

MEMORANDUM FOR: Rowland King and John Edgar

April 8, 1958

RE: Barrett and Christianson and Johnson  
Socorro, New Mexico

I have spent two days in Socorro becoming acquainted with these principals, informing myself of the background of these negotiations, and evaluating the data with Earl Elstone which he and Bowyer had collected.

Earl has done an outstanding job of negotiating with Mr. Barrett, who dominates this group of men. He has developed an atmosphere of trust and confidence which is a credit to him considering the eccentric character he was dealing with. He was successful in getting the principals to revise their unacceptable asking price to one which can be justified by the known ore occurrences and the obvious requirements of the proposed exploration program.

I am in general agreement with the conclusions expressed in Earl's report. The extensive and continuous outcrops of relatively narrow fissures filled with low temperature minerals, which are of ore grade in many places, suggests adequate tonnage possibilities to justify careful investigation.

The nature of the vein system is such as to suggest considerable irregularity in width both laterally and in depth. Likewise variations in the mineral content suggest the probability of the need of somewhat selective mining of better grade ore shoots.

But in general it appears that we are looking at one of those situations which we have discussed in the past where under careful management, a small but moderately profitable enterprise can be developed in a comparatively short time and at a comparatively nominal capital investment.

It appears quite likely that in our efforts to deal with Mr. Barrett on a basis of mutual trust and confidence, a situation has been developed which can, with patience and persistence, be developed into a most important one for the company.

Let me interject here, that while I refer to Mr. Barrett as an eccentric, I do not do so with derision. He is, as a matter of fact, an unusually fine character, a good businessman and a well-thought-of citizen in his community. He enjoys the confidence of everyone with whom we came in contact. His greatest handicaps arise from his lack of formal education and from the fact that he is probably the most inarticulate man I have ever encountered in spite of the fact that he talks continuously either with his mouth or his hands.

It is my present belief that by cultivating Mr. Barrett we can put ourselves into a position to gain control of the Mex-Tex area of lead-Barite mineralization.

You have already indicated to me that an earlier investigation into Mex-Tex had resulted in a highly favorable report, but that subsequent negotiations with Mr. Scott had demonstrated the impossibility of securing a realistic deal. Also that, on inquiry from Roger McConnell, our files were made available to Bunker Hill. This resulted in a series of efforts on the part of Bunker Hill to negotiate with Mex-Tex, culminating in failure within the past two weeks.

According to Mr. Barrett, Bunker Hill was offering around \$250,000 in cash but that Scott, who is both irrational and irresponsible, insisted on a \$1,000,000 deal at the time negotiations were suspended.

At the same time Bunker Hill was negotiating with Portales (a nearby mine which is a duplicate of the Mex-Tex occurrence). Here the ownership is controlled by another irresponsible person--a woman--and a bankrupt corporation which holds a lease on the property. It appears that Bunker Hill failed to acquire this property when the psychotic woman attempted to raise her royalty rates to 15%.

I was on the Portales property yesterday. Under the management of Mr. Barrett some years ago this property produced over \$1,000,000 in lead concentrates. Barite was not saved. He later sold out to the present leaseholders and retained contiguous claims, some of which are within 50 feet of presently existing ore faces in Portales workings. These workings are most impressive. Ore reserves substantially in excess of past production are to be observed and potentially they can be duplicated in lower beds. It is almost impossible for the contiguous Barrett claims not to have extensions of these mineralized beds within their boundaries which are extensive enough to contain a multi-million-dollar ore reserve in themselves. A further potential ore reserve in this vicinity lies just to the north of the Portales-Barrett claims. This is a New Mexico school section which is under lease to an individual at present who appears to be open to an offer.

Barrett has considerable influence with Scott and with the woman referred to above--as much as anyone alive.

The potential ore reserves are great enough to warrant consideration of an offer of company stock to obtain control of them.

I am optimistic enough about the situation to suggest that a satisfactory deal might be developed by using the good offices of Mr. Barrett either as a sponsor or intermediary. Our presence in that area as an active operator should create a favorable condition for a patient and cautious development of this idea or any modifications of it.

I point out one potentially limiting aspect of these considerations. Based on the current barite market in the area, only the drilling mud field can be depended on. It is a limited market and one which could be easily exceeded by any substantial increase of production locally. Other markets are therefore needed. Without benefit of a formal market study it is difficult to assess this possibility. I point out a few situations which may be plus factors in this matter:

1. Recently I saw a press release indicating that either Hecla or Bunker Hill had acquired an ownership position in a barite plant in the Mississippi Valley area. I am vague about this as it made no impression on me at the time. If it was Bunker Hill, this fact plus their acknowledged interest in the subject ore reserves would establish the fact that they were confident of an adequate barite market.

2. The story continues to be repeated that research has established that Barite has been proved valuable as an insulating material in Atomic Energy plants--possibly as a neutron absorber,

substituting for lead. If true, an important tonnage could be required.

These comments are designed to support the conclusions being presented to you by Earl Elstone and to suggest the desirability of further developing the contacts which have been made in this area to date.

The details of how this program could be put into effect are only tentatively suggested since they would be modified by the degree of acceptance which is developed in your office and the personnel chosen to engage in their development.

But I do feel that there is a situation here which justifies thoughtful consideration and an attempt to get our teeth into it seriously.

I shall look forward with interest to your reactions.

Regards,

Ernie