

1963

ANNUAL



REPORT

**RANCHERS**

EXPLORATION AND DEVELOPMENT CORPORATION



Maxie L. Anderson, President.

**TO OUR SHAREHOLDERS:** The past 12 months was a period of significant changes for our company. While earnings remained at approximately the same level as last year, the following developments occurred which will have important effects on the company's future:

- (1) The Atomic Energy Commission offered to extend uranium purchasing contracts to 1970.
- (2) Ranchers' subsidiary, General Programmed Teaching Corporation, grew more rapidly than expected and became a leader in the field of programmed learning materials.
- (3) Ranchers embarked upon a major exploration program for beryllium, the company's largest exploration venture since its discovery of uranium in the Ambrosia Lake Area of New Mexico.
- (4) The company's capital structure was modified by a reverse split of stock which resulted in the issuance of one new share for five of the old shares.
- (5) Under new investment policy guidelines adopted by the Board of Directors, the company disposed of Que Enterprises, Inc. and has an agreement to dispose of Ranchers Investment Corporation, a Small Business Investment Corporation.

A more detailed description of the year's developments follows:

## **PROFITS**

Gross income was \$981,332 for the year compared to \$1,002,233 last year. The company utilized a larger portion of its income for mineral exploration, and this resulted in a slightly lower net profit of \$428,802. Net for the previous year was \$446,752.

The number of shares outstanding, exclusive of treasury stock, was reduced by 12,000 shares; this together with a sustained earning level resulted in per share earnings of \$.72 compared to \$.73 last year. Stockholders' equity rose from \$.84 to \$1.21 per share.

Two other developments—the reverse stock split in February, and a special dividend declared in June—round out the profit picture for the year. The dividend of \$.25 per share of new 1963 series amounted to \$148,969. This was the fifth dividend in four years, bringing total dividends paid to \$1,269,773. The dividend was reduced to conserve funds for making investments with growth potential.

## **URANIUM**

The Atomic Energy Commission's proposed stretchout of uranium contracts was the biggest development in this phase of the company's business. Under present terms, the contracts between the AEC and the companies mining Ranchers' property are due to terminate on December 31, 1966. To extend procurement after 1966, the AEC asked the industry to defer until 1967 and 1968 a portion of the ore

## FINANCIAL HIGHLIGHTS

	1963	1962
Income . . . . .	\$981,332 . . . .	\$1,002,233
Net Earnings . . . . .	\$428,802 . . . .	\$ 446,753
Earnings per Share . . . . .	\$ .72 . . . .	\$ .73*
Dividends per Share . . . . .	\$ .25 . . . .	\$ .50*
Stockholders' Equity . . . . .	\$719,390 . . . .	\$ 509,338
Equity per Share . . . . .	\$ 1.21 . . . .	\$ .84*

\*1962 number of shares adjusted to reflect one for five stock split in 1963.

now scheduled for delivery prior to the end of 1966. In return, the AEC would purchase for delivery in 1969 and 1970 an amount equal to the amount deferred. This would increase the volume of ore produced by approximately thirty per cent over the 1966 contract arrangement. If the mills accept the plan—and they probably will—royalties from Ranchers' properties may drop from about \$1,000,000 to about \$750,000 annually. However, the four extra years of production will add considerably to Ranchers' total income and move the company into the large forecasted industrial markets of the 1970's.

### PROGRAMMED TEACHING

One of the most pleasing aspects of the year was the rapid progress made by General Programmed Teaching Corporation, a firm in which Ranchers owns 60% interest. GPTC has prepared, under contract, 28 programs this year which have either been delivered or are in final testing. These programs have an aggregate billing value of over \$400,000. Your management feels that GPTC has an excellent opportunity to become the top producer in this rapidly expanding field, and that the new firm's earnings will contribute substantially to Ranchers' income in the future. We can expect, however, that immediate earnings will be reinvested in order to accelerate the new company's growth.

### BERYLLIUM

Ranchers entered into beryllium exploration by making extensive geological surveys in the Spor and Topaz Mountains area of Utah, which contain the nation's largest known deposit of beryllium, and acquired a major segment of these properties through lease. Ranchers' drilling operations have been sufficiently successful to lead management to plan further exploration of these properties in the fiscal year ending June 30, 1964.

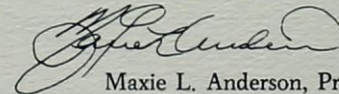
### MANAGEMENT

Maxie L. Anderson was named to the board of directors and elected president of the company at the special stockholders meeting in December of 1962. Allen D. Gray resigned from the board in May. A new employee, Kenneth D. Lawson, was added to the administrative staff as Secretary-Treasurer.

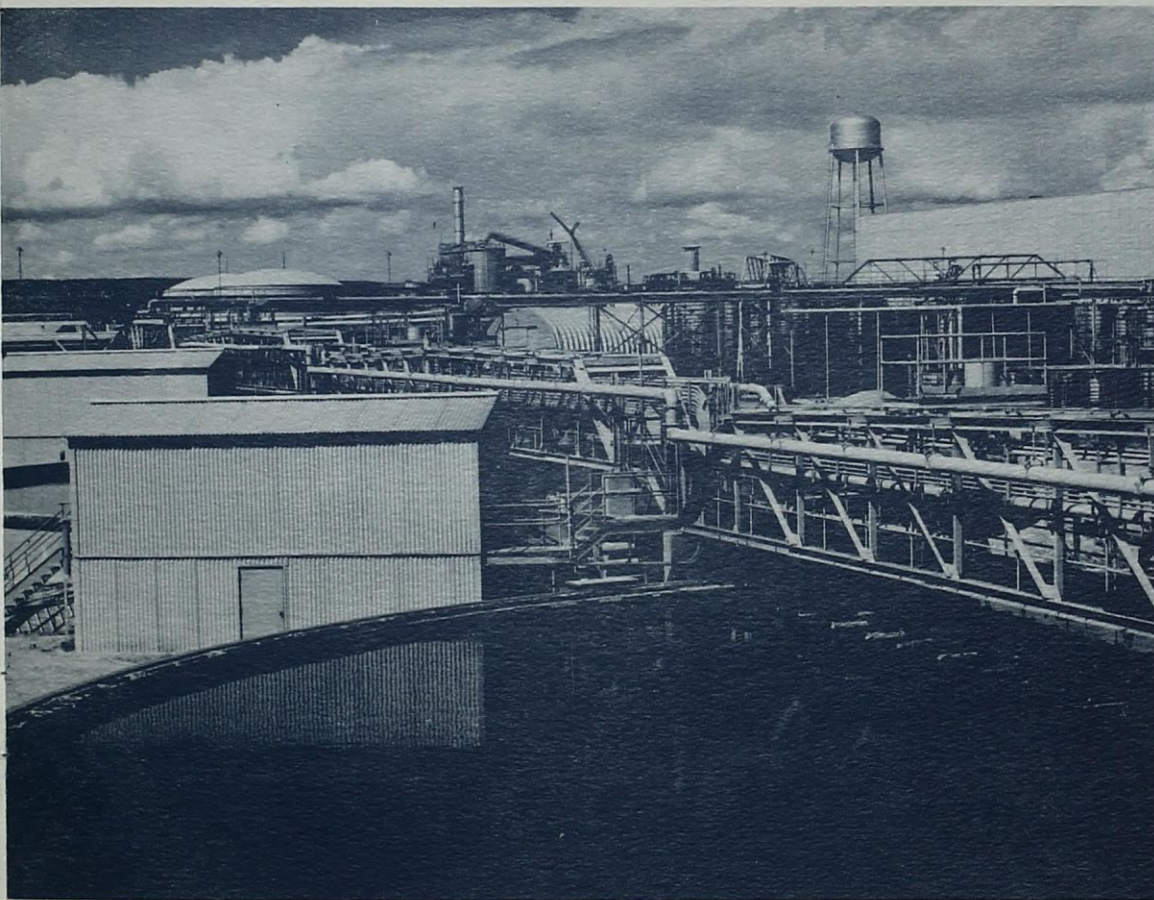
### OUTLOOK

Developments of the past year provide a sound basis for operations in the coming 12 months. Uranium royalties will continue to provide a steady source of investment funds. Projections for GPTC indicate a doubling of sales of teaching programs, and further exploration for beryllium is expected to develop long range mineral values. In addition to these activities, Ranchers is seriously investigating several new investments in the fields of finance, publishing, transportation, real estate, and mineral development.

Respectfully,



Maxie L. Anderson, President



*This series of thickener tanks is used at the modern Kermac mill to remove final traces of uranium from ore-bearing sand taken from mines in McKinley County, New Mexico.*

## URANIUM

Ranchers' principal source of income was from uranium royalties derived from mining and processing of uranium ore from Ranchers' properties in McKinley County, New Mexico. Ore from these properties is of relatively high grade, ranging from .22 to .49 percent  $U_3O_8$ . The properties are mined by the nation's two largest uranium ore processors, Kermac Nuclear Fuels and United Nuclear Corp.

Kermac and United Nuclear (and Phillips Petroleum which sold its mill and other interests to United in March) mined 1,162,344 tons of ore from Ranchers' property during the year. Royalties totaled \$972,500 compared to \$995,720 during the previous year. Known and inferred ore reserves of about 11,000,000 tons remain on the presently explored properties. At expected production rates, the reserves will not be depleted for at least 13 years.

*C. E. Lytle, Ranchers' field representative, with some of the 16,000 tons of uranium ore taken each month from Ranchers' Sandstone Mine by United Nuclear Corporation.*



*Sulphuric acid from this plant is used to dissolve uranium into solution during processing at Kermac mill—the nation's largest.*

The uranium contract stretchout proposed during the year by the Atomic Energy Commission would permit mining of the properties to continue at a high level until the end of 1970. According to Mr. Jesse C. Johnson, director of the AEC's Division of Raw Materials, the stretchout should bridge the most critical period in the transition from a government to a commercial uranium market.

Mr. Johnson noted that total uranium requirements for the 10-year period from 1970-80 could total 150,000 to 250,000 tons of  $U_3O_8$ . To meet such requirements would call for a general revival of the uranium industry, and to maintain an expanding production from this level would require a resumption of intensive exploration. Ranchers has both large known ore reserves and extensive land holdings in the mineralized district which are yet unexplored.

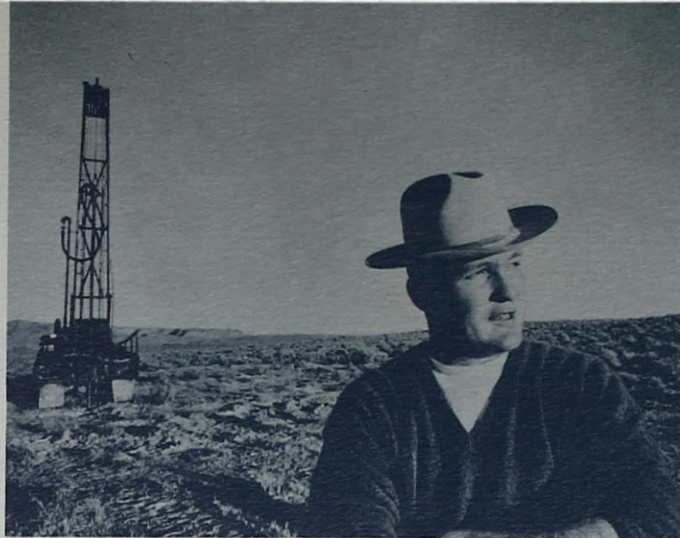
## BERYLLIUM

Beryllium is a metal with properties so unique that no other metal or material can duplicate them. It is four times stiffer than aluminum, yet only one-third as heavy and just as corrosion resistant. It has a very high melting point, unusual ability to absorb heat and is unequalled as a reflector and moderator of neutrons needed to sustain nuclear reactions. These rare qualities give Beryllium an unique potential for use in missiles and other space craft, supersonic aircraft, electronics and nuclear reactors.

Beryllium compounds also have extremely high heats of combustion and thus have great potential as a missile and rocket fuel. The government has already announced plans to build and test a beryllium fueled rocket.

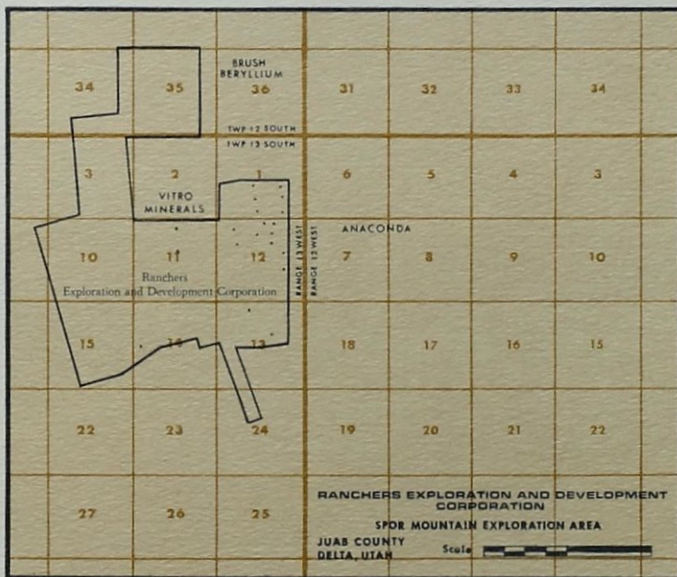
At present the United States must import 97% of its beryllium supply. The U.S. has only one major deposit of this unusual metal, and it was discovered in 1960 in the Spor and Topaz Mountains area of west-central Utah. Ranchers began leasing and exploring properties in this area in December, 1962, and by March had leased claims totaling about 4,000 acres.

The company carried out an extensive program of exploration on its properties and by the end of the fiscal year had drilled 28,000 feet of exploration holes. Results have been sufficiently promising to merit further exploration in 1963-64.



Drilling rig and President Anderson during beryllium exploration in Utah's Great Salt Lake desert.

Photo by Lawrence Schiller, courtesy Life.

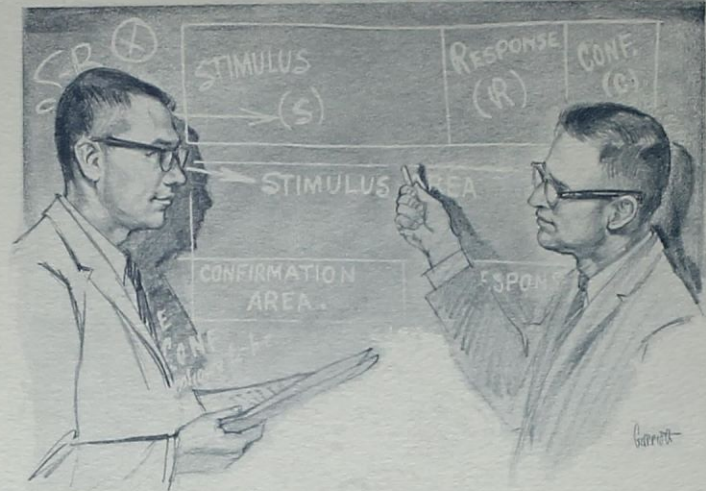


## PROGRAMMED TEACHING

Programmed teaching is a new self-instructional technique which has evolved from experimental studies of the learning process. Information is presented in a series of small, progressively difficult steps and the student is permitted to see the answer to each step or question as soon as he has written his own response. Seeing the correct answer immediately serves as a reward which helps the student learn faster and retain more of the subject matter.

The steps or frames are arranged in correct subject-matter sequence so that each frame uses knowledge gained from the frame or frames preceding it. Each subject is programmed, tested and retested to ensure that almost all students will respond correctly to questions in the frames at least 95 percent of the time. Such success increases learning by making the process a pleasure instead of a chore. Each student works individually at his own rate of speed and without the aid of a teacher. This means that programs are ideal for use in homes and industry as well as in schools. Since a program produces nearly errorless learning, such routine activities as classroom drill and testing are greatly reduced, leaving the teacher more time for student enrichment and similar tasks.

Virtually any subject can be programmed; however, preparing a high quality program is, in many ways, more demanding than writing a textbook. Certainly no educational device is tested so extensively or requires a greater array of specialists—subject matter experts, psychologists, programmers and editors.



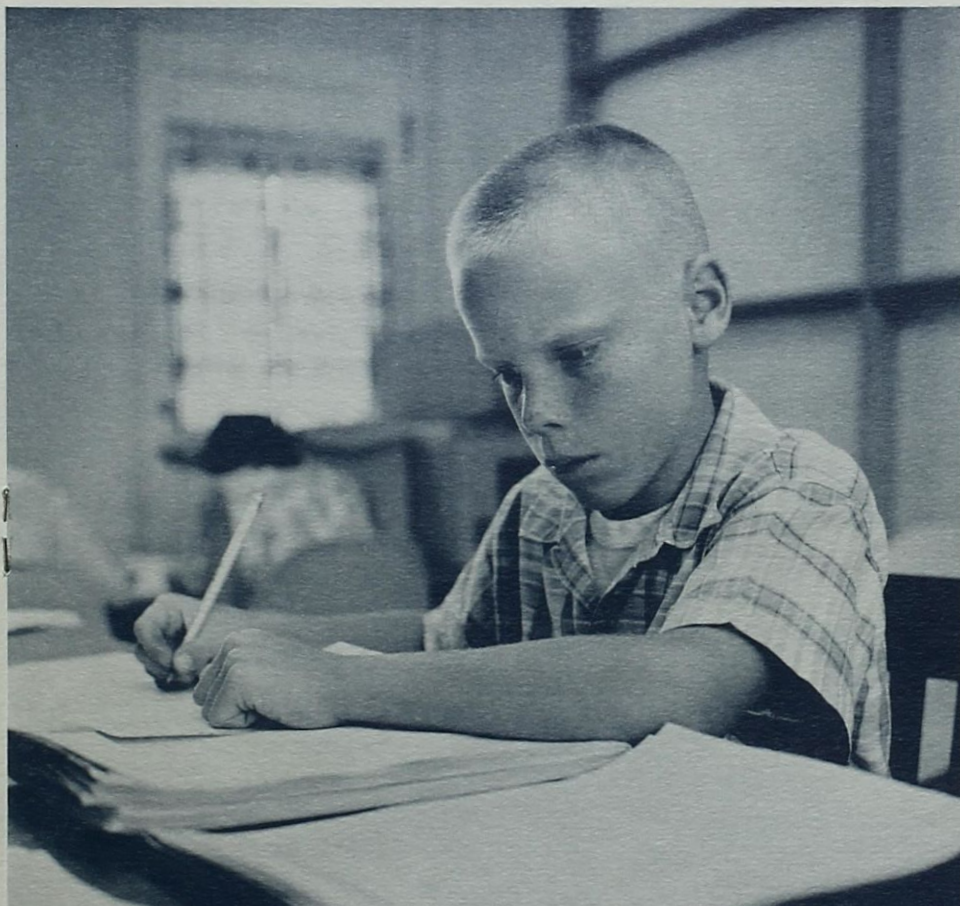
*Dr. Robert Morgan, right, president, and Dr. Robert Branson, executive vice president, head General Programmed Teaching Corporation's 40-member staff.*



*Main production room at GPTC showing some of the company's editors, programmers and other specialists at work.*



*This young student is one of many who test GPTC programs throughout the year to insure a high quality product.*



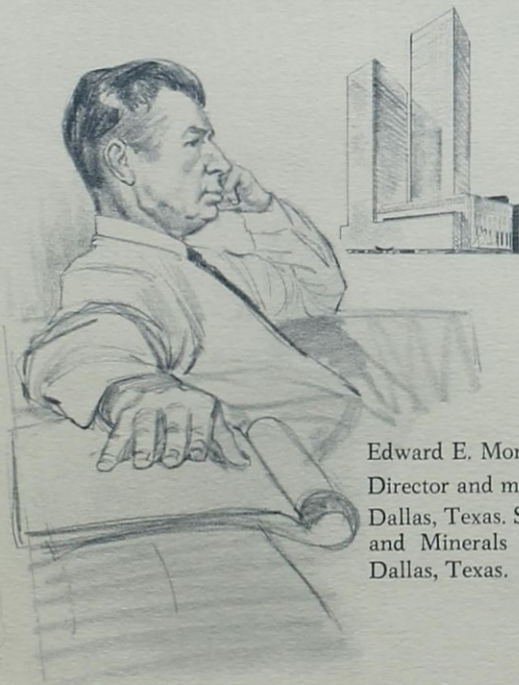
Ranchers' subsidiary, General Programmed Teaching Corporation, has a staff of approximately 40 persons engaged in development of a wide variety of programs for use in schools, homes and industry. Since its organization in 1961, GPTC has produced 30 programs for such publishers as Ginn and Co., Harper and Row, Scott, Foresman and Co. and Encyclopaedia Britannica. The firm now ranks as one of the nation's top producers of quality programs.

GPTC emerged as a major program producer in September of 1962 when Britannica acquired publishing and marketing rights to at least 70 GPTC programs. The contract, one of the most significant marketing agreements in the history of the programmed learning industry, called for payment of copyright fees and royalties for 21 programs GPTC had available in September, 1962. Similar payments will be made for approximately 50 programs Britannica will purchase from GPTC in the next 10 years.

GPTC and Britannica also are cooperating in establishment of a Foreign Language Center in Vienna late this summer. The Center will produce programs to teach English to native speakers of German, French, Italian or Spanish. Preparation of the programs, four in each language, is expected to take nearly four years. GPTC will produce the programs and Britannica will market them. GPTC will receive a royalty for each copy sold. The project is believed to represent the most extensive effort ever undertaken to teach English as a foreign language and is the first time programs have been used for that purpose.



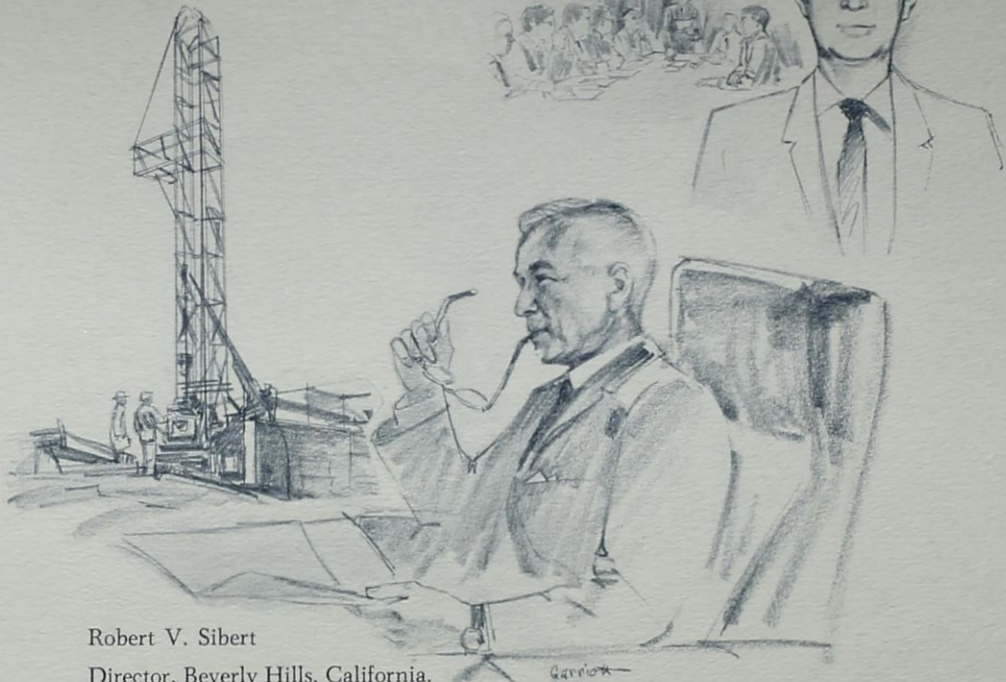
Floyd M. Slattery  
Director, Hardin, Montana. Vice President and  
General Manager, Campbell Farming Corporation.



Edward E. Monteith, Jr.  
Director and member of the Executive Committee,  
Dallas, Texas. Senior Vice-President, Petroleum  
and Minerals Division, Republic National Bank,  
Dallas, Texas.

W. W. Whiteman, Jr.

Director and Chairman of the Board and Chairman of the Executive  
Committee, Oklahoma City, Oklahoma. President of Mid-America  
Corporation and subsidiaries; chairman and trustee, Liberty Real  
Estate Trust.



Robert V. Sibert  
Director, Beverly Hills, California.  
President, Pearson - Sibert Oil Company of Texas.

#### DIRECTORS AND OFFICERS

Maxie L. Anderson  
President and member of the Executive Committee,  
Albuquerque, New Mexico.  
President of Andeco Corporation.

Kenneth D. Lawson  
Secretary-Treasurer. Director of Marketing,  
General Programmed Teaching Corporation.

Vada M. Johnson  
Assistant Secretary-Treasurer.

## AUDITOR'S REPORT

Board of Directors  
Ranchers Exploration and Development Corporation  
Albuquerque, New Mexico

We have examined the financial statements of Ranchers Exploration and Development Corporation for the year ended June 30, 1963. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

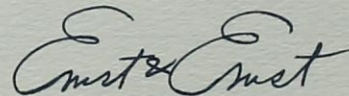
In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Ranchers Exploration and Development Corporation at June 30, 1963, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

### TRANSFER AGENT

Republic National Bank  
Trust Department  
Dallas, Texas

### GENERAL OFFICES

4204 Coal Avenue, SE  
Albuquerque, New Mexico

The logo for Ernst & Ernst, featuring the company name in a stylized, cursive script.

Ernst & Ernst  
Certified Public Accountants

Albuquerque, New Mexico  
July 17, 1963

**BALANCE SHEET**

June 30, 1963 and June 30, 1962

**ASSETS**

	1963	1962
CURRENT ASSETS		
Cash . . . . .	\$396,831.39	\$179,872.23
Royalties receivable . . . . .	59,192.00	117,130.66
Note receivable . . . . .	42,000.00	-0-
Accrued interest receivable . . . . .	12,057.92	4,929.17
Prepaid expenses and miscellaneous receivables . . . . .	4,434.12	7,689.53
	<u>514,515.43</u>	<u>309,621.59</u>
TOTAL CURRENT ASSETS	\$514,515.43	\$309,621.59
NOTES RECEIVABLE - from shareholders of a subsidiary corporation . . . . .	\$ 30,000.00	\$ 30,000.00
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES - Note A		
Notes receivable . . . . .	\$120,000.00	\$120,000.00
Capital stock - at cost . . . . .	197,000.00	246,000.00
	<u>317,000.00</u>	<u>\$366,000.00</u>
PROPERTY, PLANT, AND EQUIPMENT - Note B		
Land (\$2,500.00) and buildings . . . . .	\$ 40,886.33	\$ 40,773.95
Equipment and furniture . . . . .	27,455.56	23,411.28
Aircraft . . . . .	37,500.00	37,500.00
Mining claims, leases, and permits . . . . .	64,307.02	45,795.91
	<u>\$170,148.91</u>	<u>\$147,481.14</u>
Less allowances for depreciation and depletion . . . . .	52,534.34	37,216.31
	<u>\$117,614.57</u>	<u>\$110,264.83</u>
ORGANIZATION EXPENSE	3,103.56	3,103.56
	<u>\$982,233.56</u>	<u>\$818,989.98</u>

## RANCHERS EXPLORATION AND DEVELOPMENT CORPORATION

### LIABILITIES AND STOCKHOLDERS' EQUITY

	1963	1962
<b>CURRENT LIABILITIES</b>		
Contract for payment of property taxes . . . . .	\$ 69,019.70	\$ 69,019.70
Trade accounts payable . . . . .	8,899.85	9,617.94
Deposit for federal stamp taxes . . . . .	3,076.93	3,076.93
Accrued property taxes . . . . .	630.00	9,491.05
Pay roll taxes and amounts withheld from wages . . . . .	866.87	1,086.47
Federal and state taxes on income - estimated - Note C . . . . .	180,350.00	132,850.00
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$262,843.35</b>	<b>\$225,142.09</b>
 <b>LONG-TERM DEBT</b>		
Contract for purchase of treasury stock . . . . .	\$ -0-	\$ 50,000.00
Contract for payment of property taxes, less portion due within one year . . . . .	-0-	34,509.85
	\$ -0-	\$ 84,509.85
 <b>STOCKHOLDERS' EQUITY - Note D</b>		
Common Stock - par value \$.50 a share - 1963; par value \$.10 a share - 1962: Authorized - 1,000,000 - 1963, 5,000,000 - 1962 Issued - 607,874 shares - 1963 (including 12,000 shares in treasury), 3,237,468 shares - 1962 (including 198,099 shares in treasury) . . . . .	\$303,937.00	\$323,746.80
Additional paid-in capital . . . . .	178,277.58	178,277.68
Retained earnings . . . . .	306,957.19	313,166.41
	\$789,171.77	\$815,190.89
Less Common Stock in treasury, 12,000 shares - 1963, and 198,099 shares - 1962 - at cost . . . . .	69,781.56	305,852.85
	<b>\$719,390.21</b>	<b>\$509,338.04</b>
	<b>\$982,233.56</b>	<b>\$818,989.98</b>

See notes to financial statements.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

### RANCHERS EXPLORATION AND DEVELOPMENT CORPORATION

Years ended June 30, 1963 and 1962

	1963	1962
Income:		
Royalties . . . . .	\$972,499.55	\$ 995,719.54
Interest . . . . .	8,063.68	4,929.17
Other income . . . . .	768.96	1,584.69
	<u>\$981,332.19</u>	<u>\$1,002,233.40</u>
Deductions from income:		
Administrative and general expenses . . . . .	\$172,704.33	\$ 140,138.89
Exploration, conservation and maintenance of mining properties . . . . .	155,791.34	26,971.41
Lease abandonments . . . . .	2,400.00	-0-
Provisions for depreciation and depletion . . . . .	17,840.95	15,857.39
	<u>\$348,736.62</u>	<u>\$ 182,967.69</u>
INCOME BEFORE INCOME TAXES AND SPECIAL ITEMS	\$632,595.57	\$ 819,265.71
Federal and state taxes on income - estimated	<u>201,967.07</u>	<u>304,000.78</u>
INCOME BEFORE SPECIAL ITEMS	\$430,628.50	\$ 515,264.93
Special items - deduction:		
Prior years' property taxes \$103,529.55 less applicable income tax reduction resulting therefrom . . . . .	\$ -0-	\$ 48,248.55
Federal stamp taxes, less applicable income tax effects resulting therefrom . . . . .	1,826.27	20,263.81
	<u>\$ 1,826.27</u>	<u>\$ 68,512.36</u>
NET INCOME	\$428,802.23	\$ 446,752.57
Retained earnings at beginning of year . . . . .	313,166.41	179,100.74
	<u>\$741,968.64</u>	<u>\$ 625,853.31</u>
Less:		
Cash dividend - \$.25 per new share - 1963, \$.10 per old share - 1962 . . . . .	\$148,968.50	\$ 312,686.90
Cancellation of treasury shares representing excess of cost over par value thereof . . . . .	286,042.95	-0-
	<u>\$435,011.45</u>	<u>\$ 312,686.90</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$306,957.19</u>	<u>\$ 313,166.41</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 1963

### Note A - Investments in and Advances to Subsidiaries

Notes receivable are due \$45,000.00 on August 31, 1963 and \$25,000.00 each on July 29, 1964, September 15, 1964, and November 1, 1964. By a separate agreement with a bank which has loaned the subsidiary \$80,000.00 at June 30, 1963 the Corporation has agreed to subordinate its notes receivable from the subsidiary together with extension of maturity dates thereon until such time as the bank is repaid in full.

During June, 1963, the Corporation exchanged its investment in Que Enterprises, Inc., represented by capital stock costing \$50,000.00 and notes receivable in the amount of \$45,000.00 for 8,000 shares of its own (new) shares of capital stock together with a note receivable from the purchasers in the amount of \$47,000.00. The 8,000 shares acquired were placed in the treasury at an amount of \$6.00 per share.

The Corporation has entered into an agreement to sell its stock of Ranchers Investment Corporation, a wholly-owned subsidiary licensed under the Small Business Investment Act. This stock will be sold at its cost of \$151,000.00 plus interest on U.S. Treasury Bills owned by the Corporation and certain expenses of obtaining the SBIC license.

The Corporation's 60% interest in the net equity of General Programmed Teaching Corporation, as indicated by recent unaudited financial statements, is in excess of the cost thereof of \$45,000.00. The Corporation's capital stock in this Company has been pledged to secure loans made to General Programmed Teaching Corporation by a bank.

### Note B - Property, Plant, and Equipment

Equipment carried at \$5,893.34 and mining leases and claims carried at \$38,923.51, which values were assigned by the

Directors, were acquired in exchange for Common Stock of the Corporation. All other property, plant, and equipment is carried at cost.

During the year ended June 30, 1963, the Corporation conducted mineral exploration activities. Costs of acquiring leases, mining and exploration permits of \$18,511.11 have been capitalized. Related drilling and geological expenditures have been expensed. Since no production has commenced with respect to these currently acquired mineral interests, no amortization has been provided.

A substantial portion of the Corporation's mining leases and claims have been farmed out to mine operators under agreements providing for payment of royalties to the Corporation at various rates.

### Note C - Federal Income Taxes

The Corporation's federal income tax returns for all open years through June 30, 1962 have been examined by the Internal Revenue Service.

### Note D - Stockholders' Equity

During the year ended June 30, 1963, the stockholders voted to change the par value of Common Stock from \$.10 to \$.50 a share, and the authorized shares from 5,000,000 to 1,000,000. In addition, the stockholders authorized the cancellation of 198,099 par value \$.10 shares which had been held in treasury. The cancellation of these shares reduced the amount carried for issued stock by \$19,809.90, and reduced retained earnings \$286,042.95. There was no effect on the total amount of stockholders' equity as a result of this transaction.

The annual stockholders meeting will be held on July 29, 1963 at 9:00 A.M. in the Crystal Room at the White-Winrock Hotel, Winrock Shopping Center, Albuquerque.

