

1965

*ANNUAL REPORT*



RANCHERS

*EXPLORATION AND DEVELOPMENT CORPORATION*

1965 RANGHERS



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Motor scrapers carry copper oxide ore to heaps for leaching at the Bluebird Mine after ore is loosened by tractor-mounted rippers. Four to eight thousand tons of ore are handled daily.



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Sulfuric acid solution flows through valves in these pipes and onto heaps during leaching operations at the Bluebird Mine.

### *TO OUR SHAREHOLDERS:*

Management's efforts in 1965 centered on development of investments made in previous years. In contrast to the past two years, no new properties were acquired, although the Company conducted an aggressive program of property exploration and evaluation and is presently considering several mineral prospects.

Developmental efforts focused on two investments: The Bluebird Copper Mine, and General Programmed Teaching Corporation (GPTC). Progress at the Mine, purchased in March, 1964, met expectations. Production began in late October and by June 30 was nearing the original production goal of 20,000 pounds of copper per day. All production through 1966 was committed to buyers at premium prices; prices increased during the year; and further drilling proved an additional 2.7-million tons of ore.

GPTC's operations were less successful, although sales increased for the fourth consecutive year, and the firm entered the field of

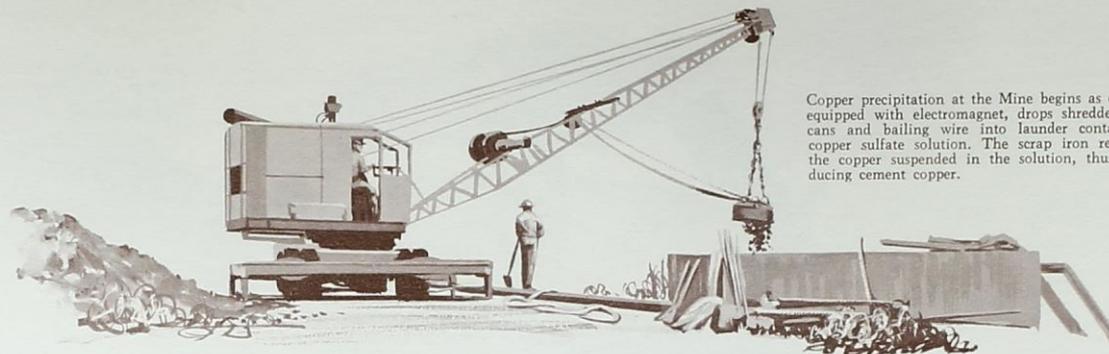
industrial and governmental contract services for the first time. However, developmental expenses exceeded income and the firm again showed a sizable loss. In June, the status of GPTC was changed from a wholly owned subsidiary of Ranchers to a division of the parent company.

The Company's investments in uranium and beryllium remained largely unchanged during the year. Uranium royalties continued near the forecasted level of \$750,000 as the Atomic Energy Commission's stretchout program completed its second year. Interest increased in nuclear energy as a means of desalting sea water and producing electrical power, and several major operators of uranium mining and processing facilities began exploration for new reserves. Added interest was also noted in beryllium, particularly as a rocket fuel and structural material for aerospace applications. The exact extent of the Company's sizable beryllium holdings remained undetermined, pending the outcome of litigation.

### *PROFITS*

Consolidated gross income totaled \$2,006,121, highest in Company history, and nearly double the \$1,027,546 earned in 1964. The increase was due almost entirely to copper sales. Royalties from uranium were \$765,330.40 compared to \$764,429 in 1964. General Programmed Teaching Corporation's gross sales and royalties increased to \$324,966, compared to \$256,832 last year.

Net income was \$328,148, compared to \$267,230 in 1964. This 22.7 per cent increase was achieved despite losses sustained by GPTC, heavy startup costs at the Bluebird Mine, and retirement of approximately 25 per cent of the indebtedness incurred in connection with the Mine's purchase. Non-recurring losses totaled approximately \$.35 per share for the year. Per share earnings were \$.55, compared to \$.44 in 1964, and stockholders' equity rose from \$1.50 to \$2.02 per share.



Copper precipitation at the Mine begins as crane, equipped with electromagnet, drops shredded tin cans and bailing wire into launder containing copper sulfate solution. The scrap iron replaces the copper suspended in the solution, thus producing cement copper.

### FINANCIAL HIGHLIGHTS

	1965	1964
Gross Income	\$2,006,121	\$1,027,546
Net Earnings	\$ 328,148	\$ 267,230
Earnings Per Share	\$ .55	\$ .44
Stockholders' Equity	\$1,213,935	\$ 908,231
Equity Per Share	\$ 2.02	\$ 1.50

### OUTLOOK

The Company changed its position materially in the mining industry in 1965, making the difficult transition from a royalty company to an operating company. This change is significant in two respects: it not only broadened the economic base of the Company, but resulted in formation of a cadre of trained personnel capable of evaluating, developing, and operating new properties.

Shareholders may expect this new capability to be used with increasing frequency in 1966 and subsequent years. The Company evaluated a number of raw material companies and properties—copper, lime, salt, and mercury—during the past year, and Management feels that several of these are compatible with present plans for expansion.

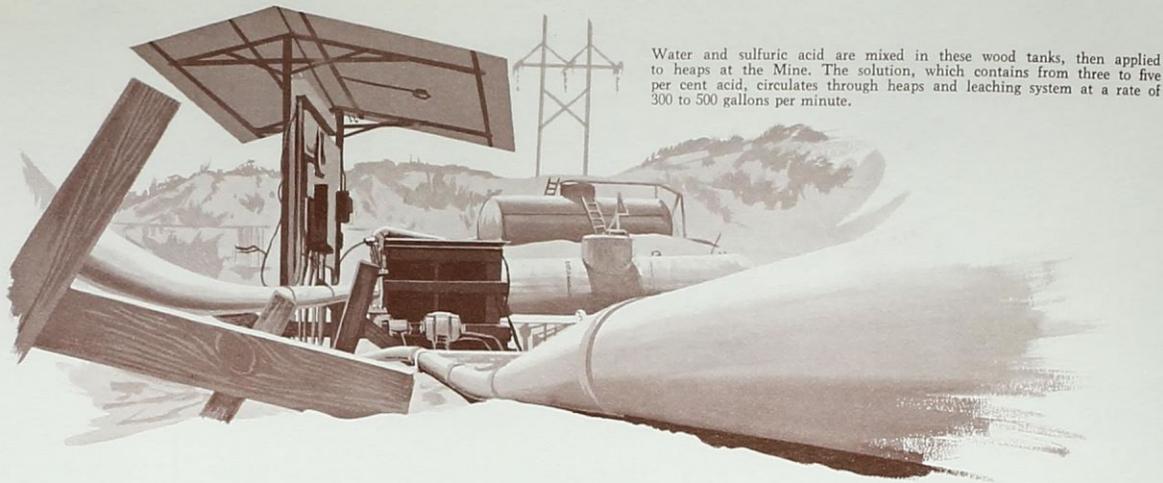
In addition to acquisition of new properties, shareholders may reasonably expect the following developments in 1966: (1) increased production and profit at the Bluebird Mine, (2) cessation of losses by General Programmed Teaching Corporation, and (3) a court decision involving rights to the Utah beryllium properties.

While the Mine made a reasonable return on investment in 1965, per unit production costs remained high. Considerable effort is now being expended to lower these costs to the desired level. An increase in production will aid in reducing these unit costs in 1966. Research will continue on production of higher quality copper, with the goal of securing a better market price per pound.

Management has taken measures to reduce operating losses at General Programmed Teaching Corporation during the first quarter of 1966, and expects to end the losses by the end of the calendar year. A Federal District Court decision involving the dispute over beryllium properties was expected before the end of the fiscal year, and should be forthcoming within the next several months.

In general, your management views the outlook for 1966 with optimism. The year should be one of continued growth and steadily rising profits.

Maxie L. Anderson, President



Water and sulfuric acid are mixed in these wood tanks, then applied to heaps at the Mine. The solution, which contains from three to five per cent acid, circulates through heaps and leaching system at a rate of 300 to 500 gallons per minute.

## COPPER

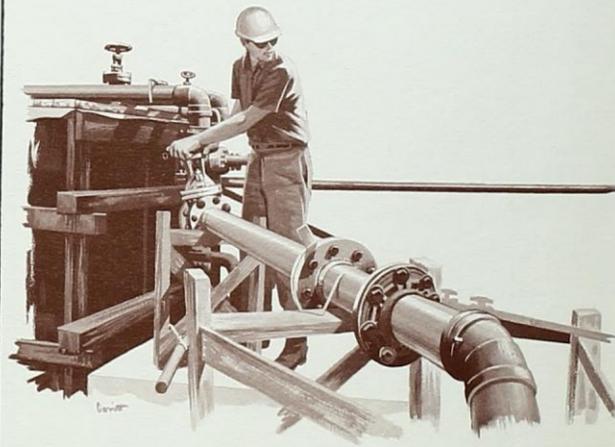
Operations began at the Bluebird Mine shortly before the start of the fiscal year, and production commenced in late October. Production averaged approximately 16,000 pounds of salable copper daily thereafter, and by June 30, some 3.3-million pounds had been produced. Production consisted of high grade copper cement which averaged 83.25 per cent copper.

In contrast with original plans, the copper was not sold to smelters in the area, but shipped to chemical and metal companies at premium prices. Demand for copper remained strong throughout the year, and the Company was able to sell all current production and to commit the Mine's total output through calendar year 1966. Average gross sales price for 1965's production was in excess of \$.30 per pound. Gross sales during fiscal year 1966 will average more than \$.35 per pound, provided the U.S. domestic electrolytic price remains at \$.36 cents per pound.

Efforts are now underway to increase production to approximately 30,000 pounds of copper per day. This will help to lower per unit production costs, which have been higher than expected. Increased production, plus operating experience, should permit operations to reach maximum efficiency during the year.

Research is continuing with the goal of increasing the profitability of the Mine. Objectives are: purification of tailing solutions to permit re-use of water; precipitation of copper without the use of iron, and on-site production of electrolytic copper and copper powder, which traditionally command a higher price than cement copper.

Proven reserves at the Mine were increased by 2.7-million tons during the year, bringing total reserves to nearly double the 5-million tons known at the time of purchase. One mineralized area still remains to be drilled. At the present rate of production, the Mine will be in operation for at least 10 years.



A series of pumps, motors, valves and flow meters permits precise distribution of leaching solutions on heaps at the Mine.



Cement copper is loaded into 55-gallon steel drums, weighed and assayed before shipment by rail to metal and chemical companies for sale in domestic and world markets. Each loaded drum weighs about 1,000 pounds.

Garriola

## GPTC

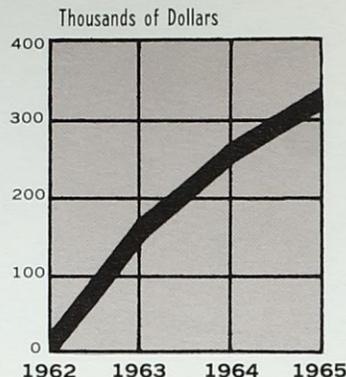
General Programmed Teaching Corporation continued to operate at a loss during 1965 despite an increase in sales for the fourth consecutive year. High development costs and the decision to write off several experimental projects begun in prior years were the primary reasons the firm failed to make the modest profit forecast a year ago.

GPTC concluded its foreign language project in Vienna, and the programmed manuscripts and tapes produced during the two years of operation were turned over to Encyclopaedia Britannica. Eight more GPTC programs were published during the year by Britannica, Ginn and Company, and South-Western Publishing Company, bringing total GPTC programs in print to 16. Sixteen other manuscripts are in publishers hands for future publication.

A pilot project dealing with teller training was completed for the Bank of America, and other projects were begun for Montgomery Ward, U.S. Air Force, Edex Corporation, and GPTC's own account. These projects constitute GPTC's first entry into the rapidly growing field of industrial education. GPTC also began submitting major proposals to agencies administering the various governmental programs dealing with education and economic opportunity.

It is likely that an increasing part of GPTC's income will come from industrial and governmental contract services. Income from production of programs for textbook publishers will decrease. Management has taken steps to end GPTC losses by January 1, 1966.

## GPTC SALES & ROYALTIES



Headframe above shaft on Ranchers' Section 30 uranium mine.

## URANIUM

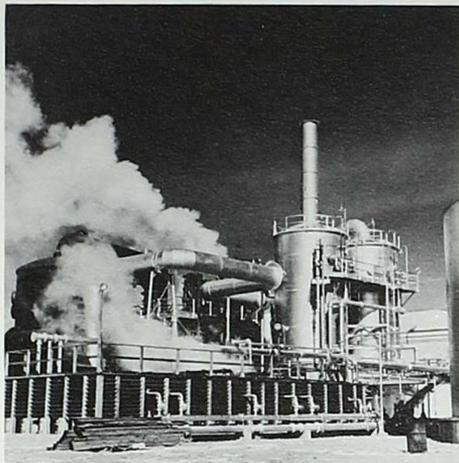
Production of uranium from the Company's properties in northwest New Mexico remained stable in 1965 as the Atomic Energy Commission stretchout program completed its second year. Production is expected to remain at its present level through 1970, when the stretchout ends.

Royalty income will probably increase slightly in 1966 as the result of two new processing techniques being employed by United Nuclear Corporation, and Kerr-McGee Oil Industries, the companies mining Ranchers' properties.

United Nuclear recently installed ion exchange columns, which will permit extraction of uranium from waters pumped from the mines on Ranchers' property. Kerr-McGee has been extracting uranium from the mine waters in this manner for the past two years, but will begin paying royalties on the extracted metal for the first time in 1966. Kermac also will begin leaching operations this year on low grade ore. This operation, similar to the one used by Ranchers at its Bluebird Mine, will, in effect, increase reserves on the Company's properties.

Interest in nuclear energy as a source of electrical power and as a means of desalting sea water continued to rise during the year. Builders of nuclear power plants estimate that atomic power is now competitive with fossil fuels in areas that now produce between one-third and one-half of all electricity generated in the country. At least 15 U. S. utility companies are seriously considering construction of atomic power plants, and another 10 companies are known to be interested.

This plant produces sulfuric acid used by Kerr-McGee to leach uranium ores.



The interest in power generation, coupled with the prospect of using nuclear reactors to desalt sea water, was enough to prompt several major operators of uranium mining and processing facilities to re-start exploration programs. Growing water shortages in much of the country are expected to make development of nuclear desalinization plants increasingly attractive.

Another event during the year of significance to uranium producers was Canada's rejection of an offer from the French government to purchase one-third of Canada's uranium reserves during the next 20 years. The offering price for the uranium oxide, which occurs in low grade ore, was comparable to today's U.S. government prices, and would have totaled about \$10-billion for approximately 70,000 tons of  $U_3O_8$ . Rejection of the offer was presumably based on the assumption that Canada will ultimately need the reserves, or that the reserves will command a substantially higher price in the future.

### *BERYLLIUM*

The Company's investment in Utah beryllium properties remained unchanged during the year, although there were several changes in the industry which are expected to have a beneficial effect on development of the properties.

Industry continued to find new uses for the metal and to prove feasibility of its use in rocket fuels and various aerospace applications where light weight and heat resistance are essential. In October, the President signed a new depletion law which increases the depletion allowance for beryllium ores from 15 to 23 per cent. Both factors should speed development of the Utah properties.

A decision on rights to claims which have been in dispute between Ranchers and the Anaconda Company for the past two years, should be forthcoming in the near future. The case was heard in Federal District Court in January. Should the presiding judge decide that Ranchers has been damaged by denial of rights to compete for property on the public domain, a jury trial will be held to determine the extent of damages.

### *EXPLORATION*

An active program of exploration, evaluation, and development of new properties constitutes a vital part of the Company's activities, and occupies a significant position in the annual budget. During the past year, the Company concentrated its attention on properties bearing minerals which have maintained a strong market position in the past several years, and which appear to have a strong future.

Mercury properties in Nevada, Honduras, and British Columbia are among the properties being evaluated. Copper properties in New Mexico, Utah, and Arizona are also under consideration. Other investigations are being made in regard to silver, salt, lime, and dolomite.

Investigation of these prospects involves preliminary geologic evaluation and surface studies, followed by drilling and additional geologic study. Metallurgical testing and engineering planning are then scheduled. This data, as well as the economics of the prospects—grade, tonnage, metallurgy, capital requirements, operating costs, etc.—and the ultimate market value of the product are used to determine whether the property is a suitable investment.

At the present time, the Company is actively considering four situations which should result in at least one new operation during the 1966 fiscal year.

ASSETS

BALANCE SHEET

JUNE 30, 1965 AND

JUNE 30, 1964

CURRENT ASSETS

	1965	1964 (Note A)
Cash	\$ 426,075.22	\$ 426,022.37
Trade accounts receivable	117,734.77	130,063.78
Royalties receivable	56,565.07	74,859.06
Recoverable federal income taxes - Note B	177,000.00	-0-
Notes receivable	4,284.15	20,000.00
Inventories - Note C	313,185.39	121,760.28
Prepaid expenses and miscellaneous receivables	11,633.98	16,651.43
TOTAL CURRENT ASSETS	<u>\$1,106,478.58</u>	<u>\$ 789,356.92</u>

PROPERTY, PLANT AND EQUIPMENT - on the basis of cost:

Land (\$2,500.00) and buildings	\$ 41,661.33	\$ 41,661.33
Equipment and furniture	402,864.84	281,326.89
Aircraft	37,500.00	37,500.00
Mining claims, leases and permits	553,864.62	371,132.96
	<u>\$1,035,890.79</u>	<u>\$ 731,621.18</u>
Less allowances for depreciation and depletion	234,186.38	80,126.88
	<u>\$ 801,704.41</u>	<u>\$ 651,494.30</u>

OTHER ASSETS

Organization expense	\$ -0-	\$ 3,766.73
Advance royalties and other assets	12,000.00	3,981.00
	<u>\$ 12,000.00</u>	<u>\$ 7,747.73</u>

	<u>\$1,920,182.99</u>	<u>\$1,448,598.95</u>
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*LIABILITIES AND  
STOCKHOLDERS' EQUITY*

*BALANCE SHEET*

*JUNE 30, 1965 AND*

*JUNE 30, 1964*

	<i>1965</i>	<i>1964</i> <small>(Note A)</small>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	\$ 126,663.67	\$ 55,740.71
Contracts payable	2,650.00	37,291.02
Pay roll taxes and amounts withheld from wages	3,901.45	7,385.73
Accrued royalties payable	15,018.44	-0-
Accrued interest and local taxes	2,714.13	4,150.85
Federal and state income taxes	4,300.00	42,200.00
Current portion of long-term debt	<u>160,000.00</u>	<u>65,000.00</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 315,247.69</b>	<b>\$ 211,768.31</b>
<b>LONG-TERM DEBT - Note D</b>		
Less amount due within one year	<u>160,000.00</u>	<u>65,000.00</u>
	<b>\$ 140,000.00</b>	<b>\$ 260,000.00</b>
<b>DEFERRED FEDERAL AND STATE INCOME TAXES - Note E</b>		
	<b>\$ 251,000.00</b>	<b>\$ 68,600.00</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock - par value \$.50 a share:		
Authorized 1,000,000 shares		
Issued 625,378 shares		
(1965-including 25,443 shares in treasury)		
(1964-including 18,641 shares in treasury)	\$ 312,686.50	\$ 312,686.50
Capital in excess of par value	226,399.83	208,277.58
Retained earnings	<u>815,220.98</u>	<u>491,572.59</u>
	<u>\$1,354,307.31</u>	<u>\$1,012,536.67</u>
Less cost of Common Stock in treasury	<u>140,372.01</u>	<u>104,306.03</u>
	<u>\$1,213,935.30</u>	<u>\$ 908,230.64</u>
	<u>\$1,920,182.99</u>	<u>\$1,448,598.95</u>

See notes to financial statements

**STATEMENT OF CONSOLIDATED  
INCOME AND RETAINED  
EARNINGS  
YEARS ENDED  
JUNE 30, 1965 AND 1964**



Ore samples collected daily provide information used to help control Bluebird mining and leaching operations.

	1965	1964
Income:		
Net sales - copper	\$ 909,641.57	\$ -0-
- teaching programs	301,195.22	245,515.65
Royalties	789,101.41	764,429.47
Interest	1,512.04	2,120.11
Other	<u>4,670.86</u>	<u>15,480.62</u>
	\$2,006,121.10	\$1,027,545.85
Deductions from income:		
Cost of sales - copper	\$ 775,305.35	\$ -0-
- teaching programs	463,184.74	226,636.51
Administrative and general expenses	274,276.04	262,418.96
Exploration, conservation and maintenance of mining properties	102,084.80	66,006.56
Selling and promotional expenses	49,116.40	20,643.63
Lease abandonments and other	<u>18,122.25</u>	<u>26,777.44</u>
	<u>\$1,682,089.58</u>	<u>\$ 602,483.10</u>
	\$ 324,031.52	\$ 425,062.75
INCOME BEFORE TAXES ON INCOME		
Federal and state income taxes:		
Deferred - Note E	\$ 172,883.13	\$ 68,600.00
Currently payable	<u>-0-</u>	<u>89,232.31</u>
	\$ 172,883.13	\$ 157,832.31
	\$ 151,148.39	\$ 267,230.44
Recoverable - Note B	<u>177,000.00</u>	<u>-0-</u>
	\$ 328,148.39	\$ 267,230.44
NET INCOME		
Retained earnings at beginning of year	<u>491,572.59</u>	<u>246,074.45</u>
	\$ 819,720.98	\$ 513,304.89
Less excess of cost of treasury shares sold or exchanged for mining property over market price	<u>\$ 4,500.00</u>	<u>\$ 21,732.30</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 815,220.98</u>	<u>\$ 491,572.59</u>

See notes to financial statements

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1965**

**Note A - Liquidation and Dissolution of Subsidiaries**

As of June 28, 1965, General Programmed Teaching Corporation and Ranchers Investment Corporation, wholly-owned subsidiaries of the Corporation were dissolved and liquidated, with the assets of the subsidiaries being transferred to the parent. The consolidated statement of income for the year reflects the operations of Ranchers Exploration and Development Corporation and subsidiaries. Upon consolidation, all inter-company transactions have been eliminated.

**Note B - Recoverable Federal Income Taxes**

As explained in Note A, two of the Corporation's wholly-owned subsidiaries were liquidated and dissolved as of June 28, 1965, resulting in current recognition to the Corporation of losses of one of the subsidiaries of \$429,059.53. Current recognition of this loss permits the Corporation to avail itself of the loss carryback provision of the Internal Revenue Code and recover \$177,000.00 of a prior year's income taxes.

**Note C - Inventories**

Inventories of copper ore and finished copper cement are stated at average cost which is not in excess of market. Teaching program inventory consists principally of accumulated costs on program in process.

Programming costs expected to be non-recoverable have been charged to expense. Inventories consist of the following:

	June 30	
	1965	1964
Mining operations:		
Copper ore in leaching heaps .....	\$248,660.36	\$ -0-
Finished copper cement .....	31,248.45	-0-
Supplies .....	9,862.56	-0-
	<u>\$289,771.37</u>	<u>\$ -0-</u>
Teaching Programs .....	23,414.02	121,760.28
	<u>\$313,185.39</u>	<u>\$121,760.28</u>

**Note D - Long-Term Debt**

The amount due at June 30, 1965, represents advances received less repayments on a \$500,000.00, 6% bank loan payable in quarterly installments of \$40,000.00. The loan agreement also provides, among other things, that the Corporation will apply all sums borrowed to costs of acquisition and development of copper mining properties located in Gila County, Arizona, that upon demand by the bank the Corporation will mortgage and assign uranium royalty interests to the bank, and that the Corporation will maintain net working capital in excess of \$100,000.00.

**Note E - Deferred Income Taxes**

The Corporation deducts all current mining and development costs for income tax purposes while certain of such costs have been deferred on the books for financial reporting pur-

poses and are being amortized over the production units (metal) benefited by such expenditures. Income taxes deferred, as a result of currently deducting such mining and development costs, have been charged to income of the current year.

**Note F - Stock Options**

Stock options have been granted to certain directors to purchase 20,000 shares of Common Stock of the Corporation at prices not less than 95% of the fair market value of the shares at the time the options were granted. These options were granted on July 30, 1962 (based on prices significantly in excess of current market price) and none have been exercised to date. The Corporation has also granted options to three employees whereby they may each purchase 4,500 shares of the Corporation Common Stock at \$3.00 a share. To date 1,500 shares have been purchased under these options. During the year, the Corporation has also granted options to an officer of the Corporation whereby 1,000 shares may be purchased at the fair market value on March 1, 1965 and to two key employees whereby they may each purchase 2,000 shares, one at fair market value on February 3, 1965 and the other at fair market value on March 1, 1965. None of these options have been exercised.

### **DIRECTORS**

Maxie L. Anderson, *President*  
*President, Andeco Corporation*

Adrian Berryhill  
*President, Berryhill Enterprises*

Edward E. Monteith, Jr.  
*Executive Vice-President,*  
*Republic National Bank, Dallas, Texas*

Robert V. Sibert  
*President, Pearson-Sibert Oil Co. of Texas*

Floyd M. Slattery  
*Vice-President and General Manager,*  
*Campbell Farming Corporation*

### **OFFICERS**

Maxie L. Anderson, *President*

Kenneth D. Lawson, *Executive*  
*Vice President and Treasurer*

Vada M. Johnson, *Secretary*

Arthur Miller, *Assistant to President*

### **TRANSFER AGENT**

Republic National Bank  
Trust Department  
Dallas, Texas

### **GENERAL OFFICES**

4204 Coal Avenue, SE  
Albuquerque, New Mexico

### **ACCOUNTANT'S REPORT**

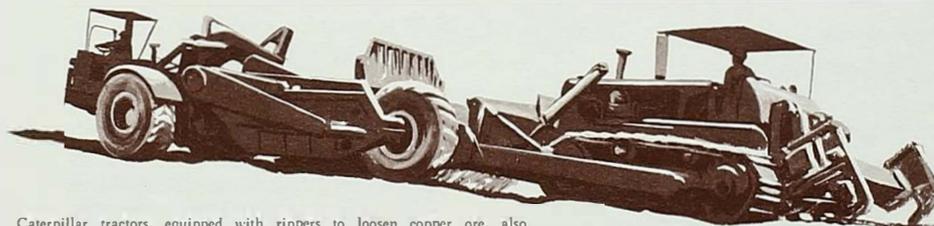
Board of Directors  
Ranchers Exploration and  
Development Corporation  
Albuquerque, New Mexico

We have examined the balance sheet of Ranchers Exploration and Development Corporation as of June 30, 1965, and the statement of consolidated income and retained earnings for the year then ended for Ranchers Exploration and Development Corporation and subsidiaries (liquidated June 28, 1965). 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 consolidated income and retained earnings present fairly the financial position of Ranchers Exploration and Development Corporation as of June 30, 1965, and the consolidated results of operations of Ranchers Exploration and Development Corporation and subsidiaries for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst  
Certified Public Accountants

Albuquerque, New Mexico  
July 30, 1965



Caterpillar tractors, equipped with rippers to loosen copper ore, also push-load the motor scrapers which haul the ore from the pit to the heaps. Each scraper has capacity of 17.3 cubic yards.

