

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MINERAL REPORT

Surface Use and
Validity Determination
For The

Phoenix R. & D. #I, Phoenix R. & D. #III, Phoenix R. & D. #IV,
Phoenix R. & D. #VI, Phoenix R. & D. #VIII, Phoenix R. & D. #IX
Mill Site Claims
(Title)

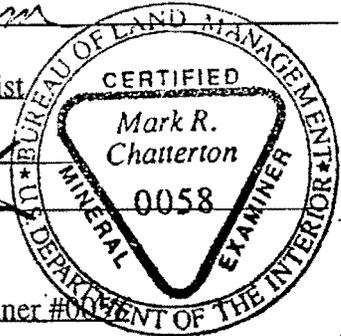
LANDS INVOLVED

Clark County, Nevada
T. 28 S., R. 64 E., MDM
Section 25, W $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 26, SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$
Containing 30 acres

Prepared by: Edward Secum
(Signature)

Mineral Specialist
(Title)

Mark R. Chatterton
(Signature)



Certified Mineral Examiner #0058
(Title)

July 23, 1999

(Date)

Technical Approval:

Larry L. Steward
(Signature)

Asst. CRME #013
(Title)

7/29/99
(Date)

Management Acknowledgment:

Michael J. ...
(Signature)

Field Manager
(Title)

8/3/99
(Date)

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Attachments: Maps, Photographs and Supporting Documents

I. Summary

A surface use determination and validity examination completed on the Phoenix R. & D. #I, Phoenix R. & D. #III, Phoenix R. & D. #IV, Phoenix R. & D. #VI, Phoenix R. & D. #VIII and Phoenix R. & D. #IX mill sites revealed that the mining claimant is processing cinders. The cinders (referred to as "head ore" by the claimant) are processed through a smelting furnace with the resultant dore plates going through an electro-winning treatment. The claimant's stated purpose in processing the cinders is to recover gold and platinum group metals. According to the claimant the cinders come from mining claims in California and Arizona. The authors were unable to confirm the location of the source. Samples were taken from the cinder stockpile being processed as "head ore" by the authors and sent for processing at an independent lab. The results did not show any economically recoverable precious metals. Equipment potentially related to mining and milling operations is set up in a processing circuit and is not portable. Temporary quarters, a lab, storage building, testing facility, well, generators, mobile homes and a storage yard are also on site.

The subject lands are located within the boundary of the Searchlight Mining District. During the field investigation, locatable minerals, or indications thereof, were not observed on the subject lands, nor are there any reported occurrences in the literature. The subject lands are not known to be prospectively valuable for Mineral Leasing Act minerals. The site is located in an area of alluvium of Quaternary age. The potential for the production of saleable minerals is considered to be low.

The subject lands were determined not to be mineral-in-character.

II. Conclusions

Based on the inspections of December 8, 1998, March 4, 1999 and inspections prior to that, it is our professional opinion that activities on this site do not meet the occupancy requirements of 43 CFR 3715.2, 3715.2-1, or 3715.5. In addition the site is not being occupied for uses that are reasonably incident to, or necessary for, prospecting, mining, or processing operations under the mining laws as provided for by 43 CFR 3712.1 and Section 4(a) of the Act of July 23, 1955.

- 1) Only limited processing of a non-locatable mineral is occurring, therefore occupancy of the site is not warranted. Operations taking place on the mill site are not being undertaken by a prudent operator in a usual, proficient and customary manner.
- 2) Activities on the site do not constitute substantially regular work under the Mining Law.
- 3) Activities and equipment on the site are being used to process non-locatable minerals and can not be reasonably calculated to lead to the extraction and beneficiation of locatable minerals.

- 4) Operations do not involve observable on-the-ground activities that BLM may verify under Sec. 3715.7. Activities are limited to the processing of non-locatable minerals.
- 5) The primary use of the mill site is for processing non-locatable minerals. The equipment present that could be reasonably incident, to a theoretical operation, is not being used for such an operation. All other equipment, machinery and other personal property is inappropriate for the purposes to which the mill site is actually put.
- 6) Since no valuable minerals are exposed, the present occupancy is beyond that needed to protect exposed, concentrated or otherwise accessible valuable minerals from theft or loss.
- 7) The occupancy is not needed to protect from theft or loss appropriate, operable equipment which is regularly used, is not readily portable and cannot be protected by means other than occupancy. The equipment is not used for processing locatable minerals and should not be on site.
- 8) The occupancy is not needed to protect the public from appropriate, operable equipment which is regularly used, is not readily portable, and if left unattended, creates a hazard to public safety.
- 9) The occupancy is not needed to protect the public from surface uses, workings, or improvements which, if left unattended, create a hazard to public safety. The occupancy and storage of equipment and non-mining related items for non-locatable uses creates a hazard to the public. Removal of the occupancy, equipment and non-mining related items would eliminate any perceived need for the occupancy.
- 10) The site is not located in an area so isolated or lacking in physical access as to require the mining claimant, operator or workers to remain on site in order to work a full shift of a usual and customary length. Since the site is not being occupied under the Mining Law no occupancy is warranted.
- 11) Having equipment, machinery and other personal property on site that is inappropriate for the purposes to which the mill site is actually put causes unnecessary and undue degradation of the public lands and resources.

III. Recommendations

Based on the field examinations of December 8, 1998 and March 4, 1999, the Bureau of Land Management should issue a complaint to initiate a contest action on the Phoenix R. & D. #I, Phoenix R. & D. #III, Phoenix R. & D. #IV, Phoenix R. & D. #VI, Phoenix R. & D. #VIII and Phoenix R. & D. #IX mill sites. The charge used in the contest complaint should state that:

"The Phoenix R. & D. #I, Phoenix R. & D. #III, Phoenix R. & D. #IV, Phoenix R. & D. #VI, Phoenix R. & D. #VIII and Phoenix R. & D. #IX mill sites are not being occupied for uses that are reasonably incident to, or necessary for, prospecting, mining, or processing operations under the mining laws as provided for by 43 CFR 3712.1 and Section 4(a) of the Act of July 23, 1955."

IV. Introduction

On December 8, 1998, an examination of the Phoenix R. & D. claim group, NMC 779121, 779120, 779119, 779118, 790017 and 790018, was made by Edward Seum, geologist, and Joel Mur, Natural Resource Specialist, of the BLM, Las Vegas Field Office. Robert F. Flaherty, president, and Larry Sip, consultant, represented the claimant/operator Phoenix Metals U.S.A. II, Inc. The mill sites are located on public land in Clark County, Nevada.

The purpose of the examination was to determine the validity of the mill sites, and to determine if the surface uses are reasonably incident to prospecting, mining, or processing operations within the meaning of 30 USC 612(a) and 43 CFR 3712.1 and 43 CFR 3715 (BLM Manuals 3891 and 3894, 1987).

The purpose of this report is as described above and should not be used for any purposes other than that for which it was prepared.

V. Lands Involved and Physiographic Data

The Phoenix R. & D. claim group is located to the east of Searchlight, Nevada (see Map 1). Physical and legal access is provided by utilizing the road and highway system of Clark County, and the State of Nevada. To reach the site take U.S. Route 95 south to Searchlight, Nevada. Turn east onto State Route 164 and proceed for approximately 7 miles, the mill sites are on the north side of S.R. 164.

Both the surface and mineral estates are in Federal ownership and under the jurisdiction of the Bureau of Land Management. A 5 foot utility right-of-way, N-8079, and a 50 foot utility right-of-way, Nev-045212, cross the Phoenix R. & D. #IV, #VI and #IX claims (see Map 2).

Mining Claim Record Data

The Phoenix R. & D. #I, Phoenix R. & D. #III, Phoenix R. & D. #IV and Phoenix R. & D. #VI mill sites were located September 16, 1997 by T.D. and Doris W. Barnes. The claims were subsequently quit claimed to Phoenix Metals U.S.A. II, Inc. on March 4, 1998. Phoenix Metals U.S.A. II, Inc. amended the location of the Phoenix R. & D. #III, Phoenix R. & D. #IV and Phoenix R. & D. #VI mill sites on May 1, 1998 to those currently shown below. The Phoenix R. & D. #VIII and Phoenix R. & D. #IX mill sites were located May

11, 1998 by Phoenix Metals U.S.A. II, Inc. All required filings are up to date through the 1999 filing year. The legal description of the subject mill sites is:

Phoenix R. & D. #I	Meridian: Township: Range: Section: Legal Subdivision: Acres:	Mount Diablo 28 South 64 East 26 W $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ 5
Phoenix R. & D. #III	Meridian: Township: Range: Section: Legal Subdivision: Acres:	Mount Diablo 28 South 64 East 25 W $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ 5
Phoenix R. & D. #IV	Meridian: Township: Range: Section: Legal Subdivision: Acres:	Mount Diablo 28 South 64 East 26 W $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ 5
Phoenix R. & D. #VI	Meridian: Township: Range: Section: Legal Subdivision: Acres:	Mount Diablo 28 South 64 East 25 W $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ 5
Phoenix R. & D. #VIII	Meridian: Township: Range: Section: Legal Subdivision: Acres:	Mount Diablo 28 South 64 East 26 E $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ 5
Phoenix R. & D. #IX	Meridian: Township: Range: Section: Legal Subdivision: Acres:	Mount Diablo 28 South 64 East 26 E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ 5

Conflicting Claims

The six mill sites were filed over top of a portion of the Phoenix R. & D. #1 placer claim, NMC 779122 (see Map 3). This 160 acre placer claim was located by T. D. Barnes, Doris W. Barnes, W. D. Barnes, Darwin W. Barnes, Deborah G. English, Heather R. Kelly, Dave Eastman and Tamera Eastman on September 1, 1997. The certificate of location described the claim as being in T. 28 S., R. 64 E., sec. 25, W $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$, sec. 26, E $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$. The claim was quit claimed to Phoenix Metals U.S.A. II, Inc. on March 4, 1998. An amended certificate of location dated May 4, 1998, filed with the BLM May 26, 1998, changed the location to T. 28 S., R. 64 E., sec. 25, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, sec. 26, SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$. All required filings are current through the 1999 filing year.

The Phoenix R. & D. #IV and #IX mill sites were filed over a portion of the Mohave #4 placer mining claim, NMC 539044 (see Map 4). The Mohave #4 was located on November 2, 1988 by T. D. Barnes, Doris W. Barnes, Deborah G. English and Tamera R. Spurgeon. The certificate of location described the claim as being in T. 28 S., R. 64 E., sec. 26, S $\frac{1}{2}$ NE $\frac{1}{4}$. The placer claim was 80 acres in size and is currently held by T. D. and Doris W. Barnes. All required filings are current through the 1999 filing year.

The Phoenix R. & D. #IX mill site was filed over top of the Geneva #18 mill site, NMC 371009. The Geneva #18 mill site was located on July 3, 1986 by T. D. Barnes. On October 3, 1997 an amended notice of location was filed with the BLM. The amendment changed the name from Geneva #18 to Phoenix R. & D. #V. Another amendment received July 2, 1998 changed the name back to Geneva #18. The claim is currently held by T. D. and Doris W. Barnes. All required filings are current through the 1999 filing year.

The Phoenix R. & D. #VIII mill site was filed over top of the Geneva #19 mill site, NMC 371010. The Geneva #19 mill site was located on July 3, 1986 by T. D. Barnes. On October 3, 1997 an amended notice of location was filed with the BLM. The amendment changed the name from Geneva #19 to Phoenix R. & D. #II. Another amendment received July 2, 1998 changed the name back to Geneva #19. The claim is currently held by T. D. and Doris W. Barnes. All required filings are current through the 1999 filing year.

Portions of the Phoenix R. & D. #VIII and #IX mill sites were filed over top of the Cobalt #4 Millsite #1, NMC 275144 (see Map 5). The Cobalt #4 Millsite #1 was located on July 11, 1983 by Leonard Phillips. The claim is located in T. 28 S., R. 64 E., sec. 26, E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$. The claim has been through a number of owners but is currently held by Ralph C. Gustin, III. All required filings are current through the 1999 filing year.

Mr. Gustin, T.D. Barnes and Phoenix Metals U.S.A. II, Inc. are currently before a court of competent jurisdiction in a rival claimant suit to determine ownership. Table 1 lists the above claims, in the order of their filing along with other pertinent information.

Table 1 - Claim Table

Claim Name	NMC #	Current Claimant	Date of Location	Claim Type	Legal Description	Acreage
Cobalt #4 Millsite #1	275144	Ralph C. Gustin III	7/11/83	Mill Site	T. 28 S., R. 64 E., sec. 26, E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$	5.0
Geneva #18	371009	T.D. & Doris Barnes	7/03/86	Mill Site	T. 28 S., R. 64 E., sec. 26, E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$	5.0
Geneva #19	371010	T.D. & Doris Barnes	7/03/86	Mill Site	T. 28 S., R. 64 E., sec. 26, E $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$	5.0
Mohave #4	539044	T.D. & Doris Barnes	11/02/88	Placer	T. 28 S., R. 64 E., sec. 26, S $\frac{1}{2}$ NE $\frac{1}{4}$	80.0
Phoenix R. & D. #1	779122	Phoenix Metals U.S.A. II, Inc.	9/01/97	Placer	T. 28 S., R. 64 E., sec. 25, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, sec. 26, SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	160.0
Phoenix R. & D. #I	779121	Phoenix Metals U.S.A. II, Inc.	9/16/97	Mill Site	T. 28 S., R. 64 E., sec. 26, W $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$	5.0
Phoenix R. & D. #III	779120	Phoenix Metals U.S.A. II, Inc	9/16/97	Mill Site	T. 28 S., R. 64 E., sec. 25, W $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$	5.0
Phoenix R. & D. #IV	779119	Phoenix Metals U.S.A. II, Inc	9/16/97	Mill Site	T. 28 S., R. 64 E., sec. 26, W $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$	5.0
Phoenix R. & D. #VI	779118	Phoenix Metals U.S.A. II, Inc	9/16/97	Mill Site	T. 28 S., R. 64 E., sec. 25, W $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$	5.0
Phoenix R. & D. #VIII	790017	Phoenix Metals U.S.A. II, Inc	5/11/98	Mill Site	T. 28 S., R. 64 E., sec. 26, E $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$	5.0
Phoenix R. & D. #IX	790018	Phoenix Metals U.S.A. II, Inc	5/11/98	Mill Site	T. 28 S., R. 64 E., sec. 26, E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$	5.0

Claim History

This site has had a number of operators, Notices and a Plan of Operations associated with it. Table 2 lists the Notices and Plan which have occurred on this site and their status.

Table 2 - Notices and Plan Listing

Notice/Plan Number	Claimant	Operator	Status
N56-82-050N	Leonard Phillips	Nevada Cobalt Industries, Inc.	Closed 03/09/95
N56-85-016N	Nick & Debbie Kranjac	Nick & Debbie Kranjac	Closed 04/10/90
N56-88-049N	U.S. Cobalt Research & Div. Co.	Pannos Mining Co.	Closed 04/10/90
N54-89-071N	Libra Mining	Mildred Kaunas	Closed 08/19/91
N54-90-033N	Roger Clark	Unique Noble Metals, Inc.	Closed 11/18/91
N54-91-091N	Floyd Robertson	Floyd Robertson	Closed 11/24/93
N54-93-012N	Geneva Minerals, Inc.	Baja Research Project	Open, Amended 02/27/97
N54-93-012N	T.D. & Doris Barnes	Phoenix Metals U.S.A. II, Inc.	Open
N53-97-019P	Phoenix Metals U.S.A. II, Inc.	Phoenix Metals U.S.A. II, Inc.	Suspended prior to approval 11/20/98

The most recent activities conducted under the 43 CFR 3809 regulations have been tracked under Notice N54-93-012N filed on February 17, 1993. Activities were to take place on the Geneva #19 mill site. The claimant was Geneva Minerals, Inc. and the operator was listed as Baja Research Project. On February 27, 1997 an amendment to the Notice was filed. The amendment changed the claimant to T.D. & Doris Barnes and the operator to Phoenix Metals U.S.A. II, Inc.

Since disturbance under the Notice exceeded five acres, Plan of Operations N53-97-019P was filed September 17, 1997. The Plan listed the claimant as T. D. & Doris Barnes, the operator as Phoenix Metals U.S.A. II, Inc. and the claims to be disturbed as the Phoenix R. & D. I and II mill sites. Under the Plan, Phoenix Metals U.S.A. II, Inc. proposed to process cinders for precious metals. The Plan was suspended on November 20, 1998 pending the outcome of this validity exam. Operations currently appear to be affecting the Phoenix R. & D. #IV, #VIII and #IX mill sites based on the examination of December 8, 1998.

VI. Environmental Considerations

The area is in the Searchlight Mining District (Longwell et. al., 1965). The Searchlight District is centered around the town of Searchlight, Nevada in southeastern Clark County. No cultural features associated with past mining are known to be on the site. Reviews of the Notice and proposed Plan of Operations by a BLM Archaeologist did not identify cultural resources of any type, on or near the property.

The site is located within desert tortoise habitat. The desert tortoise is listed as a threatened species by the U.S. Fish and Wildlife Service. The site was disturbed by a number of operators in the 1980's prior to listing of the tortoise. Within the area disturbed by Phoenix Metals U.S.A. II, Inc. tortoise habitat no longer exists. No mitigation fees would be required for those lands already disturbed. The operator currently has no take of desert tortoise under the Endangered Species Act. To reduce the potential risk of take the operator has started to fence the site with tortoise proof fence.

Operations on the site should not degrade either surface or ground waters of the State. Phoenix Metals U.S.A. II, Inc. has obtained authorization (Permit No. 63595) to use ground water from a well drilled on the property. The permit gives the right to use up to 10 acre feet of water per year. In addition, Water Pollution Control Permit No. NEV97105 has been issued by the Division of Environmental Protection. A number of overflow containment systems have been installed to catch possible deleterious substances prior to their reaching the ground where they might cause contamination. The operator has applied for septic permits from the Clark County Health District for sanitary facilities.

The site is not located in a non-attainment area. As the current "mill feed" is brought in already sized no crushing is required. This results in less dust being produced than at sites requiring processing. The smelting furnace has scrubbers attached to keep deleterious substances out of the air.

The site is covered by Nevada Division of Environmental Protection Reclamation Permit No. 0168. This permit authorizes Phoenix Metals U.S.A. II, Inc. to reclaim the site. The permit requires that the disturbed lands be returned to a productive post-mining land use. Phoenix U.S.A. II, Inc. posted a surety bond (SD00001689) in the amount of \$45,904.00 to ensure reclamation of the site.

There are no other environmental considerations associated with this site.

VII. Inspection History

Inspections on these mill sites have been performed by the BLM at various intervals. A table showing the dates of inspection, inspector and picture numbers (attached to this

report) is shown below. The inspection history is limited to those inspections which occurred on N54-93-012N and N53-97-019P.

<u>Date Inspected</u>	<u>Inspector</u>	<u>Picture #</u>
03-24-93	Joel Mur	
05-20-93	Glen Miller	
06-09-93	Glen Miller	
11-24-93	Glen Miller	1-5
04-07-94	Miller/Ron Crayton	
12-07-94	Joel Mur	
12-09-94	Miller/Ron Crayton	
03-09-95	Miller/Ron Crayton	
03-21-95	Joel Mur	
03-12-97	Miller/Larry Sip	
03-24-97	Glen Miller	
06-23-97	Joel Mur	
10-22-97	Joel Mur	6-8
02-19-98	Joel Mur	
05-05-98	Joel Mur	
05-20-98	Joel Mur	9-15
06-25-98	Joel Mur	16-25
12-08-98	Edward Seum/Mur	26-52
12-16-98	Joel Mur	53-57
03-04-99	Mark Chatterton/Seum	

The first inspection was completed on this site in March of 1993. It was noted that there was a new operator, Baja Research Project, and that the site was much cleaner than in the past.

The inspection of May 20, 1993 resulted in the operator agreeing to excavate and dispose of old trash buried on the site by previous operators. The inspection of June 9, 1993, was a courtesy call to set a date for removal of the old trash dump.

An inspection completed on November 24, 1993 found no activity other than some concentrates and the start of a scrap pile (photos 1-5). The next inspection on April 4, 1994 found that chemicals were being stored improperly on the site. Oxidizers and corrosives were being stored together. On December 7, 1994 various chemicals were found to be stored outside. The inspection report noted that a follow-up inspection needed to be made when someone was on site.

The inspection of December 9, 1994 found that chemicals were still stored improperly and that photographic film was being processed to remove the silver. The operator was instructed to remove the film processing operation from the site and to label and store all chemicals properly.

On March 9, 1995 an inspection found that the claimant was cleaning up the site and that the operator had moved operations to patented lands within Searchlight, Nevada. The inspection of March 21, 1995 found that the site was back in compliance with the surface management regulations.

Repairs to buildings, new equipment installation and further clean-up of the site were found to be occurring on March 12, 1997. Phoenix Metals U.S.A. II, Inc. had taken over as operator on the site. March 24, 1997's inspection found that painting and building repairs were ongoing.

On June 3, 1997 an inspection by Joel Mur found that Phoenix Metals U.S.A. II, Inc. was installing a furnace to extract metals from ore. The operator was told that operations might be over the 5 acre threshold for Notice level activities and that a Plan might be needed. The State of Nevada inspector present at the time informed the operator that they were in violation of State regulations by constructing prior to obtaining a permit.

On October 22, 1997 the operator met with Joel Mur and State inspectors on site. The operator was informed that no operations could take place until the State issued it's permit. The operator was informed by Mur that additional information required by 43 CFR 3715 needed to be submitted. All 3809 issues would be resolved once the Plan of Operation, which had been submitted, was approved and implemented (photos 6-8).

Inspection by Joel Mur on February 19, 1998 found the operator working on the furnace. Mur requested that the chemicals stored in the 'bone yard' be moved inside.

The May 5, 1998 inspection by Mur found no activity on the site. Employees were all at MSHA training. During the May 20, 1998 inspection it was noted that a steel cover was being placed over the furnace (photos 9-15). During the inspection of June 25, 1998 the operator stated that they would be running in five or six weeks. Additional containment tanks and security/employee trailers had been installed. Tortoise fence was being installed around the operating area (photos 16-25).

No milling operations ever occurred during any of the inspections listed above. As noted in the inspection of June 25, 1998 they would be running in 5 or 6 weeks. As of the writing of this report Phoenix Metals U.S.A. II, Inc. has not operated the mill. Clean-up, construction and maintenance of equipment and buildings is the only type of work being done.

VIII. Geologic Setting

Regional Geology

The subject lands are located on a valley fill bounded by the Opal Mountains on the north, Newberry Mountains to the south, Highland Springs Range to the west and Lake Mohave on the east. The Opal Mountains are a highland extending northward from a line east of Searchlight to the vicinity of Hoover Dam. A small portion extends eastward into Arizona, east of Black Canyon. There is evidence of a north-south trending fault at the southeastern most point of the range, however the contact is not exposed. The Newberry Mountains extend southeast from Searchlight to the southern tip of Clark County. A wide exposure of Precambrian rocks indicates a broad zone of uplift along a northwesterly trending axis. Faulting in the range is obscured by the lithology. From Searchlight the Highland Springs Range trends slightly west of north ending near the latitude of Nelson. No faulting is evident.

Exposed Bedrock

The lithology of the Highland Springs Range is primarily a series of andesite flows, tuffs and breccias. Intrusions of andesite porphyry and quartz monzonite occur near Searchlight. The Newberry Mountains are composed of dark gneisses, schists and porphyritic rocks of Precambrian age. The lithology of the Opal Mountains, at their southern end, is mainly metamorphic and granitic rocks of Precambrian age. A few Tertiary volcanics form isolated foothills between the southern end of the range and the lake.

Valley Fill

Valley fill extends in a wide band separating the various ranges and ending at the lake. The fill is the result of deposition from erosion of upland areas. The fill is typically composed of coarse-grained, heterogeneous deposits of mineral materials near the source. Finer grained materials are found traversing the fan to the east.

IX. Site Geology

A field examination of the subject lands was conducted on December 8, 1998. The land surface has been disturbed by activities conducted by Phoenix Metals U.S.A. II, Inc. and others. The surrounding area has a diverse vegetative cover.

Due to the highly disturbed nature of the subject lands it was not possible to evaluate them in their native state. Undisturbed areas adjacent to the subject lands are composed of sand and gravel of Quaternary age. The source of the fill is granitic and metamorphic rocks to the north. A small prospect shown on the attached topographic maps falls within the Mohave #4 placer claim. The prospect consists of an excavation in the fill material. There are no reports of mineralization associated with this prospect in the literature.

Due to the disturbed nature of the surface materials on the subject lands no samples for locatable minerals were taken. There are no reported occurrences of locatable minerals occurring in the valley fill around Searchlight in the literature.

X. Mining History of the Vicinity

The area is in the Searchlight Mining District (Longwell et. al., 1965). The Searchlight District is centered around the town of Searchlight, Nevada in southeastern Clark County. The first claims were located in 1897 with mining starting at the Duplex and Quartette mines shortly thereafter. Recorded production through 1962 was approximately \$7,000,000. The most noted mine with the largest amount of the district's production is the Quartette. The mine has accounted for 64 percent of the gold, 21 percent of the silver, 58 percent of the copper and 13 percent of the lead recorded for the district (Longwell et. al., 1965).

The New Era property located in sec. 34, T. 28 S., R. 64 E. is the nearest mine to the subject lands. Several shafts explore an andesite porphyry with the largest extending 240 feet (Callaghan, 1939). Small amounts of production occurred in 1922, 1925 and 1931-34. No known occurrences of locatable minerals have been found within the valley fill (Vanderberg, 1936 and Johnson, 1973).

Deposits of mica and beryl occur in pegmatite dikes in the Opal Mountains. The White Cloud claim located in T. 27 S., R. 64 E. produced approximately one ton of beryl bearing rock. Large deposits of perlite have been located northeast of Searchlight, Nevada but have not been mined.

XI. Mineral-in-Character Determination

The subject lands are located within the boundary of the Searchlight mining district. During the field investigation, locatable minerals, or indications thereof, were not

observed nor are there reported occurrences in the literature. Likewise, there is no reason to suspect their existence based on the geology of the area.

The Mineral Leasing Act resources classification maps, prepared by the Division of Mineral Resources, Nevada State Office, Bureau of Land Management, indicate the subject lands are not prospectively valuable for oil and gas and for compounds or brines of sodium and potassium. The lands are not known to be valuable for other Mineral Leasing Act minerals including geothermal steam and associated geothermal resources.

During the field investigation, saleable minerals, or indications thereof, were not observed on the subject lands. While the area surrounding the site is made up of Quaternary sand and gravel it is not felt that the materials are sufficient for a viable operation. Based on this analysis the land is not mineral-in-character

XII. Analysis of Surface Uses

Claim Development

On December 8, 1998, Edward Seum and Joel Mur went to the Phoenix R. & D. #I, #III, #IV, #VI, #VIII and #IX mill sites. Robert F. Flaherty, president, and Larry Sip, consultant, were present representing Phoenix Metals U.S.A. II, Inc. the claimant/operator.

The following summarizes Mr. Flaherty's verbal statements, to Edward Seum, about the mill sites during the exam on December 8, 1998:

1. They were currently running "head ore" through the processing circuit. The cinder "ore" came from mining claims in Navajo County, Arizona and claimed lands near Cima, California. He was not sure which of Phoenix Metals mining claims in Arizona had produced the materials being processed. The cinders from the Cima area were purchased from a company called Emray.
2. The materials from Cima come to the facility at minus 3/8 inches and those from Arizona at minus 1/8 inches. No further reduction in size is required before entering the processing circuit.
3. The cinders are combined with a flux and/or collector and placed into a smelting furnace. The type of collector used is either copper or silver. The exact nature of the recipe is proprietary and he did not want to give it out. The pour from the smelting process is then taken to the electro-winning area.
4. There were currently 7 operating electro-winning units. Approximately one ton of anode had been plated. No statements on production would be issued until

production is consistent. He felt that production statements might be misleading to the public.

5. He was showing by certified assay gold, silver and platinum group metals at all stages of the operation. This includes head ore, dore and anode mud.
6. A stockpile of larger sized cinders from Cima were to be used to test a new crusher. This crusher would reduce the "ore" to pass through a 200 mesh screen.
7. The site would be shutting down temporarily in the near future to re-brick the 13.5 ton smelting furnace. Bricks currently in the furnace were not right for the temperatures being used.
8. To date, there had been no real production on the mill sites.
9. Conventional fire assay techniques do not work on cinders. He would supply the BLM with two assay techniques which would give similar results to those being obtained by his company.
10. Preliminary assays by his company had shown no values associated with the Phoenix R. & D. #1 placer claim. This is the claim overlapped by the mill sites.

The following statements were made by Larry Sip, consultant for Phoenix Metals, to Edward Seum during the exam:

1. The corners of the mill sites were not marked. The claims were located by aliquot part.
2. The majority of the items are located on the Phoenix R. & D. #VIII mill site. The well, cabin and trailers are on the Phoenix R. & D. #IX mill site. A small portion of the "bone yard" is located on the Phoenix R. & D. #IV mill site. There is no development on the Phoenix R. & D. #I, III and VI mill sites.

During the examination neither Flaherty nor Sip could point out the specific boundaries of the mill sites. No section or quarter corners exist on or near the claims. Table 3 lists the claims and any improvements or equipment which occurs on them. It is based on statements by Sip as to which claim items occurred on. Diagrams of the processing circuit and site plan are included in the attachments to this report. The diagrams were modified by the author, based on the field visit, from originals submitted by Phoenix Metals U.S.A. II, Inc. as part of the proposed plan of operation.

The following are located on the west side (central and northern portion) of the Phoenix R. & D. #VIII claim. The testing facility is housed in a building that has been on the site since the mid 1980's (photo 18). Electro-winning units are stored and operated in this

building (photos 8, 16, 26-27). A small furnace is located in the northern end of the building (photo 17). Two diesel generators (250 kw and 500 kv) are used for additional power sources. The 500 kv generator is housed in a cargo container while the other generator is on a cement pad. Diesel storage tanks sit adjacent to the generators (photos 28, 53). A collection basin for potential overflow of fluids from the electro-wining operation is located north of the testing facility building (photos 19, 29). The majority of the 'bone yard' is located on the northwestern most portion of the claim (photos 19, 29-31).

The following are located on the central portion of the Phoenix R. & D. #VIII claim. Two prefabricated buildings serve as temporary quarters and to house security (photos 11, 14-15, 24, 52, 54, 56). The buildings are currently unoccupied as the septic system has not been approved by the Clark County Health Department. A storage building housing chemicals and a small lab building are located just to the northeast of the temporary quarters (photos 6-7, 11, 25, 41, 43). Assay work is done in the lab.

A covered processing area sits in the northeast quadrant of the Phoenix R. & D. #VIII claim. A stockpile of cinders sits along the west edge of the processing area (photo 44). A front end loader is used to place the cinders into a hopper (photo 45) along with a flux and a collector (silver or copper). A screw conveyor carries the mixture to a ribbon blender (photo 46). The materials exit the ribbon blender by screw conveyor to another hopper which then feeds into the 13.5 ton smelting furnace (photos 47-49). Off-gases from the smelter go through pipes to scrubbers (photos 50-51). A smaller furnace which is not used sits next to the larger one (photo 48). A small crusher and a series of bins sits on the northeast corner of the processing area, outside of the covered area (photo 51). This crusher was to be used in a test crush of coarse cinders that was stockpiled south of the testing facility (photos 56-57). Propane tanks sit to the east of the processing site (photo 42).

The following are located on the southwest portion of the Phoenix R. & D. #IX claim. A well has been drilled to supply water for the operation (photo 34). A waterline from the well was under construction during the inspection (photo 35). A cabin which has been on the site since the mid 1980's is used as the site manager's office and residence (photo 40). Several mobile homes are currently used to house employees on the site (photos 36-39). A small portion of the 'bone yard' crosses onto this claim (photo 32).

Table 3 - Claim Development

<i>Claim Name/Number</i>	<i>Improvements</i>	<i>Equipment</i>	<i>Photographs</i>
Phoenix R. & D. #I	None	None	None
Phoenix R. & D. #III	None	None	None
Phoenix R. & D. #IV	None	Portion of "bone yard"	Photo 32
Phoenix R. & D. #VI	None	None	None
Phoenix R. & D. #VIII	Temporary quarters, testing facility, lab, storage building and cover for processing circuit, water line.	Generators, diesel tanks, electro wining units, processing circuit, stored items in "bone yard", propane tanks, front end loaders and a forklift.	Photos 6, 7, 8-12, 14-19, 21-31, 41-57
Phoenix R. & D. #IX	Well, water tank, water line, cabin and mobile homes.	None	Photos 13, 20, 32-40

Associated Mining Claims

Mining claims associated with these mill sites, and under Phoenix Metals U.S.A. II, Inc.'s ownership or control, are located near Searchlight, Nevada and in Navajo County, Arizona. According to Robert Flaherty Phoenix Metals U.S.A. II, Inc. also purchases cinders from the Cima, California area.

Phoenix Metals U.S.A. II, Inc. owns the Phoenix R. & D. #1 and Phoenix R. & D. #2 placer claims which are located on public lands east of Searchlight, Nevada. The Phoenix R. & D. #1 is located in T. 28 S., R. 64 E., sec. 25, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, sec. 26, SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$. The Phoenix R. & D. #2 is located in T. 28 S., R. 64 E., sec. 23, S $\frac{1}{2}$ SE $\frac{1}{4}$, sec. 26, N $\frac{1}{2}$ NE $\frac{1}{4}$ (see Map 6). No Notice or Plan to explore or develop these claims has been received. No materials from either claim are being processed on the mill sites. According to Mr. Flaherty, preliminary assays on material from the Phoenix R. & D. #1 showed no values. No assay work has been completed on the Phoenix R. & D. #2.

During the examination Mr. Flaherty stated that some of the materials being processed were from mining claims owned by Phoenix Metals U.S.A. II, Inc. on public lands in Navajo County, Arizona. However, he was not sure which mining claims in Arizona had produced the materials being processed. Prior to the examination the Las Vegas Field Office requested information concerning the source several times.

A letter was sent to Robert Flaherty on May 19, 1998 requesting that Phoenix Metals U.S.A. II, Inc. provide additional information about the sources and types of minerals to

be processed. Claim names, legal descriptions, etc. were requested. A reply dated June 16, 1998 listed 34 claims in Arizona but did not state which provided materials for milling operations.

A letter was sent to Larry Sip on October 23, 1998 in response to a meeting at the Las Vegas Field Office on the previous day. The letter questioned the validity of processing cinders on the mill sites. Phoenix was requested to provide additional information concerning its mining claims to help resolve the issue of validity. No reply was received.

A letter to Robert Flaherty dated December 1, 1998 informed him of the validity exam to be completed on December 8th. It also requested a copy of any use authorization and list of claims on public lands that the materials being processed came from. No list of claims or use authorization was received.

All of the claims listed in the control of Phoenix Metals U.S.A. II, Inc. in Navajo County, Arizona occur on U.S. Forest Service managed lands. An inquiry was made to the U.S. Forest Service, Lakeside Ranger District, Lakeside, Arizona to see if Phoenix Metals U.S.A. II, Inc. had operations occurring on lands managed by the Forest Service. A reply dated November 19, 1998 stated that no authorization existed.

During the examination Mr. Flaherty stated that some of the materials being processed were purchased from Cima, California. He believed that the cinders came from mining claims on public lands. In response to a post examination letter from the Las Vegas Field Office, Mr. Flaherty provided the name and address of the company supplying the cinders from the Cima area. A letter was sent to Emray Corp. requesting information concerning the source of the cinders being purchased by Phoenix Metals U.S.A. II, Inc. No response was received.

The authors were unable to confirm the source of any of the cinders being processed on this site.

Sampling

On December 8, 1998 Edward Seum took two samples from a cinder stockpile at the Phoenix Metals U.S.A. II, Inc. claims located east of Searchlight, Nevada. Joel Mur, BLM, witnessed the sampling. According to Mr. Robert Flaherty the cinders came from mining claims located near Cima, California. The cinders were purchased from Emray, Corp.

The cinder stockpile was located next to the covered processing area (photo 44). According to Flaherty the cinders came to him already processed down to minus 3/8" and required no more treatment before going through his processing circuit. He stated that this was "head ore" and that it contained values.

Sample 1 was a grab sample from the stockpile. A shovel was used to clean the face of the stockpile. Material was then shoveled into a canvas bag labeled - "Cinder Pile Sample 1 single source", 12/8/98, Edward Seum. The bag was tied off and set aside. Total weight of the sample was approximately 26 lbs.

Sample 2 was also a grab sample from the stockpile. However, a shovel was used to clean the face of the stockpile in four randomly selected locations. Material was taken from each spot and was shoveled into a canvas bag labeled - "Sample 2 Cinder Pile 4 sample composite", 12/8/98, Edward Seum. The bag was tied off and both bags loaded into our vehicle. Total weight of the sample was approximately 32 lbs.

The samples were transported back to the BLM Field Office in Las Vegas, Nevada by Seum and Mur. The samples were placed in a sample storage shed which is kept locked with access restricted to minerals personnel. The samples never left the sampler's possession from taking to storage.

On April 8, 1999 Seum and Mur retrieved the samples from the storage shed. Sample 1 was emptied into a Jones Splitter with the materials collected in pans placed under the splitter. A scoop was used to place materials from the pans into five plastic lined sample bags. Each bag was filled to weigh approximately 2 lbs. The plastic bags were then tied off with plastic ties and the canvas bags tied off using the attached canvas strings. The bags were labeled 1-5 with the original i.d. as identified above. The excess materials were then poured from the pans back into the original bag which was sealed. Sample 2 was processed in an identical manner. The sample splits were then locked back up in the storage shed.

On April 20, 1999 Edward Seum retrieved 4 of the sample splits, 2 of each sample (single source and composite), from the storage shed. The samples were placed in a 5 gallon bucket, along with instructions on how to process the samples, that was then sealed with the lid. Strapping tape was then wrapped lengthwise over the bucket and lid. The bucket was shipped overnight by Federal Express to a lab, Legend, Inc., 125 Manuel, Reno, Nevada 89502 for testing.

Sample Testing

During the examination Mr. Flaherty stated that conventional fire assay techniques did not work on cinders and that he would supply the BLM with two assay techniques which would give results similar to those being obtained by his company. On January 20, 1999 the Las Vegas Field Office received a letter from Mr. Flaherty with two assay methods attached. One of the assay methods would only give a qualitative result while the other used the Induction Coupled Plasma (ICP) Technique to give a quantitative result. Copies of the methods supplied by Flaherty are attached to this report.

The authors decided to have the samples tested using the fire assay method and the ICP method supplied by Flaherty. Legend, Inc., located in Reno, Nevada, was requested to analyze two of the samples (one single source, one composite) using fire assay techniques, and two of the samples using the ICP technique supplied by Flaherty. The samples were to be analyzed for gold, silver and platinum group metals.

The fire assay method was chosen since it is the most common technique used for analyzing precious metals, gives accurate results and is recognized by the court system as a method for analyzing precious metals in legal disputes. Legend, Inc. follows the fusion and cupellation methods in a standard fire assay technique. However, instead of weighing the dore bead, it is digested and analyzed by the ICP method. According to Mark Lewis, owner of Legend, Inc. the method supplied by Flaherty is less sensitive than the fire assay method. The detection limits are higher since it does not go through the fire assay step, which acts as a concentration step.

On May 17, 1999 the results of the tests were received from Legend, Inc. and are summarized in Table 4. While using the ICP method supplied by Flaherty, a problem with interference from iron was encountered. Interference by iron when analyzing along the normal primary spectral lines for the precious metals caused positive results to be reported. The interference caused false readings as high as 12 ounces per ton. The samples were re-analyzed using an alternate wavelength which got rid of the iron interference. Sample results do not show any economically recoverable precious metals. A copy of the cover letter, Certificate of Analysis and spectral printouts produced by Legend, Inc. are attached to this report.

Table 4 - Assay Results

Fire Assay	Au oz/t	Ag oz/t	Pt oz/t	Pd oz/t	Ru oz/t	Rh oz/t	Ir oz/t	Os oz/t
Single Source	<0.003	<0.05	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003
Composite	<0.003	<0.05	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003
Assay technique from Phoenix Metals	Au oz/t	Ag oz/t	Pt oz/t	Pd oz/t	Ru oz/t	Rh oz/t	Ir oz/t	Os oz/t
Composite	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10
Single Source	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10

A less than sign (<) is to be read "less than" or "none detected"

Surface Use Evaluation

Mining claims pass through a number of phases prior to becoming a working mine. The phases include prospecting or exploring for ore, delineation of ore bodies, development of a mine and production. Surface uses appropriate to each phase will be carried out by a prudent operator in usual, customary and proficient operations. These uses cause due and necessary degradation of the surface which are allowed by the Mining Law. The magnitude of the degradation will be dependent on the phase. Unnecessary or undue degradation of the surface is prohibited by 43 USC 1732(c). Surface operations and occupancy on and associated with mining claims are regulated by the BLM through 43 CFR 3715 and 43 CFR 3809 to prevent undue or unnecessary degradation. A mining claimant or operator is entitled to use the surface of their mining claim for purposes reasonably incident to prospecting, mining, and processing operations.

Development of a mill site to process ores for extraction of valuable minerals by a prudent operator will normally take place in conjunction with development of a mine. Prior to outlays for capital improvements to a mill site, the ore samples will undergo numerous physical and chemical tests. Physical disturbance of the proposed mill site is not required at this point. The tests will determine the types of equipment and chemicals which might be needed to extract the valuable minerals. Equipment is then brought in to set up in the proper circuits for processing ore. This will take extensive testing to make sure that proper sizing and treatment of the ores will occur. Other facilities such as ponds, leach pads and laboratories are put in place. Many times these facilities are fenced off to reduce hazards to the public. These improvements and facilities are likely to remain during temporary shutdowns under the care of a watchman or maintenance crew who reside on the site.

It is possible to determine the phase a mining claim is in through inspection. Operations that are actually taking place are key to the determination, not the equipment or personal property that may be present. The presence of primarily inappropriate or inoperable equipment or personal property indicates that the mining claim is not being worked by a prudent operator in usual, customary and proficient operations. This can constitute unnecessary and undue degradation of the public lands.

No operations are taking place on the Phoenix R. & D. #I, Phoenix R. & D. #III and Phoenix R. & D. #VI mill sites. The operations taking place on the Phoenix R. & D. #IV, Phoenix R. & D. #VIII and Phoenix R. & D. #IX mill sites consist of processing a non-locatable mineral and residential occupancy. The items which might be reasonably incident to a potential operation are used to process non-locatable minerals. The storage of inoperable or inappropriate equipment and personal property along with the occupancy constitutes unnecessary and undue degradation of the public lands. This site does not meet the occupancy requirements of 43 CFR 3715.2, 3715.2-1, or 3715.5 since the site is being used to process non-locatable minerals. In addition the site is not being used or

occupied in "good faith" for mining, milling, processing or beneficiation within the meaning of 30 USC 612 (a) and 43 CFR 3712.1.

XIII. Bibliography

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Garside, L. J., R. H. Hess, K. L. Fleming and B. S. Weimer; Oil and Gas Developments in Nevada; Bulletin 104; 1988, Reno; Nevada Bureau of Mines and Geology.

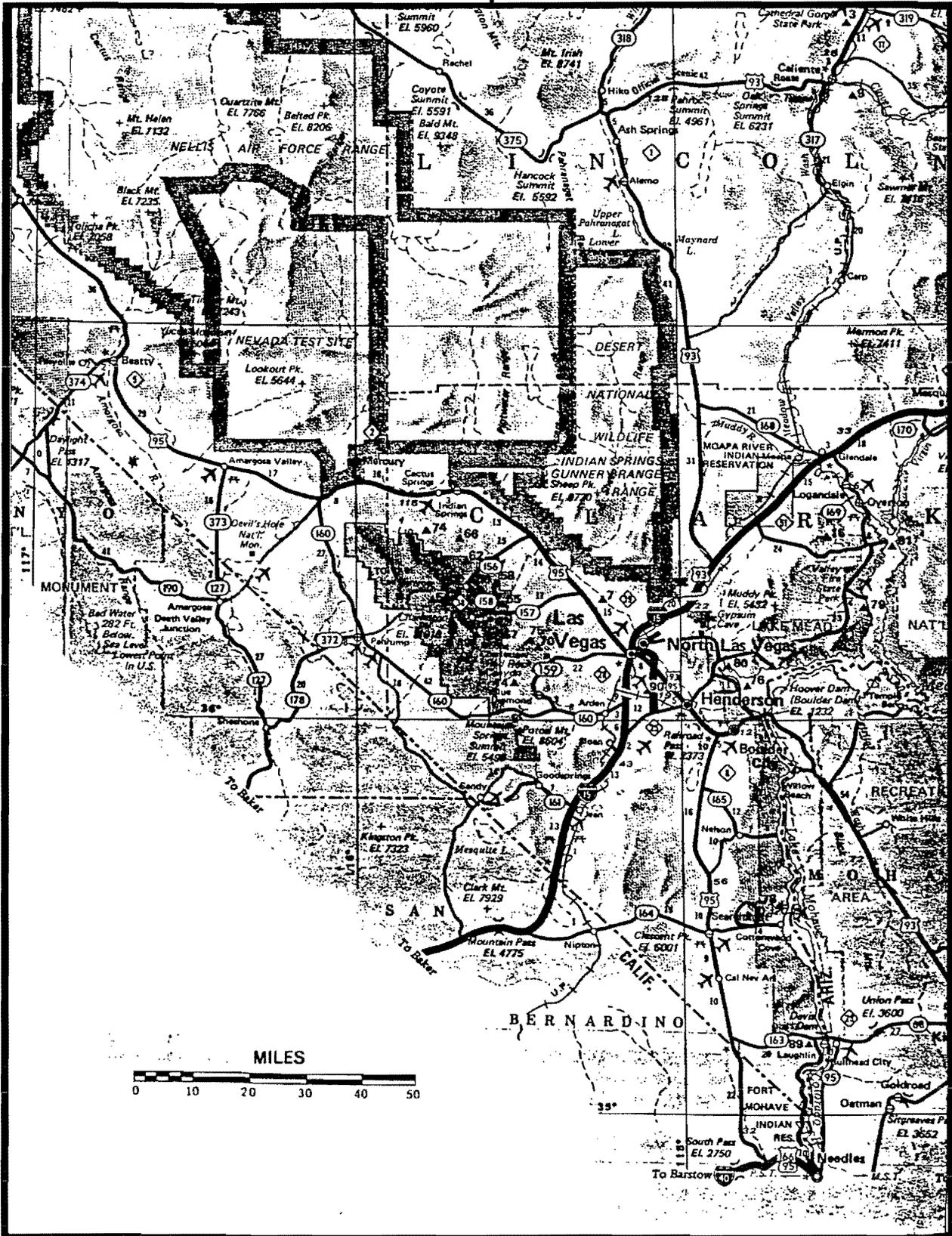
Johnson, Maureen G., Placer Gold Deposits of Nevada; Geological Survey Bulletin 1356; 1973, Washington D.C.; United States Government Printing Office.

Longwell, C. R., E. H. Pampeyan, Ben Bower and R. J. Roberts; Geology and Mineral Deposits of Clark County, Nevada; Bulletin 62; 1965, Reno; Nevada Bureau of Mines and Geology.

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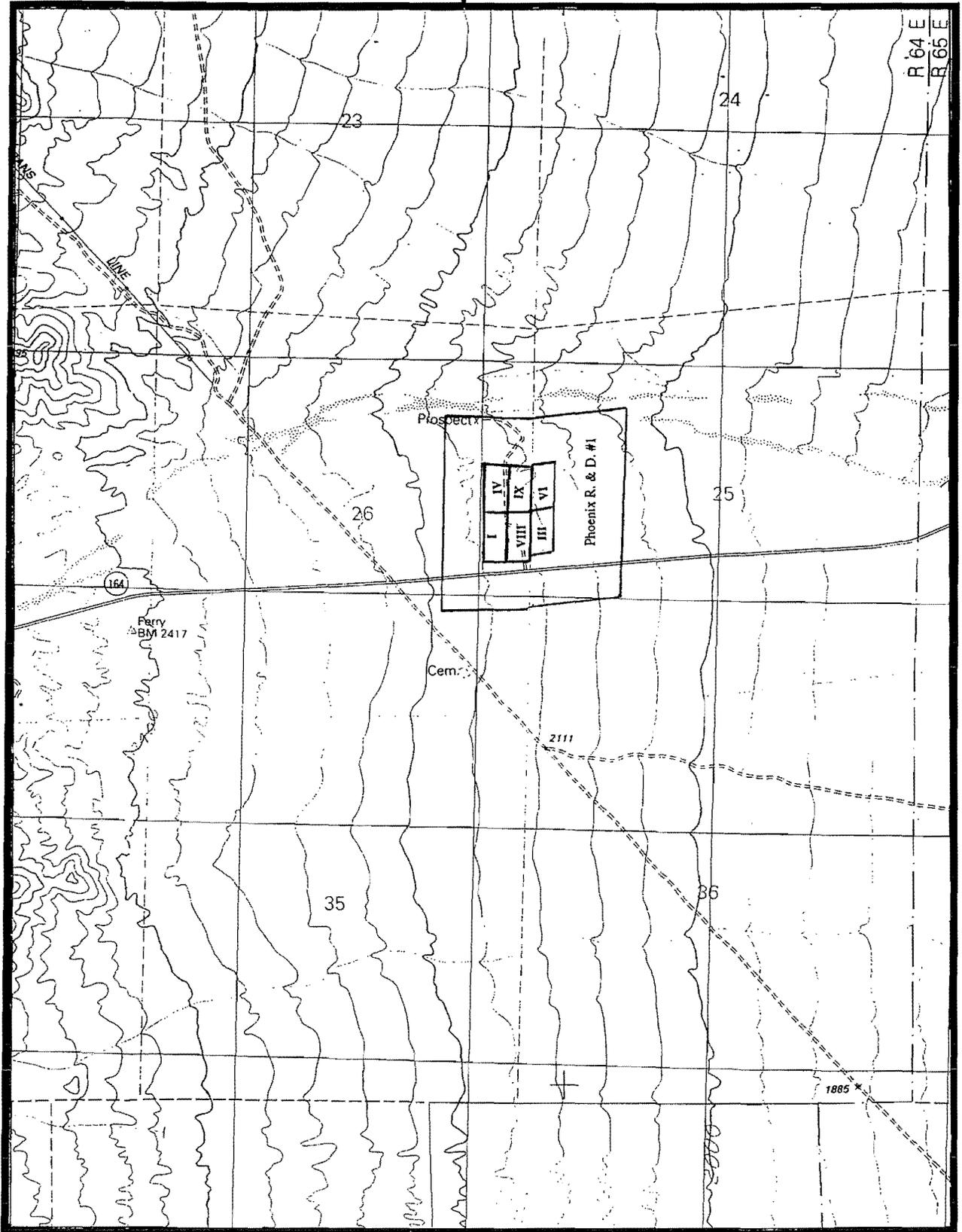
Vanderberg, William O.; Mines of Clark County; Information Circular 6964; 1937, U.S. Bureau of Mines; Reissued by Nevada Publications.

Map 1



10/96 E. Seum

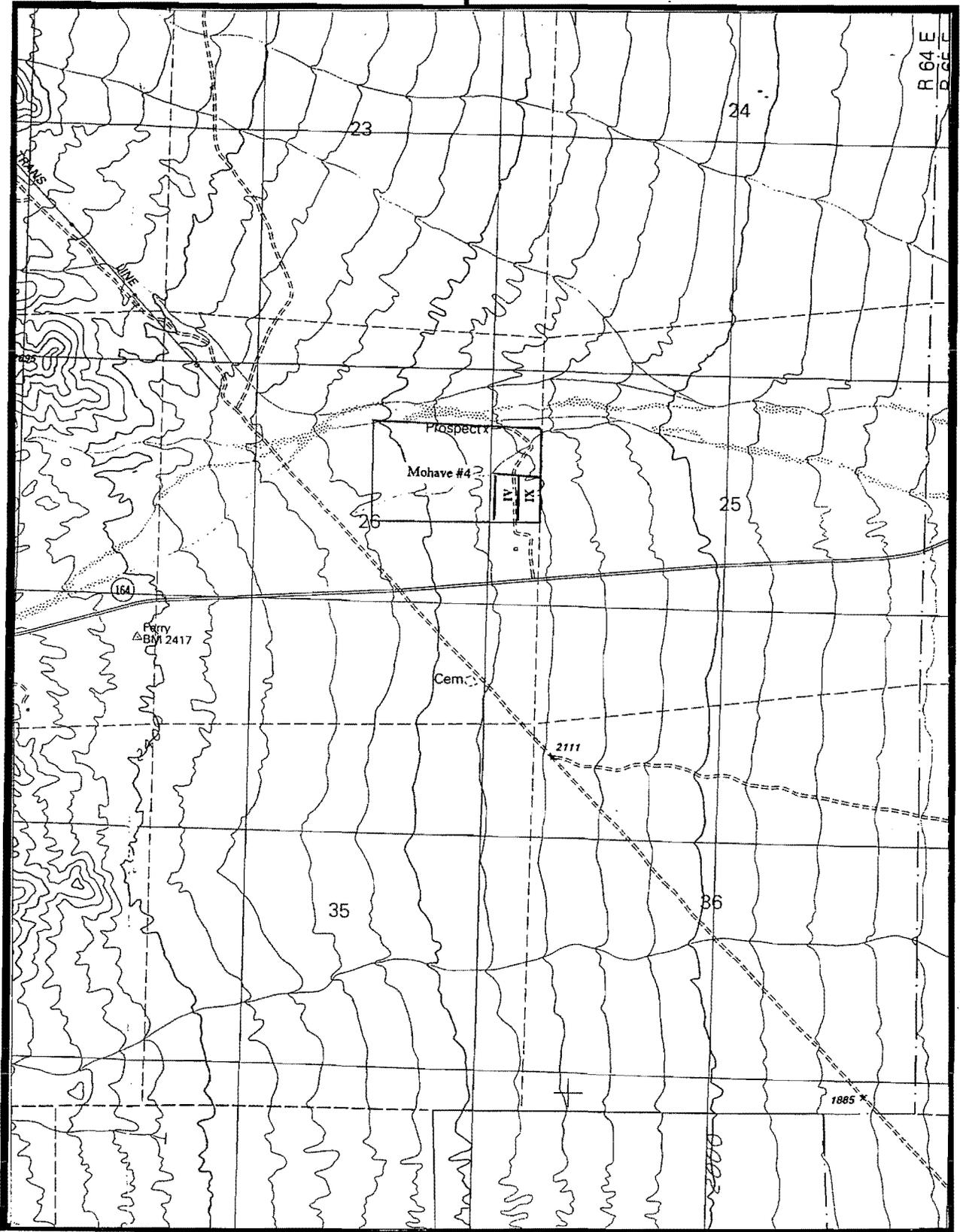
Map 3



Fourth of July Mountain 7.5' Quad 1" = 2000 ft

4/99 E. Seum

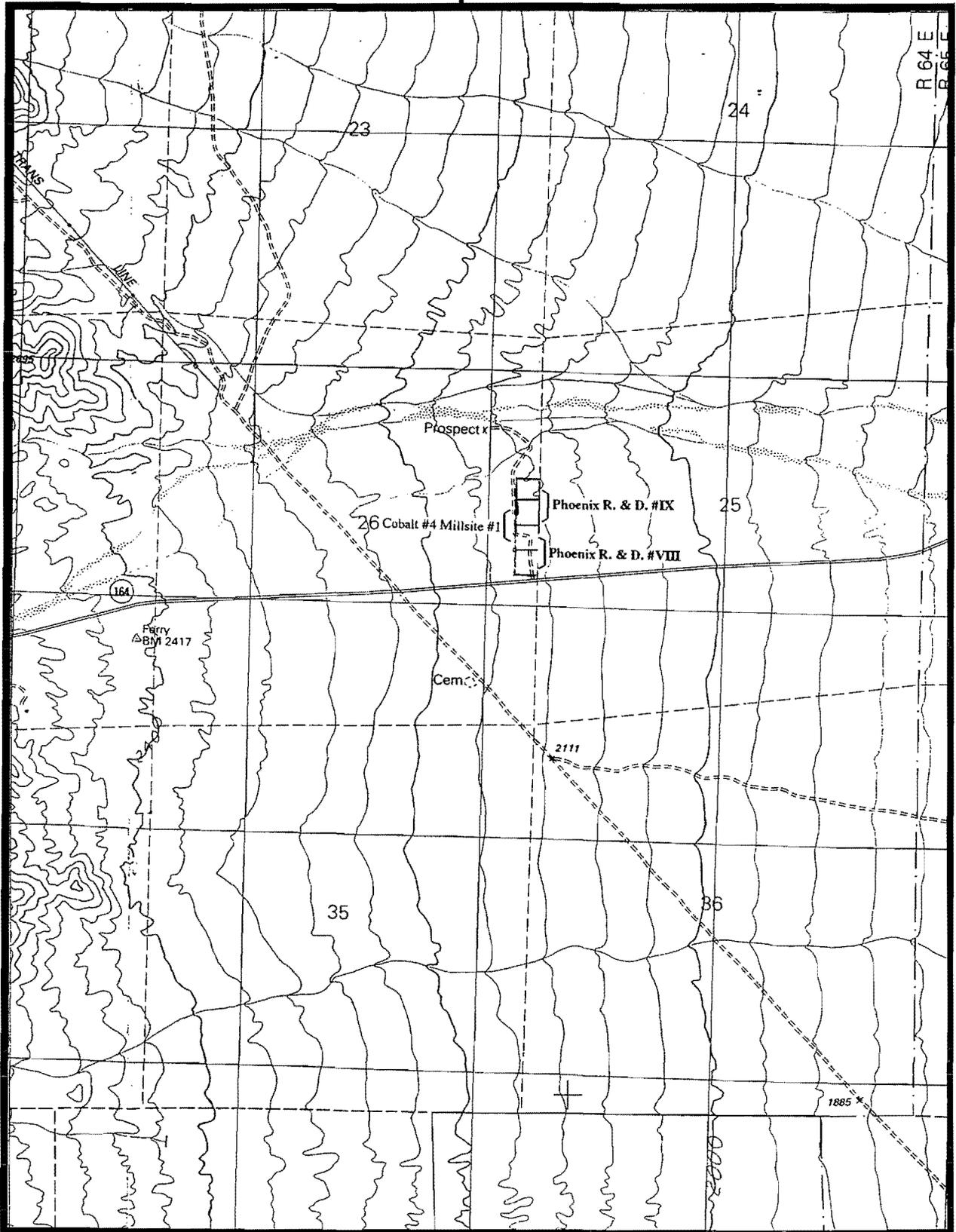
Map 4



Fourth of July Mountain 7.5' Quad 1" = 2000 ft

4/99 E. Seum

Map 5

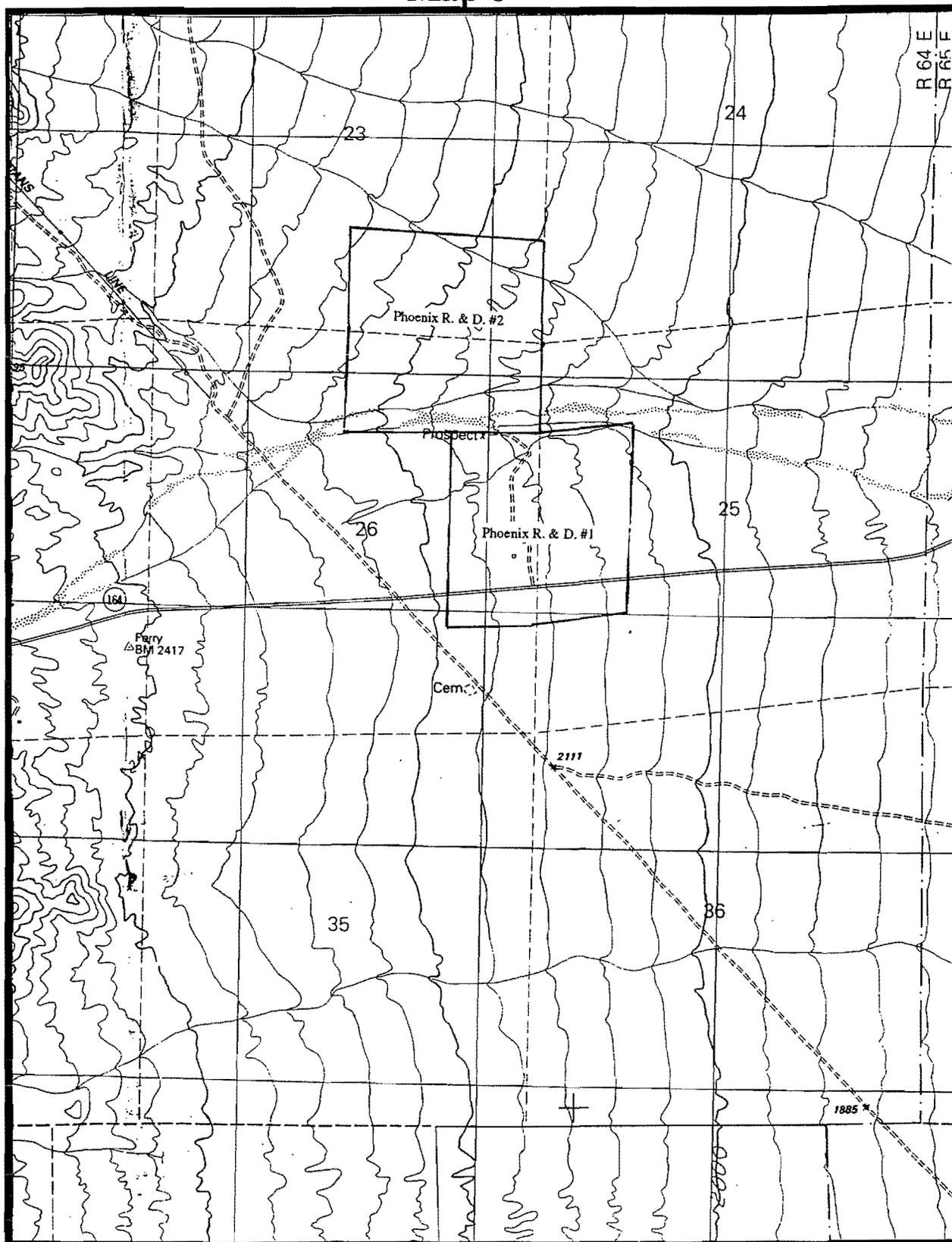


Fourth of July Mountain 7.5' Quad 1" = 2000 ft

4/99 E. Seum



Map 6



Fourth of July Mountain 7.5' Quad 1" = 2000 ft

5/99 E. Seum

Processing Diagram for Phoenix Metals

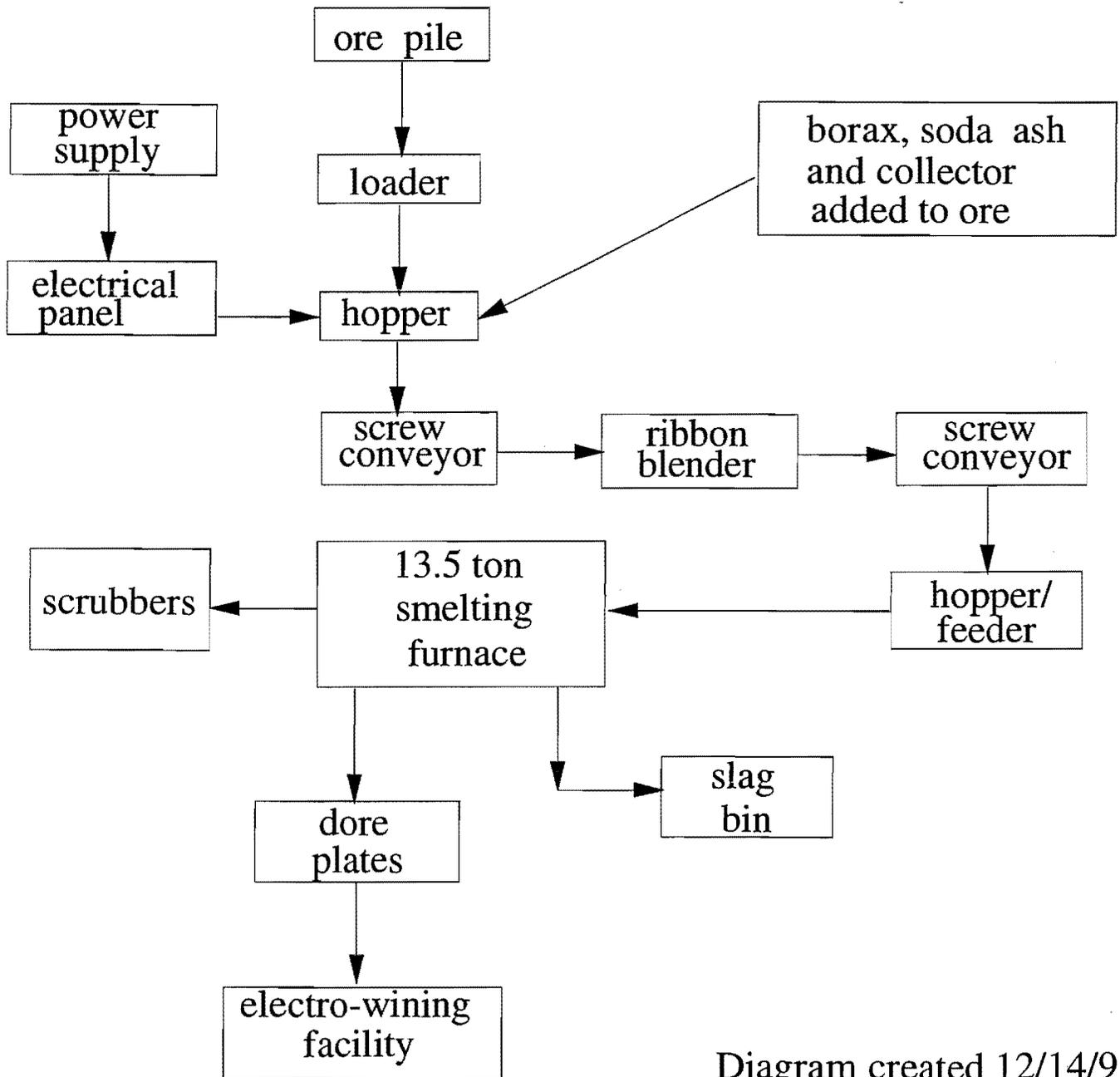


Diagram created 12/14/98
by Edward Seum

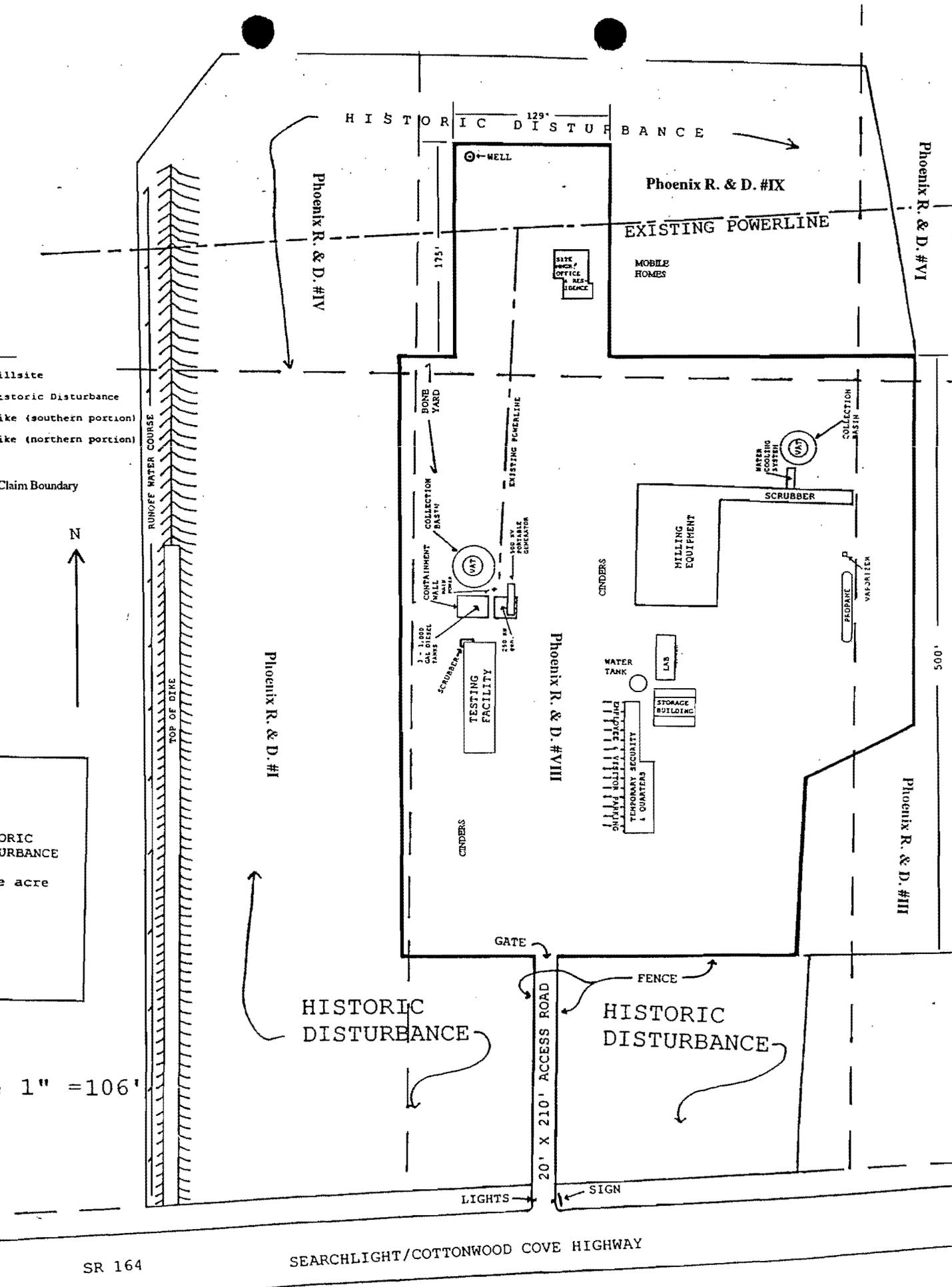
LEGEND

- Millsite
- Historic Disturbance
- Dike (southern portion)
- Dike (northern portion)
- Claim Boundary



HISTORIC DISTURBANCE
= one acre

Scale 1" = 106'



SR 164

SEARCHLIGHT/COTTONWOOD COVE HIGHWAY

CREATED 12/15/98
BY E. SEUM

PHOENIX METALS U.S.A. II, INC.
SITE PLAN

Legal Description
T. 28 S., R. 64 E., MDM
sec. 26, SE1/4NE1/4, NE1/4SE1/4



Phoenix Metals U.S.A. II Inc.

2816 Coast Line Court

Las Vegas, NV 89117

(702) 869-6181 • Fax (702) 869-6286

Mr. Mark A. Chatterton
Assistant Field Manager, Nonrenewable Resources
Bureau of Land Management
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

January 19, 1999

RECEIVED
BUREAU OF LAND MANAGEMENT
LAS VEGAS FIELD OFFICE
JAN 20 7 30 AM '99

RECEIVED

Dear Mr. Chatterton:

This letter is in response to your letter of December 14, 1998. Larry Sip and I concur with much of what was expressed. However, we will clarify some items in particular as follows:

1. We are currently running "head ore" through our processing circuit, the ore on hand at that date was from Navajo County, Arizona and claimed land near Cima. No materials came from the Akins claims and I believe they never got past promoting the property and have not extracted any precious metals.
2. We have also used silver as a collector. Our patent is with copper as a collector. We intend to use both or in combination.
3. We have finished bricking the 13.5 tons furnace and are presently curing the new brick lining.

We will be staking additional claims near Warm Springs, Nevada.

We will be starting three shifts production very shortly and will advise you of same. We have produced approximately one ton of dore at the site. This was done during testing and training.

Enclosed you will find two assay methods. If your assayer has any difficulty with these methods, we will gladly provide professional assistance.

We are not utilizing all of our claims at this time. The purpose in our staking any claims is not for purpose of keeping others out. In particular Phoenix R.&D. #III and VI were not for that purpose.



Phoenix Metals U.S.A. II Inc.

2816 Coast Line Court

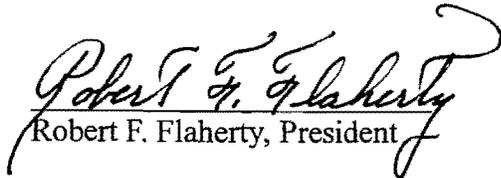
Las Vegas, NV 89117

(702) 869-6181 • Fax (702) 869-6286

Any ore that we commercially process at the site will be in conformance with all regulations. Should you have any proper objections we will gladly correct them. We will also cooperate fully in all aspects of our relationship with your agency.

We are also reminding you that we are approaching the tortoise migration season. We will have to replace the tortoise fence you had us remove.

Respectfully yours,


Robert F. Flaherty, President

Cc: Kummer, Kaimpfer, Bonner & Renshaw
P. Basil Lambros, Esquire
Mr. Bob Abbey, Nevada State Director

Enclosures.

**PHOENIX METALS
ASSAYING PROCEDURE
GOLD/PLATINUM IN DORE**

Reagents:

1. Hydrochloric acid. Concentrated.
2. Nitric acid. Concentrated.
3. Stannous chloride solution. Add 0.5 grams stannous chloride to 100 mls. volumetric flask: Add approximately 50 mls. deionized water and swirl to mix. Carefully add concentrated hydrochloric acid by drop until cloudiness disappears. Bring to volume with deionized water. Add one gram tin to flask to stabilize solution.

Samples:

Any dore button recovered from fire assay.

Procedure:

Take the dore button recovered from fire assay and place in 15 ml Coors crucible. Add 10 mls. of 1:6 nitric acid and heat slowly to effect parting. Carefully decant off all parting solution, washing three time to remove all silver nitrate from the parting cup and leaving only the undigested noble metal(s) behind.

Add 2-3 drops of nitric acid and 10-12 drops of hydrochloric acid. Heat slowly to avoid bumping and digest the gold and/or platinum present. Add more acids if needed to complete digestion. When all metals are in solution carefully continue heating the solution to near dryness. Each time as the sample reaches near dryness, add 5 mls. of hydrochloric acid and evaporate again until no signs of nitrous oxides are visible in the solution. Unless these are removed they will void the test.

Finally add 3 mls. of hydrochloric acid and 3 mls. of deionized water and bring sample to near boil. Remove from hotplate and add 1-2 drops of the stannous chloride solution.

If the dissolved metal was gold the solution will turn the typical "purple of Cassius" color, the more gold, the deeper the color. If the metal was platinum, the solution will turn from yellow-orange to blood red, again depending on the amount of platinum.

If the metallic residue refuses to dissolve in the aqua regia, or does so with great difficulty and no color change occurs, further tests should be done to determine if other platinum group metals are present.

METALLURGICAL RESEARCH AND ASSAY LABORATORY
745 SUNSET RD. SUITE 8
HENDERSON, NV. 89015
702-565-0074
April 7, 1997

DISSOLUTION AND ANALYSIS OF COMPLEX ORES

MOST IMPORTANT, DRY AND PULVERIZE A REPRESENTATIVE SAMPLE OF THE ORE TO 100% -200 MESH.

Accurately weigh 2.5000 or 5.0000 grams of the prepared sample into a 250 ml class A volumetric flask (preferably a Phosphoric flask). Add 25 ml of concentrated nitric acid, mix and digest near 100 degrees C for about 15 minutes or until the reaction ceases. Remove from heat, cool then add 80-100 mls of concentrated hydrochloric acid to the volumetric flask. Replace on the heat source and digest at a SIMMER (not a boil) for 18-24 hours.* Remove the digested samples from the heat source, cool, add 10-15 ml conc. HCl, and dilute to volume (250 ml) with distilled water and mix well. Filter a portion of the sample and analyze for the desired metals using ONLY HIGH RESOLUTION I.C.P. or D.C.P. at the desired wavelengths.

CALCULATIONS

$$\frac{(\text{ICP/DCP READING}) (\text{VOLUME}) (0.02917)}{\text{SAMPLE WEIGHT}}$$

=OZ/SHORT TON

* Time can be adjusted as required for the ore

High silver requires a smaller sample to prevent silver fallout

If further dilutions are required the calculations must be adjusted.

Concentrated nitric acid is used FIRST to oxidize any unstable metals to their more stable state.

High resolution must be used to eliminate interference associated with low resolution plasma spectrometers.



May 12, 1999

Bureau of Land Management
4765 Vegas Dr.
Las Vegas NV 89108

1-700-647-5023 fax

Attention: Edward Seum

Dear Mr. Seum:

Attached are the assay certificates and spectral printouts of the analysis. Initially, the normal primary spectral lines used for these elements were attempted, but interference's from iron caused positive results to be reported. These spectral printouts are included, indicated by a notation "Interference". All analysis were done on two spectral lines. The primary spectral lines reported values as high as 12 ounces per ton. The interfering iron spectra are not a direct overlap, but rather an adjacent peak causing the shoulder of the iron to interfere with the precious metal line.

Rather than analyze on alternate wavelengths, we could have also corrected for the interference mathematically. However, the alternate wavelength method was preferred for these samples.

The certificate shows the results by normal fire assay analysis, and by the 'client supplied method'. Because the supplied method does not go through the fire assay step, which acts as a concentration step, the detection limits are higher.

Feel free to contact me personally if you need any additional information or explanation.

Sincerely,

A handwritten signature in black ink that reads "Mark F. Lewis". The signature is written in a cursive, flowing style.

Mark F. Lewis
Manager
Email: mlewis@legend-reno.com
Website: www.legend-reno.com

LEGEND, Inc.

125 Manuel Street. Reno, Nevada 89502-1118
File: D:\Documents\Doc\BLM Seum 5-12-99.doc

phone: (775) 786-3003 fax: (775) 786-3613

LEGEND, Inc.

125 Manuel St. - Reno, Nevada 89502 - Phone (702) 786-3003 - fax (702) 786-3613

Page 1 of 1

Certificate of Analysis

Submitted By: U.S. Department of Interior, BLM

Laboratory # 990395

Client Number:

Attention: Edward Seum

Date: 5/5/99

Method: Fire Assay

Lab Code:	2012	2012	3037	3037	3037	3037	3037	3037
Analysis Type:	FA/AA	FA/GR	FA/ICP	FA/ICP	FA/ICP	FA/ICP	FA/ICP	FA/ICP
Element:	Au	Ag	Pt	Pd	Ru	Rh	Ir	Os
Units:	oz/t	oz/t	oz/t	oz/t	oz/t	oz/t	oz/t	oz/t

Sample Marks

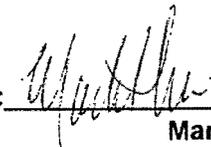
NO3 (single source)	<0.003	<0.05	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003
NO5 (sample composite)	<0.003	<0.05	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003

Method: Supplied by client

Analysis Type:	ICP							
Element:	Au	Ag	Pt	Pd	Ru	Rh	Ir	Os
Units:	oz/t							

Sample Marks

NO1 (sample composite)	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10
NO5 (single source)	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10	<0.10

By: 

Mark F. Lewis
Manager/Metallurgist

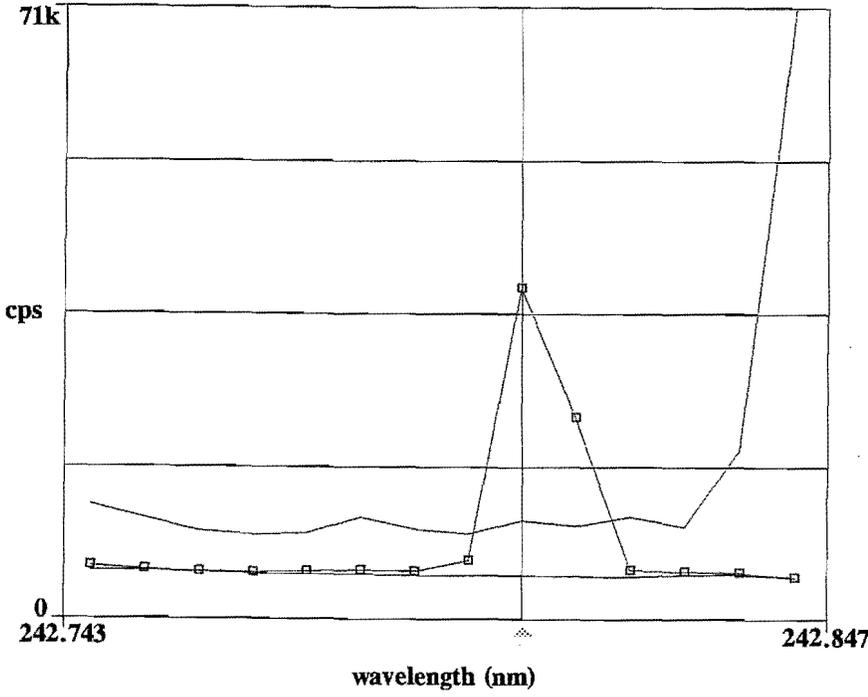
Nevada Assembly Bill No. 519.130 requires the following statement: The results of this assay were based solely upon the content of the sample submitted. Any decision to invest should be made only after the potential investment value of the claim or deposit has been determined based on the results of assays of multiple samples of geologic materials collected by the prospective investor or by a qualified person selected by him/her and based on an evaluation of all engineering data which is available concerning any proposed project.

A less than sign (<) is to be read
"less than" or "none detected"

1 ppm = 0.0001%
1 Troy oz./ton = 34.286 ppm

1 ppm = 0.029167 Troy oz./ton

Au 242.795

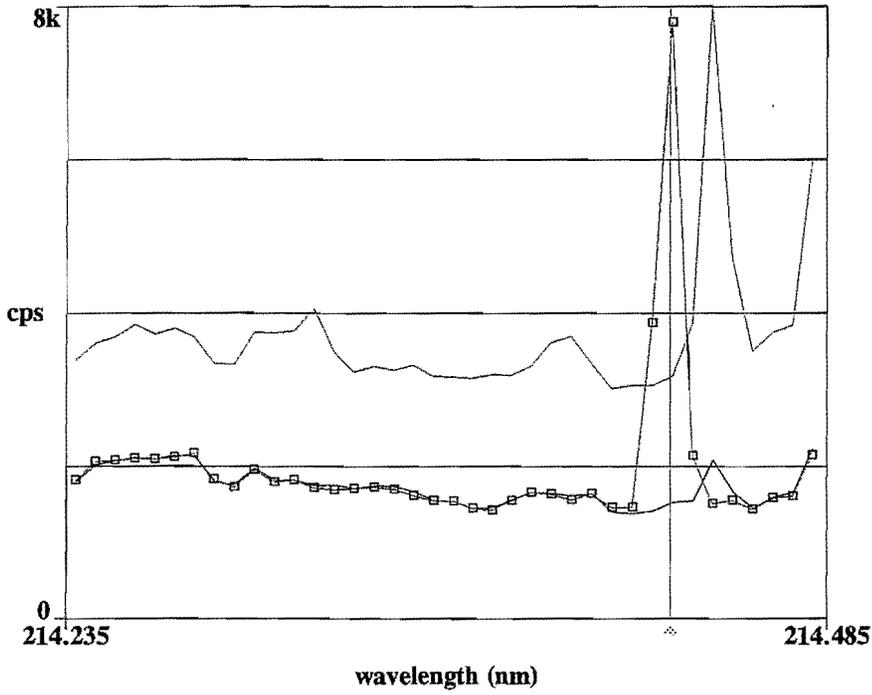


Calib Blank 1
Calib Std 1
1 NO1 (Composite)
Interference

Wavelength: 242.806 nm

Intensity: 38294.0
Scale: 1.0
Offset: 0.0

Pt 214.423

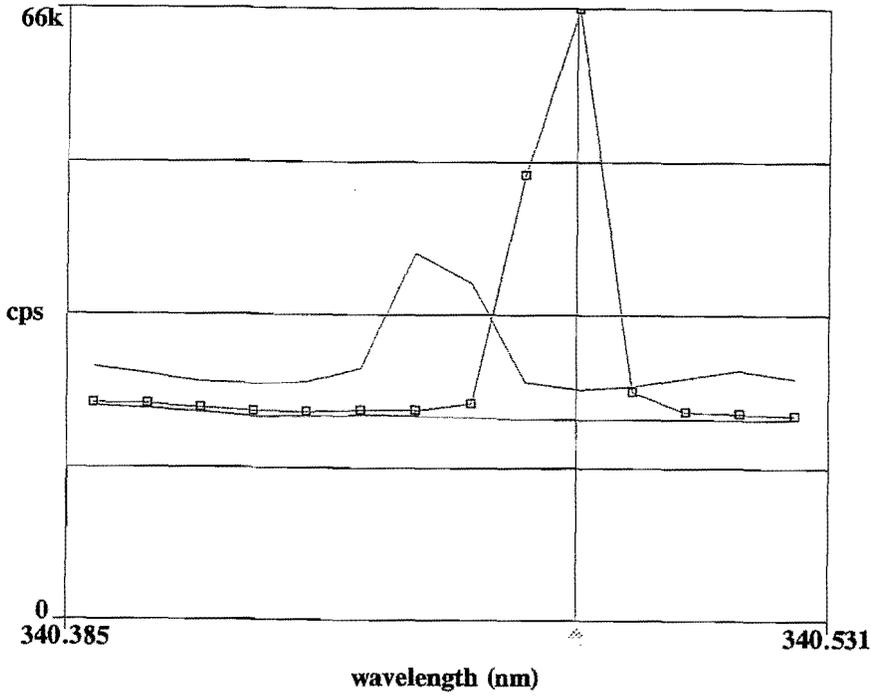


*No1 (Composite)
Interference*

Wavelength: 214.434 nm

Intensity: 7678.9
Scale: 1.0
Offset: 0.0

Pd 340.458



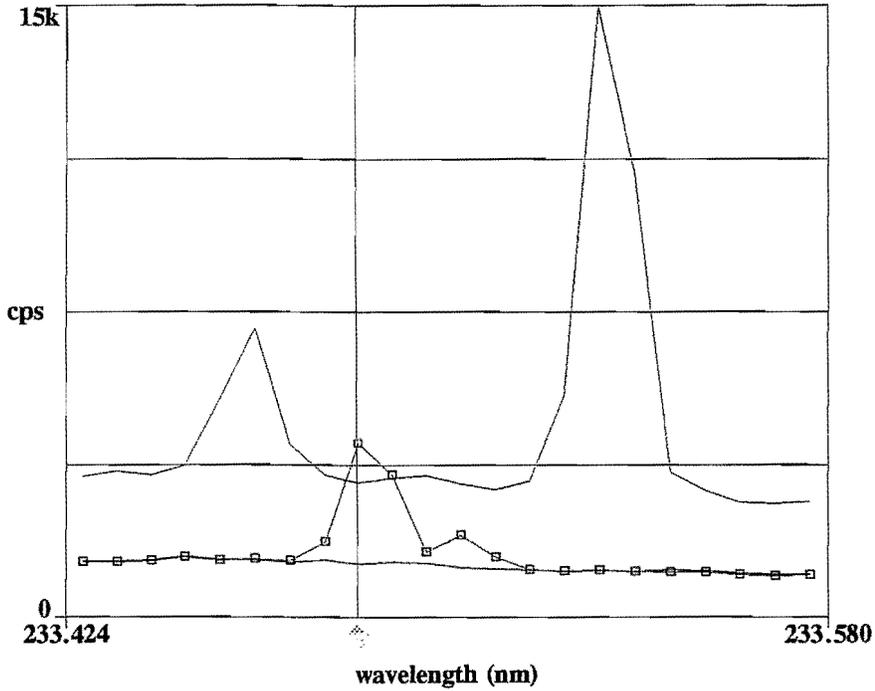
— Calib Blank 1
— Calib Std 1
— 1

*Not (Composite)
Interference*

Wavelength: 340.483 nm

Intensity: 65069.0
Scale: 1.0
Offset: 0.0

Rh 233.477



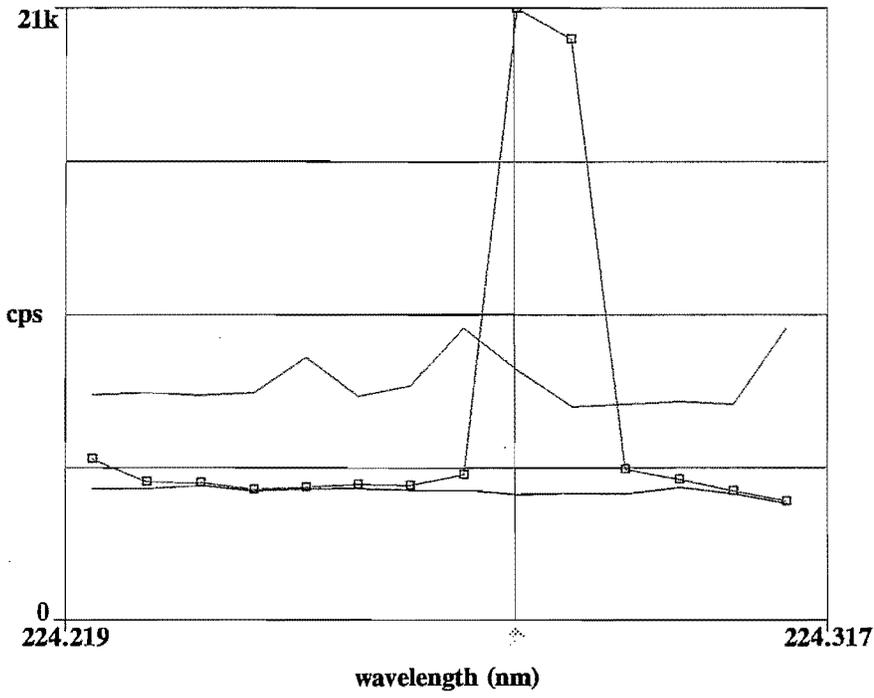
— Calib Blank 1
— Calib Std 1
1

*Not (Composite)
Interference*

Wavelength: 233.484 nm

Intensity: 4272.6
Scale: 1.0
Offset: 0.0

Ir 224.268

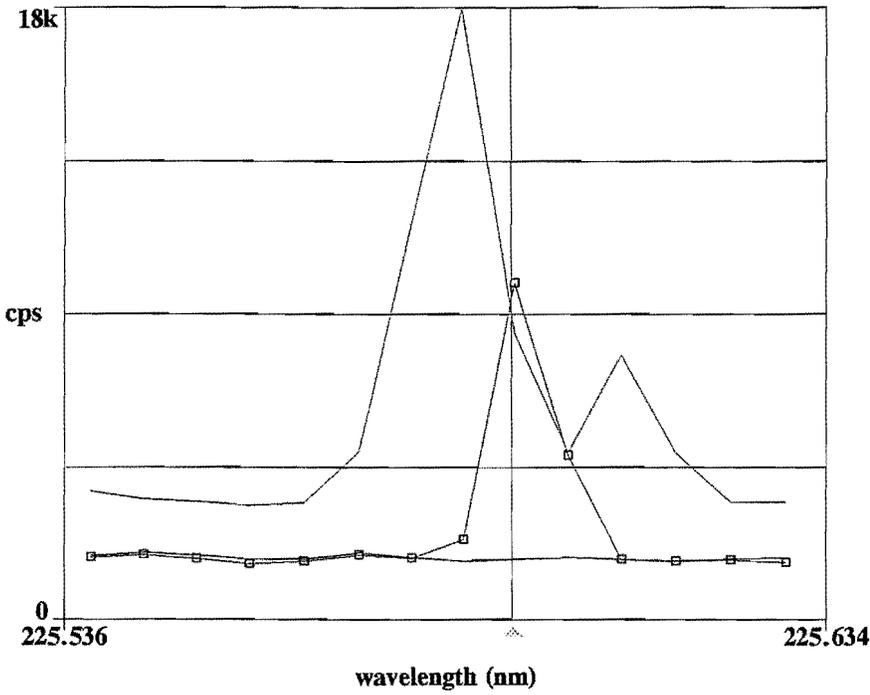


— Calib Blank 1
— Calib Std 1
— 1
No 1 (composite)
Interference

Wavelength: 224.277 nm

Intensity: 20323.7
Scale: 1.0
Offset: 0.0

Os 225.585

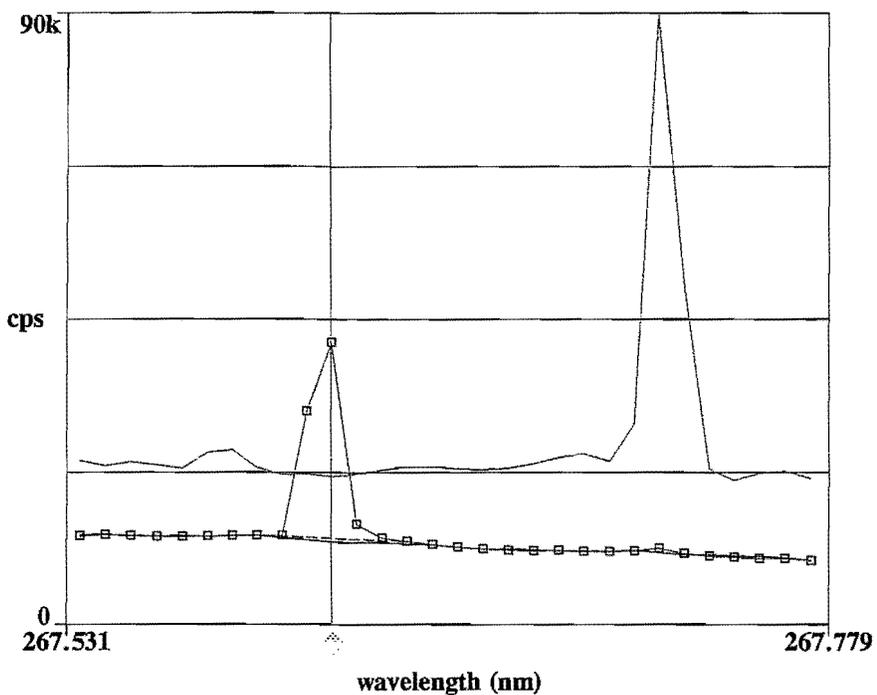


No 1 (Composite)
Interference

Wavelength: 225.594 nm

Intensity: 9455.0
Scale: 1.0
Offset: 0.0

Au 267.595



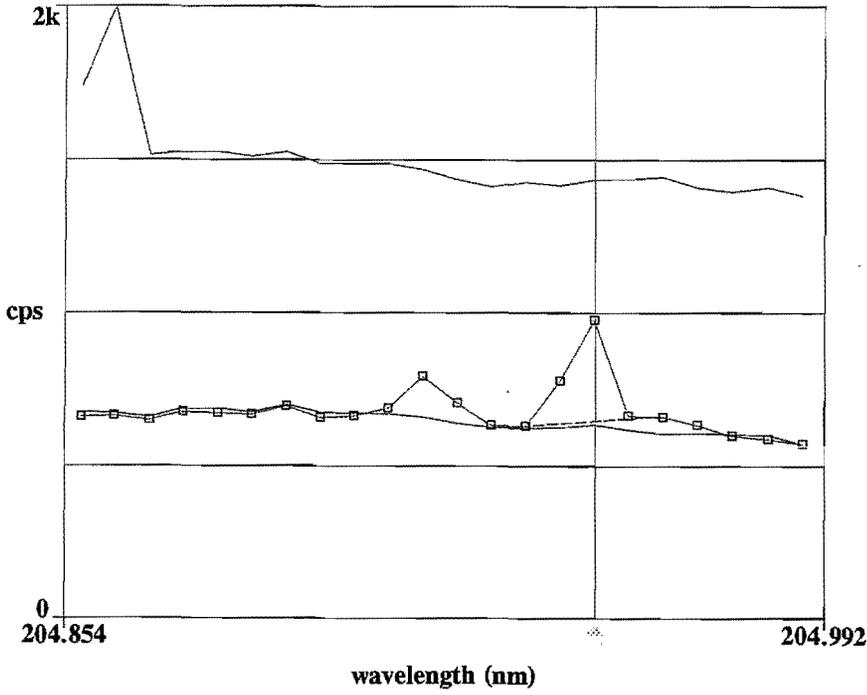
— Calib Blank 1
— Calib Std 1
— 1 *NOI (Composite)*

Wavelength: 267.617 nm

Intensity: 41019.0
Scale: 1.0
Offset: 0.0

ICP ALTERNATE WAVELENGTH

Pt 204.937

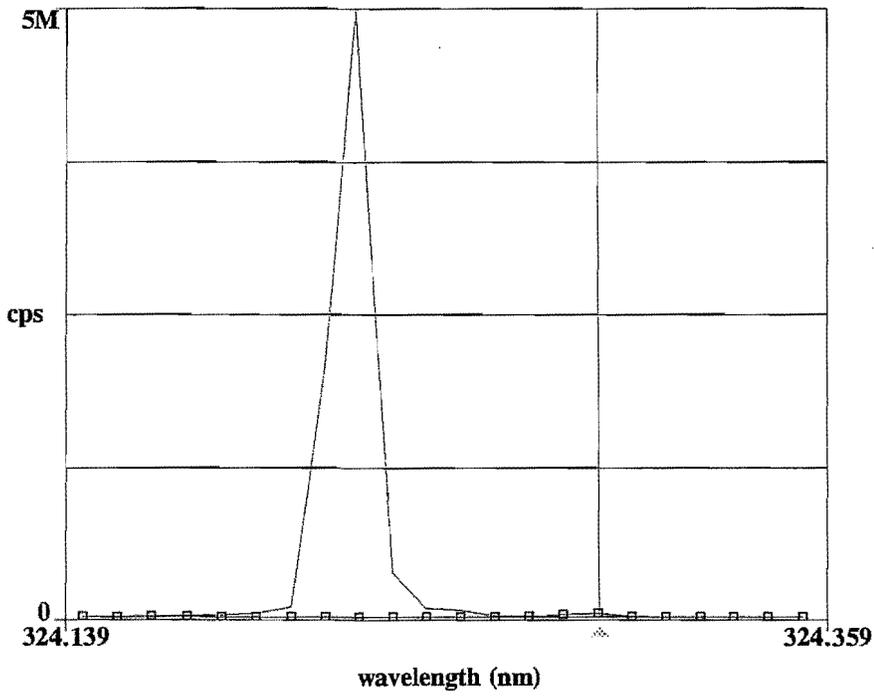


— Calib Blank 1
— Calib Std 1
— 1
No 1 Composite

Wavelength: 204.951 nm

Intensity: 1045.1
Scale: 1.0
Offset: 0.0

Pd 324.270

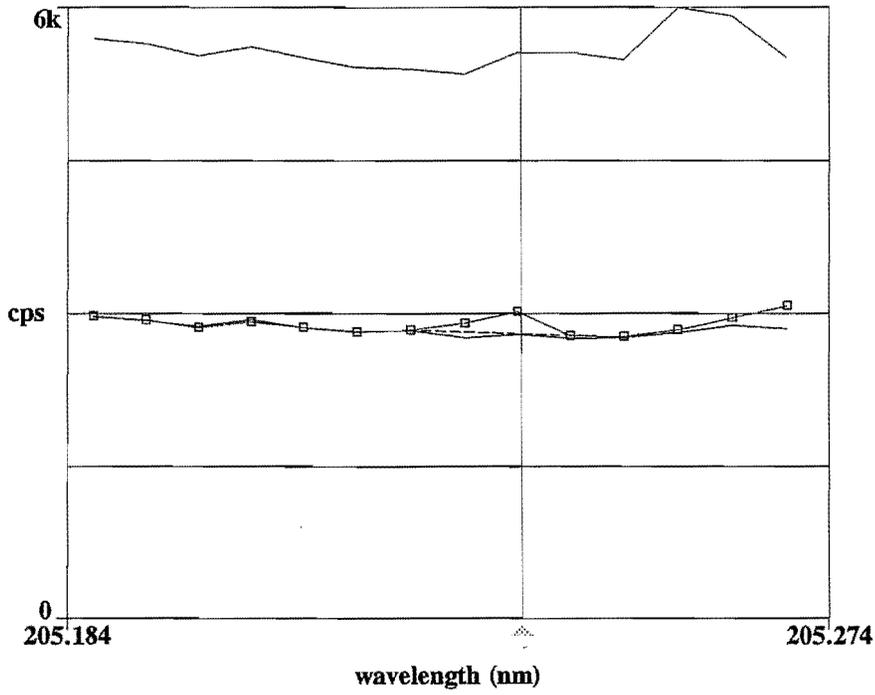


— Calib Blank 1
— Calib Std 1
— 1 *No 1 Composite*

Wavelength: 324.293 nm

Intensity: 56027.3
Scale: 1.0
Offset: 0.0

Ir 205.222



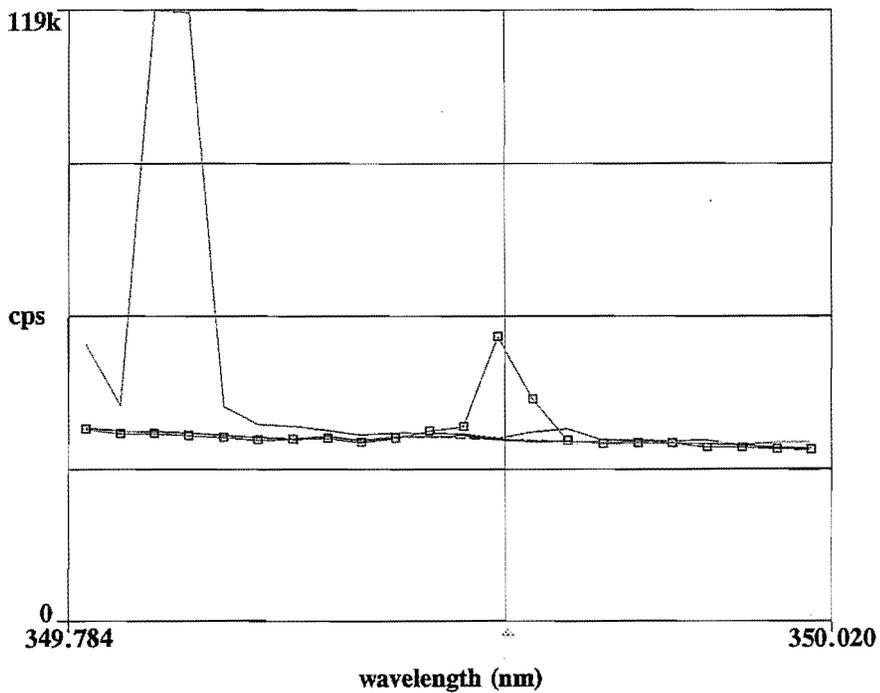
Calib Blank 1
Calib Std 1
1

No 1 composite

Wavelength: 205.238 nm

Intensity: 2913.1
Scale: 1.0
Offset: 0.0

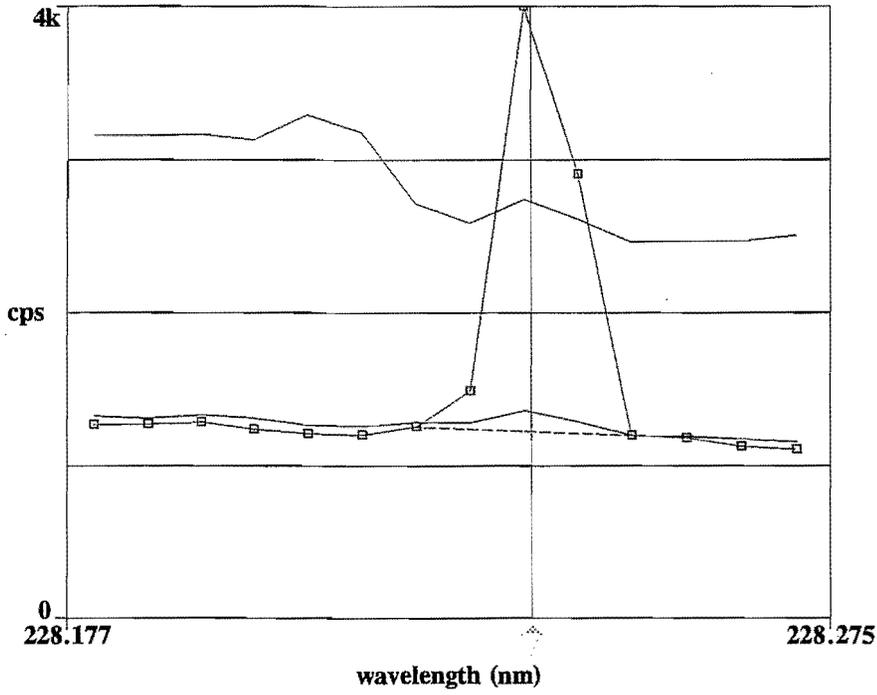
Ru 349.894



Wavelength: 349.920 nm

Intensity: 52941.7
Scale: 1.0
Offset: 0.0

Os 228.226

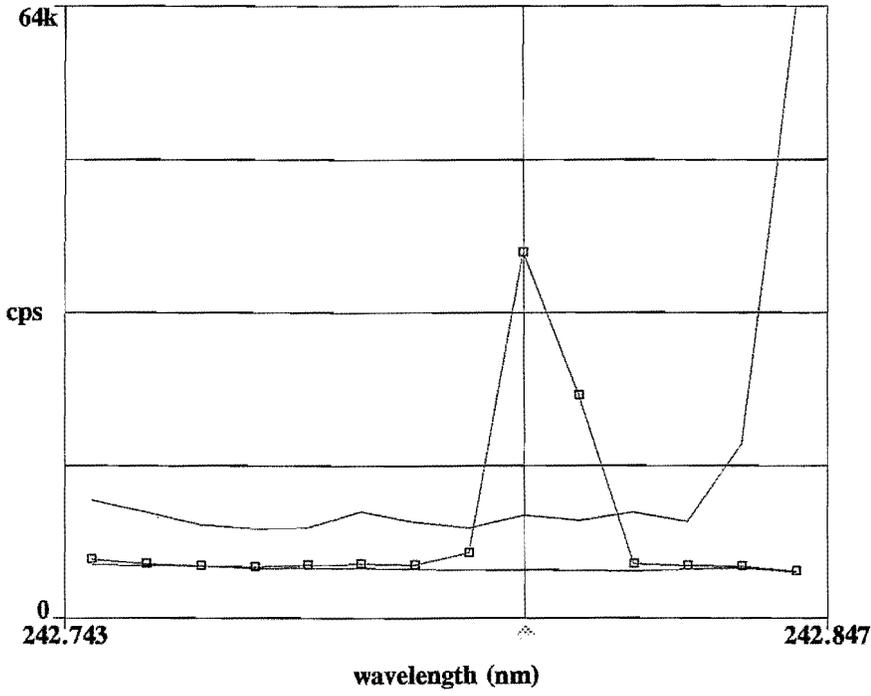


— Calib Blank 1
— Calib Std 2
— 1 *Not Composite*

Wavelength: 228.237 nm

Intensity: 4299.7
Scale: 1.0
Offset: 0.0

Au 242.795



Wavelength:

242.806 nm

Intensity:

38294.0

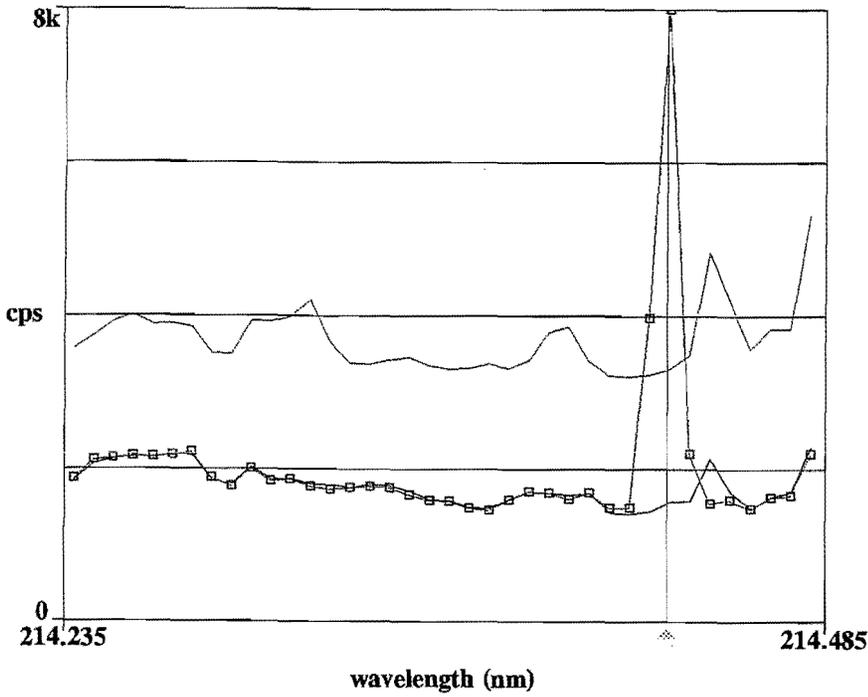
Scale:

1.0

Offset:

0.0

Pt 214.423



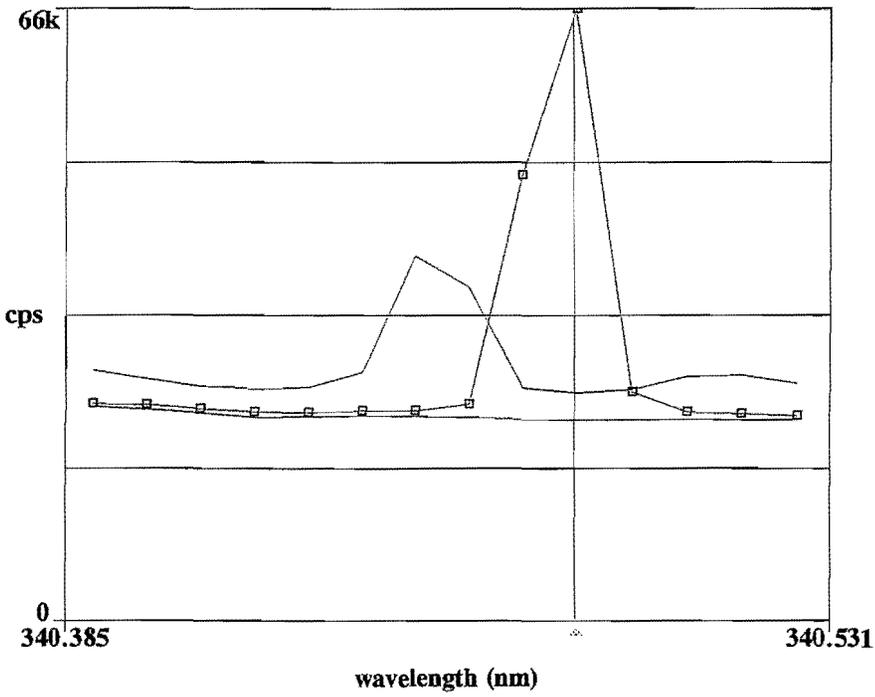
Calib Blank 1
Calib Std 1
2

*No 5 Single Source
Interference*

Wavelength: 214.434 nm

Intensity: 7678.9
Scale: 1.0
Offset: 0.0

Pd 340.458



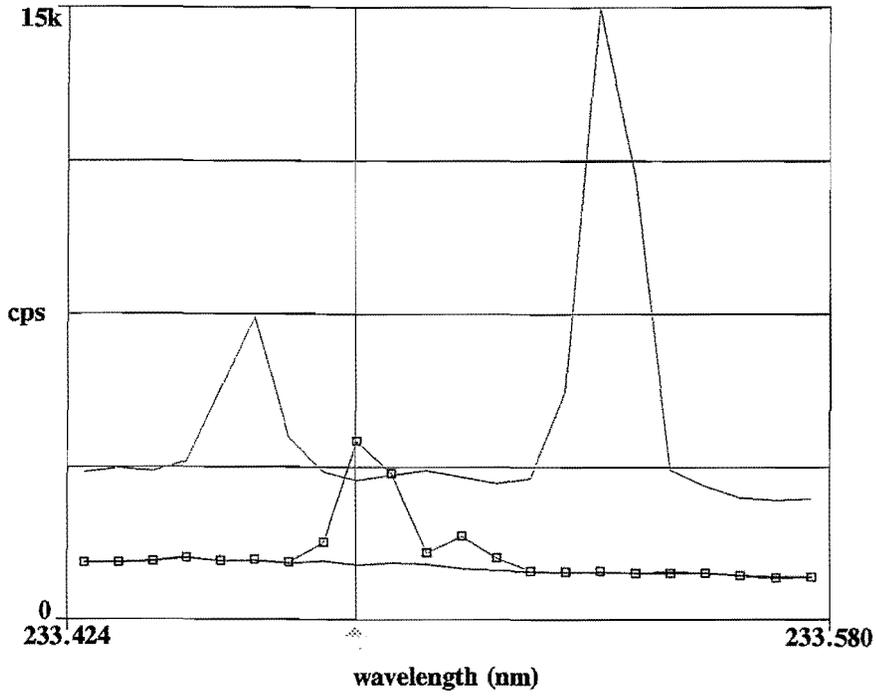
— Calib Blank 1
— Calib Std 1
— 2

*No. 5 Single Source
Interference*

Wavelength: 340.483 nm

Intensity: 65069.0
Scale: 1.0
Offset: 0.0

Rh 233.477

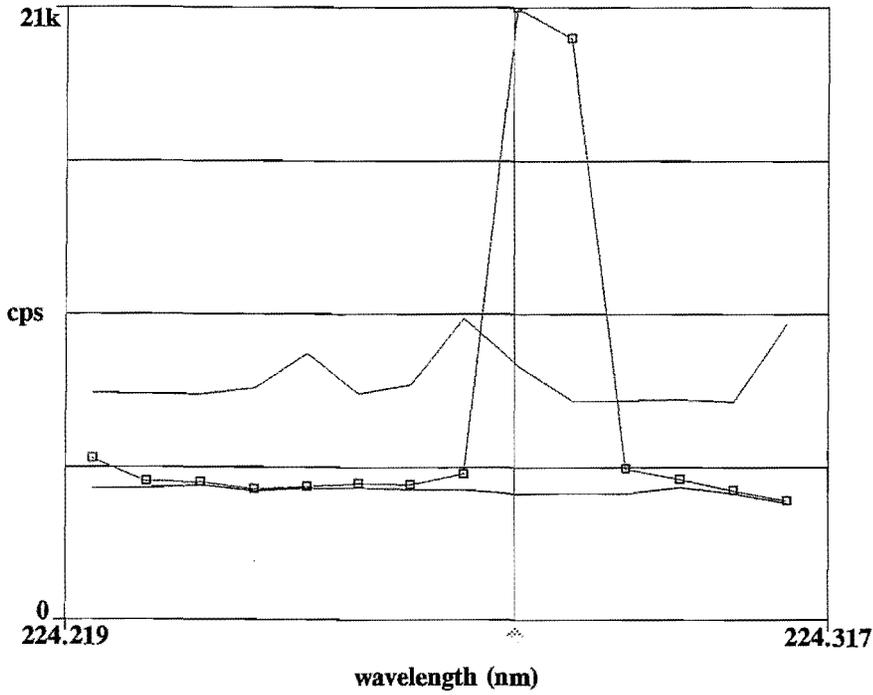


*No. 5 Single Source
Interference*

Wavelength: 233.484 nm

Intensity: 4272.6
Scale: 1.0
Offset: 0.0

Ir 224.268



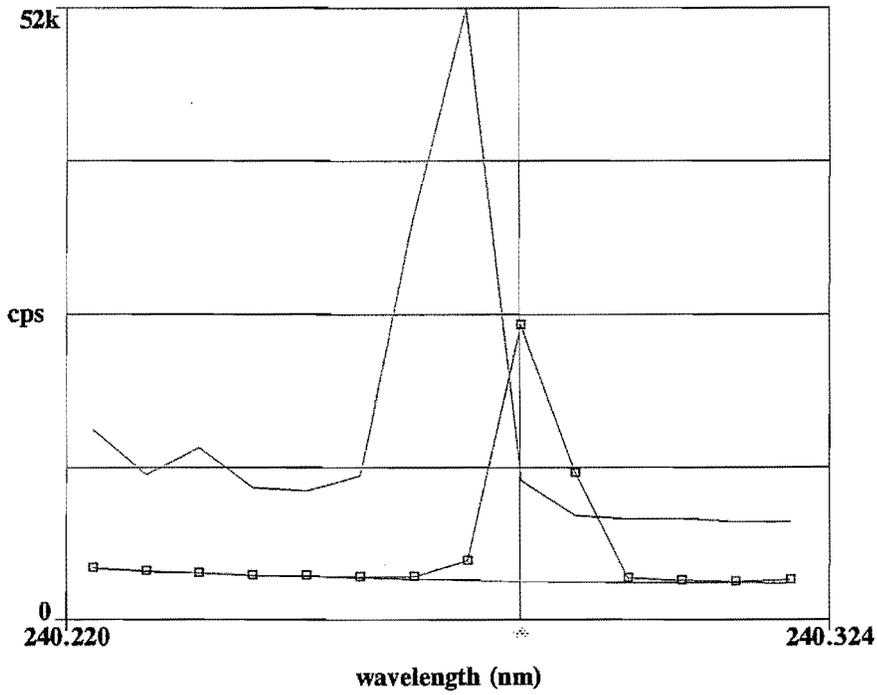
— Calib Blank 1
— Calib Std 1
— 2

*No 5 Single-source
Interference*

Wavelength: 224.277 nm

Intensity: 20323.7
Scale: 1.0
Offset: 0.0

Ru 240.272



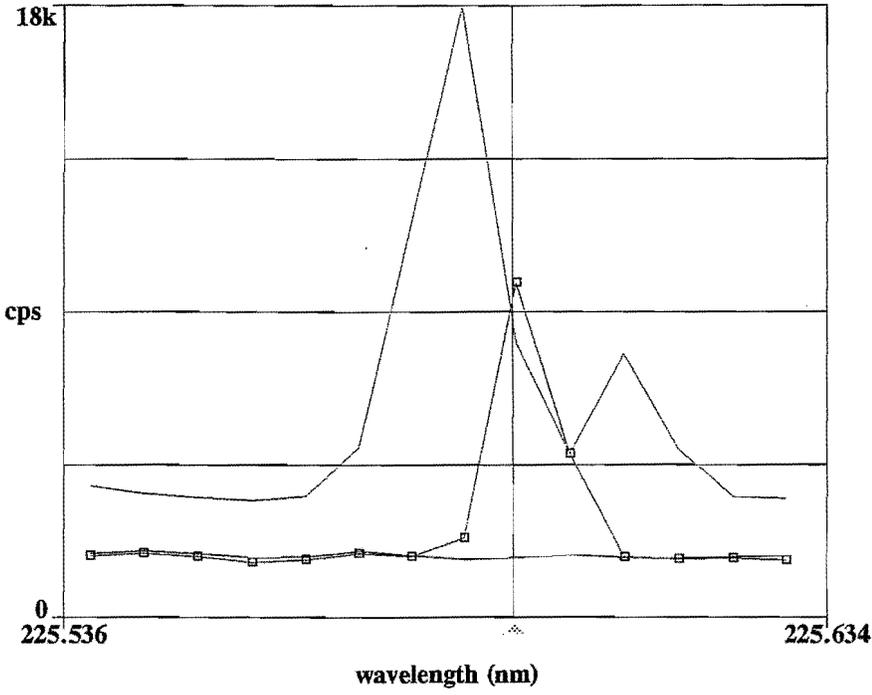
— Calib Blank 1
— Calib Std 1
— 2

*No 5 Single Source
Interference*

Wavelength: 240.282 nm

Intensity: 24462.3
Scale: 1.0
Offset: 0.0

Os 225.585



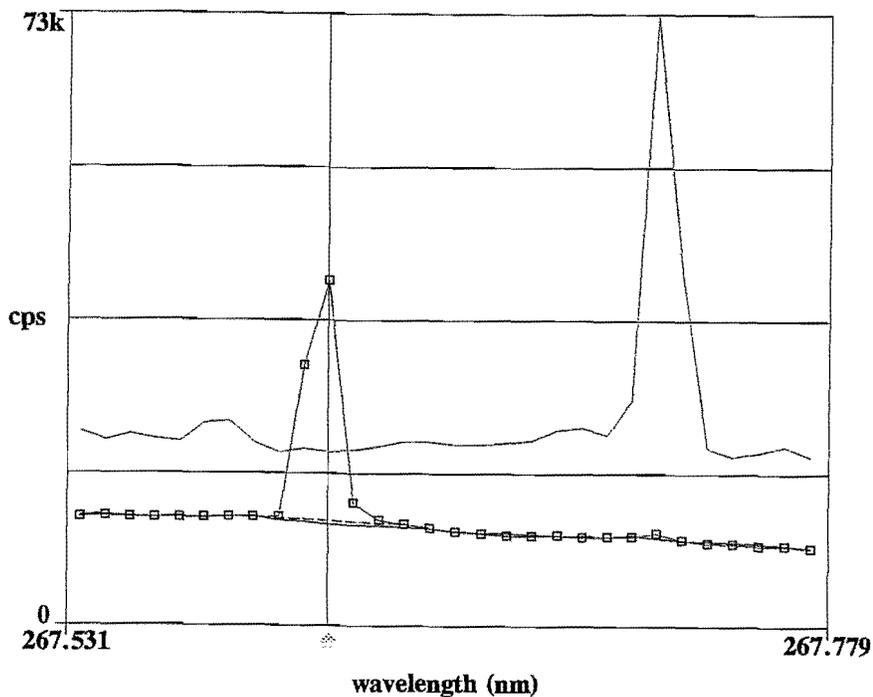
— Calib Blank 1
— Calib Std 2
— 2

*No 5 Single Source
Interference*

Wavelength: 225.594 nm

Intensity: 9455.0
Scale: 1.0
Offset: 0.0

Au 267.595



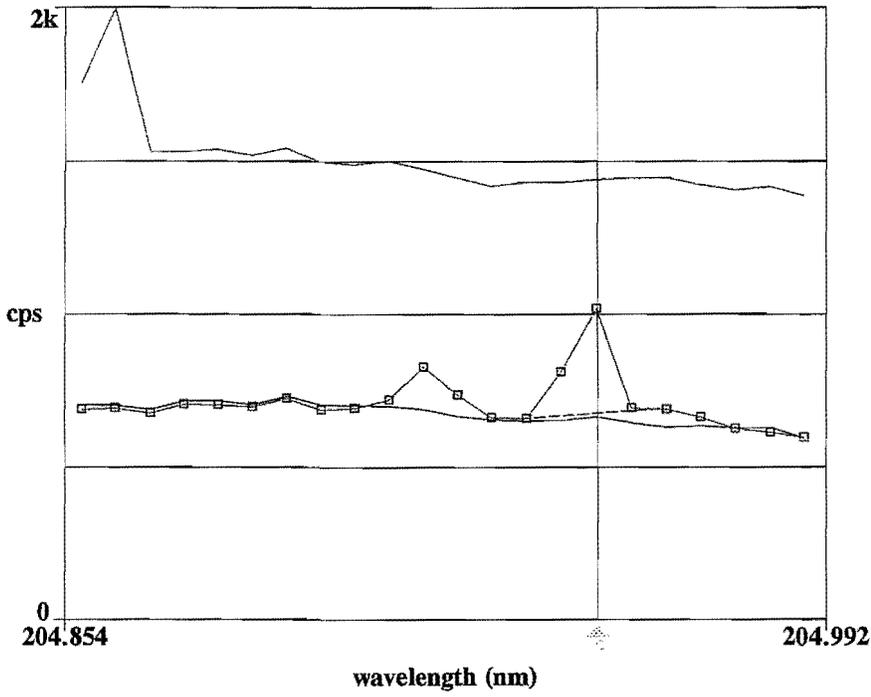
NO.5 Single Source

Wavelength: 267.617 nm

Intensity: 41019.0
Scale: 1.0
Offset: 0.0

ICP ALTERNATE WAVELENGTH

Pt 204.937



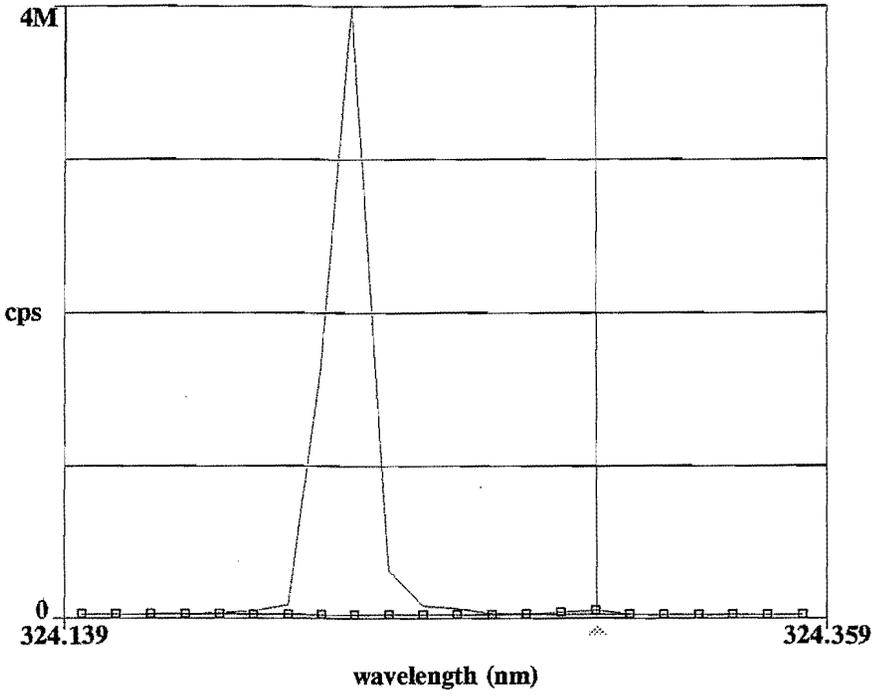
— Calib Blank 1
— Calib Std 1
— 2

No S Single Source

Wavelength: 204.951 nm

Intensity: 1045.1
Scale: 1.0
Offset: 0.0

Pd 324.270

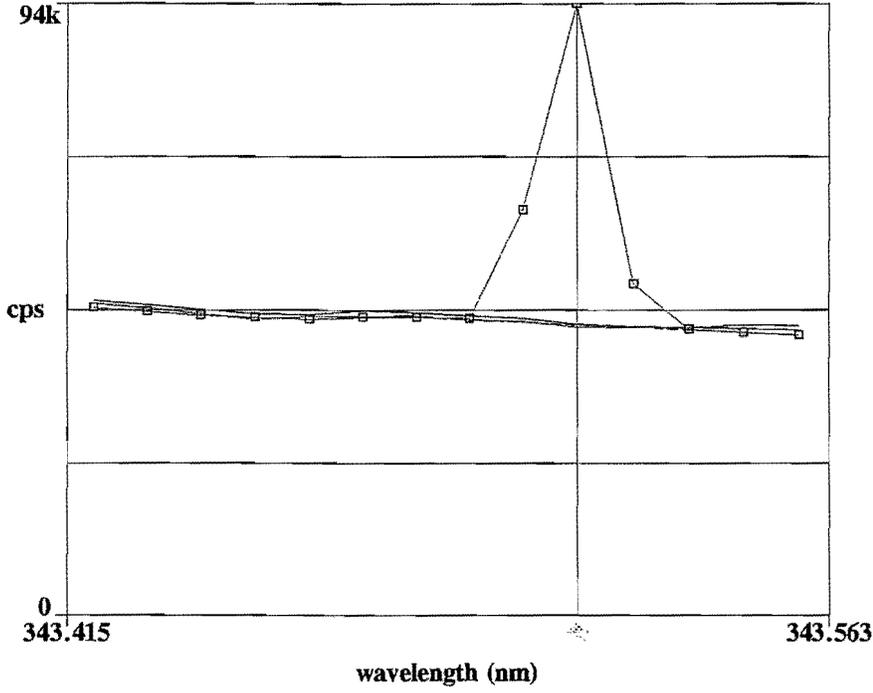


— Calib Blank 1
- - - Calib Std 1
... 2
No 5 single source

Wavelength: 324.293 nm

Intensity: 56027.3
Scale: 1.0
Offset: 0.0

Rh 343.489

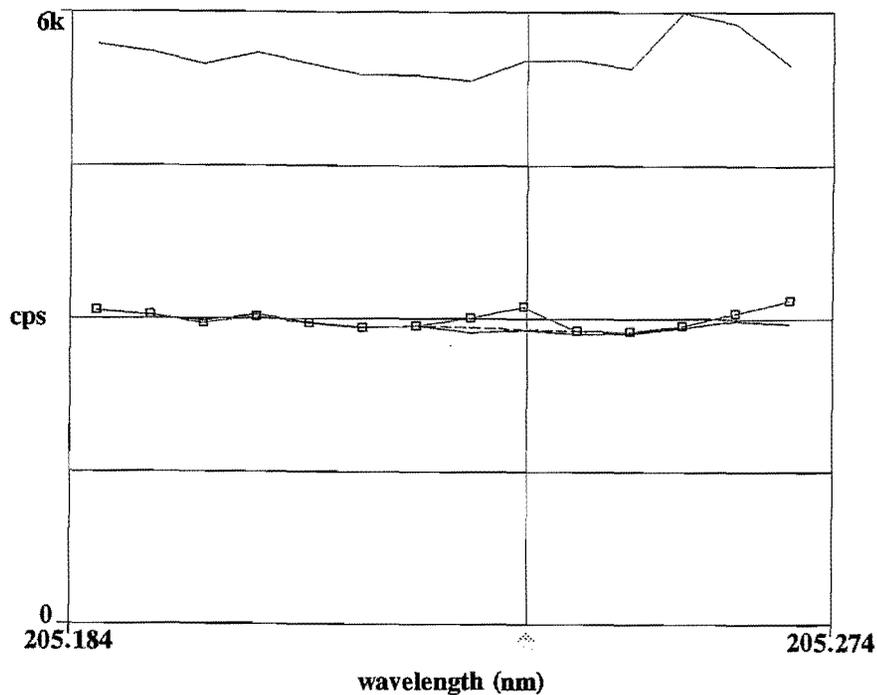


Calib Blank 1
Calib Std 1
2 Na S Single Source

Wavelength: 343.515 nm

Intensity: 93404.8
Scale: 1.0
Offset: 0.0

Ir 205.222

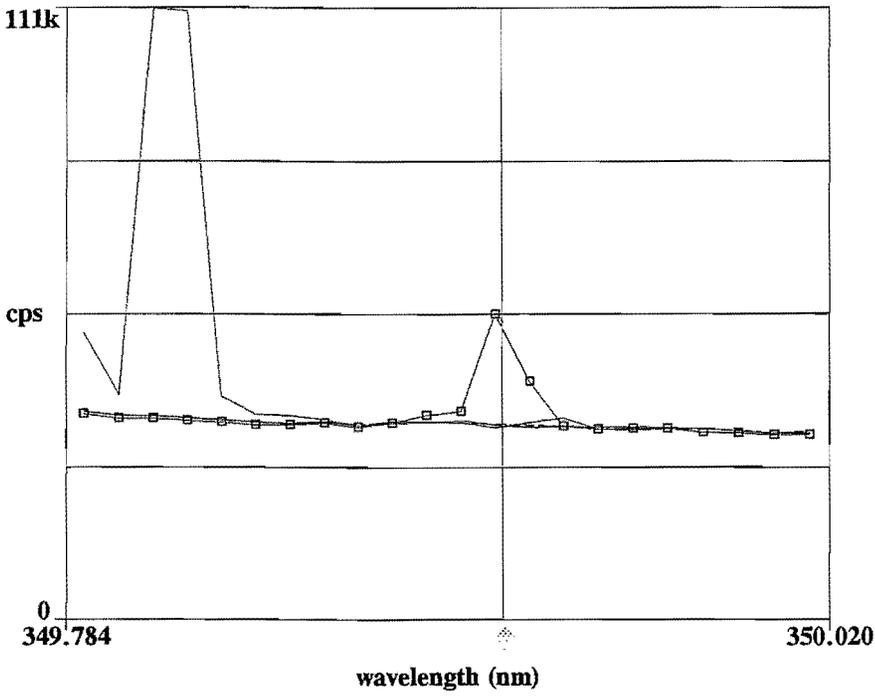


Calib Blank 1
Calib Std 1
2
NOS Single source

Wavelength: 205.238 nm

Intensity: 2913.1
Scale: 1.0
Offset: 0.0

Ru 349.894

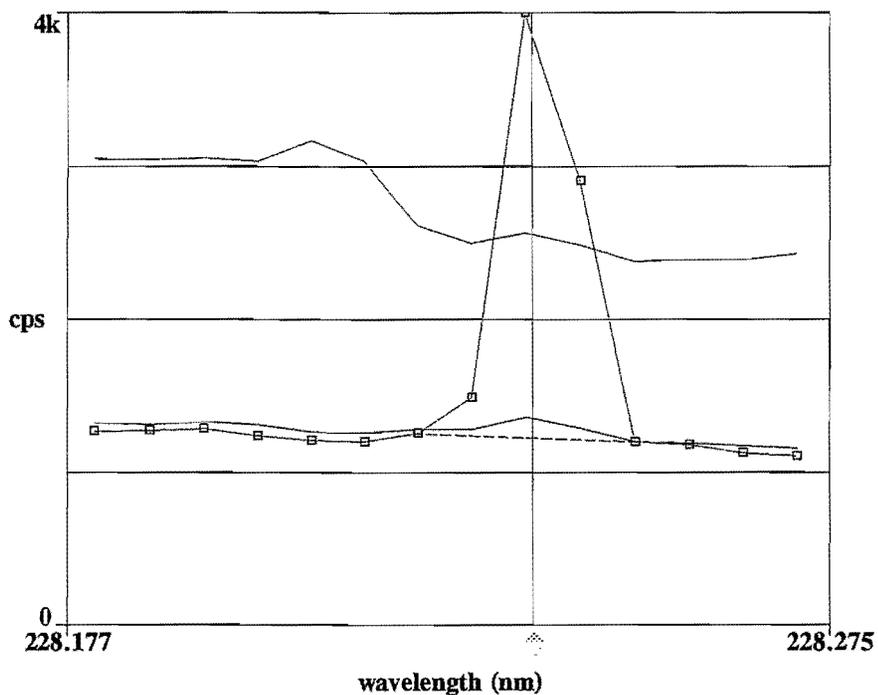


— Calib Blank 1
— Calib Std 1
2 *No 5 Single Source.*

Wavelength: 349.920 nm

Intensity: 52941.7
Scale: 1.0
Offset: 0.0

Os 228.226



Wavelength:

228.237 nm

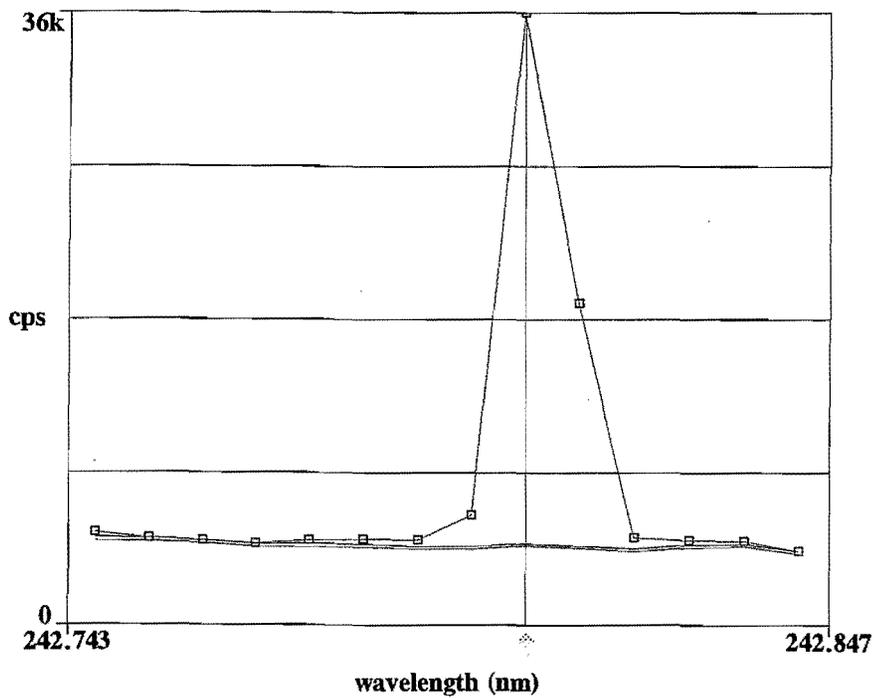
Intensity:

4299.7

Scale: 1.0

Offset: 0.0

Au 242.795

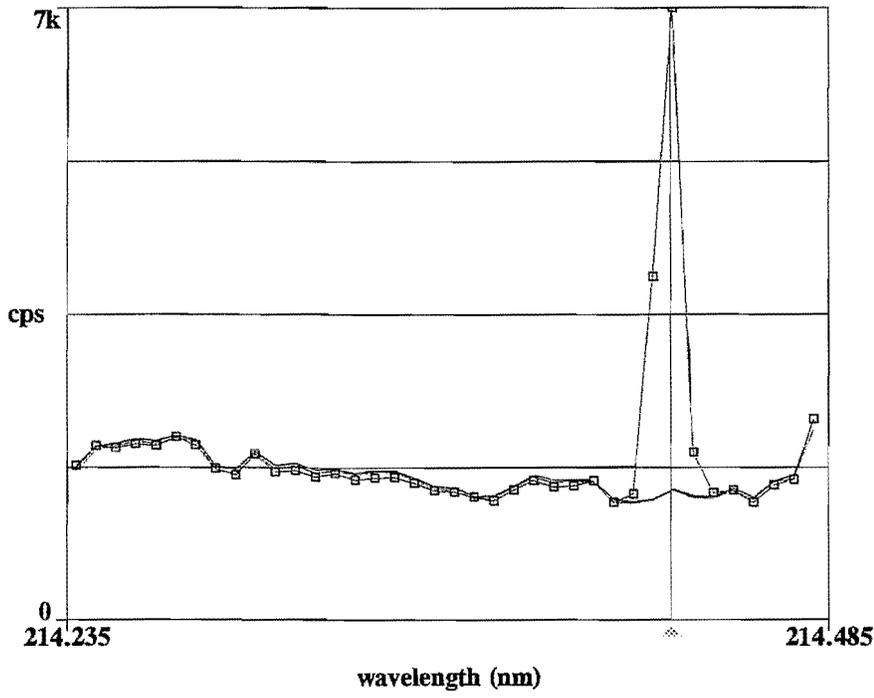


— Calib Blank 1
— Calib Std 1
— 395-1
NO 3 (Single Source)

Wavelength: 242.806 nm

Intensity: 35857.2
Scale: 1.0
Offset: 0.0

Pt 214.423

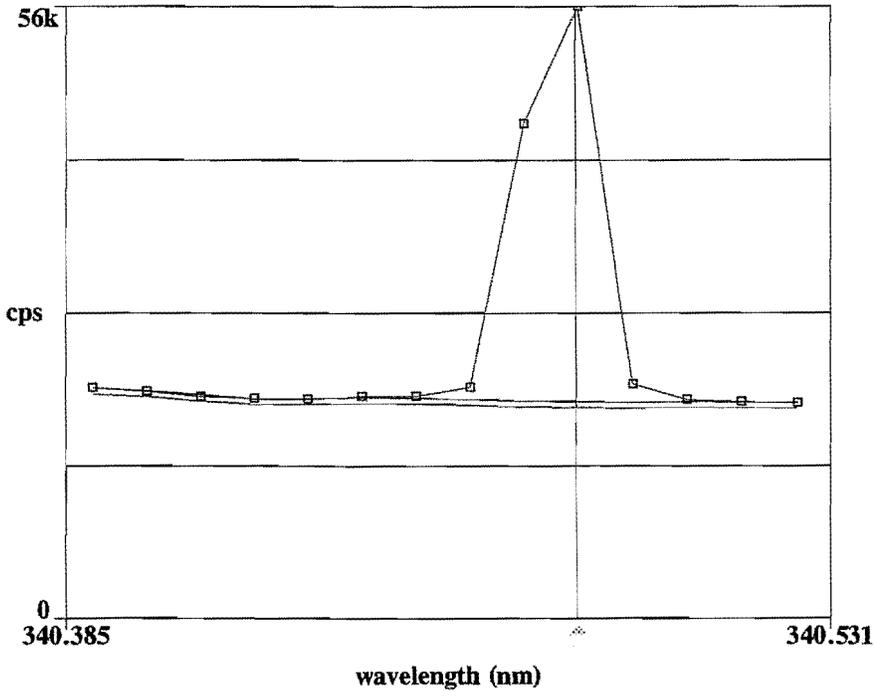


— Calib Blank 1
— Calib Std 1
— 395-1 *NO3 (Single Source)*

Wavelength: 214.434 nm

Intensity: 6510.6
Scale: 1.0
Offset: 0.0

Pd 340.458

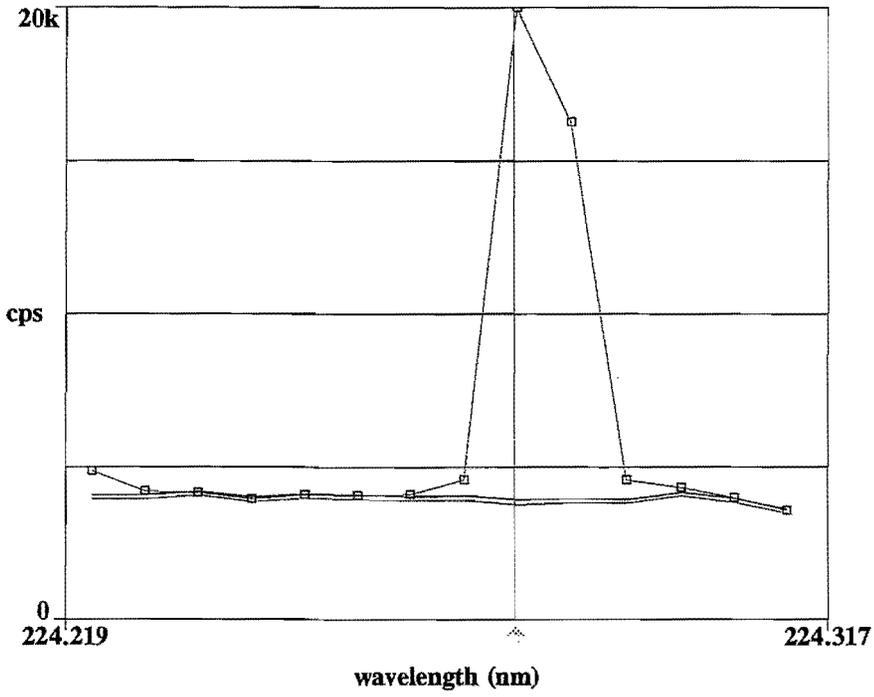


— Calib Blank 1
— Calib Std 1
— 395-1 *NO3 (single source)*

Wavelength: 340.483 nm

Intensity: 55687.8
Scale: 1.0
Offset: 0.0

Ir 224.268



Wavelength:

224.277 nm

Intensity:

19519.0

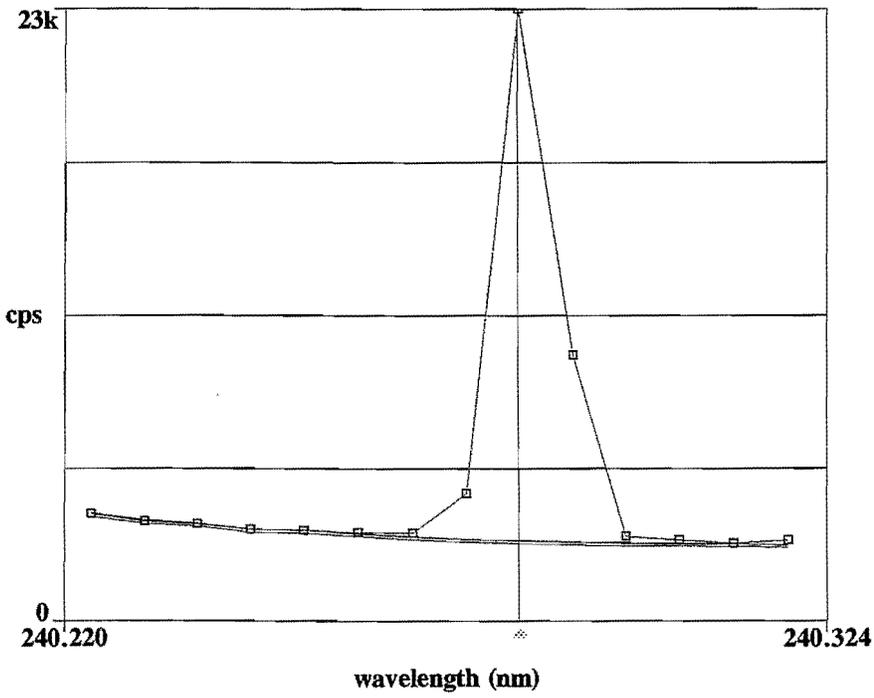
Scale:

1.0

Offset:

0.0

Ru 240.272

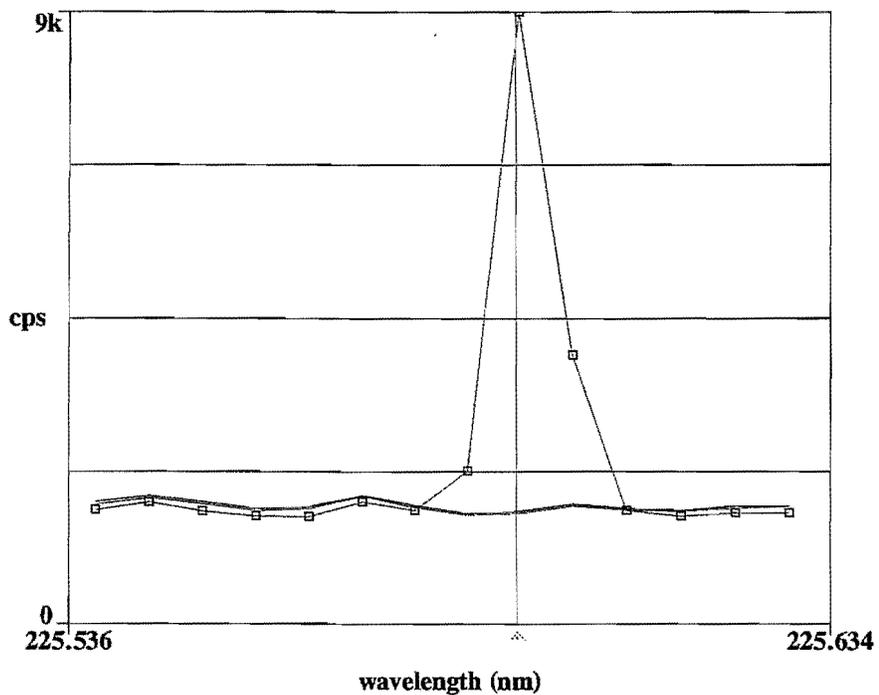


— Calib Blank 1
— Calib Std 1
— 395-1 *No3 Single Source*

Wavelength: 240.282 nm

Intensity: 22080.1
Scale: 1.0
Offset: 0.0

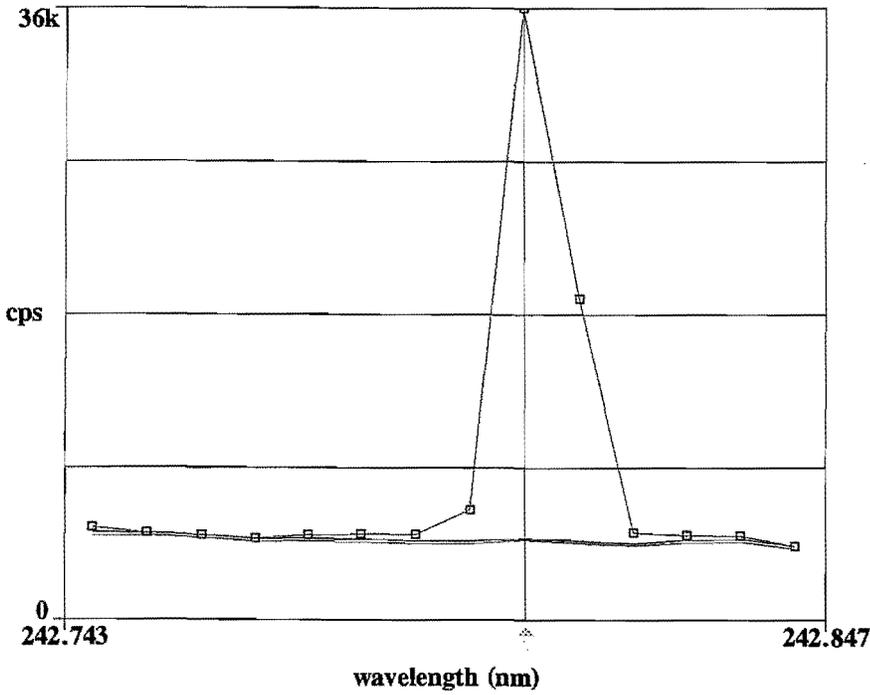
Os 225.585



Wavelength: 225.594 nm

Intensity: 8212.4
Scale: 1.0
Offset: 0.0

Au 242.795



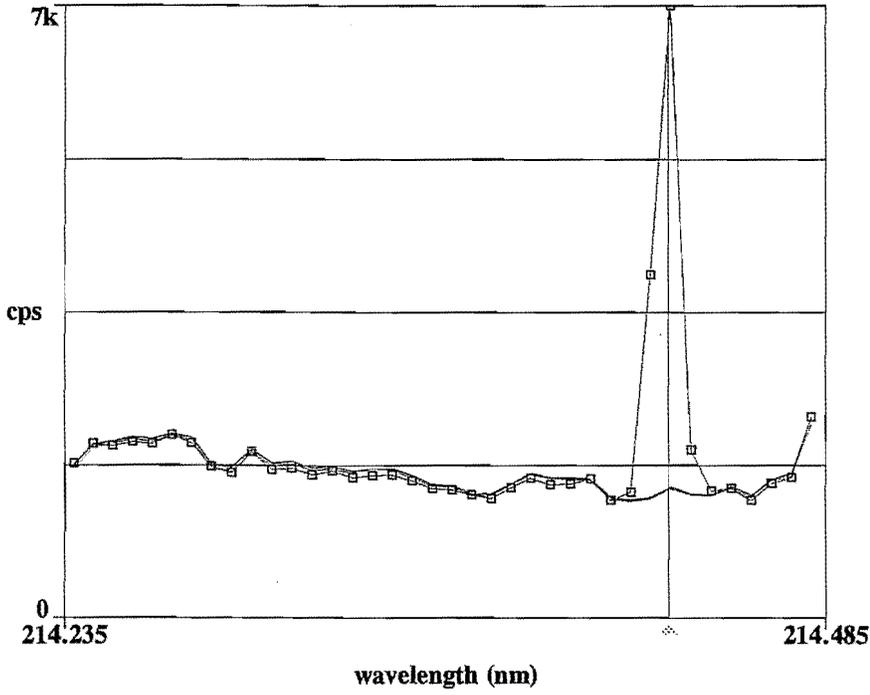
— Calib Blank 1
— Calib Std 1
— 395-2 NO.5 (Composite)

Wavelength: 242.806 nm

Intensity: 35857.2
Scale: 1.0
Offset: 0.0

FIRE ASSAY RESULT

Pt 214.423

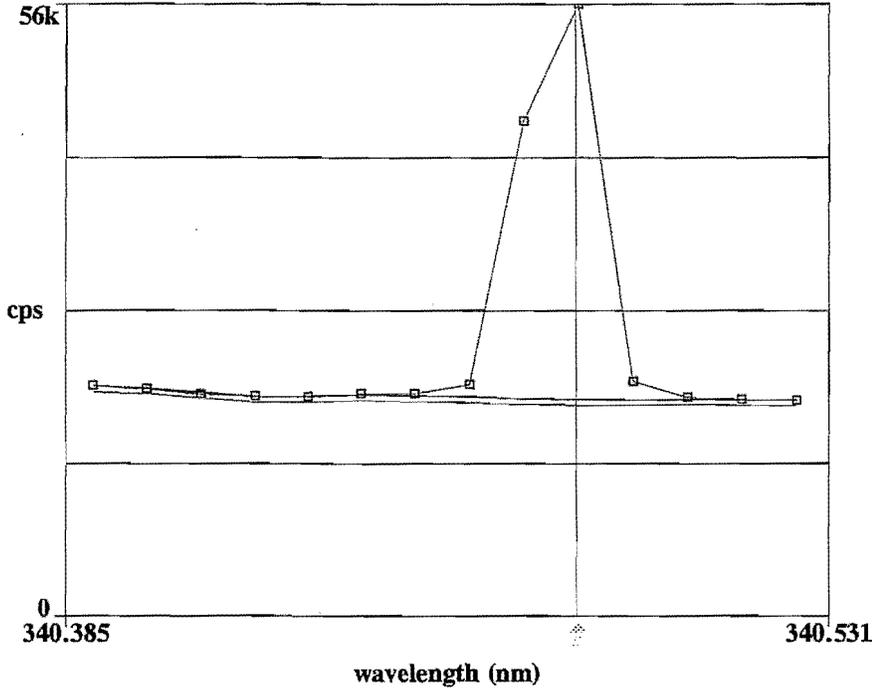


— Calib Blank 1
— Calib Std 1
— 395-2 NGS (composite)

Wavelength: 214.434 nm

Intensity: 6510.6
Scale: 1.0
Offset: 0.0

Pd 340.458

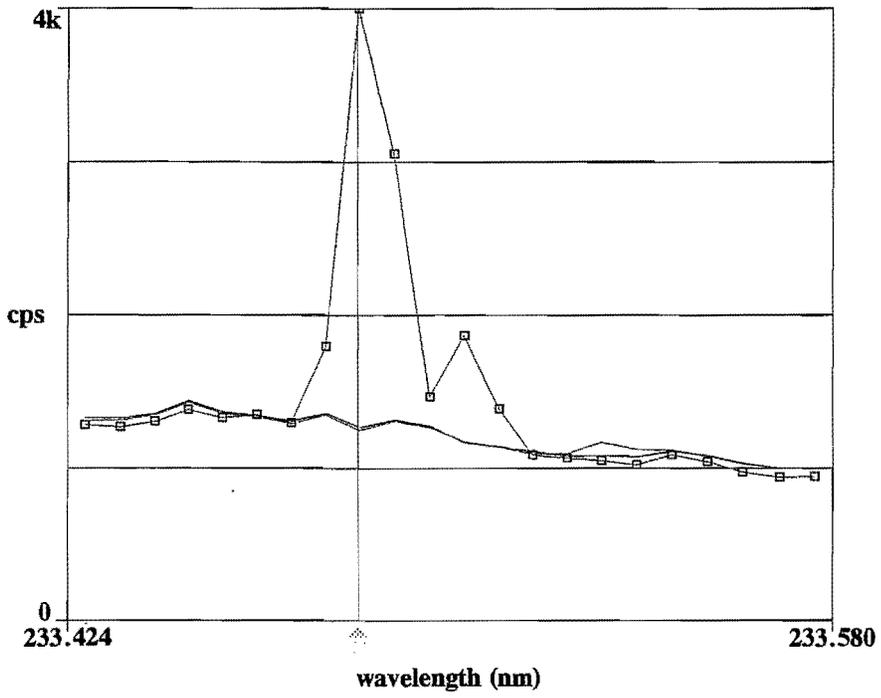


— Calib Blank 1
— Calib Std 1
— 395-2 NOS (Composite)

Wavelength: 340.483 nm

Intensity: 55687.8
Scale: 1.0
Offset: 0.0

Rh 233.477

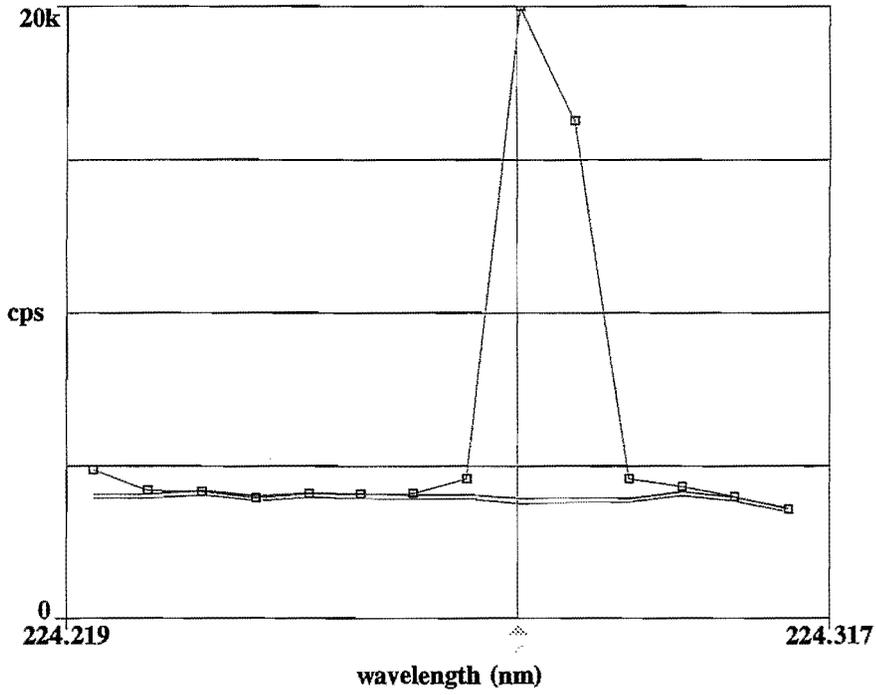


— Calib Blank 1
— Calib Std 1
— 395-2 *No 5 (composite)*

Wavelength: 233.484 nm

Intensity: 3810.2
Scale: 1.0
Offset: 0.0

Ir 224.268



— Calib Blank 1
— Calib Std 1
— 395-2 NO5 (Composite)

Wavelength:

224.277 nm

Intensity:

19519.0

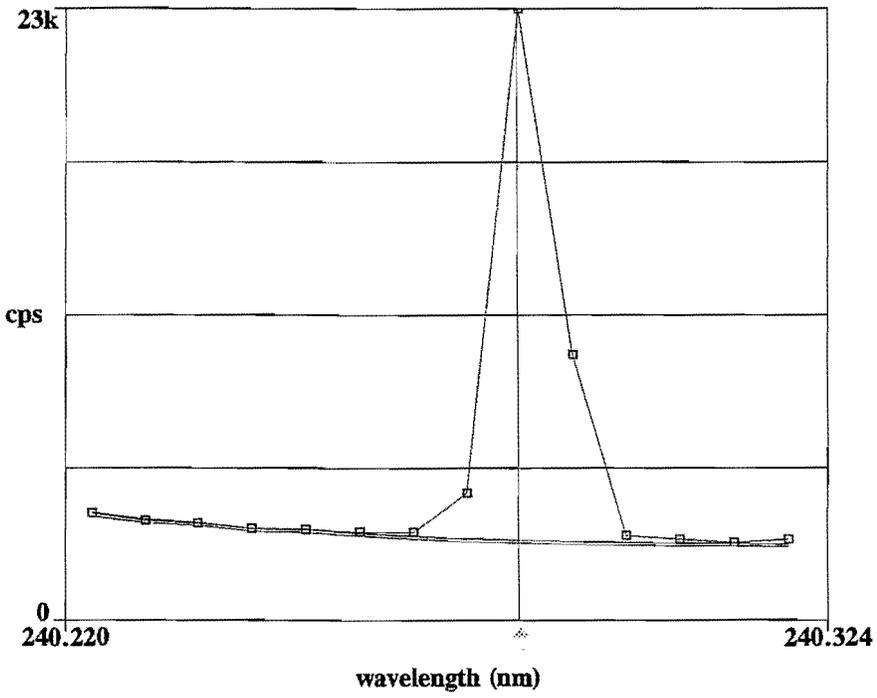
Scale:

1.0

Offset:

0.0

Ru 240.272

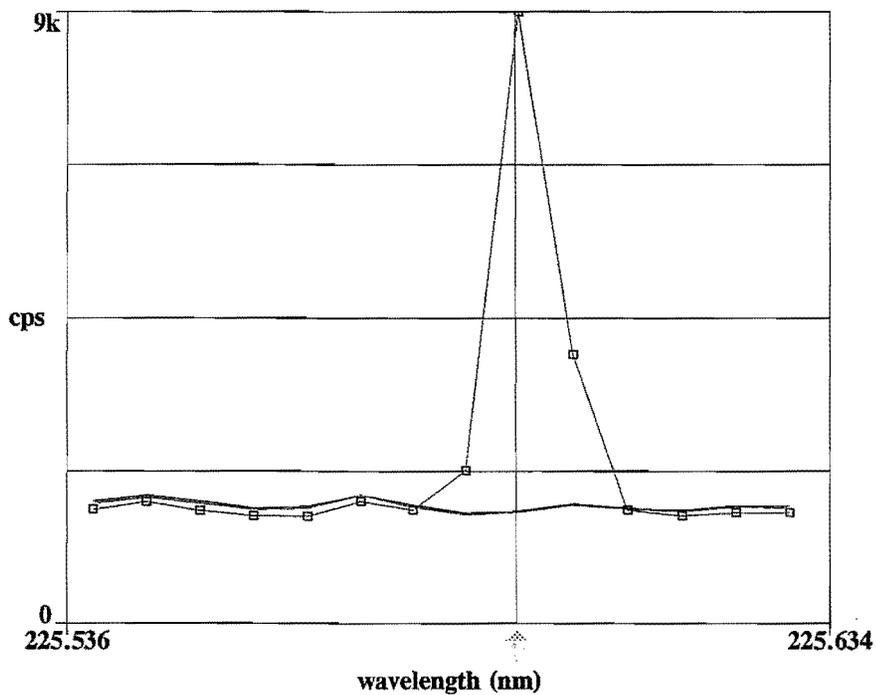


— Calib Blank 1
- - Calib Std 1
— 395-2 NOS (Composite)

Wavelength: 240.282 nm

Intensity: 22080.1
Scale: 1.0
Offset: 0.0

Os 225.585



Wavelength: 225.594 nm

Intensity: 8212.4
Scale: 1.0
Offset: 0.0

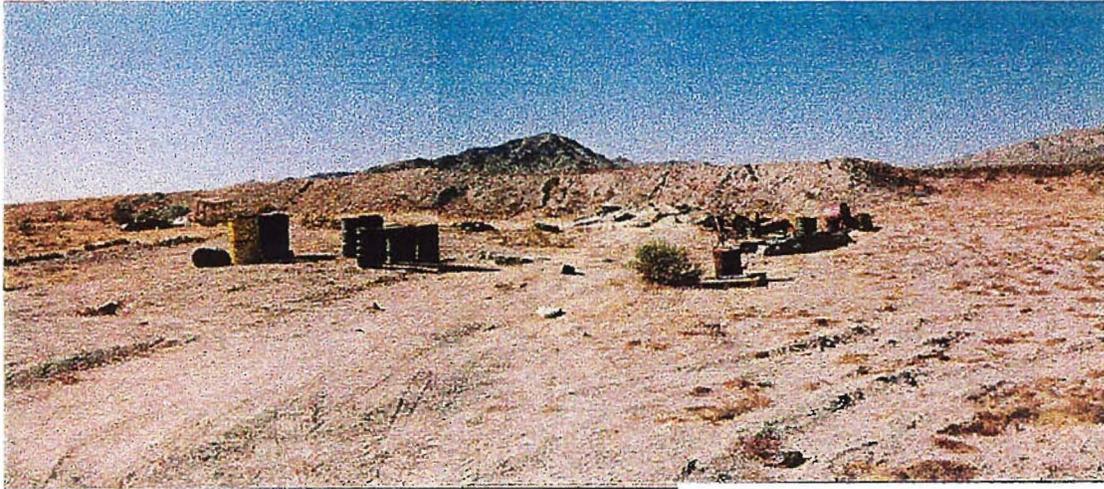


Photo #1 - Composite photo looking west. Miscellaneous items stored along the west edge of the Geneva #19 (Phoenix R. & D. #VIII) mill site. Taken by G Miller 11/24/93.



Photo #2 - Looking northwest at trailers parked on Geneva #18 (Phoenix R. & D. #IX) mill site. Taken by G. Miller 11/24/93.



Photo #3 - Shows bags of concentrates with materials drying on liners on Geneva #19 (Phoenix R. & D. #VIII) mill site. Taken by G. Miller 11/24/93.

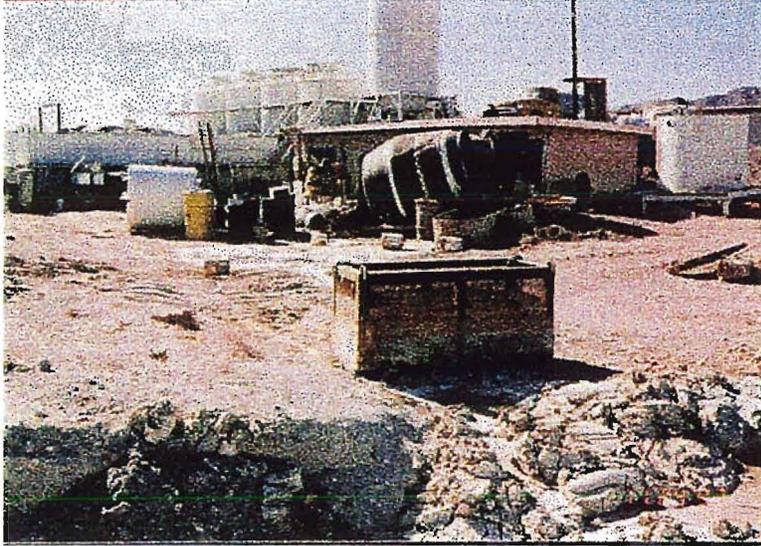


Photo #4 - Looking to southwest on Geneva #19 (Phoenix R. & D. #IX) mill site. Shows lab building behind mixer body and old cyanide tanks. Taken by G. Miller 11/24/93.

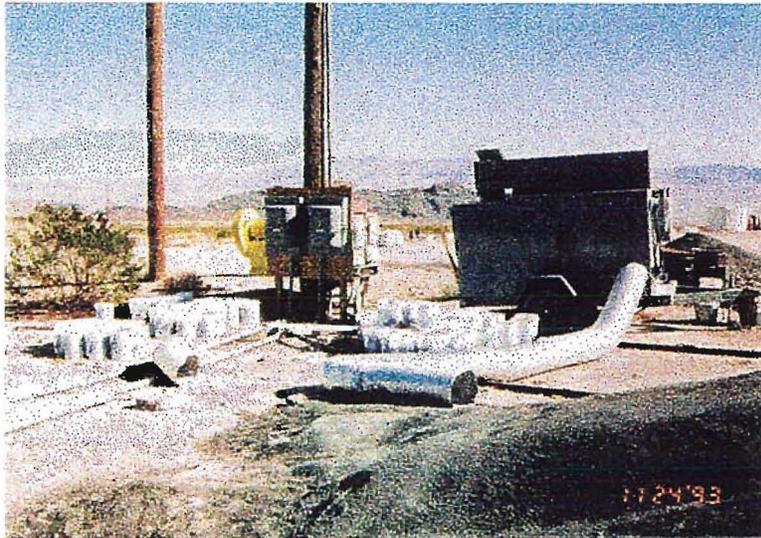


Photo #5 - Shows portable generator and buckets of concentrates on Geneva #19 (Phoenix R. & D. #IX) mill site. Taken by G. Miller 11/24/93.



Photo #6- Looking northeast across the Phoenix R. & D. #VIII mill site. Shows processing area in background. Foreground is metal storage units prior to being roofed. Taken by J. Mur 10/22/97.

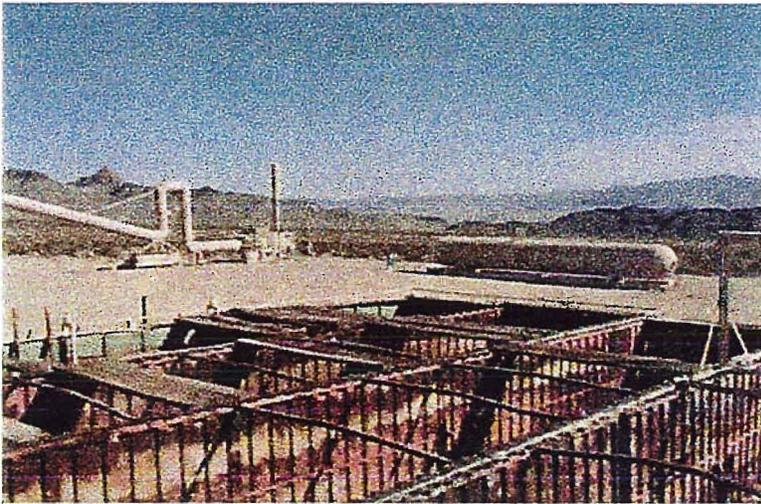


Photo #7- Looking northeast across the Phoenix R. & D. #VIII mill site. Shows scrubbers and propane tank in background. Foreground is metal storage units prior to being roofed. Taken by J. Mur 10/22/97.



Photo #8- Inside testing facility on the Phoenix R. & D. #VIII mill site. Shows electro wining area. Robert Flaherty on left. Taken by J. Mur 10/22/97.



Photo #9- Looking west on the Phoenix R. & D. #VIII. Taken looking along scrubber pipe. Taken by J. Mur 5/20/98.



Photo #10- Looking west on the Phoenix R. & D. #VIII. Shows processing area with cinder stockpile in foreground. Taken by J. Mur 5/20/98.

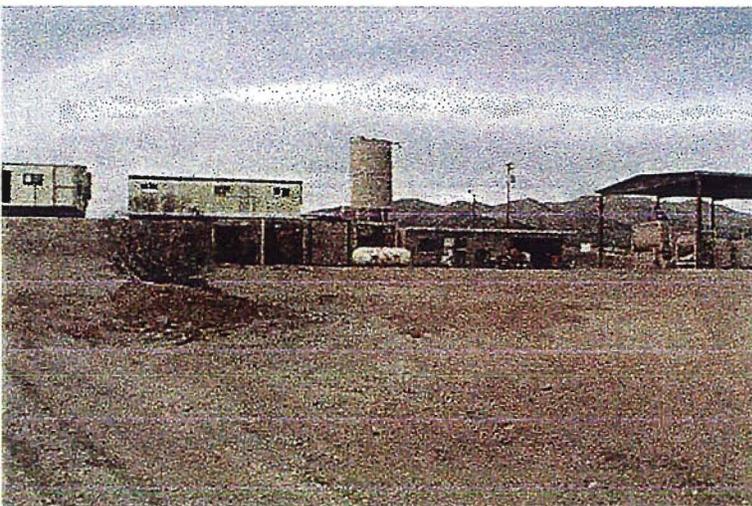


Photo #11- Looking west on the Phoenix R. & D. #VIII. Shows rear of Temporary Security & Quarters buildings. Lab center of picture. Taken by J. Mur 5/20/98.



Photo #12- Looking northwest on the Phoenix R. & D. #VIII. Shows processing area. Taken by J. Mur 5/20/98.

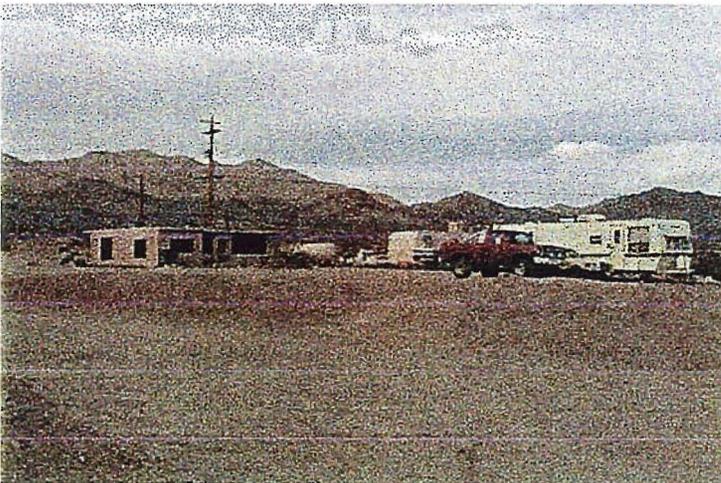


Photo #13- Looking northeast on the Phoenix R. & D. #IX. Shows site manager's office/residence and trailers. Taken by J. Mur 5/20/98.

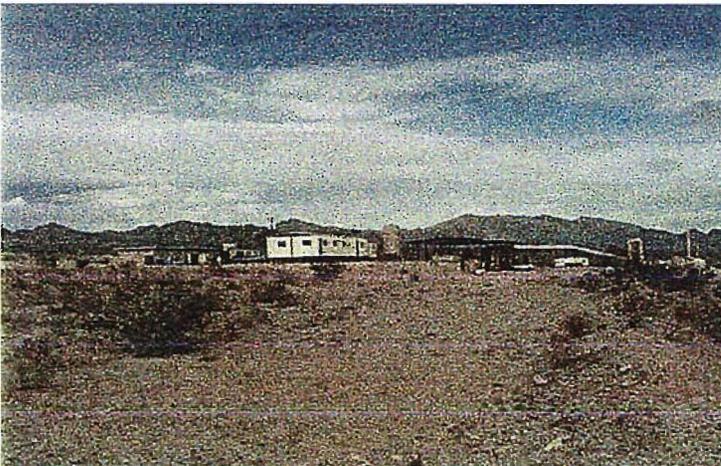


Photo #14- Looking northwest on the Phoenix R. & D. #VIII. Shows rear of Temporary Security & Quarters buildings. Processing area on right. Taken by J. Mur 5/20/98.



Photo #15- Looking west on the Phoenix R. & D. #VIII. Shows rear of Temporary Security & Quarters buildings. Taken by J. Mur 5/20/98.

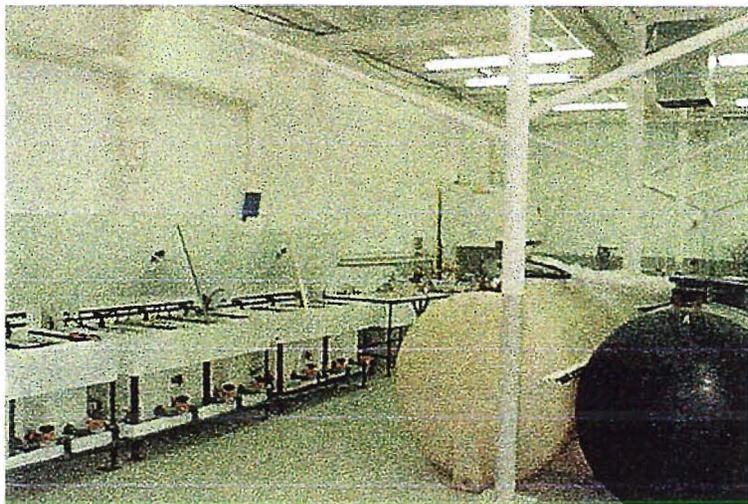


Photo #16- Inside testing facility on the Phoenix R. & D. #VIII. Shows electro winning area (compare photo #9). Taken by J. Mur 6/25/98.



Photo #17- North end of testing facility on the Phoenix R. & D. #VIII. Shows small furnace. Taken by J. Mur 6/25/98.

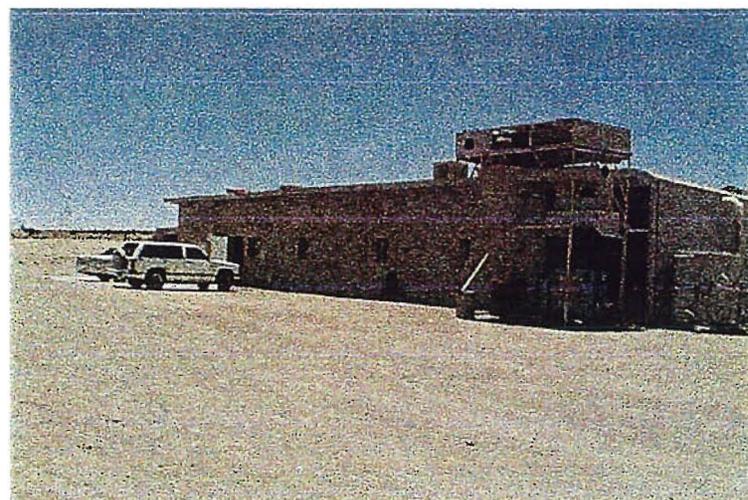


Photo #18- Looking southwest at testing facility building on the Phoenix R. & D. #VIII. Taken by J. Mur 6/25/98.



Photo #19- Looking northwest on the Phoenix R. & D. #VIII. Overflow pond in foreground with 'bone yard' in background . Taken by J. Mur 6/25/98.

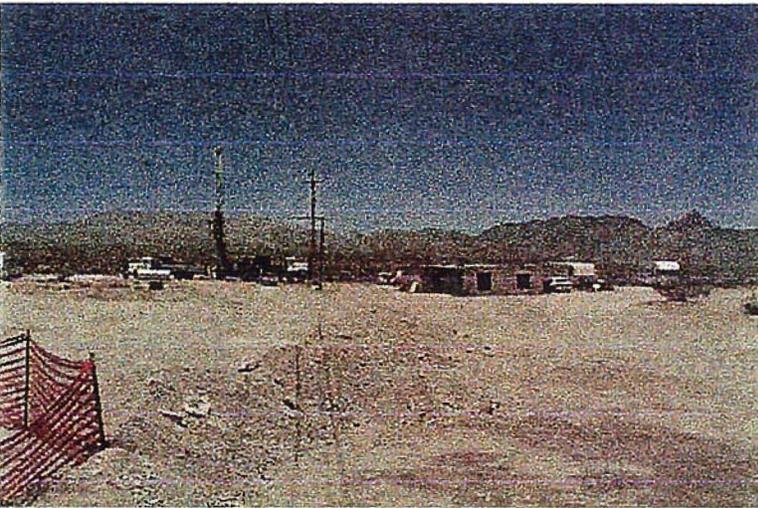


Photo #20- Looking northeast at site manager's office/residence on the Phoenix R. & D. #IX. Well being drilled to left of manager's office (compare photo #14). Taken by J. Mur 6/25/98.

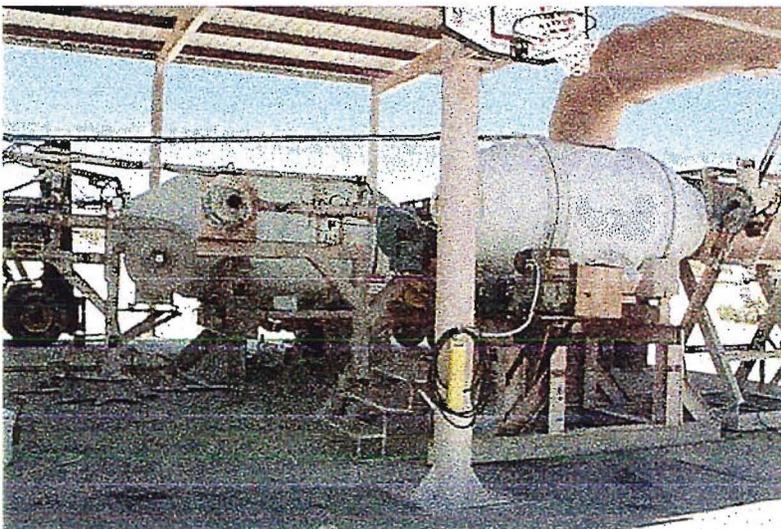


Photo #21- Close-up of furnaces in processing area on the Phoenix R. & D. #VIII. Smaller furnace in foreground. Taken by J. Mur 6/25/98.

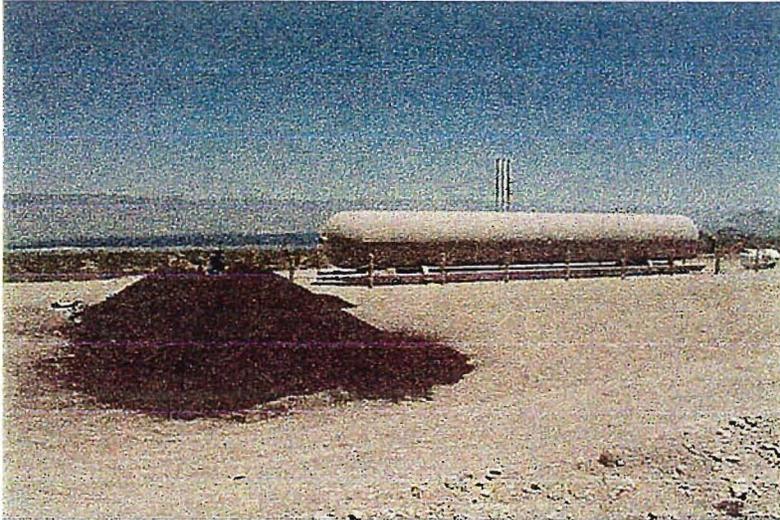


Photo #22- Looking east on the Phoenix R. & D. #VIII. Shows cinder stockpile and propane tank
Taken by J. Mur 6/25/98.



Photo #23- Looking northeast on the Phoenix R. & D. #VIII. Shows processing area. Taken by J. Mur 6/25/98.

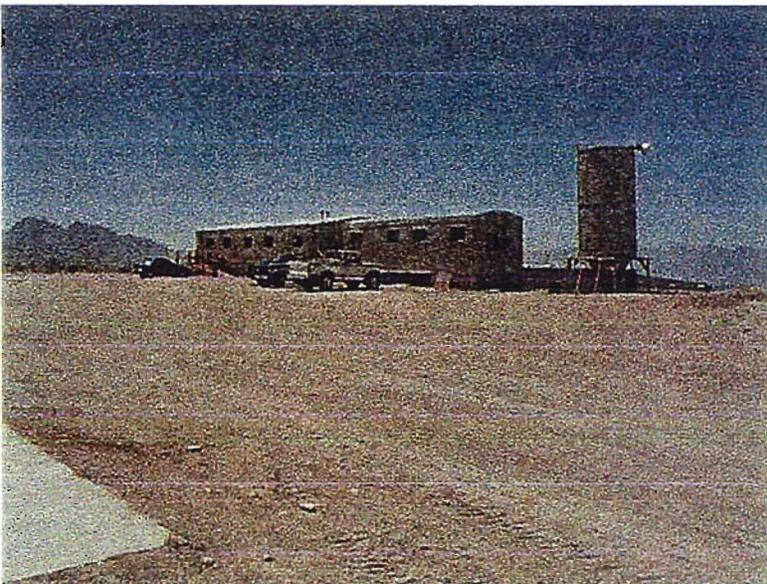


Photo #24- Looking southeast on the Phoenix R. & D. #VIII. Shows Temporary Security and Quarters. Taken by J. Mur 6/25/98.

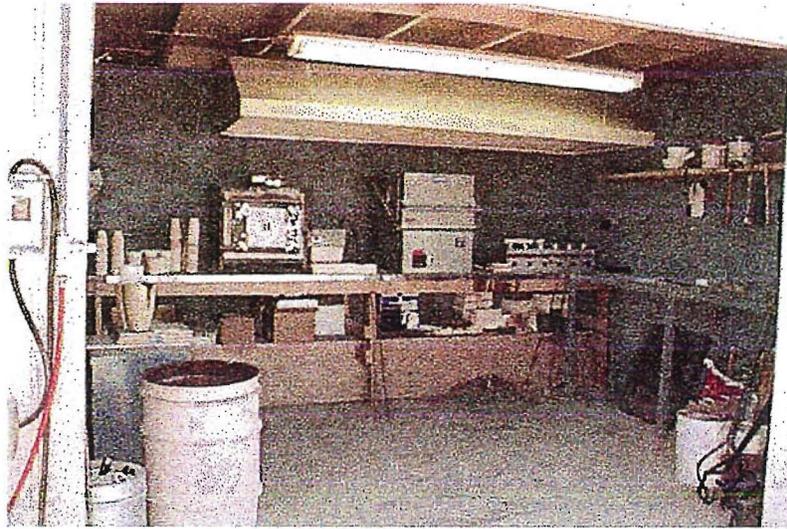


Photo #25- Looking at lab area on
the Phoenix R. & D. #VIII.
Taken by J. Mur 6/25/98.



Photo #26- Inside testing facility on the Phoenix R. & D. #VIII. Shows electro wining area (compare photos #9,17). Taken by E. Seum 12/8/98.

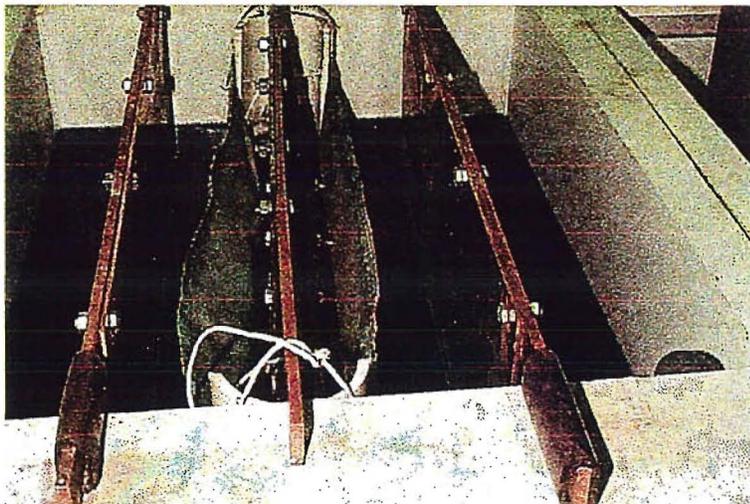


Photo #27- Inside testing facility on the Phoenix R. & D. #VIII. Shows close-up of electro wining unit. Taken by E. Seum 12/8/98.

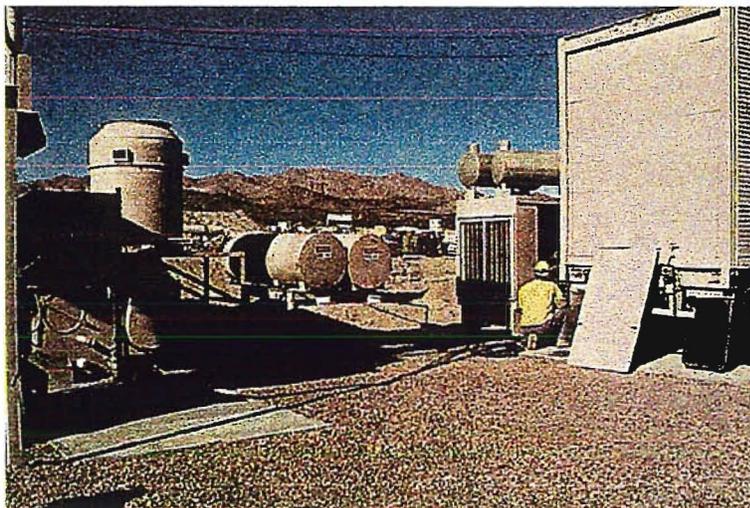


Photo #28- Taken on the Phoenix R. & D. #VIII. Shows diesel tanks (center) and one of two generators (right). Taken by E. Seum 12/8/98.

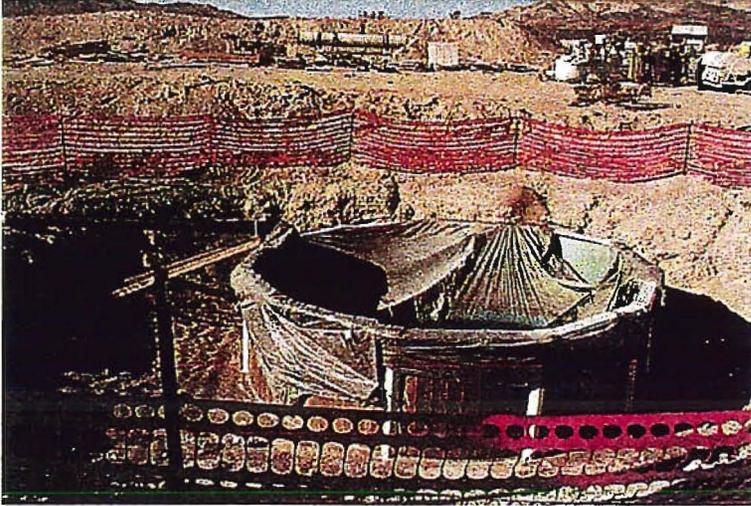


Photo #29- Taken on the Phoenix R. & D. #VIII. Shows collection basin for electro wining area in foreground, 'bone yard' in background.. Taken by E. Seum 12/8/98.

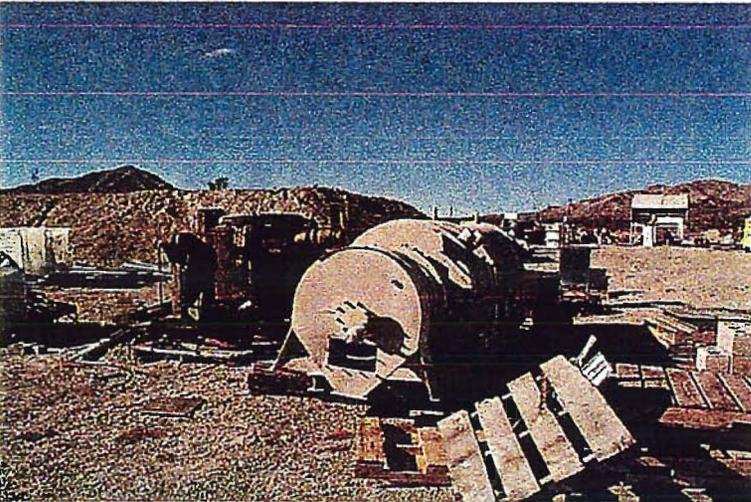


Photo #30- Taken on the Phoenix R. & D. #VIII looking northwest. Shows items in 'bone yard'. Taken by E. Seum 12/8/98.

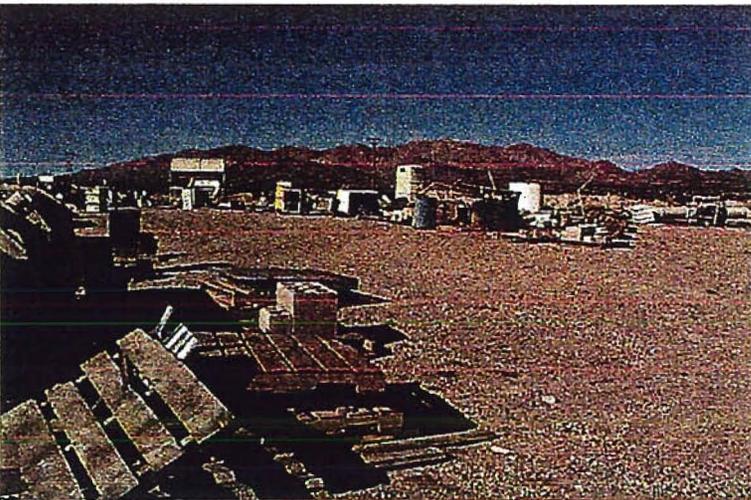


Photo #31- Taken on the Phoenix R. & D. #VIII looking northwest. Shows items in 'bone yard'. Taken by E. Seum 12/8/98.

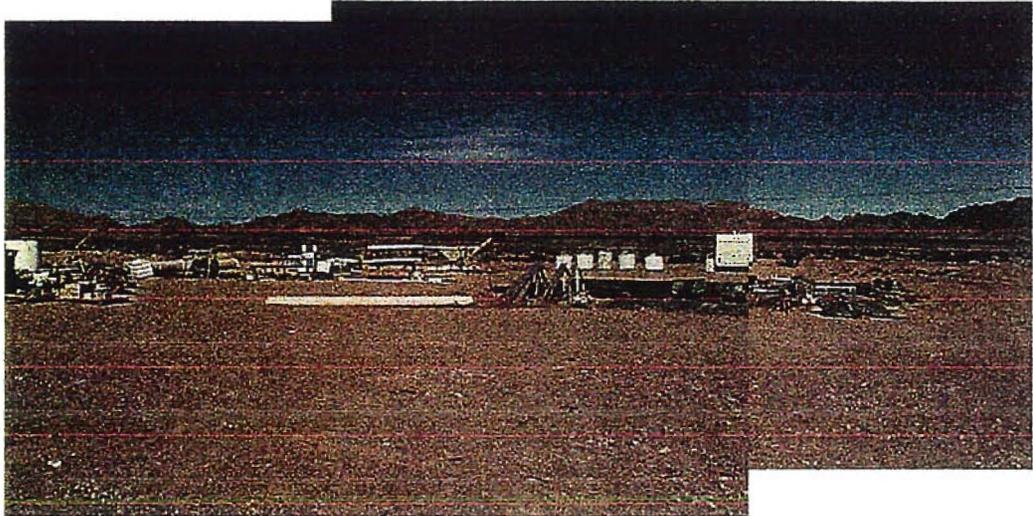


Photo #32 - Looking north. Shows items in bone yard on the Phoenix R. & D. #IV and IX (trailer and bags of flux). Taken by E. Seum 12/8/98.



Photo #33- Close-up of flux in one of bags in above picture. Taken by E. Seum 12/8/98.



Photo #34- Shows capped well on Phoenix R. & D. #IX. Taken by E. Seum 12/8/98.



Photo #35- Taken looking south. Water line from well constructed from the Phoenix R. & D. #IX to the Phoenix R. & D. #VIII. Taken by E. Seum 12/8/98.

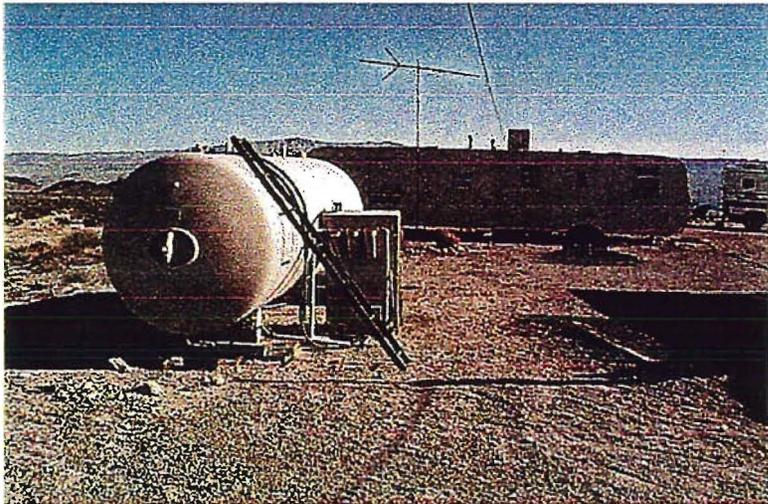


Photo #36- Taken on the Phoenix R. & D. #IX. Shows water storage tank and trailer used as residence. Taken by E. Seum 12/8/98.

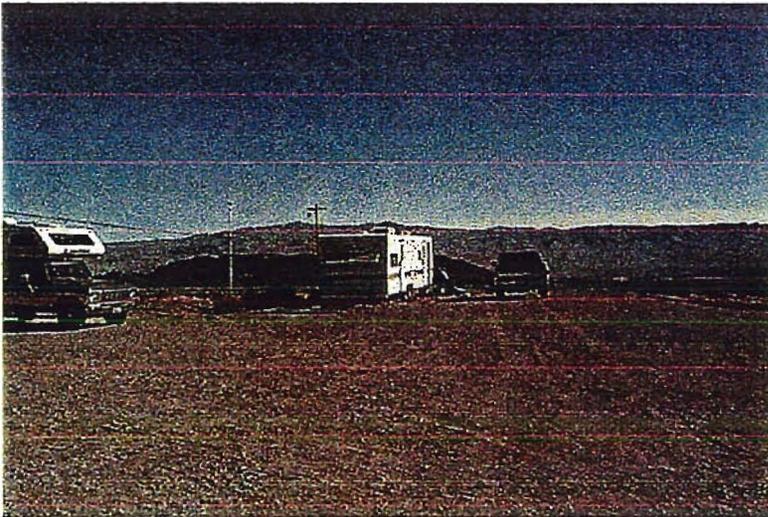


Photo #37- Taken on the Phoenix R. & D. #IX. Shows trailer used as residence. Taken by E. Seum 12/8/98.



Photo #38- Taken on the Phoenix R. & D. #IX. Shows trailer used as residence. Electrical hook-up on ground, septic pipes at rear of tires. Taken by E. Seum 12/8/98.

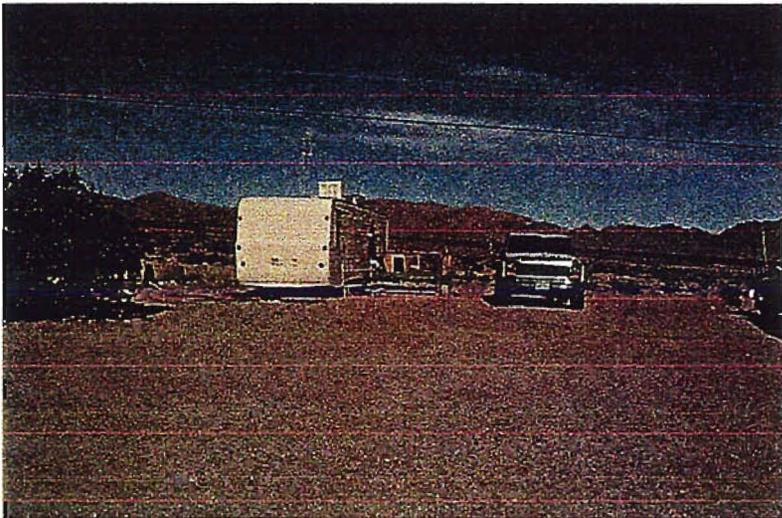


Photo #39- Taken on the Phoenix R. & D. #IX. Shows trailer used as residence. Taken by E. Seum 12/8/98.

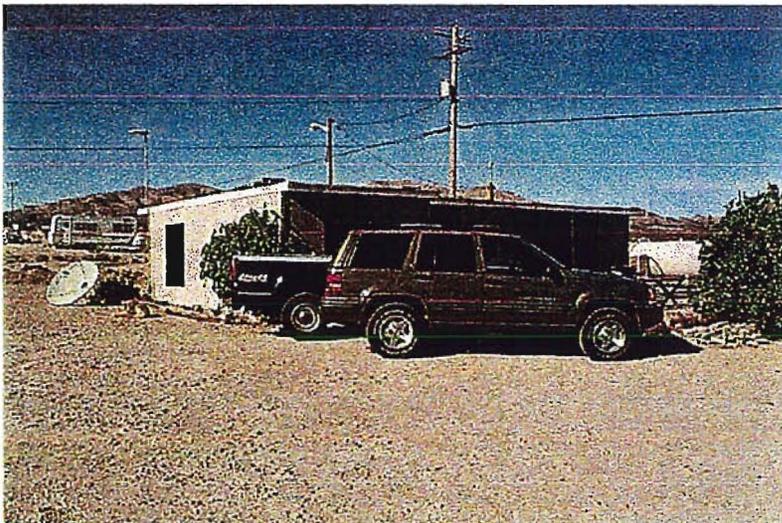


Photo #40- Taken on the Phoenix R. & D. #IX. Shows site manager's office/residence. Taken by E. Seum 12/8/98.



Photo #41- Taken on the Phoenix R. & D. #VIII. Shows chemicals inside storage building. Taken by E. Seum 12/8/98.

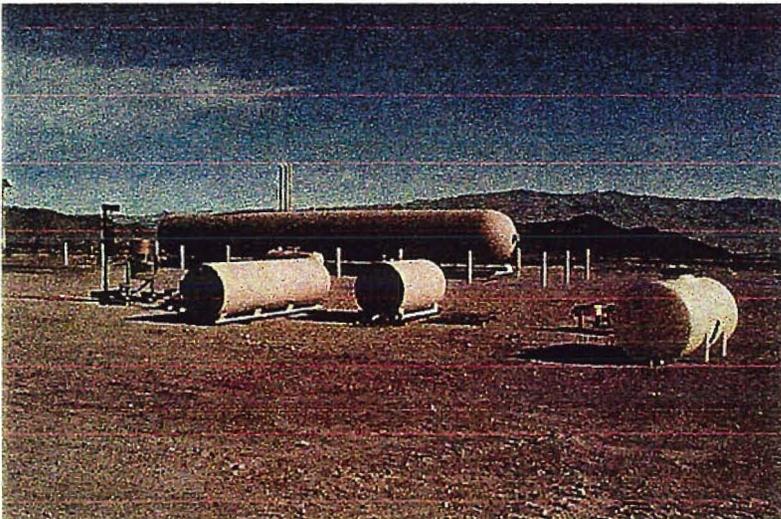


Photo #42- Taken on the Phoenix R. & D. #VIII. Shows propane tank area. Taken by E. Seum 12/8/98.



Photo #43- Taken on the Phoenix R. & D. #VIII. Shows interior of lab building. Taken by E. Seum 12/8/98.



Photo #44- Taken on the Phoenix R. & D. #VIII looking south. Shows cinder stockpile adjacent to processing area. Taken by E. Seum 12/8/98.

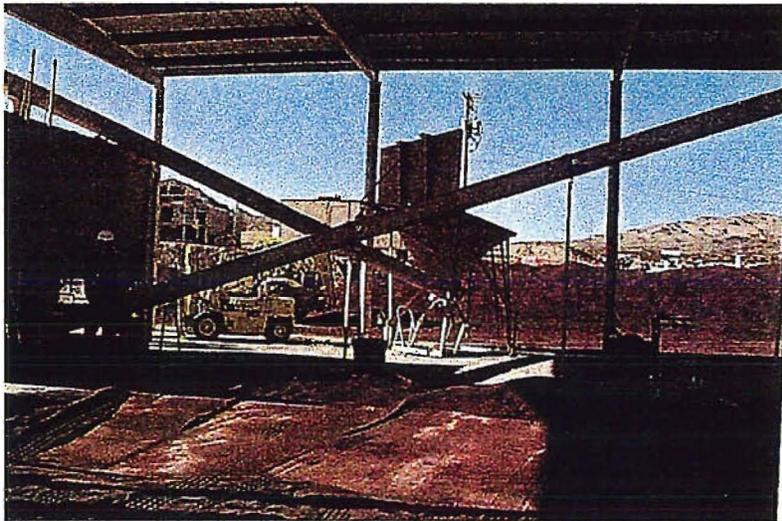


Photo #45- Taken on the Phoenix R. & D. #VIII looking west. Shows hopper that cinder and flux are loaded into. Taken by E. Seum 12/8/98.

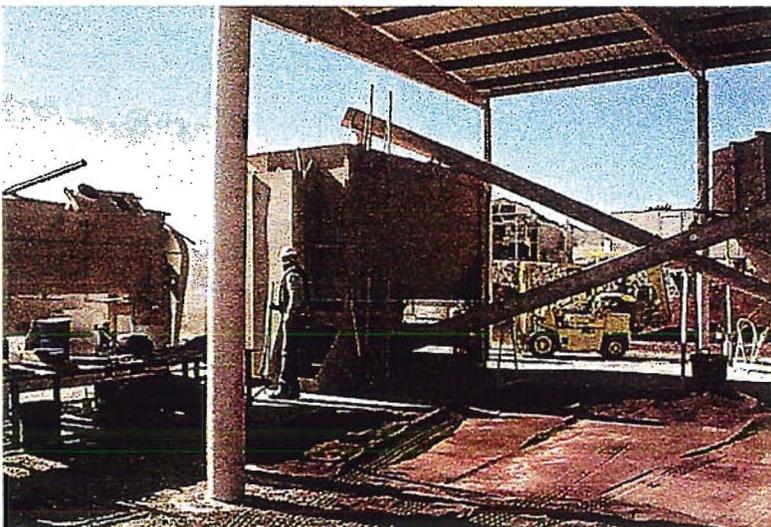


Photo #46- Taken on the Phoenix R. & D. #VIII. Shows ribbon blender fed by hopper that cinder and flux are loaded into. Taken by E. Seum 12/8/98.

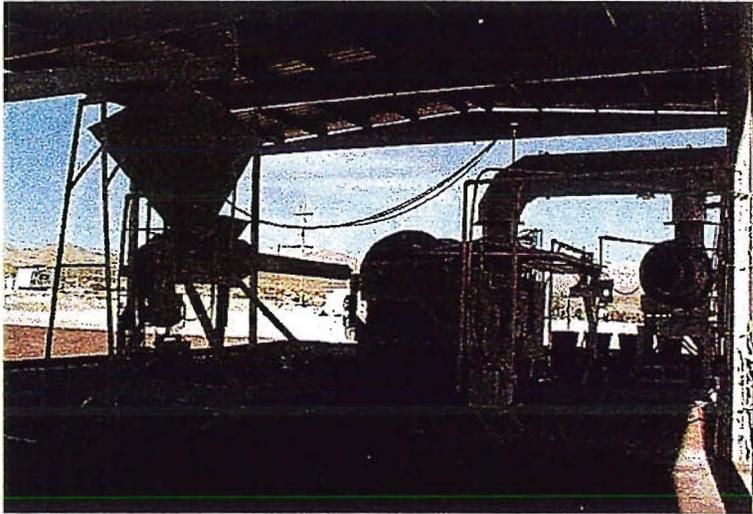


Photo #47- Taken on the Phoenix R. & D. #VIII. Shows hopper fed by ribbon blender. Goes into furnace, center of picture. Taken by E. Seum 12/8/98.

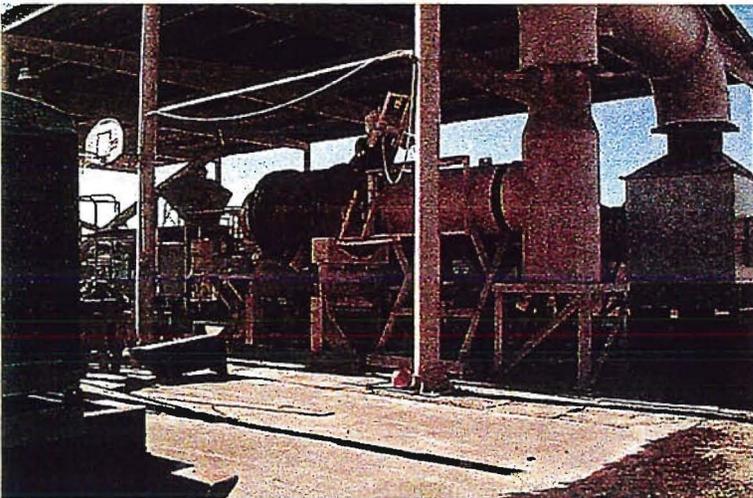


Photo #48- Taken on the Phoenix R. & D. #VIII looking southwest. Shows small reserve furnace, center of picture. Taken by E. Seum 12/8/98.

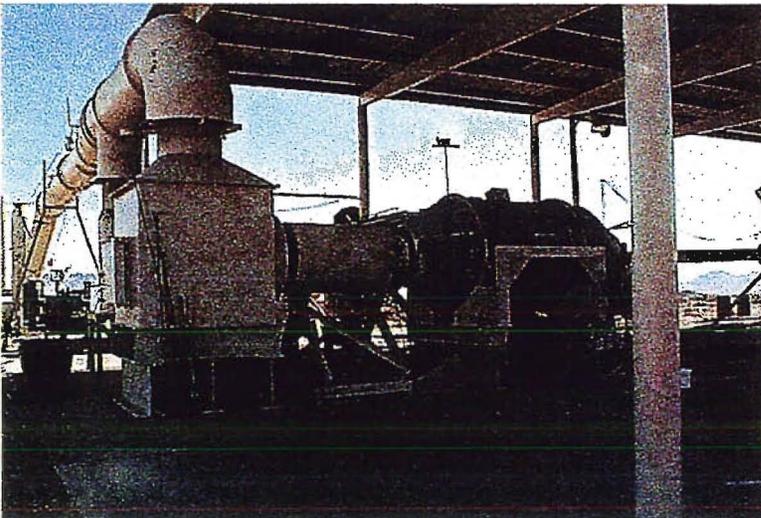


Photo #49- Taken on the Phoenix R. & D. #VIII looking east. Shows large furnace, center of picture. Hood leading to scrubber pipe on left. Taken by E. Seum 12/8/98.

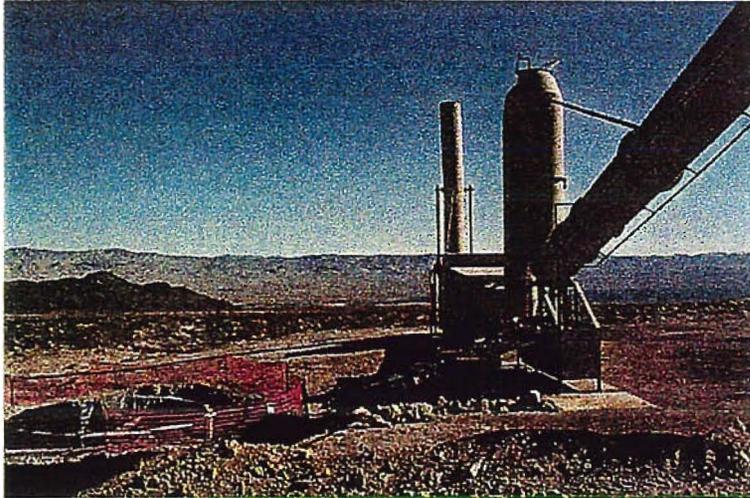


Photo #50- Taken on the Phoenix R. & D. #VIII looking east. Shows scrubber pipe on right. Overflow containment pond on left. Taken by E. Seum 12/8/98.

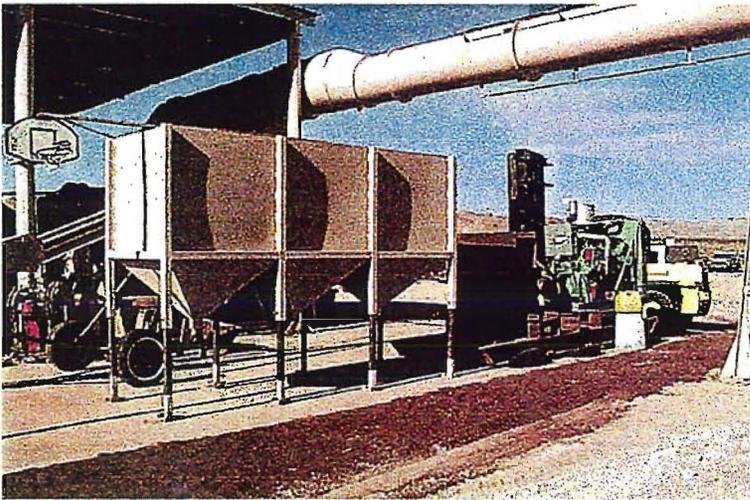


Photo #51- Taken on the Phoenix R. & D. #VIII looking west. Shows small crusher and bins on east side of processing area.. Taken by E. Seum 12/8/98.

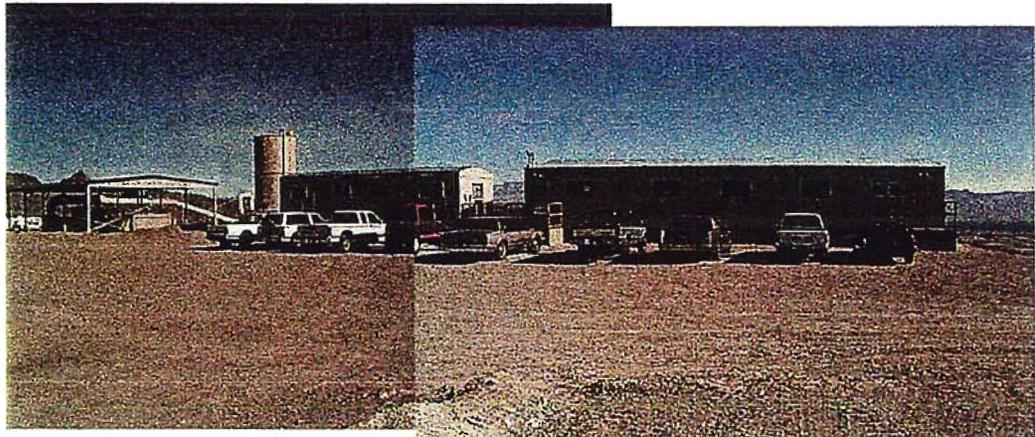


Photo #52- Taken on the Phoenix R. & D. #VIII looking east. Shows front of Temporary Security & Quarters buildings. Taken by E. Seum 12/8/98.

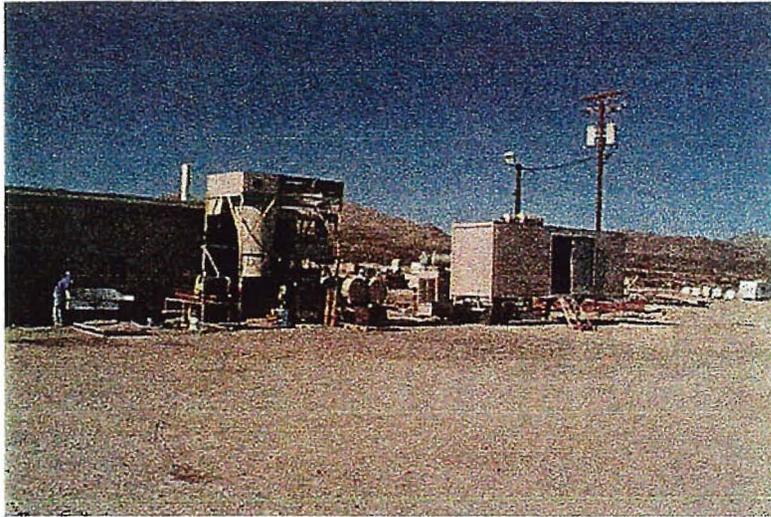


Photo #53- Taken on the Phoenix R. & D. #VIII looking northwest. Shows generator area. Cargo container houses larger generator, smaller unit at rear of container. Taken by J. Mur 12/16/98.

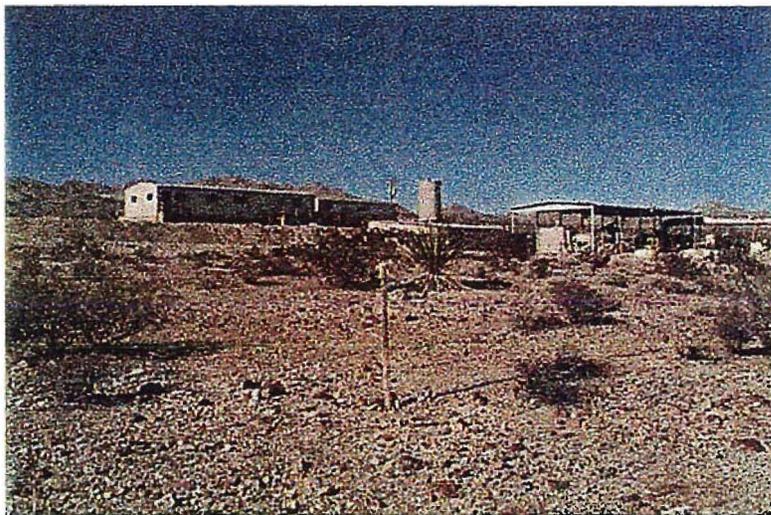


Photo #54- Taken looking northwest at the Phoenix R. & D. #VIII. Shows Temporary Security & Quarters and processing area. Taken by J. Mur 12/16/98.



Photo #55- Taken looking northwest at the Phoenix R. & D. #VIII. Shows processing area and perimeter warning sign. Taken by J. Mur 12/16/98.

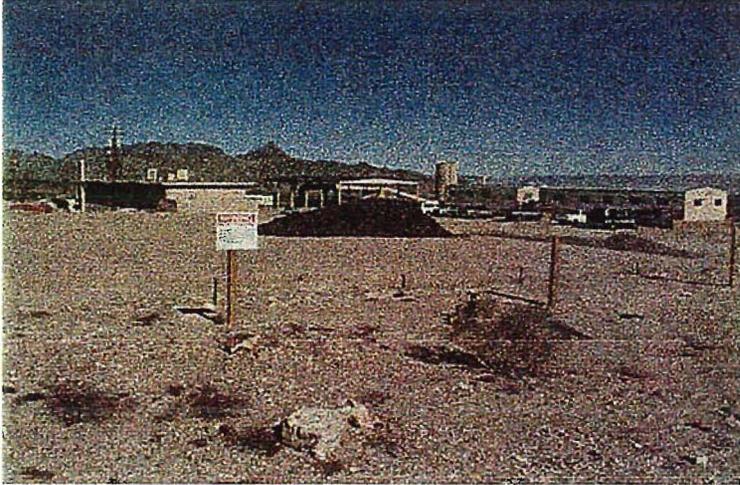


Photo #56- Taken looking northeast at the Phoenix R. & D. #VIII. Shows coarse cinder stockpile, center foreground. Temporary Security & Quarters and processing area and testing facility in background. Tortoise fence in foreground behind sign. Taken by J. Mur 12/16/98.

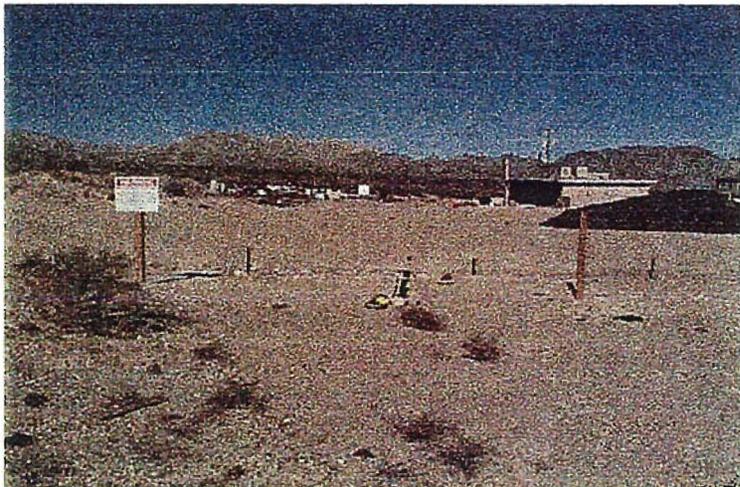


Photo #57- Taken looking northeast at the Phoenix R. & D. #VIII. Shows coarse cinder stockpile, right foreground. Testing facility and 'bone yard' in background. Tortoise fence in foreground behind sign. Taken by J. Mur 12/16/98.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108
<http://www.nv.blm.gov>



JEUM
4/13/99

In Reply Refer To:
N54-93-012N
N53-97-019P
3809
NV-053

Robert F. Flaherty
Phoenix Metals USA II Inc.
P.O. Box 936
Searchlight, Nevada 89046

APR 13 1999

Dear Mr. Flaherty:

This is in reply to your letter dated March 4, 1999 concerning the tortoise fence at your Searchlight, Nevada operations. I have consulted with Jeanie Cole, Wildlife Biologist, concerning the questions you raised. The BLM cannot absolve Phoenix Metals of responsibility under the Endangered Species Act. There is a process which allows legal "take" of desert tortoise. The term "take" means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or attempt to engage in any such conduct. Such taking must be incidental to, and not the purpose of, the carrying out of an otherwise lawful activity.

The only way to obtain incidental take of listed species on Public land is to complete formal consultation with the U.S. Fish and Wildlife Service under Section 7 of the Endangered Species Act. Section 7(a)(2) states that "Each federal agency shall in consultation with and with the assistance of the Secretary, insure that any action authorized, funded or carried out by such agency is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of habitat ...which is determined by the Secretary...to be critical." Mining notices are generally considered non-discretionary federal actions. Therefore, formal consultation is normally not done on notice level activity. However, BLM could initiate formal consultation on your notice if you desire.

At completion of formal consultation, the U.S. Fish and Wildlife Service will issue a biological opinion to the BLM. The biological opinion includes Terms and Conditions, and an incidental take statement. The terms and conditions of the biological opinion are non-discretionary on the part of the BLM and the applicant. The types of terms and conditions which could be imposed on Phoenix Metals by formal consultation include the following: payment of an off-site mitigation fee of up to \$3,522 per acre of new surface disturbance; the installation of a tortoise-proof fence; the requirement to have a biologist on site during fence construction; and stringent reclamation requirements. Formal Section 7 consultation takes approximately 135 days to complete, after all required information has been submitted to the U.S. Fish and Wildlife Service.

In order to be exempt from the prohibitions under Section 9 of the Act (i.e.: protected from illegal take), Phoenix Metals would have to agree to implement all the terms and conditions of the subject biological opinion. Since it is a non-discretionary action, we would need a written commitment from you. On similar projects, we have developed a conservation/mitigation agreement with the applicant which outlines the terms and conditions which the applicant agrees to implement.

A faster and easier solution would be to complete the fence around the mill site and put either gates or cattle guards on the road crossing the site. If cattle guards are installed, the tortoise mesh would need to be extended up the wing of the cattle guard to the edge of the guard. Tortoises generally will not try to cross cattle guards. Gates should have tortoise mesh on the bottom 18" and should have as little space under the bottom of the gate as possible. **Any gate should be left unlocked to allow access.**

If you fence the entire project and put cattle guards or gates on the road, we could make a no effect determination on the tortoise since all of your activity would be limited to the area within the fence. There would be no effect on critical habitat since the mill site was disturbed before critical habitat was designated.

If you have questions contact Edward Seum at (702) 647-5070.

Sincerely,

Mark R. Chatterton

Mark R. Chatterton
Assistant Field Manager
Nonrenewable Resources

To: Mark Lewis, Legend Labs

4/20/99

From: Edward Seum, BLM

Subject: Samples for analysis.

Enclosed you will find four sample bags containing cinders. Each bag is approximately 2 lbs. In weight. The samples are labeled as follows:

Split

DATE 4/8/99 NO 3

AREA Cinder Pile Sample 1 single source

REMARKS E. Seum

Split

DATE 4/8/99 NO 5

AREA Cinder Pile Sample 1 single source

REMARKS E. Seum

Split

DATE 4-8-99 NO 1

AREA Sample 2 Cinder pile 4 sample composite

REMARKS E. Seum

Split

DATE 4/8/99 NO 5

AREA Sample 2 Cinder pile 4 sample composite

REMARKS E. Seum

I would like a standard fire assay ran on NO 3 (single source) and NO 5 (4 sample composite). I would like the attached method (ICP) used to analyze NO 5 (single source) and NO 1 (4 sample composite). The claimant is claiming gold, silver and platinum group metals and these are the metals to analyze for. Please return all pulps and rejects. Results and billing should be sent to my attention at:

Bureau of Land Management
4765 W. Vegas Drive
Las Vegas, Nevada 89108

If you have any questions please contact me at (702) 647 - 5070.

Sincerely,

Edward Seum

Edward Seum

Minerals Specialist

METALLURGICAL RESEARCH AND ASSAY LABORATORY
745 SUNSET RD. SUITE 8
HENDERSON, NV. 89015
702-565-0074
April 7, 1997

DISSOLUTION AND ANALYSIS OF COMPLEX ORES

MOST IMPORTANT, DRY AND PULVERIZE A REPRESENTATIVE SAMPLE OF THE ORE TO 100% -200 MESH.

Accurately weigh 2.5000 or 5.0000 grams of the prepared sample into a 250 ml class A volumetric flask (preferably a Phosphoric flask). Add 25 ml of concentrated nitric acid, mix and digest near 100 degrees C for about 15 minutes or until the reaction ceases. Remove from heat, cool then add 80-100 mls of concentrated hydrochloric acid to the volumetric flask. Replace on the heat source and digest at a SIMMER (not a boil) for 18-24 hours.* Remove the digested samples from the heat source, cool, add 10-15 ml conc. HCl, and dilute to volume (250 ml) with distilled water and mix well. Filter a portion of the sample and analyze for the desired metals using ONLY HIGH RESOLUTION I.C.P. or D.C.P. at the desired wavelengths.

CALCULATIONS

$$\frac{(\text{ICP/DCP READING}) (\text{VOLUME}) (0.02917)}{\text{SAMPLE WEIGHT}} \\ = \text{OZ/SHORT TON}$$

* Time can be adjusted as required for the ore

High silver requires a smaller sample to prevent silver fallout

If further dilutions are required the calculations must be adjusted.

Concentrated nitric acid is used FIRST to oxidize any unstable metals to their more stable state.

High resolution must be used to eliminate interference associated with low resolution plasma spectrometers.

United States Department of the Interior

Bureau of Land Management

Las Vegas District Office

4765 Vegas Drive

Las Vegas, Nevada 89108

In Reply Refer To:

(NV-052)

April 12, 1999

Short Note Transmittal

To: Ed Seum

From: Jeanie Cole, Wildlife Biologist

Subject: Phoenix Metals

The BLM cannot absolve Phoenix Metals of responsibility under the Endangered Species Act. There is a process which allows legal "take" of desert tortoise. The term "take" means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or attempt to engage in any such conduct. Such taking must be incidental to, and not the purpose of, the carrying out of an otherwise lawful activity.

The only way to obtain incidental take of listed species on Public land is to complete formal consultation with the U.S. Fish and Wildlife Service under Section 7 of the Endangered Species Act. Section 7(a)(2) states that "Each federal agency shall in consultation with and with the assistance of the Secretary, insure that any action authorized, funded or carried out by such agency is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of habitat ...which is determined by the Secretary...to be critical." Mining notices are generally considered non-discretionary federal actions. Therefore, formal consultation is normally not done on notice level activity. However, BLM could initiate formal consultation on their notice if they so desired.

At completion of formal consultation, the U.S. Fish and Wildlife Service will issue a biological opinion to the BLM. The biological opinion includes Terms and Conditions, and an incidental take statement. The terms and conditions of the biological opinion are non-discretionary on the part of the BLM and the applicant. The types of terms and conditions which could be imposed on Phoenix Metals by formal consultation include the following: payment of an off-site mitigation fee of up to \$3,522 per acre of new surface disturbance; the installation of a tortoise-proof fence; the requirement to have a biologist on site during fence construction; and stringent reclamation requirements. Formal Section 7 consultation takes approximately 135 days to complete, after all required information has been submitted to the U.S. Fish and Wildlife Service.

In order to be exempt from the prohibitions under Section 9 of the Act (ie: protected from illegal take), Phoenix Metals would have to agree to implement all the terms and conditions of the subject biological opinion. Since it is a non-discretionary action, we may need a written commitment from Phoenix. On similar projects, we have developed a conservation/mitigation

agreement with the applicant which outlines the terms and conditions which the applicant agrees to implement.

A faster and easier solution would be to complete the fence around their mill site and put either gates or cattleguards on the road crossing the site. If cattleguards are installed, the tortoise mesh would need to be extended up the wing of the cattleguard to the edge of the guard. Tortoises generally will not try to cross cattleguards. Gates should have tortoise mesh on the bottom 18" and should have as little space under the bottom of the gate as possible. Any gate should be left unlocked to allow access.

If they fence the entire project and put cattleguards or gates on the road, we could make a no effect determination on the tortoise since all their activity would be limited to the area within the fence. There would be no effect on critical habitat since the mill site was disturbed before critical habitat was designated.

Jeanie Cole



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108
<http://www.nv.blm.gov>



Seum
3/24/99

In Reply Refer To:
N53-97-019P
N54-93-012N
3715
NV-053

Terrence J. Cuffee
Emray Corp.
P.O. Box 19025
Jean, Nevada 89109-9025

MAR 25 1999

Dear Mr. Cuffee:

The Las Vegas Field Office of the Bureau of Land Management is conducting a validity examination of mill site claims near Searchlight, Nevada held by Phoenix Metals U.S.A. II Inc. According to Robert F. Flaherty, President of Phoenix Metals, his company has been purchasing materials for processing at the Searchlight plant from the Cima Cinder Quarry. He has given me your name as his point of contact at the quarry.

I would appreciate your providing me with the following information which will help in the completion of the report.

1. What is the legal location (Township, Range, section number and Meridian) of the Cima Cinder Quarry?
2. Is the quarry located on public or private lands? If it is located on public lands, does it involve mining claims or are you obtaining materials through sale? If it is on private lands, was it patented through the Mining Law or through some other process?
3. What is the volume and value of the cinders that have been provided to Phoenix Metals?

Thank you in advance for your time and consideration in this matter. If you have questions contact Edward Seum at (702) 647-5070.

Sincerely,
Mark R. Chatterton

Mark R. Chatterton
Assistant Field Manager
Nonrenewable Resources

cc: Robert F. Flaherty
Phoenix Metals U.S.A. II, Inc.
801 Rampart Boulevard, Suite 178
Las Vegas, Nevada 89107

To: Randy August

From: Edward Seum

Edward Seum 4/9/99

Subject: Samples from Phoenix Metals USA II, Inc.

On December 8, 1998 I took two samples from a cinder stockpile at the Phoenix USA Metals II, Inc. claims located east of Searchlight, Nevada. I was accompanied by Joel Mur, BLM who witnessed the sampling. According to Mr. Robert Flaherty the cinders came from mining claims located near Cima, California. The cinders were purchased from Emray, Corp. Mr. Flaherty gave an address for Emray Corp. as P.O. Box 19025, Jean, Nevada 89109-9025. Terrence J. Cuffee was given as the contact person.

The cinder stockpile was located next to the covered processing area. According to Flaherty the cinders came to him already processed down to minus 3/8" and required no more treatment before going through his processing circuit. He stated that this was "head ore" and that it contained values.

Sample 1 was a grab sample from the stockpile. A shovel was used to clean the face of the stockpile. Material was then shoveled into a canvas bag labeled - "Cinder Pile Sample 1 single source". It was dated and my name was placed on it. The bag was tied off and set aside. Total weight of the sample was approximately 26 lbs.

Sample 2 was also a grab sample from the stockpile. However, a shovel was used to clean the face of the stockpile in four randomly selected locations. Material was taken from each spot and was shoveled into a canvas bag labeled - "Sample 2 Cinder Pile 4 sample composite". It was dated and my name was placed on it. The bag was tied off and both bags loaded into our vehicle. Total weight of the sample was approximately 32 lbs.

The samples were transported back to the BLM Field Office in Las Vegas, Nevada by myself and Mur. The samples were then placed in a sample storage shed which is kept locked with access restricted to minerals personnel. The samples never left our possession from taking to storage.

On April 8, 1999 Mur and I retrieved the samples from the storage shed. Sample 1 was emptied into a Jones Splitter with the materials collected into pans placed under the splitter. A scoop was used to place materials from the pans into five plastic lined sample bags. Each bag was filled to weigh approximately 2 lbs. The plastic bags were then tied off with plastic ties and the canvas bags tied off using the attached canvas strings. The bags were labeled 1-5 with the original i.d. as identified above. The excess materials were then poured from the pans back into the original bag which was sealed. Sample 2 was processed in an identical manner.

All but two of the sample splits were then locked back up in the storage shed. Split 2 of Sample 1 and split 4 of Sample 2 were brought to you by me. The samples did not leave my possession until they were given to you.



Phoenix Metals U.S.A. II Inc.

2816 Coast Line Court
Las Vegas, NV 89117
(702) 869-6181 • Fax (702) 869-6286

March 4, 1999

Ms. Jeanie Cole, Wildlife Biologist
Bureau of Land Management
4765 W Vegas Drive
Las Vegas, NV 89108

Dear Ms. Cole:

We are close to operating our mill, east of Searchlight, around the clock. We are concerned about our responsibilities should desert tortoises be injured or killed. A tortoise fence was installed last year as part of construction at the direction of your agency.

However, at the explicit direction and under threat of adverse actions, Mr. Chatterton forced us to remove part of the tortoise fence. Letters to us from Chatterton are enclosed. Also included is our letter to him as to our desire to re-install the fence. Mr. Chatterton, we believe with good intention, felt that a defunct corporation, not active for some time, should have access through our millsite, which is not a legal access route. Upon review of the defunct Geneva Minerals, Inc's., file with the BLM we found that their access route, as described on their notice of intent, was via another road to the east of the millsite. We have informed Mr. Chatterton of these facts.

We have filed a civil action against individuals in Nevada District Court to resolve this as well as fraud issues. However, in the meantime we are faced with this dilemma.

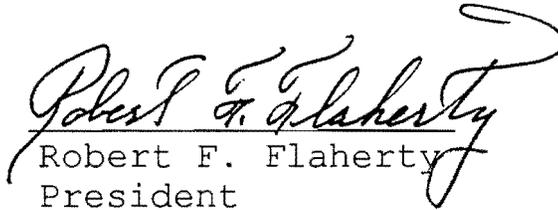
RECEIVED
Bureau of Land Management
07:30

MAR 04 1999
LAS VEGAS
FIELD OFFICE
Las Vegas, Nevada

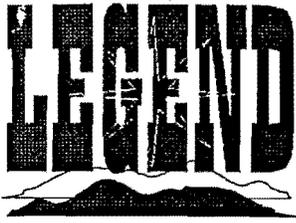
Kindly advise us by return mail that we are absolved of any responsibility under the Endangered Species Act. Or, if this is not possible, please assist us in resolving the matter with Mr. Chatterton. We have attempted to do so in person as well as in writing to no avail.

We await your response and humbly request the cooperation of the Las Vegas Office. If there is anything we can do to assist you, just ask.

Respectfully yours,


Robert F. Flaherty
President

cc: Kummer, Kaempfer, Bonner & Renshaw
P. Basil Lambos, Esquire
US Fish & Wildlife Service
Mr. Bob Abbey, BLM State Director
Mr. Michael F. Dwyer, District Manager
Mr. Mark Chatterton



FAX COVER



To: Attention: Edward Seum

Company : Bureau of Land Management

Fax Number : 1-700-647-5023 fax

From : Mark Lewis

Company : Legend, Inc.

125 Manuel St. Reno, NV 89502-1118

Phone Number : 775-786-3003

Fax Number : 1-775-786-3613

Subject :

e-mail: mlewis@legend-reno.com

Pages including cover page: 2

Date : 4/1/99

Time : 3:04:52 PM

MESSAGE

Brief review of the Phoenix Metals procedure.



Fax message, page 1 of 1
April 1, 1999

Bureau of Land Management
4765 Vegas Dr.
Las Vegas NV 89108

1-700-647-5023 fax

Attention: Edward Seum

Dear Mr. Seum:

You sent over a procedure to review. This procedure was on Phoenix Metals letterhead, and describes an assaying method that finishes with what is described as the "typical Purple of Cassius" color.

The "Purple of Cassius Semi-quantitative colorimetric" test was a test that was historically used on solutions from cyanide mills. I has some recent use on operations that are too small or under-financed to be able to afford the cost of an AA spectrometer. The solution was treated with cyanide, zinc dust, and lead nitrate. The resulting precipitate was dissolved in aqua regia, treated with stannous chloride, and the resulting purple color compared to standards that were treated in the same fashion.

The procedure you sent over varies significantly from the historic test, in that it uses an acid solution, rather than a cyanide solution. These acid solutions could cause the purple coloration from reactions other than with gold.

I did not see in the procedure where the procedure was used on blanks and standards to establish the relationship between the amount of gold, and the change in color. Without going through the procedure on blanks and standards, there would be no way to rule out very simple interferences. The use of blanks, certified reference materials, liquid standards, and rock standards is essential in all types of analytical testing and is basic to a quality control program.

It would be possible to begin to validate this procedure by running a variety of barren samples, and standards to see if the test is reliable. If the test shows the purple coloration on samples known to be barren of gold, then it would show that the procedure is not a valid technique. It would require these tests to be done on a wide variety of different rock types, and for each one of those tests to give correct results, before there would be any confidence in this method..

Sincerely,

Mark F. Lewis
Manager
Email: mlewis@legend-reno.com
Website: www.legend-reno.com

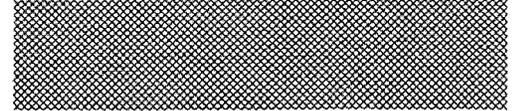
LEGEND, Inc.

125 Manuel Street. Reno, Nevada 89502-1118
File: D:\Documents\Doc\BLM Seum 4-01-99.doc

phone: (775) 786-3003 fax: (775) 786-3613



FAX COVER



To: Attention: Edward Seum

Company : Bureau of Land Management

Fax Number : 1-700-647-5023 fax

From : Mark Lewis

Company : Legend, Inc.

125 Manuel St. Reno, NV 89502-1118

Phone Number : 775-786-3003

Fax Number : 1-775-786-3613

Subject :

e-mail: mlewis@legend-reno.com

Pages including cover page: 2

Date : 3/29/99

Time : 5:00:16 PM

MESSAGE

Quotation and notes on assays you requested.



Fax message, page 1 of 1
March 29, 1999

Bureau of Land Management
4765 Vegas Dr.
Las Vegas NV 89108

1-700-647-5023 fax

Attention: Edward Seum

Dear Mr. Seum:

I have looked over your procedures for analysis that you send over. There is no problem with the analysis from Metallurgical Research and Assay Laboratory. We have a high resolution Perkin Elmer Optima 3000 XL ICP, and the digestion is straightforward (although very time consuming). We would have to review the spectra from the ICP to ensure that any positive results were from actual precious metals and not from an interference. Copies of these spectra would be included with your results. The cost for this testing is shown below:

Pulverize sample to 100% passing 200 mesh, digest per procedure, analyze on ICP. \$323.00 per sample.
One time charge for setup, equipment, etc. \$272.00
Any changes, additions to the procedure may change the pricing.

The second procedure from Phoenix Metals is much more troublesome. It uses a non-quantitative, and possibly non-specific, colorimetric determination. I am familiar with the "purple of Cassius" test, but am not sure of what interference's may be present. The classic "Purple of Cassius Semi-quantitative colorimetric" test was used on solutions from cyanide mills. The solution was treated with cyanide, zinc dust, and lead nitrate. The resulting precipitate was dissolved in aqua regia. The reason for using this test was that an analytical instrument (like an AA) was not available- not that the test gave different results. I would imagine that starting with the cyanide solution would eliminate many of the potential interference's. Since this procedure does not follow the classic technique, we would not be able to perform it and be certain that the color change was due to precious metal and not from an interference. You may want to consider running a cyanide extraction on the ore sample, and then doing the test, as that would fit with the actual procedure. Please contact me if you would like to discuss this further.

Sincerely,

A handwritten signature in black ink that reads "Mark F. Lewis". The signature is written in a cursive style.

Mark F. Lewis
Manager
Email: mlewis@legend-reno.com
Website: www.legend-reno.com

LEGEND, Inc.

125 Manuel Street. Reno, Nevada 89502-1118

phone: (775) 786-3003 fax: (775) 786-3613

File: D:\Documents\Doc\BLM Seum 3-29-99.doc

 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO 3315
 CONNECTION TEL 917757863613
 SUBADDRESS
 CONNECTION ID
 ST. TIME 03/29 13:44
 USAGE T 01'15
 PGS. SENT 3
 RESULT OK



UNITED STATES DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

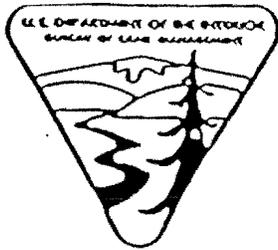
4765 VEGAS DRIVE
 LAS VEGAS, NV 89108
 (702) 647-5000
 FAX: (702) 647-5023

FACSIMILE MESSAGE

DATE: 3-29-99	NO. PAGES: (Incl. cover) 3	FILE CODE:
TO: (Name, Office) MARK F. LEWIS	FROM: (Name, Office) EDWARD SEUM (702) 647-5070	
SUBJECT: PRICES FOR ASSAY WORK		

I AM CURRENTLY WORKING ON A VALIDITY EXAM FOR A MILL SITE THAT IS PROCESSING CINDERS FOR GOLD & PLATINUM METALS GROUP. I HAVE SAMPLES THAT REPRESENT THE "ORE" THAT THEY USE, THAT I NEED TO HAVE TESTED.

ATTACHED ARE TWO ASSAYING PROCEDURES, GIVEN TO ME BY THE PRESIDENT OF THE COMPANY BEING EXAMINED. THESE TECHNIQUES ARE SUPPOSED TO GIVE THE SAME RESULTS THAT THE COMPANY GETS. CAN YOUR COMPANY PERFORM THE TESTS AS DESCRIBED? WHAT IS THE CHARGE FOR THE TESTS? WHAT VOLUME OF SAMPLE IS NEEDED? ADDITIONALLY WHAT IS THE COST FOR REGULAR FIRE ASSAY?



UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

4765 VEGAS DRIVE
LAS VEGAS, NV 89108
(702) 647-5000
FAX: (702) 647-5023

FACSIMILE MESSAGE

DATE: 3-29-99	NO. PAGES: (Incl. cover) 3	FILE CODE:
TO: (Name, Office) MARK F. LEWIS	FROM: (Name, Office) EDWARD SEUM (702) 647-5070	
SUBJECT: PRICES FOR ASSAY WORK		

I AM CURRENTLY WORKING ON A VALIDITY EXAM FOR A MILL SITE THAT IS PROCESSING CENDERS FOR GOLD ; PLATINUM METALS GROUP. I HAVE SAMPLES THAT REPRESENT THE "ORE" THAT THEY USE, THAT I NEED TO HAVE TESTED.

ATTACHED ARE TWO ASSAYING PROCEDURES, GIVEN TO ME BY THE PRESIDENT OF THE COMPANY BEING EXAMINED. THESE TECHNIQUES ARE SUPPOSED TO GIVE THE SAME RESULTS THAT THE COMPANY GETS. CAN YOUR COMPANY PERFORM THE TESTS AS DESCRIBED? WHAT IS THE CHARGE FOR THE TESTS? WHAT VOLUME OF SAMPLE IS NEEDED? ADDITIONALLY WHAT IS THE COST FOR REGULAR FIRE ASSAY?

STATE OF NEVADA
KENNY C. GUINN
Governor

PETER G. MORROS, Director
ALLEN BIACCI, Administrator

(775) 687-4670
TDD 687-4678

Administration
Water Pollution Control
Facsimile 687-5856

Mining Regulation and Reclamation
Facsimile 684-5259



Waste Management
Corrective Actions
Federal Facilities

Air Quality
Water Quality Planning
Facsimile 687-6396

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL PROTECTION

333 W. Nye Lane, Room 138
Carson City, Nevada 89706-0851

FEBRUARY 10, 1999

NOTICE OF FINAL DECISION

RECLAMATION PERMIT NO. 0168

PHOENIX METALS U.S.A., II, INC.

PHOENIX TESTING FACILITY

RECEIVED
FEB 22 7 20 AM '99

The Nevada Division of Environmental Protection (NDEP) has decided to issue Reclamation Permit, No. 0168, for a Mining Project to PHOENIX METALS U.S.A., II, INC. This permit authorizes PHOENIX METALS U.S.A., II, INC. to reclaim the PHOENIX TESTING FACILITY. This Project is located in CLARK County, Nevada. The Division has been provided with an application, in accordance with Nevada Revised Statute (NRS) and Nevada Administrative Code (NAC) 519A to assure the Division that PHOENIX METALS U.S.A., II, INC. will leave the project site safe, stable, and capable of providing for a productive post-mining land use.

This permit will become final February 21, 1999. The final determination of the Administrator may be appealed to the State Environmental Commission pursuant to NAC 519A.415. The appeal must be filed by February 20, 1999 and in accordance with Administrative rules of the Environmental Commission.

No comments were received during the public comment period.



Phoenix Metals U.S.A. II Inc.

2816 Coast Line Court
Las Vegas, NV 89117
(702) 869-6181 • Fax (702) 869-6286

February 03, 1999

Mark R. Chatterton
Assistant Field Manager
Bureau of Land Management
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

Dear Mr. Chatterton:

This letter is in response to your letter of January twenty-seventh.

The Cima Cinders were shipped from:
Emray Corp., Cima Cinder Quarry, P.O. Box 19025, Jean, Nevada 89109-9025. The principals we are dealing with are Terrence J. and J. Lorene Cuffee. Their cellular phone at the mine is (760) 774-7441.

We will be re-installing the section of tortoise fence you had us remove. I am told that we are approaching their migration season and with warmer weather this may occur sooner. If you have any objection concerning this matter, kindly inform me in writing this week.

We are moving into our new offices this week. Due to packing, I was not able to put my hands on their records for the Cima Cinder pit of Emray Corp. If you have any problems from your records, let us know. We are to move in to our new office shortly. Our new office location is in Sir Williams Court at:

Phoenix Metals U.S.A. II, Inc.
801 Rampart Boulevard, Suite 178
Las Vegas, Nevada 89107
(702) 947-2178 Fax: 947-2188

Your office will receive an invitation to our "Grand Opening" when it is announced.

Respectfully yours,

Robert F. Flaherty

Robert F. Flaherty, President
dictated but not signed by

cc: Bob Abbey, P. Basil Lambros, George Gilbert

RECEIVED
FEB 4 7 30 AM '99
BUREAU OF LAND MANAGEMENT
LAS VEGAS, NEVADA

METALLURGICAL RESEARCH AND ASSAY LABORATORY
745 SUNSET RD. SUITE 8
HENDERSON, NV. 89015
702-565-0074
April 7, 1997

DISSOLUTION AND ANALYSIS OF COMPLEX ORES

MOST IMPORTANT, DRY AND PULVERIZE A REPRESENTATIVE SAMPLE OF THE ORE TO 100% -200 MESH.

Accurately weigh 2.5000 or 5.0000 grams of the prepared sample into a 250 ml class A volumetric flask (preferably a Phosphoric flask). Add 25 ml of concentrated nitric acid, mix and digest near 100 degrees C for about 15 minutes or until the reaction ceases. Remove from heat, cool then add 80-100 mls of concentrated hydrochloric acid to the volumetric flask. Replace on the heat source and digest at a SIMMER (not a boil) for 18-24 hours.* Remove the digested samples from the heat source, cool, add 10-15 ml conc. HCl, and dilute to volume (250 ml) with distilled water and mix well. Filter a portion of the sample and analyze for the desired metals using ONLY HIGH RESOLUTION I.C.P. or D.C.P. at the desired wavelengths.

CALCULATIONS

$$\frac{(\text{ICP/DCP READING}) (\text{VOLUME}) (0.02917)}{\text{SAMPLE WEIGHT}}$$

=OZ/SHORT TON

* Time can be adjusted as required for the ore

High silver requires a smaller sample to prevent silver fallout

If further dilutions are required the calculations must be adjusted.

Concentrated nitric acid is used FIRST to oxidize any unstable metals to their more stable state.

High resolution must be used to eliminate interference associated with low resolution plasma spectrometers.

**PHOENIX METALS
ASSAYING PROCEDURE
GOLD/PLATINUM IN DORE**

Reagents:

1. Hydrochloric acid. Concentrated.
2. Nitric acid. Concentrated.
3. Stannous chloride solution. Add 0.5 grams stannous chloride to 100 mls. volumetric flask: Add approximately 50 mls. deionized water and swirl to mix. Carefully add concentrated hydrochloric acid by drop until cloudiness disappears. Bring to volume with deionized water. Add one gram tin to flask to stabilize solution.

Samples:

Any dore button recovered from fire assay.

Procedure:

Take the dore button recovered from fire assay and place in 15 ml Coors crucible. Add 10 mls. of 1:6 nitric acid and heat slowly to effect parting. Carefully decant off all parting solution, washing three time to remove all silver nitrate from the parting cup and leaving only the undigested noble metal(s) behind.

Add 2-3 drops of nitric acid and 10-12 drops of hydrochloric acid. Heat slowly to avoid bumping and digest the gold and/or platinum present. Add more acids if needed to complete digestion. When all metals are in solution carefully continue heating the solution to near dryness. Each time as the sample reaches near dryness, add 5 mls. of hydrochloric acid and evaporate again until no signs of nitrous oxides are visible in the solution. Unless these are removed they will void the test.

Finally add 3 mls. of hydrochloric acid and 3 mls. of deionized water and bring sample to near boil. Remove from hotplate and add 1-2 drops of the stannous chloride solution.

If the dissolved metal was gold the solution will turn the typical "purple of Cassius" color, the more gold, the deeper the color. If the metal was platinum, the solution will turn from yellow-orange to blood red, again depending on the amount of platinum.

If the metallic residue refuses to dissolve in the aqua regia, or does so with great difficulty and no color change occurs, further tests should be done to determine if other platinum group metals are present.



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

In Reply Refer to:
N53-97-019P
N54-93-012N
N54-92-016N
3809
(NV-053)

CERTIFIED MAIL NO 2525861
RETURN RECEIPT REQUESTED

OCT 29 1998

Larry Sip
Phoenix Metals U.S.A. II, Inc.
P. O. Box 936
Searchlight, Nevada 89046

Dear Mr. Sip:

During our meeting with Greg Gilbert and you at this office we discussed the options for another access route into the Mojave #4 placer mining claim held by T. D. Barnes. I believe the BLM position on this subject may have been misunderstood. I will attempt to clarify our position and Phoenix Metals' access options.

The area surrounding the Geneva millsites is classified as limited access in our new land use plan (meaning that unless authorized, vehicle travel can occur only on designated roads and trails). Currently, we have a notice from Mr. Barnes which predates the existing Area of Critical Environmental Concern (ACEC) and allows for access on a specific route within the ACEC. Phoenix Metals' request for the BLM to authorize an alternative route cannot be granted unilaterally by the BLM for Mr. Barnes.

For Mr. Barnes to effect a change in access, he would be obligated to make a request of an alternative access route to the Mojave #4 placer claim by filing a new plan of operations as is required within the ACEC. Mr. Barnes would be obligated to file a plan, pay mitigation fees (\$587 per acre) and post a reclamation bond (about \$1000 to \$2000 per acre) for the use of the new route.

It is not possible to amend Mr. Barnes' notice to allow for a new route into the claim. Therefore, if Phoenix Metals desires to resolve the access issue unilaterally, the only alternative would be for Phoenix Metals to voluntarily amend their plan to provide an alternative route around sensitive areas in its millsite. Phoenix Metals would thereby eliminate the conflict caused by traffic passing through the middle of the millsite. If Phoenix Metals is willing to do create an acceptable alternative route within

the boundary of existing disturbances on the millsite, it would be implementable within the scope of the land use plan and 43 CFR 3809 and 3715.

I now have the case file information that was requested from the BLM, Arizona State Office in Phoenix and will examine it to see if it contains the data I require to continue processing the mining plan of operations. I hope this letter clarifies the access options available to Phoenix Metals. If you have any questions, please contact Joel Mur at 647-5152.

Sincerely,



Mark R. Chatterton
Assistant Field Manager
Non-Renewable Resources

cc: Phoenix Metals U.S.A. II, Inc.
P. O. Box 936
Searchlight, Nevada 89046
and Via Facsimile 702-396-0479

T. D. Barnes
1228 Seminole Lane
Henderson, Nevada 89015
and Via Facsimile 702-556-4169



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

In Reply Refer to:
N53-97-019P
N54-93-012N
3715/3809
(NV-053)

FAX TRANSMITTAL		# of pages - 1
To <i>Robert Flaherty</i>	From <i>BLM - Joel Mur</i>	
Dept/Agency <i>Phoenix Metals</i>	Phone # <i>6475152</i>	
Fax # <i>866 6286</i>	Fax # <i>5023</i>	

CERTIFIED MAIL NO.
RETURN RECEIPT REQUESTED

NOV 20 1998

Robert F. Flaherty
Phoenix Metals U.S.A. II, Inc.
P. O. Box 936
Searchlight, Nevada 89046

Dear Mr. Flaherty:

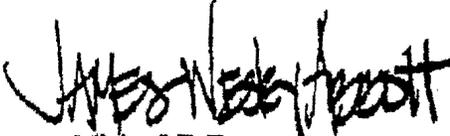
On November 20, a BLM Law Enforcement Ranger found that Phoenix Metals had constructed a fence across an access road that crosses through the Phoenix R. & D I and II millsites in section 26, T. 28 S., R. 64 E., Mount Diablo Meridian Clark County, Nevada. This fence has not been authorized for construction under 43 CFR 3715. The portion of the fence that crosses the access road must be removed within 10 days of receipt of this letter.

Failure to comply with these instructions will result in issuance of a Notice of Noncompliance as outlined in 43 CFR 3809.3-2. You must immediately notify this office in writing following completion of the corrective actions. If you have any questions, contact Joel Mur, Natural Resource Specialist, at (702) 647-5152.

Sincerely,

Mark R. Chatterton
Assistant Field Manager
Non-Renewable Resources

You have the right of appeal to the Nevada State Director, Bureau of Land Management, in accordance with 43 CFR 3809.4. If you exercise this right, your appeal, accompanied by a statement of reasons and any arguments you wish to present to justify reversal or modification of the decision, must be filed in writing at this office (BLM Las Vegas District Office, 4765 West Vegas Drive, Las Vegas, Nevada 89104-2135) within 30 days after the date of receiving this decision. This decision will remain in effect during appeal unless a written request for a stay is granted.


Michael F. Dwyer
Field Office Manager
for



Phoenix Metals U.S.A. II, Inc.

801 Rampart Blvd., Suite 178
Las Vegas, NV 89128
(702) 947-2178 * Fax (702) 947-2188

February 1, 1999

Mark R. Chatterton
Assistant Field Manager
Bureau of Land Management
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

Dear Mr. Chatterton:

This letter is in response to your letter of January twenty-seventh.

The Cima Cinders were shipped from:
Emray Corp., Cima Cinder Quarry, P.O. Box 19025, Jean, Nevada 89109-9025. The principals we are dealing with are Terrence J. and J. Lorene Cuffee. Their cellular phone at the mine is (760) 774-7441.

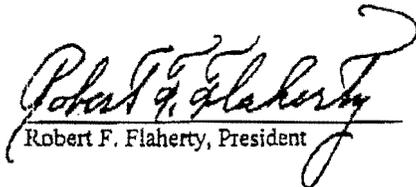
We will be re-installing the section of tortoise fence you had us remove. I am told that we are approaching their migration season and with warmer weather this may occur sooner. If you have any objection concerning this matter, kindly inform me in writing this week.

We are moving into our new offices this week. Due to packing, I was not able to put my hands on their records for the Cima Cinder pit of Emray Corp. If you have any problems from your records, let us know. We are to move in on the fourth between 11:00 A.M. and 3:00 P.M. Our new office location is in Sir Williams Court at:

Phoenix Metals U.S.A. II, Inc.
801 Rampart Boulevard, Suite 178
Las Vegas, Nevada 89107
(702) 947-2178 Fax: 947-2188

Your office will receive an invitation to our "Grand Opening" when it is announced.

Respectfully yours,


Robert F. Flaherty, President

cc: Bob Abbey, P. Basil Lambros, George Gillbert



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

In Reply Refer to:
N54-97-019P
N53-93-012N
3809/3715
(NV-053)

CERTIFIED MAIL NO **2526448**
RETURN RECEIPT REQUESTED

FEB 09 1999

Robert F. Flaherty
Phoenix Metals U.S.A. II, Inc.
2816 Coast Line Court
Las Vegas, Nevada 89117

Dear Mr. Flaherty:

I am in receipt of your February 3 letter. You state, "We will be re-installing the section of tortoise fence you had us remove." The processing of N53-97-019P is suspended and there is an ongoing dispute between you and a rival claimant concerning access through the millsites. At this time, I cannot authorize you to re-install the section of tortoise fence that would preclude public access through the millsite.

Should the section of fence be re-installed before the installation is authorized, it will be considered a violation of *43 CFR 3715* and *43 U. S. C. 1061*. You are not authorized to block the road passing through the Phoenix Metals' millsites.

If you have questions concerning this request, please contact Joel Mur, Natural Resource Specialist, at (702) 647-5152.

Sincerely,

Mark R. Chatterton
Assistant Field Manager
Non-Renewable Resources

**NOTICE OF INTENT
SUBMITTED UNDER THE
43 CFR 3809 Regulations**

December 6, 1991

RECEIVED
07:30 A.M.

DEC 10 1991

LAS VEGAS DISTRICT
BUREAU OF
LAND MANAGEMENT

1. Claimant Information

- a. Name: **GENEVA MINERALS, INC.**
- b. Address: P.O. Box 276, Searchlight, Nv 89046
- c. Phone: (702) 897-0212

2. Operator Information

Same as 1. above.

3. Mining Claim Information

- a. Claim Names: **Mohave #4**
- b. Claim Type: Placer
- c. BLM Serial Numbers: NMC 539044

4. Location of Proposed Activity

- a. Section 26, Township 28S, Range 64E
- b. Map of the area is attached hereto.

5. Proposed Operations

- a. Period of Operation (estimated): January 15, 1992 to December 15, 1999.

b. Access Routes: Only existing access routes will be used therefore, there will be no road construction for this operation. Commencing at Searchlight, Nevada, access will be along the Cottonwood Cove hwy in a easterly direction approximately 7 miles to the Geneva millsites (formerly the Cobalt Millsite). There is an existing mining/recreation use road adjacent to the millsite in a northerly direction for approximately 1/4 mile. This road passes through a previously disturbed excavation area which will be the site of this operation.

c. Existing Disturbance and Structures: The site of this proposed operation has disturbance from prior mining and milling operations, in the form of access roads, trenches, and an previously excavated area of approximately 1 acre in size. Additionally, there is several minor roads established by off-road recreation activities.

d. Proposed Operations: This operation will be a open pit gold mining operation. Pit excavation will be to bedrock, an approximate depth of 20 feet. The

surface disturbance will be an excavation area approximately 600 feet wide in a north/south direction, starting at the surface and sloping downward and into the hillside.

The gold bearing material will be removed from the excavation area by loader and processed through a grinding circuit. The ore will then be concentrated by gravity means. The concentrates will be transported to a millsite for gold extraction.

Water storage tanks will be installed. A travel trailer will also be parked near the pad. This trailer will be used for security and storage. The water tanks, security trailer and auxiliary equipment will occupy 2 acres. An additional 1 acre will be used for equipment parking and storage. Total acreage to be disturbed for this operation is 4.4 acres.

6. Proposed Reclamation

a. Reclamation of all areas disturbed will be completed to the standard described in section 3809.1-3(d) of the 43 CFR 3809 regulations and reasonable measures will be taken to prevent unnecessary or undue degradation of the federal lands during operations.

b. The area to be excavated is situated in the side of a hill adjacent to a dry wash. The screened rocks will also be returned to the excavated area. Reclamation will be an ongoing project as waste material will be deposited back into the excavated area as space exists so as to not interfere with excavation.

c. All tailings, dumps, deleterious materials or substances, and other waste produced by the operations will be disposed of as as to prevent unnecessary or undue degradation and in accordance with applicable Federal and State laws.

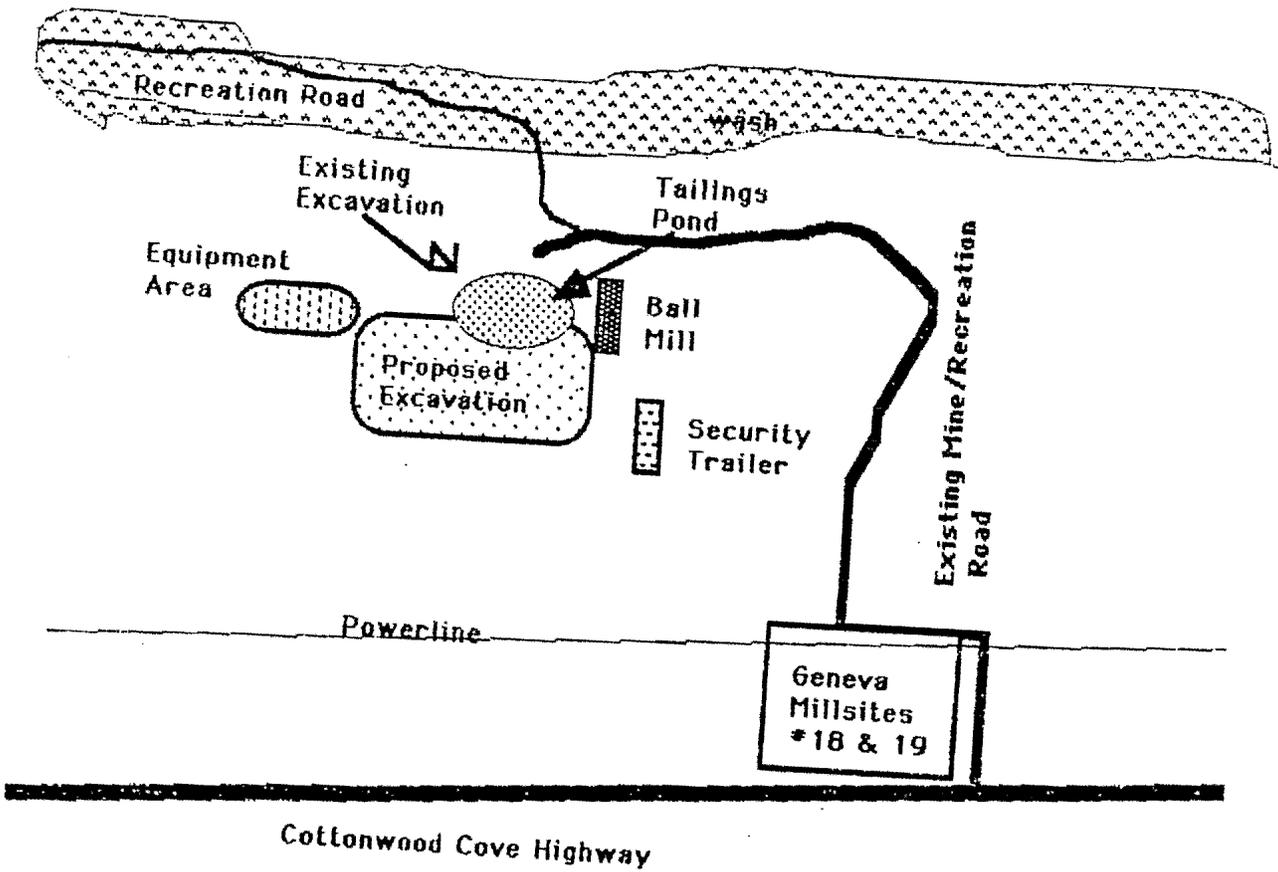
d. When reclamation of the disturbed area has been completed, the authorized officer will be notified so that an inspection of the area can be made.

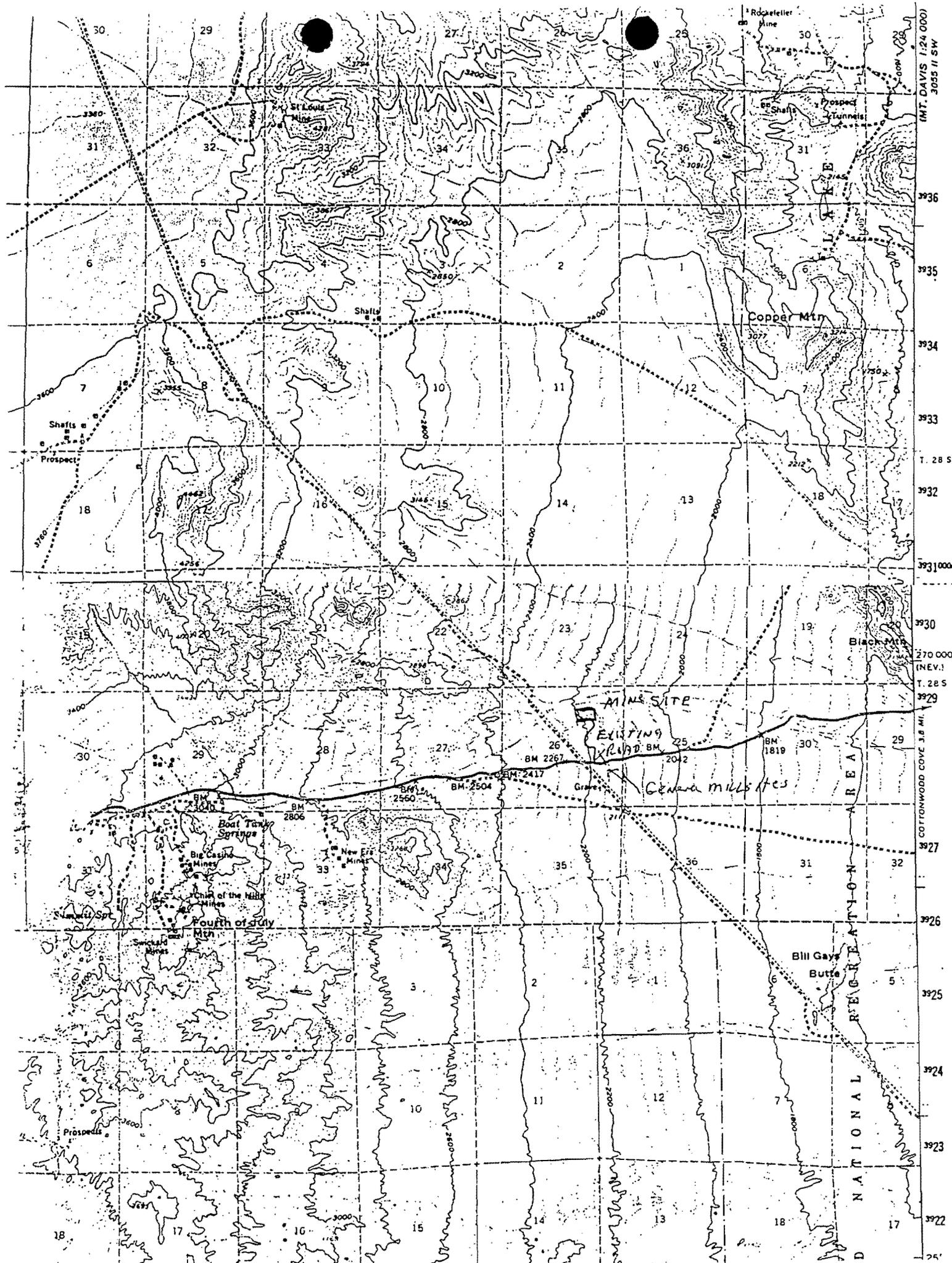


T.D. BARNES
President
Geneva Minerals, Inc.

Incl:

MOHAVE #4 Minesite Layout





MT. DAVIS 1:24 000
3035 II SW
3936
3935
3934
3933
T. 28 S
3932
3931000
3930
270 000 (NEV.)
T. 28 S
3929
3927
COTTONWOOD COVE 3.8 MI.
3926
3925
3924
3923
3922
D NATIONAL RECREATION AREA

STATE OF NEVADA
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL PROTECTION
BUREAU OF MINING REGULATION AND RECLAMATION
RECLAMATION PERMIT

PERMITTEE: Phoenix Metals U.S.A., II, Inc.
PO Box 936
Searchlight, NV 89046

PROJECT LOCATION: Section 26, Township 28 South, Range 64 East, M.D.B. & M.,
Clark County, Nevada

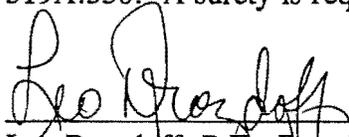
PERMIT NUMBER: 0168 **BLM CASE NUMBER:** N53-97-019P

PROJECT TYPE: Mining Operation **AMENDMENTS:** (None)

Pursuant to Nevada Revised Statutes (NRS) 519A.010 to 519A.280, inclusive, and regulations promulgated thereunder by the State Environmental Commission as Nevada Administrative Code (NAC) 519A.010 to 519A.415, inclusive, and implemented by the Division of Environmental Protection (hereinafter the Division), this permit authorizes PHOENIX METALS U.S.A., II, INC. to reclaim the **PHOENIX TESTING FACILITY** consistent with the conditions of this permit and the reclamation plans dated, September 1997 entitled, Phoenix R. & D. Millsite Plan for the Phoenix Testing Facility.

This permit issued this 10 day of February, 1999, is valid for the life of the project unless it is modified, suspended or revoked by the Division. The permit will not now or in the future serve as a determination of ownership or the validity of any mining claim to which it might relate.

This permit becomes effective upon receipt, by the Division, of the surety required by NAC 519A.350. A surety is required prior to engaging in the activities authorized by this permit.



Leo Drozdoff, P.E., Bureau Chief
Bureau of Mining Regulation and Reclamation

RECLAMATION PERMIT

NO. 0168

PERMIT LIMITATIONS AND REQUIREMENTS:

1. Permitted Disturbances

A.

AREA DESCRIPTION	ACRES DISTURBED		Total
	Private	Public	
Historic Disturbance	0	7.5	7.5
Millsite Area	0	5.0	5.0
Total	0	12.5	12.5

B. Drill holes will be plugged in accordance with the provisions specified in Chapter 534 of the Nevada Revised Statutes. No drill holes will remain unplugged at any one time.

2. Departure from Approved Plan for Reclamation

A. Except in the case of an emergency, the operator may not depart from the approved plan for reclamation without a modification approved by the Division.

B. When an operator submits an amended plan of operation to the federal agency, a copy shall also be filed with the Division.

3. Fees

A. On or before April 15 of each year submit the fees as required by NAC 519A.235.

B. On or before April 15 of each year submit the fees as required by NRS 519A.260.

4. Reports

A. On or before April 15 of each year, the operator shall submit a report (NRS 519A.260), in a format specified by the Division, relating to the status and production

PERMIT LIMITATIONS AND REQUIREMENTS:

of the operation and identifying each acre of land affected and land reclaimed by the operation.

5. Project Completion, Abandonment or Suspension of Work

A. The Division shall be notified in writing within 90 days after an operation is complete or abandoned. The notice must state the date on which the activities for reclamation will begin as specified in NAC 519A.320.

B. The Division shall be notified in writing within 90 days after work is suspended at the operation for more than 120 days. The notice must state the nature and reason for the suspension; the anticipated duration of the suspension; and any event which would reasonably be expected to result in either the resumption of activities or the abandonment of the operation. The Operator is not required to notify the Division of a temporary closure caused by weather conditions.

6. Surety

A. The operator shall file and maintain an acceptable surety as specified in NAC 519A.350 to ensure that reclamation will be completed. If the surety is a Corporate Guarantee, the financial warrantor shall submit to the Division on a yearly basis, a certified financial statement for the financial warrantor's most recent fiscal year and a verification by a Certified Public Accountant (CPA) that the Corporation meets the requirements for Corporate Guarantee.

B. Within 3 years after the effective date of this permit and at least every 3 years thereafter, the operator shall review the surety amount to determine whether it is still adequate to execute the approved reclamation plan. Inflation must be considered.

C. The operator shall notify the Division and the appropriate Federal Land Management Agency(s) of the results of the surety review, and within 120 days of its completion, verify that the current surety is adequate, increase the surety, or request a decrease in the surety.

D. The operator must provide documentation on reclamation work completed, before any portion of the surety may be released. (See Attachment A).

PERMIT LIMITATIONS AND REQUIREMENTS:

7. Inspection of Exploration Project and/or Mining Operation

A. The operator shall allow authorized representatives of the Division, and the appropriate federal land management agency(s) to inspect the operation, during normal business hours, to determine compliance with the terms and conditions of this permit and the status of reclamation activities.

8. General Requirements

A. The operator shall maintain a copy of this permit and all modifications at the permitted project or operation at all times.

B. The provisions of this permit are severable. If any provision of this permit, or the application of any provision of this permit to any circumstance, is held invalid, the application of such provision to other circumstances and the remainder of this permit, shall not be affected.

C. Any noncompliance with this permit shall be reported orally to the Division within 48 hours of the time the operator has knowledge of the circumstances. A written summary shall be provided within 10 days after the oral report is made.

D. Any changes in the Operator's name or address shall be reported within 10 days to the Division in writing, and must indicate the permit number and appropriate changes.

E. Any changes in Corporation/Partnership/Proprietorship name, officers, or address shall be reported within 10 days to the Division in writing, and must indicate the permit number and appropriate changes.

F. The operator shall meet the revegetation standards as set forth in Attachment B.

G. An operator who initiates reclamation activities prior to meeting chemical stabilization (closure) requirements will be responsible to provide a surety for and to repair any reclaimed areas which may be re-affected by closure activities.

PERMIT LIMITATIONS AND REQUIREMENTS:

9. Schedule of Compliance:

The permittee shall achieve compliance in accordance with the following schedule:

1. On or before March 15, 1999, submit to the Division a detailed reclamation schedule. The schedule will need to indicate, by quarter and year, the anticipated start and projected finish of each reclamation activity (i.e. regrading, demolition, and seeding of both the historical disturbance and the existing/proposed disturbance).
2. On or before March 15, 1999, revise the plan to include the water well that was drilled on the site.
3. On or before March 15, 1999, clarify the purpose for the small pit shown on attachment 3.

ATTACHMENT A

Documentation of Reclamation Activities for Surety Release

An operator may request surety release in accordance with applicable State and Federal regulations. The following documentation must be submitted simultaneously to NDEP and the Federal land management agency prior to the agencies conducting a site inspection:

MINING OPERATIONS

1. Map(s) clearly identifying the area, noting specific treatments and sampling locations (as applicable).
2. Description of the following activities:
 - A. **Earthwork:**
 - 1) The number of acres regraded and/or ripped.
 - 2) Final slope angles left after regrading.
 - 3) Methodology used to check final slope angles (e.g., clinometer, transit, etc.).
 - 4) The number of acres that received topsoil/growth medium.
 - 5) Depth and source of topsoil/growth medium and application method.
 - 6) Dates of initiation and completion of activities.
 - B. **Revegetation Activities:**
 - 1) The number of acres that were seeded and/or planted.
 - 2) Seed bed preparation methods utilized.
 - 3) Seeding/planting methods used (e.g., broadcast seeding, etc.).
 - 4) Provide information on how seed was covered.
 - 5) Seed mix and seeding rate; document by maintaining seed tags and any testing results (PLS, germination, noxious weeds, etc.).
 - 6) The number of acres that received fertilization, mulch or amendments.
 - 7) Fertilizer (N-P-K, type, application rate, application method).
 - 8) Mulches and soil amendments (type, application rate, and application method).
 - 9) Date of initiation and completion of activities (such as seeding, seed bed prep, irrigation).
 - C. **Final Revegetation Sampling:**
 - 1) Adjacent representative vegetation type or range site description (baseline data).
 - 2) Sampling method (e.g., line intercept).
 - 3) Number of samples taken (disturbed and adjacent representative sites).
 - 4) Statement of methodology demonstrating sample size, adequacy and how the location of sampling sites were determined.
 - 5) Results of sampling (copy of sampling worksheet) for disturbed and representative areas. Indicate all perennial species located.
 - 6) Dates of sampling.
 - D. **Other reclamation activities** such as; structure and debris removal, safety feature installation, erosion control treatment, equipment removal or other permit requirements.
3. Detailed calculation of the surety amount proposed for release if applicable.
4. Prior to release, a field inspection is required to verify that reclamation has been performed in accordance with the approved reclamation plan and permit.

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 - 1) The number of acres regraded.
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 - 8) Mulches and soil amendments (type, application rate, and application method).
 - 9) Date of initiation and completion of activities.
 - C. **Other reclamation activities** such as; drillhole plugging, structure and debris removal, safety feature installation, erosion control treatment, equipment removal or other permit requirements.
3. Detailed calculation of the surety amount proposed for release if applicable.
4. Prior to release, a field inspection is required to verify that reclamation has been performed in accordance with the approved reclamation plan and permit.

ATTACHMENT B

NEVADA GUIDELINES FOR SUCCESSFUL REVEGETATION FOR THE NEVADA DIVISION OF ENVIRONMENTAL PROTECTION, THE BUREAU OF LAND MANAGEMENT AND THE U.S.D.A. FOREST SERVICE

I. MINING PLANS-OF-OPERATIONS

A. Reclaimed Desired Plant Communities for Mining Operation Disturbances

Reclamation goals for mining disturbances are 1) stabilize the site, and 2) establish a productive community based on the applicable land use plan and designated post-mining land uses. To meet these goals, a Reclaimed Desired Plant Community (RDPC) should be selected for use on the disturbed mine sites. A RDPC is defined as:

A perennial plant community established on a disturbed site which contributes to stability through management and land treatment, and which produces that type and amount of vegetation necessary to meet or exceed both the land use and activity plan objective established for the site.

Several RDPCs may be selected based on site-specific revegetation goals and variable site characteristics for the mining disturbances. When selecting RDPCs, major alterations in reconstructed soils and the subsequent effect of this on the site's capability to establish and sustain the desired vegetation must be considered. A RDPC must have a reasonable chance for success when making the selection.

The plant community for the RDPC should be diverse, and when appropriate for the site should include grasses, forbs, shrubs and/or trees. The RDPC shall be comprised of species native to the area, or introduced species where the need is documented for inclusion to achieve the approved post-mining land use. The RDPC must meet the requirements of applicable State and Federal seed, poisonous and noxious plants, and introduced species laws or regulations. All RDPCs must be approved by the agencies. Plants for RDPCs may be selected using one or more of the following methods:

1. Select existing vegetation types around the mine site to represent the varied RDPCs.
2. Use test plots, demonstration areas, or areas concurrently reclaimed within the mine site or within similar representative areas from adjacent mines to serve as the RDPCs as long as they meet the reclamation goal.
3. For areas where existing vegetative types adjacent to the mine area are severely disturbed or where test plots or demonstration areas are not reasonable alternatives, RDPCs may be selected using appropriate ecological or range site descriptions or other technical sources.

B. Guidelines for Successful Revegetation

The revegetation release criteria for reclaimed mine sites will be to achieve as close to 100 percent of the perennial plant cover of selected comparison areas as possible. The comparison or reference areas will be selected from representative plant communities adjacent to the mine site, test plots or demonstration areas or, as appropriate, representative ecological or range site descriptions. As approved by the agencies, the selected plant communities or reference areas must have a reasonable chance for success on the mine site. Each plan-of-operations shall identify the site-specific release criteria in the reclamation plan or permit. The agencies may also require specific release standards for individual plant species or vegetative types (grasses, forbs, shrubs, trees). Cover would be estimated using a method as described in Sampling Vegetation Attributes, Interagency Technical Reference, 1996, BLM/RS/ST-96/002+1730 or other acceptable technical methods.

The determination of successful revegetation of mining disturbances will require an evaluation of the data by the agencies on a site-specific basis. These data must include all of the information requested in Attachment A of the Reclamation Permit, "Documentation of Reclamation Activities for Surety Release and Annual Fee Responding". When making this evaluation, the following information shall also be considered:

1. Have the desirable species been successfully established, and do they provide sufficient aerial cover to adequately protect the site from soil erosion?
2. Is there evidence that a self-sustaining community has been established? Are vegetative reproduction (e.g. rhizomes) and seedling establishment of the desirable seeded species occurring?
3. Is there evidence of site stability, including the lack of surface soil erosion, gully formation and slumping?
4. Has the revegetation goal in the reclamation plan been met?
5. Has the operator taken reasonable measures to establish the RDPC?

C. Time frames

The success of the vegetative growth on a reclaimed site may be evaluated for release no sooner than during the third growing season after earthwork, planting and irrigation (if used) have been completed. Final bond release may be considered at that time. Interim progress of reclamation will be monitored as appropriate by the agency and operator. Where it has been determined that revegetation success has not been met, the agencies and the operator will meet to decide on the best course of actions necessary to meet the reclamation goal.

II. EXPLORATION PLANS-OF-OPERATIONS

The same guidelines as described above should be used to evaluate the success of the RDPCs for plan-level exploration disturbances. The agencies may also decide, depending on the size and scope of the project, to evaluate revegetation and reclamation success based on general ground reconnaissance and professional judgement. Extenuating circumstances may be considered when evaluating the success of the revegetation effort. If regulatory agencies determine that remediation is required on the site, the operator and agencies will meet to determine the procedures.

III. BLM NOTICES

On notice-level activities on the public lands, the BLM will evaluate revegetation and reclamation success based on general ground reconnaissance and professional judgement. Notice-level disturbance may be considered reclaimed if in the professional judgement of the regulatory agency effective action has been taken to stabilize and revegetate the site to a condition designed to result in the establishment of a productive post-mining land use. Extenuating circumstances may be considered when evaluating the success of the revegetation effort. If the BLM determines that further stabilization or revegetation efforts are needed, the operator and BLM will meet to determine what further steps are necessary.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

JM N54-97-019P
N53-93-012N

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Robert F Flaherty
Phoenix Metals USA II Inc
2816 Coast Line Court
Las Vegas NV 89117

4a. Article Number

2526448

4b. Service Type

- Registered
- Express Mail
- Return Receipt for Merchandise
- Certified
- Insured
- COD

7. Date of Delivery

2/10/99

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X Helen Chen

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

JM
2-8-99

In Reply Refer to:
N54-97-019P
N53-93-012N
3809/3715
(NV-053)

CERTIFIED MAIL NO 2 5 2 6 4 4 8
RETURN RECEIPT REQUESTED

FEB 09 1999

Robert F. Flaherty
Phoenix Metals U.S.A. II, Inc.
2816 Coast Line Court
Las Vegas, Nevada 89117

Dear Mr. Flaherty:

I am in receipt of your February 3 letter. You state, "We will be re-installing the section of tortoise fence you had us remove." The processing of N53-97-019P is suspended and there is an ongoing dispute between you and a rival claimant concerning access through the millsites. At this time, I cannot authorize you to re-install the section of tortoise fence that would preclude public access through the millsite.

Should the section of fence be re-installed before the installation is authorized, it will be considered a violation of 43 CFR 3715 and 43 U. S. C. 1061. You are not authorized to block the road passing through the Phoenix Metals' millsites.

If you have questions concerning this request, please contact Joel Mur, Natural Resource Specialist, at (702) 647-5152.

Sincerely,

Mark R. Chatterton

Mark R. Chatterton
Assistant Field Manager
Non-Renewable Resources



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Las Vegas Field Office
4765 Vegas Drive
Las Vegas, Nevada 89108

*SEUM
1/26/99*

In Reply Refer To:
N54-93-012N
N53-97-019P
3809
NV-053

Robert F. Flaherty
Phoenix Metals USA II Inc.
P.O. Box 936
Searchlight, Nevada 89046

JAN 27 1999

Dear Mr. Flaherty:

Thank you for your response to my letter dated December 14, 1998. The information provided will help in the completion of the validity examination. However, I do need to know the exact location of the source for the Cima cinders. Please provide information as to the legal location (i.e. Township, Range and section), name of the company from which you obtain the cinders and whether the property was patented under the Mining Law. If you do not know the answer to the last item we can check on it ourselves once you have provided the legal location.

Please provide your response to the above as soon as possible. A rapid response on your part will ensure a timely completion of the validity examination report. If you have questions concerning the information required, contact Edward Seum at (702) 647-5070.

Sincerely,

/S/ MICHAEL T. MORAN

ACTING FOR Mark R. Chatterton
Assistant Field Manager
Nonrenewable Resources

Notice of Intent

RECEIVED

Dec 31 7 30 AM '98

by the

State of Nevada

DEPT.
BUREAU OF MINING
LAS VEGAS, NEVADA

The Administrator of the Division of Environmental Protection gives notice that an application for a **Reclamation Permit** has been properly filed with the Division of Environmental Protection in Carson City. The applicant for Permit # 0168 is:

Phoenix Metals U.S.A., II, Inc.
PO Box 936
Searchlight, NV 89046

This project, known as the **Phoenix Testing Facility**, is located in Clark County, Nevada and is in a portion of Section 26, Township 28 South, Range 64 East, M.D.B. & M.

The Administrator is constrained to issue a draft permit for the **mining operation** or to deny the application. The Administrator has made the tentative decision to issue the draft reclamation permit.

Persons wishing to comment upon the draft permit, or who request a public hearing pursuant to the Nevada Administrative Code, NAC Chapter 519A, must submit their comments, objections, or requests in writing no later than 30 calendar days following the date of publication of this notice in the "**Las Vegas Review-Journal**", Las Vegas, Nevada to:

Division of Environmental Protection
Bureau of Mining Regulation and Reclamation
333 W. Nye Lane
Carson City, Nevada 89706-0851

All comments or requests received during the 30-day period, reserved for public participation will be considered in the final decision regarding this application. If the Division determines written comments or requests indicate a significant degree of public interest in this matter, the Administrator shall schedule a public hearing in accordance with the requirements of NAC 519A.200.

The application and all documents subsequent thereto are on file and are available for public inspection and copying pursuant to NRS Chapter 239.010. Please submit all questions and inquires regarding these documents, in writing to the above address or call **David A. Simpson** at (775) 687-4670, ext. 3129 or toll free in Nevada (800) 992-0900, ext. 4670.

Please bring this notice of proposed action to the attention of any person whom you believe would be interested in this matter.

RECLAMATION PERMIT

NO. 0168

PERMIT LIMITATIONS AND REQUIREMENTS:

1. Permitted Disturbances

A.

AREA DESCRIPTION	ACRES DISTURBED		Total
	Private	Public	
Historic Disturbance	0	7.5	7.5
Millsite Area	0	5.0	5.0
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B. Drill holes will be plugged in accordance with the provisions specified in Chapter 534 of the Nevada Revised Statutes. No drill holes will remain unplugged at any one time.

2. Departure from Approved Plan for Reclamation

A. Except in the case of an emergency, the operator may not depart from the approved plan for reclamation without a modification approved by the Division.

B. When an operator submits an amended plan of operation to the federal agency, a copy shall also be filed with the Division.

3. Fees

A. On or before April 15 of each year submit the fees as required by NAC 519A.235.

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A. On or before April 15 of each year, the operator shall submit a report (NRS 519A.260), in a format specified by the Division, relating to the status and production

PERMIT LIMITATIONS AND REQUIREMENTS:

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A. The operator shall file and maintain an acceptable surety as specified in NAC 519A.350 to ensure that reclamation will be completed. If the surety is a Corporate Guarantee, the financial warrantor shall submit to the Division on a yearly basis, a certified financial statement for the financial warrantor's most recent fiscal year and a verification by a Certified Public Accountant (CPA) that the Corporation meets the requirements for Corporate Guarantee.

B. Within 3 years after the effective date of this permit and at least every 3 years thereafter, the operator shall review the surety amount to determine whether it is still adequate to execute the approved reclamation plan. Inflation must be considered.

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 - 2) Seed bed preparation methods utilized.
 - 3) Seeding/planting methods used (e.g., broadcast seeding, etc.).
 - 4) Provide information on how seed was covered.
 - 5) Seed mix and seeding rate; document by maintaining seed tags and any testing results (PLS, germination, noxious weeds, etc.).
 - 6) The number of acres that received fertilization, mulch or amendments.
 - 7) Fertilizer (N-P-K, type, application rate, application method).
 - 8) Mulches and soil amendments (type, application rate, and application method).
 - 9) Date of initiation and completion of activities.
 - C. **Other reclamation activities** such as; drillhole plugging, structure and debris removal, safety feature installation, erosion control treatment, equipment removal or other permit requirements.
3. Detailed calculation of the surety amount proposed for release if applicable.
4. Prior to release, a field inspection is required to verify that reclamation has been performed in accordance with the approved reclamation plan and permit.

ATTACHMENT B

NEVADA GUIDELINES FOR SUCCESSFUL REVEGETATION FOR THE NEVADA DIVISION OF ENVIRONMENTAL PROTECTION, THE BUREAU OF LAND MANAGEMENT AND THE U.S.D.A. FOREST SERVICE

I. MINING PLANS-OF-OPERATIONS

A. Reclaimed Desired Plant Communities for Mining Operation Disturbances

Reclamation goals for mining disturbances are 1) stabilize the site, and 2) establish a productive community based on the applicable land use plan and designated post-mining land uses. To meet these goals, a Reclaimed Desired Plant Community (RDPC) should be selected for use on the disturbed mine sites. A RDPC is defined as:

A perennial plant community established on a disturbed site which contributes to stability through management and land treatment, and which produces that type and amount of vegetation necessary to meet or exceed both the land use and activity plan objective established for the site.

Several RDPCs may be selected based on site-specific revegetation goals and variable site characteristics for the mining disturbances. When selecting RDPCs, major alterations in reconstructed soils and the subsequent effect of this on the site's capability to establish and sustain the desired vegetation must be considered. A RDPC must have a reasonable chance for success when making the selection.

The plant community for the RDPC should be diverse, and when appropriate for the site should include grasses, forbs, shrubs and/or trees. The RDPC shall be comprised of species native to the area, or introduced species where the need is documented for inclusion to achieve the approved post-mining land use. The RDPC must meet the requirements of applicable State and Federal seed, poisonous and noxious plants, and introduced species laws or regulations. All RDPCs must be approved by the agencies. Plants for RDPCs may be selected using one or more of the following methods:

1. Select existing vegetation types around the mine site to represent the varied RDPCs.
2. Use test plots, demonstration areas, or areas concurrently reclaimed within the mine site or within similar representative areas from adjacent mines to serve as the RDPCs as long as they meet the reclamation goal.
3. For areas where existing vegetative types adjacent to the mine area are severely disturbed or where test plots or demonstration areas are not reasonable alternatives, RDPCs may be selected using appropriate ecological or range site descriptions or other technical sources.

B. Guidelines for Successful Revegetation

The revegetation release criteria for reclaimed mine sites will be to achieve as close to 100 percent of the perennial plant cover of selected comparison areas as possible. The comparison or reference areas will be selected from representative plant communities adjacent to the mine site, test plots or demonstration areas or, as appropriate, representative ecological or range site descriptions. As approved by the agencies, the selected plant communities or reference areas must have a reasonable chance for success on the mine site. Each plan-of-operations shall identify the site-specific release criteria in the reclamation plan or permit. The agencies may also require specific release standards for individual plant species or vegetative types (grasses, forbs, shrubs, trees). Cover would be estimated using a method as described in Sampling Vegetation Attributes, Interagency Technical Reference, 1996, BLM/RS/ST-96/002 + 1730 or other acceptable technical methods.

The determination of successful revegetation of mining disturbances will require an evaluation of the data by the agencies on a site-specific basis. These data must include all of the information requested in Attachment A of the Reclamation Permit, "Documentation of Reclamation Activities for Surety Release and Annual Fee Responding". When making this evaluation, the following information shall also be considered:

1. Have the desirable species been successfully established, and do they provide sufficient aerial cover to adequately protect the site from soil erosion?
2. Is there evidence that a self-sustaining community has been established? Are vegetative reproduction (e.g. rhizomes) and seedling establishment of the desirable seeded species occurring?
3. Is there evidence of site stability, including the lack of surface soil erosion, gully formation and slumping?
4. Has the revegetation goal in the reclamation plan been met?
5. Has the operator taken reasonable measures to establish the RDPC?

C. Time frames

The success of the vegetative growth on a reclaimed site may be evaluated for release no sooner than during the third growing season after earthwork, planting and irrigation (if used) have been completed. Final bond release may be considered at that time. Interim progress of reclamation will be monitored as appropriate by the agency and operator. Where it has been determined that revegetation success has not been met, the agencies and the operator will meet to decide on the best course of actions necessary to meet the reclamation goal.

II. EXPLORATION PLANS-OF-OPERATIONS

The same guidelines as described above should be used to evaluate the success of the RDPCs for plan-level exploration disturbances. The agencies may also decide, depending on the size and scope of the project, to evaluate revegetation and reclamation success based on general ground reconnaissance and professional judgement. Extenuating circumstances may be considered when evaluating the success of the revegetation effort. If regulatory agencies determine that remediation is required on the site, the operator and agencies will meet to determine the procedures.

III. BLM NOTICES

On notice-level activities on the public lands, the BLM will evaluate revegetation and reclamation success based on general ground reconnaissance and professional judgement. Notice-level disturbance may be considered reclaimed if in the professional judgement of the regulatory agency effective action has been taken to stabilize and revegetate the site to a condition designed to result in the establishment of a productive post-mining land use. Extenuating circumstances may be considered when evaluating the success of the revegetation effort. If the BLM determines that further stabilization or revegetation efforts are needed, the operator and BLM will meet to determine what further steps are necessary.