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TOMBSTONE

Mining District

Cochise Co.

Arizona

Correspondence

1980-1981

James A. Briggs & Co. Inc.
Chicago, Illinois

1980

ATTACHMENT 1

Comments with references to January 31, 1980, telephone conversation, #8372, with Dr. John Dean

ITEM # 1 - (Reference) Page 1, Last few lines

During the week of May 28, 1984, Steve Weatherspoon reported that Ken Allen, et al. suggested that John Dean was too old and decrepit to make further contributions to the Tombstone project, and so therefore they had not much contact with him recently and he would not be worth depositioning for the trial. This is simply untrue. In 1980, as you can see from the later part of page 1, Dr. Dean was cutting firewood in mid-winter with a chain saw. I don't believe that I have talked with him since the spring of 1980, but at that time, he was a vigorous, energetic, mentally alert man, appearing no more than 65 years of age, though he might have been in his early 70's. A more probable reason for their lack of interest in hearing again from John Dean is he has probably not been paid and, therefore, is quite disenchanting. By all means, I think that we should be sure and deposition him. I believe the whole context of this telephone conversation will indicate the reasons.

ITEM #2 - Pay

The thread of thought throughout this conversation with John Dean is that he has not been paid for his very reduced rate consulting since I "accidentally" paid him sometime around July of 1979. At that time, Dean had not been paid for several months, and had been sending me copies of his bill, and begging me to intercede to get Tom Schloss to pay him. Schloss accidentally sent money to the Tombstone operating account, and I immediately paid Dean. Schloss was exceedingly irate that I had made a payment to Dean and tried to get it reversed, but I acted quickly enough so that could not be done. This was the only pay that Dean - Schloss's consultant, not one of my staff - had been paid in approximately 9 months of consulting work. Dean was also not billing all of the time that he expended, and working at a very cut rate to boot. Obviously, he had very good reason to be unhappy about the whole situation.

References are as follows:

Page 2, Paragraphs # 4, # 6, #8;
Page 9, Paragraphs # 5
Page 10, Paragraphs # 1, # 3
Page 12, Paragraphs # 3
Page 13, Paragraphs # 1, # 3
Page 17, Paragraphs #12
Page 19, Paragraphs # 3

Item #2 references continued...

Page 21, Paragraphs # 1

ITEM #3 - Pay for miners and other vendors

This was a continuing problem. Tom Schloss immediately abrogated agreements we made by not paying consulting fees to myself or other staff members, which, of course, were required to pay overhead, aside from salaries. Further, he was continually late in making what payments he did make, with continual vexing problems in receiving monies that were supposedly wired to the operating account. Vendors were not paid on time, and, therefore, services could not be obtained in a timely manner. I assumed that this would have ceased immediately on my departure, but it really didn't, as indicated by the following references:

Page 5, Paragraphs # 3
Page 8, Paragraphs # 2, # 3
Page 9, Paragraphs # 1, # 3, # 4, & # 5
Page 13, Paragraphs # 4
Page 15, Paragraphs # 4

ITEM #4 - Esprit de corps (morale at the mine)

In any business enterprise, the morale or esprit de corps of the employees is critical. When I got to Tombstone, that was one of the first things I endeavored to buck up. After Tom Schloss took over the esprit de corps was abysmal.
Reference:

Page 2, Paragraphs #10 - the closedown of his own
business, Famco
Page 3, Paragraphs # 1
Page 5, Paragraphs # 2, # 3
Page 7, Paragraphs # 9
Page 8, Paragraphs # 1
Page 9, Paragraphs # 1, # 2, # 3
Page 12, Paragraphs # 3
Page 13, Paragraphs # 1
Page 15, Paragraphs # 4
Page 17, Paragraphs #10, #12
Page 19, Paragraphs # 3
Page 21, Paragraphs # 1

ITEM #5 - Competence of Tom Schloss and staff of mine (this includes Schloss and Dusty Escapule

Page 5, Paragraphs # 1 (The last four lines)
Page 7, Paragraphs # 3, # 6, # 7
Page 8, Paragraphs # 2, # 3
Page 9, Paragraphs # 1
Page 10, Paragraphs #11 (Incompetence on part of Dusty Escapule, as well as general incompetence)
Page 11, Paragraphs #11 (Continued from previous page)
4
Page 12, Paragraphs # 1
Page 13, Paragraphs # 4
Page 14, Paragraphs # 2, # 4, # 6

ITEM #6 - Competence of Briscoe

References:

Page 6, Paragraphs # 6
Page 10, Paragraphs # 7 A good barrel testing setup that was already in way back - (installed by Briscoe & Waldrip)
Page 11, Paragraphs # 4
Page 13, Paragraphs # 3 (Concerning the heap)
6 "...but so far as I can tell, technically the promise is substantially better than we had even with an optimistic view"
7 "...so it should pay off very handsomely"
8 "...yes"
Page 15, Paragraphs # 6, # 8
Page 16, Paragraphs # 7, # 8
Page 21, Paragraphs #10, #11, #12
Page 22, Paragraphs # 1, # 6, # 7

ITEM #7 - Integrity of Tom Schloss

Tom Schloss' integrity has suffered mightly in the eyes of John Dean (his consultant). References are:

Page 3, Paragraphs # 5
Page 5, Paragraphs # 3
Page 8, Paragraphs # 1, # 5
Page 9, Paragraphs # 3
Page 10, Paragraphs # 3

Item #7 references continued...

Page 12, Paragraphs # 3
Page 13, Paragraphs # 1, # 3
Page 15, Paragraphs # 4
Page 17, Paragraphs #13 John Dean calls Tom Schloss a
crook
Page 18, Paragraphs # 1
Page 20, Paragraphs # 5
Page 21, Paragraphs # 1

ITEM #8 - Schloss intentions to screw Briscoe

References:

Page 3, Paragraphs # 5 Comments regarding Tom Schloss
seeking protection via the
coporate veil shielding his
personal assets
Page 15, Paragraphs # 4 taking these comments in
context, and knowing John
Dean, I suspect that Tom
described in some detail how
he was going to screw me "down
to whatever nubbin he could
get away with".

ITEM #9 - Occidental Minerals Corporation locates a major
anomaly in the Fox Ranch area.

The Fox Ranch area lies approximately 3 1/2 to 4 miles west
of the main Tombstone District, where the Tombstone
Development claims under lease to Briscoe & Schloss are.
The Fox Ranch is held by unpatented mining claims by Ernie
Escapule Jr. and Joe Escapule, and lies west and north of
the State of Maine Mine, owned by Charles and Louie
Escapule. I originally recommended this area in 1979, on
numerous occasions, some of which were attended by John
Dean.

In 1983 (fall I think), Tom Schloss leased the Fox Ranch
claims from Ernie Escapule, Jr., father of Dustin Escapule,
the T.E.I. Mine Superintendent, but has not leased the
claims owned by Joe Escapule as they are unavailable. It
is my contention that whatever Tom Schloss does within the
Tombstone Mining District, and in particular, these
particular claims, since I specifically recommended them, I
should have a proportionate share of.

References are as follows:

Page 15, Paragraphs # 6
Page 16, Paragraphs # 5 through #12

ITEM #10 - John Dean does not want to be a technical witness for Tom Schloss in any legal proceedings

Reference:

Page 15, Paragraphs # 4 (last few sentences)
Page 17, Paragraphs #10, #12

ITEM #11 - John Dean finds evidence of theft

Reference:

Page 20, Paragraphs # 5
Page 21, Paragraphs # 1

January 31/1980

TC#8372

TO: Dr. John Dean

RE: His technical reports which are currently underway according to letter of 1/25/80 from Dwight Lee on Tombstone. Also his interest in working with S.E.A. on a variety of projects.

77 #

1 J: Hi John, this is Jim Briscoe

2 j: Hi, how are you?

3 J: Good, how are you?

4 j: Ok for an old fellow.

5 J: What did I do, catch you out in the garden or something?

6 j: Cutting wood. It is down to zero back here so we got the old wood stove burning.

7 J: I guess it is not garden time - I don't know what made me realize that but it is nice and warm and sunny out here.

8 j: Well it is a struggle for life back here and wood is worth five cents a pound if you can get it in the stove.

9 J: Is that right?

10 j: That is the equivalent of oil

11 J: Oh you mean on a BTU basis?

12 j: Ya.

13 J: For heaven sakes.

14 j: Well, after 5:00 I go out and whittle away. I have got 85 acres with a lot of it wood so I haven't got an excuse staring me right in the face.

15 J: Have you got yourself a chain saw or are you doing it all by hand?

16 j: Oh I have a chain saw.

17 J: But it still requires plenty of sweating.

18 j: Depends on how many times you have to move it.

19 J: I have read that wood napping has now become commonplace back in some of the northeastern states.

20 j: Ya, it is like cattle rustling in the old days.

P#

- 1 J: Have you any problems with that?
- 2 j: After it is all cut up I quickly lock it up.
- 3 J: I just switched to my speaker phone. Well, I got a letter from Dwight today and he says that you are preparing a technical report on Tombstone. Is that, indeed the case?
- 4 j: I don't know that it is. I, like you, have had a continuing problem and ever since that computer error, Tom has never paid me a cent.
- 5 J: Oh, you are kidding.
- 6 j: And so I complained a little stronger each month because I was only charging him a fraction of the time that I was putting in. And he called me and keeps me on the phone an hour or two every day.
- 7 J: No change, in other words. That is still going on?
- 8 j: Yes. And so I finally told him that intellectually I was still interested in the project and that I wanted to help out in every way that I could but my unconscious mind was drawing a line and I just couldn't make myself write anything or do anything until I got paid. So he has been constantly telling me that he would like me to write this and he would like me to write that - each time I say well I am waiting for you to write something too - but he hasn't done it so I just - I don't know whether I am handling it right or not, but the more you get into it, the harder it is to walk away from it. Did Dwight tell you about Famco being liquidated?
- 9 J: No. That is news. What does that mean?
- 10 j: I can't imagine but early this week Tom called me and said that he had decided to go into mining full time and just terminate the operations of Famco and I said well what does that mean. And he said well we are on the New York Stock Exchange, the American Stock Exchange and we handle a big brokerage business and so on but it has become less and less profitable because the big funds and so on can negotiate the fees and its just a bread and butter struggle now so I decided as of today to just close it down so he called in all 16 people, including Dwight, and gave them some kind of a notice and told them that they could go home.
- 11 J: God.
- 12 j: You didn't hear anything about that?
- 13 J: No. You mean he told Dwight that that was it too? What is Dwight going to do?

7P#

3

1 j: I asked him what - I haven't talked to Dwight but I said what is Dwight going to do and he said well he doesn't know yet. So they liquidated everybody and I suppose that they gave them some kind of notice but rather than have them mooning around the office, they just closed up abruptly so like in 24 hours.

2 J: Did he give them any termination pay?

3 j: I don't know. I think that he probably did, but he didn't say that.

4 J: I am absolutely floored.

5 j: Well so am I because you know I was always very suspicious when he told me way back that I was thinking that his deal with the Farmers was a killer unless he got production going because he was supposed to be paying them every month that \$7,500 or whatever it was, and he wasn't paying that on time and he confided to me early in the program that I shouldn't worry about that. He said you know the corporation is only liable to the extent of its assets so I can get out of that any time I want by not putting any assets in the company. So with that background in mind, I was always billing him either Famco or Famco or T.E.I., and I thought at least Famco had some substantial financial identity but apparently it is gone - so I don't know what it means but it is a big problem and I don't know how to handle it. How have you been making out?

Schlöss
Integrity

6 J: Well I have not heard word one about what is going on.

7 j: You haven't?

8 J: No. Not a thing. Well Dwight called me a month ago - well it was December 27, which was a month and three days ago and said that he wanted to get our deal straightened out. I said that is fine Dwight, but lets get some records in here and lets see what you have been doing. He said well we have spent lots of money and so forth and we are still not making any. I said well that is great but I would like to see your records both financial and technical and he said well he would get all those together and get back with me. And then I got a letter today that starts out with the phrase "concerning our telephone call of last week" - and last week - my gosh - so I went back in my records and it was last month - and then it went on with similar inaccuracies from there on. With still no data.

9 j: What is the date on the letter?

10 J: The date was January 25.

11 j: That was before the ax.

7P#

4

1 J: Ok, so Famco has gone out of existence since then?

2 j: Ya.

3 J: Well that was, lets see, today is the 31st.

4 j: Ya, and so 25, wouldn't that be about Friday?

5 J: Ya, it was last Friday as a matter of fact.

6 j: Well he didn't know but Tom had mentioned that he wanted me to write a technical report and the data is pretty skimpy, but there has been substantial production but there hasn't been any sales. He has been having trouble getting it refined and sold.

7 J: Now Dwight mentioned that - is that real? I don't understand that.

8 j: Well I will tell you, it is real because I didn't believe it was real - he was using that as an excuse not to pay me, and so I had a friend at Handy and Harman and I called him and he said that there was - that the facilities were choked up at least 6 months in arrears - I mean they have a backlog of 6 months because of the price of gold stimulated all kinds of stuff to come in for quick refining and that Englehard was in the same boat and that all the major refiners of gold and silver had backlogs and in the case of both Handy and Harman and Englehard, they absolutely were not accepting any feed stocks before June.

9 J: Boy.

10 j: So there is a genuine. I mean this isn't fictitious and so its has been a matter of first trying to get somebody to do it and back east there are very few people that are familiar with those precipitates. See we are all oriented towards old jewelry and secondary and that sort of thing. There is just absolutely no familiarity with smelting a cyanide type zinc precipitate.

11 J: Well John if they are getting substantial returns, I can't imagine that it wouldn't be a reasonable investment simply to buy a furnace and smelt it.

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5

1 j: I think that is what he has done but even the delivery on the furnace seems to be slow and some parts are missing and what sounded like a legitimate bottleneck. The guy said - at first I was suspicious - it didn't seem likely, but you can see where whoever heard of gold at \$700 or \$800 an ounce and so all kinds of stuff that people have been sitting on have come on to be refined and I guess that is the problem so I am sure that that is true. Once you get it refined, usually if it was done by Handy and Harmon or Englehard, they took care of the sales and six weeks later they gave you a check - something like that. But now that that is cut off, you have to find your own buyer and if you are an unknown - you are a new factor - you know they are very suspicious that your stuff isn't pure or they want to assay every bar and hold you up so there really is a marginal problem and I think that is why there hasn't been any reports. There certainly isn't any dereliction of having a big cash flow that is being suppressed - I am sure that is all above board. But it is also very hard to get good management in Tombstone - the personnel - I have been listening for a whole year to George Jewett and he had had a turn over of something like 8 people for every job in his little mill and it really is true. It is hard to get good people and I think maybe the worst is over but it looks like everything is even better than we thought it might be - if you can just get a good clean well managed operations going, I think it would be great.

"Everything
Even better than
we thought..."

2 J: Well, I have some friends that I could put a mine superintendent for one of the major underground mines - and a a general superintendent and a mine superintendent geologist down there within a month but I won't do it until, you know, unless I get some kind of - unless there was some kind of assurance that it was going to be a reasonably run operation.

3 j: Well that is the way I felt. I sent a friend through there who was retired but in vigorous health and would have been, I thought, quite perfect. But he was skiddish about working for Tom because he had him sized up as a guy that didn't pay his bills. He didn't trust him and it is partly my fault because I told him I hadn't been paid and he said well if he didn't pay you, he isn't going to pay me and so this is a real handicap because you can't bring a friend in there if he is going to get exploited and not paid. Because you know from painful experience you don't want to end up paying them yourself. If you have a responsibility it is a real problem and I don't know how Tom is going to work out of that one. But if he has closed down Famco - that was a sudden indication of resources there - good backup - it wasn't like working for an unknown individual and so I don't know how he is going to solve that one.

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6

1 J: Well, he has no expertise - what is it that he is going to do? Has he locked on to some big source of capital or something?

2 j: Well, it is all very vague but I think that he is going to - I think that he feels that he can get all the capital easy and I think he keeps feeling that he is going to solve the refining and the sales and the financing and everything and really have a big viable operation going. If he has the resources and he is willing to - if he can get himself established as a reliable, honest person - I don't see any reason why he shouldn't be able to do it.

3 J: Gosh, well there is everything - as far as ore reserves and everything else in Tombstone under current prices I...

4 j: Well it does seem incredible - if you can do it - now is the time and as far as I can tell from the open pitting of the Contention, I get very sketchy reports of the stuff they put on - they do have a heap from that area - a special heap - but I would say the stuff averages 6" in diameter - it is very very coarse and it isn't the way that I would have set it up.

5 J: Oh, I thought that they bought a crusher and were crushing it.

6 j: Well no. They - I imagine that they bought a crusher but I don't think that they have paid for it and I don't know whether it has been delivered but it certainly isn't in service. There is an opportunity to do that without too much expense and as far as I can see, it is very promising. It looks much better than reprocessing the old heap from the initial figures but those are pretty sketchy figures. Apparently, as you anticipated, the economic values go back into the walls quite a few feet and they have Bailey part time - I can't get much out of him - I don't know whether you can call him a geologist or not but I guess he has this degree.

7 J: Well, ya, I think so - I look back when I first got my degree - I had it but it really didn't mean much.

Boscoe
evaluation
of open
pit potential
correct.

#

7

1 j: Well that is the problem - he either doesn't know anything or he is scared to talk to me because two or three time I have gotten him on the phone and I just can't get a thing out of him in describing the samples or asking him basic questions like does he see any sulfides and he says no he doesn't and yet I don't know whether you recall the chunk that you threw me up out of the cut when you were down there last time - you threw up a piece about as big as a softball and it was loaded with sulfide mineralization and I think that I mentioned - did some micropanning and it was very rich. So there must be sulfides in there - and I don't know whether - surely he must know enough to identify them - do you think?

2 J: Yes. I can't imagine how he could have possibly gotten through school without knowing that type of thing.

3 j: I mean, aren't there certain basic requirements - don't you have to have at least some sort of smattering of mineralology.

4 J: Ya. I am surprised sometimes at the naivety of some of the people that come out but we have had a lot of people from a variety of schools other than the University of Arizona - generally the U of A students are pretty well exposed to all those basic things. I have not worked with Bailey long enough to really get a feeling for how much he knows but I see no reason why he shouldn't know those basic facts.

5 j: I think that he is just scared - doesn't know how much I know.

6 J: Have you not received some kind of carte blanche from Tom - I mean how can you be an effective consultant if you can't get any information?

7 j: Well that is it - he puts him on the phone and I tell him what I want but I still can't even get the Richard's Table working and I have even had it copied and sent it out and I am having a real problem getting the basics.

8 J: Well I thought that that was what Dusty and Al were working towards.

9 j: I think they are but I don't think that Al knows much about it. Al is a practical field man - he had a terrible disastor in his wife dying - I suppose you heard about that.

10 J: No, I didn't hear about that.

PH

8

1 j: His wife died like Christmas Day or something like that and it really shook Al up as you can imagine and he was walking around like he was in a dream and Tom wanted to fire him as being of no use but Dusty said we can't fire him - he has got to find himself first - it would be a terrible double blow to get fired - he wasn't very effective but I got the impression that he just is kind of puttering him in there keeping him on because they don't have the heart to do anything else and I don't have the impression - well for example, on the Contention cut that he - if he knows much about what is ore and what isn't - it isn't too reassuring to see him in operation.

"Has T.S. spent enough cash to get everything good eq'ing.?"
"No"

2 J: Well has Tom ever let loose with enough money at any one time to get adequate equipment and everything functioning?

3 j: No, it has been very slow and almost a pilot operation - you know we have that one small precipitation plant and the one three hundred ton a day plant and they have a very limited capacity in terms of the great spread of material there.

4 J: Sure.

5 j: And Dusty put everything in the building and left no room for anything else. You know there has been a lot of false moves - each new fellow that comes on the job has his own ideas of what should be done and Tom working directly with them - he doesn't know what to say but he seems to want to feel that he is a real technical manager and so it has been slow but it is almost a miracle that there is some production and the quality of the precipitate is very poor but it has got values in it and it varies all over the map and sometimes it shifts with water running out of it and the next time it is dusty and bone dry - all these little things you can get control of but I think that they are making some progress - I think if Tom can solve the refining and sale, the thing should go into a phase where it could be expanded on the basis of cash flow.

6 J: Well, he certainly never will be able to repeat in probably another two life times such an opportune time to start something.

7 j: It has been just a year and in that year, it has been the most turbulent price drives in the history of gold and silver - it has broken all records for all time.

8 J: I think so - I don't know that there is any other precedent that you could possibly even put your finger on and the only thing that I would imagine is that unless he has set down a budget and gotten enough money to order equipment and everthing - if it is the same piece meal thing that it was when I finally pulled up stakes in October - then I can understand why they are still having problems.

#

9

1 j: Well there always seems to be a problem with the payroll and with the paying of everything but there must be enough coming through so that - you know the working people staying on the job - that old business- remember he mentioned once when I think that you said that you had to - well he said had to borrow the money and you said you weren't so impressed with his paying 15% because you were paying 18 - that is the way that he always comes through - he has to borrow the money and I have a feel - I don't know anything about his finances but its inherited wealth and I have a feeling - I know his father is still alive and very vigorous and I think his father either controls it or something so I don't think that Tom can free wheel in terms of coming up with some money. I think that the money is there but I think he has to go through some barrier to get it. This makes it hard because you never have the feeling that he has any money.

2 J: Well I am sure that that probably filters down as far as the esprit decor of the...

esprit de Corps

3 j: Oh, it is absolutely ghastly - remember the last time I was with you out there - I had to go to Tucson for UOP - on another project entirely - it was an absolutely free trip with travel time and expense and everything paid for by Barry ? - it was a free trip but I agreed to breeze in some day to Tombstone so Tom said well stay at the Rancho Rio and I will pay the bill. So I did stay at the Rancho Rio and I didn't go in the Tack Room and have one of those \$30 meals, but it did cross my mind. But anyway, I stayed there and then I got bills - when I rented it I told them who I was and my host and all that - and I kept getting bills - and he didn't pay that darn bill until I was so embarrassed that I was going to pay it - but he finally somehow paid it. But little things like that would make it look like he doesn't have any money and if he does have it - he he very reluctant spend it so every body is uneasy and if he owes any money well it kills the morale out there. It was something like Christmas Day - Christmas weekend the checks didn't come through - the Friday before Christmas - no check. There was some great comotion about it but remember that kept happening when you were out there.

slow payment
No payment
Payroll late
before Xmas
low moral

4 J: Ya it was always due to some screw up on the ^{banks}baeks part about wiring it. Some ^{anonymous}ominous people that were...

5 j: It is all beyond me but as far as I am concerned - I am down to the wire - I just can't bring myself to do anymore until he pays up but I think that he is getting close...

6 J: To paying up for your past bills huh?

7 j: Ya.

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10

1 j: You know I have been so - I can't tell you how much time I have spent that I have not put on the bill - I only put a few days on the bill and he just doesn't even pay that.

2 J: Well did you ever end up with some kind of a satisfactory participation in it?

3 j: Oh, very small - somehow I have a feeling that it has got so many clauses that I have the feeling that it is not real - it looks like he could weasel out of it - it says something like when the stock is distributed to the other stockholders I will get a small percent but it is like if you didn't distribute the stock, I would never see it. All kinds of little things like that and so I just don't know what to say - it is not an easy situation.

4 J: Well, that is really unfortunate. Have you had a chance to get out here since you were out here when I saw you.

5 j: Ya I got out briefly the first of January and I asked if he was going to call you or see you and he said no Dwight was taking care of that. So we didn't even stay in Tombstone - we just came in and went right out of Tombstone - I guess about 2 or 3 days and then came back.

6 J: Did you see any improvement in anything between that and the last time you were out.

7 j: Yes, there was some progress. They have the two precipitation plants in the Minerals '71 building and they were working fairly well and they had a good barrel testing set up - I guess that was already in way back - and they still didn't have any rolls - they had a little crusher.

8 J: Did they ever end up getting an AA unit?

9 j: They had an AA unit - which seemed to be working. The precipitate was coming out being dry and shipped out and we brought back quite a bit with us on the plane and so there has been - it is not the capacity of these plants but its been fractional capacity and the precipitate isn't up to quality but it is worth smelting on it.

10 J: Why aren't they up to capacity and why is the precipitate low?

11 j: I think it is just ineptness and poor - well no comprehension of - you know I don't think that Dusty has ever - Dusty is running it and I don't think Dusty has ever run anything like this and so he has to get his advice from his uncles and they have been very helpful but he doesn't seem to have qualified people and he doesn't seem to know the difference. It is always the night shift and I think that I discovered one possible explanation - you know the

Dusty Escapade
ineptness
no competent
help
Advice from
uncle Chas. &
Louis

#

11

temperature goes down quite severely out there - it freezes at night - and the cyanide solution - the dissolution rate doubles every 20 degrees fahrenheit so if you are leaching a small pad that has got ice on it overnight - your values are going to drop way down, and on top of that all of the barrel testing and everything is running in the building which is totally unheated - the doors were always open and you know it was 30 or 40 degrees when I was out there and I brought a thermometer to check the solution temperature and it was like 48 degrees coming through the precipitation plant - this is really too cold for a cyanide plant. So they were blaming the night shift - but I think it cooled down and it would last into the morning shift and then the evening shift would do pretty well because it would warm up. So little things like that that seem to dog them but unfortunately those benches on the main heap are on sort of a unsunny side - they are on the north...

1 J: Ya, the shady side...

2 j: I notice the sun comes up and goes right around and plays on the other side of the heap all day and settles in the west - I always get turned around geographically - but it is just absolutely wrong way for any solar help.

3 J: Did they ever end up pushing another bench off?

-Done by Brisbane

4 j: Ya but I don't think they did it - those early benches were nicely done - the next bench looked absolutely much to thick and leaning way back - it wasn't - they hadn't brought it over far enough I didn't think and they had to set it up with a level - everything was at an angle - it seemed as though they made exactly the same mistake as Minerals '71 trying to - you know - leach at 20' or 30' depths - which is crazy. I don't think that it was well done. I think those early benches were very well done. I thought they looked very promising the way...

5 J: Well that is where they have been getting all their production from isn't it?

6 j: Ya, I think so.

7 J: Well, it sounds like you are not even sure what has been happening then.

8 j: Well.

9 J: Is that an accurate statement?

P#

12

1 j: Let me tell you, that is accurate and I don't think any body else is either. But they - it is always kind of a mystery - I can't get - you know reports will come sporadically and then they don't come. There is an awful lot of down time with broken pipes and they found they weren't making the seals - you know short cutting on the plastic pipe so you have to clean it out thoroughly and get out all the loose stuff and then the main adhesive and then put them together and they will hang but if you don't follow all those steps - it is like anything else it can blow apart again shortly - and so I think there has been a lot of bad work. Well, what is your situation? Did you ever get paid?

2 J: No, never got paid, never heard a word, and they would like me to take a very miniscule interest and only a part of what I feel that I am due be paid but that is just what came in this letter today - but I am not going to do anything until I get a complete financial rundown with adequate backup and some technical reports - and that is - I really didn't anticipate getting in this long a conversation but that is why I wanted to find out is whether you were going to make a technical report - and I guess that is still open to some conjecture - but that is what Dwight did say to me in his letter of the 25th.

3 j: Well, what I am going - I am sure I can make a technical report - if all the stuff that is available is sent to me - but its very sporadic and it is almost like a conspiracy and one of the things that catches up with Tom is that if he doesn't pay me and they know it out there - what are they to think as to what he thinks of me - he may tell them that I am in charge of technical matters - but they are not going to believe it because they can see that if he isn't paying me they can't imagine that I am executing that function or that he really means it. Wouldn't you feel that way?

4 J: Oh ya. No, actually I have seen this game played before, John, where there was a - oh as a matter of fact it was played by Dick Hewlett where he had - as a matter of fact it was with Barry Dolber where he was using them as their name and reputation but was only feeding them the barrest minimum of information and actually telling some of his employees not to say anything of significance to them. Now, I don't know whether that is that overt with Tom, but certainly I would insist for me personally - whoever makes a report - that it has got to be backed up with some kind of meaningful data and it is going to be at this point a fairly big task I would think to draw all this stuff together. They say that they have spent in excess of \$400,000 out there - which is certainly conceivable - I think it has been dribbled away, but I don't - aside from them saying it, I don't have any evidence of it. I guess - I had assumed that everything was going much better than it sounds like it is, and I assumed that you certainly had gotten paid and had some kind of a

Negative
Comments
Re: R.F.H.
by JAB

D#

13

working agreement. I guess that I am kind of flabberghasted about that.

Execution of an agreement w/ John Dean & then never honoring it.

1 j: Well, the incredible thing is that Tom did sign a working agreement, and then immediately never honored it - and even in the working agreement, originally there was some discussion of cash flow in terms of payoff of my fees when the cash flow reached a certain point and so after its going on and I hadn't gotten anything - when we finally executed the agreement - I put in a two stage payment - the first payment - the first two days I was to get promptly and anything over the two days in a given month, I would get when cash flow reached a certain point. But he is in default of that - I mean he hasn't even paid the two days - and you know - I have all kinds of expenses.

2 J: Sure - well that is nothing different than what happened to me, John - you know Dick started working there and then rather than paying anything more than just his bare salary - which in any consulting operation there is all kinds of great overhead - generally at least 100% - the direct salary - gosh it is 30% of the direct salary just for insurance and social security and employers contribution and so forth - so of course that immediately put me in a cash bind where it didn't even make it worthwhile for me to supervise what he was doing which was really the start of a lot of our problems - of course I should have quit within the first two weeks...

3 j: I am giving him a few more days but I have no evidence yet that it is an honest game and it is incredible that it can got on and always have so many promises and always - it couldn't be anything but good because the prices and the levels and everything went exactly as we said it would - you know the heap is economically worthwhile doing again - it should be done properly and so on but the cut - there are - the mining is - I don't think it is very...

"The heap is worth doing"
"Everything has gone as we said it should"

END OF FIRST SIDE OF TAPE

"Lack of Personnel, ... money to do the right thing - - everything played by ear"

4 j: ...and it is slow because I guess there is lack of personnel and lack of expertise and lack of any money to do the right things. It is sort of being played by ear.

5 J: Well that is unfortunate...

6 j: But so far as I can tell, technically the promise is substantially better than what even with an optimistic view.

7 J: So it should pay off very very handsomely.

8 j: Yes.

#

14

1 J: Well, it is surprising I was almost floored when Dwight told me that they weren't making any money during our conversation on the 27th of December - and well I said don't you have the larger plant installed and he said yes but it wasn't working right and secondly it still wasn't making - it still wasn't meeting the overhead or something to that effect. I said well, why don't you get another plant then and double your production. And he said well gosh that would cost money. So I said, Dwight, if you never get over your break even point, you can never ever make any money no matter what happens, and he thought that was foolishness. But do you think that they are over their break even point?

Dwight lee
doesn't
understand
Break Even

2 j: I would think so. But it is very hard to tell because of this hang up in selling product and I don't have any measure of the product and I don't think that anybody else does. They don't know - they don't assay the precipitate when it goes out, they don't get it dried - it varies in quality, its shabbily run but - and I don't think - if they have spent \$400,000, I am sure they are not in the black - I am sure that they haven't got that much.

No Controls
lee lies
about
money spent

3 J: Do you see any reason why they should not install a second larger plant just to get their unit cost down?

4 j: I don't think that there is any reason except that they have made such a mess of operating the two they have that it would be foolish until they knew how to do it. You know they don't - do you remember all those little problems way back with Dick about the zinc feeder and the stupid little things - well those have persisted and they are using tap water to mix the zinc and all the books say you must use deaerated cyanide solution - in fact the zinc is only effective in cyanide solution - it is not effective in water - and as late as this month when I was out there, they still hadn't solved that problem and so they - it has really been a problem getting up steam and getting a smooth operation and so I think the only answer is until they can run an efficient 1 1/2 unit plant like they have now, you can't really make sense of adding more units.

They've
made a
complete
mess of oper.
Same probs.
RFH had
persist

5 J: Well, I certainly agree with that. I simply assumed that they should have gotten all the bugs worked out. It seems terribly simple if they are getting the equipment. Is it an equipment problem again - not having the right stuff at the right time?

6 j: I think that it is mostly personnel and when you pulled out, there were some pals because - oh even the power company and the telephone company - all wanted to cut off and start over again and they were fighting static for quite a while on that.

#

15

1 J: Well, that is unfortunate but we had to send letters around simply saying that we were not going to take any financial responsibility because I wasn't going to sit around and hold the bag for a lot of expenses.

2 j: Certainly not.

3 J: So we did try to make that transition very smooth but it was a necessity and I can't imagine that Tom didn't understand that.

4 j: Well I don't think it was anything too bad but it slowed down a little bit and then this repeated failure of the sums to arrive - that is something that has made it - well it has really made credit a problem because all the vendors of equipment and everything else now want cash in advance sort of thing and I never dealt with anybody that was so unresponsive to the human equation - you know - the terrible thing about when somebody tells you about screwing somebody else you know it is just a matter of time before he screws you - this is simply that. I know Tom felt that you had an unreasonably large percentage position in the company - you just have to expect him to do everything he can - he is not going to have any heart - he is going to screw you down to what ever nubbin he can get away with and the last thing I think is to get involved in a legal hassel - I don't see anybody that is going to win that way.

Repeated failures to pay in timely manner - vendors require cash up front.

5 J: No, no I don't either - I certainly don't want to get involved in that type of thing but on the other hand I don't want to sink any more time or money into it either. There are all kinds of things that I could do if I had a clear way to do it - as I say I could put competent people down there and I have got people that would put in money to work on the District - either mining companies or others but there is no...

6 j: Well there is one other thing that I wanted to tell you or ask you whether you knew - the last time I was there I kept seeing a guy that looked familiar at breakfast and it turned out to be an Occidental geologist and they have picked up some sort of deal on that Fox claim that George Jewett had - you know...

7 J: Ya...

8 j: ... and it is all in terms of a fantastic anomaly - have you heard anything about that?

9 J: Well I talked with the Escapules and was actually going to get an option on that and then I got busy on other things. I didn't know that they had consumated it - that is the fellow - the fellow that you are talking about is Joe Wise, I am sure - bearded guy?

#

16

1 j: Ya.

2 J: Ya, ya, that is Joe Wise. He makes his office about three hundred feet from where I am sitting.

3 j: Does he?

4 J: Ya, that is kind of funny.

5 j: He was sitting there - he looked familiar - he had his wife with him - she looked like quite a nice person and they were there the whole time we were there and finally we met them at the Escapules and it sounded like a strange deal - they are negotiating for the deep rights but not the surface rights - that sort of thing.

6 J: Well I think that that is because the Escapules want to hang on to that. Are they negotiating for anything besides the Fox?

7 j: I don't know. But they are supposed to have made some kind of a magnetometer or some kind of surveyor and gotten a very large deep anomaly - does that make sense?

Oxygen in
Fox Ranch
Anomaly

8 J: Sure does. I wanted to do the same thing and yes - that is of course the potential that I was talking about in our technical discussions and I think it is extremely likely that there is another center to the district probably as large as the main Tombstone zone, which if we talk about the current prices - we are talking about something in excess of probably a couple billion dollars gross contained metal value. So that is the...

9 j: That is the way the cookie crumbles huh?

10 J: Ya.

11 j: Oh boy.

12 J: Well, that is why I was so upset about Tom getting embroiled in all these details that he is not even qualified to fool with rather than doing what I wanted which is to have him raise the money so that we could do something in a technical and competent manner and get it underway.

13 j: Well, I am coming out for the AIME meeting.

14 J: Oh, in Las Vegas?

15 j: Ya, they got some fairly interesting papers on heap leaching and gold ore mineralogy, etc. and then I am coming down to Tucson for a few days and if he hasn't paid me by then I am not even going to go...

#

17

1 J: To Tombstone you mean?

2 j: Yes.

3 J: Ya, I have been reading through this letter where it says that you are going to prepare the report and I have found it - it is signed initialed Dwight E. Lee or DEL, not even a full name, and it says P. S., as to the technical details you requested, we have asked Dr. John Dean to prepare a technical progress report, which will be forthcoming.

4 j: Hold your breath but don't get asphixiated.

5 J: Ok, well that is what I was really curious about, but I - not in my wildest imaginings would I have imagined that you had not been paid since my little accident in paying you.

6 j: That was a great accident and that gave me another lease on life but I have over extended it - all I can say is we are down to the wire but I think that he has got every chance to get it in the black if he can just mature and get on with doing the right things I think we have something that we can operate with a base for a while.

7 J: Ya.

8 j: And I know Tom very - he says he wants to go full time into the mining business - I don't know - with his track record - but that is his plan. He has cut his strings to this other thing and so we will see. There is nothing I can do in the mean time to help out in any way is there?

9 J: Pardon?

10 j: Is there anything I can do to help out? I would like to see some kind of a peaceful deal between you and Tom because if he thinks that he is going to get into a legal hassle and use me as a technical witness or something - I have no stomach for it.

11 J: Well...

12 j: Because he doesn't have my confidence. I think that he is a crook. I hope you don't have your recorder going.

13 J: Well I don't have any stomach for getting into any kind of legal hassles either - sooner or later it is going to have to be resolved, but I am not going to do anything until I get some kind of technical report - I mean - of course - one of the other aspects of this is that the Tombstone Development people are just about to file suit to negate the whole lease if he doesn't get a technical report simply because that is part of the lease agreement and...

John Dean
Calls Tom
Schloss "a
Crook"

#

18

T.S. in pass
Default on
lease

1 j: That is another startling thing - you know - George Jewett has been calling me and his investors have absolutely cut him off cold but he has got a new investor and he was trying to get a heap leaching operation going and he was going to use ore from the - from Tom's Empire and the basis of it was that Tom was in default on his contract with the Farmers - so called - and they were they felt free to start selling ore to somebody else - in other words - so I asked Tom if he was in default and he said absolutely not. I don't know whether he is in default - it might be on some minor thing but you know the Farmers may also think that he is concealing - he is supposed to pay them some kind of royalty isn't he?

2 J: Ya. Absolutely and if I - well if I didn't have so many other things goings and had the time to fuss with it, I suppose I would be down there coercing with lawyers to assay these things. I wrote him a letter several months ago that said under no circumstances should any precipitates leave Tombstone without being assayed because once that happens, there is no way for anybody to ever be sure what the production is and I would say that he would probably be in default of the contract with the Farmers for that reason...

3 j: He isn't filing reports and giving them accountability.

4 J: Ya - you just can't get away with that - or at least not in Arizona courts you can't. So it is serious and I don't know whether he knows whether he is treading on thin ice or not - I can't imagine that he doesn't but it is unfortunate because the district simply has all kinds of potential and people are interested in it and the moment that he over steps his bounds where the thing falls into default somebody will snap it up within probably a few days I am sure. The Farmers have been approached by others - they are apparently honorable enough where they have not - the simply have said they cannot discuss it so they haven't...

5 j: Well I don't recall ever having seen the agreement but apparently there is a time period to correct a default and they have to serve notice that there is a default and then they have to give 30 days for it to be corrected and I gather they haven't done that yet.

6 J: No. I know they are getting awfully antsy about these reports. Did Tom show you a copy of the page and one half letter report that he sent to me at the end of November - early December that was supposedly a report?

7 j: No.

8 J: Well, the farmers called me a while back and I asked them whether they had gotten that and they just laughed and said ya they had - if that was a report they said that it wasn't

#

adequate.

1 j: That wasn't what they call a report...

2 J: Ya. A page and a half letter that was just kind of a folksie news report of what they have been spending their time on. Well, I certainly hope that they get it straightened out but I guess - the main reason - well there are a couple of reasons that I wanted to talk with you - I have been meaning to call you for the last couple months but have simply not gotten to it - this letter catalized it and I was just curious whether - I was just hoping that I might see a report in the next week or two - since the impression was that I got from the letter that you had been working on it but I guess...

3 j: He did ask me to write it and I said well when I get paid. I said I am willing to write it in the upper regions of my mind but when I reach for the pencil it just melts down and falls in the lump of glue on the page - I just can't do it - and he seemed to understand. I finally said I am on the verge of a nervous breakdown - I just can't stand working like this and so you just got to do something - you have often said you have to borrow the money - well if it is that important - borrow the money now - don't give me any more excuses either you can borrow the money or you can't and if you can't borrow it to pay me, why you can't run the operation so lets forget it. So that is the way it stands and he is talking as of today of making a sale tomorrow - which miraculously enable him to pay me. But this wasn't until he had explored the possibility that a. I would take the precipitates in pay or b. I would take - you know bullion - and I said well I am not in the business of refining or selling metals but we have to have a big discount and the price of the metals would have to be whatever corresponded to the period when I earned the money because what had occurred to him was that he could pay me in \$40 silver for money I had earned when it was \$11 - but I thought that would be dynamite to accept - you know that sounds like it is off the books sort of thing - I know George Jewett was paying his rent with silver bars and selling it to his wife and things like that and it is just a red flag. It might be perfectly honest but it didn't seem to be practical so I did turn down the metal - maybe it was a mistake. Well Jim, I am sorry that it is so messed up - it maybe just around the corner.

4 J: Well, it may be. I have got lots of things to keep me busy and certainly I want the money but what I want really is to simply deal on a professional business-like engineering way and with no reports and not nothing - there isn't anything I can really do except continue to sit so...

J.D. tells
T.S. J.D. is
about to have
a "breakdown"
over no pay
& tells him to
borrow the
money

AP#

20

1 j: I think you have to produce a report because of the Farmers and so maybe that will be the key to paying me and feeding me the information. I think the report is possible - I think there is enough information and I - when I was out there I told Dusty that I didn't think anything should go out if they didn't know what it was - you know - what was in it - because if you say once it is gone, nobody knows.

2 J: Ya, that is absolutely true and there is no way of ever verifying it again.

3 j: You could even say it got lost in transit.

4 J: Absolutely, and of course it could really put Dusty in jail I suspect or he could be the fall guy. There are just so many horrible ramifications that I suppose you could conjure up all kinds of gruesome things.

5 j: For example one of the lots - I did get a sample of one of the lots of precipitate and it was full of bad lumps of quite diatomaceous earth - this seemed very startling and so this happened two or three times and I sort of pursued this and George Jewett said well that is typical of adulteration - what they do is take out part of the weight of the precipitate and try to blend in fresh diatomaceous earth to pick up the difference, and they never can get the silver and gold to precipitate on that fresh DE and so it is a telltale sign of adulteration. Well, when I got out there, I asked about it and they said oh ya, a guy on the night shift was just taking the tops off the filters and throwing it in by the handful when he was having troubles - and you know - it sounded like it could be an explanation but that - the precipitates could be adulterated on their way out and it is really hard to have absolute control.

John Deam
finds evidence
of PPT theft
or at least
adulteration

6 J: That is certainly...

7 j: Well anyway something has got to get together and settle and maybe by the time I next get out there we will have something to talk about if you are in town.

8 J: Ya, well that was second reason for my phone call and I have got to get to an appointment in just a bit - but we have got an awful lot of things going, John, and I think it is going to be a real madder here. We may even have some foreign jobs in Africa and Latin America - we have discovered several what may be significant ore bodies in Nevada and the foreign work may be long lived and require a very substantial effort and be working for possibly a large foreign government with a great deal of capital to invest but one of the things that I wanted to ask you was whether you would be interest in working on an association basis with us to fill our metallurgical requirements which have not surfaced yet, but I anticipate they will.

#

21

1 j: Ya, I am very interested, Jim, I am hoping that we can clean up this other one and get on with a positive program. I doubt I can stay with Tom much longer - it is too uneasy and I have had an opportunity to really shop with my knowledge of the field and found it very interesting so I would be glad to keep in close touch with you on it.

2 J: Good. When you get out here, I would be just real pleased to get together with you and see if we can't discuss some of these things.

3 j: Ok, well I was planning to bring my wife - and make my long delayed visit to the Bureau of Mines in Reno and pick up the AIME meeting and then come on down to Tucson and stay a few days. So, if you are not out in the field - we ought to have a chance.

4 J: Ok, I don't know whether I am going to make it to that meeting but do you know what days you are going to be in Tucson - have you gotten that far along?

5 j: The meeting is the last week in February...

6 J: Ya, the week of the 25th - I have got that

7 j: I was planning to come down Friday of that week. I haven't got a calendar but it would be Friday and the weekend and probably the first of the next week. So if your schedule permits, we can set something definite. So why don't we wait a little bit and as the day gets closer, see if we can't set something up.

8 J: Ok, when your schedule solidifies, why don't you let me know as early as possible because I am booked essentially a month in advance at this point for practically every...

9 j: Are you out of town a great deal?

10 J: No, I have been in town quite a bit, but I am going to be going out or in and out and so I have got you down tentatively on Saturday, I guess the 1st of March and then whatever is convenient, I certainly would like to sit down with you a while. Some of these things are not all precious metals - all commodities and that would be metallics mainly but some non-metallics. One other thing, I am talking with some people regarding basic precious metal program and they are aware of the Tombstone situation - I have told them of the situation and I was curious whether you would feel able to give them an unbiased comment on my performance or the situation down there.

11 j: You mean in the way of a reference? Oh, no problem.

12 J: In other words whether I am competent, or whatever.

#

22

J.D.
agrees to
provide
reference for
JAB - as
to competence

1 j: Ya, ok, no problem there.

2 J: Well, I don't want to put you on the spot, and I thought I would simply mention it.

3 j: I have wanted to talk to you but it has been such a sham at this end that I was just sort of embarrassed because of Tom - I don't know why I have loyalties to him - it is such a mess that I haven't thought of it as a sense of loyalty and it puts me in an awkward position of not knowing - I know he doesn't want me to say anything but what right has he got with his track record of handling me - it is an awkward situation but I think it would be very helpful to have a positive solution as far as your position and get an early program would be satisfactory

4 J: I would guess it is not worth all the mess and fuss and I have put it completely out of my mind and I figured there wasn't anything I could do about it so I have not thought about it - I have plenty of other things to occupy myself - but it can't be put to bed until we get some kind of technical...

5 j: Well you need to know how much has been spent and what the potential is and what the future potential is... Ok, well I understand and I will be in touch.

6 J: Well I may go ahead and mention to these folks to contact you if they are curious about an outsiders viewpoint on the Tombstone thing. They are acquainted with Dwight, I don't think they know Tom - they are not really business associates, they are acquaintances but because it has gotten into such a strange situation they could probably get some feedback from Tom eventually that I want to be as straight forward as I can be and if it won't put you in a bind maybe you are at least atesting.

7 j: Ok, Jim, I will be glad to do that.

8 J: I will look forward to seeing you when you get out. I want to review some of this stuff with you because I think it is going to be an exciting year.

9 j: Ok.

10 J: Ok, well bye

DAY/TIMER

Time-Saver

FILE

LETTER

IN REFERENCE TO:

*MAIN Files
Tombstone Md.
Lochise Co., 1872*

FIRST CLASS MAIL INTER-OFFICE

FOR

Gene Brucce

HOW TO USE THIS

DAY/TIMER

Time-Saver

LETTER TO SAVE TIME.

Type or write your reply in the space below. Then mail the white copy to us and keep the pink copy for your files. You'll save time and effort, and we'll have your answer much faster! Thank you.

MESSAGE

DATE:

2-9-80

FOLD

Gene I would like to be able to acquire land at Tombstone in relation with the former property copper deposit there. It seems we already hold a major portion of the State lease ground in the immediate vicinity to the deposit and with additional effort could tie up the bases on adjacent State lands to consolidate our holding. When this occurs it would be a matter of basing public domain grounds held under both mining claims or locating claims ourselves in compliance with our reclamation program. The problem is that in the long run we will be using SEA funds with no current income from our joint venture partners now closed out under bankruptcy of how on this BY Corporation we can

REPLY

DATE:

under the purchase as they have paid for some of the bases currently held in the area. Could I please get some directions to these problems. My suggestion is that we proceed with a proposal to be in with a land acquisition proposal to acquire land in the area. Based on Dodge News talk at AGS the court has an expanded jurisdiction by contract and should be in case I should like to have a number of units in the area.

BY

LETTER

IN REFERENCE TO:

FIRST CLASS MAIL

INTER-OFFICE

FOR

Jim Brown page 2

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MESSAGE

DATE:

FOLD

However first, ~~before~~ I would like to request some time (initially 10 hrs) to update our records in the area and check on the validity of leases colored in blue of the attached map. In line with this should grounds be open that we apply for state prospecting permits and begin the cut and mouse game with Mr. Horn until we can consolidate those areas in blue should be hold the applications (this process could run into several months but we have made significant gains against him lately. It also may require several plane trips to Phoenix.) This ~~is~~ would allow us more time to see what costs expenses will be necessary and give us a chance to incorporate our findings into a more concise and a question proposal

REPLY

BY

DATE:

It may also be necessary to secure the area in more detail so to buy and get several of the maps necessary to delineate more precisely where the actual drilling has been done or what the geology is for the area.

Thanks Jim Also Jim I would like to talk to you about current leases and application due 2.14.80

2/9/80 Pursuant to the above - make ~~into~~ cost & time proposal.

I agree that it should be done - but I want a plan with cost

Southwestern Exploration Associates
4500 E. SPEEDWAY, SUITE 14
TUCSON, ARIZONA 85712

(602) 795-6097

LETTER

IN REFERENCE TO:

Tombstone
Porphyry Copper Area
State Lands

FIRST CLASS MAIL INTER-OFFICE

FOR

TEW

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

REPLY

FOLD

DATE

2/9/80

I agree with your ideas on the above subject.

Pursuant to your proposal, please supply me with:

1. Cost estimate
2. Time estimate and calendar of your other projects of Tombstone so I can see how it relates to ongoing work

SIGNED

TEW

DATE

FOLD

SIGNED

3/4/80

PAGE 1

11:34 to 11:49

TC# 8462

James A. Briscoe and John Dean

Calling at the Tombstone Mill

1 J: John, this is Jim returning your call.

2 j: Yes Jim, I had a question. Would you think it would be productive to meet with Tom?

3 J: Well that is kind of up to him, John. You know I am in my office, although my time is pretty limited, what is he - does he want to meet?

4 j: Well I told him that I was coming in tomorrow and I was going to call you and we were - had a possibility of a meeting, and I also told him that I thought if there was any possible way to work this thing out amicably, I felt that it would be highly worthwhile, and he seemed to agree. And I told him that in the mean time you had come up with some other aspects and I thought it would be really worthwhile to get the first ones squared away so that we could have some other ones. And he seemed very responsive to that and so the thought was that if it wasn't objectionable to you that we would like to come in tomorrow morning for a few minutes. If it doesn't work, well, we will know it and we can do something different.

5 J: Well fine, I would like to get some time with you to discuss some of these other things that I prefer to work with you on.

6 j: Well my thought was that if - see he is going back to New York on the noon plane and I am staying over so I have the afternoon and evening free - this will just be a special meeting, and at least it will clear the air as to what the problem is - is the way I feel - because I see nothing but unproductive activity here - I can't see the legal loop because then it is technical testimony and it is unpleasant for every body and I think that any reasonable compromise would be highly worthwhile. One of Tom's qualities is that he doesn't have as much problem burying the hatchet as other people do....

7 J: You are saying he doesn't?

8 j: He does not, no. I think if he is all into new prospects and I think he would - I think that he would like to work with you.

9 J: Ok. Well, by all means, I have an appointment at 9:30, but lets plan on meeting at 10:00.

1 j: Ok.

2 J: I guess that the one thing that I am always cautious about is I don't want to sit here all day and harang because I don't have that kind of time, but if he is leaving on a plane...

3 j: Well lets say 1/2 an hour. Ok?

4 J: Well sure, that is fine. If he is leaving on a plane at 12:00 I think that that is fine and I don't mind a couple of hours. I just don't want to sit for 8 hours and beat a dead horse as we have done on the telephone and in person.

5 j: Well I think that the situation lends itself very well to short term because he has to leave and you don't want to spend the time and I think that if we can't find out in an hour what the score is, why we probably won't be finding it out. So, it just a trial to see - and I think that it will help me see what the score is and if there is any possibility of getting a compromise and getting on with something else, why I think it would be highly worthwhile.

6 J: Ok, well that sounds just fine with me. I have put down 10:00 for you and Tom, and I would assume that he would have to leave here about 11:15 and no later. Then I would like to meet with you... I have got another meeting at 2:00, but maybe we can have lunch and discuss some things and then I would like to extend the invitation to you and your wife to have dinner with me Wednesday evening. Can we do that?

7 j: Oh, that would be very nice.

8 J: I am going to have Alexis, I don't know whether you have met Lexie or not - she is my ex wife, but at any rate we are on very friendly terms and she is my entertainment manager so we will have dinner with her.

9 j: Ok, well I haven't met her - I have heard about her.

10 J: Ok, what is a good time for you on Wednesday evening? 6:00 or 7:00?

11 j: Any time.

12 J: Actually 6:00 is more about 8:00 your time.

13 j: Well is 6:00 too early for you?

14 J: I don't think so...

15 j: 6:00, 7:00 or even 8:00.

16 J: You are going to be staying in the...

1 j: Rancho del Rio.

2 J: Ok, fine, that is just great and I will plan on meeting with you and Tom at 10:00, and then maybe the best thing that we can do is simply go on into you and I into lunch and I would like to describe some of the other things that we are doing because we are actually developing some things on a world wide basis that I think that you might find intriguing and I think would be very ammenable to your expertise.

3 j: Good, Jim. Well, we will try to have a good day.

4 J: Ok.

5 j: Thanks very much because this is my feeling that I would like to try once more and I think that we might make some progress.

6 J: Ok. Have you - well you might, I guess my end of it is that I simply have been sitting here waiting for something that was meaningful except the thing that I got was a rather terse and garbled letter about how I should more or less bow out, which I didn't think was the meaningful thing that I had expected, but I want to see the thing go and will do anything that is reasonable.

7 j: Ok, well it is looking pretty good right now.

8 J: You mean from a progress standpoint?

9 j: Ya. And of course we haven't done a lot of smelting but we are closing in on it and there is a big back log so suddenly we might be doing alright.

10 J: Well, quite frankly, just from what calculations we have done with no basic information, I feel that they should be going pretty well.

11 j: Ya, I just don't know where to put the decimal point.

12 J: I can understand that. What is the situation with Oxy. Did you find out anything about that - Oxymin and the Escapules?

13 j: There was something about a filtration test and precipitation but I haven't - I am not up on it. I don't know whether it is a definite but I think that there is something in the works. You mean a cooperative test?

14 J: Well no, Oxidental Minerals was trying to lease the Escapule ground.

15 j: Oh, I think that they have done that.

16 J: Oh, that is too bad - well because that is precisely the thing that we should have been working on.

- 1 j: Ya, I think you are right because I remember how I once asked you in relation to George Jewett's operation if you thought there was potential with that since you were quite positive about it.
- 2 J: Oh ya, there is no doubt about it - see if Tom is looking for other things, then he just passed up the very best thing that he could have looked for. But he knew that a year ago so just a good example of why we are not...
- 3 j: Well I think if the kind of thing that Oxy is projecting where the Escapules keep the top ore, well he might not feel comfortable with that because he doesn't have any expertise in leaching and it might loom as a pretty big risk. So I don't know whether he was in tune or not. Because it seemed to me I would have thought a better deal would be to have the whole thing.
- 4 J: Oh, ya, it would have but the Escapules are not likely to give up that, but the significant thing is that there is probably another Tombstone District under that ground simply hidden...
- 5 j: Deeper down...
- 6 J: Ya, deeper down and had we gone ahead and explored that, it would have then be saleable for lots and lots of money and it would not have been a risk for Tom.
- 7 j: As a development you mean?
- 8 J: We could have then sold it to Asarco or anyone of probably 10 different companies, simply for a retained interest. And see I had.
- 9 j: Well I will see if I can develop any more information on that. It hasn't been discussed this time.
- 10 J: Well, Ok, I will look forward to seein you tomorrow at 10:00 then.
- 11 j: Ya, thanks very much.
- 12 J: I assume that Tom is ammenable to this or are you just going to broach it to him?
- 13 j: No, No, he has been working in the lab and he has been making - calling me out of the lab so he is very - lets say eager.
- 14 J: I see, well I will look forward to seeing you at 10:00 then.

JOHN G. DEAN

5-13

401 - 934-0060

Elmdale Road, Box 102, Route 2, North Scituate, Rhode Island 02857

Mar. 17, 1980

Mr. James A. Briscoe
SEA
4500 E. Speedway, Suite 14
Tucson, Az. 85712

Dear Jim:

Enclosed is a "business confidential" memo highlighting some of the interesting developments on my recent trip to the southwest. You are possibly already familiar with at least the general subject matter, but please restrict it to your own personal use.

We are making steady progress with cyanide leaching, especially its application to heap treatment and it rounds out our experience with ammonia and acid leaching. Agglomeration promises to be a powerful tool, making it possible to handle a wide variety of feed materials.

If we come on prospects where collaboration might be productive, I shall certainly be glad to work with you. In the meantime I hope an equitable compromise with Tom and TEI can be secured.

The greater Tombstone area certainly seems to merit continuing attention, and I hope we are not missing the boat there with all the diversions. Your further comments and recommendations will be of great interest.

A heartfull of thanks for your bounteous hospitality during our recent visit,

Sincerely,



John G. Dean, Ph. D.
Chem. & Met. Consultant

JGD:bm
Encl.

The Recovery of Gold and Silver by Cyanide Leaching

Review of Field Calls and Pertinent Meetings
Nevada and Arizona, Feb. 21 - Mar. 8, 1980

John G. Dean

A special extended trip was made to visit the U. S. Bureau of Mines in Reno, attend ALME meetings in Las Vegas and visit pertinent projects in Nevada and Arizona with T. H. Schloss and D. Escapule, to make a special call on Mountain States Mineral Enterprises, and to confer on the Tombstone Exploration project. Many developments of great interest were involved; they are highlighted in the following sections.

U.S.B.M.-Reno (memo of a visit 2/22 By J.G.&R.M. Dean)

The Reno station of the U. S. Bureau of Mines has been working on gold and silver extraction for several years. This work has been reported in several publications which are listed in the appended bibliography; (4-7) recent developments were presented in a paper 2/27 at the ALME meeting.

After a preliminary discussion with R. E. Lindstrom, Director, a tour was made with S. D. Hill, Res. Supervisor, and Gene E. McClelland, Res. Engineer. Several cyanide extraction tests in progress in 5" x 5' Plexiglass tubes, with and without pre-agglomeration, were seen. Agglomeration, both with lime and cement with optimum moisture and ageing time, gave vastly improved percolation and reduced extraction time from 90 to 5 days. They also are performing pilot scale heap leach tests in fiberglass columns 2'D x 20'H.

They continuously remove the dissolved gold and silver by adsorption

on activated carbon, then strip and recover them electrolytically on steel wool for smelting to Dore.

Pre-agglomeration is carried out on a 3' Dravo inclined revolving pelletizing disc with scrapers and raised rims which permit continuous harvesting. They feel the rolling or snowballing action is important so that the larger pieces of ore get completely covered with the fines and the additives such as lime or cement. With the optimum amount of moisture and ageing, the lime or cement holds the finer particles permanently to these surfaces.

They are also experimenting with a conveyer belt fitted with stainless steel curved plows designed to roll the feed over several times in transit.

Addition of strong cyanide solution as a replacement for the added water also gives improved leaching and permits conducting the first stage of the leach with water.

In a final discussion with Mr. Lindstrom, he advised that he had discussed the Minerals 71 heap repeatedly with Dick Hewlette. He disagreed with Dick's chemistry and told him sulfuric acid was not effective on manganese ores. He also suggested that the coarse rock should either be crushed or eliminated from the heap.

AIIME Meeting, Las Vegas 2/25-27/80

Several papers in different sessions, notably on Particle Systems, Agglomeration, Flocculation, Leaching As-Mined Ores, and Precious Metal Recovery, were of special interest and were covered as completely as possible. The following papers merit comment:

1. B.P. Ream (Kennecott) "Solution Management in Dump Leaching" (p.41) Sprinkler vs. trickle flow of solution led to 15% additional extraction. Removable screens in feed lines greatly reduced plugging of

sprinklers. Temperature of leach solution important: extraction rate doubled for each 10°C increase. Reduced solution circulation rate may increase temperature and improve extractions.

2. J. Timmers (Inspiration Consolidated Copper Co.) "Acid Cure Heap Leach" (p.49)

Tests on a large heap 30' high revealed extractions dropped from 93% at the top to 69% at the lower sides, and only 44% at the internal lower levels.

3. E. Domick & E.O. Brimm (Holmes & Narver) "--Leaching Studies--" (p.49)

Pilot leaching tests carried out in bins with one removable side of planks designed for charging and emptying with a front end loader. Continuous pretreatment in a revolving drum with discharge to concrete-type wheelbarrows, very simple and effective. Crushing important: e.g. 60% recovery at -1/2", 90% at -1/4", 95% at -3/16".

4. C.A. Holley (Ferro Tech, Wyandotte, Mich.) "Agglomeration --" (p.76)

Comprehensive review of all types of agglomeration devices in industrial use including drum, cone, and disc units.

5. C.K. Chase⁽¹⁾ (Mountain States Res. & Dev.) "Gold Heap Leaching, Round Mountain" (p.353)

Detailed description of crushing and heap leaching on asphalt pads, fluid bed carbon adsorption, carbon strip and reactivation, electro-winning on steel wool, and smelting with 24 lb borax, 20 lb niter, and 18 lb silica per 3 lb steel wool-Au-Ag cathode.

6. L. Trautman⁽²⁾ (Homestake) "Carbon-in-pulp Silver Plant" (p.353)

Silver tailings containing 3-4 oz/T Ag treated with cyanide in Pachucas. Silver recovered from the pulp on coarse carbon, stripped and electrowon in Zadra cells. The loaded steel wool cathodes are smelted with a flux made up of 30 lb sodium nitrate, 30 lb anhydrous borax, and 30 lb sand in a #150 starbide crucible. The silver bullion is 950 fine while the slag contains 10 oz Ag/T.

7. R.E. Lindstrom & G.E. McClelland (U.S.B.M., Reno) "Heap Leaching of Clayey Gold Ores" (p.354)

Column tests showed that preagglomeration with lime or portland cement and controlled moisture (including cyanide solution), followed by ageing, increased percolation rate 14-fold and greatly improved extraction rates.

Field Calls on Gold and Silver Recovery Operations

After attending the ALME meeting in Las Vegas, T. H. Schloss, D. Escapule, and J. G. Dean made an extended car tour of selected operations in Nevada as highlighted below:

1. Candelaria (Occidental Minerals, Ralph Van Arsdale)

Large ore development program with drilling on 12' grid in progress with plans for heap and agitated leaching, followed by zinc precipitation using filter presses.

2. Millers (Brentwood Associates, Larry Smith & George Krandel)

1200 TPD silver tailings to be ground 95%-325 mesh in Krebs tube mills, leached in Pachuca tanks with carbon in-pulp process modeled after that employed by Homestake⁽²⁾. 57% Ag and 70% Au recovery expected.

3. Round Mountain⁽¹⁾ (Copper Range Co., D. L. Simpson)

Ore being crushed in three stages to -3/8", heap leached on asphalt pads using Bagdad-type wigglers, then moved to tailings pile. 60% Au recovery in 27-40 day trickle leach, followed by carbon adsorption, electrowinning from strip solution and smelting. 160 employees with processing plant capital cost of \$1000 per ton daily ore capacity.

4. Manhattan (Houston Oil & Minerals)

Ore and water drilling programs in progress with plans for flotation and cyanide milling operation.

5. Goldfield (Charlie Succop)

Hammer mill for grinding ore with cyclone recovery examined. Cost about \$700, but production rights being transferred and no units

currently available.

6. Rhyolite

Heap leaching operation under development.

7. Searchlight (Crescent Mining, Dick Hewlette)

Crushers being installed with heap leaching on asphalt pad. Ion exchange recovery of both gold and silver on Rohm & Haas IRA 400 being investigated.

8. Chloride

The large tailings area containing excessive fines and arsenic was visited briefly.

9. Mountain States Enterprises, Tucson (E. S. Frohling, Pres., R. H. Bhappu, C. K. Chase) visited by J. A. Briscoe and J. G. Dean 3/6/80. Coordinated Res. & Dev. and Project Engineering Services available with mineralogical studies, fire assay, cyanide leach tests in rotating jugs, columns up to 2' with tilting mechanism, and CCD pilot scale agitated leaching plant. AA (Perkin Elmer 610) used for 80% of assays, but still important place for fire assays. Special engineering experience with ore handling.

10. Tombstone Exploration

A regular visit was made 3/2-5 to the Tombstone project for progress and planning discussions. The highest priority is being given to the installation of the crusher and belts for moving the ore. All information gathered to date confirms the advantage of this plan.

Crushing not only provides access to the values; it also provides surface area for deploying and holding the fines. At the U.S.B.M. it was mentioned that they had successfully carried out a heap leach with a particular ore crushed to -10 mesh and had achieved 90+% recovery equalling the optimum of agitated leaching at a fraction the cost.

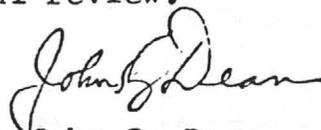
Work was also carried out on the assay of precipitates. Stage acid

dissolution is possible starting with selective dissolution of the zinc with 2N sulfuric acid, then silver dissolution with 7.5N nitric acid, and finally gold dissolution with aqua regia. The resulting solutions must be accurately diluted to bring them into range for AA determination and proper standards with matching matrix must be used. It was concluded that fire assay would probably be more practical, especially since the technique is familiar and equipment can be assembled at moderate cost.

Selected Bibliography

1. Chase, C. K. et al, "---Gold Heap Leaching at Smoky Valley---", AIME Meeting, Las Vegas (2/80).
2. Mitchell, S. et al, "Homestake's Bulldog Mountain Carbon-In-Fulp Silver Plant", AIME Meeting, Las Vegas (2/80).
3. Kappes, D. W., "Heap Leaching is Small Miner's Golden Opportunity", Society of Mining Engineering (2/79).
4. Heinen, H. J., G. E. McClelland, R. E. Lindstrom, "Enhancing Percolation Rates in Heap Leaching of Gold-Silver Ores", USBM, RI 8388 (1979).
5. Heinen, H. J. et al, "Processing Gold Ores Using Heap Leach-Carbon Adsorption Methods", USBM, IC 8770 (1978).
6. Schack, C. H., B. H. Clemmons, "Review and Evaluation of Silver Production Techniques", USBM, IC 8266 (1965).
7. Zadra, J. B. et al, "Process for Recovering Gold and Silver from Activated Carbon by Leaching and Electrolysis", USBM, RI 4843 (1952).
8. Bosqui, F. L., J. G. Dean, "The Chemistry and Extractive Metallurgy of the Precious Metals ---", special review.

JGD:fm


John G. Dean

RECEIVED APR 21 1980

PS Form 3811, Jan. 1979
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 Mr. Joseph E Meyer
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Southwestern Exploration Asso, Inc.

(Name of Sender)

4500 E. Speedway, Suite 14

(Street or P.O. Box)

Tucson, Arizona 85712

(City, State, and ZIP Code)

P13 6080304

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STREET AND NO.		Parcel, Talesnick, Meyer, Schwartz	
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POSTAGE		\$2.27	
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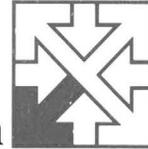
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P418

James A. Briscoe
President
Registered Professional Geologist



**Southwestern
Exploration Associates, Inc.**

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

APRIL 16, 1980

MR. Joseph E. Meyer III
Parcel, Talesnick, Meyer & Schwartz
2250 Energy Center One
117 17th Street
Denver, Colorado 80202

RE: TOMBSTONE MINING DISTRICT-INFORMATION AS PER YOUR RE-
QUEST THROUGH J.S. KITTLE

DEAR Mr. Meyer:

Enclosed are two copies of all of the bills for the Tombstone
Exploration project. A listing of the amounts billed and amounts
paid is on the first page. Each billing is preceded by a yel-
low page.

Sincerely,

Richard J. Lease
Controller

RJL:ew

Enclosure:

TC #8659
4/17/80
10:22 a.m.

PAGE 1

JAB calling TS

RE: Situation at Tombstone

1 J: This is Mr. Briscoe calling for Tom Schloss

2 T: Tom Schloss.

3 J: Hi Tom, this is Jim.

4 T: Hi, how are ya?

5 J: Pretty good, how are you?

6 T: Very well. How is everything going?

7 J: Oh, I am terribly busy, and I apologize for not getting back to you earlier but I have just been kind of snowed under with one thing and another.

8 T: What's new?

9 J: Well...

10 T: Status quo huh?

11 J: Ya, the typical.

12 T: Right, call me when it changes.

13 J: I really don't anticipate any change in the foreseeable future, but the last 48 hours seem to have been particularly hectic.

14 T: I had a couple of things to talk to you about. Good news and bad news. The lawyers just don't seem to be getting anywhere. And lets talk about that. Lets talk about, you know, John Dean has told me that you are trying to raise money for what I will call your REA, whatever... we ought to talk about that. I had another issue but I don't remember what it is right now. You want further information on Tombstone I think is the third issue, and there isn't a lot of information. You can have the information that I have but there isn't a lot of it. We are working on it. And if you want to wait a couple of months, it will be much better.

15 J: Well I am leaving for Africa and other places for the next couple of months in about two weeks so....

16 T: Well then we have got to get this resolved. J: Well, this

trip has been planned for a good long while....

PAGE 2

1 T: Well, our lawyers have been talking for a month and have not been able to get it resolved. Then you and I have to get it resolved or otherwise we will have to use other means. I am not threatening, but we are going to have to get it resolved. I am not willing to go two or three months more under this status quo.

2 J: Well, I am not sure what the problem... I am not sure what you mean by not getting it resolved is because as long as I get paid, we have indicated a settlement that we will be happy to do.

3 T: What is that?

4 J: Well #1, getting reimbursed at this point, by the way, your guy did ask for a recapitulation of past bills which are in the mail to him now with one copy for you, but the summary shows that we billed \$60,665.63, and the unpaid balance is \$45,097.73.

LONG PAUSE

5 T: You show that we paid you \$14,680?

6 J: We have received \$15,567.90.

7 T: \$15,000 give it to me again...

8 J: \$15,567.90

9 T: Ok, obviously I would like to see a recap.

10 J: Well, now all this is, Tom, is a recapitulation and totaling of the bills from March 31, 1979, actually, until March 31, 1980, which is a bill that you have probably not received, but at any rate...

11 T: Well how could you be billing me in '80?

12 J: Well, we still have state leases, we still have some accounting odds and ends that we have been wrapping up...

13 T: Well, I am not... I don't know what you could be billing me possibly in '80 that I would know about.

14 J: Well, unfortunately....

15 T: Do you see where I am coming from on that?

16 J: Ya, well you will get a copy of all of this, but we had to submit by legal requirements W2 forms, we have to continue paying on what is necessary on those state leases we do have

1 T: But you can let them go. I didn't authorize you to pay on those state leases. I don't even know what they are. I don't have any written records of what they are. I have no written records that you have paid on them or what the status of them are, or where they are.

2 J: Well, there was some material sent....

3 T: I don't think that it is productive, Jim. for you and I to quibble about that at this stage.

4 J: Well, I would agree with that. The important thing is that...

5 T: I certainly am not going to pay for something I don't know about. And I am not accusing you of asking me to pay for something that I don't know about... you haven't told me. Nor have I received any written information of what the hell it is anyway.

6 J: Well, I will tell you what, I would...

7 T: It may be a good decision, or it may be a poor decision. I have no way of evaluating that.

8 J: Well I realize that you are not very enthusiastic about these leases and if you want to...

9 T: I want to know where we are in relationship to the current leases that we have.

10 J: Well they are not new, they are simply payment on the existing leases. We haven't put any in at all recently.

11 T: On the leases... which leases is that?

12 J: The state leases that we acquired during 1979. You have to make payments...

13 T: We did not authorize that we continue those.

14 J: Well, that may well be but since we are partners in this Tom, I will be happy to deduct all of those monies if you want to quit claim your interest in those to us.

15 T: I think that that is a tertiary item that can be worked out.

- 1 J: Well, that is fine with me. I think, of course, the other thing is is that we have had quite a few thousand dollars that have not been paid incruing interest - we are not quibling about the interest but it is not worth quibiling about some of the other items either simply because the interest would be substantially more than the cost of finalizing this information which we are required by law to do.
- 2 T: Which interest is that?
- 3 J: On our unpaid bills.
- 4 T: Well lets talk about the percentages in the... we made you an offer which is getting very very firm because we are not operating it at below break even because of the drop in the prices of silver and gold...
- 5 J: I can't concern myself overly that Tom because I have made a variety of suggestions and I don't know...
- 6 T: Your suggestions... I think that we can indicate to you would not have worked out very well.
- 7 J: Well that is a technical point and there is hardly any point in really worrying about that either.
- 8 T: Well, you want to list your suggestions and we will respond to them?
- 9 J: No, because I, quite frankly, have got just a few hours free between now and the time I leave, and I just don't have time to do that anyway. The point is that you have been managing this for a good long while and I am not inclined to make any suggestions...
- 10 T: We would like to get this, Jim, resolved so that the antagonism that is developing between the two of us can get behind us.
- 11 J: I would agree, but...
- 12 T: How can we get this thing resolved? We offered you 5% as a finders fee. I am saying that that is not very negotiable.
- 13 J: Then I guess that we are not going to get it resolved because that is really not acceptable to me - which Jay has communicated to you. We made a counter offer, are you not communicating with your attorney?
- 14 T: I have not received a counter offer at all.

1 J: Well, then I think that you ought to maintain closer ties with your attorney. The counter offer - or at this point the written documents that we have state that our percentage is 40%. The offer that Jay Kittle communicated to your guy is that if we get our bills, which are non-negotiable caught up immediately. we will settle for 18%.

2 T: If you take your 40% and you apply what we put into the project, and one of the questions that Jay raised, ok, is the justification on the amount that we have spent. And I will say to you that I have withdrawn not one cent from this project.

3 J: That is fine, Tom. I think that the other alternative is if you think that it is reasonable that I take a lower percentage of that, then we would like to see full accounting for what has been spent and what has been produced to date and that simply is going....

4 T: I am willing to do that, Jim. I obviously feel that what I am offering you is fair, ok? What has produced - we are still not able to get it smeltered but we have done some fire assays on it which we would be more than willing to make available to you. This was completed about a week, week and a half ago.

5 J: Tom, you know that - as I cautioned you in the letter about October of last year, you have to have firm accounting procedures for when that material leaves Tombstone, what the assay is there, what it is when you get it to New York, what the pregs and what the barrens have been...

6 T: We have that Jim. We have that. Is it accurate? It is as accurate as we are able to get them. We have all that information.

7 J: Ok, but I asked for information like that way back in December - well no, I actually asked for it back in October of 1979.

8 T: And we are having - we have had trouble with some of the equipment that is to evaluate that, the atomic absorption unit we have had trouble with - we just diagnosed I think Monday of this week. We set up a fire assay to try and solve that problem so that we have that information but it isn't accurate. So what we did is we took all of the shipments that we have shipped to here and we fire assayed the samples that we have and that is how came up with. There is approximately an inventory of \$125,000 at silver at \$15 and gold at \$500. Now you can adjust it for the current price.

9 J: You say that that is \$115,000?

1 T: \$125,000. Don't hold... you know, in that range. You can't get - lets say the price of silver was \$15 today?

2 J: Ya.

3 T: Discount for our silver would be for anywhere from 10% to 20%. About 10% today. I don't know what it is today. If the market was up, it was very high, when it is down it still may be high. We don't have name brand silver.

4 J: I understand that.

5 T: If today's price is \$15 - silver is about \$14.50 now, but lets say it was \$15, you wouldn't get \$15 for it. The \$125,000 is really a misnomer.

6 J: Well. sure. but once...

7 T: But it is better than nothing at all.

8 J: What is important is for you to get a figure that is based on real metal values and then you can adjust it for whatever the smelting charges and whatever else are.

9 T: We agree. Jim. We agree on that. We have a figure of what the gross metal value is. You and I can both apply an adjustment factor to it. Cost you a \$1.50 an ounce to get it smeltered. So you take \$1.50 off. Now that is for gold and silver. Now how do you divide it between the two I don't know. I haven't figured that out yet. I don't know what purpose this gives you. Now that is the best figure that we have today - it is all very well to say "Tom you should have better figures" - Jim. I probably wouldn't argue with you. The point is I have what I have. I am not running it for your benefit or my benefit - I would like the best numbers that I can possibly get. J: I am certainly aware of your interest in details but...

10 T: I am not trying to hurt you in any way and I don't want you to feel that way. I don't have any better information. I want it more than you do. I own a majority of the company and I want accurate information, I just don't have it. We bought an expensive atomic absorption unit and there is a piece on it we found out on Monday is cracked and that is what is causing the readings to be erratic. We are trying to solve these problems but you get one problem solved and something else happens. It would have been nice if silver and gold had stayed up there but it didn't.

11 J: Well. I suspect that it is probably going to go on back up but...

1 T: I don't think so right now. It looks like it is going to go the way that interest rates are going to go and interest rates it looks like are going down.

2 J: Ya. Well even at \$15 or even at \$10, it is still higher by more than 100% than it was when we started.

3 T: Well, when we started, the project would not have been economic. It would have been a disaster. In the method that was used by you with Dick would have been disasterous and the prices would have been disasterous. Today with bigger equipment, using more economical units, sizes - I am coining that word - because we are not using a dinky shovel and we are not using small plants - we have good sized plants, etc. - we are not at break even.

4 J: That is really hard for me to understand because I talked with a fellow who worked for Kaysnus (sp?) - this guy is a fellow with a good deal of experience and he said that the only reason that they closed that down was because of their lack of operating capital which related from the Haraman debaucle - but he said that they were making an operating profit at that point when the price of silver was what \$4.00 when they closed down.

5 T: They were using a press... All I can tell you is I know how much dollars are in and how much are coming out and I am telling you that it is negative. And I am evaluating the inventory as described, which is probably generous - and it is negative. Why is it negative. #1 I am having lunch when I get back with Bishop so I am going to try and find out. We know they were using a very inefficient methodology - we think that ours is much more efficient. I don't know whether he is bull shitting you or not.

6 J: Well, quite frankly. I didn't even tell him that I had any involvement at all in this so he was simply talking so he had no ax to grind...

7 T: I think that our operation is pretty efficient.

8 J: Well, since I have not been there in six months...

9 T: When I got back from the lawyers, you wanted to be better informed. I am trying to make you better informed. We think that our operation is pretty efficient. We think that we have got a lot of problems that have not been solved that is going to require a lot more capital still from here. I will tell you one of the things that we want to do - we want to get a bigger plant. We are probably going to build it ourselves - what is that going to cost - probably around \$70,000.

10 J: What size plant do you have at this point?

- 1 T: We have a 600 - no I am sorry, we have a 300 and a 100 - total of 400.
- 2 J: Why don't you simply get a couple more 300's as we previously discussed?
- 3 T: Because they don't work well. They are engineered poorly etc. There are a lot of reasons and that was one of your suggestions - I just think it would have been disasterous. We are working with a consultant trying to get a better plant.
- 4 J: Why is it that the Escapule people are able to apparently do fairly well on the same plant.
- 5 T: What is your source of information on that?
- 6 J: Same source...
- 7 T: How do you know that they are doing well?
- 8 J: Pardon?
- 9 T: How do you know that they are doing well?
- 10 J: Simply from the appearances of their operation and what the Arizona Bureau of Mines folks have said.
- 11 T: Ok. I don't think... I have some information on that which is confidential. They are making a lot of money on their manufacturing. They are doing very little mining. Ok?
- 12 J: You mean very little leaching? Because they weren't ever really mining anything.
- 13 T: You are correct. They are not mining anything but they are doing - they are making most of their money I think in their manufacturing - which is fine - there is nothing wrong with that - but it is really none of my business either. As you know. we work very closely with Charlie and Louie. I am not saying that they are doing anything wrong - I am not saying that at all. But I am saying its a different operation - they are trying to run it differently than we are.
- 14 J: Do you have any good consultants working for you?
- 15 T: Dorr Oliver. John Dean - we are considering some other geologists - that we will have probably by next week.
- 16 J: Ok, so Dorr Oliver is consulting in there with their laboratory equipment.
- 17 T: Their laboratory equipment?

- 1 J: I mean Dorr Oliver is a manufacturer of equipment.
- 2 T: Among other things it is also a consulting firm.
- 3 J: Well, just like Denver Equipment Company is - but it is kind of a thing as to whether you need to ask your barber if you need a haircut or not. In other words, what I am saying is their interest in selling Dorr Oliver equipment - now I don't know whether that puts them in a conflict of interest or not because I don't have the vaguest ideas of what is happening, Tom, and of course this is the first inkling that I have had of you having any outside advice.
- 4 T: We get a lot of outside advice - what's it worth is always the question. Do you think that John is doing a good job?
- 5 J: Well, quite frankly I don't know what he is doing - but I would suspect that whatever he is doing is probably good.
- 6 T: You know he and I work very closely together, and John is one advisor that I use very extensively. I think that he gives good advice. I think that he keeps me out of trouble.
- 7 J: Ya, well certainly I think that his capabilities are the highest, but I can't comment other than that because I don't know what he is doing.
- 8 T: Well, anyway, he is working with Dorr Oliver. Anyway, you wanted to be brought up to date, I am attempting to bring you up to date.
- 9 J: Well, I would prefer to get the written report because telephone conversations are nice...
- 10 T: We have given you a written report as it relates to the inventory. We would put that in writing if you would like, but with the caviat that I gave you verbally...
- 11 J: Which are?
- 12 T: The fire assay is at a market price which may not be representative of the market. It does not adjust for...
- 13 J: Well, I think that it is important, Tom, to have a legible professional report which you can with your various consultants yield. But the reports that I have gotten, quite frankly, are inadequate from my professional standpoint.

1 T: Well, I don't disagree. That is all we have got though. We don't disagree with you, Jim. I am not arguing your point. All I am saying is that is the best - we are working on it. We are developing a computer system so that we - we have now current reports monthly. We are trying to get the information out of S.E.A. so that we can finish last year. As you know, we are having trouble getting that information.

2 J: Which information is that?

3 T: What?

4 J: Which information is that?

5 T: Some bank statements, etc. that we can bring it up from last year. And then we are up to date, and then we have it audited - or I can't say that it is audited, we have a computer system and we have it on a monthly basis. Budget against actual. I mean where we are heading I know that you will be happy with. Your criticism "why aren't you there yet"...

6 J: It is not a criticism, Tom. I am just saying that you are asking me to settle on something which I am unwilling to do without that updated information.

7 T: I can give you the information. I can give you what I have today - I will be in Tombstone next week.

8 J: Unfortunately I am not going to be in Tucson next week but I will be back on the weekend so we can get this settled up.

9 T: I have got appointments next weekend here in the east. I can't stay out there. I have got to go back on Friday. I have investors coming out this time and the next time that I go out that I would like to run through S.E.A. - and one of the investors is the one I have told you about, and this is a preparatory trip to the one coming up next month. That is one of the reasons I would like to get this thing resolved.

10 J: Well, you know, I am enthusiastic about that myself, but I am leaving Tucson either Sunday night or Monday noonish, and will not return until Friday, at which point I will be available for a couple of days, though I do have meetings on Friday and Saturday. Let me see if I can be more precise on that.

11 T: Well, I can't stay over that weekend. I can come out, I suppose. Sunday night and meet with you Monday morning, the 21st. Dusty will meet me in Tucson and we will go over it. You just let us know exactly what you want because we would like to get this thing resolved. Otherwise I am going to have to go hard on this thing.

- 1 J: Well, Tom. I think the opposite is true. What I want is payment on our bills that go back 12 months now, and the amount of that is \$45,097.73, and we will settle on 18%.
- 2 T: 18% - that is just ridiculous because, Jim, if I took the amount of money that we have invested in it and reduced it down even according to that agreement you would be zero.
- 3 J: No it would be at 40%, just the way that agreement is written. There is no provisions for going below 40%.
- 4 T: That is not true at all. That is not true at all.
- 5 J: Well, that is what my legal advice from two different sources...
- 6 T: My legal advisor said that is not true at all.
- 7 J: Well then...
- 8 T: Because we are now well over 500 and going strong. And I will - if you want to put it in writing - I have taken nothing out. I have taken some expenses like my airfare - that I do charge to the company. I charge nothing for my time. So there is no padding in those bills. Dusty and John, I am sure, will attest to that. I have billed nothing to this company so it is all going into the project, and will continue until we get this thing going. I am working for free... for what its worth.
- 9 J: Of course that is your decision, but...
- 10 T: Well it is more important that we get this thing working, and the 18% is not agreeable to me. I will work with you on the other if I have to, but the 18% - I can't live with the 18%. How did you arrive at 18% anyway?
- 11 J: That is essentially half of what our written document states, which is 40%.
- 12 T: I put in more than twice the amount that the document stated.
- 13 J: Ya I know but there is no provision for dilution on 40%.
- 14 T: It is not true, read the next paragraph.
- 15 J: Well, that has been my legal advice and 5% is...
- 16 T: Well don't take it because I am going to go... if I have to sue you, Jim. I am going to hav to sue for fraud.
- 17 J: Well, Tom, you don't believe that that isn't a two edge sword.

1 T: What fraud did I cause you?

2 J: You have really not come through on much of anything that we have agreed on. Look, you know, these are questions that we both have legal council on.

3 T: The legal council isn't getting anywhere. That is why I am speaking to you directly.

4 J: Ok.

5 T: Ok, they are not getting anywhere, and we are spending a lot of money on legal council and they are not - you know - we either let them go and let them go at each other, which will cost us a lot of money, which I have gotten out of - you know I have sold the seats on the New York Stock Exchange American Stock Exchange, etc. I am very liquid. We would be willing to fight this thing. But it would limit our ability to work together in the future - shall we say it might squash it?

6 J: Ya.

7 T: Ok. So it is worth spending some time to try and resolve this thing but if you are stuck on the 18%, then I don't think that we are going to get very far.

8 J: Well, if you are stuck on the 5%, I don't think that we are going to get very far either. Now if you can furnish me with some details of what.

9 T: Tell me what you want and I will try - if I have it - I will try and get it to you. What do you want.

10 J: Well, I simply want accounting records - you are telling me you have spent a big deal of money - I don't have anything that really shows where that has gone, and you are suggesting that I should accept dilution for some reason that I may or may not agree with.

11 T: Jim, in all due respect, I would never knowingly say something that I can't back up - right? I mean, you have known me for a long time.

12 J: Well, the important thing is...

13 T: Now I will get you the accounting information, which backs up the amount that we have spent. Now, is it in enough detail for you - I will give you what I have. On an ongoing basis, I will say it will be and on a historic basis of 1979, it you can look through every check if you want...

14 J: No, I am not really interested in that.

1 T: Peace. Ok. I am saying you are invited to look through every check. I will give it to you in a summary form though. Because we made a decision - take the amount that we spent with you all. kind of lump that together, the amount we spent after August, and we put that all together, we have broken it down to a degree, but not as much as I would have liked. If you want to go through it in more detail - take the check book. That is no problem. In 1980 we have it divided into divisions - it is very clear what we have done, and I don't think that you will have any problem with it. Trust me - I can back up everything that I am saying.

2 J: I am not arguing that you can't. I am just - all I am saying is that I haven't seen it.

3 T: We will get it to you. But - with some thought of getting this thing resolved - otherwise there is no reason for me to waste the time.

4 J: Well. I will tell you what, we will draft up a specific agreement and if you want to meet with me on Monday morning - because I cannot leave any later than Monday noon - and if you have a cashiers check for \$45,097.73, and we can come to an agreement on this...

5 T: We have to come to an agreement on the 5%.

6 J: Well, then that is not agreeable.

7 T: If we can come to an agreement on the 5...

8 J: No, that is not agreeable.

9 T: Well. the 18 is not agreeable to me, Jim. That is ridiculous

10 J: Then you come up with another figure. plus the data that you say that you have got. and if we can hammer it out between 8:00 a.m. and noon on Monday, that is fine. Otherwise I have had arrangements for months now and I am going to be getting on a plane and I will be back in June. Now if something should...

11 T: It would not be wise for you to leave town without this thing being resolved.

12 J: Well if something should happen to me on this trip, of course this is going to go into probate, and my instructions are to - for my executors to work on the 40% basis.

13 T: Well fine. You are going to Africa, right?

- 1 J: Well I am going through Latin America, Africa, China and Japan. So whenever I leave, there is always the possibility that I might not make a landing or takeoff or might have some tribesman spear me or something - so at any rate...
- 2 T: Jim. can we buy a term insurance on you?
- 3 J: You could. That is certainly up to you.
- 4 T: That is illegal.
- 5 J: It is illegal?
- 6 T: Ya, it is. I think that someone would contest it if something did happen to you.
- 7 J: Gee, I don't know. Quite frankly, I have bought a term insurance policy myself.
- 8 T: Oh. you can buy one on yourself.
- 9 J: But that is a possibility, Tom.
- 10 T: Jim. that doesn't bother me. It really doesn't.
- 11 J: Well I am serious. I have key man insurance and it might not be a bad idea to work out some kind of an insurance buy sell thing. But at any rate that is the situation. Now if we can get this thing hammered out on Monday morning, boy I will be just pleased...
- 12 T: You have not been clear enough to me with what you want. In other words, Jim, if I proved that I have spent \$600,000 on this project, and I have spent every dollar of it for "valid" expenses, whatever in the hell that means, and you and I would sit and discuss it back and forth - would that be enough to convince you?
- 13 J: It would certainly influence me to probably lower that interest rate.
- 14 T: But would it be enough to convince you to the 5%, Jim?
- 15 J: No.
- 16 T: Because what I am saying is look, if you apply the \$600,000... - somewhere between \$500,000 and \$600,000 - ok - if you apply that to this project, you are diluted to around zero. Now I am saying gee. that is my downside - or upside - I can take you down to zero. I am offering you 5%, and I would like you to accept it if I prove to you that the expenses were valid.

1 J: Well #1, my advice says that 40% is what is on the written document and that is the starting point.

2 T: Fine - starting from the 40%, I am saying we have had to spend...

3 J: Regardless of what is spent...

4 T: ...More than that. More than that written document contemplated - which would reduce you to zero. Ok. Figure the math.

5 J: No, it doesn't. Because at 40%, it stops. I don't care if you spent 3 or 4 million.

6 T: You pointed that out to me before - I checked it out with my lawyer - it doesn't say that. It says that ours stops - not yours. Read it again. And anyway - if I went to court - I mean you know - think about what I am suggesting to you, Jim.

7 J: That you are going to sue me for fraud?

8 T: What?

9 J: That you are going to sue me for fraud? I have already thought about that and I have gotten advice on that.

10 T: What did your advice say?

11 J: Don't sweat it.

12 T: I can't believe - well I know that is not what he said to our lawyer. Anyway the point is if I can prove that to you with a reasonable man - then we have a reason to meet on Monday morning. If not, then we don't have a reason to. I would like to get the problem resolved.

13 J: I would too. Are you willing to have...

14 T: Otherwise, how do you suggest we get this thing resolved?

15 J: Well, one of the things might be to get our back pay.

16 T: We will make them coincidental?

17 J: Alright.

18 T: We will solve both of them at the same time. Not one before the other.

19 J: I don't see why not, Tom because those are valid.

1 T: Jim. Lets don't get into the arguement whether they are valid or not. It is what you are asking for.

2 J: No. It is not at all. Those are carefully kept billing records that are charges which we discussed at the outset of this for which we have never been paid. But regardless, that does not really have a bearing on a percentage interest so I...

3 T: I am saying we will resolve both of them at the same time. I also want to resolve this thing - this land situation at the same time. I want to resolve how we can continue in the future at the same time. I mean we have got a lot to resolve.

4 J: Well...

5 T: We have the framework to get it resolved.

6 J: I think that we probably better put that off until some later date until we can this resolved.

7 T: Ok, well but what we need to do is work with the framework to get it resolved. Now how do we do that?

8 J: Well, 5% is unacceptable to me, Tom, so if it is unacceptable to you then there isn't any point in meeting on Monday morning I guess.

9 T: Well, 18% is unacceptable to me, Jim.

10 J: Well, why don't you come up with a counter offer and get back with me later on this afternoon.

11 T: Your counter offer of 18% is no counter offer. You didn't even come up with a counter offer.

12 J: Well, why don't you give it some thought and I will be available Monday and...

13 T: Give what some thought. You haven't given me anything to give some thought to.

14 J: Well, if you can supply me with the additional data, then we will consider lowering that 18%, but with...

15 T: Specifically, what I am afraid of is that if I give you the data, you are going to say "well that is not adequate".

16 J: Well, I may... but until I have seen it, I have no idea whether it is inadequate or not. At this point, I have absolutely nothing.

17 T: In other words, if I supply you...

1 J: No, I am not going to tell you that anything you supply me with is going to be adequate...

2 T: I understand - what do you want though. You want the accounting data.

3 J: The accounting data, the production, the assays, what it is you spent - you tell me you spent a great deal of money - I would like to see...

4 T: That is the accounting data.

5 J: Well the mining operations data - how many tons have been mined, how many tons have been leached, how many tons of precipitate...

6 T: Wait a minute. You have that information. What you don't have is the inventory.

7 J: Well I got a piece of paper approximately a month ago or maybe a month and a half ago, I really don't remember...

8 T: You are right, you may be missing it. It is a mistake if you are. Ok?

9 J: You mean there is something else that you are telling me that I should have had - or that you have sent?

10 T: I don't know. you tell me what you have.

11 J: For all intents and purposes, I don't have anything. I have a very brief report on about a fourth generation xerox which is essentially illegible from Dusty Escapule relating to four or five days during the month of February, I believe.

12 T: Well. you are missing the March report, that is all.

13 J: Plus April. plus February, and you know some kind of a compendium of what has happened. Now I will be more than happy to receive whatever you have got and take it to an unbiased party and see what they think about it.

14 T: Jim. that is not going to get this thing resolved.

15 J: Well it is going to be a step in the right...

16 T: What they are going to think about what? About what are we talking about?

17 J: Well. why don't you talk with John Dean and see the normal mining accounting procedure that...

18 T: Would you agree to take it to John?

1 J: To do what?

2 T: To John?

3 J: No, if you don't understand what type of mining accounting - metallurgical accounting data is necessary, I don't, quite frankly, have the time to consult with you to tell you precisely what that is. However...

4 T: All I am asking you is clearly, what you want. You are not specific about it.

5 J: Well I am not going to give you a laundry list, Tom.

6 T: The inventory I will furnish you. The amount of ore that has been moved, I will furnish you. What else do you want?

7 J: The assays of the precipitates that have been precipitated, the balancing figures of the pregs and the barrens...

8 T: Those are not accurate. Jim. They are not accurate.

9 J: Well then I would say they yield something and then say these are not accurate for whatever reasons they are not accurate.

10 T: Our AA wasn't working.

11 J: Well, then furnish me with something that says that. I would like the umpire assays on the precipitates.

12 T: We don't have them. We can't afford them. Do you know what they cost?

13 J: Umpire assays? Sure I know what they cost/

14 T: Do you? They are \$25 each.

15 J: I realize that.

16 T: I can't afford it. Now maybe you can and we will give you the samples and you run your own umpire assays on them - its fine with us. But we can't afford it. Now we are running our own assays. We found somebody else today to do assay work for us - who is an umpire assayer.

17 J: He charges less than \$25?

18 T: Yes, he does. It doesn't solve the problem today. I can't solve past problems, but I can solve the problem today.

19 J: Well, how can we know what has been invested in the project?

- 1 T: You have got checks. You have got money flowing through a bank statement.
- 2 J: Ok, what is the income. What the...
- 3 T: The income neither one of us know. I have the same information that you do. No more and no less.
- 4 J: What information is it that I have?
- 5 T: That you will have.
- 6 J: Well I don't have it...
- 7 T: You will have no more information than I have.
- 8 J: Well, at this point I don't have it, Tom, and that is the whole bone of contention.
- 9 T: I know. Jim, but that is what I am going to give to you on Monday.
- 10 J: Alright, then bring it in on Monday, lets go over it, see where we are, and we can go from there.
- 11 T: Alright - I don't see where we are getting anywhere. But I will attempt to do it on Monday.
- 12 J: Ok, well, would you like me to set aside some time to meet with you on Monday - because my plans at present were to leave Tucson on Sunday.
- 13 T: Yes, Monday morning. 8:00.
- 14 J: Ok, and we will have to terminate it at noon so I will set aside from 8:00 a.m. until 12:00.
- 15 T: Fine. I will ask Dusty to come up and supply some of the information.
- 16 J: Well, Tom. I wouldn't advise that. I don't want any verbal information anyway, and I don't want any resitations.
- 17 T: What do you want then?
- 18 J: I want written information.
- 19 T: Then what do you want? You don't want to see me either. What am I going to do from 8:00 to 12:00?
- 20 J: Well. is Dusty a major shareholder in the operation?
- 21 T: Of what relevance is that?

1 J: Well, quite frankly. I am really not interested in seeing Dusty. If I am going to negotiate with you, I will see you, but...

2 T: You are not negotiating with Dusty, you want to be brought up to date on the project, I am attempting to bring you up to date on the project. He is the general manager.

3 J: Well then get him to write the data down. Mine examinations are not verbal in interrogations. They are - you get written information that can be checked. I really don't want to spend the time to talk to - to cross examine Dusty. Just have him outline whatever it is and write it down in some understandable form.

4 T: Ok.

5 J: You know we had suggested a visit to the Tombstone operation, which was fine, but simply doesn't substitute for written information, but heavens, there isn't anybody that evaluates anything on some kind of cross examination basis.

6 T: Fine. I will just give it to you in writing.

7 J: Ok.

8 T: Fine with me.

9 J: Good, ok, well I will plan on seeing you at 8:00 Monday morning.

10 T: Bye.

11 J: Bye. Bye.

Time: 11:15 - end of conversation

James A. Briscoe & Associates, Inc.

Exploration Consultants:

Base and Precious Metals/Geologic and Land Studies/Regional and Detail Projects

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist/Landman

May 31, 1984

Tom Chandler, Esq.
Steve Weatherspoon, Esq.
Chandler, Tullar, Udall & Redhair
P. O. Box 3069
Tucson, Arizona 85702

RE: Telephone conversation with Dr. John Dean, January 31,
1980, reference TC #8372

Dear Tom & Steve:

Enclosed with this letter is a copy of the above referenced transcribed, the tape for which we just located, and for which Mardee just completed the transcription on Wednesday. I believe that it may be the most significant piece of data I have yet submitted to you.

The conversation is an encapsulation of all of the problems that took place during my work on the project, and shows strong evidence that none of them had been solved fully three months after I left the scene and, in fact, most problems had gotten worse. I have outlined specific references to the transcript on Attachment 1, but briefly, some of the points are:

- * Failure by Tom Schloss to make timely payments to:
 - Employees
 - Vendors of all types - the results being a requirement to make cash payments before delivery
- * Poor esprit decorpis on the part of all employees and technical help
- * After one of his key employees, Mr. Al Waterson, had a personal tragedy - his wife died suddenly on Christmas Day - Tom Schloss wanted to fire him because he was mopping around and was of no use

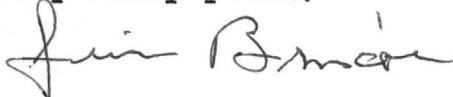
Tom Chandler
Steve Weatherspoon
May 31, 1984
Page 2 of 2

- * The lease with the Tombstone Development Company was in jeopardy because of poor reporting and lack of royalties or even reports as to production inspite of apparent production
- * Incompetent personnel on site - could not operate equipment properly
- * The heap had potential for being re-leached as predicted by James A. Briscoe
- * John Dean, Schloss's consultant, calls him a crook
- * John Dean has not been paid for approximately 9 months
- * John Dean willing to give references to James A. Briscoe as to his technical competence

I might remind you also as background to this, the price of gold was approximately \$800 per ounce and the price of silver was more than \$30 per ounce at this time.

I personally decided to work with Tom Schloss because of his connections and understanding of the New York Stock Market. An old man - at this day in time - ended up making his company \$127 million by selling silver forward from the Candelaria Mine in Central Nevada. This old man was Oxidental Petroleum Chairman, Dr. Armand Hammer. Tom Schloss should have been able to do the same thing for silver at Tombstone if he had simply used good business practice.

Very truly yours,



James A. Briscoe

JAB/ms

Attachment

James A. Briscoe & Associates, Inc.

Exploration Consultants:

Base and Precious Metals/Geologic and Land Studies/Regional and Detail Projects

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist/Landman

June 1, 1984

Tom Chandler, Esq.
Steve Weatherspoon, Esq.
Chandler, Tullar, Udall & Redhair
P. O. Box 3069
Tucson, Arizona 85702

RE: Toll Call #8462 - J. A. Briscoe returning John Dean's call at the Tombstone Mill concerning a meeting with Tom Schloss to work out differences and Toll Call #8659, 4/17/80, at 10:22 a.m. returning a call from Tom Schloss and his attempt to settle for a 5% carried interest in the Tombstone project.

Dear Tom and Steve:

These are the next two subsequent telephone conversations with or about Tom Schloss after the January 31 telephone call from John Dean. You will recall in the January 31 conversation with Dean, Tom Schloss had not paid him in more than six months, and therefore he would not write a technical report for Tom. No such technical report was apparently in progress on March 4, nor did Tom have such a report on March 17.

In the March 4 call, Dean mentions on Page 3, Paragraph 9, that things were coming along very much better and that they were doing alright. He also mentions that he and Tom would like to meet with me to try and arrange some type of a settlement.

In the call of April 17, 1980, Tom pushes me to settle for a 5% interest. I told him that I would settle for an 18% interest plus a cashiers check for the monies due me, some \$45,097.00. He says that 18% is not acceptable and I say that 5% is not acceptable to me, and suggest that he come up with a counter offer. We finally determined that I would meet with him for two hours Monday morning, but no longer than that. Further, if we did not get it settled on that day, that I was going to South Africa and would be gone for a period of approximately one month. He then threatens me that if we do not get it settled that he will sue me for fraud.

Tom Chandler
Steve Weatherspoon
June 1, 1984
Page 2 of 2

I am not sure that I have any notes on our meeting, but I do believe that Jay Kittle, my attorney at the time, was present. Tom Schloss arrived, did not bring a cashiers check, and I refused to talk with him concerning the matter. He became enraged at Jay Kittle, told Jay to fuck himself, and stormed out. That, I believe, was the last contact that I had with Tom Schloss prior to his law suit.

Very truly yours,



James A. Briscoe

JAB/ms

Enclosures

MEMO:

Date: 21 June, 80
To: J.A.B.
From: C.D.G.

RE: P.M.H., Robbins Roost Lands

Attached is a statistical summary of all lands in the P.M.H., Robbins Roost (Tomestone) project area. The typed presentation of the data leaves something to be desired.

In abbreviation, there are approximately 18,100 acres in the project area. Of these 6,066.50 acres (33.5% of total) are of state mineral title; 1,311.41 acres (7.2%) are private or withdrawn lands; and 1,160.33 acres (6.4%) are patented mineral survey grounds.

S.E.A. Inc. currently holds the mineral rights to 682.05 acres of Arizona state mineral lands through three (3) approved prospecting permits (for locations see attached map). \$ 921.89 additional acres are now being offered S.E.A. Inc. in two new prospecting permits (see attached map). The costs of securing these new permits is as listed below:

Top. 2050th - Rgt 22 East -
Sect 29 320.00 acres, 1st year rental \$ 440.00 + \$ 20.00 Bond
Sect 32 601.89 acres, 1st year rental \$ 1203.78 + \$ 20.00 Bond
Total 921.89 acres for \$ 1883.78 1st year
due 24 June, 1980.

It is possible, at your preference, to re-submit applications for prospecting permits to these lands, at a cost of \$ 25.00 permit application, \$ 50.00 total. Please advise.

P-444, Robbers Roost

State Mineral Lands currently under S. E. A., control

Twp. 20S., Rge., 22E

Sect. 18: Approved Prospecting Permit 76160 (10·2)
E $\frac{1}{2}$ only 280.00 Acres

Sect. 19: Approved Prospecting Permit 77538 (2·13)
only Lot 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ 161.64 Acres

Sect. 29: Prospecting Permit Application
NE $\frac{1}{4}$, N $\frac{1}{2}$ S $\frac{1}{2}$ 320.00 Acres

Sect. 30: Approved Prospecting Permit 76164 (9·12)
Lot 1, NE $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ 240.41 Acres

Sect. 32: Prospecting Permit Application
Lots 1, 2, SE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ 601.89 Acres
N $\frac{1}{2}$ S $\frac{1}{2}$, N $\frac{1}{2}$ Less M. S. 2550

Total State Mineral Acres: 1603.94
under S. E. A., Control

S. E. A., controlled percentage of: 26.4%
State Mineral Land in Project Area

Percent Total of all Lands in: 8.9%
Project Area

Page

Project 444, Robbers Roost

Legal Description of Project Area

Township 20 South, Range 21 East
Sections: 25, 26, & 36

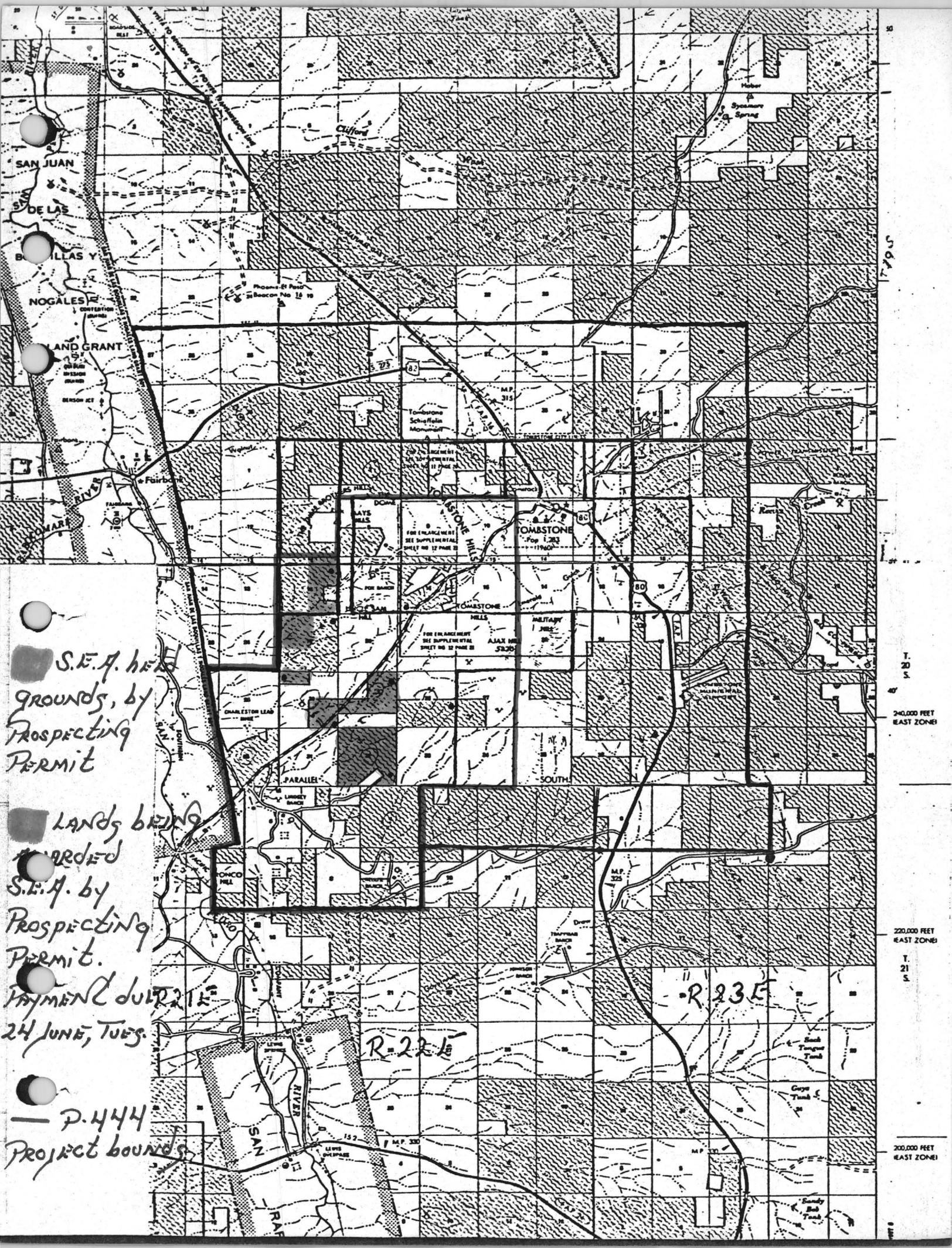
Township 20 South, Range 22 East
Sections: 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28,
29, 30, 31, 32, 33, & 34

Township 21 South, Range 21 East
Sections 1 & 12E $\frac{1}{2}$

Township 21 South, Range 22 East
Sections: 4, 5, 6, 7, 8, & 9

Total Project Area Acreage 18,100

Total State Controlled Acres in 16 sections	6,066.50	33.5%
Private Mineral or Withdrawn Acres	1,311.41	7.2%
Patented Mining Claims, Mineral Survey Acres	1,160.33	6.4



S.E.A. held
 grounds, by
 Prospecting
 Permit

LANDS BEING
 ACQUIRED
 S.E.A. by
 Prospecting
 Permit.
 PAYMENT DUE 21st
 24 JUNE, TUES.

P.444
 Project bounds

T. 20 S.

T. 21 S.

240,000 FEET EAST ZONE

220,000 FEET EAST ZONE

200,000 FEET EAST ZONE

R-22 E

R-23 E

TOMBSTONE
Pop 1,283
1940

MILITARY
AJAX NO. 5820

FOR ENLARGEMENT
SEE SUPPLEMENTAL
SHEET NO. 12 PAGE II

FOR ENLARGEMENT
SEE SUPPLEMENTAL
SHEET NO. 12 PAGE II

FOR ENLARGEMENT
SEE SUPPLEMENTAL
SHEET NO. 12 PAGE II

FOR ENLARGEMENT
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SEE SUPPLEMENTAL
SHEET NO. 12 PAGE II

FOR ENLARGEMENT
SEE SUPPLEMENTAL
SHEET NO. 12 PAGE II

SAN JUAN

DE LAS

BULLAS Y

NOGALES

LAND GRANT

RIVER

FOUR

PARALLEL

SOUTH

418

COREY & KITTLE, P. C.

ATTORNEYS AT LAW

BARRY M. COREY
JAY S. KITTLE
PATRICK J. FARRELL
THOMAS A. STOOPS

June 25, 1980

SUITE 509 TRANSAMERICA BUILDING
177 NORTH CHURCH AVENUE
TUCSON, ARIZONA 85701
(602) 882-4994

Kenneth L. Allen
705 Transamerica Building
177 North Church Avenue
Tucson, Arizona 85701

RE: Tombstone Exploration, Inc. vs. Southwestern Exploration,
Inc., et al.

Dear Ken:

This letter is to confirm our telephone conversation on Monday, June 23, 1980, concerning an extension of time within which for me to prepare an Answer on behalf of Jim Briscoe and the various corporations he is involved with. I am asking my secretary to sign this letter for me since I will be out of town for the balance of this week.

You have indicated that you will seek your client's approval to permit us to file our Answer as soon as practicable following Jim Briscoe's return to Tucson on July 15. You have also indicated that you will not default my client without reasonable notice to me.

Thank you for your courtesy with this matter. Your cooperation is very much appreciated.

Sincerely yours,

COREY & KITTLE, P.C.

LIFE PROTECT

Jay S. Kittle

JSK:jr

bc: James A. Briscoe

RECEIVED JUN 26 1980

TOMBSTONE EXPLORATION INC.
SKYLINE DRIVE

O. BOX 610

TOMBSTONE, ARIZONA 85638

Phone: (602) 457-2231

June 26, 1980

Tombstone Development Co.
P.O. Box 1445
Grand Island, Neb. 68801

Gentlemen:

Tombstone Exploration INC. did the following list of activities during the week of June 2 through June 7, 1980.

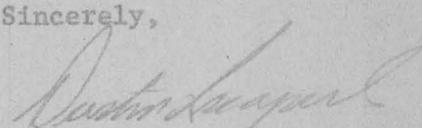
Tombstone Exploration INC. did not mine any ore or waste during this week due to the construction work being done on the Crusher and the Pelletizer.

The following Precips were mailed during the week of June 2 through June 7, 1980.

Lot #	Dry Weight	Percentage	Mailed
113	65 lbs	9.9%	6-4-80
114	54.5 lbs	20.3%	6-6-80
115	74 lbs	19.8%	6-6-80

If you have any questions concerning this report please feel free to contact me.

Sincerely,


Dustin Escapule
General Manager

DE/cp

cc: Tom Schloss
James Briscoe
Thomas Pitcher

RECEIVED JUN 27 1980

TOMBSTONE EXPLORATION INC.
SKYLINE DRIVE

O. BOX 610

TOMBSTONE, ARIZONA 85638

Phone: (602) 457-2231

June 26, 1980

Tombstone Development Co.
P.O. Box 1445
Grand Island, Neb. 68801

Gentlemen:

Tombstone Exploration INC. did the following list of activities during the week of June 9 through June 14 and June 16 through June 21, 1980.

June 9 through June 14, 1980

Tombstone Exploration INC. mined 6930 tons of waste from the Contention Open Pit area to the waste dump east of the Contention Open Pit area;

The following Precips were mailed during the week of June 9 through June 16, 1980.

Lot #	Dry Weight	Percentage	Mailed
116	55 lbs	14.1%	6-12-80
117	67 lbs	9.7%	6-12-80

June 16 through June 21, 1980

Tombstone Exploration INC. mined 780 tons of ore from the Contention Open Pit area to the Pad 5A. Mined 2700 tons of waste from the Contention Open Pit area to the waste dump area located east of the Contention Open Pit.

The following Precips were mailed during the week of June 16 through June 21, 1980.

Lot #	Dry Weight	Percentage	Mailed
118	36	12.3%	6-18-80
119	33	13.5%	6-18-80
120	30	14.6%	6-20-80

RECEIVED JUN 27 1980

TOMBSTONE EXPLORATION INC.
SKYLINE DRIVE

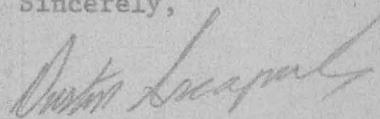
O. BOX 610

TOMBSTONE, ARIZONA 85638

Phone: (602) 457-2231

If you have any questions concerning this report please feel free to contact me anytime.

Sincerely,



Dustin Escapule
General Manager

DE/cp

cc: Tom Schloss
James Briscoe
Thomas Pitcher

TOMBSTONE EXPLORATION INC.
SKYLINE DRIVE

O. BOX 610

TOMBSTONE, ARIZONA 85638

Phone: (602) 457-2231

June 26, 1980

Tombstone Development Co.
P.O. Box 1445
Grand Island, Neb. 68801

Gentlemen:

Tombstone Exploration INC. did the following list of activities during the week of May 26 through May 31, 1980.

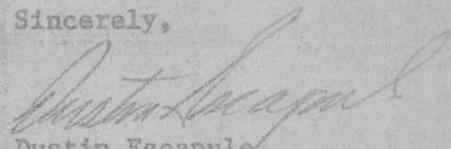
Tombstone Exploration INC. mined 2300 tons of ore from the Contention Open Pit area to Pad 4A and 4B. Mined 10,275 tons of waste from the Contention Open Pit area to the waste dump located east of the Contention Open Pit.

The following Precips were mailed during the week of May 26 through May 31, 1980.

Lot #	Dry Weight	Percentage	Mailed
112	84 lbs	12.4%	5-28-80

If you have any questions concerning this report please feel free to contact me anytime.

Sincerely,



Dustin Escapule
General Manager

DE/cp
cc: Tom Schloss
James Briscoe
Thomas Pitcher

RECEIVED JUN 27 1980

P-418 B

JAB

JEW

ONE

③

orig to

P-418 file

PROJECT 418
FILE _____

RECEIVED JAN 25 1968

1981

TOMBSTONE EXPLORATION, INC.
17 EAST 76TH STREET
NEW YORK, N.Y. 10021

JANUARY 15, 1981

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

Dear Mr. Hight:

The following is an itemization of the metal sold since
my last report of September 9, 1980.

DATE	AMOUNT	ITEM	TOTAL
9/15/80	264.94T.O.	SILVER	\$ 4,287.40
9/18/80	26.77	GOLD	17,788.66
9/22/80	184.08	SILVER	2,985.53
9/22/80	413.89	SILVER	6,663.63
9/29/80	548.06	SILVER	9,435.00
10/ 4/80	319.30	SILVER	5,615.00
10/ 6/80	568.25	SILVER	10,938.81
10/ 8/80	192.85	SILVER	3,712.36
11/30/80	45.53	GOLD	18,478.58
11/30/80	1,922.40	SILVER	35,240.00
12/ 8/80	3.05	GOLD	1,860.50
12/11/80	14.45	GOLD	7,961.95
12/16/80	10.01	GOLD	5,555.00
12/22/80	248.38	SILVER	4,054.38
12/24/80	625.00	SILVER	10,000.00
12/31/80	15.97	GOLD	9,306.52
12/31/80	523.61	SILVER	7,827.97

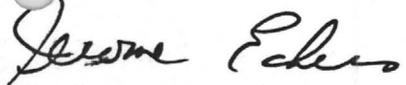
			\$161,711.29
			=====

W 16.1825 / 5 02
664.499 "

16,948

Regards.

Yours very truly,



Jerome Eckers
Comptroller

85	From Start 1979 Proj ^h	4-15	5 ⁹
58	June 1980	15-20	6
29	July Aug	20-25	8
161	Sept, Oct Nov, Dec	25-40	9
711		40-80	10
		80-100	12
		100-150	15
		7150	20

*per
Carter*

MEMO

TO: Jim
FROM: Mardee
DATE: January 19, 1981

RE: Sale of Tombstone Development Company

Jim:

Attached please find a copy of the letter drafted regarding the sale of TDC, and Figures 1, 2 & 3, which were attached to the letter. Today all have been completed and mailed out. One was sent to Tom Schloss in New York, via Return Receipt Requested mail last Thursday.

The mailing list, as you know, was taken from the E&MJ Directory, and as I applied postage, I recorded where we sent this information.

Foreign

Greece	3	
England	9	
Italy	2	
W. Germany	7	
Australia	8	
Japan	10	
Israel	1	
Switzerland	4	
China	1	
Africa	8	
Netherlands	3	
Belgium	4	
Phillippines	1	
France	5	
Bermuda	1	
Finland	1	
Ireland	1	
Sweden	2	
		Total 71

Canada

Quebec	7	
Alberta	15	
Ontario	90	
British Columbia	23	
Saskatchewan	4	
		Total 139

United States

Utah	8
New Mexico	7
California	34
New York	31
Tennessee	3
Connecticut	13
Colorado	43
Idaho	9
Washington	7
Montana	1
Pennsylvania	11
West Virginia	1
Maryland	2
Texas	16
South Dakota	1
Ohio	14
Mississippi	1
Nevada	8
Oklahoma	8
Louisiana	1
Illinois	7
Georgia	2
Wyoming	6
Kansas	1
Virginia	2
Arizona	8
New Jersey	2
Florida	1
Michigan	2
Minnesota	2

Total 252

Each of the 462 letters were individually addressed, as was the salutation, which is what proved to be so time consuming.

The Telex rental has been paid, and Pat will notify us immediately upon receipt of any requests for additional data.


Mardee

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist Landman

January 8, 1982

R. J. Goeken, President
Gulf Mineral Resources Co.
1720 S. Bellaire St.
Denver, CO 80222

RE: Sale of The Tombstone Development Company and or assets in the Tombstone Mining District, Cochise County, Arizona

Dear Mr. Goeken:

The Tombstone Development Company was organized in the early 1930's, to consolidate the various claims within the Tombstone District. In the past nine months, some 54 square miles has been added to the Tombstone Development Company holdings, covering recently recognized additions to the District. It is the desire of the owners of the Tombstone Development Company to sell, joint venture or lease all of the holdings within the Tombstone District.

The land holdings include the following:

Patented land - including mineral, water and oil rights. Some of the surface rights to a depth of 40 feet in the town and immediate vicinity of Tombstone are held by others. Total - 1,125.20 Acres.

Unpatented mining claims - covering all mineral rights but not including oil. Total - 464 claims on approximately 7,000 acres.

State Prospecting Permits - covering minerals but not including oil. Total - 26,240 acres.

Technical studies accomplished over the last 10 years, and recent U.S. Geological Survey data, have been compiled and re-interpreted by James A. Briscoe & Associates. Superimposed and overlapping geologic, geochemical and geophysical anomalies indicate the following:

The Mining Camp of Tombstone is located on the northeastern margin of a large Caldera structure of Laramide age (75-63 M.Y.).

A gravity high underlies the caldera center, suggesting the presence of a pluton 10 miles long and 5 miles wide.

Dikes and veins trend along the projected crest of the pluton, and penetrate extrusive welded tuff, which is thought to overlay Paleozoic and Cretaceous sediments, possibly intruded by the pluton.

Porphyry copper type fluidized breccia pipes, with rounded clasts and associated phyllic alteration, are exposed in two areas, approximately 1.5 miles apart.

Geochemical surveys for copper, molybdenum, lead, zinc and silver are zoned in what appears to be characteristic porphyry copper patterns.

Sale of Tombstone Development Company
January 8, 1982
Page 2 of 2, plus attachments

When the geology, alteration, geochemistry, gravity and aeromagnetic surveys are combined, the following targets are suggested:

- * One or more porphyry copper-moly centers.
- * One epithermal silver (gold-copper-lead-zinc) center occupying the same geologic environment as the Tombstone Mining Camp, but hidden by alluvium.
- * The interpreted Caldera ring zone, which has potential for additional precious metal target areas.

All of the mineral property within these zones is controlled by the Tombstone Development Company.

The brief summary above suggests hypothetical potential for silver, gold, copper, lead and zinc, all indicated by mutually reinforcing geology, geochemistry and geophysics.

The Tombstone Development Company controls all of the past major productive areas within the Tombstone Mining Camp. The past production, calculated at present metal prices, approximates 1 billion dollars, primarily in silver, gold, copper, lead and zinc, though some manganese was also produced. A thorough technical report, (Butler & Wilson, 1938) published after most of the mines had been dormant for many years, points out numerous targets for further exploration. Using this previously unexploited data, the previously productive mines and immediately adjacent areas should have the potential for equaling past production.

Tombstone, within the last year, has been the sight of oil exploration, beneath recently recognized regional thrust faults. The Tombstone Development Company's patented claims are the only remaining unleased acreage in the region. Water, which gave problems in the early days of mining, is a commodity of considerable worth in the future to the nearby desert community of Tucson, the largest city in the world that depends entirely on water from wells.

If your company would have an interest in this unique opportunity, additional information in the form of a comprehensive report will be available shortly. Please contact me by return mail, or at the Telex number below.

Very truly yours,



James A. Briscoe
Telex 165-535
(PS SVCS TUC)

JAB/mas

Attachments: Figures #1, 2, & 3

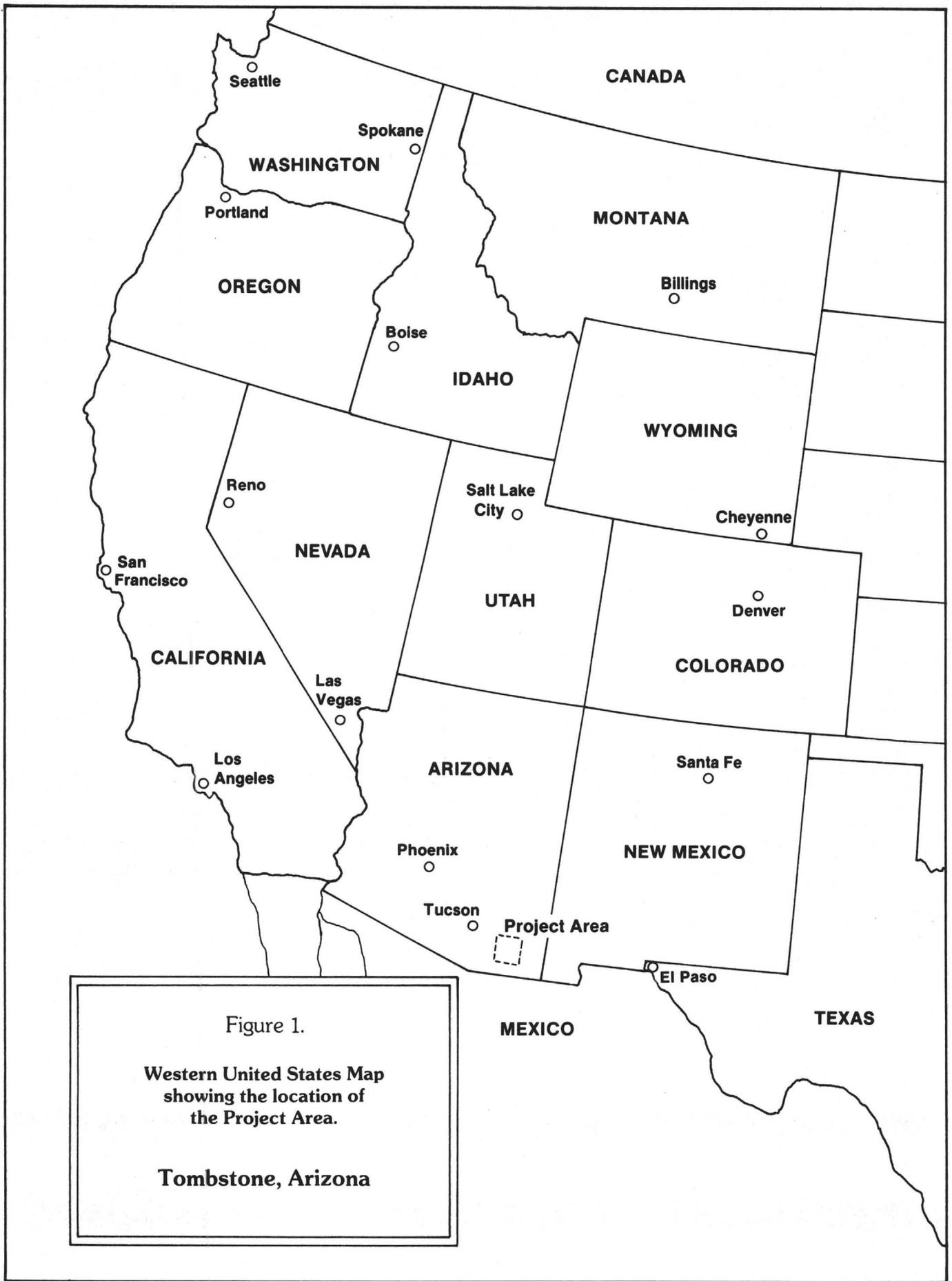


Figure 1.
Western United States Map
showing the location of
the Project Area.

Tombstone, Arizona

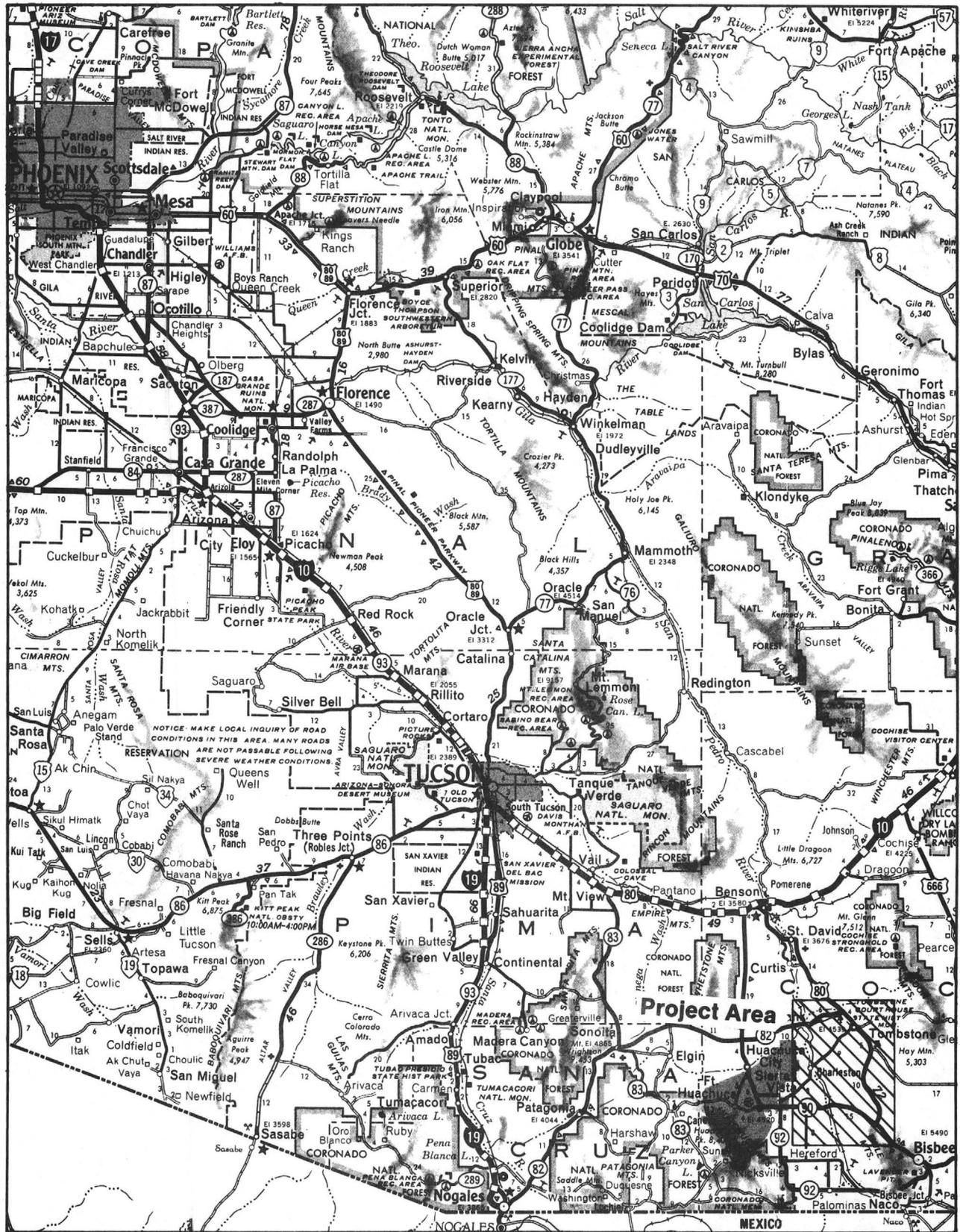


Figure 2. Highway map showing the location of the Project Area in relation to Tucson and Phoenix, Arizona

Explanation

Geology

QTgu OLDER OR UNDIFFERENTIATED SURFICIAL DEPOSITS (HOLOCENE TO OLILOCENE)—Gravel, sand, and silt (Pleistocene and Pliocene)—Mainly alluvium of basins; includes some colluvium and landslide deposits. Generally light pinkish gray, weakly indurated, and with poorly rounded clasts, locally well indurated. Thicknesses several meters to hundreds of meters.

QTb Basalt (Pleistocene to Pliocene)—Lava flows, pyroclastic rocks, and some intercalated gravel. Thicknesses several meters to a few hundred meters in most places. Radiometrically dated at 0.25, 1.0, and 3.2 m.y. old.

Tva Extensive andesite and dacite (Miocene and Upper Oligocene)—Lava flows, pyroclastic rocks, some intercalated epiclastic rocks, and dikes. Mostly gray, fine-grained, porphyritic rocks; includes some very coarse lilliput porphyry andesite (Turkey track porphyry, an informal term of Cooper, 1961). Thickness mostly several meters to several tens of meters. Dated at 24, 25, 27, 33, and 39 m.y.

Tv Extrusive rhyolite and rhyodacite (Miocene and Upper Oligocene)—Lava flows, welded tuff, pyroclastic rocks, and some intercalated epiclastic rocks. Light gray to grayish-pink, vitric to fine-grained, porphyritic. Commonly a few tens to a few hundred meters thick. Dated at 23, 24, 25, 26, 26, 26, and 27 m.y. An additional date of 47 m.y., if substantiated, may indicate the presence of Eocene rocks in the lower member of the S O Volcanics of Cochise Co.

Tlc Lower conglomerate, gravel, and sand (Oligocene and Eocene?)—Alluvium commonly gray and deposits of small, well rounded, nonvolcanic clasts. Mostly several meters to a few tens of meters thick.

Tlv UPPER CORDILLERAN (LARAMIDE) IGNEOUS ROCKS (LOWER PALEOCENE)—Lower volcanic rocks—Rhyolite to andesite lava flows, pyroclastic rocks, and some intercalated epiclastic rocks. Dated at 57 m.y. Possibly younger age to east.

MAIN CORDILLERAN (LARAMIDE) IGNEOUS ROCKS—Porphyritic and apitic intrusive rocks (Paleocene and Upper Cretaceous)—Mostly latitic porphyry to dacitic porphyry in small stocks and plugs and apitic bodies not associated with other granitoid stocks. Dated at 61, 63, 64, and 65 m.y.

Kib Fluidized intrusive breccia—exact age unknown, but penetrates, and thus younger than Uncle Sam porphyry.

Kr Rhyodacite tuff and welded tuff—Includes parts of Salero Formation, Sugarloaf Quartz Latite, and Bronco Volcanics, and all of Red Bay Rhyolite, Cat Mountain Rhyolite of Brown (1939) and Uncle Sam Porphyry. Includes local intrusive bodies and locally contains fragments of exotic rocks. Thickness commonly several tens of meters to several hundreds of meters. Dated at 66?, 70, 72, 73, and 73 m.y. The Uncle Sam, in the Tombstone area, is dated 72 m.y.

Ka Andesitic to dacitic volcanic breccia—Includes parts of Salero Formation, Sugarloaf Quartz Latite, and Bronco Volcanics, and all of Derrnie Volcanics and Silverhill Formation of Courtright (1968). Commonly contains large blocks of exotic rocks and locally includes some sedimentary rocks and intrusive rocks. Several tens of meters to several hundreds of meters thick in most places.

Klg Lower quartz monzonite and gneiss—Includes some quartz diorite; appears in small stocks. Locally associated with mineralization. Dated at 70, 71, 72, 73, 74, 74, 74, and 76 m.y. The Schefflin granodiorite at Tombstone is 72 m.y.

Kb BISBEE FORMATION OR GROUP, UNDIFFERENTIATED LOWER CRETACEOUS—Upper part of Bisbee Formation or Group, undifferentiated, and related rocks—Includes upper part of Bisbee Formation, Mural Limestone, Montezuma, Willow Canyon, Apache Canyon, Shellenberger Canyon and Turney Ranch Formations (not listed in stratigraphic sequence) of the Bisbee Group, Amole Arkose of Bryant and Kinnison (1954), and Angkic Arkose. Consists of brownish to reddish-arkose, gray siltstone, sandstone, conglomerate, and some fossiliferous gray limestone. Commonly several hundred meters thick.

GRANITE AND QUARTZ MONZONITE (JURASSIC)—Stocks of pinkish-gray coarse-grained rock. Locally associated with mineralization. Dated at 140, 148, 149, 149, 150, 153, 160, 161, 167, 178, 185 m.y.

PIP Sedimentary rocks (Lower Permian and Upper Pennsylvanian)—consists of Eptaph Dolomite (Lower Permian), Colina Limestone (Lower Permian), and Eartp Formation (Lower Permian and Upper Pennsylvanian), undifferentiated. Eptaph Dolomite is a dark to light-gray slightly cherty dolomite, limestone, marl, siltstone, and gypsum, 120-280 meters thick. Colina Limestone is a medium gray, thick-bedded, sparsely cherty, and sparsely fossiliferous limestone 120-280 meters thick. Eartp Formation is a pale-red siltstone, mudstone, shale, and limestone, 120-240 meters thick.

PH Horquilla Limestone (Upper and Middle Pennsylvanian)—Light pinkish-gray, thick to thin bedded, cherty, fossiliferous limestone and intercalated pale-brown to pale-reddish-gray siltstone that increases in abundance upward. Typically 300-400 meters thick.

MD SEDIMENTARY ROCKS (MISSISSIPPIAN AND DEVONIAN)—Consists mainly of Escabrosa Limestone (Mississippian)—locally (Armstrong and Silberman, 1974) called Escabrosa Group—and Martin Formation (Upper Devonian), undifferentiated. In part of the Chiricahua Mountains also includes Paradise Formation (Upper Mississippian) and Portal Formation of Sakins, 1957a (Upper Devonian). In the Little Dragon Mountains and some adjacent hills also includes Black Prince Limestone, whose fauna and correlation show strongest affinities with Mississippian rocks but which may include some Pennsylvanian rocks. Escabrosa Limestone is a medium-gray, massive to thick-bedded, commonly crinoidal, cherty, fossiliferous limestone 90-310 meters thick. Paradise Formation is a brown, fossiliferous, shaly limestone. Portal Formation is a black shale and limestone 6-105 meters thick. Black Prince Limestone is a pinkish-gray limestone with a basal shale and chert conglomerate, as much as 52 meters thick.

OS SEDIMENTARY ROCKS (LOWER ORDOVICIAN TO MIDDLE CAMBRIAN)—El Paso Limestone (Lower Ordovician and Upper Cambrian), Abrigo Formation (Upper and Middle Cambrian), undifferentiated.—El Paso Limestone is a gray, thin-bedded cherty limestone and dolomite 90 meters to about 220 meters thick. Abrigo Formation is a brown, thin-bedded fossiliferous limestone, sandstone, quartzite, and shale, 210-240 meters thick. Bolsa Quartzite is a brown to white or purplish-gray, thick-bedded, coarse-grained quartzite and sandstone with a basal conglomerate, 90-180 meters thick. To the east, equivalents of part of the Abrigo Formation and Bolsa Quartzite are known as the Coronado Sandstone.

Ge Sedimentary rocks (Upper and Middle Cambrian)—Abrigo Formation (Upper and Middle Cambrian), and Bolsa Quartzite (Middle Cambrian), undifferentiated.

GR GRANITOID ROCKS (PRECAMBRIAN Y)—Mainly granodiorite and quartz monzonite, unfoliated to foliated, in part metamorphosed. Generally in stocks, which have been little studied.

PN PINAL SCHIST (PRECAMBRIAN X)—Chlorite schist, phyllite, and some metavolcanic rocks, metavolcanic rocks, metaquartzite, metaquartzite conglomerate, and gneiss. One metavolcanic rock dated at 1715 m.y.

CONTACT—Dotted where concealed.

MARKER HORIZON—Dotted where concealed.

DIKES—Showing dip.

FAULTS—Showing dip. Dotted where concealed or intruded; bar and bar on downthrown side.

Normal

Reverse

Strike-slip—Arrow couple shows relative displacement. Single arrow shows movement of active block.

Major thrust fault—Sawtooth on upper plate.

Thrust fault—Sawtooth on upper plate.

Anticline

Syncline

Inclined strike and dip of beds.

EXOTIC BLOCK BRECCIA—Rock contains chip or block inclusions of rock different from those of host or other blocks nearby. Typically of volcanic-tectonic or sedimentary-tectonic origin, excludes Tertiary megabreccia deposits.

Site of well or generalized site of several wells, showing unit penetrated, if known, and depth of well, in feet. 100 feet equals 30.5 meters.

COLLECTION SITE—Radiogenically dated rock showing age in millions of years. Query before symbol where precise location uncertain.

Roads and Highways

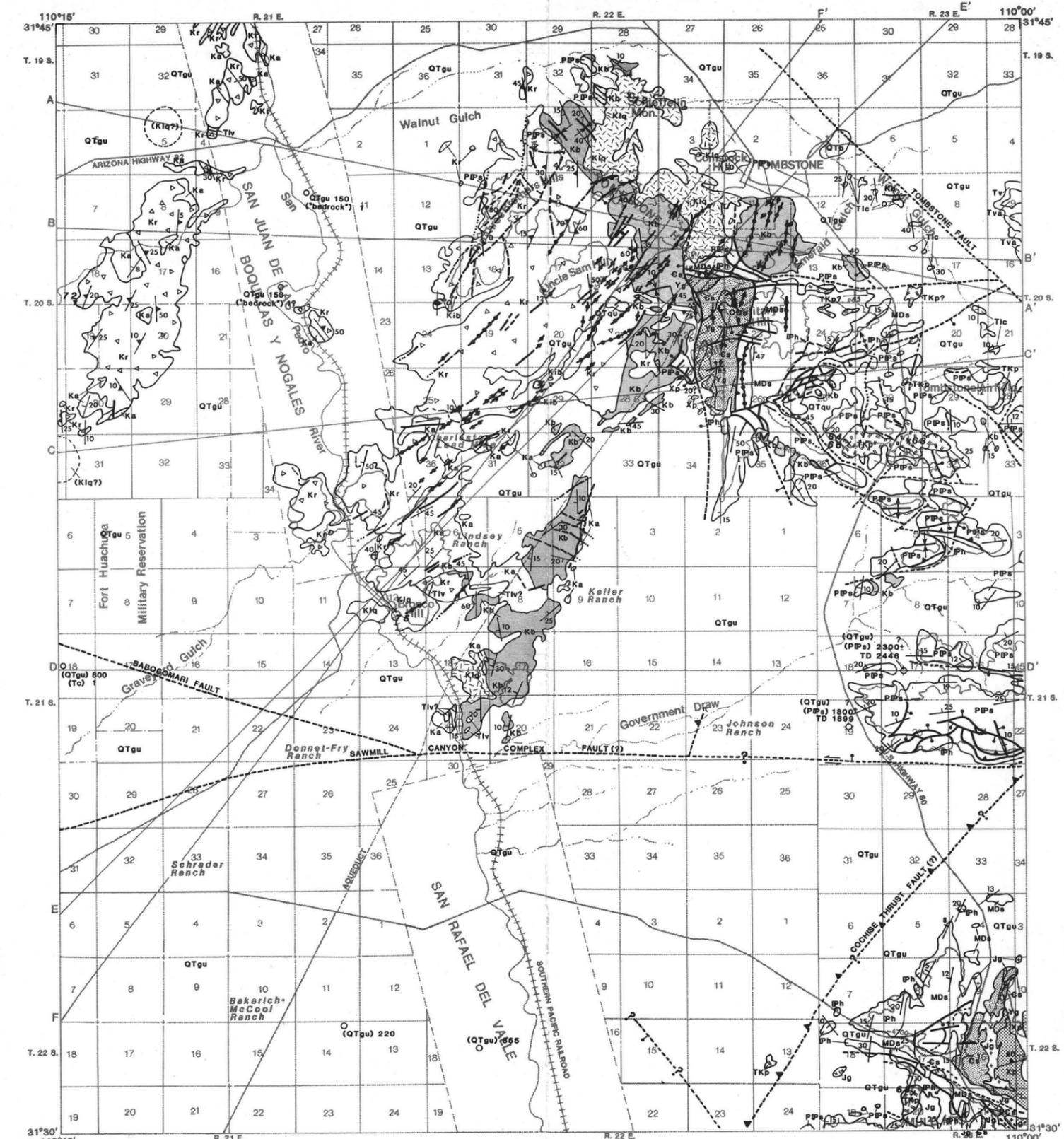
Dry wash

Southern Pacific Railroad

Government Reservation Boundary

Aqueduct

Cross section line



Tombstone Development Company, Inc. Tombstone, Arizona

Geology adopted from Drewes, Harold, 1980, and Newell, R.A., 1973.

Figure 3. Generalized geological and structural map on screened topographic base.

By James A. Briscoe
James A. Briscoe and Associates
Tucson, Arizona

DAY/TIMER

Time-Saver

LETTER

IN REFERENCE TO:

Southwestern Exploration Associates
4500 E. SPEEDWAY, SUITE 14
TUCSON, ARIZONA 85712
(602) 795-6097

FIRST CLASS MAIL INTER-OFFICE

FOR Tom Pitcher

Representative Tombstone Development Co., Inc.

HOW TO USE THIS

DAY/TIMER

Time-Saver

LETTER TO SAVE TIME.

Type or write your reply in the space below. Then mail the white copy to us and keep the pink copy for your files. You'll save time and effort, and we'll have your answer much faster! Thank you.

MESSAGE

DATE: February 11, 1981

Dear Mr. Pitcher:

Transmitted herewith are all copies and originals of Tombstone Development Co. maps which were acquired from 1971 Minerals Limited. As per conversations with Mr. Bill Height, it is our understanding that these maps are indeed the property of Tombstone Development Co., Inc. We are also supplying a copy of these maps to Mr. Ed Speer, Representative of Tombstone Exploration, Inc. We will be retaining copies of these maps for our files, and to insure against their accidental destruction.

Very truly yours,

James A. Briscoe

FOR Tombstone Development Co

Tom Pitcher

Received
BY

JAB:ms

REPLY

DATE:

BY

MAPS OF THE TOMBSTONE MINING DISTRICT
Cochise County, Arizona

Page 1 of 3

Title:	Drawn by:	Date:	Scale:
Map of Downthrown Block(4)	J. P. McDaniel	6/22/54	1"=100'
Sections and Assays of Diamond Drill Holes 7,8,9,10 & 11, Oregon Mine	Department of the Interior Bureau of Mines #322	10/27/41	1"=20'
Sections and Assays of Diamond Drill Holes 1,2,3,4,5 & 5, Oregon Mine	Department of the Interior Bureau of Mines #322	9/30/41	1"=20'
Assay Map of Contact Mine	Department of the Interior Bureau of Mines #322	8/29/41	1"=40'
Assay Map of Blacktail Man- ganese Rattlesnake Group	Department of the Interior Bureau of Mines #322	9/41	1"=100'
Assay Map of Oregon Prompter Mine	Department of the Interior Bureau of Mines #322	8/41	1"=50'
Surface Drill Hole D-6-A Pulse Profiles	Newmont Exploration	10/54	
Surface Drill Hole D-2-A Pulse Profiles	Newmont Exploration,	11/54	
Claim Map - Mar & Mort Groups	R. J. Searls	5/53	1"=300'
Tranquility 500-Silver Thread 400 Level Geology Plan	J.P. McDaniel	7/15/54	1"=50'
Tranquility 500-Silver Thread 400 Level Plan	J. P. Mc Daniel	2/13/62	
Westside 600 - Pump 700	J. P. Mc Daniel	10/53	1"=100'
Westside 600 Level Plan	J. P. McDaniel	54	1"=50'
Map of 18 Unpatented Claims(2)	Tom Pitcher	10/ 1/73	1"=400'
Topographic Map Heapleach Test Area	J. R. Breeder, U.S.G.S.	12/ 5/74	1"=100'
Section of Surface 4 3/4" rotary hole D-1-A, collar location -1075.7S + 1266.2E	D.H.	9/30/54	1"=100'

Title:	Drawn by:	Date:	Scale:
Section N63 W through DD (2) Stations WS602 & T506 of DD Holes 7,8 & 9 & Rotary drill hole D-6 looking N27 E	D.H.	3/55	1"=100'
Dump No. 41 - Empire Silver Thread Shaft	JRB	73	1"=50'
Surface Location Map & Geochem(2) Duval Corporation of Contention, Tranquility Area		6/ 1/67	1"=100'
Dump #39, Toughnut			1"=50'
East Fault Problem			
Schieffelin Project, three (2) array resistivity	Newmont Exploration	1/30/53	1"=600'
Wide West Project-Two (2) electrode array pulse survey-spacing=400'	Newmont Exploration	3/25/53	1"=100'
Wide West Project-two electrode array resistivity survey - spacing=200'	Newmont Exploration	3/25/53	1"=100'
Wide West Project-Two electrode array pulse survey-spacing=200'	Newmont Exploration	3/25/53	1"=100'
Wide West Project Plan Map showing grid & geology	Newmont Exploration	3/25/53	1/2=100'
Assay map of D.D. Hole #8 collar location D.D. station WS-602 at 37N & 98W-bearing S 61 30'E	D.H.	3/55	1"=100'
Drill Hole #7-pulse profiles	Newmont Exploration	12/54	
Westside area-deep diamond drill hole-vertical section	J. P. McDaniel	5/25/54	1"=100'
Section of surface 4 3/4" rotary hold D-6	TDC		1"=100'
Toughnut Shaft			
Development Progress Map	TDC	2/22/54	1"=100'

Title:	Drawn by:	Date:	Scale:
Work Progress plan of west side 600	TDC	54	1"=20'
Work progress plan of west side 600	TDC	12/53	1"=20'
Dump No. 38-Grand Central			
Lucky Cuss Dump			1"=50'
Westside 600 - Pump 700	TDC	10/53	1"=100'
Project of Carlitos on the Grand Central claim			1"=10'

APPROVED

FEB 20 1981

2/14/81

By JAB RECEIVED FEB 18 1981

Jim

This is an inventory
of the maps you
gave me for TDC.

Your cooperation in
supplying us with these
is greatly appreciated.

Bill Hight & Frank
Gallup will be here
Wednesday and I
will go over the maps
with them.

Thanks again

Tom

FILE

Tombstone Chron. Ish
x file Geo Ish/maps Ish

SMALL ORIGINALS

<u>DESCRIPTION</u>	<u>SCALE</u>	<u>DATE</u>	<u>BY</u>
Tranquility (500') Silver Thread (400')	1" = 25'	1954	McDaniel
Mar and Mort Claims	1" = 300'	1952	R.J.Searls
" " " "	"	"	"
Section between Westside and Pump Shafts	1" = 100'	Oct. 1953	---
Westside, 600' level	1" = 20'	1954	J.P.M.
Westside, 600' level	1" = 20'	Dec. 1953	J.P.M.
Drill holes Nos. 6, 7, 8 and 9	1" = 100'	Mar. 1955	D.H.
Claims in central part of Tombstone District	1" = 500'	----	Ransome
Silver Thread, Vertical section	1" = 100'	7/6/54	McDaniel
Drill holes (-1075.7S + 1266.2E)	1" = 100'	9/30/54	D.H.
Drill hole, No. 6	1" = 100'	10/12.54	D.H.
Silver Thread, Deep drill hole	1" = 100'	7/6/54	McDaniel
Rotary hole No. d-2 (1363 S 1095.5 E)	1" = 100'	10/27/54	D.H.
D.D.H. No. 6	1" = 100'	5/25/54	J.P.M.
R. D. H. Nos. D-2, D-10A, D-1A & D-6	1" = 100'	10/28/54	D.H.
Silver Thread, Deep Drill Hole	1" = 100'	7/6/54	McDaniel
Westside shaft, 600 ft. level	1" = 20'	Nov 1953	D.H.
Assay map, D.D. Hole No. 7	1" = 100'	12/31/54	D.H.
Portion of claim map	1" = 500'	-	-
Silver Thread, Deep Drill Hole	1" = 100'	7/6/54	McDaniel
Deep Diamond Drill Hole - D.D.H.No. 6	1" = 100'	5/25/54	J.P.M.
Rotary Hole, D-2	1" = 100'	10/27/54	D.H.
Assay map of D.D.H. No. 8	1" = 100'	Mar 1955	D.H.
D.H. No. 9	1" = 100'	2/22/55	D.H.
Westside pump site at 600' level	1" = 20'	-	-
Geologic map, State of Maine	1" = 40'	July 1968	W.L.
" " " " "	"	"	"
" " Uncle Sam Mine	"	"	"
" " State of Maine	"	"	"
" " " " "	"	"	"
Plate VI	-	-	Ransome
Water level profile	Variable	1954	McDaniel
State of Maine, Geologic outcrop map	-	Sept. 1973	J.A.B.

BLACK LINE COPIES

<u>DESCRIPTION</u>	<u>SCALE</u>	<u>DATE</u>	<u>BY</u>
Claim Map	1" = 300'	5/11/53	J.A.H.
Aerial Survey, Sec. 8, 9, 10, 15, 16, 17, 20, 21 & 22 - Contours 20'	1" = 400"	--	Cooper
Tracing of part of the above areal survey			
Tombstone Extension, Surface Geological and Topo	1" = 200'	--	McDaniel
Claim Map, Tombstone area	1" = 300'	5/11/53	J.A.H.
Surface drill holes	1" = 50'	8/3/54	McDaniel
" " "	"	"	"
Tranquility, 500' - Silver Thread 400'	1" = 50'	1954	"
" " " " "	"	7/15/54	"
Claim map, State of Maine area	1" = 300	5/12/53	Motz
Drill hole, Silver Thread	1" = 100'	7/6/54	McDaniel
Claim map, Mar and Mort.	1" = 300'	5/12/53	J.A.H.
Foundation for hoist (2 copies)	1 1/2" = 1'	May 1953	M.H.W.
Water Surface, East - West	--	3/16/54	McDaniel
T.D.C., 18 unpatented claims	1" = 400"	10/1/73	Pitcher
Map of Downthrown Rock	1" = 100'	-	McDaniel
Composite level map, State of Maine	1" = 40'	July 1968	Austral oil
Geological map, State of Maine	1" = 40'	"	" "
" " " " "	"	"	" "
" " " " "	"	"	" "
" " " " "	"	"	" "
T.D.C., Patented claims	1" = 500'	2/21/74	Pitcher
Ransome Plates. V, IX, X, XLV, XV, XVI, XVII, XVIIA, XLXA, XLXB, XXI, XXII, XXIYA, XXIYB.			
Tombstone Quad.			

LARGE ORIGINALS

<u>DESCRIPTION</u>	<u>SCALE</u>	<u>DATE</u>	<u>BY</u>
Claim map, Churn drill holes	1" = 300'	5/11/53	J. A. H.
Contour map, Escapule west, cont. 5'	--	--	--
" " Standard to Westside, cont. 5'	--	--	--
" " Standaed west	--	--	--
" " Charleston area	--	--	--
Unidentified Geological Map			
" " "			
" " "			
Contour map, Standard to Westside, Cont. 5'			
Claim map of Bunker Hill lease, 300' level	1" = 150'	--	--
Tombstone area vicinity of State of Maine	1" = 400'	July 1958	Austral oil
Claim map showing Churn drill holes	1" = 300'	5/11/53	J.A.H.
Claim map, sec. 9, 10, 15, 16, 21 and 22	1" = 300'	5/13/53	Motz
Claim map,, Sec. 13,14,15,22,23 and 24	1" = 300'	5/11/53	Motz

COLORED MAPS NON REPRODUCABLE

<u>DESCRIPTION</u>	<u>SCALE</u>	<u>DATE</u>	<u>BY</u>
Plat of Sec. 1, 12, 13, and $\frac{1}{2}$ of 6, 7, 18	1" = 300'	12/19/45	H.U.S.
Tranquility - 500 ft. level	1" = 50'	3/17/54	McDaniel
Tranquility - 500 ft. level	1" = 50'	3/17/54	McDaniel
Weastside area - Vertical section	1" = 100'	5/25/54	J.P.M.

HAND DELIVER

4500 E. Speedway
Suite 14
Tucson, AZ 85717

February 27, 1981

Bill Height, President
Tombstone Development Company

RE: Sale of Tombstone Development Company, Inc. - Briscoe to act
as selling agent with commission

Dear Bill:

I have given our conversation between you, I and Frank Gallup during our meeting in my Tucson office on February 19, in which we discussed the possibilities of sale of the Tombstone Development Company, Inc., considerable thought. My understanding is that you would consider a complete sale of the company - but not a partial sale of stock.

Based on this, I had a brief conversation with a large, closely held company in Texas. They expressed an interest in purchasing Tombstone Development Company under these terms - that is, based on a complete buy out. Using land prices in similar mining districts, a price of 9 to 18 million dollars is realistic. I mentioned this figure to them, and they found that within the acceptable range. I might mention that this company has purchased similar property within the last 6 months for a cash outlay of in excess of \$75 million - so both the capital and inclination is there. They want to see a technical package as soon as possible.

As you know, I have been studying the Tombstone district for about 10 years - since about 1971. I have developed certain knowledge that Tombstone is part of a much larger mineral system. There is reason to believe that additional mineral zones like Tombstone exist, hidden under cover and unsuspected, at some distance from Tombstone. Much of this land can still be acquired, and if my ideas are correct, could contain much more than \$2 billion in additional metal value exclusive of the Tombstone district.

I have taken initial steps to generate interest on the part of various companies and individuals, to explore and acquire this land. After our conversation, I began to realize that it made much more sense to work with the Tombstone Development Company. If I could acquire this important additional land for the Tombstone Development Company, and put together a technical package, the company could then be sold for perhaps \$30+ million.

Therefore, I would like to propose the following:

J. A. Briscoe - Tom Waldrip, and Staff work to:

- a. Acquire additional important land with mineral potential.
- b. Prepare technical reports on this land, as well as currently held patented land, to show why it has potential for mineral production.
- c. Present this data to potential buyers, not limited to those who have already expressed an interest in it, to Briscoe.

Sales efforts would begin immediately after key ground had been acquired.

Time Frame:

Three months to one year.

Cost:

	Approximate 1 year total	
Briscoe, Waldrip, and Secretary Not less than 10 days/month @\$6,000/	\$72,000	
Telephone - Long Distance, airfare and hotel expenses	5,000	
Report drafting, printing, and repro- duction costs	<u>5,000</u>	\$ 82,000
Land Acquisition		
10 Sq. miles of state land	15,000	
10 Sq. miles of mining claims	70,000	
Ground survey & aerial survey of T.D.C. mining claims	<u>25,000</u>	<u>110,000</u>
		\$192,000

Bill Height
February 27, 1981
Page 3 of 3

Briscoe would be paid 10% commission on any sale, but all expenditures made by Briscoe on behalf of the Tombstone Development Company would be deducted from the commission. For example, if the sale price were \$30 million, then:

	\$30 Million x 10% =	\$3,000,000.00
Less Briscoe's recommended expenses		<u>192,000.00</u>
		\$2,808,000.00

Bill, please let me know at your earliest convenience whether we can go ahead on this basis. I am ready to start immediately and it is possible, if we do start now, that we could have a commitment within 3 to 6 months. However, I have other pressing matters, and if this cannot be done, I will have to proceed with other alternatives.

Best personal regards,

James A. Briscoe

JAB/mas

4500 E. Speedway Blvd.
Suite 14
Tucson, Arizona 85712

March 2, 1981

Bill Height, President
Tombstone Development Company, Inc.
4600 68th Street, Apartment 368
Phoenix, Arizona 85251

RE: Friday meeting between J. A. Briscoe and Bill Height
concerning commission sale of Tombstone Development Company

Dear Bill:

This letter is to summarize my understanding of our meeting
Friday afternoon.

You felt that there might be interest amongst the shareholders for a complete sale of the Tombstone Development Company. Even considering the most optimistic near-term results of the current lessor operations, royalties paid by these activities would approximate \$300 to \$600 thousand per year, and would not be as attractive as a sale price for Tombstone Development Company of somewhere within the range of \$9 to \$18 million dollars, if this could be concluded sometime within the next three months to a year. Of course, any sale of control of the Tombstone Development Company would not effect its relation with the current lessor.

I have already talked with one company who is interested in a purchase of Tombstone Development Company as is, and I know of at least two other companies, exclusive of mining companies like ASARCO, and Newmont, that would have an interest.

My recommendation as per my previous letter, is to acquire additional state mineral leases, and federal mining claims which I believe would greatly enhance the value of the Tombstone Development Company. As I explained to you Friday, I believe that we might be able to almost double the apparent value of from between \$9 and \$18 million dollars now - based on a per acre value of patented mining claims at Tombstone, to possibly between \$20 to \$30 million dollars or more with the additional exploration acreage. Of course this involves some possibility that the required time and expenditures itemized in my previous letter to you (which approximate \$192,000), might not result in that large an increase in selling price. I don't think that there is any doubt that I can sell the Tombstone Development Company and since what I have proposed is to pay my expenses out of my 10% commission, if I should be wrong about the enhancement of the Tombstone Development Company, or the acquisition of the additional land, all of that expense will fall on my shoulders with no real risk to the shareholders of the Tombstone Development Company.

Bill Height
March 2, 1981
Page 2 of 2

What I would like to do, is to work as rapidly towards selling Tombstone Development Company as possible. I will do this at the lowest cost possible, while endeavoring to increase the selling price by acquiring important additional mineral land if practicable. In order to allow me to start work on this project, I would like to get an exclusive contract along the lines we discussed.

I understand that at least some of the Board of Directors will be meeting in Tombstone about March 12, and that I will have the opportunity to present this to them about that time. I will have a proposed contract prepared for your consideration for that meeting.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James A. Briscoe".

James A. Briscoe

JAB/ms

4500 E. Speedway
Suite 14
Tucson, AZ 85712

March 12, 1981

Bill Hight, President
Tombstone Development Company
4600 68th Street
Apartment 368
Scottsdale, AZ 85251

RE: Proposal, Joint Venture - Limited Partnership - between
James A. Briscoe and the Tombstone Development Company for
acquisition of additional mineral rights - and subsequent
sale of the Tombstone Development Company

Dear Bill:

First let me reiterate that what I am about to tell you in this letter I consider highly confidential, and should even the generalities be mentioned to another geologist or mining company, they could act on this information and eliminate the possibility of either of us profiting from the information.

As I had discussed with you in our telephone conversations and meeting in Phoenix on February 27, 1981, as well as in my letters of February 27, and March 2, data from my work in the Tombstone District in the early 1970's, combined with recently published geologic maps, indicate substantial but completely hidden potential within what I will call the Tombstone Geologic Feature. This Geologic Feature, which encompasses approximately 250 square miles, has potential for additional precious metal zones like the Tombstone Basin and the known part of the Tombstone Mining District as well as major porphyry copper potential. There may be several mineral targets of the same or larger size than Tombstone and they lie, in part, at a substantial distance from the town of Tombstone. However, they appear to all be part of the very large Geologic Feature. For a relatively small amount of money, we can control most, if not all, of the significant mineral ground overlying these targets. Once this is accomplished, we will control the mineral rights over possibly several billions or even several tens of billions of dollars of gross metal value (which of course does not include the cost of plant construction or mining). By adding this mineral ground to the current holdings of the Tombstone Development Company, the value of the company will be enhanced several fold. As I mentioned in my letter of March 2, I believe that a current selling price of \$20 to \$30 million or possibly even more for the Tombstone Development Company might then be in order. In order to realize this additional value, the mineral rights to this ground must be obtained, technical reports prepared on the ground, and the data submitted in comprehensive form to potential buyers in order that they may appraise the value of the Tombstone

Bill Hight
March 12, 1981
Page 2 of 4

Development Company. This work was the subject of my proposal to you in my letter of February 27. Here, let me summarize the objectives of my proposal. They are as follows:

1. Consolidate, acquire and control all mineral rights of significance in the Tombstone Mining District and the Tombstone Geologic Feature.
2. Make technical appraisal of these rights and properties and calculate their present worth.
3. Sell, to an appropriate buyer (probably a large independent oil company), the Tombstone Development Company for the present value of the contained mineral, oil, water, and real estate value of its holdings.

I know from our conversations that both you and Frank Gallup are concerned about the costs, specifically, whether what I have proposed can be done within the proposed budget. If I can explain to you what we have been doing so far and why we believe the costs are accurate, this may allay some of your concern.

Tom Waldrip has worked steadily on the Tombstone project for approximately one month acquiring and researching land maps for the total area. Coupled with our geologic knowledge, we know where the important land is, who holds it, and how it can be acquired. We have considered only state and federal land, and have not worked into our estimates any costs for acquiring mineral rights on ground held by private owners. There are two reasons for not considering the privately held ground. First, and foremost, is that the largest percentage of the important land is held by either the state or federal government. Secondly, the remainder of ground in the Tombstone District is held by private parties and there is no way to estimate what the cost of acquisition might be. Only about six individuals or companies own most of the remaining land (aside from that held by the Tombstone Development Company). Some of this land may be available at a reasonable price, but the Tombstone Development Company already controls most of the known productive ground within the Tombstone Mining District, and a large part of that which remains, may not be worth what the current owners appraise it at. As a last priority in the total program, additional ground in the district will be technically evaluated so that it can be determined whether it is worth the time and effort to negotiate for. At this time, we feel that surrounding areas of available state and federal ground have much more potential and a much lower acquisition price.

Bill Hight
March 12, 1981
Page 3 of 4

To acquire state mineral rights ground, a prospecting permit application must be made to the state for the particular parcel desired, and as long as no one else has previously applied, a prospecting permit will be awarded to the applicant. The cost of the permit application is \$25.00, and the fee for the permit itself is \$2.00 per acre for the first two years. Thus, we can calculate quite precisely, as Tom has done (Attachment 1 of this letter) what the cost of acquiring state land will be.

In the case of federal land, federal mining claims must be staked. It is convention within the mining industry that in areas where no conflicting claims occur, that mining claims be staked with the long dimension running either east and west or north and south. This considerably reduces the cost of staking and surveying these claims. Over the last ten years, I have staked or supervised the staking of over 1,500 mining claims. Under current conditions of labor and material, as well as meeting government filing regulations, the average cost of staking a mining claim is about \$225 per claim. This assumes relatively easy terrain, like that in existence in the Tombstone area, and a fairly large number of mining claims which are contiguous (having common corners so that they are side by side). About the only variable in the cost is the difficulty of access due to terrain, weather, or the crossing of privately held ranches or other property. We see no reason that any of the claims we suggest in the Tombstone District would cost more than \$225.00 per claim, and it is possible that the cost could be lower.

All of the supervisory and technical work required for the evaluation, planning, travel, sales negotiation, etc. has been budgeted. My plan is that Tom Waldrip, myself, and a secretary would work, probably full-time, and certainly no less than 30 man days per month on this project until it is sold.

You will note in Attachment 1, which is Tom Waldrip's estimated land acquisition costs, that we have divided land parcels into three categories. These are listed as "Very Important, Important, and Possible". In the weeks since my first letter of February 27, we have obtained more technical data and further land information which will modify slightly my budget presented in that letter. As you can see from Attachment 2, which is a summary of Tom's land acquisition budget, that a total of 23.5 square miles of state land, in all three categories of Very Important, Important, and Possible are available, while 8.2 miles of federal land, which require mining claims, are possible. I had originally estimated only 10 square miles of state land and 10 square miles of mining claims. Thus, if all of the land is acquired (which I recommend), the new budget (Attachment 3), will

Bill Hight
March 12, 1981
Page 4 of 4

require \$31,962 to acquire 23.5 square miles of state land and \$64,800 for 8.2 square miles of federal mining claims, for a total of \$96,762 in total, versus my original estimate of \$85,000. Of course this budget can be cut by eliminating some of the land acquisition.

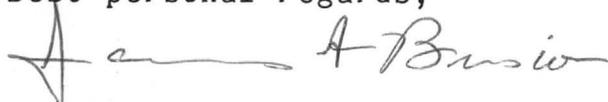
For example, if we eliminated all of the state and federal land under the Possible category, then approximately \$20,000 would be saved. Because the cost of land acquisition for acquiring all ground (see Scenario 1, Attachment 1) is only \$4.64 per acre and because control of this land I believe would greatly enhance the selling price of the Tombstone Development Company, I believe all land should be acquired.

Bill, as we gain additional technical information, we may wish to revise our land acquisition strategy slightly. I don't think that further changes will be substantial because Tom and I have been working on this new data and land package for about a month and I think that we have about 90% of the data in hand. The budget, furthermore, can be controlled by simply deleting less important land.

I feel that time is of the essence in this project for several reasons. The Texas buyer appears to be very interested. There is also a large field trip of geologists from all over the country who will be attending a conference at the end of this month that will be going on a field trip to Tombstone. It is conceivable that the new geologic data could be discussed, and thus, let the "cat out of the bag". If you can see your way clear to proceed on this, we can start immediately and can tie the state land up within a matter of a week or two, and probably have most of the federal mining claim land tied up within approximately one month. Finalization of the claims and obtaining the final paper work on the state prospecting permits will probably take until June, but no one will be able to get the land away from us inspite of the final paper work requirements.

Please let me know at your earilest convenience whether Tombstone Development Company is interested in this proposal, as I wish to pursue it with others, if indeed you are not.

Best personal regards,



James A. Briscoe

JAB:ms

Attachments

cc: Frank Gallup

00-038/50

ESTIMATED LAND ACQUISITION COSTS
TOMBSTONE, ARIZONA
(Expenses estimated to June 30, 1982 from information
available February 14, 1981)

I. Very important category:

- A. State grounds - 5691 acres @ 2.00 per acre = \$11,382.00
 + application fees @ \$25.00 per tract = 400.00
 Total State Ground Leasing Fees \$11,782.00
- B. Federal mining claims - 3966 acres covered
 by 214 lode mining claims located at a cost
 of \$225 per claim = \$48,150.00
 Total State & Federal Land Acquisition Fees \$59,932.00
- C. Averages - very important category
 1.) Average cost per acre of all grounds to be acquired
 (\$59,932 ÷ 9657 acres) = \$6.21 per acre
 2.) Average cost per square mile of all grounds to be
 acquired (((\$59,932 ÷ (9657 acres ÷ 640 acres per
 square mile)) = \$3,971.88 per square mile

II. Important category:

- A. State grounds - 3270 acres @ \$2.00 per acre = \$ 7,440.00
 + application fees @ \$25.00 per tract = 250.00
 Total State Ground Leasing Fees \$ 7,690.00
- B. Federal Mining Claims - 777 acres covered
 by 42 lode mining claims located at a cost
 of \$225 per claim = \$ 9,450.00
 Total State & Federal Land Acquisition Fees \$17,140.00
- C. Averages - important category
 1.) Average cost per acre of all grounds to be acquired
 (\$17,140 ÷ 4497 acres) = \$3.81 per acre
 2.) Average cost per square mile of all grounds to be
 acquired (((\$17,140 ÷ (4497 acres ÷ 640 acres per
 square mile)) = \$2,439.32 per square mile

III. Possible Category:

- A. State grounds - 6070 acres @ \$2.00 per acre = \$12,140.00
 + application fees @ \$25.00 per tract = 350.00
 Total State Ground Leasing Fees = \$12,490.00
- B. Federal Mining Claims - 640 acres covered
 by 32 lode mining claims located at a cost
 of \$225 per claim = \$ 7,200.00
 Total State & Federal Land Acquisition Fees = \$19,690.00
- C. Averages - possible category
- 1.) Average cost per acre of all grounds to be acquired
 (\$19,690 - 6710 acres) = \$2.93 per acre
 - 2.) Average cost per square mile of all grounds to be
 acquired ((\$19,690 - (6710 acres - 640 acres per
 square mile)) = \$1,878.03 per square mile

ASSUMPTIONS:

- A. Scenario I
 If work were to proceed on land acquisition under all categories (Very Important, Important, and Possible), an anticipated budget of \$96,762 would be necessary to perform work as envisioned. This would lead to acquiring 15,481 acres of Arizona State Mineral Leases at a cost of \$31,962 and location of 288 mining claims (5383 acres) of unpatented lode mining claims at an expense of \$64,800. As presented, this would lead to a direct land acquisition expense of \$4.64 per acre or \$2,968.16 per square mile for areas under lease and mining claim location.
- B. Scenario II
 Should work proceed on land acquisition under two categories (Very Important & Important), an anticipated budget of \$77,072 would be necessary to perform this work. This would amount to a outlay of funds, approximately 80 percent of those compared with Scenario I. As presented, this scenario would lead to acquiring 9411 acres of Arizona State Mineral Leases at a cost of \$19,472 and location of 256 mining claims (4,743 acres) of unpatented lode mining claims at an expense of \$57,600. As presented, this would lead to a direct land acquisition expense of \$5.45 per acre or \$3,484.96 per square mile for areas under lease and mining claim location.

C. Scenario III

Land acquisition would proceed only for items detailed in the Very Important category. The land acquisition budget for this phase would be in the range of \$59,932. This would lead to acquiring 5691 acres of state mineral leases at a cost of \$11,782 and location of 214 lode mining claims (3966 acres) at an expense of \$48,150. As presented, this would lead to a direct land acquisition expense of \$6.21 per acre (\$3,971.88 per square mile). In relation to Scenario II, only 78 percent of budgeted funds would be expended here, while only 62 percent would be expended as compared to expenditures in Scenario I.

As now envisioned, work would commence immediately upon approval. Land acquisition activities should be completed by mid June, 1981. If prospecting permit applications are currently pending on some of the state lands, this date may move back into July or August for certain tracts.

00-038/45

SUMMARY OF LAND ACQUISITION COSTS OVER THE TOMBSTONE GEOLOGIC FEATURE
BY CATEGORY

ATTACHMENT 2

	Very Important		Important		Possible		Total	
	<u>Acres</u>	<u>Cost</u>	<u>Acres</u>	<u>Cost</u>	<u>Acres</u>	<u>Cost</u>	<u>Acres</u>	<u>Cost</u>
State	5,691 (8.9 sq. miles)	\$11,782	3,270 (5.1 sq. miles)	\$7,690	6,070 (9.5 sq. miles)	\$12,490	15,031 (23.5 sq. miles)	\$31,962
Federal	3,966 (6.2 sq. miles)	\$48,150	777 (1.2 sq. miles)	\$9,450	640 (1 sq. mile)	\$7,200	5,383 (8.4 sq. miles)	\$64,800
TOTAL	9,675 (15.1 sq. miles)	\$59,932	4,047 (6.3 sq. miles)	\$17,140	6,710 (10.5 sq. miles)	\$19,690	20,432 (31.9 sq. miles)	\$96,762

1. Very Important - Land over visable alteration features, or geophysical anomalies
(Land with strong evidence that mineral deposits lie directly below)
2. Important - Land near or adjacent to visable alteration features or geophysical anomalies
(Land with evidence that mineral deposits may lie hidden below or nearby)
3. Possible - Land within favorable zones in the Tombstone Geologic Feature
(Land with no evidence of underlying mineral deposits now known, but which lies in favorable geologic zones)

00-038/54

PROPOSED BUDGET
TOMBSTONE JOINT VENTURE

ATTACHMENT 3

Cost:

		Approximate 1 Year Total
Briscoe, Waldrip and Secretary Not less than 10 days/month @\$6,000/	\$72,000	
Long Distance Telephone, Airfare, and Hotel Expenses	5,000	
Report Drafting, Printing, and Repro- duction Costs	<u>5,000</u>	\$ 82,000
 Land Acquisition		
23.5 Sq. miles of state land	31,962	
8.2 Sq. miles of mining claims	64,800	
Ground Survey and Aerial Survey of T.D.C. mining claims	<u>25,000</u>	<u>121,762</u>
 <u>Total</u>		 \$203,762

Time Frame: Three months to one year

00-038/55

4500 E. Speedway
Suite 14
Tucson, AZ 85712

Job 6007

March 13, 1981

Bill Hight, President
Tombstone Development Company
4600 68th Street
Apartment 368
Phoenix, AZ 85251

RE: Joint Venture for sale of the Tombstone Development Company

Dear Mr. Hight:

I have previously discussed with you, on several occasions, my feeling that the Tombstone Development Company can be sold on a cash basis which will recognize the future mineral potential of its mineral land holdings. I have proposed to you in various correspondence, a plan of additional mineral land acquisition which will enhance the value of the Tombstone Development Company, perhaps by several fold. I would contribute all of my data, knowledge and contacts to the project. It is my understanding that in general, the Tombstone Development Company feels that it would be worthwhile to pursue the acquisition of additional lands and preparation of a technical package that would demonstrate the mineral potential of both the current holdings of the Tombstone Development Company and the proposed additions. However, before proceeding with this program, the Tombstone Development Company would like to get an expression of interest from the potential buyers known to Briscoe.

Briscoe is concerned with receiving protection of his interest in this venture. Therefore, this letter is an indication that James A. Briscoe, for his efforts and knowledge, is entitled to 10% of the negotiated sale price of the Tombstone Development Company. To more formally state this:

We understand that James A. Briscoe has contacted, in a preliminary fashion, buyers that have expressed an interest in purchasing the Tombstone Development Company, and has knowledge of other companies who would have an interest in purchasing the Tombstone Development Company. If Briscoe contacts these companies, and a sale of the Tombstone Development Company in whole or in part results, Briscoe will be entitled to 10% of whatever sales price is negotiated. This will be binding on the Tombstone Development Company for a period of ten (10) years.

A more formal legal agreement, including details of the land acquisition program will be drawn up as soon as possible. This letter agreement will bind the parties so Briscoe can begin formal contact with potential buyers.

Bill Hight
March 13, 1981
Page 2 of 2

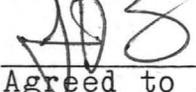
Signatures on this letter indicate agreement to the above.

Very truly yours,



James A. Briscoe

JAB:mas



Agreed to the Above
James A. Briscoe

Agreed to the Above
Bill Hight, President, Tombstone Development Company

00-038/49

4500 E. Speedway
Suite 14
Tucson, AZ 85712

March 20, 1981

Bill Hight
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

Re: Tombstone Development Company, Sales Effort - Taken as Phase
I and Phase II

Dear Bill & Frank:

I agree with your ideas regarding a phased approach to my sales proposal of the Tombstone Development Company. On Attachment 1 with this letter, I have shown the program as Phase I, which would occupy the first six months, and Phase II, which would occupy the second six months of an approximate one year evaluation and sales effort.

Tom and I are ready to start immediately. In order to save on the land acquisition expenses, we will make prospecting permit applications for all of the state land. At the end of the application period, which is approximately 45 days, we will simply reapply for the same ground rather than paying the \$2.00 per acre lease fee. This will give us another 45 days and then we will repeat it for a third and fourth time to give us six months before we have to make the major payment to obtain the prospecting permit. This will give us rights to the state mineral ground.

For the federal ground, we will simply put in discovery monuments, which will hold the ground for approximately 90 days. Near the end of the 90 day period, we will re-paper the claims, which will hold it for another 90 days, and then do one more re-papering job, which will take us up through the six month period of Phase I. We will then put in corner monuments and file the papers in the proper manner with the U.S. Bureau of Land Management, (which is now required) and the Cochise County Court House. This will take us beyond the end of the assessment year, which is September 1, 1981. In this manner, without doing any further work, we will be able to hold these mining claims until September 1, 1983, or approximately 2 years. This will save us a substantial amount of money.

It is important for you to realize that in not perfecting the state prospecting leases and the mining claims, we will run a risk of a competitive mining company trying to take the ground away from us. The longer we fail to perfect the legal work on the state and the federal ground, the greater this risk is. Further, once I start talking with prospective buyers for the

Bill Hight
March 20, 1981
Page 2 of 3

Tombstone Development Company, it is very likely that my geologic reasons for acquiring the new land will become fairly well known, via the professional "grape vine" that exists. This will increase the possibility of competitive action. In spite of this, I agree with you that it is better to not risk the large amount of money initially but finalize the land acquisition at the beginning of Phase II of the program, after we have better information. I simply want you to be aware of the risks. As long as the land operations are done carefully, which we will do, risk of loss will be minimized.

I will begin immediately to compile historic data and published information into a preliminary geologic report. As soon as Tom has tied up the land, I will start making preliminary contacts with potential buyers and by June, when I should have the initial report near completion, I hope that we may also begin to structure a deal with a buyer. It will probably take additional field work and report preparation, my proposed aerial survey of the Tombstone Development mining claims, evaluation of the oil and water potential of the properties, as well as the mineral potential, before we can demonstrate the total value of the Tombstone Development Company ground, and get the best purchase price available. However, I will work as rapidly as is practical towards a sale.

I have also changed my letter agreement from 10 years to 1 year, or as long as negotiations might last for prospective buyers that I might have contacted. The only thing that I am concerned with, as I am sure you understand, is that if negotiations drag on beyond some previously determined date, that I would not be able to participate in proceeds from the sale.

I also understand that the current lessors will have to be offered a right of first refusal. Even if they should choose not to purchase the Tombstone Development Company, change of ownership would have no affect on their lease.

If you agree with the above, I would like to see us proceed immediately. I will establish with the Arizona Bank, a savings and checking account under the name Briscoe Trust - TDCS (standing for Tombstone Development Company Sale) account. If you will write a check in the amount of \$56,000, payable to that account, we can begin immediately. I will hold the main portion of the money in the savings account until it is needed for personnel or expense disbursements, at which point the necessary monies will be transferred to the checking account and checks written to cover expenses. I will issue a check for \$6,000 at the first of every month to cover personnel expenses. I will account to you for all previous months expenses by the 15th of

Bill Hight
March 20, 1981
Page 3 of 3

the following month. I will report progress to you on a weekly basis via a short letter summary and then with a more detailed report every month. I would like to get together with the both of you personally, once a month, to discuss the project, or whenever contacts with specific purchasers might require such a meeting.

Best personal regards,

James A. Briscoe

JAB:ms

Attachments

cc: Frank Gallup

04-043/40

PROPOSED BUDGET
TOMBSTONE JOINT VENTURE

ATTACHMENT 1

Cost:

	<u>Phase I</u> <u>1st 6 Months</u>	<u>Phase II</u> <u>2nd 6 Months</u>
Briscoe, Waldrip and Secretary Not less than 10 days/month @\$6,000/	\$36,000	\$36,000
Long Distance Telephone, Airfare and Hotel Expenses	5,000	-
Report, Drafting, Printing and Reproduction Costs	<u>5,000</u>	<u>-</u>
	<u>\$46,000</u>	<u>\$36,000</u>
 Land Acquisition:		
23.5 Sq. miles of state land, Phase I - prospecting permit application only	3,000	
Phase II - prospecting permit fees paid		28,962
8.2 sq. miles Phase I - Discovery posts only	7,000	
Phase II - Corner all claims and file with U.S.B.L.M. & Cochise Cty.		57,800
Ground Survey and Aerial Survey of TDC Mining Claims	<u> </u>	<u>25,000</u>
	<u>10,000</u>	<u>111,762</u>
TOTAL	\$56,000	\$147,762

GRAND TOTAL = \$203,762

03-043/41

4500 E. Speedway
Suite 14
Tucson, AZ 85712

March 20, 1981

Bill Hight, President
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

RE: Joint Venture for sale of the Tombstone Development Company

Dear Mr. Hight:

I have previously discussed with you, on several occasions, my feeling that the Tombstone Development Company can be sold on a cash basis which will recognize the future mineral potential of its mineral land holdings. I have proposed to you in various correspondence, a plan of additional mineral land acquisition which will enhance the value of the Tombstone Development Company, perhaps by several fold. I would contribute all of my data, knowledge and contacts to the project. It is my understanding that in general, the Tombstone Development Company feels that it would be worthwhile to pursue the acquisition of additional lands and preparation of a technical package that would demonstrate the mineral potential of both the current holdings of the Tombstone Development Company and the proposed additions. However, before proceeding with this program, the Tombstone Development Company would like to get an expression of interest from the potential buyers known to Briscoe.

Briscoe is concerned with receiving protection of his interest in this venture. Therefore, this letter is an indication that James A. Briscoe, for his efforts and knowledge, is entitled to 10% of the negotiated sale price of the Tombstone Development Company. To more formally state this:

We understand that James A. Briscoe has contacted, in a preliminary fashion, buyers that have expressed an interest in purchasing the Tombstone Development Company, and has knowledge of other companies who would have an interest in purchasing the Tombstone Development Company. If Briscoe contacts these companies, and a sale of the Tombstone Development Company in whole or in part results, Briscoe will be entitled to 10% of whatever sales price is negotiated. This will be binding on the Tombstone Development Company for a period of one (1) year or as long as negotiations are continuing.

A more formal legal agreement, including details of the land acquisition program will be drawn up as soon as possible. This letter agreement will bind the parties so Briscoe can begin formal contact with potential buyers.

Bill Hight
March 20, 1981
Page 2 of 2

Signatures on this letter indicate agreement to the above.

Very truly yours,

James A. Briscoe

JAB:mas

Agreed to the Above
James A. Briscoe

Agreed to the Above
Bill Hight, President, Tombstone Development Company

00-038/49

5701 E. Glenn Street
Suite 120
Tucson, AZ 85712

March 25, 1981

Bill Hight, President
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

Re: Joint Venture for the sale of the Tombstone Development Company

Dear Mr. Hight:

Pursuant to our various telephone conversations, personal meetings and letters, in particular, my letter to you of March 20, 1981, and the telephone conversation between you, myself and Frank Gallup this morning at approximately 11:15, Tucson time, this letter will reflect our mutual understanding.

James A. Briscoe and the Tombstone Development Company will join together as a Joint Venture in an effort to sell the Tombstone Development Company to any purchaser that might be interested in such a purchase.

Briscoe will supply the following:

1. All of his personal knowledge and personal data regarding the Tombstone Mining District, including private reports and any other information that may be available to him.
2. Specific knowledge related to mineral land, both state and federal which might overlie important mineral targets within the "Tombstone Geologic Feature".
3. His professional services and that of Thomas E. Waldrip, Jr., and secretary at reduced rates, as described on Attachment I.

The Tombstone Development Company will provide:

1. Funding for the project in a Phase I and Phase II sequence as described on Attachment I. At the end of six months from the start up date, which shall be April 1, 1981, Tombstone Development Company shall have the right to determine whether to proceed with Phase II of the project as shown on Attachment I.
2. Tombstone Development Company shall provide Briscoe with any and all technical or other historical data regarding the Tombstone Development Company properties in the Tombstone Mining District, Cochise County, Arizona, that he might find useful.

3. The Tombstone Development Company has a desire to sell its assets at a reasonable market value. Part of Briscoe's responsibilities will be to assess what the market value of the Tombstone Development Company's properties are. Tombstone Development Company will consider all offers for purchase of its assets brought to it by Briscoe, but will be under no obligation to sell those assets, or the Tombstone Development Company.

The general approach to land acquisition, and the preparation of a technical document to verify and demonstrate the value of the Tombstone Development Company land at Tombstone, Arizona, was detailed in my letter to you of March 11, 1981, and my more recent letter of March 20, 1981.

The Tombstone Development Company shall have the right to assess progress at the end of Phase I, six months from the start up date of April 1, 1981. They have the option of terminating the program in full or in part at the end of the six month period. If, at that time, the land acquisition phase of the program should be terminated, within 30 days, Tombstone Development Company shall quit claim any property rights back to Briscoe, and he shall have the right to pursue any such property rights with his own resources. If Tombstone Development Company elects to continue with the Phase II part of the program, monies shall be advanced, within 30 days, for complete acquisition of property rights on state and federal grounds as recommended by Briscoe and Briscoe, upon receipt of those monies, shall pursue diligently, the final acquisition of such properties.

Notwithstanding any decision Tombstone Development Company might make regarding their desire not to proceed with Phase II of the program, Briscoe will be entitled to compensation, should a sale take place with any entity he might have contacted during Phase I (or Phase II if it should continue) regardless of how long negotiations for such a sale might continue.

In the case of a sale to any entity (company or individual or group of individuals) which Briscoe might have contacted, he would be entitled to the sale price multiplied by 10%, less any expense monies which Tombstone Development Company might have advanced to Briscoe (i.e., the estimated budget, Attachment I, with this letter).

Should a sale be made to any entity not contacted by Briscoe but within one year from April 1, 1981, Briscoe would be entitled to 5% of the final sales price, even if negotiations extend beyond the one year anniversary date of April 1, 1981.

Bill Hight
March 25, 1981
Page 3 of 3

Tombstone Development Company will advance to Briscoe, the sum of \$16,000 on or about April 1, 1981, and the sum of \$8,000 on the 1st of every month thereafter for the next 5 months, until a total of \$56,000 shall have been advanced. These monies will be expended in Phase I activities as detailed on Attachment I.

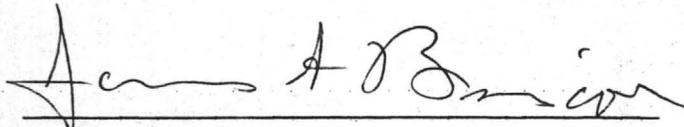
Briscoe will begin immediately on land acquisition efforts, and report preparation as described in letters of March 12 and March 20, 1981. Briscoe will report progress on a weekly basis, via a short letter summary and then with a more detailed report every month. Expenses will be accounted to the Tombstone Development Company for the preceding month by the 15th of the following month.

A more formal legal agreement, including details of the land acquisition program will be drawn up as soon as possible. This letter agreement will bind the parties so that Briscoe can begin on the program upon receipt of the first payment of \$16,000. Our signatures below indicate agreement to the above.

Very truly yours,


James A. Briscoe

jAB:ms


James A. Briscoe

Bill Hight, President
Tombstone Development Company

cc: Frank Gallup

Enclosure: Attachment I

PROPOSED BUDGET
TOMBSTONE JOINT VENTURE

ATTACHMENT 1

Cost:

	<u>Phase I</u> <u>1st 6 Months</u>	<u>Phase II</u> <u>2nd 6 Months</u>
Briscoe, Waldrip and Secretary Not less than 10 days/month @\$6,000/	\$36,000	\$36,000
Long Distance Telephone, Airfare and Hotel Expenses	5,000	-
Report, Drafting, Printing and Reproduction Costs	<u>5,000</u>	<u>-</u>
	<u>\$46,000</u>	<u>\$36,000</u>
 Land Acquisition:		
23.5 Sq. miles of state land, Phase I - prospecting permit application only	3,000	
Phase II - prospecting permit fees paid		28,962
8.2 sq. miles Phase I - Discovery posts only	7,000	
Phase II - Corner all claims and file with U.S.B.L.M. & Cochise Cty.		57,800
Ground Survey and Aerial Survey of TDC Mining Claims	<u> </u>	<u>25,000</u>
	<u>10,000</u>	<u>111,762</u>
TOTAL	\$56,000	\$147,762

GRAND TOTAL = \$203,762

03-043/41

cc for JAS

4500 E. Speedway Blvd.
Suite 14
Tucson, AZ 85712

March 25, 1981

Bill Hight
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

*This letter
dictated but never
sent.*

Re: Telephone conversation with Bill Hight, 10:30 p.m., Tucson time, March 24, 1981

Dear Bill and Frank:

I appreciate your consideration in rapidly responding to my last letter concerning proposed phasing of the Tombstone Development Company's sales proposal.

The questions you brought up during our telephone conversation, Bill, are certainly well taken and need to be carefully considered. My understanding of the basic questions were as follows:

1. What if somebody should come to the Tombstone Development Co. without being specifically contacted by Briscoe?
2. What happens if at the end of six months, the Tombstone Development Company wishes to call off the land acquisition project and terminate the relationship with Briscoe?

I think it is important for me to try to explain what it is that I am offering to the Tombstone Development Company, and how, without adequate safe guards, either of these suggestions could result in financial damage to myself.

In partial answer to question #1, when I bring forth the ideas that have attracted my attention to the additional land I have suggested acquiring, and if I have the time, (at minimum 6 months) to create a convincing technical picture, then it will be apparent that the Tombstone geologic feature may be one of the more significant mineral zones in Arizona, which has been over looked up to the present time. Once I start talking about this concept, the news of it will spread rapidly, and I believe that it is unlikely that Tombstone Development Company will not be contacted by individuals or companies, probably unknown to myself who have heard the idea via the well established professional "grape vine". In partial answer to question #2, I would certainly be willing to have Tombstone Development Company give up on the land acquisition at the end of 6 months, but that all of the mineral rights, which according to the Phase I and Phase II game plan, would not have been fully acquired at that time, would revert to Briscoe. Further, that any contacts that I might have made during that initial six month period would not have the rights to deal separately with the Tombstone Development Company, without

compensation to Briscoe.

In order to clarify my stand on these matters, let me describe to you how I perceive the relationship between myself and the Tombstone Development Company in this endeavor.

I have been active in studying the Tombstone Mining District for a period of approximately 10 years, for various clients, and as a personal project due to my interest in the area. During this time, I have developed a geologic concept, supported by a variety of diverse geologic information, which indicates the Tombstone geologic feature has outstanding geological potential for hidden and unsuspected mineral bodies of potentially very large size. At this time, I believe this concept is unique to myself. One other geologist who works with a major mining company I have recently, through accident, learned is not even aware of certain geologic information which is a key to the total picture. Sooner or later, other geologists may also bring together all the diverse geologic information and come to the same conclusion that I have. But at this time, no one else is aware of this situation. As I perceive the relationship between myself and the Tombstone Development Company, as outlined in my proposal, we are essentially joint venture partners. I am providing unique and invaluable geological information and land information at no cost to the Tombstone Development Company, while the Tombstone Development Company is providing the seat money necessary to acquire the property over the geologic targets, and the money necessary to prepare technical reports and expenses involved in the selling of the idea.

For the Tombstone Development Company current land holdings, Briscoe will also provide, on a joint venture basis, all of his knowledge of the geology and skills in assembling the data, analyzing the data, and coming up with projections of potential ore reserves in order to enhance the value of the Tombstone Development Company.

The personnel costs of \$6,000 per month are not at all consulting rates, but are merely subsistence salary rates, and all profitability is based solely on the potential sale of the Tombstone Development Company. Consulting rates would boost the personnel costs at least 300%. This means that Briscoe is actually performing a service below cost as part of his contribution to the joint venture. Further, all allocated expenditures by Briscoe will be deducted from his share of the results.

From this perspective, Bill, I would be unwilling to turn over rights to the property that we might acquire during the Phase I effort in my proposal to the Tombstone Development Company if they should choose to terminate the project at the end of six months. At that particular time juncture, I would have spent my time and effort at inadequate compensation wholly for the benefit of the Tombstone Development Company at some point in the future. The same would be true if through my efforts the availability of the Tombstone Development Company for sale were brought to the attention of a buyer, though not specifically contacted by myself but as a result of my efforts and a sale were consummated with no

Bill Hight
March 25, 1981
Page 3 of 3

compensation to me.

As alternatives, I would propose the following:

If, after six months time the Tombstone Development Company wishes to terminate further work on the land acquisition program proposed by Briscoe, then all further work on that program be terminated and all rights to such acquired ground revert to Briscoe.

Any companies contacted by Briscoe to which an eventual sale of the Tombstone Development Company were made, then 5% of the total sale price would be payable to Briscoe from which expenses related only to the preparation of technical data on the Tombstone Development Company ground currently held would be deducted.

Were any of Briscoe's reports or data to be used, referred to, or passing knowledge of, involved in a sale of the Tombstone Development Company, to an entity not contacted or known by Briscoe, then the Tombstone Development Company would pay to Briscoe the following:

- a. The current personnel budget X 300% to equal normal consulting rates
- b. \$25,000 for Briscoe's information
- c. 2 1/2% of the selling price

Bill, I hope this clarifies my perception of our relative contributions on Tombstone. The data and knowledge I have on Tombstone should enhance the value of the Tombstone Development Company, possibly by several tens of millions of dollars. If I contribute this knowledge, which is then obtained solely by my efforts at no cost to the Tombstone Development Company, I wish to be compensated for its use regardless of circumstances or time frames. We are both taking risks in this proposition. For the Tombstone Development Company, considering tax deductibility of the projected expenses for Phase I, you are risking approximately \$28,000. While I am providing services at less than cost, but we are both working towards a common goal of outstanding potential profit.

Please give me your thoughts on this.

Very truly yours,

James A. Briscoe

JAB:ms

M E M O

TO: James A. Briscoe
FROM: Thomas E. Waldrip, Jr.
DATE: May 26, 1981
RE: Work progress at Tombstone - May 17 through May 24

Work continued on staking claims in the northwestern portion of area (Fairbanks Area). Eleven man days of work by two field assistants completed staking the majority of the claims in this area. Forty-eight corners and end center posts remain to complete the job (4 man days). Work was slowed considerably by thick vegetation making it difficult to run lines. However, I have scheduled these lines first to get them finished. Vehicle problems and Memorial Day weekend cut into final completion of this group during the preceding week.

Work will commence again Tuesday, May 26, 1981 to finish the additional corner post remaining - along with location of additional discovery posts in the Lewis Springs Area, southwest of Tombstone, where approximately 80 claims will be located.

I have been working on coordinating drafting of the land map of the Tombstone Mining District with our draftsman, and gathering information on additional unpatented mining claims in the Tombstone area. This required a trip to Phoenix early in the week to gather claim maps and search through records on file with the Bureau of Land Management (B.L.M.). Work continues on construction of an unpatented claim map of the Tombstone area - additional work will be carried on in the Cochise County Court house the last week in May, 1981 - initial work indicates a majority of Section 18 T 20 S R. 23 E to be claimed, thus removing an additional 32 claims from our initial estimate of claims to be located. A final tally of claims to be located should be available by next weekend and is expected to run in the neighborhood of 200-230. Completion of work in Bisbee Courthouse will finalize our land maps for final drafting.

Thomas E. Waldrip, Jr.
May 26, 1981

TEW:mas

5701 East Glenn Street
Unit #120
Tucson, AZ 85712

June 1, 1981

Bill Hight, President
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

Re: Weekly reports, weeks ending May 15, May 22, and
May 29

Dear Bill:

Again, let me apologize for the delay in getting these weekly progress reports off to you.

Per my letter to you of May 14, i.e., the monthly report for April, and projections for the month of May, we are currently just one week shy of all of our projections.

Of primary importance was the completion of claim staking by May 31. I am enclosing a copy of Tom's work progress report submitted to me last week prior to his resuming "residence" in Sierra Vista to complete the final bit of staking. Tom is currently working in the Tombstone area and reports that all of the Tombstone, Northeast section is completed and 21 of the 77 claims to be staked in the Lewis Springs area are done. He expects that all the the staking will be completed by Friday, June 5.

The drafting of the geologic maps and property maps will also be completed by the middle of this month. As I told you previously, we were having Roger Newell's doctoral thesis maps of the immediate Tombstone District enlarged photographically. It is done and the draftsman expects to get started on re-drafting it tomorrow. Because we are somewhat behind schedule, I am going to start another draftsman on the project, working evenings. This particular draftsman (a gal) will be constructing a summary property map on the Tombstone 15 minute topographic quadrangle sheet, which we will reduce to an 11 x 17 fold out map. This map will be printed in different colors to depict the Tombstone Development Company land holdings over the entire region versus other holdings. Of course this summary wasn't possible until we were assured of what ground we did have.

I have completed an outline of the technical report and proposal for the actual sale of the Tombstone Development Company, and

Bill Hight
June 1, 1981
Page 2 of 4

following the completion of staking and drafting, will proceed with finalizing my proposal and formally contacting prospective buyers.

I talked with my lawyer, Jay Kittle, this morning regarding advising Tom Schloss and T.E.C.I. of the sale proposal. As we have previously discussed, it is certainly only fair to give Tom an opportunity to bid competitively on the Tombstone Development Company. Therefore, my lawyer and I feel that we should send out simultaneous notices indicating that the company is for sale along with the data package to Tom Schloss. This makes it a little bit more formal than I had anticipated, but I think that it will save you or I from any angry phone calls from Tom Schloss as well as being absolutely fair.

Bill, as I explained to you in my letter of March 20, 1981, at the end of the application period, on the state land, we will re-apply for the same ground rather than paying the \$2.00 per acre lease fee. Thus, giving us another 45 days, and then repeating it again for a third and fourth time before having to make the major payment to obtain the prospecting permit. We received the leases last week and I have enclosed a copy of the prospecting permit rentals for your information. By June 11, we will reapply. I am also enclosing a copy of the Bond Forms which are required upon payment of the leases.

We have run across a potential problem with some of Tombstone Development Company's existing patented claims, which I want to make you aware of. Tom Waldrip, while he was staking additional claims to the northeast of Tombstone, came across some of the recent claims that Tom Pitcher put in some months ago. These claims are exceptionally well marked, but we think that there may be a problem with the way the discovery monuments have been placed that could invalidate the claims. Mining claims always have to have a discovery post within the boundaries of the claim and located equal distances from the claim sidelines. A claim can have a maximum width of 600', 300' on either side of the discovery. Although there is no minimum width, theoretically you can have a claim two feet wide x 1500' long or less, I suppose, but the discovery post still has to be on the center line of the claim. We always put our discovery posts at least 10 feet in from one of the the end lines of the claim. However, Tom says that Tom Pitcher has put the discovery post directly on

Bill Hight
June 1, 1981
Page 3 of 4

the common end line of two adjacent claims, and thus is using a common discovery post for both claims. I have sketched both the way we believe Tom has put his claims in and the way that we standardize our claims on Attachment 2. Because of the way Tom Pitcher has placed his discovery posts, we think that there may be confusion as to separating discoveries on each individual claim, which is a requirement of the law. If we are correct in this assumption, it may make the claims invalid. I will be meeting with my mining lawyer on another matter later this week or the first part of next week, and will question him to be sure of the legalities involved. If he feels that we are on shaky ground, then I think that we should relocate Tom Pitcher's discovery posts and ammend the claim location notices accordingly. Changing the posts will really not be very expensive, nor will amending the papers. However, if this is the problem we think it might be, if left unattended, the claims might be challenged by someone else. Another problem worth noting is that it appears that Wayne Winters has overlapped some recent unpatented claims of his onto the TDC unpatented claims. Unfortunately, Wayne does a very poor job of describing precisely where his claims are located, so we don't know whether the whole block overlaps substantially onto TDC ground, or whether just a few claims that Tom Waldrip checked, overlap. At any rate, at some later time I think that we will have to check Wayne Winters claims and get him to resolve by giving TDC a quit claim or letter affidavit saying that he is not endeavoring to contest for ground previously staked by TDC.

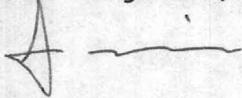
At this point, I feel very satisfied with our progress as we are right at the first of June and within a week of the completion of staking and at the most, two weeks for the completion of drafting.

Of special interest to this project was an article in the Tucson Citizen, Tuesday, May 12, which in my technical report will enhance the oil potential. Briefly, Parker Drilling Co. (reputedly, the world's largest) is currently drilling about four miles east of Tombstone for Phillips Petroleum Co. They are at the 4,500 foot level and are saying that it is a "tight hole" which is an industry expression meaning that strict secrecy surrounds the well.

Bill Hight
June 1, 1981
Page 4 of 4

You might also be pleased to know that the TDCS Trust account received another \$40.57 in interest this month. I shall, again, forward a copy of that statement as well as an itemized ledger for monies disbursed from the account with my detailed report on the 15th of this month.

Best regards,



James A. Briscoe

JAB:mas

Enclosure: Attachment 1
Tom Waldrip's Progress Memo

cc: Frank Gallup

M E M O

TO: James A. Briscoe
FROM: Thomas E. Waldrip, Jr.
DATE: May 26, 1981
RE: Work progress at Tombstone - May 17 through May 24

Work continued on staking claims in the northwestern portion of area (Fairbanks Area). Eleven man days of work by two field assistants completed staking the majority of the claims in this area. Forty-eight corners and end center posts remain to complete the job (4 man days). Work was slowed considerably by thick vegetation making it difficult to run lines. However, I have scheduled these lines first to get them finished. Vehicle problems and Memorial Day weekend cut into final completion of this group during the preceding week.

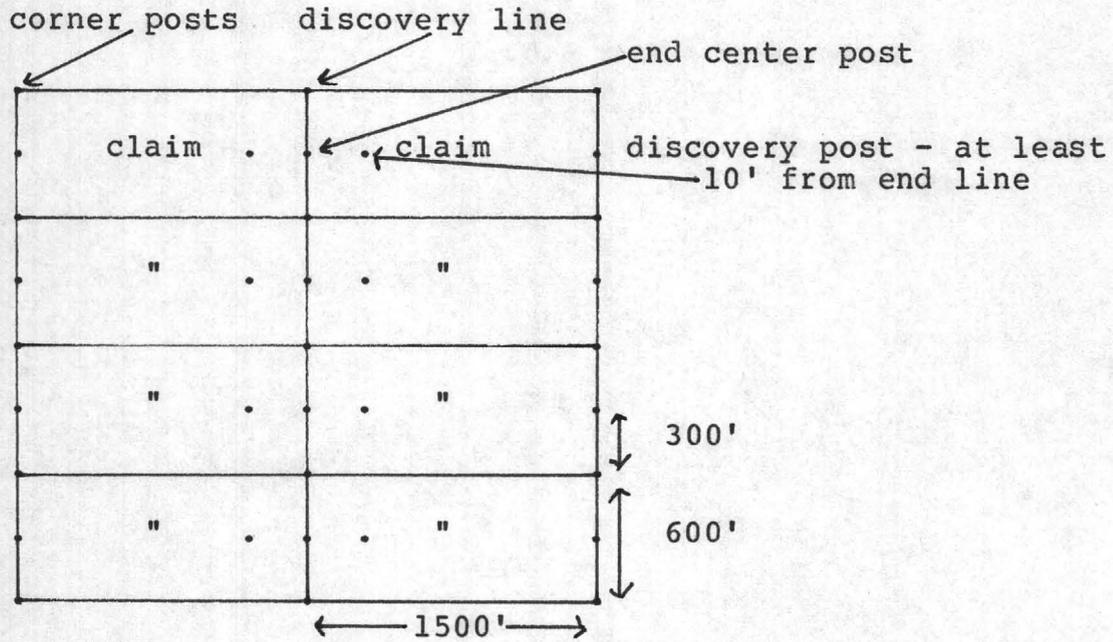
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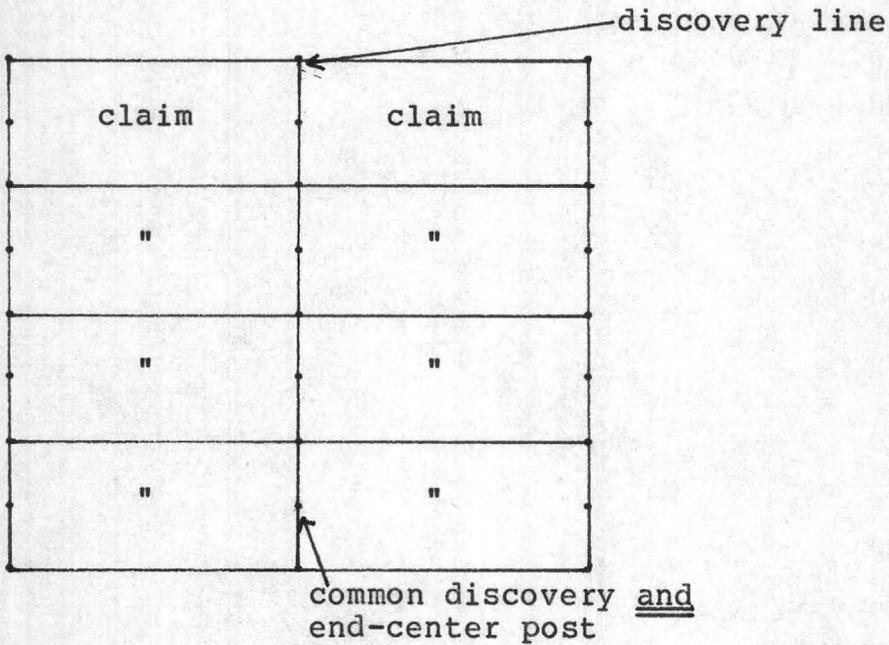
Thomas E. Waldrip, Jr.
May 26, 1981

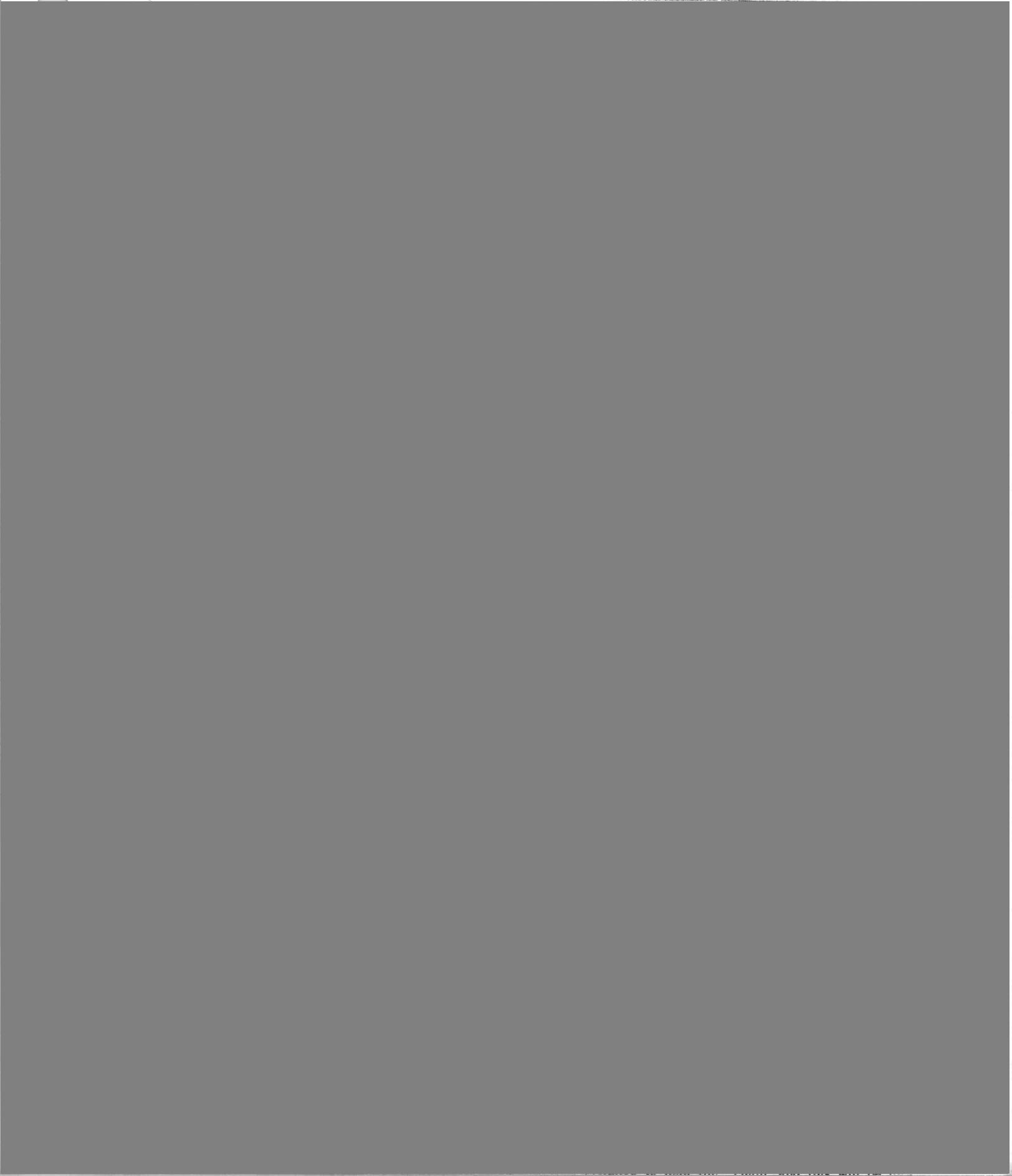
TEW:mas

RECOMMENDED PROCEDURE FOR LODGE MINING CLAIMS



The way we think Tom Pitcher put in discoveries





TO: James A. Briscoe
FROM: Thomas E. Waldrip, Jr.
DATE: June 6, 1981
RE: Progress report of land acquisition activities Tomstone
Mining District, May 29 through June 5, 1981

During the past week, progress has picked up rapidly. This was brought about by addition of 2 additional field personnel and gaining access to an area previously thought to be closed by ranchers in the area. The following was accomplished.

Friday, May 29th through Monday, June 1, staked area east and northeast of Tombstone. Located 39 claims - completed staking all corners and end-centers - included locating 156 posts. This took approximately 10 man field days and 3 man office days. 16 claims in the far north of the group were dropped due to proximity to numerous houses and loss of believed structural trend across Walnut Gulch.

Monday, June 1 through Thursday, June 4 - staked area north of Lewis Springs - included locating 77 lode mining claims, placing 197 corner, end-center and location posts in the field on T.D.C. claims and placing 27 claim corners out for Jack Branham in order to gain access to T.D.C. claims south of his ranch. This took approximately 19 man day (field) and 3 man day (office) work.

The remainder of the week was spent in the Cochise County Recorders office - getting information on various unpatented mining claims located in the Tombstone Mining District.

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist - Landman

June 12, 1981

Bill Hight, President
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

Re: Progress report for week ending 6/12/81

Dear Bill:

This week we were primarily involved in continued map drafting for geology and land status. The land status is substantially more complex and time consuming than I had previously estimated. We have been drafting on it all week and still have a substantial amount of work to do. Unfortunately, one of my draftsmen has had some personal emergencies, and is not able to work on the maps over the weekend as I had anticipated.

Tom has been involved all week in continuing land status research and supervision. On Friday, the 12th, he flew to Phoenix early in the morning in order to be at the State Land office before 8:00 when the office opens, to reapply for the prospecting permits, which expired on the 11th. Tom successfully reapplied for all those necessary prospecting permit applications, the cost of which was \$325 (check #1345).

The claim crew was given four days off after working seven straight days. Unfortunately, due to mechanical problems with the truck, they were unable to get into the field the remaining part of that week. Further, a previously contracted job will

Bill Hight
June 12, 1981
Page 2 of 2

not allow them to get back into the field prior to June 30.
However, all claims have discovery monuments erected, so this
should cause no problems.

Very truly yours,



James A. Briscoe

JAB:mas

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist - Landman

June 19, 1981

Bill Hight, President
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

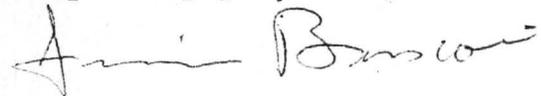
RE: Progress report for the week ending June 19, 1981

Dear Bill:

I spent most of the week working on supervising drafting and typesetting for the Tombstone report. The claim crew was off working on another project.

Tom Waldrip spent one half week working on another project and then four days doing paper work, land research, and preparation of papers for refileing at the State Land Department. On Friday, June 19, he was again at the State Land office before their opening at 8:00 in order to file for the prospecting permit renewals necessary. The cost of the renewal was \$400. Tedious drafting work on the land status maps continued throughout the week on a full time basis by David Horne.

Very truly yours,



James A. Briscoe

JAB:mas

TO: J. A. Briscoe
FROM: T. E. Waldrip
DATE: 6/27/81
RE: Progress on Tombstone land work during week of June 19,
1981 through June 26, 1981

During the past week, two trips (Friday, June 19 and Monday, June 22) were made to the State Land Department in Phoenix to re-apply for 23 leases which had passed to non-completion (lease payments were not made). While in Phoenix, an additional 8 tracts of ground were applied for in an area delineated as potentially favorable for further exploration potential. (See green area on included map).

Of potential interest was the fact that certain irregularities were found in current leases and lease applications in the Charleston area by James Stewart, Inc. A careful check of records indicates a possibility of leasing claims and lands in proximity to the Lead Mines there. This will be done next week.

Work will continue during the last week in June and early July, cornering claims in the Bronco Hills areas and location of additional claims on breccia pipes located in Sect. 13 & 24 T. 20S., R. 22E. as well as additional claim work on grounds just northeast of Tombstone, Sect. 1, T. 20S, R. 22E. & Sect. 31, T. 20S, R. 23E. This work will involve locating approximately an additional 150 claims.

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist Landman

June 29, 1981

Mr. Bill Hight
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

RE: Organization of correspondence and general information
pertaining to compilation of data required for land
acquisition, progress reports and preparation of technical
package for the sale of the Tombstone Development Co., Inc.

Dear Mr. Hight:

In an effort to bring your files up to date with ours, we have enclosed a notebook, duplicating our Tombstone Development Company files. On the front cover of the notebook, is a rough draft of the type set for the front cover of the technical package. Between each divider, is a printed a list of the contents of each section. In the event you find you do not have a copy of a particular article, letter or correspondence that you would like to have, please let me know and I will forward you a xerox. In winding up the accumulation of data in preparation of the final technical package, we have found this filing system invaluable for reference.

I have, to this point, sent you copies of the bank statement and a detailed ledger sheet of disbursements with Jim's periodic reports. Should you wish copies of the cancelled checks, or any one in particular, please let me know. I would also be happy to send you copies of any receipts you may wish for your records.

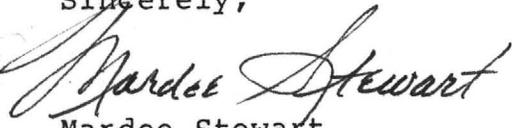
In the future, I plan to send you copies of any pertinent data as we receive it, in an effort to diminish the time consuming task of accumulating whatever we have received since Jim's last report. I feel that this will allow Jim to be more punctual in his weekly/monthly reports to you by being able to merely reiterate a summary of progress, rather than compiling a detailed report.

Bill Hight
June 29, 1981
Page 2 of 2

Jim has brought his weekly progress reports up to date and we have filed them for you under the "Weekly Reports" section of this notebook.

Again, if I can be of any assistance with your records, please let me know.

Sincerely,



Mardee Stewart
Secretary

cc: Mr. Grank Gallup

Enclosure

ESTIMATED LAND ACQUISITION COSTS
TOMBSTONE, ARIZONA
(Expenses estimated to June 30, 1982 from information
available February 14, 1981)

I. Very important category:

A. State grounds - 5691 acres @ 2.00 per acre = \$11,382.00
+ application fees @ \$25.00 per tract = 400.00
Total State Ground Leasing Fees \$11,782.00

B. Federal mining claims - 3966 acres covered
by 214 lode mining claims located at a cost
of \$225 per claim = \$48,150.00
Total State & Federal Land Acquisition Fees \$59,932.00

C. Averages - very important category
1.) Average cost per acre of all grounds to be acquired
($\$59,932 \div 9657$ acres) = \$6.21 per acre
2.) Average cost per square mile of all grounds to be
acquired ($(\$59,932 \div (9657 \text{ acres} \div 640 \text{ acres per}$
square mile)) = \$3,971.88 per square mile

II. Important category:

A. State grounds - 3270 acres @ \$2.00 per acre = \$ 7,440.00
+ application fees @ \$25.00 per tract = 250.00
Total State Ground Leasing Fees \$ 7,690.00

B. Federal Mining Claims - 777 acres covered
by 42 lode mining claims located at a cost
of \$225 per claim = \$ 9,450.00
Total State & Federal Land Acquisition Fees \$17,140.00

C. Averages - important category
1.) Average cost per acre of all grounds to be acquired
($\$17,140 \div 4497$ acres) = \$3.81 per acre
2.) Average cost per square mile of all grounds to be
acquired ($(\$17,140 \div (4497 \text{ acres} \div 640 \text{ acres per}$
square mile)) = \$2,439.32 per square mile

III. Possible category:

- A. State grounds - 6070 acres @ \$2.00 per acre = \$12,140.00
+ application fees @ \$25.00 per tract = 350.00
Total State Ground Leasing Fees \$12,490.00
- B. Federal Mining Claims - 640 acres covered
by 32 lode mining claims located at a cost
of \$225 per claim = \$ 7,200.00
Total State & Federal Land Acquisition Fees \$19,690.00
- C. Averages - possible category
- 1.) Average cost per acre of all grounds to be acquired
(\$19,690 ÷ 6710 acres) = \$2.93 per acre
 - 2.) Average cost per square mile of all grounds to be
acquired ((\$19,690 ÷ (6710 acres ÷ 640 acres per
square mile)) = \$1,878.03 per square mile

ASSUMPTIONS:

- A. Scenario I
If work were to proceed on land acquisition under all categories (Very Important, Important, and Possible), an anticipated budget of \$96,762 would be necessary to perform work as envisioned. This would lead to acquiring 15,481 acres of Arizona State Mineral Leases at a cost of \$31,962 and location of 288 mining claims (5383 acres) of unpatented lode mining claims at an expense of \$64,800. As presented, this would lead to a direct land acquisition expense of \$4.64 per acre or \$2,968.16 per square mile for areas under lease and mining claim location.
- B. Scenario II
Should work proceed on land acquisition under two categories (Very Important & Important), an anticipated budget of \$77,072 would be necessary to perform this work. This would amount to a outlay of funds, approximately 80 percent of those compared with Scenario I. As presented, this scenario would lead to acquiring 9411 acres of Arizona State Mineral Leases at a cost of \$19,472 and location of 256 mining claims (4,743 acres) of unpatented lode mining claims at an expense of \$57,600. As presented, this would lead to a direct land acquisition expense of \$5.45 per acre or \$3,484.96 per square mile for areas under lease and mining claim location.

C. Scenario III

Land acquisition would proceed only for items detailed in the Very Important category. The land acquisition budget for this phase would be in the range of \$59,932. This would lead to acquiring 5691 acres of state mineral leases at a cost of \$11,782 and location of 214 lode mining claims (3966 acres) at an expense of \$48,150. As presented, this would lead to a direct land acquisition expense of \$6.21 per acre (\$3,971.88 per square mile). In relation to Scenario II, only 78 percent of budgeted funds would be expended here, while only 62 percent would be expended as compared to expenditures in Scenario I.

As now envisioned, work would commence immediately upon approval. Land acquisition activities should be completed by mid June, 1981. If prospecting permit applications are currently pending on some of the state lands, this date may move back into July or August for certain tracts.

*T. G. W.
T. D. S. nt-6k*

THE WALL STREET JOURNAL, 33
Friday, July 10, 1981



FILE MEMO - TOMBSTONE

TO: James A. Briscoe
FROM: Thomas E. Waldrip, Jr.
DATE: August 5, 1981

RE: Conversation with Richard Renn of Energy Reserve
regarding discussion of Tombstone

While filing leases in the State Land Department, it was learned that Richard had filed a number of prospecting permit applications in T.20S.,R.23E., east of Tombstone Airport. Three of these permits were filed simultaneously with ours for sections 29, 33 & 34, T.20S.,R.23E. (this is the area surrounding the Bisbee Group sediments of section 34 and associated veins of which I pointed out earlier to you, within two miles of the Philip's oil-gas strat. test, southeast of Tombstone). I am assuming they have close ties with Philips, as he seemed to know a lot about their exploration program. Richard used to work for Philips, and now is close friends with Clancy Wendt, now in Philips Denver minerals office.

He indicated that Energy Reserve would be very interested in looking at any data we had on the Tombstone Mining District, and would be interested in a joint venture if conditions were right. I asked if they would be adverse to a direct purchase of a number of patented and unpatented claims, along with a majority of the state mineral grounds in the area. He felt there wouldn't be a problem if the price was right, and said his company was not adverse to doing this. He said they are a very aggressive company, as I am well aware from talking to Mike Baumann, whose company, First Mississippi Corp., tried to acquire Energy Reserve.

It seems that Energy Reserve is primarily interested in acquiring silver properties, and has little interest in gold or copper prospects, as they currently have reasonable reserves in the Queen Charlotte Island area for gold.

He asked for whom I was working, and if I was working for T.E.I. I answered, "not directly". He noted I had something about Tombstone Development Company on my papers and if this was the company. I answered "as agents, and it was they who were interested in selling properties held in the Tombstone District". He seemed very interested by this, and asked where their property was located. I answered "they are the Tombstone District, as they own most of the important past producing claims". He seemed a little unfamiliar with the district, and noted their landman had done most of the work to date, and would be the person to talk to.

Before leaving, he asked if he should call again or if we would get in contact with his landman. I said "generally we would make efforts to contact them, and his landman could expect a

FILE MEMO
Tombstone Project (101)

TO: File
FROM: James A. Briscoe
DATE: August 5, 1981

RE: Telephone conversation (ref. TC#526, TCB#64) with Mr. Bob Silverman, Land man - minerals, Energy Reserves Group, Southwest Minerals Exploration District, Palacio Del Rey, Suite 1, 9525 Menaul, N.E., Albuquerque, New Mexico, 87112, Phone, (505) 292-1233 - their interest in the Tombstone Mining District, Cochise County, Arizona

As a result of Tom Waldrip's chance meeting with Mr. Richard Renn, Geologist, for Energy Reserves Group, at the State Land Office in Phoenix (see August 5 file memo), I called Mr. Silverman.

As he is already somewhat familiar with the Tombstone Mining District, I discussed with him the interest of Tombstone Development Company in a direct purchase of the company and its assets in the Tombstone District. I further discussed with him the current holdings within the District, of approximately 464 mining claims and 40 square miles of state leases.

Silverman seemed quite interested, however, he stated that they generally operated on a lease-option, or a joint venture basis. He said, however, that he would discuss an outright purchase with his superiors.

I asked him whether they had substantial exploration budgets that they could commit on the Tombstone Project, which would be necessary because of its large size. He pointed out that they had expended five million dollars in exploration on the Cinola Mines property in British Columbia over the last two years, and were going ahead with the plant there. As background, the Cinola project on the Queen Charlotte Islands, is a Waterloo-type disseminated gold prospect with potential for up to 100 million tons of open pit mineable gold ore. It may be one of the largest in North America. Further, he pointed out that they had committed \$500,000 in exploration to U.S. Minerals Exploration Company on projects in Nevada.

Though not stated in this conversation, the inuendo was that they might be aggressive in land acquisition in the Tombstone District. Thus, I think it would behoove the Tombstone Development Company, TDCS Project, to acquire, if possible, any other mineral rights within the District, as soon as possible to protect them from acquisition by Energy Reserves or Philips (see Waldrip memo).

James A. Briscoe
JAB:mas

Tom

Tombstone

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist - Landman

August 6, 1981

Edward Spalding
Arizona State Land Department
1624 W. Adams
Phoenix, AZ 85007

RE: Cancellation of Request for Prospecting Permits, Numbers
P.P. 8155-N, P.P. 81555-S & P.P. 81559-N

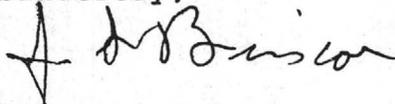
Dear Mr. Spalding:

Pursuant to our conversations in early June, 1981, please accept this correspondence as our request for cancellation of application for prospect permits on certain state mineral grounds within the Fort Huachuca Military Reservation as follows:

P.P.#81554-N	Sect.25,T.20S.,R.20E.
P.P.#81555-S	Sect.36,T.20S.,R.20E.
P.P.#81559-N	Sect.30,T.20S.,R.21E.

Thank you for your time and patience in this matter.

Sincerely,



James A. Briscoe

JAB:mas

F I L E M E M O

TO: James A. Briscoe
FROM: Thomas E. Waldrip, Jr.
DATE: August 9, 1981

RE: Summary report of land acquisition activities and costs to date in the Tombstone Mining District, Cochise County, Arizona, and future projection of work and cost to completion

Jim:

This report is a summarization of expenses to date for land acquisition activities in Tombstone, compared to original proposal estimates of February 14, 1981. As may be noted here, a substantial amount of work has been performed over and beyond original estimates of actual work to be performed in my proposal of above date. Through this summary, I will try to compare our original estimates to work actually done, and break these out in percentages where applicable. This report will then close with a summary of work to be performed for completion, expected time frame of completion and expenses to complete the work.

STATE PROSPECTING PERMIT APPLICATIONS

Initial estimate for acquisition by prospecting permit and renewal at approximately 45 day intervals:

40 leases
15,040 acres
23.5 square miles
average acreage per lease = 376.00 acres

Of this initial acreage applied for, a portion was denied due to previous applications, military withdrawals, etc. This amounted to:

7 leases
2,800 acres
4.38 square miles
average acreage per lease = 400.00 acres
18% failure rate

Therefore, after initial application, we had the following Prospecting Permits on application:

33 leases
12,240 acres
19.13 square miles
average acreage per lease = 370.97 acres
or positive acquisition rate of 83%

Since our initial application filing, it has become apparent from our technical analysis of data on the District, that additional areas could be leased. To date, we have the following under application for Prospecting Permits:

59 leases
25,484.69 acres
39.82 square miles
average acreage per lease = 431.94 acres
for a total of a 69% increase in acreage over original estimate
of February, 1981

These estimates above, however, do include four leases for which we have simultaneous application (1 with M.S.Horne and 3 with Energy Reserve Group, Inc.) For these, a drawing will be held to determine who will be awarded the prospecting permit. Totals for this category are:

4 leases
2,121.56 acres
3.31 square miles
average acreage per lease = 530.39
percentage of total leases under application - 8%

Taking the worst possible scenario of losing all the above four permit applications, we would then have:

55 leases
23,363.13 acres
36.50 square miles
average acreage per lease = 424.78
for a total of 55% increase in acreage over original estimate
of February, 1981

EXPENSES FOR STATE PROSPECTING PERMIT APPLICATIONS

Our original estimate for applications and renewals through September, 1981	\$3,000.00	100%
Current expenses to date (8/8/81)	\$3,400.00	
Percentage of estimate		113%
Estimate of expenses to end of September (includes \$3,400 above)	\$4,775.00	
Percentage of estimate		159%

UNPATENTED LODE MINING CLAIMS

Initial estimate for acquisition by location (discovery posts only):

288 claims

Of the original estimate, certain areas were already covered by lode claims and certain other areas we decided not to stake because of small, fractionated parcels. Thus, the following was left to be located:

215 claims
estimated 6.95 square miles
estimated 20.7 average acreage per claim
percentage of location to estimate - 75%

Since our initial estimate, it has become apparent from our work that additional areas should be claimed. At this date, we have located a total of:

464 claims
estimated 15 square miles
average coverage per claim of 20.7 acres
percentage of location to estimate of 2/14/81 - 161%

So much of our work has been directly related to land acquisition to date, that it is difficult to separate the direct from the indirect costs. Therefore, I have allocated all labor, auto charges, supplies, office expenses and travel, food and lodging expenses, except for \$7,000 of our total expenditure of approximately \$50,000 to date, to the land acquisition activity. For this outlay, in addition to the 464 lode mining claims and 40 square miles of state leases, land maps, geology, geochem, and geophysical maps have been compiled and interpreted for the district.

We are approximately 77% finished with claim staking on a posts erected basis. Thus, on a calculated basis (464 claims x 77%) we have the equivalent of 357 claims. A rough estimate then on a cost per claim basis would be $\$43,000 \div 357 \text{ claims} = \120 per claim , well within our original estimate of \$225 per claim. As can be easily seen on a direct cost per claim basis, we should come in well under our original estimate.

File Memo
August 9, 1981
Page 4 of 4

EXPENSES TOWARDS FINALIZATION OF LAND ACQUISITION

State Prospecting Permits - All Areas:

\$2.00 per acre x 25,484.69 acres = \$50,970.00*

*This rental applies for 2 years, however, assessment work must be performed during the first year in order to keep permits valid during the second year.

Lode Mining Claims

Total estimate to finish - \$10,062.

For detailed breakdown, see Attachment 1.

SUMMARY

At this time, we have control of 15 square miles of Federal ground and up to 40 square miles of State ground, for a total of 55 square miles of mineral rights within the Tombstone District, not including the approximately two thousand acres of patented land.

It will cost an estimated \$10,062 to finalize all Federal Mining Claims, and hold them until September 1, 1983. The cost to secure all State leases by Prospecting Permit will be approximately \$50,970, for two years. Total expenditure to secure all land now held would be approximately \$61,032. Assessment labor of \$10 per acre on the State leases would be required in the first year, to hold for the second year. Therefore, \$254,846.90 of exploration work expenditure would be required, but we believe the technical work we are currently engaged in would apply to this work requirement.

Thomas E. Waldrip, Jr.

TEW:mas

Attachment

PROJECTIONS OF WORK AND COST TO COMPLETION

Attachment 1

Category	Description	Posts Needed	Posts In	# of Claims	% of Claims	On a Post Basis-% Finished	Man Days to Finish	Expense (Labor @ \$100/man day)*
1	Claims requiring repapering after 9/1/81	0	972	255	55%	53%	8 days	\$ 800
2	Claims requiring repapering prior & after 9/1/81	0	110	26	6%	6%	3 days	300
	Claims needing to be cornered & repapered after 9/1	130	118	85	18%	10%	9 days	900
4	Claims needing to be cornered & repapered both prior & after 9/1/81	139	144	69	15%	8%	9 days	900
5	Claims to be located & repapered after 9/1/81	155	0	29	6%	0%	8 days	800
	TOTAL	432	1,414	464	100%	77%	37 days	\$3,700

Labor - including per/diem

Field crew - 37 man days @ \$100/day = \$3,700
 Office 2 man days @ \$100/day = 200

TOTAL LABOR \$3,900

Vehicle Expense - 37 days @ \$50/day (est.) = \$1,850

TOTAL VEHICLE EXPENSE 1,850

Supplies

Claim Stakes - 400 @ \$1.00/ stake = \$ 400
 Misc. xeroxing, telephone, etc. = 200

TOTAL SUPPLIES 600

Filing Fees

B.L.M. - 464 claims @ \$5.00/claim \$2,320
 County - 464 claims @ \$3.00/claim 1,392

TOTAL FILING FEES 3,712

TOTAL TO FINISH \$10,062

*Includes straight time and average overtime + \$25/diem for 10 to 12 hrs. per average work day.

FILE MEMO
Tombstone

TO: File
FROM: James A. Briscoe
DATE: August 10, 1981

RE: Conversations with Dr. Kenneth Cornelius, Manager,
Frontier Minerals Group, Exxon Minerals Company, U.S.A.,
Denver, Colorado

On August 7th, (reference TC #539, TCB #64) I talked with Dr. Cornelius to ascertain whether Exxon might have an interest in the Tombstone property. Wary that if they were interested, they could take a very aggressive property acquisition stance, and acquire the Alanco, Escapule and Stewart Mines, Inc. ground, which I feel Tombstone Development Company should attempt to get a lease-option on, I simply described the Mining District as being in the Southwestern United States. I described it roughly as follows:

A caldera structure in which an old productive mining district, with silver, gold, copper, lead and zinc production, amounting to approximately \$1 billion at current metal prices, occurs adjacent to a porphyry intrusive. Three other porphyry intrusives indicated by geophysics, appear to exist within a three hundred square mile area of the mineral system. A second precious metal district is indicated by geochemical and alteration data. At least one, and possibly up to three or more, porphyry copper centers could be located within the system. Exploration to test the potential would require large capital expenditures. The company I am representing, controls most of the productive area in the old mining district, as well as approximately 40 square miles of State leases and 464 Federal mining claims. They would like to sell the company for a large front end cash payment, in lieu of long term lease-option commitments, from a potential interested party.

Dr. Cornelius said that, generally, Exxon preferred to buy property rather than purchase a company, because it is easier to determine the assets than it is to determine the liabilities that they might be purchasing with a company takeover.

He further stated that this was the type of project that Exxon was particularly interested in, and that precious metals were now high on their list of priorities. Districts with the potential of producing from 2 to 3 million ounces of precious metals were of particular interest. They were also aggressively looking for porphyry copper targets, and particularly liked the idea of acquiring an entire district where there might be multiple porphyry targets. In their list of priorities, copper comes first, then gold and silver, then lead, zinc, and finally



COCHISE COUNTY PLANNING DEPARTMENT

P. O. DRAWER AC, BISBEE, ARIZONA 85603

(602) 432-5703

August 13, 1981

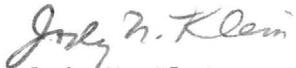
Mr. Thomas E. Waldrip Jr.
4426 E. Patricia
Tucson, Arizona 85712

Dear Mr. Waldrip:

We have received several complaints from property owners concerning your starting a lode mining claim on certain portions of property located in Section 19, Township 21 South, Range 22 East, in the Tombstone Mining District. Specifically stated, the nature of the complaints is that the property staked, or at least portions thereof, is not located in the public domain, and in fact, traverses private property (which includes applicable mineral rights and activities possibly constituting a trespass). The County is additionally concerned because it has roadways in this section which may be adversely affected.

We would greatly appreciate it if you could shed some light as to your activities in this area so that we can properly evaluate the situation. We would greatly appreciate your assistance in this matter.

Sincerely yours,


Jody N. Klein
Planning Director

JNK:dh

cc: Judy Gignac, Supervisor, Dist. 1

August 24, 1981

Jody N. Klein
Planning Director
Cochise County Planning Department
P. O. Drawer AC, 1
Bisbee, AZ 85603

TOM.
I MADE
SOME CHANGES
ROUGH DRAFT
NOT SENT

Dear Planning Director:

Pursuant to your letter, dated August 13, I would like to state a short rebuttal to problems arising from my location of certain unpatented lode mining claims on Section 19, Township 21 South, Range 22 East.

To be specific, I assume we are dealing with Lots 1 through 4, NE1/4SW1/4, S1/2NE1/4, N1/2SE1/4, & the SE1/4SE1/4, on which my claims are located. If you will check the Bureau of Land Management records, it is clearly evident that these exact areas are open to location. Therefore, I have claimed these areas for valuable minerals contained therein.

Unfortunately, as has been my experience in the past in this area, many concerned surface owners assume they also control the mineral domain, which as they later find out, is not the case. This I hope is the case here. At this point, little can be done by these people in regards to possible trespass, as by mining law, I am fully entitled to enter, cross and erect certain monuments and perform certain works, as long as little or no surface damage is incurred. In this case, I have performed all work on foot, causing "no" damage to surface improvements or crops, of which there are none in the area.

In certain situations, portions of mining claims may indeed overlap on or into patented mineral/surface grounds and right-of-ways. In these particular cases, in order to avoid fractions, surveying errors, etc., overlap into patented grounds and right-of-ways, has been intentionally undertaken to cover these problems. I, however, am fully aware of these overlaps, and during filing of maps with the County Recorder and B.L.M., so note that overlaps into patented ground may exist, and that I am only claiming grounds open to mineral entry.

In closing, may it be specifically clear that I am interested in developing mineral properties. Initially, grounds must be staked. Thereafter, an integrated, interdisciplinary survey will be performed to determine if mineralization of a viable nature is present to lead toward a mining stage. Often, we never reach the mining stage. However, at all times, surface rights, right-of-ways, etc., are observed, and should it be necessary to disrupt, damage or cross these, an asserted attempt is made to obtain a lease or agreement to allow for work to be performed.

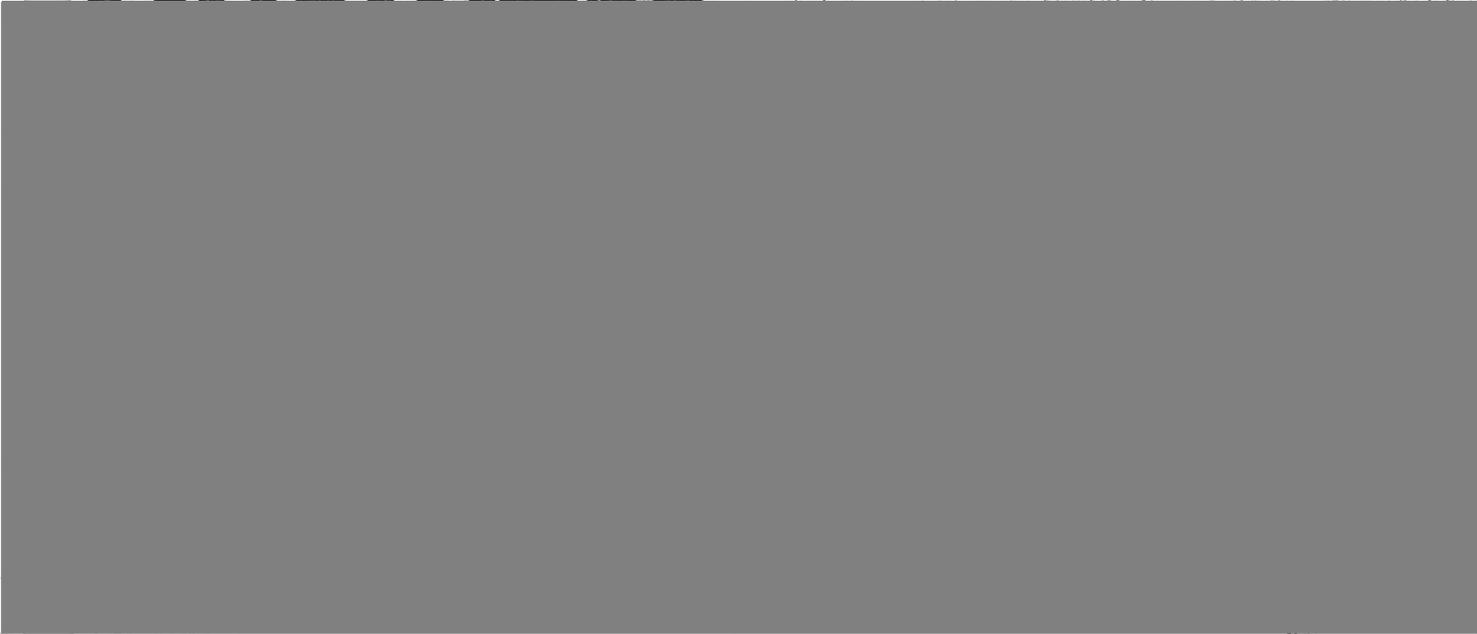
In the future, I will make an effort to keep your office informed of any future work which may lead to mining in the area.

Sincerely,

Thomas E. Waldrip, Jr.

TEW:mas

Business



1925...first premium plant food

Jim -

Presume this has
been in the Tucson

paper also -

Frank



Simon champions president spends a considerable amount of governments on the hypocritical grounds that



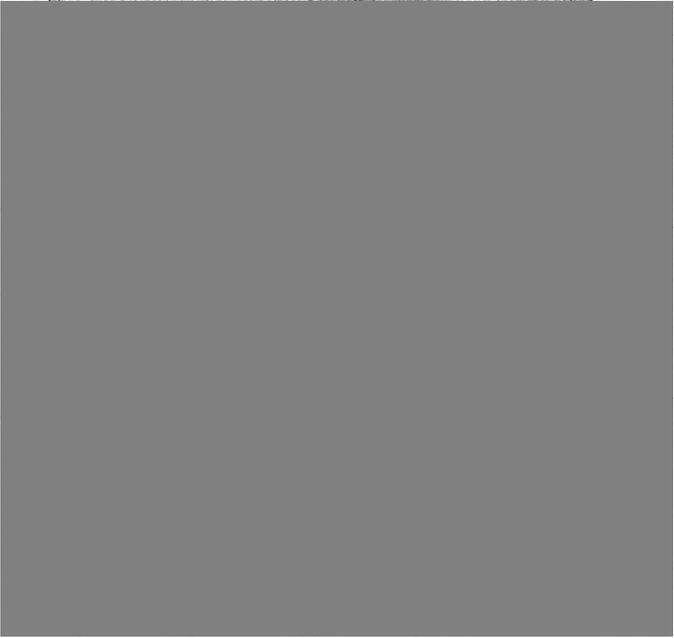
10/81
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41 1/2	41 1/2	Tandm	Jul	
39 1/2	36	TecumP	Sep	493.00
17 1/2	13 1/2	TekmA	Oct	
10	10 1/2	Tenani	Dec	510.00
24	24 1/2	TexAB	Jan	
10 1/2	11 1/2	Tiorarv	Mar	531.00

Tucson Citizen

Thursday, October 1, 1981



TDCS

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist - Landman

October 19, 1981

Lester J. Burkett, Land Department
Exxon Minerals Company, U.S.A.
P. O. Box 120
Lakewood, CO 80201

RE: Confidentiality Agreement - "Project Area", Tombstone Mining
District, Cochise County, Arizona

Dear Mr. Burkett:

Attached with this letter is our Confidentiality Agreement, which will allow my client, the Tombstone Development Company, to reveal certain confidential geologic data developed over the last several years. This data suggests to us that a major system of mineralization lies within this region. Associated with this mineral system are one or more porphyry copper targets with attendant precious metal mineralization, similar to that exposed near the town of Tombstone. These mineral targets are generally hidden from view, their loci being indicated by the specific data which we have developed.

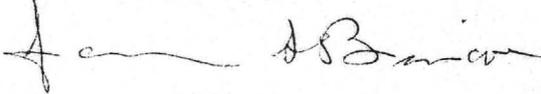
As a result of our work within this area, the original Tombstone Development Company holdings, which consist of approximately 1,700 acres of patented, fee simple mining claims within the Tombstone area, have been enlarged to include approximately 60 square miles of unpatented federal mining claims and state prospecting permits. Our land holdings abutt against the north, south, east and west boundaries of the "Project Area", shown on the map, Exhibit A, with the Confidentiality Agreement. Because of the size of the target and the complexities of ownership within the area, the Tombstone Development Company is continuing in its efforts to consolidate all potential mineral bearing land within this area. We have done detailed studies of the land status within this region over the last seven months, and have identified owners of the various small parcels remaining. Exxon is not among these owners, and thus, we feel that the Confidentiality Agreement, for a period of one year, should be of no problem to Exxon.

If, however, you should find it impossible to sign this Confidentiality Agreement, I would appreciate its return, and the location of the "Project Area" not revealed to your geologic staff.

Lester J. Burkett, Exxon Minerals
October 19, 1981
Page 2 of 2

Execution of this agreement pertains only to the mineral estate of the "Project Area", and does not pertain to oil and gas, although it is worthy of note that the Tombstone Development Company controls oil, gas and water rights on their fee simple ground.

Very truly yours,



James A. Briscoe

JAB:mas

Enclosure

October 19, 1981

Exxon Minerals Company, U.S.A.
P. O. Box 120
Lakewood, CO 80201

RE: Confidential Disclosure
Agreement

Gentlemen:

James A. Briscoe, in connection with our presentation of a district-wide exploration program and proposal to your company, will be disclosing certain confidential and proprietary information. Such information will be made available to you subject to certain conditions and imposing certain obligations upon you intended to protect the confidential and proprietary nature of the information. The purpose of this letter is to set forth our understanding with respect to such conditions as they apply to our Tombstone Project (the "Project" herein), the geographic limits of which are described in Exhibit A attached to this letter.

1. You shall treat as confidential and exercise reasonable diligence in establishing and maintaining such precautions as are customary and reasonably necessary to prevent disclosure or publication in any manner of, and shall not, without the prior written consent of the undersigned, in any way whatsoever disclose or reveal to any third party or use experimentally, commercially or for any other purpose any "Confidential Information" (as defined in paragraph 4 below).

2. You shall limit access to and disclosure of Confidential Information to those of your employees who require such information for purposes of evaluating the Project for your possible participation, and you agree to inform each of said employees of the obligations contained in this confidential disclosure agreement.

3. You shall not make or cause to be made any copies of documents containing Confidential Information unless authorized to do so by the undersigned in writing, and should documents containing Confidential Information be provided to you, you shall return such documents and copies to the undersigned promptly following a request by the undersigned to do so.

4. Confidential Information includes, without limitation, any technical information, geological concepts, data, designs, drawings, specifications, discoveries, methods, patentable or unpatentable ideas, or know-how relating to the Project or the mining or processing of ore therefrom; provided, however, that it does not include information which (a) is now in your possession and has previously been reduced to writing on or prior to the date hereof, which writing has been duly authenticated and corroborated, or (b) at the time of disclosure is in the public domain, or (c) after disclosure is published or otherwise becomes part of the public domain through no

Exxon Minerals Company, U.S.A.
October 19, 1981
Page 2 of 2

fault of yours (but only after, and only to the extent that, it is published or otherwise has become part of the public domain), or (d) if after the date hereof it becomes lawfully available to you from any third party not then under any secrecy obligation to The Tombstone Development Company.

5. You agree to accept the Confidential Information in good faith and agree not to acquire any property rights within the Project area, as defined in Exhibit A, for a period of 1 (one) year from the date of this confidential disclosure agreement; provided, however, that in the event you choose to enter into an agreement with The Tombstone Development Company for a joint exploration and development of the Project, this confidential disclosure agreement shall be incorporated into any such agreement.

If the foregoing confirms our mutual understanding, please indicate your agreement by having an authorized officer sign this letter in the place provided below.

Very truly yours,

By 
James A. Briscoe, Agent
Tombstone Development Company

ACCEPTED AND AGREED:

BY _____
Exxon Minerals Corporation

DATED _____

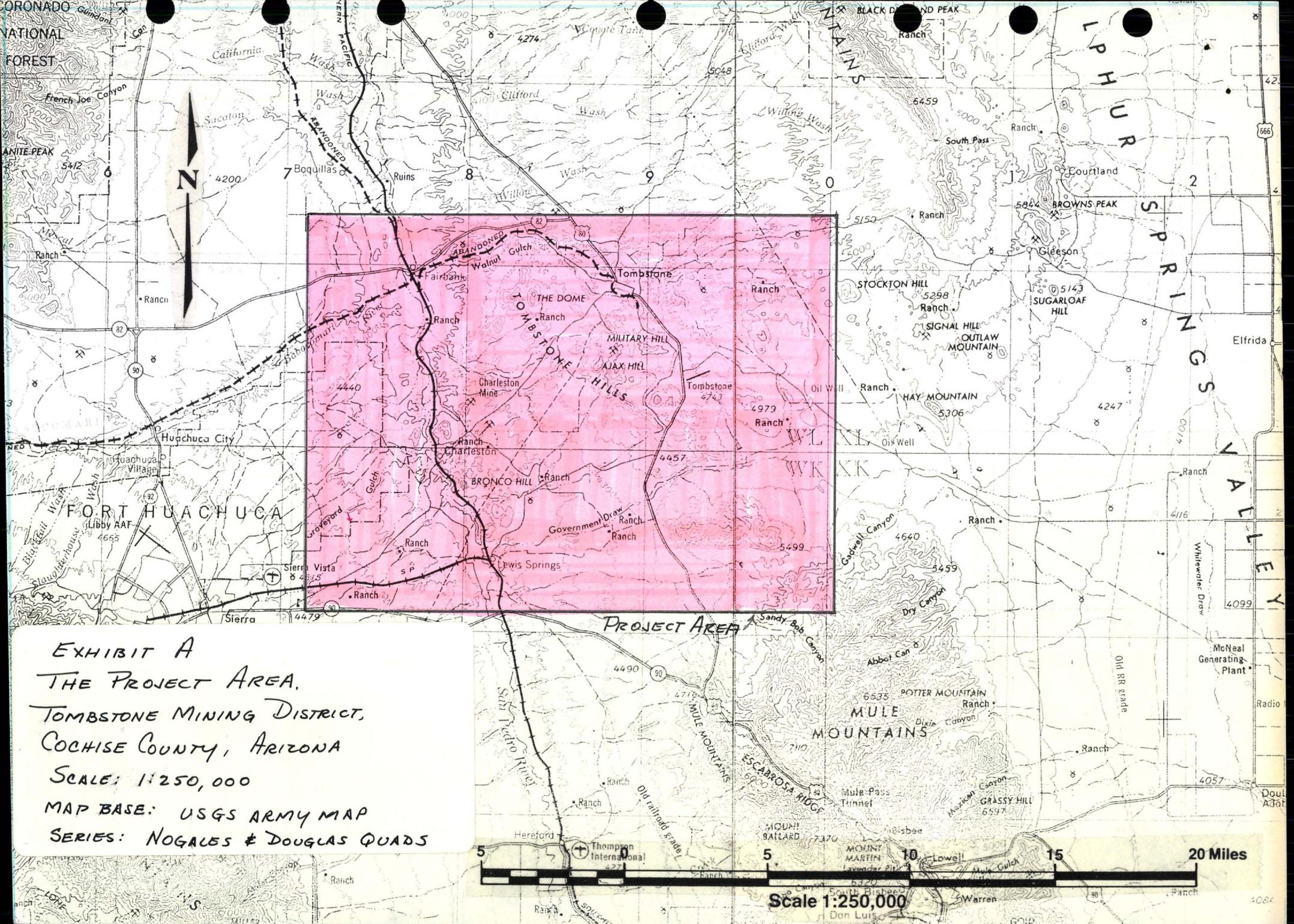


EXHIBIT A
THE PROJECT AREA,
TOMBSTONE MINING DISTRICT,
COCHISE COUNTY, ARIZONA
SCALE: 1:250,000
MAP BASE: USGS ARMY MAP
SERIES: NOGALES & DOUGLAS QUADS

Scale 1:250,000

20 Miles

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist -- Landman

October 19, 1981

RECEIVED

OCT 21 1981

EMC - LAND

Lester J. Burkett, Land Department
Exxon Minerals Company, U.S.A.
P. O. Box 120
Lakewood, CO 80201

RE: Confidentiality Agreement - "Project Area", Tombstone Mining
District, Cochise County, Arizona

Dear Mr. Burkett:

Attached with this letter is our Confidentiality Agreement, which will allow my client, the Tombstone Development Company, to reveal certain confidential geologic data developed over the last several years. This data suggests to us that a major system of mineralization lies within this region. Associated with this mineral system are one or more porphyry copper targets with attendant precious metal mineralization, similar to that exposed near the town of Tombstone. These mineral targets are generally hidden from view, their loci being indicated by the specific data which we have developed.

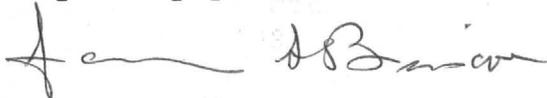
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If, however, you should find it impossible to sign this Confidentiality Agreement, I would appreciate its return, and the location of the "Project Area" not revealed to your geologic staff.

Lester J. Burkett, Exxon Minerals
October 19, 1981
Page 2 of 2

Execution of this agreement pertains only to the mineral estate of the "Project Area", and does not pertain to oil and gas, although it is worthy of note that the Tombstone Development Company controls oil, gas and water rights on their fee simple ground.

Very truly yours,



James A. Briscoe

JAB:mas

Enclosure

October 19, 1981

Exxon Minerals Company, U.S.A.
P. O. Box 120
Lakewood, CO 80201

RE: Confidential Disclosure
Agreement

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1. You shall treat as confidential and exercise reasonable diligence in establishing and maintaining such precautions as are customary and reasonably necessary to prevent disclosure or publication in any manner of, and shall not, without the prior written consent of the undersigned, in any way whatsoever disclose or reveal to any third party or use experimentally, commercially or for any other purpose any "Confidential Information" (as defined in paragraph 4 below).

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3. You shall not make or cause to be made any copies of documents containing Confidential Information unless authorized to do so by the undersigned in writing, and should documents containing Confidential Information be provided to you, you shall return such documents and copies to the undersigned promptly following a request by the undersigned to do so.

4. Confidential Information includes, without limitation, any technical information, geological concepts, data, designs, drawings, specifications, discoveries, methods, patentable or unpatentable ideas, or know-how relating to the Project or the mining or processing of ore therefrom; provided, however, that it does not include information which (a) is now in your possession and has previously been reduced to writing on or prior to the date hereof, which writing has been duly authenticated and corroborated, or (b) at the time of disclosure is in the public domain, or (c) after disclosure is published or otherwise becomes part of the public domain through no

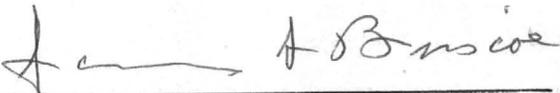
Exxon Minerals Company, U.S.A.
October 19, 1981
Page 2 of 2

fault of yours (but only after, and only to the extent that, it is published or otherwise has become part of the public domain), or (d) if after the date hereof it becomes lawfully available to you from any third party not then under any secrecy obligation to The Tombstone Development Company.

5. You agree to accept the Confidential Information in good faith and agree not to acquire any property rights within the Project area, as defined in Exhibit A, for a period of 1 (one) year from the date of this confidential disclosure agreement; provided, however, that in the event you choose to enter into an agreement with The Tombstone Development Company for a joint exploration and development of the Project, this confidential disclosure agreement shall be incorporated into any such agreement.

If the foregoing confirms our mutual understanding, please indicate your agreement by having an authorized officer sign this letter in the place provided below.

Very truly yours,

By 
James A. Briscoe, Agent
Tombstone Development Company

ACCEPTED AND AGREED:

BY _____
Exxon Minerals Corporation

DATED _____

pat. bought

EXXON MINERALS COMPANY

BOX 120, DENVER, COLORADO 80201

U.S. Exploration

October 23, 1981

Mr. James A. Briscoe
5701 East Glenn Street
Suite 120
Tucson, Arizona 85712

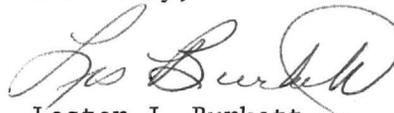
Dear Mr. Briscoe:

Pursuant to our recent telephone conversation and your letter of October 19, 1981, you will find attached your letter and confidential disclosure agreement that you requested to be returned. You are hereby advised that I have complied fully with your request and have not disclosed the content of the location of your property to anyone within our exploration staff nor have copies been made of the plat you furnished with the disclosure agreement.

Due to the stringent requirements of the confidential disclosure agreement, it is our decision not to pursue negotiations for the acquisition of your property. If you should change your decision concerning the necessity to use this agreement or would consider submitting your property after you have completed all your land acquisition, we will appreciate the opportunity to consider your property at that time.

Thank you for the opportunity to consider your proposal.

Sincerely,


Lester J. Burkett

LJB:c
encl.

prog
rpt.

James A. Briscoe & Associates

Exploration Consultants:
Base and Precious Metals
Uranium, Oil, Gas & Coal

James A. Briscoe
Registered Professional Geologist

Thomas E. Waldrip, Jr.
Geologist Landman

November 28, 1981

Bill Hight, President
Tombstone Development Company
P. O. Box 1445
Grand Island, NE 68802

RE: Monthly progress report, October & November, Tombstone
Project

Dear Bill:

Attached with this letter is an ACCO binder containing 15 printed maps in final form, which you have not seen before, and two larger maps in intermediate form, which you may have seen earlier versions of.

We have been working feverishly for the last 45 days to get these out, as well as other work accomplished. I think most of the material in the portfolio, which you can add to your notebooks, is new. I will try and go sequentially through all of the work we have done, and give you an update.

EXPENDITURES:

Appended as Attachment #1 with this letter, is our financial statement as of today, showing expenditures to date. In addition, there is a cash flow analysis, itemizing expenditures by category, on a monthly basis from our start-up date in April to the end of October. This cash flow sheet, I think, puts things in better perspective.

PRESENTATIONS:

I have talked with my geologist friend at Exxon, Dr. Kenneth Cornelius, and as I believe I described to you and Frank, told him the generalities of the District, without telling him its location, except that it was in the Western United States. He expressed strong interest in the project, but I told him that without a confidential disclosure agreement, that I could not reveal any data to him. I subsequently got such an agreement from Attorney John Lacy, and sent it with my letter of October 19, to Mr. Lester J. Burkett of the Exxon Minerals Land

Bill Hight
November 28, 1981
Page 2 of 5

Department. Mr. Burkett said that after speaking with the geologist in charge of the Tucson region, he felt that they could not sign a disclosure agreement, since it inhibits their geologists in their freedom of movement. This is particularly unfortunate, since Exxon has absolutely no activity within the Tombstone quadrangle, and I informed Mr. Burkett of this. However, he was adamant about it. Thus, at this point, their geologists supposedly know nothing of the project or its location, and I have advanced them no information.

On November 8, I made a brief presentation to Mr. Allen Wright of Consolidated Goldfield's Ltd. of London, England. Mr. Wright is a special projects geologists, working out of their Denver office. He expressed a great deal of interest in the project, and is looking forward to further information.

MAP PROGRESS:

Also enclosed, please find a Map Index showing which maps are completed and which maps have yet to be done. As you can see from this index, maps, which are printed on 8 1/2 X 11 paper, with the explanation on the opposite page, Figures 1 through 17 (excepting Figure 4) are complete, and 300 copies of each of these have been printed. These maps were printed in two colors, i.e. black and red. Since they are quite complex, it was necessary to use various screens in the printing process, making the assembly of these screen confusing. Unfortunately, the first print run had an error in the explanation requiring that it be reprinted. This took some additional time, however, we will bear the cost, which approximates some \$370. At any rate, at the present time, printing has been corrected and these maps are complete and ready to be bound with the remainder of the report. Figures 18 through 29 are in intermediate stage. Plate 12 is also in intermediate phases. However, Plate 1, the property map of Tombstone should be done, hopefully by next Wednesday. This property map, which you have an intermediate copy of in the pocket following the printed maps, shows the extremely complex Tombstone property situation. The 1"= 1 mile geology map, Plate 5, should be completed by Thursday, December 2.

The property situation was substantially more complex than we had envisioned, and Tom Waldrip has done a herculian task of getting all of the owners identified and all of the different parcels pin pointed. It turns out there are some 297 different ownerships represented in the Tombstone Mining District. It has taken Mardee at least 2 full weeks, full time on the computer to print out the various listings of mining claims, claim owners, etc. These lists enable one to reference either by location,

claim name, claim owner, or owner number. These listings include:

- *State Land Controlled by Tombstone Development Company.
- *State Land Controlled by Others in the Tombstone Mining District.
- *Record of Lease Applications; essentially a list of Tom's trips to Phoenix by date and lease location.
- *Numerical Owner Index List; each owner is assigned a number and the number is shown on the property map.
- *Alphabetical Owner Index List.
- *Patented Mining Claims. Listed both alphabetically by claim name and by claim owner.
- *Unpatented Mining Claims; listed both alphabetically by claim name and by claim owner.

With these lists, if the claim name is known, the owner can be located; or if the owner is known, all claims owned by that owner can be found. I am certain that this is the most comprehensive property map ever compiled in the Tombstone District. In fact, we have found quite a few discrepancies in land information between the County Courthouse, the Bureau of Land Management and the State Land Department. In some cases, claims, which are not patented appear to be on the tax rolls. In others, the ownership is unclear. Many surveys, even by Registered Mineral Surveyors, do not place the same claims in the same geographic location. There are some discrepancies in the Tombstone Development Company land, and we think that there are probably 1,125.20 acres owned by Tombstone Development Company, which does not correspond to your earlier data. At this time, these discrepancies do not appear to be of immediate importance. Further, until all claim corners are verified, targeted, and probably surveyed photogrammetrically, so as to place all claims in proper relation to each other, these problems will never be completely resolved. In fact there appear to be some fractions that still may be open, but again at that current time, these do not appear to be of prime importance.

The land situation is complex enough so that within the Tombstone Basin area, and as far west as the State of Maine Mine, and as far south as the end of the Tombstone Hills, all the details cannot be clearly shown on our master map at a scale

Bill Hight
November 28, 1981
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of 1" = 2,000'. Thus, we have plans to make two inset maps at larger scales - 1" = 1,000', covering the area from Tombstone, south to the south edge of the Tombstone Hills, and west to the State of Maine Mine, and at 1" = 500' covering the Tombstone Basin. It may be necessary (though we can't tell until these larger scale maps are made) to show some complex areas at 1" = 200' in the Toughnut area.

LAND

State Leasing

We are continuing to apply for State Prospecting Permits over the state land shown in red on Figure #5.

Federal Mining Claims

All federal mining claims have been registered with the Cochise County Courthouse, and the papers are presently at the Bureau of Land Management, Phoenix office, being registered there. When they are returned to us, we will send the original to you for your records, and keep a copy here. Please remember that in the areas near the Johnson Ranch (sections 13, 24 & 25) there is a strong silver geochem anomaly, which we have yet to put mining claims on. It was decided to postpone this until we got the offering out and got the response showing interest. However, this area has a silver anomaly as strong as the Tombstone Mining Camp, and thus should be claimed.

SOLICITATION LETTERS

I have reviewed the Engineering and Mining Journal listing of world-wide mining companies, and have determined that there are 342 companies world-wide, including American, Canadian, Japanese, German, Belgian, French, South African and British, which might have an interest in the Tombstone District. I have yet to research oil companies and make contacts with Mid-Eastern companies, which also might have an interest. There are 498 individuals which I plan to send initial letters to within these companies. In some cases, particularly in the foreign companies, it is difficult to tell precisely who letters should be sent to, and so, in order to get the most rapid response, in some cases I have selected two to three people in the same company, but in different branches, who will receive the letter.

A copy of my proposed letter is appended here. It is addressed to Winslow W. Bennett, President, Adanac Mining & Exploration of Canada as the first one in the list. It is important that you review this carefully to determine what I am saying corresponds

Bill Hight
November 28, 1981
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with your wishes. I am including, as well as our mailing address, a Telex address, so that more rapid response can be made. With this initial letter, we will include the two index maps showing the location of the Tombstone District as well as the property map, Figure #5. I thought that we would be able to make a computerized listing, which we could be working on while you review the letter. Unfortunately, the many foreign addresses within the list differ so greatly in the coding for state, country and zip, that a compatible format for the computer cannot be set up for all of them. Thus, though we can use the word processor for a list, we will have to type each address into the computer and then let the computer type out the letter. Thus, as soon as you and Frank can review this letter and be sure it is right, we will start. I estimate the typing will take one week, full-time effort.

Very truly yours,

James A. Briscoe

JAB:ms

Enclosures

cc: Frank Gallup
Lavern Baxter

TDCS TRUST OPERATING BUDGET
 DATE OF PRINTING: 11/27/81
 CASH ON HAND: \$765.44
 ACCOUNTS PAYABLE: \$2,000.00

	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	NOVEMBER ESTIMATE	DECEMBER ESTIMATE	ACTUAL 1981 TOTAL	AVERAGE PER MONTH	ESTIMATED TOTAL FOR 1981

OPERATING EXPENSES													
JAB & ASSOC.	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	48000.00	6000.00	60000.00
ASSAY	22.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.50	2.81	22.50
AUTO RENTAL	0.00	597.00	511.00	1534.50	554.50	1647.50	0.00	0.00	0.00	0.00	4844.50	605.56	4844.50
DRAFT.& BLUEPRINT	0.00	110.00	212.34	154.62	153.31	125.61	121.29	0.00	250.00	500.00	877.17	109.65	1627.17
ENG.& FIELD SUPP	0.00	418.14	1449.22	1208.36	68.26	158.42	0.00	0.00	0.00	0.00	3302.40	412.80	3302.40
REPRO & TYPESET	98.01	179.14	87.72	112.39	516.77	497.87	431.81	1582.33	1210.00	1000.00	3506.04	438.26	5716.04
OFFICE SUPP & EXP	16.47	6.70	8.95	14.58	50.82	13.75	9.50	74.15	17.25	17.25	194.92	24.37	229.42
POSTAGE & SHIPPING	17.44	0.00	0.00	0.00	0.00	4.45	9.20	6.27	375.00	600.00	37.36	4.67	1012.36
TELEPHONE	0.00	0.00	0.00	30.53	28.99	39.55	22.30	0.00	25.00	25.00	121.37	15.17	171.37
FTL-CLAIM STAKING	157.45	645.00	1234.24	1206.45	149.35	682.40	0.00	0.00	0.00	0.00	4074.89	509.36	4074.89
FTL-ST. LAND ACQ.	0.00	0.00	0.00	0.00	578.46	200.79	327.90	350.00	250.00	250.00	1457.15	182.14	1957.15
FIL.FEES-ST. LAND	1350.00	0.00	600.00	675.00	1300.00	325.00	1100.00	0.00	790.00	790.00	5350.00	668.75	6930.00
FIL.FEES-BLM CLAIM								2320.00	0.00	0.00	2320.00	290.00	2320.00
FIL.FEES-COCHISE								1392.00	0.00	0.00	1392.00	174.00	1392.00
MAPS & TECH. PUB.	30.00	25.00	0.00	121.89	200.00	37.50	0.00	10.60	0.00	0.00	424.99	53.12	424.99
>>TOTAL OPER. EXP.	7691.87	7980.98	10103.47	11058.32	9600.46	9732.84	8022.00	11735.35	8917.25	9182.25	75925.29	9490.66	94024.79

LABOR													
DRAFTING	0.00	203.55	637.75	690.45	1015.00	638.28	1561.39	433.50	680.00	650.00	5179.92	647.49	6509.92
CLAIM STAKING	0.00	598.50	1298.26	2357.95	1425.27	1685.95	0.00	0.00	0.00	0.00	7365.93	920.74	7365.93
ACCOUNTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	34.50	88.00	155.25	150.76	76.05	0.00	0.00	504.56	63.07	504.56
>>TOTAL LABOR	0.00	802.05	1936.01	3082.90	2528.27	2479.48	1712.15	509.55	680.00	650.00	13050.41	1631.30	14380.41

****TOTAL EXPENSES	7691.87	8783.03	12039.48	14141.22	12128.73	12212.32	9734.15	12244.90	9597.25	9832.25	88975.70	11121.96	108405.20

TDC INVESTMENT TO DATE: \$87,741.14 (REFER TO P&L STATEMENT - YEAR-TO-DATE - INCOME)
 TOTAL EXPENSES TO DATE: 88,975.70 (REFER TO P&L STATEMENT - YEAR-TO-DATE - EXPENSES)

 CASH IN BANK & ICLAF: \$-1,234.56
 - 765.44 (REFER TO BALANCE SHEET - ASSETS)

 PAYABLE TO JABA FOR ADVANCES: \$ 2,000.00 (REFER TO BALANCE SHEET - ACCOUNTS PAYABLE)

PROPOSED BUDGET, MARCH 12, 1981 - \$203,762

\$203,762 - 12 MONTHS = \$16,980.17 X 8 = \$135,841.36

ACTUAL EXPENSES - APRIL THRU NOVEMBER = 88,975.70

**BELOW ESTIMATED BUDGET BY \$ 46,865.66



Southwestern Exploration Associates

COUNTY NOTEBOOK RESEARCH SYSTEM

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

CONSULTING SERVICES IN:

literature research
mineral exploration
geothermal exploration
geophysical exploration
multispectral aerial photography
space imagery search and retrieval
image enhancement and processing
remote sensing and interpretation
environmental studies

VOL. 1

COMMODITY MAP INDEX

COUNTY NOTEBOOK INVENTORY LIST

Volume 1: County Summary Material

1. Mining District index map with USGS quadrangle overlay
2. County bibliography list with explanations
3. Target listing
4. Listing of all deposits with current exploration status
5. Map indexes to various commodities and a generalized land status map
6. County report by State Bureau of Mines
7. Information on industrial mineral occurrences within the county
8. General articles filed alphabetically, preceded by bibliography list
9. Metal price list

Volume 2: Thesis Material

1. Index map of available theses
2. Theses arranged alphabetically by author

Volume 3: U.S.G.S. Reduced Topographic Sheets

1. Reduced A.M.S. sheets
2. Reduced 7½ and 15 minute quad sheets with list of mines located on each quad sheet

Volume 4: U.S.G.S. Geologic, Geophysical, Geochemical and Open File Maps

1. Index to maps in Volume 4
2. Geologic maps
3. Geophysical maps
4. Geochemical maps
5. Photo index maps

Volume 5: Mining District Notebooks

1. Mining district summary sheet
2. Mint records, mineral resources material, Weed's Copper Handbook (colored sheets separate these sections)
3. Mining district articles listed alphabetically
4. Bibliography
5. Mine summary sheets with geologic data
6. Land status