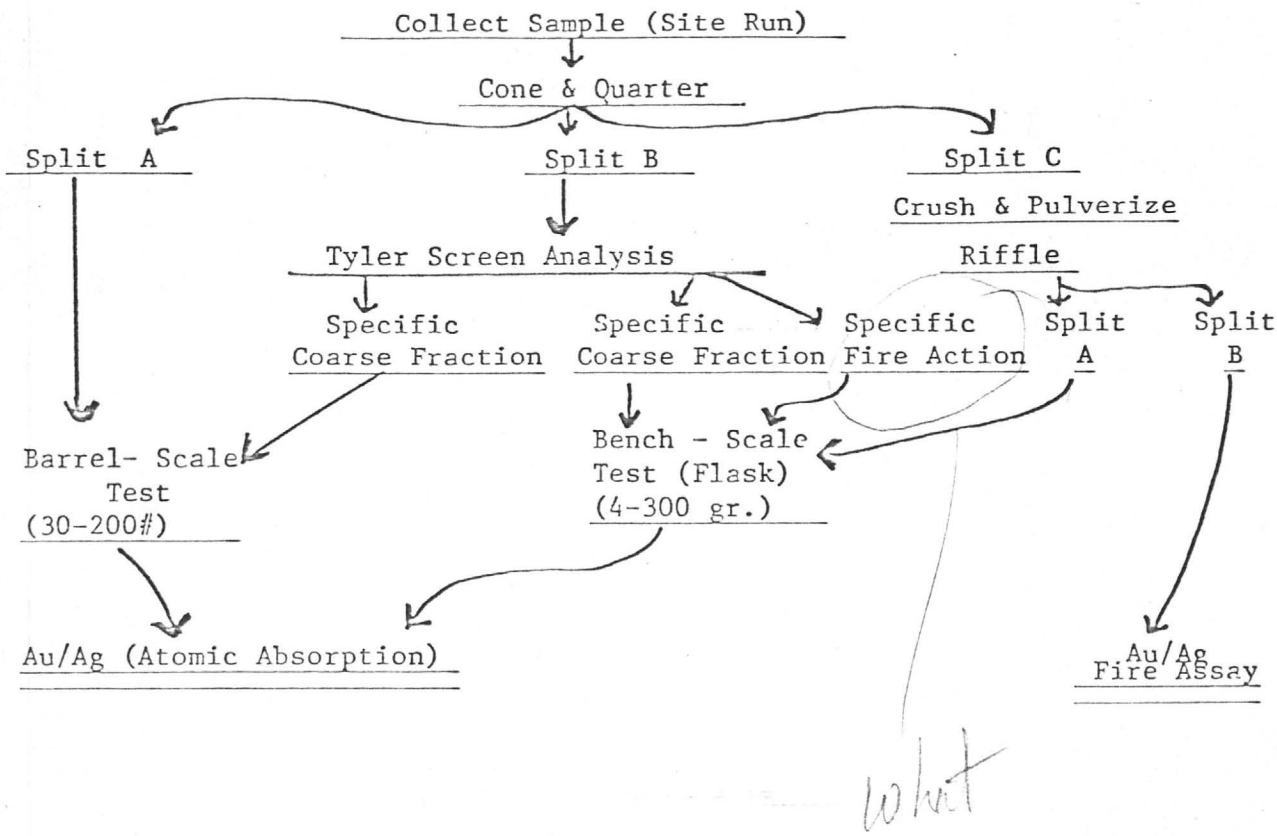
$$\frac{20\ tons}{5\ tons/hr} = 4\ hours$$

7/19/79
I don't agree with this to meet evap. would occur in the spray (surface area) not in the pond. [illegible]

C. Circulation Rate: 5 tons/hour

D. Evaporation: Very small because no pond will be used for circulation. (the pond will be used to test -evap. 9 decomposition of hypo, etc.

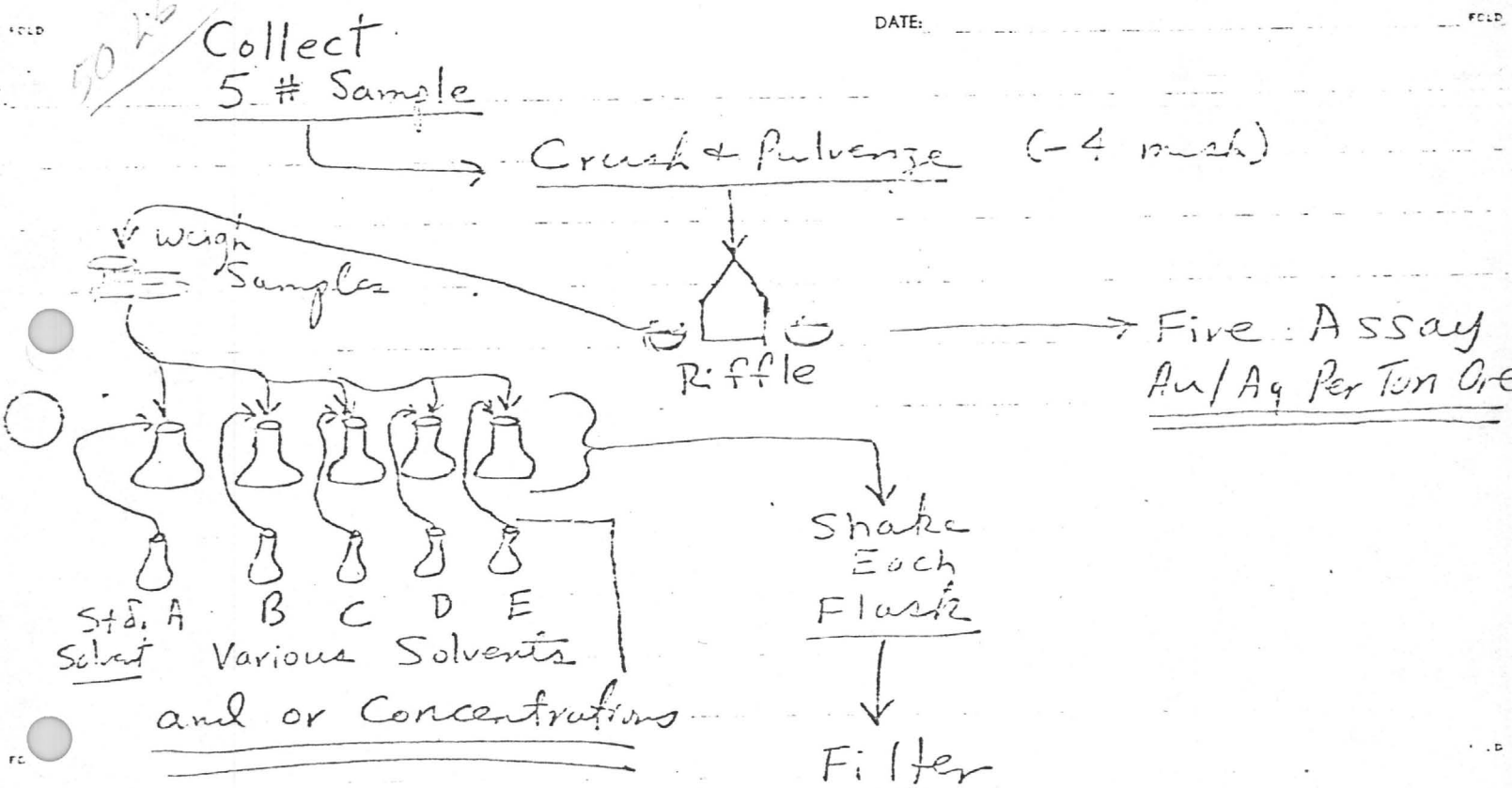
General Analysis Procedure:



DISCUSSION OF GENERAL ANALYSIS PROCEDURE:

A. Objective - Solvent Analysis & Economics

1. Collect 5 # sample → crush & pulverize.
2. Cone & quarter if other tests are to be made from this site.
3. Riffle to obtain desired sample sizes.
4. Send 1 # sample for fire assay (lab uses 1 assay ton ≈ 30 grams)
5. Weigh as many samples as there are solvent tests. I usually use 30 grams.
6. Label and charge each sample (30 grams) with solvents previously prepared. Save a blank solvent sample 50 ml.
7. Shake 8. filter
9. Determine Au & Ag concentration using atomic absorption



Usual Case

30 gr. Sample
90 ml. Solvent Solution
Shake 2 hours - Room Temp.

$$AA_{\text{reading}}\left(\frac{\text{t. oz.}}{\text{ton Soln}}\right)\left(\frac{90}{30}\right) = \frac{\text{t. oz. Precious Metal}}{\text{Ton ore}}$$

Filtrate → Test for Interference
no → Determine Au/Ag Concentration using Atomic Absorption
yes → Correct

ATOMIC ABSORPTION METHODS

Basic are:

1. Sample size (4 ⟶ 200 grams)
2. Sample Type: A. Screened ⟶ Fires
   B. Sample Run ⟶ Coarse & Fires
   C. Crushed & Pulverized
3. Sample Weight: Solution weight ratio

Fines? - Fines?

Procedure:

A. Weigh sample
B. Select solvent c. agitate (shaker)
C. Filter
D. Prepare filtrate for AA determination

Conversion of AA determination (t. oz./ton soln) to t. oz./ton ore:

$$\left[\begin{array}{c}\text{AA Determination} \\ \text{(t.oz./ton soln)}\end{array}\right] \qquad \left[\frac{\text{wgt. soln.}}{\text{wgt. ore}}\right] = \frac{\text{t. oz.}}{\text{ton ore}}$$

EXAMPLE:

$$\left[\text{AA}\right] \qquad \left[\frac{\text{90 ml = 90 gr. soln}}{\text{30 gr.}}\right] = \left[\text{AA}\right] \qquad \frac{90}{30} \text{ or } 3$$

Other Example: Larger Test

$$\frac{\text{300 ml soln}}{\text{30 gr. sample}} = \left[\text{AA}\right] \qquad \left[\frac{300}{30}\right] = \left[\text{AA}\right] \qquad 10 = \frac{\text{6 oz.}}{\text{Ton Ore}}$$

Atomic Absorption Interference Problems:

Effect of common elements on absorbance of Au resonance lines

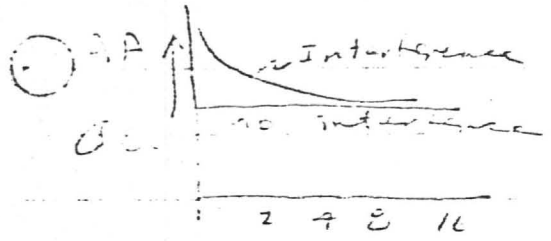
(Air- $C_2 H_2$

Solution	Au 242.8
1000 ppm K	.002
1000 ppm Na	.003
1000 ppm Al	.030
1000 ppm Mg	.002
1000 ppm Ca	.015
1000 ppm Fe	.017

Therefore, when aqua regia or other acid digests (as Hbr + Br_2) are used, various elements as mentioned above cause interference in the gold wave length yielding a false Au reading.

Interference Test: Gold wave length

Dilution



Dilute sample and compare calc. Au value with AA reading is higher than calculated and various interference.

Note: Yellow or colored flame indicates possible interfering element. Also blank of solvent solution indicates and quantifies interference except for intefering soluble elements as aqua regia and iron (acid soluble).

Example's Dilution Factor

	1	2	4	8	16	32	
AA	.21	.069	.033	.014	.00625	.003125	Interfer
(Au)	.10	.05	.025	.0125	.00625	.003125	No Inte

200ml Sol. + Resin + Shake → Filter/Wash → 200 ml (4) → A

Solve by Load Au on Resin → Filter → Wash Residue → Elute with equal vol. ¼ Aqua Regia

Ferrous Sulphate
Source: McKesson - Tucson

50 # Bags

Bags	Price
4 - 9	$24.15/100 #
10 - 39	19.50/100 #
40 - 100	14.15/100 #
+ 100	12.65/100 #

Ferrous Chloride
Source: McKesson - Tucson
Chem West - Fontana, Calif.

Tank car = 50,000# = 25 tons
30% solution → $140/ton } anhydrous F.O.B. L.A.

↓

10.478
#/Gal
50,000 #
↓
4772 Gal

Price Tankcar
$1050 = $0.021/#

Total $2,275

Freight LA-Tombstone (May Frt. Ra
$2.45/100 #
$1,225

$ .477/Gal T
.0455/# T 30%

Solvent/Reagent Prices

Na OCI (Sodium Hydpochlorite)

Source: Copper States -Tucson
14% Solutions -55 gal Drums

Quantity: 55 gal. Drums	Price:	Plus $30.00/Drum Deposit
1-5	.90/gal	
6-9	.85/gal	
10-14	.80/gal	
15+	.75/gal	

14% Soln NaOCI
Sp. Gr. = 1.1365
Gr/ = 159.1
#/Gal = 1.328

[9.475 $\#^{T}/_{Gal}$]

$Fe\ Cl_3$ Ferric Chloride

Source: McKesson- Tucson

55 Gal Drums — Drums 1-4 — $9.50/100#

Be	Sp.Gr	$FeCl_3$	Gr/ℓ	$\#/FT^3$
42.3	1.4118	44%	621.2	38.78

[11.77^{T} #/Gal]
5.184 #/Gal.

ACID

Source: Apache Powder = St. David

NITRIC	SULFURIC
60% HNO_3	70% H_2SO_4
$150/100% Ton	$6/100% Ton

Average tanker wgt = 22 tons

60% HNO_3		70% H_2SO_4	
	= 6.843 #/Gal		= 9.408 #/Gal.
	= 1.3667 Sp. Gr.		= 1.6105 Sp/Gr.
	= 11.394 #/Gal		= 13.472 #/Gal.
	=175.5 Gal/Ton		= 148.96 Gal/Ton
22T (HNO_3)	= 3861 Gal.	22T (H_2SO_4)	= 3277.12 Gal.
22 (.60)	= 13.2 100% Tons	22 (.70)	= 15.4 100% Tons
(13.2) ($150/T)	= $1980	(15.4) ($6/Ton)	= 92.30
+ Freight	= 90	+ Freight	= 90
HNO_3	$ 2070	H_2SO_4	$182.40

	COST	
$94.09/Ton	Ton (dil.)	$8.29/Ton
.047/#	# (dil.)	.004/#
.078/# - 100%	# (undil)	.006/# - 100%
.536/Gal-Dil	Gal (dil)	.056/Gal - dil.
.894/Gal-100%	Gal (undil)	.080/Gal - 100%

IRON PELLETS

Kore Industries — 1-803-546-2525
Georgetown, S. Carolina

Texas Steel — 1-713-768-1251
Beaumont, Texas
A.R. Holzworth

Oregon Steel — 1-503-286-9561
Bill Bottomley

Midoex

Source: Charleston Steel Mills

Lime

Source: Paul Spur- , Douglas, Ariz.

Processed - Stock Dust (62% CaO)

$6/Ton or $.003/#

Sodium Thiosulfate: ($Na_2 S_2 O_3 \cdot SH_2O$

Source: Hills Bros., Tucson Ariz.

	Bags	Price
100#	1-10	$24.60/100 #
Bags	20	$19.70

$0.197/#

Salt: (NaCl)

Source: Southwest Salt - PHX
$15/ton + $15/ton Freight = $\frac{\$30}{2000\#}$ or 1½¢/#

SUMMARY

Chemical & Reagent Cost - Delivered to Tombstone

Solutions

Name	(% Soln.)	Cost-Dil	Cost/# - 100% (Tombstone)
NaOCl	14%	75¢/gal	$.560/#
$FeCl_3$	44%	1.12/gal	.216/#
$FeCl_2$	30%	47.7¢/gal	.150/#
H_2SO_4	70%	5.6¢/gal	.006/#
HNO_3	60%	53.6¢/gal	.078/#

Solids

Name	Cost/# - Tombstone
Fe SO_4. H_2O	$ .1265/#
$Na_2S_2O_3 \cdot 5\ H_2O$	.197/#
NaCl	.015/#
Lime	.003/#
NaCN	.587/#
Zn Dust (Memllite)	.662/#
Na_2S	.248/#
Lead Acetate	2.30/#
Na_2O	.18/#

SR-3 Resin
$ 6.50/# - Small Lots

Then?

LEACH TEST SOLVENTS
For Bench Scale ; then Barrel; the pilot

Type of Solvent Phase	Case A (Limontic Clay-Ls	Case B (Limontic Clay-Ls.)	Case C (Mn-in Ls. with limonitic → jarosites)
Pre-treatment	H_2SO_4 + NaCl + NaOCl	H_2SO_4 + NaCl + NaOCl	H_2SO_4 + $FeCl_2$ + NaCl
Leach (ag)	$Na_2S_2O_3 \cdot SH_2O$	NaCN / Lime	$Na_2S_2O_3$ SH_2O or CN

Computation of Solvent Concentrations Having the Same Cost/Ton Solution

Method A: Cost/Ton Soln. Method

Example:

X =1/# & concentration = 1#/Ton Soln.

$$\frac{600\ ml\ (X)}{l} = \frac{\$.0011023/\#}{l}\left(\frac{\text{Dil. Cost}}{\text{Gal}/\$}\right)\left(\frac{3785.4118\ ml}{gal}\right)$$

Method B: # / Ton Soln. Method

$$\frac{600\ ml\ (X)}{l} = \frac{\text{Economic}}{\#/\text{TON}\ (\text{Same cost units})}\left(\frac{\text{Ton Soln.}}{340\ \text{Gal.}}\right)\left(\frac{\text{Gal}}{3.7854118\ l}\right)\left(\frac{\text{Gal}}{\#X}\right)\frac{3785.41}{\text{Gal}}$$

Solvents/Reagents
Delivered to Tombstone

Table of Comparative Solvent Strengths (50¢/Ton Solution)

Solvent	$/#	50¢/Ton #/Ton	gr/ℓ	ml Soln./
H_2SO_4 (70%)	$.006	83.3	-	37.2
NaOCl (14%)	.560	.9	-	2.8
$Fe\ Cl_2$ (30%)	.150	3.3	-	4.4
HNO_3 (60%)	.078	6.4	-	3.9
$FeCl_3$ (44%)	.216	2.3	-	1.9

Solvent	$/#	50¢/Ton #/Ton	gr/ℓ
NaCl	.015	33.3	16.7
$Na_2S_2O_3 \cdot 5H_2O$	.197	2.5	1.3
NaCN	.587	.9	.45
$FeSO_4 \cdot H_2O$	.1265	4.0	2.0

REVIEWED

JUL 4 1979 2-25

By

JOHN G. DEAN

401 -- 934-0060 Elmdale Road, Box ~~230~~ 102, Route 2, North Scituate, Rhode Island 02857

June 28, 1979

Mr. James A. Briscoe, President
Southwestern Exploration Associates
4500 E. Speedway
Tucson, Arizona 85712

Dear Jim: Re: Handling Samples & Feed Materials.

As we discussed last week, particle size is an important variable, not only in sampling, but throughout assaying and metallurgical testing. The Richards table relating minimum permissible sample weight to particle size which you Xeroxed is a useful guide and can be supplemented by the text as well as the very detailed discussion in Taggart 19-1 to 208.

Your suggestion of being able to refer to standard operating procedures struck a sympathetic chord with Tom and me. We don't have to write out the procedure each time it is used, but if we have it on file, we can give a reference to it.

It is also very helpful in my experience to have an indication of the assay method and even the assayer or organization reporting the results. Much of the data around on gold and silver ores, particularly, has to be accepted with caution since the samples often were taken without the necessary precautions, and then were unprofessionally prepared and assayed, e.g. the AA machine can give very fictitious results because of poor standards and matrix effects.

These same general considerations also apply to metallurgical testing. It is necessary for conclusive interpretation of the results to identify the significant variables such as sample weight and particle size, composition of leach solution and volume-to-sample weight, method of agitation, temperature and time, pH, assay method, etc. Once a standard method is adopted, a simple reference by number will suffice.

Once the procedures are in order, the data can be accepted and interpreted from that framework. We can then introduce a factor for the metallurgical extraction to be expected by a given method of treatment. This factor is, of course, very important in calculating the gross dollar return, starting with, say, fire assay data. For example, in the hypo leach todate, the silver extraction may be as low as 1%. With a head assay of 1 Toz/T Ag., gross return would be 1 x .01 x $8 = $.08/T. If processing costs are even 10 cents/T, we have a negative cash flow. It is not practical to forge ahead on the basis of multiplying assay data X dollars/oz x heap tonnage, as I know you will agree.

JGD:bm; cc: THS With best regards,

John