

*Note: original in Hansonburg file  
("Barrett Group")*

MEMORANDUM TO: Rowland King

DATE: April 11, 1958

FROM: John Edgar

SUBJECT: Submittals on Lead-Barite Veins in the Socorro, New Mexico Area

1. I have reviewed Earl Elstone's report and proposed agreement covering the Barrett-Christenson-Johnson property in the Magdalena district west of San Antonio, New Mexico and I am not convinced that this property by itself is a particularly attractive deal. In the first place the acquisition terms are tough. I would agree to the probable necessity of either \$1,000 a month advance royalty payment, or a commitment to an expenditure over a reasonable length of time for exploration, but the combination of an advance royalty payment and a commitment to specific work which does not permit any latitude with regard to the type of an exploration program that should be followed appears to me to be a little unreasonable. Earl's estimate of \$42,000 initial commitment is certainly minimum and could amount to \$50,000 or \$60,000. Then if your exploration work proves "the ore veins continue laterally and to depth in size and mineral content in a similar manner to that shown in numerous exposures and provided that a concentrating mill be available to produce marketable products of lead and barite" the economics of the operation based on an assumed 5% lead and 25% barite content with a 90% recovery, 13¢ lead, and \$30.00 barite (although the present market for lead is 12¢ and information from other sources indicate that Mextex is getting \$24.00 for barite), there is a \$1.56 per ton operating margin on a 200 ton per day operation. My feeling is that this property considered by itself is not worth further consideration on the terms offered. If, on the other hand, Barrett et al would consider a reasonable option period, say six or eight months, it might be worth advance royalty payments of as much as \$1,000 a month in order to go in there and conduct the kind of an exploration program, whether it be sinking, drifting or drilling, that we felt was indicated.
2. Both Ernie and Earl seem to more or less concur with what I have just had to say about the Barrett-Christenson-Johnson deal, but emphasize what they feel to be the necessity of entering into this deal in order to have an entree into the main objective which is the Portales-Mextex area east of Socorro. Both Ernie and Earl feel that Mr. Barrett is pretty much the key to the Portales situation and to his claims which lie adjacent to the Portales group. Mr. Barrett has indicated or inferred that when, and only when, we have agreed to a deal on the Barrett-Christenson-Johnson group, he will discuss lease terms in connection with his claims adjacent to the Portales group and will make every effort to line up the Portales people to do business with us. Knowing that the Bunker Hill Company in recent months, has made a determined effort to line up the Portales-Mextex and Barrett properties, I met with Roger McConnel on Thursday afternoon, April 10th for a discussion of their experience. Although Roger did not offer to show me any maps or reports in connection with their activities, he did express himself very freely and I might add, very enthusiastically. The Bunker Hill Company, like ourselves, and at least two other other major companies that we know of, National Lead and Asarco, have made determined efforts over the past two years to obtain one or more of the aforementioned groups but without success because of the unreasonable terms insisted upon by the principals. The Mextex is the first thing that has drawn everyone to the district and while Mr. Scott has indicated a willingness to sell, he obviously has a profitable operation, is enjoying himself and has no intention of selling at anything less than



his terms which to date have not proved to be attractive or acceptable to anybody else. The Portales group which apparently is as spectacular and idle property as any of those who have examined it have ever seen, appears to be so fouled up legally and financially that there is some question whether a deal is even possible. There are high royalties, overriding royalties and the heavy indebtedness of the Oscura Company to contend with. Although the Oscura Company is in default of the terms of its lease with Mrs. Blanchard and Mrs. Cleghorn, they are still a factor to be dealt with and will only deal on the basis of an agreement which will bail them out of their indebtedness and leave them with an override of some sort or other on the production of the property. While a portion of Barrett's claims adjacent to the Portales must be considered of potential value, it does not have the proven worth of either the Portales or the Mextex. It would therefore appear to me that although Mr. Barrett might be willing to deal on his claims adjacent to the Portales after we had signed a deal covering his Magdalena claims, he could be helpful in a deal on the Portales group only to the extent that he would recommend us to the principals because there are too many factors involved over which he has no control. Consequently, I do not see the merit of entering into the Barrett-Christenson-Johnson deal in the hope that that will lead us into the Portales deal.

3. My conclusions therefore are, that we reject the Barrett-Christenson-Johnson deal as diplomatically as possible, attempting at the same time to retain Mr. Barrett's friendship and confidence;

that Ernie spend some time in research, trying to unravel the confused situation involving the Portales by conversations with the various people involved and by examination of the recorded documents covering the various deals;

that he review again the Mextex situation with Mr. Scott to see whether there has been any change in his attitude with any possibility of a reasonable deal, and

that he discuss the possibilities of a sub-lease of Sec. 16 in the Magdalena district with the Sabre-Pinon Corp. in line with Earl Elstone's memorandum of April 10th. The Bunker Hill Company has withdrawn from active negotiations in the area but are still very much interested and if it were possible for us to put together an acceptable deal, they would be very much interested in joining with us in a joint venture.

4. I think I can anticipate Earl's and Ernie's reaction to my analysis and opinion in this matter from this distance. They have been on the ground and have come away exceedingly enthusiastic over the potentialities of the district and I hope that my thoughts on the subject do not appear to be arbitrary or ultra-conservative. I must admit that I am influenced by the fact that the Portales operation went kaput in 1954 and it and the Mextex have been a subject of examination and negotiation by ourselves and others for most of the intervening years. During that period of time the economics of the situation have worsened, but the principals have not lowered their demands correspondingly. I do not believe that any other responsible party is standing by



waiting to consummate a deal on Wednesday if we fail to sign our agreement with Barrett. I think and Roger McConnel seems to feel that if sufficient additional time is spent hammering away at a deal that we could live with, there is a possibility that something attractive might be worked out. If you concur in these thoughts, please instruct Ernie accordingly.

JE/dr

John Edgar