Director to update board on diamond-mine dispute

BY MICHELLE HILLIER
Democrat-Gazette State Reporter

The state Department of Parks and Tourism director said last week he doubted the state Parks, Recreation and Travel Commission would immediately act on a National Park Service opinion that an environmental-impact statement is needed for continued testing at the Crater of Diamonds State Park.

Director Richard Davies said he plans to update the commission on the issue when it holds its monthly meeting Thursday and Friday at the Ramada Inn Convention Center in Paragould.

The state is proposing to proceed with a second round of diamond exploration at the park near Murfreesboro. It is the only proven reserve of gem-quality diamonds in the United States. The first phase of testing determined the size and shape of the reserve. The second would explore its value.

The state and four diamond-mining companies are exploring the possibility of commercial mining at the park.

Edwin L. Shellenberger, assistant regional director for the National Park Service, said in a letter to Davies on Aug. 15 that the Park Service could not approve the second phase without the environmental-impact statement. The statement should address the effects of continued testing and mining at the park, the letter stated.

The state needs Park Service approval for continued testing because it agreed to federal restrictions when it accepted a $723,808 federal grant in 1973 to pay for the visitors' center, picnic tables and other facilities. States that accept such funds agree not to "convert" lands developed by those funds to private use. Congress, the National Park Service, the U.S. Department of the Interior and the courts decide what makes up a "conversion."

Since Davies received the letter, he has contended the state cannot develop a statement that addresses the effects of mining without the results of the second phase of testing. Davis said he plans to express his concerns to Shellenberger after receiving input from the four companies the state has allowed to test drill at the park. As of Friday, Davies said, he had not heard from the companies.

If the Park Service does not reconsider its demand for the statement, Davies has said he might ask the commission to drop testing at the park.

Also, the commission will hold a public hearing at 2 p.m. Thursday on proposed state park fees and rates for 1995.

The controversial park entrance fees the commission implemented Jan. 1 to offset legislative cuts to the Parks Division's operating budget will remain the same. Citizens have complained about the average $2 entrance fee at 31 of the 48 state parks.

Study order clouds diamond testing at park, chief says

BY DOUG THOMPSON
Democrat-Gazette Business Writer

The state should drop Crater of Diamonds State Park mining tests unless the National Park Service lifts its demand for a comprehensive environmental impact study, state Parks and Tourism Department Director Richard Davies said Tuesday.

By definition, a comprehensive impact study would require fundamental decisions now about how to mine and how intensively to mine before the state learns through testing about how much the reserve is worth, Davies said.

A joint venture between the state and four mining companies requires step-by-step approval from the state Parks, Recreation and Travel Commission about whether, among other things, to continue testing, to mine, what type of mining to allow, and what company to award the contract to.

But the state will not be allowed to approve a controversial mining project bit by bit, the National Park Service declared in an Aug. 15 letter.

The park is the only proven reserve of gem-quality diamonds in the United States and perhaps the only such reserve in the world that allows the public to search and keep what it finds.

The state must produce an environmental impact study — an engineering and public comment report on the environmental effects of a project — on mining as a whole before any part of mining or mining tests can proceed, said a letter signed by Edwin L. Shellenberger, assistant regional director for the National Park Service.

Would he recommend proceeding with tests under those circumstances?

"No," Davies said Tuesday. "I don't want to consider selling or leasing a state asset without knowing what it is worth. ... It would be like selling timber on your land without a timber cruise," or appraisal.

"I don't have any objection to an environmental impact study on Phase 2 and then a comprehensive plan for after Phase 2, because Phase 2 will tell us what we need to know," Davies said.

The first phase determined the size and shape of the reserve. The second phase would determine the richness by sifting through up to 11,000 tons of material from the crater. By multiplying the number of carats per ton obtained in the second phase by the amount found in the first phase, the state would have a rough idea of the deposit it holds.


Davies

"The commission instructed me to proceed with Phase 2 subject to approval by the National Park Service," Davies said. "Well, the National Park Service is requiring decisions that go beyond Phase 2. I can't make those decisions. Those are reserved for the commission."

Davies cited the earlier history of the project when then-Gov. Bill Clinton set up an advisory task force on diamond mining in the late 1980s.

"If you remember, the Diamond Mining Advisory Task Force concluded that we don't have enough information about the crater to make these types of decisions, and that we should get the information before we do."

Davies lacks authority to stop testing on his own but said he would bring the matter before the state Parks Commission if

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the National Park Service will not reconsider. Davies said he hopes the matter can be worked out administratively between his office and Shellenberger's office in Santa Fe, N.M.

But Shellenberger's letter to Davies appears equally insistent; the environmental study "would have to" weigh "the impacts from today through the entire mining operation, reclamation and the future use of the area. We just cannot allow the segmenting of the effects of such a major environmental action."

The National Park Service demands a comprehensive study "for several reasons, not the least of which is the significant public controversy which continues to surround this case," the letter said. That controversy includes an unsuccessful federal lawsuit by the Friends of the Crater of Diamonds and the Arkansas chapter of the Sierra Club to stop earlier testing.

The state agreed to federal restrictions on the park's land when it accepted a $723,808 federal grant in 1973 to pay for the visitors center, picnic tables and other facilities from the federal Land and Water Conservation Fund. States that accept such funds agree not to "convert" lands developed by those funds to private use. Congress, the National Park Service, the U.S. Department of the Interior and the courts decide what makes up a "conversion."

State Parks Commission Chairman Charles Yeargin of Glenwood in Pike County, who also presides over the Crater of Diamonds Technical Advisory Committee, which makes recommendations to the commission on the crater, was serving as a special judge Tuesday in Murfreesboro and could not be reached for comment.

Two of the four mining companies involved — Diamond Fields Resources and Kennecott — declined comment. Texas Star Inc. could not be reached for comment, and Capricorn Mining of West Perth, Australia, has no U.S. office and a 10-hour time difference precluded any request for a response during business hours Tuesday.

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Parks chief wants to scratch diamond study

BY MICHELLE HILLIER
Democrat-Gazette State Reporter

The director of the Arkansas Department of Parks and Tourism said Monday he plans to further explore with the National Park Service ways a second round of testing at the Crater of Diamonds State Park can continue without an environmental impact statement.

Director Richard Davies' quest for such information comes after the National Park Service said it felt officials would need the statement to approve the state's proposal to continue diamond exploration at the park near Murfreesboro.

The state needs approval from the Interior Department, which oversees the National Park Service, to test the value of the only proven diamond reserve in North America, because federal money was used to buy park land in 1972.

Monday, Davies contended that an environmental impact statement at this stage of exploration would be "an academic exercise based on guesses." "And I would hate like hell to make suggestions on conjecture," he said.

Davies said he plans to express his concerns in a letter to Edwin L. Shellenberger, the National Park Service official who issued the Aug. 15 opinion calling for the statement.

But before sending the letter, Davies said, he would like input from the four diamond mining companies the state has allowed to test drill at the park.

Officials from the companies — Arkansas Diamond Development, Kennecott Exploration Co., Continental Diamonds Inc. and Capricorn Diamonds Party Ltd. — either declined to comment Monday because they had not reviewed the National Park Service opinion or could not be reached.

John Morgan, diamond exploration project manager for the state, said Monday he hopes to have suggestions from the companies next week.

"I think he's wasting his time," Jim Stanley, a North Little Rock attorney and environmentalist, said of Davies' plan to write Shellenberger.

Stanley is among environmentalists who have opposed the testing since the state started it in 1990. "I think the National Park Service was clear that they would have to do an EIS. Now, Mr. Davies needs to ask the commission if it wants to do an EIS or not," Stanley said.

Letter undermines diamond test plans

BY CHRIS REINOLDS
Democrat-Gazette Staff Writer

The state cannot move into the second stage of diamond exploration at the Crater of Diamonds State Park until it prepares an environmental impact statement, according to an opinion from the National Park Service.

The state Department of Parks and Tourism is seeking approval from the U.S. Department of the Interior to further test the value of the only proven diamond reserve in the country. The state needs federal approval because it used federal funds to buy the land in 1972.

Richard Davies, director of the Parks and Tourism Department, wrote to the National Park Service to find out what was needed to continue testing. The National Park Service replied in a letter dated Aug. 15 that the state should prepare an environmental impact statement before further testing is allowed.

North Little Rock environmentalist and attorney Jim Stanley handed out copies of the letter to the media at a news conference Sunday. He said he had gotten it from the National Park Service after making a request under the Freedom of Information Act.

Environmentalists have opposed the project since the state first came up with a plan to begin testing in 1990.

State and mining officials

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Arkansas Democrat-Gazette/Karen VanDonge

NEW WRINKLE — Jim Stanley of North Little Rock, a lawyer who has opposed plans to mine diamonds at the Crater of Diamonds State Park at Murfreesboro, speaks at a news conference Sunday afternoon concerning commercial mining at the park. Stanley handed out copies of a letter from the federal Department of the Interior to the state Department of Parks, Recreation and Tourism that says the state must complete an environmental impact statement before testing at the park can continue.

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had expected to start the second phase of exploration by now. Davies said Sunday that the state cannot provide the National Park Service with an environmental impact statement without completing the second phase of testing.

"Without the information from phase two, it would be conjecture," Davies said. "All the economic information ... will be fantasyland unless we do phase two."

He said that the potential economic benefits, such as jobs and new businesses in the area, propel the state to continue seeking approval for exploration.

In his letter, Edwin L. Shellenberger, assistant regional director of the National Park Service, said that the next phase of testing at the park would include the removal of as much as 11,000 tons of sample ore from up to 21 100-foot-long trenches, an undertaking with significant environmental impact. The phase would result in the permanent removal of a portion of public-use areas and noise, dust and fumes would affect an area broader than the actual test site, Shellenberger wrote.

He also wrote that cutting down trees would cause permanent damage and that other vegetation could be disturbed.

The site is a unique geologic formation that could be damaged, he wrote, and other unknown effects could be long-term or permanent.

But Shellenberger said in the letter that his comments "should not be construed as indicators of any future approval or disapproval. ... It would be premature for NPS to take any position until a formal submission, complete with all necessary documentation ... "

The state Department of Parks and Tourism's plan would allow 4,000 to 11,000 tons of soil to be tested to see if it has commercial mining potential. The goal is to collect 1,000 carats of diamonds for valuation.

First, the state had to determine the volume of diamond-bearing ore. Phase one of its testing showed 78 million tons of rock that may contain diamonds.

It still must determine how many diamonds per 100 tons are in the ground and what those diamonds are worth, per carat, on average.

That would give the mining companies and state officials a gross value of the diamond deposit and whether it would be beneficial to allow mining, Davies said.

In response to Shellenberger's contention that the ground at the park could be damaged by further testing, Davies said, "It's just plowed dirt."

"The damage to the park from phase two testings is minuscule," Davies said. "There will be damage. Everything we're doing is trying to be the least disruptive."

The 900-acre park is known to have diamond ore in 80 acres. The public has access to 40 acres that is plowed dirt. The remaining 40 acres is covered by trees.

"It will always be a state park and always open to, no matter what, some sort of a public searching area," Davies said.

Mining opponents, such as Stanley, argue that the state shouldn't even be testing the ground.

"We've spoken for more than 10 years opposing this activity," Stanley said. "Somebody is finally listening. What is being proposed should never take place. This activity will absolutely destroy the parkland."

Stanley said the conservation groups he represents —The Friends of the Crater of Diamonds, the Arkansas Wildlife Federation and the Sierra Club — want the state to drop the mining issue and keep all of the park land for public use.

"This is a very controversial project," Stanley said. "The state of Arkansas wants royalties off of this and the people of Arkansas are having to fight to save their own land."

State applying to test more gems

Democrat-Gazette Staff

EUREKA SPRINGS — Department of Parks and Tourism officials said Friday they are finalizing plans to seek federal approval to continue a second phase of testing at Crater of Diamonds State Park.

John Morgan, project manager for testing at the park near Murfreesboro, told the Parks, Recreation and Travel Commission that an application for continued testing should be ready by mid-June.

The department is seeking approval from the U.S. Department of Interior to further test the volume and value of diamonds in the only proven diamond reserve in the country. The state needs federal approval because it used federal funds to buy the land in 1972.

Morgan told the commission at its meeting this week in Eureka Springs that he is awaiting comment from federal officials on information the department sent outlining the plan to be presented in the application.

The plan could allow 4,000 to 11,000 tons of soil to be tested to see if it has commercial mining potential. The goal of the testing is to collect 1,000 carats of diamonds for valuation.

Once federal officials receive the application, Morgan said, he expects it will take six to eight months for a reply. If federal officials approve the application, testing will continue for six months, Morgan added.

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• • MONDAY, FEBRUARY 21, 1994
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U.S. rule digs deeper hole for diamond-mining critics

BY DOUG THOMPSON
Democrat-Gazette Business Writer

For the third time in four years, a legal barrier to mining the Crater of Diamonds State Park has crumbled, a trend that worries mining opponents.

National Park Service rules adopted last year for "temporary, nonconforming use" of public park land could allow between 4,000 and 11,000 tons of Crater of Diamonds soil to be tested to see whether it has commercial mining potential.

The land previously could not have been touched without replacement by an equal portion of land in the state parks system, state Parks and Tourism Department Director Richard Davies said.

The state's joint venture with four mining companies to test the park would have been far less likely to get federal approval before new guidelines were adopted, he said.

The concept of temporary, nonpark use of park property such as the Crater of Diamonds never existed until regulations were changed in 1989 to allow commercial testing at the Murfreesboro state park, National Park Service regional spokesman Ed Shellenberger of Santa Fe, N.M., confirmed last week. Even then it was restricted.

But in March 1993, the federal agency decided it will allow nonrecreational use of park property for up to six months if such use doesn't close a "significant" amount of the park, and results in no irreparable damage.

Parts of the Crater of Diamonds State Park — restrooms, the visitor's center, the restaurant and others — were paid for in 1972 in part with federal funds. That gives the National Park Service a say in the its use — like many state and local parks in the United States. The National Park Service used that authority to strictly prevent nonpark use of park land.

Four mining partnerships are paying for tests at the crater, the only proven reserve of gem-quality diamonds in the country. That includes paying the legal bills for finding a way to do it.

The testing has been through much litigation already. In 1992 the 8th Circuit Court of Appeals

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in St. Louis allowed the preliminary testing at Crater of Diamonds, but only because its impact was "minimal." After the ruling, state parks officials said preliminary testing was as far as they expected to legally get. All that could change, however, with the new regulations.

If the commercial testing continues, the process will become a guidebook on how to take over public land for private gain, Sierra Club attorney Jim Stanley has argued. His clients, the Sierra Club and the anti-mining Friends of the Crater of Diamonds, brought the suit that resulted in the 8th Circuit decision.

But these latest regulations about "nonconforming use" don't scare him as much as the way Congress created them, beginning in 1992, Stanley said Wednesday.

The new regulations started with a case in California.

"Congress looked in and gave direct legislative relief to a school district in California that wanted to use park land — creating a precedent" that could be used to allow direct legislation to allow mining of the Crater, Stanley said.

"They exempted a specific piece of land from the Land and Water Conservation Act, and that's what concerns me a great deal."

South Gate, Calif., a Los Angeles suburb, let Weedy Elementary School use three acres of the city's 97-acre municipal park as a temporary school site. Hazardous waste leeching onto the school's permanent facility drove it off its previous campus.

But the temporary relocation came in 1987, and the school's still there. Congress passed a law granting the right to stay there through 1995. By then a new, permanent building on another site will be completed.

Along the way, the House Committee on Insular Affairs became "deeply concerned that the circumstances involved in the South Gate situation, specifically the length of time involved, far exceed any reasonable definition of what a temporary nonconforming use should be," according to a July 23, 1992, copy of the Congressional Record.

Looking for a guideline, the committee found an opinion of the 8th Circuit of the U.S. Court of Appeals involving the Crater of Diamonds state park, the Congressional Record said. Taking the principle of "temporary, nonconforming use" from that decision, the committee went further.

The committee recommended four broader criteria for temporary nonconforming use throughout the United States. These are the regulations Davies said would allow large-scale testing, though not actual mining, of the Crater. The four criteria are:

1. Limiting the use to six months at most;

2. Restricting the size of the park land involved to one small enough to avoid any "significant impact on public recreation use";

3. Requiring no permanent damage or change to the park, and

4. Assuring that all alternatives have been considered.

Before the Crater mine tests, nonpark use of park land, however brief, was deemed a "conversion" of that land. Legally, that required replacement of the converted land with land of "equal usefulness and value."

"It was all black and white, and then we came up with this gray," Davies said.

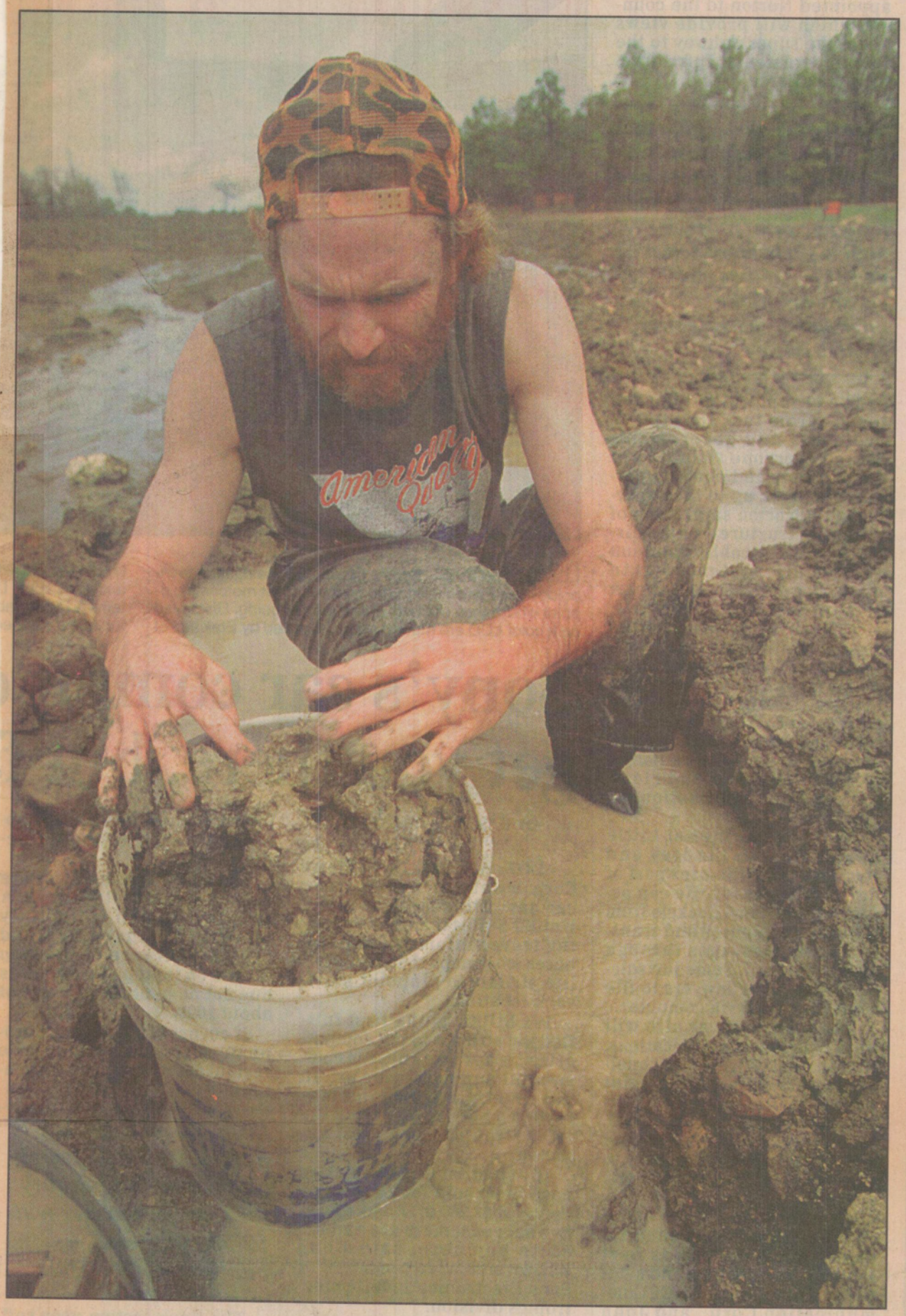
Equal usefulness is a hard criteria to meet when you're talking about converting the only diamond mine in North America — until Interior Department spokesmen confirmed in 1989 that wetlands could be accepted as "equal usefulness" for anything, including the Crater.

Even if the conversion rule still stood, the state would find itself in a dilemma, Davies said. "You have to figure out the value to decide how much land you have to buy for conversion," he said. "How do you determine value without testing it?"

Business & Farm

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•• MONDAY, FEBRUARY 14, 1994
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Arkansas Democrat Gazette



Arkansas Democrat-Gazette File Photo

DIGGING FOR DIAMONDS — An amateur miner searches for diamonds at Crater of Diamonds State Park in Pike County, the only proven reserve of gem-quality diamonds in the country. It's also the only reserve open to the public. Four companies are involved with the state of Arkansas in a joint venture to test the park for commercial diamond-mining potential. One, a Texas-based company, has acquired a Canadian company a a silent partner.

Texas Star adds silent partner in diamond bid

BY DOUG THOMPSON
Democrat-Gazette Business Writer

Texas Star Resources Inc. has a new silent partner in the exploration of the Crater of Diamonds State Park, the company confirmed Friday.

Placer Dome Inc., a gold-mining firm based in Vancouver, British Columbia, has agreed to allow Texas Star to use its name and reputation to go forward in the exploration, said Hugh Leggatt of Placer Dome.

Houston-based Texas Star faced possible disqualification in the venture to test the park's diamond-mining potential. A vital partner — an established mining company — went bankrupt in 1992.

Four companies including Texas Star are involved with the state of Arkansas in a joint venture to test Crater of Diamonds for commercial diamond-mining potential. The park in Pike County is the only proven reserve of gem-quality diamonds in the country. It also is the only reserve open to the public; amateur miners can keep whatever they find.

To participate in the venture, each of the four members must have the ability to construct and operate a mine, Parks and Tourism Director Richard Davies said. If the tests prove mining is feasible, these four eventually would compete against each other for the right to mine the park. For now, they are cooperating on the testing and jointly funding the expenses.

"Technically, at this point, (Texas Star) didn't need to be associated with a mining company," Davies said. But only serious, established mining companies can bid for the project if and when it clears numerous legal obstacles to mining, he said. And only companies that qualify and helped pay for exploration would be allowed to compete for the mining rights.

"Our agreement is, if they do find a pile of diamonds there and do get the state concession (to mine), we may — *may*, not have to — participate," Leggatt of Placer Dome said. Placer Dome will put no money into the exploration, he said.

Texas Star joined the diamond venture in mid-1992 by buying Continental Diamonds Inc., which got in on the ground floor of the project in 1989. At that time, Continental Diamonds' mining partner was Galactic Resources Inc.

Galactic went bankrupt in late 1992 and folded. Texas Star was no longer qualified in the venture without Galactic, Davies said. But the issue was not brought before the Parks, Recreation and Travel Commission, which would have to vote to disqualify any joint venture member. Since there has not been any active testing at the park, the pullout of Galactic hasn't been much of an issue yet, Davies said.

"Just from what our consultant has told us, Placer Dome would meet the guidelines, but we'll want to take a look at it and at the agreement," Davies said.

The Placer Dome partnership is the latest in a series of moves Texas Star has made to ensure its standing in the joint venture. Recently the company has installed new management, tried to clear up fraud allegations and distance itself from the scandal-ridden Vancouver Stock Exchange.

Texas Star came to Arkansas by buying the mineral exploration company of a man who apparently was never a geologist.

Texas Star on Thursday settled its federal lawsuit against James Monroe Cairns Jr., 40, of Little Rock. Filed Jan. 25, the suit arose from Texas Star's May 1992 purchase of Cairns' company, Diamond Exploration Inc.

Cairns started Diamond Ex-

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ploration Inc. with three investors in 1983. One was Gandy Lee Baugh of Maumelle, Cairns' personal attorney. Baugh died of an apparently self-inflicted gunshot wound Jan. 8. The other two investors were Stuart Jackson and E. Godin, two principal owners of Continental Precious Minerals of Vancouver.

Jackson is a Ph.D-level geologist. When Continental Precious Minerals and Diamond Exploration Inc. formed a partnership called Continental Diamonds Inc., it was Jackson's credentials that qualified the company for consideration in the Crater of Diamonds project, Davies said. Continental Diamonds formed a separate partnership with Galactic, and all the qualifications were in place.

Texas Star's suit accused Cairns of misrepresenting himself to the company by claiming to have a master's degree from the Colorado School of Mines. The university confirmed Friday it has no record of Cairns.

Terms of the settlement Thursday were not disclosed, but apparently Cairns will retain 1.475 million shares of Texas Star stock, now worth about $2.5 million.

Neither Cairns nor Texas Star would comment on the settlement.

"At least Texas Star really has something" in its interest in the crater, said Brent Vogel, managing editor of the *Gold Mining Stock Report*, a Lafayette, Calif., publication that tracks precious minerals. "They still have a stake in the Crater of Diamonds, which is what Texas Star really wanted."

Cairns owned a company in 1992 with a toehold on the crater. Fraud or not, that interest in the crater is what Texas Star paid for in May 1992 with 1.53 million shares of its stock, Vogel said.

And Texas Star got what it paid for — its stock price went from 28 cents a share before it bought Cairns' company to $1.35 within a month. It was trading for $2.41 ($3.45 Canadian) on the Vancouver and Toronto Stock Exchanges on Friday — up 20 cents from the day before.

Besides buying Cairns' company, Texas Star in 1992 also bought Continental Precious Minerals and with that purchase became the sole owner of the Continental Diamonds Inc. partnership.

Texas Star then issued $7.5 million in stock to fund exploration in Pike County in areas surrounding the crater, and is building a testing facility near Murfreesboro.

Texas Star has since removed Cairns as a company director and replaced him as chief executive of the company's Arkansas operation, apparently voiding his $90,000-a-year management contract.

Cairns has already made at least $1 million on his sales of Texas Star stock. By early November he had sold 382,500 shares of his shares of Texas Star for an average of $2.61 each, Canadian stock records show.

Texas Star is one of the better risks in the highly speculative diamond exploration market, Vogel said. Its tenuous stake on the crater project is enough to set Texas Star apart from the dozens of diamond-mining companies that hold an interest in diamond-mining sites in the Northwest Territories of sub-arctic Canada, Vogel said. The other companies may not have anything, depending on how geological tests turn out.

Texas Star still trades its stock in Vancouver, but moved into the Toronto Stock Exchange in July and recently the Nasdaq exchange in the United States. The Toronto move "enhances our credibility within the international financial community in addition to expanding our investment base," company president W.H. Tonking said at the time.

Fraud suit settled in gem exploration

BY DOUG THOMPSON
Democrat-Gazette Business Writer

Texas Star Resources of Houston settled its multimillion-dollar fraud lawsuit Thursday agains t James Monroe Cairns Jr., 40, of Little Rock.

Texas Star's Jan. 25 suit accused Cairns of defrauding the company out of millions in stock, which Cairns will apparently keep. Texas Star acquired Cairn's company, Diamond Exploration Inc., in May 1992 to get a stake in the exploration of the Crater of Diamonds State Park in Pike County, the only proven reserve of gem-quality diamonds in the nation.

Terms of the settlement were not disclosed, but "financial consideration was paid by neither side," said Dean Worley, Cairns attorney.

The "financial consideration" condition apparently allows Cairns to retain 1.475 million shares of Texas Star stock, now worth $2 .5 million. He had sold 382,500 shares for a total of $1 million by early November 1993, according to Canadian stock records. Texas Star trades on the Vancouver and Toronto stock exchanges in Canada.

"I would consider giving stock back a financial consideration," and there were none of those, Worley said when asked directly if Cairns had to relinquish his stock.

A spokesman for Texas Star in Houston said the company would decline any comment about the settlement. Cairns also refused to comment.

"Jim Cairns has made no misrepresentations to anyone, and continues to deny any wrongdoing whatsoever," Worley said. He declined comment on whether Cairns could keep his $90,000-a-year management contract with DEI.

Robert Allen, Texas Star's vice president of exploration, took over the company's Arkansas operations Jan. 27, two days after th e lawsuit was filed.

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Cairns had been removed from directing those operations since Nov. 5.

Cairns said he had a master's degree in geology, but the company found he had no college degree at all, the suit contended.

The settlement comes three days after Texas Star announced it had a new president, J. David Edwards of San Antonio. Former President William H. Tonking of Houston will remain as chief executive officer.

Neither the settlement nor the questions over Cairns' credentials serve as grounds to remove Texas Star as a member of the four-company joint venture paying for the state's exploration of the Crater's diamond-mining potential, said Richard Davies, director of the state Department of Parks and Tourism.

At the time of Texas Star's stock trade, Cairns owned 51 percent of DEI, which owned 30 percent of Continental Diamonds Inc. CDI is the company with the right to participate in the Crater's exploration. Texas Star acquired full ownership of CDI after its deal with Cairns.

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State questions qualifications of Crater of Diamonds' miners

BY DOUG THOMPSON
Democrat-Gazette Business Writer

Continental Diamonds Inc. is technically unqualified for membership in a joint venture to explore commercial mining potential at Crater of Diamonds State Park, state Parks and Tourism Director Richard Davies said Monday.

The remaining partner in the joint venture, Texas Star Resources of Houston, doesn't have the mining background needed to qualify for the state-planned exploration program since partner Galactic Resources Ltd. went bankrupt, Davies said, but will have the chance to get qualified.

"They'll have to be qualified before we sign another contract with them," Davies said. But, he said, there are no plans to challenge the company by taking it before the state Parks, Recreation and Travel Commission until a new contract for the next phase of testing is ready to sign.

"That could be a few months, or a couple of years," Davies said.

Texas Star Resources of Houston will continue to build a bulk sample testing plant near the state park and pursue the possibility of commercial mining in Pike County. Texas Star is suing one of Continental Diamond's founders for fraud and looking for a new partner.

"We never have had any plans to get out," Texas Star President W.H. Tonking said. "We're convinced that this will be the first operating diamond mine in North America, and we'll finish a state-of-the-art facility there."

Tonking declined further comment, citing the lawsuit filed Jan. 25 in federal court at Houston against James Monroe Cairns Jr. of Little Rock.

Cairns founded one of the companies that Texas Star bought in order to obtain the right to participate with Continental Diamonds in the diamond mining joint venture. Texas Star is suing Cairns for fraud, claiming he misrepresented himself as a geologist when he has no geology degree.

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MICHAEL STOREY / *Arkansas Democrat-Gazette*

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Four partnerships are participating in testing Crater of Diamonds State Park. Extensive mining experience is required to qualify for the state's joint venture to explore the park.

Continental Diamonds started as a partnership between Galactic Resources Ltd. of Vancouver, Canada, which had extensive mining experience, and two smaller companies. Texas Star Resources of Houston bought both the smaller companies, but their larger partner — Galactic — went bankrupt in 1992.

The cleanup costs for Galactic's Summitville, Colo., operations bankrupted the company, said analyst Philip S. Martin of Gordon Capital Corp. of Toronto. The Summitville gold-mining site turned into an ecological fiasco that apparently forced Galactic to sell off its other assets one by one to pay mounting environmental costs "until there was nothing left," Martin said.

The Crater of Diamonds is the only known reserve of gem-quality diamonds in North America.

All four companies in the project are required to keep the state Parks and Tourism Department informed of changes in ownership and status.

"I found out about Galactic in the newspaper," Davies said. "I jumped them about it," but no other action was taken.

Disqualifying a company requires a majority vote of the Parks, Recreation and Travel Commission. The commission meets in February and will consider asking federal agencies what would be legally required to proceed with the next phase of the testing program.

"If there's just a few details, we could get started in a few months," Davies said. "If they require an ecological impact study, that could last more than a year." After that, he said, "all companies' qualifications will be reassessed."

Besides Continental Diamonds, those involved in the exploration venture are:

- Arkansas Diamond Development Co. — an equal partnership of Sunshine Mining Co., Rhombus Corp. of Little Rock (almost exclusively owned by Jackson Stephens and Witt Stephens trust funds) and Exidiam of Dallas.
- Capricorn Diamonds Party Ltd. of West Perth, Australia, a wholly owned subsidiary of CRA Corp. of Australia, owner of the Argyle diamond mines there.
- Kennecott Corp., headquartered in Salt Lake City. The mining company, founded in 1915, is owned by RTZ, a British company that is the largest private mining company in the world.

LITTLE ROCK, JANUARY 29, 1994

Suit says CEO of firm testing at park no gem

BY DOUG THOMPSON
Democrat-Gazette Business Writer

James Cairns, who led one of four mining companies involved in mine testing at the Crater of Diamonds State Park, is a fraud, claims a lawsuit by a major owner of Cairns' company.

The lawsuit, filed by Texas Star Resources Corp. in U.S. District Court in Houston, could jeopardize Continental Diamonds Inc.'s ability to remain a member of the joint venture to explore the Crater of Diamonds, Parks and Tourism Department Director Richard Davies said Friday.

If Continental owner Texas Star bows out, Davies said, and former CEO Cairns "is not who he says he is, who is Continental?"

Texas Star's lawsuit alleges breach of contract and asks, in part, to rescind an agreement to purchase Diamond Exploration Inc., a subsidiary to Continental Diamonds that owned 30 percent of the parent's stock. Without the purchase agreement, Continental Diamonds could be left without resources to continue in the diamond venture at the Murfreesboro state park. "This issue needs to be resolved before we go into the next phase of testing," Davies said.

James Monroe Cairns Jr., 40, of 200 Crystal Court in Little Rock, claimed to hold a master's degree from the Colorado School of Mines, the lawsuit said. That and other claims by Cairns are false, the suit claims.

"No comment. I've got to go," Cairns said when called at his Little Rock home Friday. His attorney, Dean Worley of Little Rock, also declined comment.

Meanwhile, Gandy Lee Baugh of Maumelle, one of four founding directors of Continental Diamonds, was found dead at his home Jan. 8, apparently of a self-inflicted gunshot wound to the head, Maumelle Police confirmed Friday.

Baugh left no note and there is no information about a possible motive, police said. Baugh's family could not be reached Friday.

Cairns and Baugh were involved in founding two companies, Diamond Exploration Inc. and Continental Precious Minerals. Those two companies were subsidiaries of Continental Diamonds Inc., the company with rights to participate in the Crater of Diamonds testing. Diamond Exploration had a 30 percent share of Continental Diamonds.

In Texas Star's deal to acquire his company, Cairns was able to trade Diamond Exploration stock for 1.53 million shares of Texas Star stock. In return, Continental Diamonds

See LAWSUIT, Page 14A

Lawsuit

• Continued from Page 1A

gained standing as one of four mining companies testing the only known reserve of gem-quality diamonds in North America, the suit said.

That much stock was worth approximately $4 million dollars at Friday's closing prices on the Toronto Stock Exchange. Texas Star is traded there and on the Vancouver, British Columbia, exchange.

Cairns also drew a $90,000 yearly salary from Texas Star after Texas Star purchased Diamond Exploration, and has collected $100,000 since the 1992 purchase.

"When the stock purchase agreement was executed, DEI (Diamond Exploration) had very little in the way of tangible assets and Texas Star was purchasing in essence the know-how and expertise of the defendant with respect to the diamond exploration opportunities of DEI located in Arkansas adjacent to the Crater of Diamonds and his continued involvement in the Crater of Diamonds exploration project," the suit said.

Now the company finds that, not only does Cairns lack any geology credentials, the company has passed allegedly false personal history information on to Canadian regulatory authorities overseeing the trading of Texas Star stock on the Vancouver and Toronto stock exchanges, the suit said.

"Defendant intentionally and knowingly misrepresented his education, background, experience and managerial capabilities in order to induce plaintiff to enter into the stock purchase agreement and the management agreement," the suit contends.

Cairns' lack of a geology background came out when Anita Eaves, address not given, threatened to sue Texas Star and Diamond Exploration because Cairns had promised her a job. She claimed she had quit her previous job and Cairns had not hired her.

Texas Star settled for $45,000. During that threatened legal action, "becoming concerned" about Cairns, Texas Star researched his background and found he had misrepresented himself, the suit said.

Texas Star also discovered Cairns' conviction on two charges of driving while intoxicated, another DWI pending, three court orders that Cairns be involuntarily committed to a Benton detoxification center for alcohol abuse, at least one voluntary commitment, and another involuntary commitment currently on appeal to the state Court of Appeals.

All of the commitments to the detoxification center are since 1990.

The latest request for commitment was filed by Cairns mother, Lucy Cairns, after Cairns had his car impounded for his third DWI and spent "the last two nights at the Excelsior (hotel in Little Rock) but returned home drunk on Nov. 4, 1993, with keys to a new car he had paid cash for," the commitment affidavit claimed.

One Nov. 9, 1990, commitment hearing was rescheduled because Cairns "failed to show for the hearing because he is intoxicated," Pulaski County Probate Court records say. Cairns neighbor Gene Lyons filed four petitions for commitment in one three-month period because Cairns "stays constantly drunk and drives while obviously intoxicated."

Texas Star notified the state Parks Department on Nov. 22 that it had dismissed Cairns. The suit said the company found he "has no degrees from any university."

Besides the testing of the Crater of Diamonds, Cairns was involved in Continental's diamond exploration effort in other parts of Pike County. That effort included construction of a multimillion-dollar testing operation on an isolated, wooded mountainside near Murfreesboro.



DISCONTINUED HARDWARE

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NEWS

THE GREAT ARKANSAS DIAMOND HUNT

Away from the park, a private concern installs a plant.

BY LESLIE PEACOCK

While the state scratches away at diamond testing at its Crater of Diamonds State Park at Murfreesboro, private interests are getting down to business, planning to install a $3.2 million ore sampling plant nearby.

Diamond Exploration Inc., which is leasing the American and Kimberlite mines and the Twin Knobs I property northeast of the state park in Pike County, has just raised more than $7.5 million for investment in diamond testing in Arkansas, company president Jim Cairns said Monday.

Cairns said the pilot plant would be installed at the American Mine two and a half miles east of Murfreesboro. Site preparation should begin in March and the plant should be operational by October, he said.

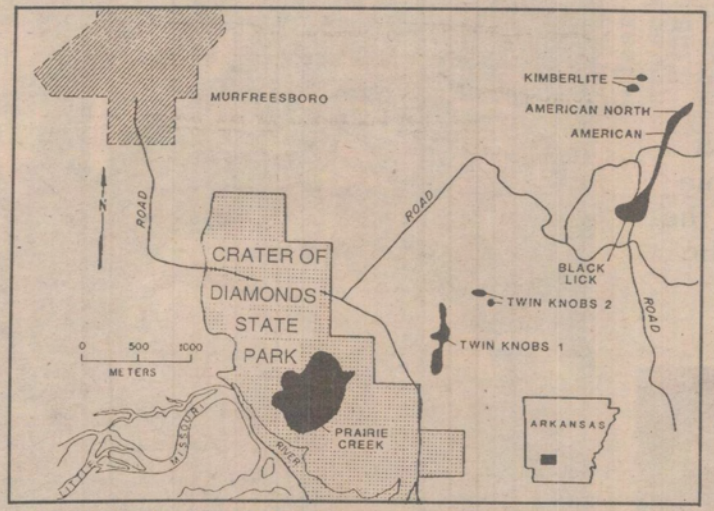
The plant, manufactured in South Africa, includes rock crushers and a diamond sorting area and can process 10 tons of rock per hour. The investment is evidence "we're very excited about our potential in Arkansas," Cairns said.

Cairns said DEI had drilled 3,000 feet of core over the summer, and had made large cuts in the earth to study the geology on the properties. Like the nearby state park, the properties are olivine lamproite, the rock that bears diamonds pushed up in "pipes" from the earth's mantle, 210 kilometers down.

Although installation of the plant and the exploration should mean a boost to the area's economy, Cairns said no announcement had been made because "we don't seek publicity about what we do."

The financing for the exploration came from a private offering by Texas Star Resources Corp. of Houston, of which DEI is a wholly owned subsidiary. Texas Star also owns, and Cairns is also president of, Continental Diamonds Inc., one of four companies paying for the state's testing at the Crater of Diamonds.

"When you find an olivine lamproite pipe, there are generally 100 more associated with it," Cairns said. DEI has been working for 16 years, at the three properties near Murfreesboro and others, testing for possible diamond deposits that Cairns said run along a diagonal from the bootheel of Missouri to the Oklahoma border. "We've been the first to test outside (the park) occurrences," Cairns said. "This could be the birth of a new industry for Arkansas."



IN THE ROUGH: DEI has been drilling at Kimberlite, American and Twin Knobs I, northeast of the state park.

PARK TESTING

Exploration efforts on state land, meanwhile, continue. Last week, the state Parks and Recreation Commission decided to proceed to the next step of its evaluation of the state park's gems.

With only a few members dissenting, the commission voted to seek National Park Service approval of Phase 2 of its testing project, the bulk sampling of ore.

Phase 1 involved taking 26 600-foot cores at the park to determine the shape and depth of the diamond pipe. Those tests, State Parks Director Greg Butts said, indicated there was 102.6 million tons of diamond ore at the park, three-fourths of which contains significant amounts of diamonds.

Persons opposed to developing the State Park, where tourists may dig and keep what they find, filed a federal suit to stop the drilling.

The 8th Circuit Court of Appeals allowed the drilling, but ruled that further testing would raise questions as to whether the site was being converted to a non-recreational use, prohibited at parks developed with federal park dollars.

The National Park Service will now have to sign off on Phase 2.

Phase 2 will determine the percentage of diamonds per ton of rock and the value of the stones recovered. Enough ore to obtain 1,000 carats will be excavated, project manager John Morgan said, and the rock will be processed. He estimated it would take five trenches 4 by 100 feet long and 14 feet deep to produce the amount of ore needed. He said the trenches could be dug and refilled in the same day.

The consortium paying for the exploration—Continental Diamonds, Arkansas Diamond Development Co., Kennecott Exploration Co. and Capricorn Diamonds Ltd.—invested more than $500,000 in the initial, drilling phase of the project, state Parks and Recreation Department Director Richard Davies said. He anticipates costs for Phase 2 to be substantially greater.

Texas Star Resource's announcement of its plans to purchase the bulk sampling plant caused a mild stir at the parks department. Davies said the wording of the announcement was vague, and could have implied that Texas Star had rights to use the bulk sampling plant at the park. He said the company had since assured him that the right of the state to control all exploration work had been spelled out in other documents.

Should at some point the state decide to convert part of the park for mining operations, bidders on the job would be limited to the four companies of the consortium. The winner of the bid would repay development costs to the other companies.

More diamond testing pitched twice in a day

BY ANDY GOTLIEB
Democrat-Gazette State Desk

Proponents of opening Crater of Diamonds State Park to commercial mining had two opportunities Wednesday to sell legislators on approving further testing at the park.

In the morning, representatives of a four-company mining consortium addressed the Joint Budget Committee with a presentation featuring a slide show.

The mining representatives repeated the presentation in the afternoon in the House chamber. The House met in what is known as a "committee of the whole" — which allows people besides representatives to come to the well of the House and address House members during a session.

Doug Duskin, a representative of consortium member Kennecott Exploration Co., told legislators about information first reported in December.

The diamond field's surface area of 80.33 acres would make it the eighth-largest diamond producing field in the world —assuming diamond production began, Duskin said. There are an estimated 78 million tons of diamond-producing rock down to a depth of 600 feet, although a smaller amount is expected below that depth, he said.

If 6,000 tons were mined each day, the mine would have a life of 36 years, Duskin said.

The mining companies are seeking permission to continue testing to determine the value per ton of diamonds. No legislation has yet to be written that would grant permission.

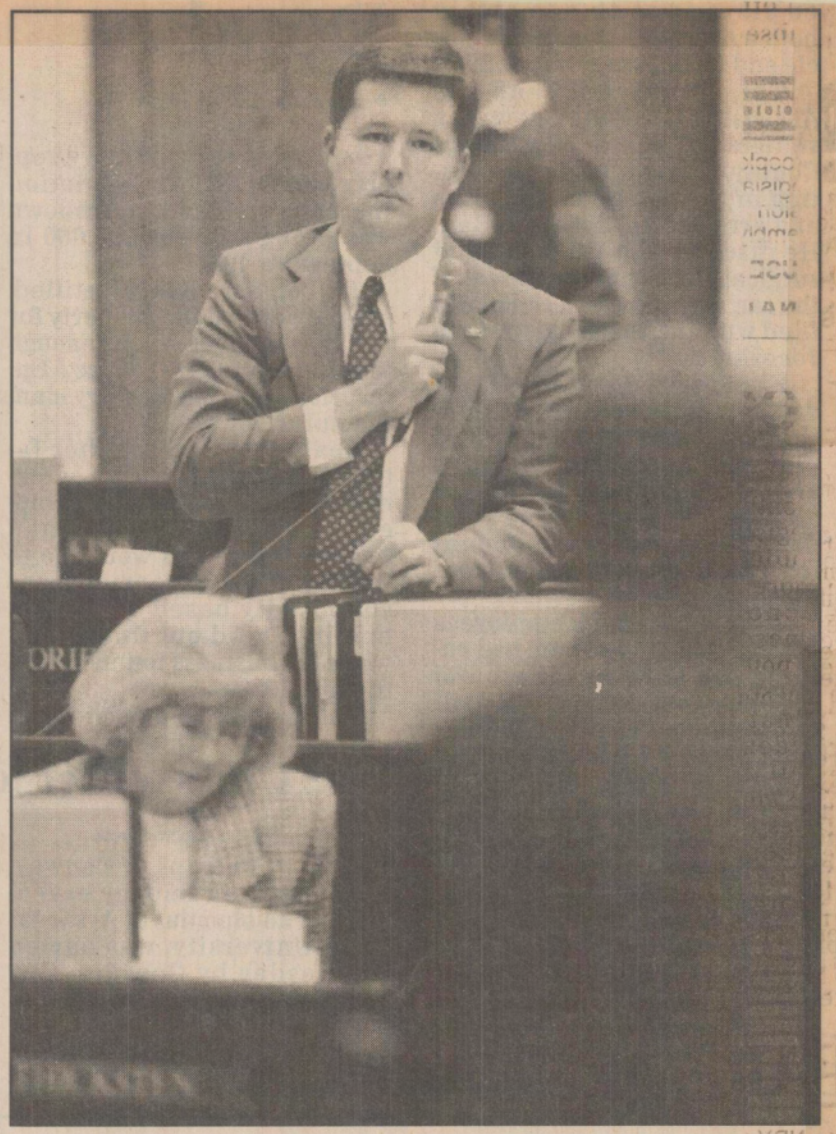
"The important questions is, what do you have available in the easily accessible area," Duskin said. "We have offered this at no cost to the state. The sample and the diamonds would be carefully monitored by the state and remain in the state's property at the end of the day."

In the afternoon session, House members repeatedly asked the mining spokesmen and Richard Davies, director of the state Department of Parks and Tourism, whether commercial mining would end the practice of allowing tourists to hunt for diamonds at the Murfreesboro (Pike County) park.

"It's my understanding this thing would have a tourist search area built into it," Davies said. "How the thing would be operated and handled, until we get into mining, that would be conjecture."

Rep. Charles Stewart of Fayetteville asked what kind of mine likely would be used.

The mine probably would be a large, open pit, said Stuart Jackson, a representative of Continental Diamonds Inc. At the end of the mine's life, it could be turned into a lake, he said.



Arkansas Democrat-Gazette/Mike Stewart

QUESTION? — Rep. David Choate of Beebe asks Doug Duskin a question Wednesday about potential commercial mining at the Crater of Diamonds State Park. Duskin, a representative of Kennecott Exploration Co., was on the House floor to discuss the issue on behalf of a consortium of four mining companies.

Arkansas Democrat Gazette WEDNESDAY, DECEMBER 16, 1992 •

Miners rank Crater of Diamonds in top 10

BY ANDY GOTLIEB
Democrat-Gazette State Desk

One of the world's 10 largest formations of diamond-bearing rock lies beneath Crater of Diamonds State Park, a consortium of mining companies announced Tuesday.

The four mining companies in the consortium will present that information and other figures today to members of The Crater of Diamonds Technical Advisory Committee.

The consortium will ask permission to extend its investigation to identify the quantity of diamonds per ton of rock, the quality of the diamonds and the average value of the diamonds per ton, said Jim Cairns, president of Continental Diamonds Inc. of Little Rock.

"We're looking at assessing this based on the belief this is a world-class diamond site," Cairns said. "We are not asking for a commitment to mine at this time."

In the presentation today, the consortium will report that:

- A "pipe" beneath the park contains at least 78 million tons of diamond-bearing rock types, sufficient for more than 30 years of mining. This information came from samples taken from 26 small holes drilled to depths of up to 670 feet.
- The rock formation is similar to those found at a number of current exploration sites and commercial diamond mines. That includes the Argyle mine in western Australia, the world's largest diamond producer.
- The quality and quantity of diamonds at the park will remain unknown without further testing.

The mining representatives will say at the meeting that they are willing to proceed with sampling without further commitments from the state to commercial mining, Cairn said.

"Our focus now is to learn as much as we can about the pipe's

See DIAMONDS, Page 1

Diamonds

• Continued from Page 1A

placement and history," Cairns said. "We're doing our best to make it very easy for the state to move forward with this."

The four companies are paying for testing expenses in a joint venture with the state.

The Crater of Diamonds in Murfreesboro (Pike County) is the only proven reserve of diamonds in North America and the only diamond reserve in the world open solely as a tourist attraction. Park visitors may keep any gems they find.

Richard Davies, director of the Arkansas Department of Parks and Tourism, said he learned about the consortium's report through a reporter's telephone call. His department runs the state park.

"From what I have heard, I wish they had sent me one," he said. "I'm going to be real interested in what they say."

The contents of the consortium's report seem similar to those of one being prepared by John Morgan, projects manager for the Parks Department, Davies said.

Davies indicated that getting further approval for the consortium could be a slow process. Along with state permission, the federal Department of the Interior, which provided money to develop the park as a recreational area, must approve each step, he said.

"It is not an easy process to go through," he said, noting that the Parks, Recreation and Travel Commission — which will make the state's final decision about continuing the process — has the authority to halt the exploration at any time. That commission has until March 1993 to decide whether testing should proceed.

Now that the first phase is complete, the mining companies want to move to a transition phase, Davies said. The step essentially would involve preparing for a second phase to determine the value of diamonds at the park.

News about the consortium's report drew a negative reaction from one quarter.

"We believe there shouldn't have been any testing in the first place," said Richard Mason of El Dorado, president of the Arkansas Wildlife Federation. "This is a terrible precedent to even consider doing."

Environmental groups have sought through the courts to block drilling. A permanent injunction against drilling that U.S. District Judge Susan Webber Wright issued in August 1990 was reversed in February by the 8th U.S. Circuit Court of Appeals at St. Louis.

Mason said environmental groups would continue to oppose further drilling. More legal action is possible, he said.

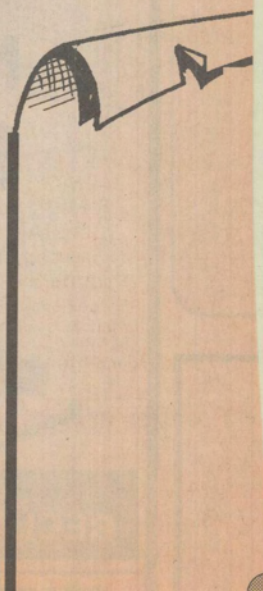
In June, Mason's group protested the test drilling after trees and shrubs were found damaged at the park. He accused the consortium of lying about the environmental damage mining would cause.

"They'll say anything they want to get a full-scale mining operation," he said.

But Cairns said some of the damage was caused by bad weather before the mining started. Other damage was magnified, he said.

"You could go down there today and be hard-pressed to find any of the sites where there was drilling," he said. "It can be done in a way that most tourists won't know what's going on."

Fears that the park will one day be closed to the public are unfounded, Cairns said. The consortium's contract with the state specifies that Crater of Diamonds will always remain a state park with a public search area for diamonds, he said.



Arkansas Democrat Gazette

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• • MONDAY, JANUARY 24, 1994
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Groups opposed to diamond mines harden resolve

BY MIKE TRIMBLE
Democrat-Gazette State Reporter

Opponents of commercial diamond mining at Crater of Diamonds State Park vowed Sunday to go back to court if a second round of geological tests doesn't meet environmental standards.

They also disputed commercial mining interests' contention that a new phase of testing could be under way by late summer and completed in 30 days.

James W. Stanley Jr. of North Little Rock said at a news conference that it would be impossible for the mining consortium conducting the testing to get it done by next fall and still meet all the legal and environmental requirements set by the state and federal governments.

"Frankly," Stanley said, "I question the credibility of anyone who would make such a statement, which is clearly opposite the facts."

Stanley is the attorney for three conservation groups — The Sierra Club, the Arkansas Wildlife Federation and Friends of the Crater of Diamonds — that have opposed a series of tests to determine whether commercial diamond mining would be feasible at the Crater of Diamonds near Murfreesboro (Pike County).

The tests are financed and conducted by four companies: Continental Diamonds and Arkansas Diamond Developers of Little Rock, C. Kennecot Exploration Co. of Salt Lake City, and CRA, an Australian firm.

The three conservation groups sought to halt the first phase of the testing program in 1991, and were able to get a temporary injunction at the district court level. The 8th U.S. Circuit Court of Appeals at St. Louis then allowed the first phase of testing to move forward.

The first phase included drilling core samples at the edges of the state park to try to determine the size and shape of the ancient volcanic crater that is the source of the diamonds.

In the second phase of tests, geologists would remove several tons of dirt from trenches dug in the crater area to try to determine how many diamonds are hidden there.

John S.L. Morgan, the project manager, told the state Parks, Recreation and Travel Commission last week that the second phase of testing should begin by late this summer and take 30 days.

Stanley disputed that Sunday, saying it would take at least another year for the mining consortium to get ready for the tests and still comply with the federal National Environmental Policy Act.

Also, Stanley said, the state would have to obtain mitigation lands to replace those taken over by commercial mining, an environmental impact statement would have to be prepared and the federal Interior Department would have to give its approval.

"Merely standing before a microphone and saying this is a done deal does not make

See MINES, Page 5B

Mines

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it so," Stanley said. "The people of Arkansas are still fighting to save their land."

Stanley also objected to classifying the second phase of activity at the mine as "testing."

"It's not phase two testing," he said, "it's phase two mining. It's just that 'testing' sounds less harmful, less permanent than 'mining.'"

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Drillers at Crater of Diamonds agree to rein in costs to state

BY JAKE SANDLIN
Democrat-Gazette Staff Writer

The state Parks and Tourism Commission learned Friday that mining companies involved in test drilling at Crater of Diamonds State Park have agreed to better define their tasks and control costs through contract revisions.

The commission then approved a $20,000 charge to the mining consortium for work done to determine the size and shape of the diamond crater and for upcoming revisions to the companies' agreement with the state. The revisions include the question of operation oversight. The money is part of the previously proposed budget of $110,544.

Revisions are to be presented with further cost proposals and a draft evaluation of the next phase of exploration at the commission's January meeting. The second phase will include determining the amount of diamonds and their value.

The commission also approved three committee recommendations about the possible purchase of the Fort Lincoln site, an earthen fort near DeValls Bluff (Prairie County) built by black troops during the Civil War.

The state wants to buy the land to preserve as a park. Property owner Byron Smith III of Kansas City, Kan., has resisted offers to sell.



The Crater of Diamonds, near Murfreesboro (Pike County), is billed as the only spot in the world where visitors can pay a fee and dig for diamonds, keeping all finds.

The first test drilling phase was to determine commercial viability. The commission in February authorized the second phase, which also will help decide if commercial mining is financially worthwhile for the state and the mining companies, at the expense of removing the diamond reserve.

Revisions will include defining who controls the mining. The four mining companies previously asked that they control future testing.

The state oversaw the first drilling phase, which drew a lawsuit and other protests from environmentalists and concerned citizens. The state doesn't want to relinquish control.

"That is our position, but we want their input," Richard Davies, Parks and Tourism's executive director, said after Friday's meeting. "They are the ones in the business."

John Morgan, project manager hired by the state, met with mining representatives Thursday night to begin fine-tuning the overall plan. "That's so we'll know exactly what the task is ahead of us and control the cost so we know exactly what has to be undertaken," Morgan said. "We're not seeing the adversarial relationships now."

The consortium had complained earlier about some of Morgan's expenses as a consultant in his project manager's role.

Fort Lincoln — officially known in the Civil War as "Fort A" — also came up at the end of the two-day commission meeting.

The purchase proposal has upset some nearby residents because the state wants to buy land that is not for sale, and it may not be that historically significant.

Commissioners specified Friday that their concern is the possibility of the site is being endangered by commercial development and losing its place in history.

Commissioners specified in their recommendations that if that occurred, the state would seek an injunction to stop any development or destruction. Condemnation would be a final option.

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FRIDAY, NOVEMBER 19, 1993
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State, drillers wrestle for diamonds

Commission to decide who controls project at park

BY JAKE SANDLIN
Democrat-Gazette Staff Writer

State Parks and Tourism commissioners may force the hand today of a mining consortium that has test-drilled at Crater of Diamonds State Park in Pike County and now wants to take over management from the state of the project's next phase.

The Commission reconvenes a two-day meeting at 8 a.m. today at the Governors Inn, 1501 Merrill Drive, with its two most controversial subjects the only remaining items on the agenda.

The two items will be:

- The state retaining control of the diamond-mining project by commission acceptance of the $110,544 budget for "Phase 1B," the preparation segment for the second phase of drilling at the Craters of Diamonds, near Murfreesboro.
- Accept or deny committee recommendations on Fort Lincoln, a Civil War earthen fort at DeValls Bluff (Prairie County) that has been approved by the state Legislature as a future state park.

The diamond mining, which began in 1990, has been the subject of many protests by environmentalists, who want to keep commercial mining out of the park. Crater of Diamonds park is billed as the only spot in the world where the public may pay a fee and dig for diamonds — and keep what they find. Diamonds were first discovered there in 1906.

A federal lawsuit halted mining temporarily until an appeals court allowed testing to continue in February 1992.

The consortium of four min-

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Diamonds

• Continued from Page 1B

ing companies told Parks and Tourism Executive Director Richard Davies in July they would prefer a company-managed project with state monitoring, instead of the other way around, as it has been.

The four companies don't want to complete Phase 1B until the next phase is decided, including who controls the project.

Davies said his position is to retain state control.

"The only thing that will force the issue is for you to approve the budget that says pay up or get out," Davies told the commission in an advance briefing for today's meeting.

"If none do agree, it's all over," he said later of the mining exploration.

"They have said, 'This is how we want Phase 2 organized administratively, with us (the consortium) managing,' " Davies said after Thursday's meeting. "Their proposal, in my opinion, is to change in midstream. ... Our position is, 'No, no.' "

"Who is controlling the process in this state park is very important to us," he said. "It's important to the state, to the citizens certainly."

Davies told commissioners there has been "no feedback" from the four companies, so he doesn't know whether representatives have accepted the state's stand or will show up today to negotiate their position.

"We're willing to negotiate," Davies said. "The main issue of control is the whole core of the arrangement."

Commission approval of the $110,544 cost for Phase 1B of the process would mean dividing the amount four ways and billing each of the four companies their share.

Any can drop out, but the process cannot continue with less than two members, to ensure competitive bidding if commercial mining of the park is allowed in the future.

Phase 2, including how many diamonds are there and what their value is, could cost "several million dollars," Davies said.

The initial phase of determining the commercial viability of the park has been completed. In that phase, mining companies were allowed to drill holes to determine the size and shape of the diamond-bearing crater. The second phase would involve removing several tons of the soil to determine how rich in diamonds the crater is.

The commission authorized Phase 2 testing in February, but no further digging has occurred as participants waited for approval of the next phase.

On the subject of Fort Lincoln, officially named "Fort A," Davies said the commission has the authority to condemn the land for park use but is split on whether to proceed with the project.

The fort was built about 130 years ago near DeValls Bluff. The state's attempt to establish a park at the site has run into local opposition and the owner of the land, Byron Smith III, of Kansas City, Kan., has rejected offers to sell the land to the state.

The only question that may be decided today is which state agency — Parks and Tourism or the Department of Heritage — would run it if the site is acquired, what federal money is available for the project and whether the park needs to be protected from commercial development by either condemning the land or buying it with an available $100,000 appropriated by the Legislature.

Delta Heritage Trail gets $600,000

BY JERRY DEAN
Democrat-Gazette Staff Writer

The state Highway Commission gave the Arkansas Parks and Tourism Department $600,000 Thursday to pay railroad right of way costs for the eventual development of a Delta Heritage Trail in Southeast Arkansas.

The commission also accepted bids on $39.6 million in highway projects.

Greg Butts, parks division director, said $150,000 would also come from the governor's office to acquire a Desha County railroad right of way between Snow Lake and Cypress Bend for development of a state park.

Public hearings on the proposal at Helena, DeWitt (Arkansas County) and Watson (Desha County) were encouraging, but some hunting club members expressed concern that a park might prompt vandalism.

Butts told commissioners no money has been earmarked to develop the trail. But once it opens, "I think it will make a difference in the Delta," he added.

Among road construction and maintenance jobs approved by the commission Thursday was work on the long-awaited replacement of the Third Street viaduct over Union Pacific railroad tracks in Little Rock.

Southern Pavers Inc. of Pine Bluff outbid four firms for the $1.8 million project. The work is to be completed in November 1994.

Other bids of $1 million or more accepted Thursday were:

- The Hardaway Co. of Columbus, Ga., $12.4 for a 510-day Interstate 30 rehabilitation project between U.S. 67 and the Red River bridge in Miller County.
- Robertson Bridge and Grading Inc. of Poplar Bluff, Mo., for work on Arkansas 1 (St. Francis County) between Colt and Little Tellico Creek, $2.1 million.
- L.J. Earnest Inc. of Bossier City, La., for work on Arkansas 245 between U.S. 71 and U.S. 82 (Phase I of the Texarkana Loop) in Miller County, $3.7 million.
- Forsgren, Inc. of Fort Smith for structures and approach work on Arkansas 348 at Cedar Creek in Crawford County, $1.9 million.
- White Bros. Inc. of Warren (Bradley County) for passing lanes on Arkansas 15 between Hermitage and Warren, $2.2 million.
- Conway Asphalt Co. Inc. of Conway for grading and drainage structures on U.S. 64 from Squirrel Hill east, $3.8 million.
- Crouse Construction Co. of Harrison for grading and structures on U.S. 62 Bypass between U.S. 62E and 62W in Mountain Home, $5.8 million.

The total of bids exceeded estimates for all work by $2.6 million.

Unique Kahn Canary diamond dazzling crowds around country

BY HELAINE R. FREEMAN
Democrat-Gazette Fashion Writer

The Kahn Canary — the 4.25-carat yellow diamond immortalized by first lady Hillary Clinton in the presidential inauguration in January — is getting around.

Since former Arkansas Gov. Bill Clinton and his family were formally installed in the White House, the diamond has gone on the tour circuit, according to Stan Kahn, the Pine Bluff jeweler whose family owns the stone.

Mentioned in the November issue of *Vogue* magazine, the ring has been exhibited in museums and charity fund-raisers around the country. Past and future stops include St. Louis; Portland, Ore.; Kansas City, Mo.; Virginia; and North Carolina.

Recently the ring was showcased at the Los Angeles County Museum of Natural History in Burbank, Calif.; in Houston, it was the centerpiece for a symphony benefit.

"It's been to some notable places," Kahn said. "We get calls almost every day from someone who's wanting it."

The Kahn Canary diamond has even been featured on ABC's "Good Morning America." And Kahn is trying to obtain a taped copy of a British Broadcasting Co. program that also discussed the piece. "Every place it goes, there's usually a television show built around it," Kahn said.

The flawless, uncut stone, whose color Kahn said is very rare in diamonds, was found in 1977 at the Crater of Diamonds State Park near Murfreesboro (Pike County) by a logger who later sold it to the Kahn family.

"Clinton wore a diamond in the rough to her husband's inauguration," writer Dodie Kazanjian observed in her *Vogue* article on the advent of casual diamond jewelry. She also mentioned the fact that "for $4 you can go and dig up your own diamonds" at Crater of Diamonds State Park.

Clinton also had worn the stone to two gubernatorial inaugural balls — in 1979, as part of a Victorian necklace; and in 1983, in a contemporary ring setting. For the presidential inaugural, Clinton wore the stone in an unusual ring created in conjunction with top designer Henry Dunay.



A REAL GEM — The 4.25-carat Kahn Canary Diamond, worn by Hillary Clinton initially as first lady of Arkansas and later as first lady of the United States, is displayed in a ring designed to reflect the beauty of The Natural State. The ring has been shown at museums and charity fund-raising events throughout the country.

"This is such a unique piece," Kahn said. "It's a very intense and very rare color in diamonds ... it has a natural beauty of its own." The much-photographed piece is also appearing in a number of books.

When in Arkansas, the Kahn Canary is usually displayed in the Mid-America Museum in Hot Springs.

Plans are now being laid for the ring to appear in April at the Basel Fair, Kahn said. Held annually in Basel, Switzerland, the event is touted as the largest jewelry show in the world.

Kahn also hopes Clinton will take the ring with her on an upcoming trip to Russia, another diamond-producing country.

Most times, Kahn travels with the ring. He enjoys explaining to audiences that the natural beauty of Arkansas — including mountains, forest, lakes and streams — are all represented in its design.

He takes no chances with the precious piece, which is provided to exhibit sponsors free of charge. These sponsors must meet certain security criteria, including the provision of an armed guard wherever the ring goes.

"It's irreplaceable; it's one of a kind. There's nothing like it in the world," Kahn said.

"It's so beautiful and so natural. I think that's one of the reasons Hillary likes it so much. She also talks about it (being) a good luck piece. She's always enjoyed wearing it and we've always enjoyed having her wear it."

Kahn's goal is to give all those interested in the Kahn Canary diamond ring a chance to see it. He sees it as an educational tool for those who don't know much about Arkansas, let alone the fact that Crater of Diamonds is the only place in the Western Hemisphere where diamonds can be found. Kahn also noted that Crater of Diamonds State Park in Murfreesboro is the only place in the world where the public can dig for diamonds for a nominal fee.

The ring is due back in Arkansas around Dec. 14, when it will be shown in the downtown Pine Bluff location of Kahn Jewelers.

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Ark. Democrat - Gazette

SATURDAY, MARCH 27, 1993 •

Counting our chickens

Hold on a minute. Does the Legislature really want to earmark most of the royalties and severance taxes that might be gleaned from commercial mining at the Crater of Diamonds for the state parks? Might not education or Medicaid or the state in general need the money as much, if not more? Note the periodic fiscal crises that keep hitting state government. Is the answer always another tax, often on those least able to pay?

Steve Bell, the state senator from Batesville, wants the parks to get the lion's share of the money. He has a bill working its way through the Senate that would reserve 75 percent of the take from commercial mining at the Crater for the state's park system.

Can the senator have proposed this to placate the never-move-a-stone preservationists? They oppose any move that might disturb the huge diamond formation deep beneath the park; apparently they want to reserve it for the tourists. (As though amateur diamond-hunters could fetch up all the gems there over the next century with only their hands and a shovel.)

Most Arkansawyers are ready to stand on up their hind legs and fight when it comes to protecting the beauty and natural resources of this small, wonderful state. But how would the environment around the Crater of Diamonds State Park be harmed by a professional mining venture that would be digging down 500 feet or more?

Because the Crater is the only proven diamond reserve on the North American continent, must it be preserved intact — as if it were a sacred relic rather than a natural resource?

Okay, okay. All this pre-hatch chicken-counting is premature. The first phase of a two-phase testing process is yet to start. Till it does, there's nothing to shed light on the quality, quantity and potential value of the deposits at the crater. So let's not divvy up the proceeds before there are proceeds.

Arkansas Democrat Gazette
• TUESDAY, MARCH 2, 1993 D
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Parks chief fears deception by diamond-mining company

BY DOUG THOMPSON
Democrat-Gazette Business Writer

One of four mining companies involved in exploration at Crater of Diamonds state park faces an investigation by the state securities commissioner at the request of the state Parks and Tourism Department.

Richard Davies, Parks and Tourism director, said Monday that he did not know if Continental Diamonds violated any regulations by issuing a news release he considered "somewhat misleading. I don't know. I don't know enough about the securities business, so I thought I'd better ask."

Jim Cairns, spokesman for Continental, said Monday the complaint was improper and showed Davies' inexperience in stocks. "The state commissioner can only investigate stocks sold in Arkansas, and we don't sell any stocks here," Cairns said. "But more important, the company has not done anything wrong."

The news release Davies questioned was issued from Houston on Jan. 29. Davies filed his complaint two weeks ago, Securities Commissioner Joe Madden said Monday. Madden declined further comment on the issue.

The release said that Texas Star Resources Corp., Continental Diamonds' parent company, is investing $7.5 million in a bulk processing plant in Pike County for "the exploration and development of the company's Arkansas properties consisting of its right to conduct exploration on the Crater of Diamonds, and its exclusive interests in the Kimberlite Mine, American Mine and Twin Knobs I properties" as well as testing ore from Canada.

Davies said his chief objection to the release is that it implies Texas Star Resources had substantial interests in developing the park. In the first place, Davies said, he'd never heard of Texas Star. The state did its business with Continental Diamonds. Second, Continental Diamonds' "right to conduct exploration on the Crater of Diamonds," as described in the news release, is

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Diamond

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limited to paying one-quarter of the costs of exploration under a joint venture with three other companies.

"To me, the press release implied that Continental Diamond's 'right to conduct exploration' is a whole lot more substantial than it actually is," Davies said.

Cairns said "If this was stock hiking, stock churning, we wouldn't be making this kind of investment." The directors would keep the money they've been spending in Southwest Arkansas, Cairns said.

Texas Star Resources has two wholly owned subsidiaries involved with diamond exploration in Arkansas, Cairns said. Continental Diamonds deals exclusively with the company's interests in the Crater of Diamonds. Diamond Exploration Inc. is concerned with the company's private holdings throughout the United States and Canada. Both subsidiaries have the same personnel and the same office in Little Rock. Texas Star stock is traded on the Vancouver stock exchange in Canada.

The company is paying $2 million a year for mineral leases and property acquisitions in at least 18 Arkansas counties, Cairns said. The company has decided to go ahead with testing of its holdings in Pike County first, he said. It will therefore locate its testing plant there, and ship in samples from other sites as far away as the Northwest Provinces in Canada.

Whether the four companies testing park diamond deposits have a right to explore Crater of Diamonds park any further than the limited drilling allowed so far will be subject of a federal court lawsuit if the attempt is made, environmental groups have pledged.

Before the Crater of Diamonds could be commercially mined, the state would have to accept bids from each of those four companies paying for the tests. The winning company would have to reimburse the others for the exploration costs.

The Crater of Diamonds is the only proven reserve of diamonds in North America and the only diamond mine in the world open as a tourist attraction where visitors may keep whatever diamonds they find.

Whatever happens with the park, the processing plant will open this year in Pike County, about two and a half miles northeast of Murfreesboro, and will test ore samples from the company's private holdings, Cairns said.

Firm puts X-rays to new use

BY JOSHUA SHAPIRO
New York Times News Service

SYDNEY, Australia — With his X-ray vision, Superman might spot diamonds with ease. But for mere mortals the task is labor intensive, for the stones are only one in a million.

So the Argyle Mine, the world's largest producer of diamonds, in the Top End of Western Australia has developed its own X-ray vision system to recover them.

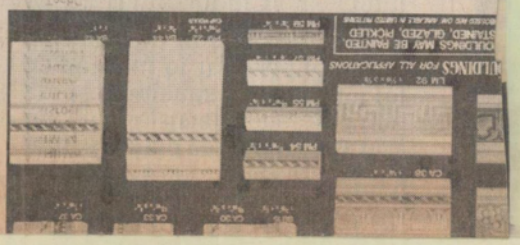
Round-the-clock shifts at Argyle produce 6 million tons of diamond-bearing lamproite ore each year to produce six tons, or 30 million carats, of diamonds.

To extract a diamond from its matrix, the ore is drilled and blasted; crushed under high-pressure rollers; washed and screened, and then passed through a cyclone heavy media separation process.

As in a centrifuge, the heavy minerals, including the diamonds, sink, while lighter minerals are floated off to be deposited in waste pits. At this stage, 99.9 percent of the mined rock has been rejected.

The dried, re-screened, concentrated ore is then sent to an X-ray sorter. Diamonds scintillate when hit by X-rays. As a stream of ore falls through a 40,000 electron volt X-ray beam, the diamonds' intermittent luminescence is detected by a battery of photo multiplier tubes that, within milliseconds, trig-

was an under-served market for finished hardwood millwork. In 1980, the couple opened a 2,000-



Arkansas Democrat Gazette B
THURSDAY, AUGUST 20, 1992

Geologists given months to assess diamond drilling

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO — Geologists will have until November to analyze and report on the results of the drilling at Crater of Diamonds State Park that ended Saturday.

One of the reports apparently will indicate that the extent of known diamond-bearing ore at the park is larger than once believed.

Two separate studies will be presented to the state Parks, Recreation and Travel Commission in November, Richard Davies, director of the state Parks and Tourism Department, said. The commission then will have until March 1993 to decide whether to proceed to the next level of testing.

The four mining companies that paid for the testing will present their conclusions in one report to the commission, Davies said. John Morgan, project manager for the Parks Department, also will present his report. The four companies are paying for testing expenses in a joint venture with the state.

"The reports may concur. They may not," Davies said. "It's going to take some time to analyze the results. All Morgan can tell me at this point is that it's bigger than we thought it was."

The Crater of Diamonds is the only proven reserve of diamonds in North America and the only diamond reserve in the world open solely as a tourist attraction. Park visitors are allowed to keep any gems they find.

Phase 1 testing consisted of drilling 25 holes in the 39-acre sandy field where diamonds have been found and in the surrounding area. The holes were laid out in a grid-like pattern designed to show the approximate shape and volume of the known reserve of diamond-bearing ore.

The tests do not give any indication of how many diamonds are in the ore, Davies said. That would require testing of "tons and tons of material," Davies said, possible only in further testing, which would require federal approval.

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The state built facilities for the park with money from the National Park Service.

The Park Service notified the state before it began Phase 1 testing that an environmental impact study would be required for anything beyond the Phase 1 tests.

When the Phase 1 tests were challenged in federal court, the U.S. District Court in Little Rock halted testing at the park for a time.

That decision was reversed earlier this year by the U.S. 8th Circuit Court of Appeals at St. Louis.

So far, the Phase 1 testing has cost the mining companies $477,260. The environmental study for Phase 2 testing would cost at least $100,000, Davies said, and probably much more.

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• • SUNDAY, OCTOBER 11, 1992

Prospectors hunting diamonds in Canada

BY MARY WILLIAMS WALSH
Los Angeles Times

YELLOWKNIFE, Northwest Territories — The tantalizing early success of a lone diamond prospector here in the inhospitable Northwest Territories has touched off the biggest mineral rush in North American history.

Huge international mining concerns, such as De Beers Consolidated Mines, Broken Hill Proprietary Co. and RTZ Corp., as well as about 50 smaller Canadian operations, have staked claims to an area that already totals the size of Belgium and is still growing.

Their goal, minable diamonds, is an elusive one. Until now, no profitable diamond deposit has ever been found in North America. And even in the current rush, no one can say for sure whether the lands being prospected will ever sustain a working mine.

Yet even against those odds, fortunes are already being made on hope alone.

The only company to have actually reported a find so far, tiny Dia Met Minerals Ltd. of Kelowna, British Columbia, saw its stock climb from a 1991 low of about 21 cents to a 1992 high of about $18.50 — in trading on the notoriously speculative Vancouver Exchange. Dia Met's stock has recently settled back to about $17.

Stocks of some of the other prospecting companies have spiraled as well on the belief that diamond-bearing rock formations tend to occur in clusters and that Dia Met can't possibly have staked all the good ground for itself.

Meanwhile, Yellowknife — the rough-and-tumble capital of the Northwest Territories, and a gold-mining supply center whose fortunes had sagged until recently with the price of gold — is suddenly finding itself amid a boom.

Yellowknife consulting geologist Brian Weir jokes that until last year he was in such

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Diamonds

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desperate financial straits that you could attract his attention by yelling, "Hey, waiter!" Now, he says, clients are sending him fees of $50,000 a pop to stake land in their names, sight unseen.

At the normally sedate government recording office, officials ran out of the metal tags used to stake claims after a flood of requests. The local lumberyard is doing a banner business in the 2-by-2 posts that prospectors plant to mark the corners of their claims.

"In some years, it's been quiet down on the bay," says district geologist Dorothy Atkinson, nodding out her office window toward the wind-whipped waters of Great Slave Lake, where in brisk years for business, prospectors can be constantly heard taking off by float plane for their remote northern claim sites. "But now, there's been a constant drone, which is nice to hear, because it means people are working."

Some wishful Canadians even fantasize about shaking the mighty De Beers to its very foundations. The secretive South African company controls about 80 percent of the world market in uncut diamonds through its London-based cartel, the Central Selling Organization. Lately, however, De Beers has been weakened by a flood of non-cartel diamonds mined by wildcatters in Angola.

"De Beers is afraid of this (Canadian) development," gloats Dia Met Vice President Wayne Fipke, who was managing an Edmonton, Alberta, theater until he got into the diamond business. "We're talking about production that could equal Botswana's," which turned out 16 million carats last year.

Such predictions are premature. Even Fipke — who is known throughout the business for his irrepressible optimism — admits that his company is at least three years away from an actual mine, if one is ever built at all.

But however grandiose Dia Met's predictions may be, the company cannot be faulted for bad geology. It was Fipke's brother, Charles — a founder of Dia Met — who sparked the Great Canadian Diamond Rush by finding a diamond deposit about 180 miles north of Great Slave Lake last year, after nine years of combing the Canadian tundra. Before Charles Fipke came on the scene, geologists had long suspected that diamonds existed in northern Canada. Many had searched, but no one had been able to find them — not, at least, in minable quantities.

Charles Fipke, a self-made diamond authority who operates his own elaborate geological sampling laboratory in British Columbia, spent his now-famous quest quietly staking ground and digging up samples, camping and hiking his way across a 500-mile swath of the vast, empty Northwest Territories.

"We encountered approximately 22 grizzly bears" in a single year, says the plain-spoken Fipke, who even now drives a rusted-out, 15-year-old Oldsmobile and does not come across in conversation as the honors geology student he was at the University of British Columbia. He pursued his search for nearly a decade, he says, because of the similarities between northern Canadian and southern African geology. He eventually tracked diamond-indicator rocks to their source, much the way one might trace a wandering river back to where it bubbles up out of the earth.

Diamonds are known to be associated with such geological exotica as garnet, ilmenite and chromite. These minerals may not be of much interest to mainstream geologists, but they can be found in abundance in the Northwest Territories, where they have been scraped away from their original resting places by the various glaciers that have crossed northern Canada over the eons. So the trick for Fipke was to study what is known about the long-gone glaciers, then try to deduce where the garnets and other diamond-associates might have originated.

When he succeeded in finding their source, Fipke also found diamond-bearing rock.

"An outstanding piece of geological sleuthing," applauds Robert Bishop, editor of the *Gold Mining Stock Report*, a newsletter that recently published a special issue on the Canadian diamond find.

Charles Fipke is reticent in discussing his tracking methods, noting that he doesn't like the speculative climate that has emerged as the diamond rush has grown.

"Some companies, and some investors, are going to get burned," he warns. "Some of the companies aren't giving the investing public the true picture as to the benefits and the risks."

Dia Met says that Charles Fipke has so far found 10 kimberlites, the large, carrot-shaped formations that are often the host rock for diamonds. Kimberlites are believed to have been created 70 million to 100 million years ago, as rock from the earth's mantle erupted upward through fissures to the surface. The eruptions sometimes carried diamonds up with them; the precious stones tend to be dispersed evenly through the soft kimberlite rock, like raisins in a loaf of bread.

Kimberlites tend to be found in clusters covering areas of as much as 100 square miles, which is why Dia Met's competitors have staked nearly 13 million acres of land around Fipke's newfound kimberlites.

But just because a geologist finds a kimberlite doesn't mean he has found diamonds.

Estimates vary, but it's generally said that about 5,000 kimberlites have been discovered so far worldwide, and out of those, about 50 have contained cost-effective deposits of diamonds.

Charles Fipke, who once worked in South Africa and was even scheduled for a job interview with De Beers — he got delayed on a long mine tour and missed his appointment — cites one South African discovery in which 66 kimberlites were found, and only one diamond emerged from the entire cluster.

So even as its competitors fan out across the Northwest Territories looking for more kimberlites, Dia Met is now busy digging samples of its own kimberlites and analyzing them to see what they contain.

Drillers vow to restore damaged gem park areas

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO – Full restoration of Crater of Diamonds State Park grounds damaged by mining tests was promised Friday, including replanting of downed trees.

Also, state Attorney General Winston Bryant was accused of political grandstanding by a representative of one of the four mining companies participating in the tests. Those four companies agreed Friday to pay a total of $83,260 so tests can continue after July 1.

"Good luck on your campaign, sir, but don't do it on the backs of the mining companies," Doug Duskin of Kennecott Inc. said to Bryant after a meeting of the Technical Advisory Committee. "We're trying to help this state."

The committee has representatives from the mining companies, the state Department of Parks and Tourism and other state agencies.

Bryant took a well-publicized tour of the park site Wednesday after receiving a complaint that mining tests were damaging park grounds.

"Every Arkansan knows that we have the only diamond mine on the continent, and I don't think the contractor appreciated the sensitivity we have for this park," Bryant said.

Any further damage "should be the basis for consideration of seeking a federal court injunction to stop further testing," Bryant said.

There won't be any further damage, project manager John Morgan promised.

The Parks Department is exploring the size of the mine in a joint venture with the four companies. Plans are to drill about 35 holes in a gridlike pattern to determine the shape, depth and volume of the diamond-bearing rock formation.

The Crater of Diamonds is the only proven reserve of diamonds in North America, and the only diamond mine in the world kept open solely as a tourist attraction. Visitors may search for gems and keep what they find.

All but two of the drill sites will be within the 35-acre sandy field where the known reserve of diamonds exists, Morgan said. There are no trees or shrubs vulnerable to damage there.

Controversy arose when drillers went off the field to drill about a quarter-mile west of the proven reserve. Following an abandoned logging road, heavy equipment tore a muddy strip through the wooded area.

"We'd looked at the route

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before they moved through, so we have something to compare it to," Richard Davies, director of the Parks Department, said. "In my opinion, there was too much damage, especially on the route down to the river so they could set up their water pumps."

The contractor, Boyle Brothers Drilling Co. of Murfreesboro, Tenn., attempted to avoid excessive damage but that was "not fully accomplished," Morgan said. "We apologize for the damage that was done, and every effort will be made to restore and revegetate the area."

The committee also unanimously approved a resolution calling for full restoration.

The crew will drill five holes, four at angles, from the same spot to restrict disturbance to the area, Morgan said.

The additional $83,260 was required from the mining companies because their original payment of $350,000 in 1990 was running out. Tests were suspended by federal court action in 1990. A decision by the 8th U.S. Circuit Court of Appeals earlier this year allowed them to resume. The costs of bringing the drillers back and setting up again, Morgan said, accounts for the increase. No state funds are involved.

In other developments, closer examination of core samples from the drilling show that driller had not found the north-northwestern border of the diamond ore deposit, as earlier believed, Morgan said. The drilling had stopped at 299 feet, he said. Upon examination, it was found that drillers had gone through an isolated spot of common rock and then re-entered ore for 10 feet before stopping.

Mining companies asked for permission to conduct a microscopic examination of the core samples. The Parks Department will consider the request. The request is a result, in part, of an effort to determine whether the ore to the west of the off-field site is identical to that found in the field, Duskin said.

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Arkansas Democrat-Gazette/David Gottschalk

DIAMOND PARK DAMAGE? Attorney General Winston Bryant (center) discusses drilling procedures at Crater of Diamonds State Park Wednesday with Larry Dusak, a representative of the state's project supervisor. Bryant was assessing claims of environmental damage at the park.

Mine testing scarred park, Bryant says

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO – Mining tests at the Crater of Diamonds State Park have caused too much damage to the terrain, state Attorney General Winston Bryant said after an on-site inspection Wednesday.

Either Bryant or a representative from his office will attend a meeting Friday between the state Department of Parks and Tourism and other members of a joint venture paying for the tests, Bryant said, and demand that the damaged area of the park, in Pike County, be restored.

"There's just too much road damage" that resulted from moving the drilling machinery in the park, Bryant said. "In large part, it was caused by doing this during adverse weather. If they'd moved the equipment when the ground was dry, we wouldn't have the damage we have now.

"The provisions of the contract that allow these tests are very clear. There's to be as little disturbance to trees and shrubs as possible. Obviously, something has to happen when they move equipment in, but small trees have been skinned, overrun and uprooted. They'll

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never grow back."

Wearing white "Arkansas, the Natural State" caps, Bryant and two staff members arrived to examine the area surrounding the test site about 3 p.m. Wednesday. He was accompanied by a *Democrat-Gazette* reporter and two Little Rock television station camera crews. The *Democrat-Gazette* was notified earlier Wednesday of the trip and was offered a ride for its reporter.

"I simply wanted to look at this firsthand," Bryant said when asked why he made the 175-mile round trip, along with a tour lasting over an hour.

The Parks and Tourism Department has joined four mining companies in a joint venture to conduct the tests. The Crater of Diamonds is the only certain reserve of diamonds in North America and the only diamond mine in the world open exclusively as a tourist attraction. For a $3.50 entry fee, visitors may keep whatever gems they find.

The drillers are working on the ninth of a planned 35 holes to be drilled in a gridlike pattern in the park. The drilling is an attempt to determine the size, shape and depth of potential deposits of diamond-bearing ore.

Damage to the park is the responsibility of the drilling contractor, Boyle Brothers Inc. of Murfreesboro, Tenn., Richard Davies, director of the Parks and Tourism Department, said.

The district engineer for Boyle Brothers was not available for comment Wednesday afternoon, a spokesman for their office in Tennessee said.

Davies also plans an on-site inspection before the meeting with mining company executives in Murfreesboro on Friday, he said. "From the beginning we've made it clear that we intend to follow very stringent guidelines," Davies said. "That's what we said in federal court that we'd do, and that's what we're going to do."

Environmental groups sued in federal court in 1990 to stop the mining tests. They won in lower court, but were overturned in an 8th U.S. Circuit Court of Appeals decision earlier this year.

Bryant's trip comes the day after his office received a written damage complaint from Richard Mason, president of the Arkansas Wildlife Federation.

At the current site, drillers have found that a new deposit of diamond ore runs out at 240 feet to the north-northwest of the site, said Larry Dusak, field supervisor for John Morgan, the state's project supervisor for the drilling. Another drilling to the south-southwest has gone 430 feet and is still within possible diamond-bearing soil, he said.

Bryant said he has no difficulty representing the Parks and Tourism Department and the people of the state, some of whom oppose the testing at the park.

He said that the state and the people want as little disturbance of the park as possible. The larger issue of whether there should be testing, he said, was settled in the appeals court.

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WEDNESDAY, JUNE 24, 1992 B

Bryant asked to join fight over drilling

Gem tests mar park, groups say

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO – The state attorney general should intervene to stop mining tests at the Crater of Diamonds State Park that are damaging the terrain, conservationists said.

Richard Mason, president of the Arkansas Wildlife Federation, has asked Winston Bryant to seek a federal court injunction to stop the drilling until changes are made to protect the park. Jim Stanley, attorney for the Sierra Club and other environmental groups, said Tuesday his clients probably would seek an injunction if Bryant didn't.

Richard Davies, director of the state Department of Parks and Tourism, said he would inspect the site by Friday. If park grounds are damaged, the contractor will have to restore the site, Davies said.

A spokesman for Bryant confirmed Tuesday that his staff received Mason's written complaint. He said the office would comment on it today.

The state has joined four mining companies in a joint venture to assess the potential of the Crater of Diamonds. The site is the only proven reserve of diamonds in North America and the only diamond mine in the world that exists solely as a tourist attraction.

That joint venture operates under a contract that

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protects the park and requires complete restoration of each drilling site, Davies said. The tests under way will determine the size, depth and shape of the reserve of diamond ore by drilling in a grid-like pattern.

The Sierra Club, the Wildlife Federation and the anti-testing Friends of the Crater of Diamonds filed a federal lawsuit against the proposed tests. They stopped the tests in 1990 in federal court in Little Rock, but that decision was overturned earlier this year. Tests resumed earlier this month.

"The present drill site is located in a densely wooded area of the park. ... To reach this site, the contractor used a bulldozer to cut and widen a faint walking path to a 10-foot-wide road," Mason said in his complaint.

Drillers then cleared a 60-by-60-foot site.

"Numerous major trees were cut and removed," Mason said. "The contractor has been totally insensitive to recent weather conditions. He has moved heavy equipment in and out of the park area, gouging the landscape (and) causing additional damage to the park."

He has no doubt that the damage he saw at the park violated the provisions of the contract, Stanley said in an interview Tuesday. He sought and won a similar injunction in 1990 on the protection clauses of the contract.

"It places the attorney general's office in a strange predicament," Stanley said. "On one hand, they represent the people of the state who have a right to have the park protected. On the other, he represents the Parks Department, which is going ahead with the tests."

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Texarkana Gazette Tracy Glantz

MINE PROTEST – A group of protesters walks toward the drilling site Saturday at the Crater of Diamonds State Park near Murfreesboro. The group was protesting tests to help determine the extent of potential diamond-bearing ore at the park. About 35 people participated.

Drilling protesters find park damage

Say felled trees, shrubs violate court- ordered guidelines

BY JAKE SANDLIN
Democrat-Gazette Staff Writer

MURFREESBORO – After trudging through ankle-deep mud across the Crater of Diamonds State Park on Saturday, a group protesting test drilling was upset to discover damage to park vegetation.

"I think this is a disgrace," said Richard Mason of El Dorado, president of the Arkansas Wildlife Federation and organizer of Saturday's peaceful demonstration. "We've been lied to again is what it amounts to."

Protesters complained the drilling and related activity damaged shrubs and toppled small trees, which they said violated court-imposed guidelines. The group plans to give information about the damage to court officials and the state attorney general's office on Monday in hopes of getting help in stopping the drilling.

An official representing several mining companies said some of the damage was caused by bad weather.

A consortium of companies has paid for 55 days of test drilling at the Pike County park, which has the only diamond-bearing mine in North America. Drilling began June 2.

The drilling is meant to determine the size and shape of the diamond-bearing rock that formed the 35-acre crater, where visitors can keep any diamonds they find.

No drilling was being done Saturday because of the park's John Huddleston Day festivities. Huddleston found the first diamond at the site in 1906. The area surrounding the mine was designated a state park in 1972.

The 35 demonstrators, including several children, rallied in front of the visitors' center. About half of those paid the park entry fee of $3.50 to trek through the mud to the drilling site about a quarter-mile west of the visitors' center.

The demonstrators' concern, Mason said, is that the test drilling is the first step toward commercial mining at the park.

The protest was organized by members of the Arkansas Wildlife Federation and the Arkansas Conservation Coalition.

Broken shrubs and felled small trees lay along an 8-foot-wide bulldozed trail over an abandoned road to the drill site. The cordoned-off site containing the drilling rig is in a heavily wooded area, which had to be cleared for machinery.

Mason said court-imposed guidelines for the drilling specified that "there would be no cutting of any tree whatsoever, not even small saplings would be cut." He also said drilling would not be done in wooded areas.

The initial drilling was stopped after two days because of mud and troubles with the drilling rig. It resumed June 10 with another rig and a new site.

The original site was in a low-lying area, but was abandoned for the drier, more

See PROTEST, Page 9B

Protest

• Continued from Arkansas Page

stable hilltop.

Mason identified a felled, 14-inch-diameter gum tree and an 8-inch-diameter black walnut tree.

Wallace Mitchell of Glenwood (Pike County), a spokesman for the mining companies, said some downed trees near the site were from a June 14 windstorm that ravaged Southwest Arkansas.

Mitchell conceded that there "obviously" was damage from bringing equipment to the drill site, but that the park had permitted that equipment.

"This was a road in here to begin with and we were not supposed to damage vegetation," he said. "Obviously, there was damage. Pretty much, it was unavoidable, (but) there are two or three things that could have possibly been avoided. The guy that drove the bulldozer probably should have had a little more supervision than he had."

Michael Hall, park superintendent, confirmed that the road was there previously but hadn't been used in "many years."

Kneeling next to the drill site, demonstrator David Johnson of Waldron (Scott County) burned a list of park rules.

"If these people here don't have to abide by them, I don't see why it should be forced onto the rest of us. Any man, woman or child who comes here has to go by them," said Johnson, who identified himself as a regular park diamond-hunter during the past 10 years.

Mason and his group took photos and other documentation of the possible guideline violations. He said that documentation will be presented to the attorney general's office and to U.S. District Judge Susan Webber Wright in hopes of gaining their intervention to stop the drilling.

"I believe if we see step one concluded here, we'll see unbelievable pressure to go to step two, which would be the excavation of large amounts of materials to determine the quality of the diamond mining ore here in the park," Mason, a geologist himself, said.

"With that complete, then I think we would see full-scale commercial operation of a mining company here in the park. ... If it is not preserved now, our grandkids won't have anything."

Mitchell, the mining companies' spokesman, said the drilling would answer important questions about the diamonds at the site.

Daily record

Meetings

Arkansas Democrat Gazette
FRIDAY, JUNE 19, 1992
B

Coalition to protest diamond park drilling

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO – Members of the Arkansas Conservation Coalition have announced a protest and rally at 11 a.m. Saturday at the Crater of Diamonds State Park.

The group is protesting mining tests now under way at the park.

"We believe most citizens don't want to lose this unique state park," organizer Richard H. Mason of El Dorado said. "We see this testing as part of the mining process, and we're not waiting until they bring the big excavators in to protest it."

Contracts necessary to continue the testing come up for review at 8:30 a.m. today before the state Legislative Council. Also, mining company representatives will meet with state officials in Murfreesboro (Pike County) on June 26 to review the progress of the tests so far and decide whether to continue.

All protesters will "have to pay the $3.50 plus tax for the admittance fee to get in there," Michael Hall, park superintendent, said. "Also, they will not be able to cross the flagging around the drilling rig" for safety considerations.

The Crater of Diamonds is the only diamond mine in the world kept open solely as a tourist attraction. Visitors are allowed to search for gems and keep what they find. The mine is the only proven reserve of diamonds in North America.

The protest is expected to

See PARK, Page 12B

Park

• Continued from Arkansas Page

begin at the park visitors' center. Participants then will march through the 35-acre field that is the diamond mine to the drilling site, about one-quarter mile west of the field's edge. From there, Mason said, several speakers will address the crowd.

The state Parks and Tourism Department is conducting tests in a joint venture with four mining companies. Plans are to drill 35 holes in a grid pattern to determine the size, shape and volume of the deposits.

This testing will not determine how rich in diamonds the crater is, project director John Morgan said. That will require testing of tons of material, which will be challenged in federal court by environmental groups.

The testing being conducted now was unsuccessfully challenged in federal court. An earlier ruling in district court that halted the drilling was appealed to and overturned by the 8th U.S. Circuit Court of Appeals in St. Louis.

Arkansas Democrat Gazette
THURSDAY, JUNE 18, 1992 D

Parks system reviews proposal to merge 2 mining companies

BY ANDREW MOREAU
Democrat-Gazette Business Writer

The Arkansas parks system is asking to review a proposed merger that could affect a company's role in potential mining interests at the Crater of Diamonds in Murfreesboro.

The Parks and Tourism Department has notified Diamond Exploration Inc. of Little Rock that it must clarify its position in a proposed merger with Texas Star Resources Corp. of Houston.

Diamond Exploration, which is owned by Canadian interests, is a partner in one of four groups financing testing at the diamond park. The company signed an agreement in November 1989 stating that any changes in ownership must be explained to keep the company qualified to participate in the testing program.

"We have written them to find out what's going on," Richard Davies, executive director of the department, said Wednesday. "All we know is they have proposed a merger."

Texas Star Resources has attracted much attention on the Vancouver Stock Exchange. After announcing a potential merger with Diamond Exploration in May, the company's stock skyrocketed, hopping from 28 cents to $1.35 per share on trading of 7.1 million shares, according to reports in *The Vancouver Sun*. At the time, Texas Star Resources President William Tonking had said the merger would give his company mineral rights to mine diamonds in the Arkansas park.

That position is incorrect.

Texas Star Resources stock continued its climb since May. Monday, Texas Star Resources made the Canadian news again when Tonking announced that his option to merge with Diamond Exploration would not give his company licensing

See DIAMOND, Page 6D

Diamond

• Continued from Page 1D

rights to mine Crater of Diamonds. After the announcement was published by the *Sun* Tuesday, the company's stock dropped 50 cents to $1.40 in the first 44 minutes of trading. The exchange halted trading pending further clarification from the company.

After Tonking made clear that Texas Star Resources did not have the licensing rights, the exchange again opened trading on the stock, according to the *Sun*. The stock rebounded to the $1.40-$1.50 range in trading Wednesday.

Officials with Diamond Exploration and Texas Star Resources did not return telephone calls.

The state parks department, which qualified the four groups based on their mining experience, wants to know if a change in ownership will affect the level of Diamond Exploration's mining experience. "The change in ownership might not affect qualifications at all," Davies added.

Davies noted that all four of the groups participating in the joint venture have equal positions. The companies are paying for testing to discover the potential size of diamond deposits at the park. Further phases call for other tests to determine how many diamonds are in the deposit and their worth. "You have to have all three pieces of this calculated before you find out if it's worth mining," Davies said.

The parks department can shut down the program at any time and any of the companies can drop out, according to Davies. Assuming the program is carried through all phases, the companies remaining in the venture will be allowed to bid on drilling.

2nd potential deposit of diamond-bearing soil confirmed

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO – Crater of Diamonds State Park has a second potential deposit of diamond-bearing soil west of the existing mine, project geologist Drew Holbrook confirmed Tuesday.

"We've known from surface studies that a layer of tuff – the volcanic ash that can contain diamonds – was here, but there were never any studies on the depth," said Holbrook, who works as an independent contractor for the state Department Parks and Tourism.

"We may have just hit the right spot, but it was at 600 feet deep here. We stop drilling at 600 ... ," he said. Workers are drilling test holes, about 3¼ inches in diameter, to determine the shape of the deposit of diamond-bearing soil. Core samples are retrieved about every 10 feet.

However, Holbrook said, it could not be determined by the samples taken thus far whether drillers have struck a dome-like formation or a stem.

Workers are now drilling at about a 45-degree angle at the same site, trying to find the deposit rim. The site is about a quarter-mile west of the known diamond mine.

The Parks and Tourism Department is conducting tests in a joint venture with four mining companies. Plans are to drill 35 holes in a grid pattern to determine the size, shape and volume of the deposits.

The testing would not determine how rich in diamonds the area is, project director John Morgan said. That will require testing of tons of material.

The presence of tuff is no guarantee there are diamonds, Holbrook said. "Colorado's a good example of that," he said, explaining that tuff found there had no diamonds of any usable size.

Diamonds were discovered in 1906 in the 35-acre field in Pike County that is now the existing mine, the main attraction at the state park. Crater of Diamonds State Park is the only diamond mine in the world that is used solely as a tourist attraction, where people are allowed to search for gems and keep what they find.

The visible portion of the second deposit is a roughly circular area about 300 feet in diameter, or a little less than two acres, Holbrook's geological map showed. But a layer of silt deposited by the nearby Little Missouri River begins at the known western rim of this deposit, Holbrook said. The deposit, he said, could extend underneath the river-deposited soil.

Tuff is the volcanic ash found in and around the lamproite soils in the area of the dormant volcano crater. It is in the tuff, Holbrook said, that any diamonds would be found.

Asked if any diamonds have been found in this second area, Holbrook said that "in the first place, nobody's looked that much. As you can see, there are park signs posted at the rim of the existing crater telling people not to look for diamonds beyond that point.

"Second, if anybody was finding diamonds here, they weren't likely to tell anybody. If you walk up to some guy in the park and ask him, 'Hey, are you finding any diamonds here?' what's he going to say?"

The testing being done now was unsuccessfully challenged in federal court. An earlier ruling in district court stopping the drilling was appealed to and overturned by the 8th U.S. Circuit Court of Appeals at St. Louis. Any extensive testing will be challenged in federal court by environmental groups.

Arkansas Democrat Gazette
TUESDAY, JUNE 16, 1992 B

Drilling shows diamond area may be larger than believed

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO – The Crater of Diamonds, the only proven reserve of diamonds in North America, may be larger than believed.

"What we know is that a drilling west of the known crater, the 35-acre crater, found lamporite," the volcanic rock that bears diamonds, John Morgan said Monday. Morgan is project director for testing done at the Crater of Diamonds State Park in Pike County. The testing began June 3.

The drilling is about a quarter-mile west of the known crater, which is a 35-acre sandy field in which diamonds were first discovered in 1906. The site has since become a state park, the only diamond mine in the world where visitors can search for gems and keep what they find.

The site to the west is still on park property, which surrounds the crater itself.

"We started drilling and hit lamporite immediately, have found nothing but lamporite, and quit drilling Saturday at 620 to 640 feet," Morgan said.

'We ... have found nothing but lamporite, and quit drilling Saturday at 620 to 640 feet.'

This single drilling does not prove whether this lamporite is part of the same field or part of a small separate volcanic pipe with no diamonds in it.

"What we plan to do now is drill at an angle, an incline, from the same spot," Morgan said. "That should give us something in the next four days."

If the western area is part of the crater, Morgan said, "I can't say how much bigger the crater is. That one hole doesn't tell us anything about the shape. It (the crater) could be 20 percent, 50 percent or 100 percent bigger."

The state Parks and Tourism Department is taking part in the tests in a joint venture with four mining companies. Plans are to drill 35 holes in a grid-like pattern to determine the shape of the dormant volcanic pipe that is filled with lamporite.

This testing will not determine how rich in diamonds the crater is, Morgan said. That will require testing of tons of material. The testing will be challenged in federal court by environmental groups.

The testing being done now was unsuccessfully challenged in federal court. An earlier ruling in district court stopping the drilling was appealed to and overturned by the 8th U.S. Circuit Court of Appeals in St. Louis.

Spongy ground, unstable rig halt test diamond drilling

Soft soil and an unsuitable rig stopped test drilling Thursday at Crater of Diamonds State Park just two days after work began at the site, officals said.

Drilling near Murfreesboro in Pike County is expected to resume Tuesday or Wednesday after a larger and more stable rig arrives from Salt Lake City, headquarters for Boyles Bros. Drilling Co., the company doing the work.

"The ground is just so spongy down there, it just keeps pulling off to the side," John Morgan, geologist and project manager, said Thursday of the rig.

Speaking from his office in Lexington, Ky., Morgan said much of the problem is the rig's architecture. He said a large motor is set off to the side of the drill tower, causing the rig to settle to one side.

The four-man crew had drilled 47 feet by 10 a.m. Thursday when work stopped, Morgan said.

The purpose of the test drilling is to determine the size and shape of the "pipe" or diamond-bearing rock formation at the park. The tests will help determine whether the park is suitable for commercial diamond mining.

Crater of Diamonds is the only diamond mine in North America and the only site in the world where visitors are allowed to dig for gems and keep what they find.

Once work resumes, drillers will have 53 days to complete about 30 planned holes, Morgan said. Core samples about 2 inches in diameter will be drawn from depths of as much as 600 feet and inspected by an on-site geologist.

Environmentalists plan to protest at the park June 20 – a date celebrated as John Huddleston Day, so named for the man who discovered diamonds at the site in 1906.

local offices in the state and at stand on gun control? changes should be made in

ARKANSAS DEMOCRAT-GAZETTE • WEDNESDAY, JUNE 3, 1992

North Carolina and Ala

1st day of test drilling mired in mud

Amateurs dig on in field of gems

BY OLIVIER UYTTEBROUCK
Democrat-Gazette Staff Writer

MURFREESBORO – Rain and sucking mud bogged down man and machine Tuesday, delaying the start of test drilling at Crater of Diamonds State Park.

Drilling is expected to begin today once the four-man crew is able to stabilize the rig. Workers were repairing a rig "chuck," or gear, late Tuesday.

Tuesday was supposed to be the start of 55 days of drilling to determine the size and shape of the diamond-bearing rock formation called lamproite.

"We don't know the outer limits of this thing," said Wallace Mitchell, a geologist hired by a consortium of companies that are paying the $385,000 cost of the tests.

"We're trying to outline the shape and geometry of the thing in the subsurface – that's really the purpose of this whole exercise," he said.

Boyles Brothers Drilling Co. of Salt Lake City set up the drilling rig late Monday at the west end of a plowed field where about 100 amateur diggers sifted through mud Tuesday in search of diamonds. Some diggers were unhappy to see the rig.

"As far as I'm concerned, they can take that thing out and leave it out," said Donald Mayes, 57, of Springdale, who for 15 years has prospected on the 35 acres. Mayes showed a book-sized folder containing some of the 135 diamonds he

See DRILLING, Page 8A



Arkansas Democrat-Gazette/Larry Trussell

DRILLING PREPARATIONS – A crew from Boyles Brothers Drilling Co. works to set up a core drill at the Crater of Diamonds State Park near Murfreesboro on Tuesday morning. After years of legal hassles, the company has been given permission to drill on the park property.

Drilling

• Continued from Page One

has found at the site.

"Once the state bought it, that should have been the end of it," he said. "They set it up as a state park and I think it should remain so."

Bervin Laurent, a resident of nearby Murfreesboro (Pike County), said the test drilling will ruin the park's tourist appeal.

"It's a no-win situation as far as Murfreesboro is concerned," Laurent said. Commercial mining would quickly spoil the park, "and if they don't find any diamonds, the park may as well shut down," he said.

Founded in 1972, the park is the only diamond mine in North America. It also is the only site in the world where visitors may dig for diamonds and keep what they find.

Michael Hall, the park superintendent, said the Crater of Diamonds attracted 168,000 visitors in 1991, including about 70,000 diggers who found 441 diamonds.

A federal judge halted testing in 1990 in response to a lawsuit filed by environmental groups. A decision earlier this year by the 8th U.S. Circuit Court of Appeals at St. Louis allowed the tests to resume.

Mitchell said as many as 30 test holes will be drilled during the next two months. Drillers will extract core samples about 2 inches in diameter that will be examined by a geologist on site.

Once the drilling is complete, geologists will need about two months to analyze the results, Mitchell said. Those tests will determine only the shape and extent of the formation, which he described as a pipe of volcanic rock that forced its way to the Earth's surface about 100 million years ago.

If the size and shape of the lamproite looks promising for commercial mining, additional tests will be made to determine the rock's diamond-producing quality, he said.

Those tests will involve removing a larger amount of material, he said.

The Crater of Diamonds lamproite has a surface area of about 78 acres, which is smaller than many of the world's most productive diamond mines, he said.

• ARKANSAS DEMOCRAT-GAZETTE • SATURDAY, MAY 23 , 1992

Commission to let gem testing resume, but says money short

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

HOT SPRINGS – Mining tests will resume June 2 at the Crater of Diamonds State Park, despite a shortage of money and possible rejection of needed contracts.

The state Parks, Recreation and Travel Commission, meeting Friday in Hot Springs, voted 8-1 to resume the tests.

The tests will end July 4 or 5 if project contracts are not approved at a June 19 Legislative Council meeting or if mining companies involved in joint testing with the state do not provide at least $76,000 at a June 26 meeting.

The state wanted the additional money before resuming tests, but the companies refused.

"Quite frankly, I think the mining companies have some trouble with their boards saying, 'What do you mean, you need more money? You haven't done anything in a year and a half,' " Richard Da-

See MINING, Page 17A

Mining

• Continued from Page One

vies, state Parks and Tourism Department director, said.

In another development, one of the mining companies involved is subject of a possible merger, and its participaton in the Arkansas tests is being used to tout stock on the Vancouver, British Colombia, stock exchange, Greg Butz, director of the Parks Division of the Parks Department, told the commission.

The Crater of Diamonds is the only proven reserve of diamonds in North America. As a state park, visitors are allowed to keep whatever gems they find there. Under proposals for development, a tourist cache of diamond-bearing kimberlite would remain even if commercial mining begins.

After tests are completed under the terms of the joint venture contract, the state would decide whether to proceed with another, more intensive phase of testing to determine the extent of the kimberlite formation. Federal agencies have notified the state that they may not allow the next level of testing, which would be similar to small-scale mining.

The state began diamond mining tests at the Pike County park in 1990 under a joint venture with the mining companies. These companies paid a total of $350,000 for the tests, which were halted by a federal court lawsuit brought by environmental groups. An appeals court ruling earlier this year said the tests could resume.

The tests are paid for by mining companies but administered by the Parks Department. Testing contracts are subject to state bidding and contract requirements.

There's enough money left over from the 1990 tests to pay for state contracts with the project geologist, drilling contractor and project manager for 30 days, Davies said, but the tests will take 55 days to complete.

One state contract requiring commission didn't meet again until today."

Mining company representatives arrived for a technical advisory comittee meeting the next day, April 21, under the impression they could begin again May 4, Yeargan said. The mining interests accused the state of stalling when Yeargan and Davies insisted on a delay. The incident caused serious distrust on both sides, Yeargan said.

Morgan, contacted by telephone Friday, denied the allegation he'd kept the state in the dark.

With tests begining June 2, the contracts will be presented for review to the Legislative Council on June 19. The council reviews state business between legislative sessions. If the council approves them, the Parks Department can reapprove the contracts in time for a June 26 technical advisory committee meeting in Murfreesboro (Pike County).

The mining companies will decide at the June 26 meeting if they want to provide more money. "We're going to run out of money July 4th or 5th if they don't bring more, so if we get into an argument, we won't have much time to resolve it," Davies said.

As long as "everybody understands the rules, that the tests won't proceed unless they bring the money, it's not our problem," commission member Jim Gaston replied.

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Coming Sunday In The Democrat~Gazette

Engineers delay drilling at Crater of Diamonds

Arkansas Democrat Gazette
FRIDAY, FEB. 28, 1992 B

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

Test drilling will not resume at the Crater of Diamonds State Park at Murfreesboro (Pike County) for at least two more months, no matter what happens in court, the project engineer said Thursday.

"It could be seven months, because we may wait until the late summer," engineer John Morgan said. He said weather, reorganizing the interrupted drilling program, revising plans based on the limited amount of information already gained and factors such as avoiding the park's peak tourist season during summer school vacations will all figure into the date for resumed drilling.

All four mining companies in the joint venture with the state want to proceed, Morgan said.

A Feb. 5 ruling by the 8th U.S. Circuit Court of Appeals at St. Louis cleared the way for continued testing at the park. That decision has been appealed.

The Crater of Diamonds State Park is the only diamond mine in North America and the only one in the world that is solely a tourist attraction. Park visitors may keep any gems they find in the 37-acre sandy field atop an inactive volcanic crater.

The mining tests consist of boring 30 holes in a gridlike pattern to determine the depth and shape of the reserve of the diamond-bearing field. Five holes were drilled before a federal lawsuit was filed in Little Rock to halt the procedure. The lawsuit was filed Aug. 6, 1990, by environmental groups.

The National Parks Service,

See DRILLING, Page 5B

Drilling

• Continued from Arkansas Page

which had approved the testing, and two of the four mining companies involved appealed the decision to the 8th Circuit. The state did not appeal, and is not a party in the continued appeal.

A three-judge panel of the 8th Circuit decided that testing would not be a permanent "conversion" of any part of the park to a non-recreational use. It ruled that any of the proposed steps beyond so-called Phase 1 testing, or the drilling of the 30 holes, would be a conversion, requiring replacement of the affected area with land of equal or greater value and usefulness.

Environmentalists are appealing to the full nine-judge court, claiming the decision opens the door to exploitation of all parks by anyone willing to pay the price.

The state estimated that Phase 1 testing would cost $350,000. The mining companies each contributed an equal share of that total before drilling began. Of that amount, $190,137 has been spent.

The mining companies insisted on proceeding with test drilling in July 1990, even with the threat of the federal lawsuit. "The judge (U.S. District Judge Susan Webber Wright) had given some pretty clear warnings about how she was going to rule, but they wanted whatever results they could get," Richard Davies, director of the state Department of Parks and Tourism, said.

The mining companies paid start-up expenses for a 30-site testing project, but were allowed to drill only five holes.

"They'll have to pay those start-up costs again, and if it runs over what's left in the fund, they'll have to ante up," Davies said. Including $33,938 interest earned on the amount remaining after the first test, $193,801 remains in the account.

"We're going to have to call the contractor for the drilling and ask him if his bid price still holds," Davies said. "If it doesn't, we'll have to re-bid it – if we don't have to anyway because of the time that's passed."

Trial

• Continued from Arkansas Page

Daniel's murder.

Largent said Renee Davis, no relation to the defendant, showed him where Davis had hidden the revolver the night Daniel was killed. Renee Davis had testified earlier that Davis told her to throw the gun into Beaver Lake.

On Nov. 3, 1990, Davis saw Richard Daniel on television offering a reward for information

gift Daniel gave his wife, an artist and photographer, for Christmas in 1980, he said.

At the end of the seventh day of testimony, nearly 200 exhibits had been entered into evidence by the state. The courtroom was littered with thousands of dollars worth of property belonging to the Haleys and the Daniels.

Clinger also submitted photos of the stolen property, some of which was recovered from the Bentonville home Renee Davis shared with Catlett, the defendant, the de-

Arkansas Democrat Gazette
• • THURSDAY, FEB. 27, 1992 B

Crater mining foes seek hearing before full court

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

Opponents of mining tests in the Crater of Diamonds State Park have requested a hearing before the entire nine-member panel of the 8th U.S. Circuit Court of Appeals at St. Louis.

A Feb. 5 decision by a three-member panel of the appeals court to allow testing at the Murfreesboro park is a legal finding that "if taken to its extreme ... would not provide appropriate protection for national and state parklands and could subject each facility ... to a simple, crass price tag," said the petition of appeal by James W. Stanley of North Little Rock, attorney for the Sierra Club and other anti-testing groups.

A 1987 act of the state Legislature authorized testing of the park, the only proven reserve of diamonds in the country, for possible commercial diamond mining. The park is the only diamond mine in the world where the general public can keep any gems they find.

The first phase of testing would allow the drilling of up to 30 holes to determine the shape and depth of the volcanic crater, which is filled with diamond-bearing kimberlite.

The lawsuit over testing was filed in January 1990 in federal court in Little Rock. While the case was still in court, testing began on July 8, 1990, and continued until U.S. District Judge Susan Webber Wright stopped it on Aug. 6 of the same year.

The state Department of Parks and Tourism used federal money in 1976 to improve the park. Federal regulations forbid "conversion" of any land which benefited from the federal money to a non-recreational use unless the land is replaced with other land of equal or greater "usefulness

See DIAMONDS, Page 4B

Diamonds

• Continued from Arkansas Page

and value." Wright ruled the drilling was a conversion.

The National Park Service, which had allowed the testing by approving the drilling as a "temporary non-conforming use," appealed Wright's decision to the 8th Circuit, joined by two mining companies that participated in the testing. Technically, Arkansas is not represented in the appeal. The state decided not to appeal Wright's decision.

"There's not anything new in his petition," Byron Freeland of Little Rock, attorney for the mining companies that intervened, said of Stanley. "These are the same arguments used before the three-member panel."

Reviews by the full 8th Circuit "are relatively rare," Freeland said. "They probably will act on it fairly quickly, though, at least as far as deciding whether they will grant the request or not. I believe we have until March 9 to reply. They'll decide sometime after that."

Although commercial mining would definitely be a conversion, the appeals panel decided, this first phase is not. The decision cited such acts as burying utility cables as similar, temporary non-recreational disturbances that are not conversions.

"It is entirely another action, however, to drill core samples in the forehead of Rushmore's George Washington to determine the depth and quality of the granite," Stanley said in the appeal petition.

Phase 1 is "merely a preliminary step to commercial mining," the petition said. "No better proof exists for this than the fact the intervenors (mining companies) have vigorously pursued the case," an "expensive claim."

The park is unique and as irreplacable as "Niagara Falls, the Redwood Forest, the Everglades or the Grand Canyon," the petition argues. "However, following the panel's majority opinion, any unique national or state treasure could be valued or a portion of it valued and converted to non-recreational use."

Library

• Continued from Pulaski Page

utive Director Bobby Roberts said.

The move would reduce the cost of renting parking spaces for library employees – which totals more than $600 a month – and provide more spaces for patrons because downtown workers would no longer use the lot, Roberts said.

Library employees now park in rented spaces adjacent to the Seventh Street lot, which the library system owns.

Roberts and other library employees said Wednesday that the Seventh Street lot is often half full early in the morning, before the library opens.

Those parking in the Seventh Street lot now put coins in city parking meters. Under the new plan, the parking money would go to the library.

The board is expected to consider approving the project at its March meeting.

Editorial

Test drill or not?

Will exploratory drilling at the Crater of Diamonds State Park at Murfreesboro be resumed at the 30 test holes where it was halted last summer?

It's up to a three-judge panel of the 8th Circuit appellate court, which heard testimony on both sides of the question Monday: mining interests and the federal government on the resumption side and foes of test drilling on the other.

Here's hoping that the judges lift the current ban on test-drilling. Arkansans have a right to know the extent of the country's only known diamond deposits – if only for recreational purposes.

The lift-the-ban plea was entered by lawyers for two mining companies and the U.S. Department of Justice, which represented the U.S. Department of the Interior, which had authorized the test drilling.

They were opposed by the Arkansas Wildlife Federation, the environmentalist Sierra Club and a group that wants the park unbrokenly reserved for individual diamond hunters.

The test-drilling ban was imposed here last summer by U.S. District Judge Susan Webber Wright, who halted the exploratory tests authorized by the Legislature in 1987, by overturning a test-drilling variance issued by the U.S. Department of the Interior.

Wright said the department couldn't authorize the drilling or the state have it done because the state had earlier accepted federal money for the park's development on condition – laid down by the federal Land and Water Conservation Act – that such lands could be used for nothing but recreation.

Opponents of test drilling argued before both Wright and Monday's panel that test drilling would lead to commercial mining. The mining companies' lawyers and the federal government argued that it wouldn't – that the testing would be only a temporary non-conforming use of the park and that the variance didn't in any case authorize commercial drilling.

That sounds both logical and reasonable to us – which isn't to say that some don't support commercial mining if test-drilling should reveal the diamond deposits to be rich enough for such ventures.

In fact, one of the 8th Circuit judges, Frank J. Magill, said Monday that he thinks "the state has its eyes on the royalties" and that test-drilling would ultimately "give away the park."

But, Magill said, he doesn't think the variance overrides federal regulations and that fear of commercialization may not justify stopping first-phase exploratory drilling.

Our own view is that probably a majority of Arkansans would like to know the extent and value of the diamond deposits, which are now "guesstimated" as being worth from $500,000 to $5 billion – both meaningless figures.

After all, as Interior Secretary Manuel Lujan said in granting the test-drilling variance, it would have "interpretive value" for the state's management of the park, even as a recreational area.

Arkansas Democrat
FRIDAY, JULY 5, 1991
C

Diamond discovered at state park

Jelly-bean-size gem biggest found in '91

BY BRENDA CREDIT
Democrat Staff Writer

MURFREESBORO – James E. Davis of Nashville (Howard County) celebrated Independence Day by going hunting. What he captured was a 3.39-carat diamond.

Davis' discovery was the largest diamond find this year at Crater of Diamonds State Park, near Murfreesboro in Pike County.

"Well, it was kind of exciting for him and exciting for us also," said Tom Stolarz, the state park's interpreter.

Davis, who was on his first trip to the park, found the diamond, about the size of a jelly bean, about 1 p.m. Thursday near the center of the park on Beatty's Hill, Stolarz said.

"It's pretty sizable as far as diamonds go," he said, adding it is very "white" or sparkling.

Efforts to reach Davis Thursday afternoon were unsuccessful. Stolarz said the lucky man was back out in the park looking for more diamonds.

Davis told park employees that he planned to keep the diamond for a while and learn more about them before he decides to have it cut or appraised.

Asked how much the teardrop-shaped diamond is worth, Stolarz said, "I don't know. I wish I knew."

He said a diamond found at the park about two years ago of similar size and quality was appraised at about $11,000 after it was cut.

Davis found his diamond on

Diamond

• Continued from Arkansas Page

inch of rain Saturday night.

After a fake diamond was found at the park earlier this year, Stolarz said additional testing has been implemented to try to assure that diamonds found at the park are genuine.

He said Davis' diamond passed all experiments, which included a diamond scratching test, a gravity fluid experiment, a thermal conductivity test and gravity scale test to determine its weight in air and water.

Davis told park employees that he planned to keep the diamond for a while before he decides to have it cut or appraised.

Even with the blistering heat, about 500 people had visited the park by 4 p.m. Thursday and a total of about 600 was expected for the holiday.

The park planned an "America the Beautiful" program Thursday evening, which included a slide show on keeping parks and other places clean of trash and waste.

He said there were more visitors than usual this holiday, but there was no particular reason. The average number of visitors for the park is about 350 to 400 people for this time of year.

There have been 228 diamonds found at the park so far this year. The second-largest is 1.61 carats.

The last diamond found weighing more than three carats was in October 1990. It topped four carats, Stolarz said.

Arkansas Gazette

. . Friday, July 5, 1991

SECTION

B

$10,000 diamond found

Nashville man finds Crater of Diamonds gem

By John Reinan
Gazette Staff

To mark the Fourth of July, James Davis of Nashville decided to pay his first-ever visit to Crater of Diamonds State Park near Murfreesboro (Pike County).

He walked away with the largest diamond found at the park so far this year, a 3.39-carat stone that could be worth as much as $10,000 when it's cut and polished.

Tom Stolarz, the park's geological interpreter, said Thursday that Davis didn't even realize what he had until a fellow gem-seeker told him.

"He didn't know it was a diamond when he held it in his hand," Stolarz said. "One of the other fellas that knows something about it looked over and said, 'Hey, buddy, you've got something there.'

"We did a battery of tests and determined it was a diamond," Stolarz said.

Davis found the gem near the center of the park's 35-acre diamond field, in an area known as Beatty's Hill. Attempts to reach Davis for comment Thursday night were unsuccessful.

Stolarz said Davis' gem was a teardrop-shaped white diamond about the size of a jelly bean.

Calculating a rough stone's value is difficult, Stolarz said. However, a slightly larger stone of similar color and shape found in the park two years ago was valued at $11,000 after it was cut and polished, he said.

Joan Morris of the National Park Service said Thursday that Davis found his diamond on the surface, without digging. She said that was probably the result of deep plowing at the park the past two weeks designed to bring up diamonds from below the surface.

"The park always predicts that after the first heavy rainfall after the plowing that diamonds will be found," Morris said. "There was nearly an inch of rain last night, so this is just as the park predicted."

The largest gem ever found at Crater of Diamonds was a 16-carat diamond found by an Amarillo, Texas, man in 1975.

Friday, March 22, 1991 Arkansas Gazette

$38,000 gem found in Crater of Diamonds park

By Laurie Karnatz
Gazette Staff

MURFREESBORO — A week after a 4.33-carat "diamond" found at Crater of Diamonds State Park turned out to be fake, news that a real gem of perfect quality worth $38,000 was found was released Thursday.

The diamond, found two to three months ago by a Texas resident, was a 4.13-carat rough diamond, Bill Underwood, a Fayetteville gemologist said Thursday.

After a preliminary inspection of the diamond, Underwood said he told the man, who asked not to be identified, that the stone was "potentially a very, very fine diamond," so the man agreed to send it to New York to be cut.

When the cut diamond arrived at Underwood's Jewelers about two weeks ago, an appraisal and grading of the gem revealed a perfect, 000-grade, 1.4-carat stone valued at about $38,000, Underwood said.

"That is the finest grade [of diamond] money can buy," he said. Diamonds are rated by clarity, color and cut.

Because a diamond of that quality is so rare, Underwood sent the diamond to the Gemological Institute of America in California, where his initial evaluation was verified.

"The thing that excites me is that no matter where in the world a diamond is mined, nothing is finer than a 000 [grade] and here we are in Arkansas with a diamond that turns out to be the absolute finest money can buy," Underwood said.

"That's rare in any market or country, but to find it in Arkansas is really special."

Underwood said finding a stone from which a 1-carat diamond can be cut is about one in a million, and the odds of cutting a perfect 1-carat diamond are "astronomical."

Underwood, who has appraised many diamonds from the park since it was created in 1972, said the authenticity of the diamond field should not be doubted, despite occasional fakes planted in the park by pranksters.

Brinda Golden of Rusk, Texas, was told that a 4.33-carat stone she found March 9 was genuine by park personnel, but a closer inspection by Underwood revealed a fake. Several other fake stones were found in the area Golden found her stone, Jim Cannon, the park superintendent said.

Cannon could not verify if the 1.4-carat perfect stone was the best to come out of the park because "many went with the finder and were never actually graded. But it sounds like it's in the top 10 percent."

· Wednesday, March 20, 1991

SECTION B

Fake stone melts dreams of dollars

Only fame comes from Texan's find

By Phoebe Wall Howard
Gazette Staff

All Brinda Golden wanted was a new car.

All her mother wanted was a recliner.

"My eyeballs was seein' dollar signs," Golden said from her Rusk, Texas, home Tuesday.

But that was before Golden discovered her jelly bean-sized diamond, the one she dug out of the mud at the Crater of Diamonds State Park near Murfreesboro March 9, was a fake.

A certified gemologist at Underwood's Jewelers in Fayetteville broke the news to her, after park officials had told her the 4.33-carat man-made stone was authentic.

What she hoped might be worth as much as $10,000 brought nothing.

If that wasn't bad enough, zipping around to gemologists and the ensuing scandal ruined her vacation with her boyfriend, Golden said. She never found time to visit Eureka Springs or Branson, Mo.

"I went there poor and I come back home poor, but I come back home famous," Golden, 36, said.

So, her last-minute decision to vacation in Arkansas instead of Las Vegas seemed worth it.

Tuesday, Golden received her worthless stone in the mail from a Little Rock gemologist. She has no idea what she'll do with it.

However, Golden, who serves food to prison inmates, says she hopes to dig in the park again.

"If I get to go back, I'll continue to pick up little stones and then have them tested. But I'm not never gonna get excited if they tell me it's a diamond, not until I get it checked by a professional."

Residents in Rusk have asked her if she thought the park had any real diamonds, she said. She is encouraging Texans to visit Murfreesboro — a place her boyfriend, Marvin Lloyd, an electrician — has visited about 12 times, Golden added.

She hopes the park can get better diamond-testing equipment. Park officials hope so, too. They're updating equipment.

Jim Cannon, park superintendent, said he can't explain where the stone came from: whether it was planted as a prank, as a test to see if park equipment could identify the fake stone or whether a a rock hobbyist inadvertently dropped it.

"Obviously we can't go through people's pockets," Cannon said. "We can only make ourselves better at identifying. We've got to be good enough to not let it happen again."

Authorities have discovered fakes at the park before, he said. However, the stones usually don't pass diamond tests administered by park officials.

Any allegations that the park doesn't have diamonds are categorically untrue, said Bill Underwood, owner of the jewelry store that identified the stone.

Arkansas Gazette. · · Saturday, March 16, 1991

Metro/State



4.33-carat stone wasn't a diamond

Man-made rock found near Murfreesboro

By Karen Rafinski
Gazette Staff

Some diamonds aren't forever.

A 4.33-carat stone found Saturday in the Crater of Diamonds State Park near Murfreesboro was a fake, the park announced Friday.

The park had proclaimed the rock a diamond last Saturday after Brinda Golden of Rusk, Texas, brought it in from the field. But when the woman took it to a Fayetteville jeweler to have it appraised, the store informed her it was a man-made stone.

Mike Howard, geologist with the state Geological Commission, then tested the stone and determined it was either yttrium aluminate or gadolinium-gallium garnet — both man-made.

Cannon said he estimated the fake would cost $50 or more.

"I don't think she had any idea," said Jim Cannon, park superintendent. "She was truly shocked when she found out."

Golden could not be reached for comment.

Cannon said the park was interviewing people who were digging last Saturday to see if they saw someone drop or place the fake in the ground. Pranksters have dropped glass beads in the digging field in the past. But Cannon said many of the diggers are rock hobbyists who carry stones in their pockets, and the stone could have been dropped by one of them.

"We'll probably never know," Cannon said. "But we're keeping our eyes and ears open and looking into it a little bit."

Cannon said Golden found two other stones in almost the same place that also turned out to be fakes. He said another fake had been found Friday. Park officials declared those rocks fakes immediately.

Howard said the fake rock he tested has properties similar to a diamond, and was extremely difficult to distinguish from the real thing. Cannon said the park would improve its testing so that its mistake is not repeated.

Over 16,000 diamonds have been found at the park in its 19 years of operation but this was the first fake to pass the park's tests, Cannon said.

Senior citizens make

early December.

Pike County

■ MURFREESBORO — U.S. District Judge Susan Webber Wright refused Tuesday to clarify her order banning test drilling in the Crater of Diamonds State Park.

Wright said it appeared that the state, which requested the clarification, was actually trying to find out if it were legal to spend state money on exploration. The judge said that issue was not addressed in her order and was not an issue in the lawsuit. She said she was not authorized to issue advisory opinions.

Pope County

State won't appeal diamond drilling ban

Two mining companies can still push their case

By Toya Hill
Gazette Staff

The state Parks, Recreation and Travel Commission voted Thursday not to appeal a federal judge's decision to stop test drilling at the Crater of Diamonds State Park.

The original vote by the commission against appealing was 7 to 4, but then the commission voted to make the decision unanimous.

However, the legal wheels could continue to turn in the case, said Richard Davies, executive director of the department of parks and tourism.

That's because both of the mining companies still have an opportunity to appeal, as well as the Department of the Interior, he said.

If they appeal and win, the drilling could go on if the commission agreed at that point, Davies said.

An attorney for the drilling companies did ask the commission to appeal the ruling Thursday, but did not indicate whether the companies would be appealing, Davies said.

When drilling was halted, drillers had reached 40 feet in the fifth hole of 30 scheduled holes. Davies said the portion of the project that they were able to complete cost about $110,000.

"We don't know if this thing is going to be over," Davies said. "The estimate from the attorney is that if an appeal is filed you'll probably be looking at next year for decision from the 8th Circuit [Court of Appeals]."

"We really cannot consider this thing over until it's run its course,"

See MINE/11A

Mine needed for jobs, mayor says

Continued from Page 1A

he said.

But some people were jubilant over the commission's decision, which came after 3½ hours of debate.

"I applaud the decision," Jane Terrell, a Murfreesboro resident who spoke against the appeal, said. "I felt like it took a lot of courage."

Terrell, who was representing the Diamond Gateway Tourism Association, said her main reason for contesting the appeal was that it would stop overall development of the park and recreation area.

"I felt like that it would put us in a limbo situation for the next two to 10 years," she said. "We need to be about going ahead and developing the park."

The state was having test drilling done, funded by four mining companies, to gather information on the underground formation known as a "pipe," the gem-bearing ore.

Three environmental groups sued to stop the work because they said damage would be done to the park and recreation area.

The drillers were told Aug. 6, by U.S. District Judge Susan Webber Wright to halt all work in the park immediately because drilling violated the federal Land and Water Conservation Act.

The state, the U.S. Department of the Interior, which authorized the state to begin drilling; and the two mining companies that intervened in the case had 60 days to appeal.

Some were disappointed in the decision Thursday.

> *"I feel that the potential for an improved park and a sizable increase in tourism for the area was so great, and the risk so small, that we should have kept the door open."*
>
> —**Neely Cassady,** state senator

"I felt like they should appeal Judge Wright's ruling and finish the test drilling because they [the drillers] have discovered we really do have something big there," Murfreesboro Mayor Alton O'Neal, who spoke before the commission, said. "If we're really sitting on something big, then it might be worth something to the state."

O'Neal said his main reason for backing the appeal was the chance of jobs coming to the town.

"Our chicken plant just closed and we have 265 people out of work," he said. "I'm looking out for jobs."

The mayor said 90 percent of the people who are against commercial mining are people who don't need jobs.

State Sen. Neely Cassady, who also spoke Thursday, agreed that the possibility of new jobs was a reason for an appeal.

"I heard from many more that wanted the testing done" than from those who didn't, said Cassady, who has constituents in the area. "Most of them would like to stay and keep their families in Murfreesboro, but they would like to have some hopes."

"If they can't see anything developing for the future, the thinking is maybe we'd better move our families elsewhere," he said.

Cassady also said the possibility for increased tourism was a good reason to appeal the decision.

> *"Our chicken plant just closed and we have 265 people out of work. I'm looking out for jobs."*
>
> —**Alton O'Neal,** Murfreesboro mayor

"I feel that the potential for an improved park and a sizable increase in tourism for the area was so great, and the risk so small, that we should have kept the door open," he said.

A legislative subcommittee recently extended commendations to all who helped bring testing of the commercial mining potential of Crater of Diamonds State Park to reality, and Cassady co-sponsored the 1987 legislation that cleared the way for the testing.

However, both Gov. Bill Clinton and Republican candidate Sheffield Nelson have said that no mining should take place in the park.

SUMMER SALE



JoEllen Black/Gazette Staff

GOING HOME: Stymied by a court order that shut down test drilling at the Crater of Diamonds State Park, drillers (above) start packing up their equipment Wednesday. Glen Bilbrey (right) an employee of Boyles Brothers Drilling Company of Murfreesboro, Tenn., loads a box on a truck. Meanwhile, the visitors (below) to the park continue their search for the precious stones. Bill Gray of Perryville was there Wednesday. He said he was for limited drilling to "learn about where the diamonds are," but was against "strip mining for big dollars."

Diamond drillers happy with results

Findings 'phenomenal,' engineer says

By Toya Hill
Gazette Staff

Drillers at the Crater of Diamonds State Park started packing their equipment Wednesday, much sooner than they wanted, but they said the diamond mine testing was not a waste.

"I think the results have been phenomenal," John Morgan, project manager and mining engineer, said. "Any information is better than no information."

The state was having test drilling done to gather information on the underground formation known as a "pipe," the gem-bearing ore.

Three environmental groups sued to stop the work because they said damage would be done to the park and recreation area.

The drillers were told Monday by U.S. District Judge Susan Webber Wright to halt all work in the park immediately.

Wright said the real purpose was commercial mining, and that it would violate the federal Land and Water Conservation Act.

The state has 60 days to appeal.

"There's no real big hurry to make any decision," Sheila Sharp, chief of grants and special projects with the state parks division, said. "The information that we've already gathered will have to be carefully considered."

The parks commission will hold its regular meeting August

See DRILLING/6B



Drilling

Continued from Page 1B

16 and 17 and is expected to discuss mining.

"There's got to be some benefit from it," Sharp said. "We know more than we did."

Morgan agreed.

"We know it [the pipe] has got depth, we know it's got some steep sides," Morgan said. Drilling definitely revealed factual information about sub-surface materials, and the fact that it's a deep reserve, he said.

"If we'd waited for the decision everyone would still be speculating," Morgan said. "In that sense it's been very beneficial."

Officials said there's no way to determine the value of core that they've found so far, but said the whole project has cost between $60,000 and $70,000. Four commercial mining companies supplied $350,000 to fund the project.

Drillers had reached 40 feet in the fifth of 30 scheduled holes when the drilling was halted. They are now in the process of returning it to its original state.

The drill, two pick-up trucks and a bulldozer are expected to be gone by Friday.

The only equipment that will remain is a trailer that is housing 5,097 pounds of samples taken during drilling, Drew Holbrook, on-site geologist, said.

Holbrook said mining representatives are expected to examine the material housed at the site within a few weeks, before determining what action they will take.

"They will be looking for special rock types that are positive" or diamond-bearing, he said.

Arkansas Gazette. · · Tuesday, August 7, 1990

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Metro/State

SECTION B

Judge orders halt to diamond drilling

By George Wells and Cary Bradburn
Gazette Staff

Environmentalists won the second round in the fight over mining at the Crater of Diamonds State Park Monday when U.S. District Judge Susan Webber Wright ordered a halt to drilling.

In June, after a two-day hearing, she had refused to issue a preliminary injunction to stop drilling immediately, but said she was inclined to stop all mining eventually.

The state decided to go ahead with Phase I, a test-drilling program, in the park located about 90 miles southwest of Little Rock near Murfreesboro, despite the judge's statements.

State Parks and Recreation Director Richard Davies said Monday that activity was ordered halted immediately. He said there had been no drilling Monday anyway because of equipment failures.

The state said it wanted to gather information on the underground formation known as a "pipe," the gem-bearing ore, for scientific interpretation.

Wright said the real purpose was commercial mining. Test drilling was designed to discover the shape of the pipe and how rich in diamonds the park was.

"The overwhelming weight of the evidence indicates the intent of Phase I testing proposed by the state was not to obtain data for the park interpretive program but to obtain information that might ultimately lead to commercial mining," Wright said.

That would violate the federal Land and Water Conservation Act, she ruled, because the state had accepted a federal grant to develop the park and promised to maintain it for outdoor recreation. Wright said commercial mining was not compatible with outdoor recreation.

The decision by the U.S. secretary of the Interior to allow test drilling was arbitrary and capricious, the judge said, because he did not consider Phase I as an integral part of the decision on commercial mining.

"As far as we're concerned, we hope this puts an end to this foolishness," Jim Stanley, lawyer for the Sierra Club, said.

"We expect the defendants to cease and desist all drilling activities immediately," he added.

Stanley said the judge's opinion was well reasoned and that it was clear from the length of the order that she had put a lot of consideration into it.

"It vindicates the conservationists' position that commercial use of the park is illegal and environmentally destructive," Stanley said.

"The people have prevailed in this case because it preserves the integrity of our state parks," he said, contending that the ruling had wider significance in establishing the principle that private, for-profit

See PEOPLE/9B

METRO/STATE

'People have prevailed,' Sierra Club lawyer says

Continued from Page 1B

interests ought to stay out of the parks.

He said park assets were owned by all the people and no one had a right to exploit them for personal economic gain.

He said the environmentalists' arguments were more philosophical than ecological as far as the test drilling was concerned. He conceded that the environmental damage of test drilling was reversible, but of greater importance was preserving the park from commercial encroachment.

The decision to appeal will be up to the Parks, Recreation and Travel Commission, Davies said.

He said the commission had a regular meeting next week, but would check on any interest in calling a special meeting.

"We knew that this legal situation was there," Davies said. "We've known it since we started this thing. The commission's view was, let's ask [the U.S. Interior secretary]."

"This whole thing is a valid question of public policy," he said. "I have friends on both sides of this issue."

Davies said he called the park superintendent and told him to tell the companies to stop drilling.

In finding that the true purpose of test drilling was commercial mining, Wright observed that the only data being sought were the size and shape of the pipe and said there was no evidence explaining how the information could or would be used.

"No evidence suggests that Phase I testing would lead to substantial enhancement of the park's recreational value," the judge said. She said the interpretive data that would be gathered "would be of little or no beneficial use to recreational users of the park."

Wright wrote:

"The record in this case indicates that the state, in seeking permission for Phase I testing, had commercial mining as its actual goal. ... Findings and recommendations [by the Diamond Mine Advisory Task Force] are unequivocally focused on the feasibility and potential of commercial mining at the park, not on the park interpretive program."

If the state permitted commercial mining in the park, that would amount to a conversion to a non-recreational use, Wright said, which would require the park to be replaced by a site suitable for a park of equal value, she said.

"There was absolutely no evidence that another diamond mine exists that could be substitution property under terms of the act," she said.

An amendment to the Land and Water Conservation Act allows wetlands to be substituted for about any other kind of park, but Wright said there was no evidence that the state had a recreation plan that would provide for such a substitution.

If a suitable substitution could not be made, the judge said, it would be a violation of the conservation act, under which the park development grant was made in 1976.

Wright said she based her decision on that factor and declined to rule on several other arguments raised by the environmental groups that filed the suit in June. They are the Sierra Club, the Arkansas Wildlife Federation and Friends of Crater of Diamonds State Park, Inc.

METRO/STATE

Lawmakers align with drilling at Crater of Diamonds park

By James Merriweather
Gazette Staff

A legislative subcommittee Thursday extended commendations to all who helped bring testing of the commercial mining potential of Crater of Diamonds State Park to reality.

Sen. Neely Cassady of Nashville, co-sponsor of the 1987 legislation that cleared the way for the testing, persuaded fellow legislators to go on record as supporting phase 1 drilling at the park.

Since the drilling was "making history" at no cost to taxpayers, he said, the committee also should commend "all who have been involved for their efforts" — including Gov. Bill Clinton and the state Parks, Recreation and Travel Commission.

Rep. William Mills of Kensett cast the only vote against the resolution, saying it would only bolster the widely held, but mistaken, notion that test drilling necessarily would lead to mining.

"It makes it appear we support the entire project, including mining," he said. "That just gives a bad appearance to the public from the legislature."

But the subcommittee, having just heard that the three test holes drilled as of Thursday had produced promising results, aligned itself with drilling proponents.

Several members of the state parks subcommittee of the Joint Interim Committee on Agriculture and Economic Development said they saw no reason for the ruckus being raised by environmentalists who have sued to have the drilling stopped.

Rep. Robert "Sody" Arnold of Arkadelphia said that, on the surface, the park offered no more aesthetic appeal than a plowed field on the average Arkansas farm. It certainly couldn't be hurt, he said, by the drilling of test holes measuring less than 2 inches in diameter.

"All this environmental uproar about damaging the park is ridiculous," Arnold said. "We've got something that's dying on the vine, and I think we should get excited about what we might have down there and get off this environmental stuff."

Last month, U.S. District Judge Susan Webber Wright rejected a challenge of the drilling on environmental grounds. But she served notice that plaintiffs in the case — the Sierra Club, the Arkansas Wildlife Federation and Friends of Crater of Diamonds State Park — were likely to bring the drilling to a halt at some point by prevailing on the legal merits of the case.

John Morgan, manager of the drilling project, said the first of three holes drilled since July 17 had shown that the volcanic pipe, or diamond-bearing soil, extended to a point beyond 690 feet deep. At that point, the drilling was stopped because it hit gooey clay and mud.

Two subsequent test holes apparently determined the east end of the pipe, Morgan said, but the west end of the diamond-bearing area is still undetermined.

ARKANSAS DEMOCRAT • FRIDAY, AUGUST 3, 1990

Miners call anti-drill suit harassment

Democrat Staff

Two mining companies embroiled in a controversy over test drilling at the Crater of Diamonds State Park told a judge Thursday a recent effort by environmental groups to block drilling is frivolous.

Stuart P. Miller of Little Rock, attorney for Capricorn Diamonds Ltd. and Kennecott Corp., said the request should be denied because its only intent is to harass the companies and the state.

Attorneys for three environmental groups that oppose test drilling at the park near Murfreesboro asked U.S. District Judge Susan Webber Wright last week to block the drilling.

They alleged the mining companies have not complied with certain standards Wright established for limited drilling in the park.

The issue of whether the mining companies violated Wright's order regulating drilling at the park is part of a lawsuit that Wright is expected to resolve soon.

Test results on diamonds 'phenomenal'

BY JOAN I. DUFFY
Democrat Capitol Bureau

Initial test results indicate the surface of the diamond deposit at the Crater of Diamonds State Park in Murfreesboro may be three times larger than the 37-acre plowed field where tourists hunt for treasure, a mining expert said Thursday.

John Morgan, a mining consultant under contract with the state to oversee test drilling at the park, said results so far were "phenomenal."

Drillers have bored down nearly 700 feet and have yet to hit the bottom of the diamond vein and geologists believe the mouth of the diamond vein may extend beyond a rocky hill west of the digging field into a wooded area.

"It's big if the surface area is limited to the (known) 37 acres because of the depth," Morgan said. "If it is triple that size, Arkansas has a world-class reserve.

"We're talking about a large reserve."

Morgan told members of a legislative subcommittee on state parks, however, that the value of gems in the mine could not be determined without further testing. The state has agreed to

See DIAMONDS, Page 8A

...Conrad Burns, R-Mont. ...this, ...

Diamonds

• Continued from Page One

only first-phase testing to determine the size of the only known diamond mine in America.

Morgan said a consortium of four drilling companies, which paid the state to participate in the testing, hoped to sink enough holes before a Sept. 12 deadline to give geologists a three-dimensional picture of the diamond deposit.

Three holes – each the diameter of a beer can – already have been drilled and a fourth is under way. Drillers have permission to sink up to 30 holes.

A federal lawsuit filed by several environmental groups could shut down the operation sooner. U.S. District Judge Susan Webber Wright received final briefs Monday on a suit that claims the testing violates conditions placed on a federal grant used by the state to purchase the park.

"There are some people in our state who believe anything is for sale," said Terry Horton, executive of the Arkansas Wildlife Federation, a plaintiff in the federal suit.

"I hope they never want to put a 'for sale sign' on the state Capitol or sell billboard space on the Buffalo River."

Wright could rule on the suit at any time.

The completed test bores and the fourth in progress show the vein is at least 669 feet deep and 1,000 feet wide.

"We've not hit the bottom of the (diamond) pipe," he said.

The diamond field also could be double the 1,000-foot width. Morgan said drillers boring at a 45 degree angle west of the plowed diamond field gave up after hitting a vein of tough magma rock. However, geologist believe more diamond-bearing soil may be on the other side of the vein and extend into the wooded area west of the park's diamond field.

"We're hoping to get through the magma and see what's on the other side," Morgan said. "It still could be 1,000 feet the other way."

A final analysis of the data being collected won't be compiled before November, Morgan said.

Members of the state parks subcommittee of the Joint Interim Committee on Agriculture and Economic Development passed a resolution by Sen. Neely Cassady of Nashville praising work of the Department of Parks and Tourism in arranging for the test drilling at no expense for the state.

Four drilling companies agreed to pay for the testing with the understanding that the state had no plans to pursue further testing or allow commercial drilling at the site.

"We don't know what's down there and we're getting it checked out for free," said Rep. Lloyd George of Danville.

The test agreement with the mining companies also states that the state intends to continue operating the Crater of Diamonds as a state park.

Morgan said the first phase of testing would determine only the extent of the diamond vein. Further tests would be needed if the state wanted to know the quantity of diamonds in the vein and the value of the rocks.

Finds by tourists at the park, however, indicate the stones are of gem quality.

"There are enough gemstones and near gemstones being found to say there are quality diamonds," Morgan said.

Rep. Bob "Sody" Arnold of Arkadelphia said park attendence has been on the decline in recent years and commercial mining could spur interest in the park.

"We all need to get excited about the fact we may have something there."

Letters

Profits from a diamond mine won't benefit Arkansans

To the Editor:

I was distressed to see that Senior Editor Robert McCord had sided with the mining interest in the Crater of Diamonds issue (Forum page, July 22).

We can be the Natural State and prohibit reckless industrialization that tears away our nature purely for the money, or we can continue to be a colony of the industrialized part of the world. Arkansas and the Dutch colony, Surinam, were treated the same way; both had the bauxite ore dug out and most of the ore and nearly all the aluminum shipped off to have the value added somewhere else. The profit was made elsewhere. Where are the libraries built as a result of Arkansas bauxite? Where are the civic centers and universities?

The truth is that Arkansas is colonized when it comes to its natural resources for a minimum wage and an ultimate hole in the ground. Look around Lead Hill or Rush or Coal Hill or Smackover. Where is the wealth from the lead and zinc and coal and oil that once flowed through these communities? For the most part the wealth flowed out of state because that's where the value was added. The industrialists outside Arkansas benefit from our natural resources far more than Arkansas people do.

Until people who care about this state start demanding realistic severance taxes and the reinvestment in this state of the bounty so cheaply dug from it, we will continue to be the last in education.

I won't try to correct all the errors in the column, but there are certain glaring ones that deserve some response.

First of all, testing is mining; all of the witnesses who were asked testified that testing is the first step of mining. The "scientific method now available" to test is seismographs, whereas drilling, according to the mining witnesses, is technology that has been available for many years. Drilling is not a recent "scientific method" — a term used to sell the state a phony plan to change a park into a strip mine. The diamond mining for tourists will take place off-site in mounds similar to tailings where some of the ore will be dumped. And, of course, the tourists will not be able to see a "diamond mine in operation" nearly as long as they would be able to hunt for diamonds in the present location.

On a recent Saturday I observed hundreds of tourists at the mine, and less than half the license plates in the parking lot were Arkansas tags. The legislature passed a bill to allow mining, not to "test the pipe's richness"; testing is not mentioned. Last but not least, the Interior Department approved the testing only after an attorney, who had given his written opinion that testing was illegal, was told to change his opinion by a Washington attorney who apparently relied on a document in evidence captioned "Unidentified Source." I never thought McCord would approve of decisions made in the shadows of Washington lobbyists.

John P. Gill.

Little Rock.

(*NOTE* — John Gill is the lawyer for the persons who are in federal court trying to stop testing at the Crater of Diamonds. — *Editor.*)

Diamond hobbyists, firms between rock, hard place

Judge gets arguments today over crater park's future

By Bill Nichols and Jim Welch
Gannett News Service

MURFREESBORO — Here in southwest Arkansas, diamonds are this town's best friend. But precious gems — tens of thousands of them over the years — are also at the heart of a legal battle.

A federal judge receives final written arguments today in a suit over the future of Crater of Diamonds State Park here, which some call a real-life field of dreams.

About 85,000 tourists come annually to the park, North America's largest and richest diamond reserve. They pay $3.50 per day to scrounge through the Arkansas dirt to find diamonds.

About 1,277 — the largest of which was 3.75 carats — were found last year. About 20 percent of the diamonds found are gem quality.

"I have heard about this place for 17 years and I've always wanted to dig for diamonds," says Frances Walker, of Lee's Summit, Mo., a recent visitor. "I've found a couple of little rocks and I sure hope they're diamonds."

But folks like Walker — who hunt for treasure by digging with everything from shovels, hoes, homemade sifters and their bare hands — fear four area mining companies might be out to put a stop to their sometimes lucrative hobby.

This mining consortium, which believes a fortune might be buried here, is paying for state-sponsored test drilling of the site. Many here believe this is a prelude to full-blown commercial mining.

Any commercial mining would have to be approved by state and federal officials, but some residents and a coalition of environmental groups are taking no chances.

They've asked U.S. District Court Judge Susan Webber Wright to stop the drilling. And though she refused to grant an injunction in late June, she indicated she's leaning toward doing so in the future and believes testing is just the first phase of mining the park.

Final briefs are due in court today with a decision expected within 10 days.

"It's the only place like it in the world. Certainly, we feel it's worth saving," says Terry Horton, executive director of the Arkansas Wildlife Federation.

Dale Aclin, project manager for one of the mining firms involved, Arkansas Diamond Development Co., is perplexed by such talk.

"I don't know how anyone can get so far astray from people trying to give the state government some money to come up with information about something they own," he says. "They absolutely don't know what they have and neither does anybody else."

The issue of potential economic impact is a hot one in Murfreesboro, a town of 1,900 that is deep in poverty stricken Pike County, where per capita income is 67 percent of the national average.

The town's chief employer — a poultry processing plant that offers 265 jobs — recently announced it will close.

That has some in Murfreesboro wondering if commercial mining — and the jobs it might offer — might be a good thing. Residents say the town is split.

"There are towns that would give their right arm to have a diamond mine like we have," says Mayor Alton O'Neal. "If there are billions of diamonds down there, we need them."

Those who are pro-development say up to 300 new jobs could be created and the state could collect a 5 percent sales tax on the value of diamonds found.

But others have a more sentimental attachment to the 35-acre field — actually the crater of an extinct volcano — which was discovered in 1906 and purchased with state and federal money in 1972.

James Archer, a 65-year-old retiree from Nashville, Ark., has been hunting at Crater of Diamonds for 16 years. Locals call him one of the "regulars."

"If they would leave it like it is, everyone, including the state as a whole, will be much better off. This is a way of life for me," Archer says.

Since 1906, when local legend says John Huddleston found the first diamond at Crater of Diamonds while plowing turnips, thousands of gems have been found at the park. Since it became a state park in 1972, tourists and Murfreesboro residents have taken more than 13,000 diamonds.

Among the prize finds:

- "Uncle Sam," a 40.23-carat stone, the largest ever found in North America.
- The 34-carat "Star of Murfreesboro."
- The 16.37-carat "Star of Arkansas."

Environmental groups attack diamond testing

By George Wells
Gazette Staff

Mining companies exploring the diamond-bearing soil in the Crater of Diamonds State Park still aren't doing it right and ought to be stopped immediately, three environmental groups contended Friday.

The companies are drilling exploratory holes to determine the size and shape of the "pipe," or gem-bearing soil, in the park to determine if commercial mining is feasible.

U.S. District Judge Susan Webber Wright refused to stop Phase I of the exploration, but indicated after a hearing earlier this month that she might eventually block commercial mining because the park was supposed to be for recreation.

Final written arguments are due Monday in the case, and then Wright will issue a final ruling.

On July 17, Wright told the companies, in response to an earlier complaint by the environmental groups, to comply with the methods they outlined during the hearing or specified in their contracts.

The companies said they were complying, but on Friday lawyers for the environmentalists said the drillers were not muffling the sound through water, not using balloon tires, not lining sumps with plastic, and not maintaining cement on the site to handle an emergency if an artesian well is struck.

The motion also said the drillers were pumping effluent into the public area of the park.

Engineer: Drilling won't stop

Gazette Staff

MURFREESBORO — Officials drilling at the Crater of Diamonds State Park said they will not stop drilling Monday as had been reported in some places.

"We will not be stopping," said John Morgan, project manager and mining engineer. "The commission voted to not stop until we actually got an injunction to stop us."

Three environmentalist groups have sued to stop the work.

U.S. District Judge Susan Webber Wright is scheduled to get briefs in the case on Monday and can rule anytime after that.

Drew Holbrook, on-site geologist, was reported Wednesday as saying that they would stop drilling Monday until Webber makes her decision, but Morgan said Friday that was a mistake.

Morgan said they started drilling on the third hole Thursday, and have reached 79 feet. "We'll probably be on hole number four by Monday or Tuesday," he said.

Without mining jobs for people, birds might not last long

To the Editor:

Bob McCord's comments July 22 about testing for diamonds show him to be informed and fearless.

At one of the public hearings where representatives of every group from the Herpetologic Society to the Audubon Society had their say, a lady from Murfreesboro got up and said that if they didn't get more jobs, the people would be eating the birds that the previous gentleman was interested in protecting.

When the Anaconda Company was seeking a lease several years ago, its representatives estimated that if the rock proved to have enough diamonds to justify a plant, the return to the state would be $3 million to $15 million per year, depending on the concentration of stones. This would be for a minimum of 20 years, or a total of $60 million to $300 million, and without interfering with the operation of the park.

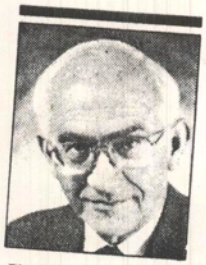
Norman F. Williams Sr.,
State Geologist.

Little Rock.

Testing for diamonds isn't end of the mine

The environmentalists are prematurely overwrought about the prospect of mining at the Crater of Diamonds State Park in Murfreesboro.

They went into federal court to get an injunction to stop the preliminary testing, which consists of drilling 30 holes 1⅞ inches in diameter. John Gill, their lawyer, waved a tiny Arkansas flag (in case you don't remember there's a diamond in the middle of it) and said Arkansas would be giving up its birthright if this drilling was allowed to proceed. "We're either going to be the natural state or a colony," he said, whatever that means.



Robert McCord

Well, federal Judge Susan Webber Wright refused to issue a temporary injunction, so the testing has started. However, Gill and his clients are still whining that it's ruining the environment.

Now this is not the Dead Sea Scrolls or even a tropical rain forest we are trying to protect down there in Pike County. It's 35 acres of sticky, yellow-greenish dirt inside an 880-acre state park that covers what might be a very productive diamond pipe, maybe even one of the richest in the world.

Put the accent on the "maybe." Since 1906, people have been mucking about down there in the kimberlite, digging up some fine quality stones but all from the first three or four feet at the top of the pipe. There have been some brief, shoestring tries at commercial mining, but in all these years it's never been anything but a down-at-the-heels tourist attraction. Some people even believe it's phony, that the park rangers seed the diamonds.

The state bought it in 1974, but it didn't have the resources to develop it into much of a park, much less test the pipe's richness. But a few years ago, some people with the resources suggested it was time to find out. Some have guessed the pipe might contain $5 billion worth of gems.

Naturally, this got the attention of politicians, especially those who represent Murfreesboro and Pike County, where the per capita income is $1,000 below the state average and jobs are so scarce that 25 percent of the people have to work outside the county.

The legislature passed a bill to allow testing, a task force of scientists and environmentalists approved it and so did the Department of the Interior, which once put up some funds to develop the park. Now the environmentalists are saying that testing will lead to mining and the destruction of the park and that it is illegal because federal law says that land developed for "public outdoor recreation use" with federal money cannot be converted to something else. While denying the temporary injunction, Judge Wright ordered lawyers to submit briefs with the suggestion she might stop the project permanently.

Whoa! Everyone needs to slow down and think about what's really going on:

■ Testing is not tantamount to mining. If the tests aren't very promising, there won't be any mining. But what sense does it make to have this natural resource and not use scientific methods now available to find out how valuable it is?

■ If it turns out to have a potential in the millions or billions, all of the citizens ought to derive some benefit from it just as we do from other natural resources.

■ Commercial mining would enhance the park, not destroy it. Everyone in state government is committed to retaining an area where tourists can hunt for diamonds just as they do now. Publicity about a commercial diamond mine in a state park would attract many more tourists not just to search for diamonds but to watch the nation's only diamond mine in operation.

■ If the testing is promising and a law prohibits the leasing of park land for mining, I believe the Congress would make an exception; diamonds, after all, are critical in industry and for defense and now have to be imported. However, it seems to me that leasing a part of the park for mining comports with the purpose of the federal law, which is to allow more persons to benefit from publicly-owned land.

Right now the only beneficiaries of the mine are about 70 regular diggers who have found three-fourths of all the diamonds discovered there. And, incidentally, some of them are among the "environmentalists" who have filed this lawsuit.

Senior Editor Robert McCord's columns appear on Tuesday, Thursday and Sunday.

America turns inward

METRO/STATE

Feds take no stand on drilling in park

By Carla Johnson Kimbrough
Gazette Staff

The federal government has bowed out of the controversy over drilling to test commercial diamond mining potential at the Crater of Diamonds State Park.

In a reply filed Wednesday in U.S. District Court, the federal government said the drilling is permissible because it is temporary, lasts a short time, and creates no lasting damage.

"The federal government takes no position with regard to whether the drilling is allowed to continue or not," according to the response filed Wednesday in federal court.

Plastic products firm accused of age bias

Two former employees sued Morrilton Plastic Products claiming age discrimination and asked for a jury trial.

Leatha M. Smiley, 57, former personnel manager, and Betty J. Hansford, 49, a former shipping clerk, alleged Wednesday in a suit filed in federal court that their duties are being handled by younger people.

The suit asks that Morrilton Plastic admit age and race discrimination against Smiley, and that actions were retaliatory; award back pay, vacation and overtime pay and reinstatement into the position.

Hansford wants back pay, vaca-

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Arkansas Gazette

Wednesday, July 18, 1990

Drillers say they are complying

By Toya Hill
Gazette Staff

Contrary to accusations by environmentalists, companies conducting tests on the Crater of Diamonds State Park said Tuesday that they have been complying with rules ordered by a federal judge.

The companies were told Monday by U.S. District Judge Susan Webber Wright that they would be held in contempt unless they adhere to promised regulations. Wright's order came after three environmental groups sought an injunction Friday against further drilling, saying the drillers weren't providing the proper protection to the area.

"We were already complying with it [the regulations] and the judge just reiterated it," John Morgan, project manager and mining engineer, said. "Our attention has been high ever since day one. The drilling company has done a phenomenal job on minimizing the impact" on the area, he said.

The state is having test drilling done to try to measure the pipe, or diamond-bearing volcanic soil, to determine if commercial mining is feasible in the park. Four commercial mining companies are funding the project.

The Sierra Club, the Arkansas Wildlife Federation and the Friends of Crater of Diamonds State Park Inc. have sued to stop the work because they said damage would be done to the park and

See DRILLERS/7B

[illegible] and Monday morning when one truck was accidentally left outside the fenced area.

"The driller is already installed with a flexible exhaust pipe and two mufflers. That was installed the first day," Morgan said. "We're trying to get a third muffler to put on the exhaust to make it a lot quieter."

And on the balloon tires issue, "since day one the rig has been a skid mounted rig," which complies with the requirements, he said. "Any violation was not intentional," Richard Davies, executive director of the Department of Parks and Tourism, said. "If there were any problems they were straightened out.

"We have the specifications, we have the submission of the national parks service, and our intention is to stay within those parameters," Davies said. "We don't feel like we're harming the park."

Environmentalists have also said the drillers are violating the terms of their contract by working two shifts seven days a week.

The contract says the contractors should only work between the hours of 7 a.m. to 8 p.m. unless otherwise stipulated by the contract manager, Morgan said.

"I can change that, and I did. I decided to extend that from 7 a.m. to 10 p.m.," he said.

Their allegations are "removing attention from what is more important for the state — the study of the phenomenal natural resource that they have," Morgan said.

As of Tuesday, drilling of the first hole at the park had reached 690 feet, he said.

And although one hole doesn't tell everything, there are diamonds and good quality stones being found, Morgan said. Drilling is expected to begin on a second hole, just west of the where drillers are now, after the first hole is filled.

ARKANSAS GAZETTE Monday, July 17, 1989

(See PAGEANT on Page 8B.) Marci Lynn Lewallen of Dardanelle, Miss Arkansas, ...

Diamond mining foes mobilize

Group declares war on testing at park in Murfreesboro

By Scott Bowles
GAZETTE STAFF

War has been declared over a Murfreesboro diamond mine.

The new Friends of Crater of Diamonds State Park coalition met Sunday at the state Capitol to declare the Murfreesboro mine a battlefield.

"This is the time and place when the battle lines have to be drawn," Jim Stanley of the Sierra Club said. "If we don't stop it now, it's just going to snowball."

The group is trying to stop industries from conducting commercial mining in the park, the only one in the nation that allows tourists to go diamond searching.

The coalition, whose officers include members of the Sierra Club, League of Women Voters and Arkansas Wildlife Federation, held its first press conference Sunday afternoon.

It may be the first of many visits with the media. The group is embroiled in a struggle with a diamond company composed of Sunshine Mining Co. and Exdiam in Dallas and Stephens Inc. in Little Rock.

The company wants permission to test the diamond fertility of the park. The coalition believes testing would be the beginning of the end of the park's tourism appeal.

The coalition also believes that the federal government is close to allowing limited diamond testing.

"Right now we're considering this a crisis point," Dean Banks, coordinator of the coalition, said.

Banks said members of the National Park Service in Washington, D.C., who will determine the fate of the diamond mine, went on a weekend retreat to consider commercial mining.

A few months ago, diamond mining in Murfreesboro appeared out

(See DIAMONDS on Page 2B.)

Georgia-Pacific union ends strike

CROSSETT (AP) — A new contract proposal that ends premium pay for Sunday work was adopted Sunday by union members at the Georgia-Pacific plywood mill in Crossett ending a strike that began July 10.

The four-year contract calls for pay increases of 3 percent each year and allows for one-time bonuses to some workers who are

day.

Members of the United Brotherhood of Carpenters and Joiners and International Woodworkers of America unions began their strike July 10, three days after rejecting a company offer that included eliminating time-and-a-half pay for employees who work Sunday shifts, union officials said.

Union representatives also ob-

for a 9 percent wage increase over four years. Labor wanted the same increase over a three-year contract.

A Georgia-Pacific spokesman said it was company policy not to publicly discuss negotiations.

The strike affected about 1,000 workers at Georgia-Pacific plywood mills at Crossett and For-

Tuesday, July 17, 1990 Arkansas Gazette 7B

Drilling companies told to comply

By George Wells
Gazette Staff

Companies drilling in the Crater of Diamonds State Park were told Monday to do it the way they said in court they would or they might be held in contempt.

U.S. District Judge Susan Webber Wright said she might also enjoin the test drilling unless the companies obeyed.

The companies are drilling test holes to try to measure the "pipe," or diamond-bearing volcanic soil, to determine if commercial mining is feasible in the park.

Three environmental groups sued to stop the work because of the damage they said would be done to the park and recreation in it.

Friday the environmental groups — the Sierra Club, the Arkansas Wildlife Federation and the Friends of Crater of Diamonds State Park, Inc. — asked for an injunction against further work because they said the drillers weren't providing the protection they promised.

They said that the companies had promised to muffle the drilling noise by venting them through a water-filled sump, use "balloon" tires on drilling rigs to prevent compacting the soil, and keep all drilling rigs behind fences.

The environmental groups said the drillers were violating all those promises and exceeding terms of their contract by working two shifts seven days a week.

Wright again refused to order an immediate halt to the work, but warned the drillers "to comply with representations made to the court at the hearing, in their specifications and contract documents and to the secretary of the Interior."

"Specifically, but not exclusively," she said, this meant using either tracks or low pressure, high flotation tires on all drilling rigs and support vehicles weighing 6,000 pounds or more; keeping all vehicles behind fences while drilling or in storage, and muffling the drilling noise through a water-filled sump.

Test drilling speeds up

Diamonds get 2nd crew

By Jim Welch
Special to the Gazette

MURFREESBORO — Another crew of workers will be added to speed up test drilling at the Crater of Diamonds State Park.

Representatives of mining companies conducting the testing decided Monday afternoon to add the second eight-hour crew in hopes of completing testing before July 30.

U.S. District Judge Susan Webber Wright is scheduled to examine post trial briefs July 30 and make a final ruling on whether testing should be continued.

Wright has indicated that unless she changes her mind, after reviewing the briefs, that she will issue a permanent injunction against the drilling.

The representatives discussed quiet hours at the park — from 7 a.m. and 10 p.m. — and the hours the crews could operate during a 16-hour work day.

Richard Davies, acting director of Arkansas Parks and Tourism Department, said he would like the crews to start before 7 a.m. and be finished by 10 p.m. It was decided that the crews would probably work

See DRILLING/2B

METRO/STATE

Drilling

Continued from Page 1B

from 6 a.m. to 10 p.m., or 6:30 a.m. to 10:30 p.m.

Republican gubernatorial candidate Sheffield Nelson said in a press release Monday that the test drilling is disruptive to tourists.

"It's a sad day for Arkansas when tourists ... arepushed aside so huge drilling rigs can dig up chunks of Crater of Diamonds State park," the release said.

"Gov. Clinton and his friends, including the wealthy Stephens family, who are participating in the test drilling, are ignoring the wishes of the people of the state who clearly do not want the park commercially mined."

John Morgan of Lexington, Ky., project engineer and spokesman for the mining companies, said it hasn't been determined how long it would take to get another crew in operation.

The representatives also voted to hire an assistant geologist for the second shift at an expense of $12,000.

Monday July 9, 1990 Arkansas Gazette

Test drilling gets under way at Crater of Diamonds park

By Renae Ford
Gazette Staff

Drills began hammering through the dirt at the Crater of Diamonds State Park near Murfreesboro Sunday about noon.

The drilling is to determine the shape and size of the park's diamond pipe to see if commercial diamond mining is practical. However, a federal judge said last week that although test drilling is legal, commercial mining in the state park is not.

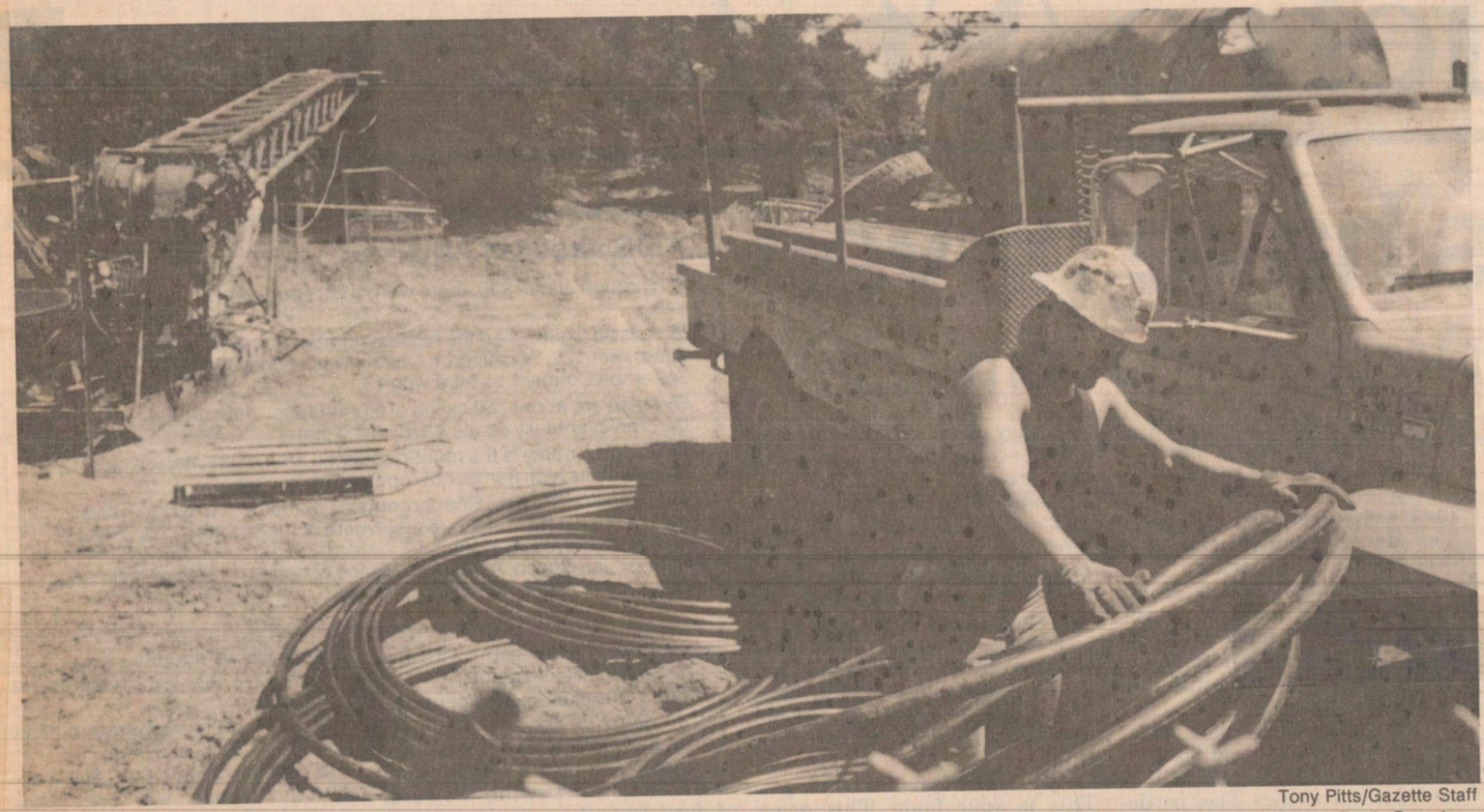
Jim Cannon, the park superintendent, said the drilling got off to a good start Sunday. The first core sample, which was about a foot long, was removed from the hole in late afternoon.

"The drillers are pushing a 1¾-inch pipe inside a 2-inch pipe, which forces core inside the smaller pipe," Cannon explained. "The smaller pipe is 10 feet long, which gives drillers the capability of unearthing a 1-inch-wide and 10-feet-long sample and then placing the pipe back inside to take another sample."

Cannon said he believes the drillers will go about 1,000 feet down, but the final decision on depth will be

See DRILLING/2B

METRO/STATE



Tony Pitts/Gazette Staff

DIAMOND DRILLING: Kenneth Kesty of Glenwood, an employee of Boyles Bros. Drilling Co., moves some hoses in preparation for the drilling of core samples at the Crater of Diamonds State Park Sunday, a test to determine the feasibility of commercial mining in the park.

Drilling

Continued from Page 1B

made in a mining advisory committee meeting today.

Tourists who visit the park regularly to search for diamonds will not be inconvenienced by the drilling, Cannon said.

"The 50- by 100-feet area is the only place that visitors can't hunt for diamonds," Cannon said. "I don't think this will have a dramatic effect on the park's operation."

Cannon explained that unlike tourists, the miners are not looking for diamonds.

"I wouldn't think that they would find any diamonds in the ore they are bringing up," he said. "They may find microdiamonds, but as far as finding real diamonds it isn't a consideration."

Cannon said any diamonds found by the miners would be the property of the state.

"This is the first phase to see if the ore body is large enough for commercial mining," he explained. "They are only drilling to find how deep the ore body goes that contains the diamonds."

Diamond drilling to begin today

By Karen Rafinski
Gazette Staff

Test drilling at the Crater of Diamonds State Park in Murfreesboro is expected to begin 7 a.m. today despite a federal judge's indication that she may halt drilling at the end of the month, Jim Cannon, the park superintendent, said Saturday.

Richard Davies, director of the state Department of Parks and Tourism, said the mining companies that will do the test drilling were rushing the project because of the impending deadline.

"They're probably trying to get in as much drilling as they can in case the judge shuts them down," Davies said.

The mining companies should finish about a third of the testing they had planned by the end of the month, Davies said. They will be able to work six-day weeks, as stipulated under their contract with the state, until they finish or until the federal court stops them.

Davies said he would have preferred to have the testing halted but could not because the department had signed a contract with the mining companies and was obligated to let them begin drilling.

Cannon said a three-man crew moved their drilling equipment into the park Saturday and installed an 8-foot-high fence to keep the public out of the testing area. They were supposed to pull their drilling rig inside the fence Saturday evening so they could begin drilling this morning.

Between 400 and 500 park visi-

Arkansas Gazette

Little Rock, June 30, 1990 35 cents

Drilling for diamonds to proceed at park

By Cary Bradburn
Gazette Staff

Although a federal judge left little hope Wednesday for those who want to mine the Crater of Diamonds State Park, test drilling will proceed.

Richard Davies, director of the state Parks and Tourism Department, said Friday he had gotten legal advice that the department was obligated to honor the drilling contract, because no injunction had been issued.

He said the four mining companies in the contract want to go ahead with plans to take core samples to determine the size and shape of ore deposits.

■ Clinton accused in mining issue/**9A**

The drilling could begin as early as Friday, Davies said, adding that more likely it will start July 9.

"They believe the information is valuable for there as well as elsewhere," Davies said.

Terry Horton, executive director of the Arkansas Wildlife Federation, said he was disappointed about the drilling.

"We feel, based on the judge's statements, that her final ruling will be in our favor and

See 4 MINING/**9A**

4 mining companies want to test drill

Continued from Page 1A

testing will be ruled as illegal," Horton said. "We are disappointed that the testing will proceed."

The federation, the Arkansas chapter of the Sierra Club and Friends of the Crater of Diamonds State Park sued in federal court to stop the drilling.

U.S. District Judge Susan Weber Wright refused Wednesday to issue a temporary injunction on grounds the test drilling would not cause irreparable harm.

But she said she believed the environmental groups ultimately would win the lawsuit, because the real purpose of test drilling was to open the door to commercial mining, which would violate federal and state laws.

Wright said she would rule on the case after July 30. She would issue a permanent injunction if she rules as she indicated Wednesday she would.

Horton expressed concern that the mining companies might try to speed up the drilling process to beat the injunction, but Davies said park rules prohibited that.

It will take eight to 12 weeks to complete the drilling, Davies said.

"If you look at the time frame, we don't expect to complete the drilling," he said.

The drilling is part of the initial phase of the project. The mining companies have agreed to pay the projected $350,000 cost.

BUSINESS NEWS.
A separate section, today and every day.

METRO/STATE

Nelson makes diamond mining a campaign issue

By David Woolsey
Gazette Staff

Sheffield Nelson charged Friday that Gov. Bill Clinton signed into law a bill that would allow commercial diamond mining at Crater of Diamonds State Park even though the governor has said he's against commercial production of diamonds at the park.

Nelson is the Republican nominee in the governor's race. He gave reporters at a news conference copies of a state law Clinton approved in 1987 that allows the state Parks, Recreation and Travel Commission to lease land at the park for commercial production of diamonds.

"Clinton has recently said what they're doing is all preparatory work and is not commercial mining," Nelson said. "This bill very clearly calls for the commercial exploration and production of diamonds at the park."

The commission voted to allow test drilling to see if commercial diamond mining is feasible in the park, which previously was a commercial mine. Thirty holes are to be drilled around the park under state supervision. The $350,000 project cost is being financed entirely by four private companies interested in developing a mine.

Clinton has said he never supported commercial mining at the park.

Campaign spokesman Mike Gauldin said the bill Nelson referred to was designed to give the state latitude in the extent of commercial exploration and production that would be allowed at the park, not to open the door to commercial mining.



Associated Press

Sheffield Nelson: Distributes copies of a state law Clinton approved in 1987 that allows the leasing of park land for commercial production of diamonds.

The 1987 law created an exemption for the park from existing state mineral laws, which Gauldin said would have required the state to either grant complete rights for commercial mining or prohibit it entirely.

Gauldin, reading a statement from Clinton, said the governor has "never wanted to do anything that would hurt the park or even limit its potential to attract tourists."

"The people on the commission who supported testing believe that tourism could benefit and the state could benefit from finding out what was there," Clinton said.

Clinton added that the issue of full-scale commercial mining at the park beyond the test-drilling may be irrelevant because U.S. District Judge Susan Webber said Wednesday that mining at the park would violate state and federal laws.

However, a spokesman for the state Parks and Tourism Department said Friday that a contract obligates the department to go ahead with the test drill while awaiting a final decision.

Webber said mining would "invade the very purpose of the park."

Nelson criticized Clinton for a number of environmental issues, including the planned incineration of 28,000 barrels of dioxin-contaminated herbicide waste at the former Vertac site in Jacksonville. Nelson said he would wait until further study could be made into the safety risk of burning the waste in a densely populated area.

The state Pollution Control and Ecology Department is overseeing the burning of the waste.

"I think they're going off half-cocked on that one," Nelson said.

Clinton has said he believes incineration is the safest way of dealing with the waste. U.S. Environmental Protection Agency officials have approved burning the waste as the most appropriate resolution of the waste at the federal Superfund site.

Arkansas Gazette.

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Keeping Arkansas's birthright

The chances of saving the Crater of Diamonds State Park from those who would convert it into a commercial mine seem to be greatly enhanced by a decision this week in federal court. U.S. District Judge Susan Webber Wright refused to issue a preliminary injunction against test drilling, but strongly indicated that she would issue a permanent injunction later.

Several environmental groups have challenged a decision by the state Parks, Recreation and Travel Commission to allow test drilling in the park to see if commercial diamond mining is feasible. The land was mined on a small scale by commercial interests earlier this century, but those who want to exploit it now would do so on a much larger and much more destructive scale.

These groups wish to sneak a nose into the tent by drilling the test holes with permission of the state agency that watches over the state parks. These 30 core samples would be obtained in a $350,000 project financed entirely by four private companies interested in developing a mine.

Judge Wright simply refused to issue a preliminary injunction against the test drilling because, she said, there was no evidence that the park would be irreparably harmed by test drilling. In so acting she was following a legal rule of the 8th U.S. Circuit Court of Appeals in St. Louis for issuing preliminary injunctions. But she said she believed those challenging the drilling would prevail later because the real purpose of drilling was to lead to mining, a practice that would violate state and federal laws.

Commercial interests have applied considerable pressure in recent years to persuade federal and state agencies that they should open the park to mining. To say they are well financed is understatement. But that does not make them right, in either a legal or social sense.

■

Arkansans place great value on their natural resources, including their outdoor recreation and the environmental quality that goes along with it. As an attorney for the environmental groups has remarked, selling off the only diamond mine in North America — a state park — is like selling the state's birthright.

Judge Wright, noting that mining would "invade the very purpose of the park," says she will issue a permanent injunction against drilling or mining unless she changes her mind. Let us trust that she will remain firm in her sound and sensitive judgment.

Anti-mining forces lose court fight, may win war

By George Wells
Gazette Staff

Environmentalists lost a skirmish Wednesday but might still win the war in their effort to stop commercial mining in the Crater of Diamonds State Park.

U.S. District Judge Susan Webber Wright refused to issue a preliminary injunction Wednesday because she said there was no evidence that the park would be irreparably harmed by test drilling.

But she said she believed the environmental groups would ultimately prevail because the real purpose of test drilling in the park was to lead to mining and that would violate state and federal laws. Mining, she said, would "invade the very purpose of the park."

Wright said she would issue a permanent injunction against drilling or mining unless she changes her mind. She will rule without another hearing after lawyers for the parties submit final briefs July 30.

"We've saved our birthright," John Gill of Little Rock, an attorney for the environmental groups, said after the decision.

The state can start drilling core samples to try to determine the size and shape of the ore-bearing formation called a "pipe" in the park. However, it faces the risk of having to stop unless it can convince Wright not to issue the permanent injunction, said Richard Davies, executive director of the state

See ENVIRONMENTALISTS/8A



File Photo

Susan Webber Wright: Will rule after lawyers for the parties submit final briefs July 30.

...park, which previously was a commercial mine. Thirty holes are to be drilled around the park under state supervision. The $350,000 project cost is being financed entirely by four private companies interested in developing a mine.

Although Wright refused to stop immediate work, Gill said, "We effectively won it. They're now going to have to take the risk if they want to go ahead."

In his closing argument, Gill contended that testing would lead to mining and that selling off the state's unique resource — the only diamond mine in North America — would be like selling the state's birthright.

Holding up a small Arkansas flag featuring a diamond outline, Gill asked: "Are we going to be like Esau and give up our birthright or are we going to be like Arkansas and keep our birthright?"

After Wright's ruling, Gill said the "bigger issue is what is Arkansas's public policy going to be on parks — we're either going to be the natural state or a colony."

He said he hoped that that was the message the public got from the case.

Wright's ruling Wednesday turned on a legal rule set by the 8th U.S. Circuit Court of Appeals in St. Louis for issuing preliminary injunctions.

To win an injunction, the party must prevail on four questions. Is groups would probably win later on the issues because:

■ The state accepted more than $720,000 from the federal Land and Water Conservation Fund to develop the park and federal law required that it all be used for recreational purposes.

She said that under federal law "the state is precluded from ever converting this park to commercial mining" unless Congress changes the law.

■ The secretary of the interior was wrong in permitting the test drilling because "he failed to recognize that Phase I is ... a prerequisite to possible commercial mining."

■ The secretary also was wrong in deciding that no environmental impact statement was required before drilling was started.

"The park is there primarily to permit the public to hunt diamonds," Wright said, and commercial mining "infringes on the values of the park."

■ In cases where a state is allowed to convert a park into private use it must be replaced with land of the same type and equal value.

"There is no evidence that Arkansas has another diamond mine," Wright said.

The decision to permit test drilling was challenged by the Sierra Club, the Arkansas Wildlife Federation and Friends of the Crater of Diamonds State Park.

...his anti-tax promise.

The Democrats' demand that new taxes be levied only on Americans making more than $200,000 a year puts added pressure on the budget negotiators. Ninety of 176 House Republicans have gone on record against any new taxes, and most Republicans are adamantly opposed to raising income tax rates, which is the most likely way to increase taxes on the wealthiest Americans.

"If President Bush insists that we need new taxes, then we feel they must be levied against those who have gotten the biggest tax cuts in recent years and have enjoyed the lion's share of income growth," 134 of the 257 Democrats said in a letter to party leaders.

There was some fear Wednesday that the preconditions set by the 90 Republicans and 134 Democrats would doom the budget talks. If the instructions from the House members in each party are followed, then the budget talks would fail because the negotiators have agreed that a majority of the members of each party must support the budget deal in order for it to be sent to the president.

Speaker Thomas Foley, D-Wash., sought to calm fears that the talks would spawn dissension within both parties. He predicted that the fear of across-the-board budget cuts of up to 40 percent would eventually force members to back an agreement crafted in the budget talks.

Diamond drilling debate moves to federal court

By George Wells
Gazette Staff

A plan to drill holes in the Crater of Diamonds State Park to find out whether commercial diamond mining is feasible was criticized and defended Tuesday in federal court.

One witness said he was surprised to find that neither the state nor federal agencies had required an environmental impact statement to be done on the project before it was approved by the state Parks and Tourism Commission.

U.S. District Judge Susan Webber Wright recessed a hearing until 9 a.m. today on whether to stop the planned test drilling. She said she hoped to rule shortly after the hearing was completed.

The park near Murfreesboro is open to the public to search for diamonds. Several companies have said they might be interested in operating a commercial mine there and have agreed to pay for the tests.

The companies are paying for the test drilling, even though the state has reserved the right to cancel the program at any time.

After the commission agreed to the test, several environmental groups filed suit to stop it, saying mining would ruin the park as a tourist attraction. They said the test drilling would cause irreparable damage to the park, that the noise of the operation would discourage visitors and not enough study was done beforehand so no one knows what kind of problems might be encountered.

The program calls for drilling 30 test holes to determine "the shape of the pipe," or diamond-bearing ore formation, on the park, Richard Davies, parks director, said.

He said the state needed the information before deciding whether to allow commercial mining. He said there would be no further development without approval of the commission and the U.S. Interior Department's National Park Service, which has provided some of the money for developing the park.

John S.L. Morgan, the commission's project manager, agreed. He said that without information about the ore formation, the state had no basis for deciding whether mining was good or bad. He also said there would be no significant permanent damage to the park.

Morgan said the state would be in complete control of the drilling

See DIAMONDS/6B

and many of his other days off looking for diamonds in the park. He said he has found more than 100 but never sold any.

"I'd rather not see testing," Mays said. "It will take up part of the search area and not help the people at all."

on governor's term

Sheffield Nelson said Tuesday that if elected he would push for a constitutional amendment to limit governors to two terms.

He said that Gov. Bill Clinton "will run for governor forever if



Kelly Quinn/Gazette Staff

DIGGING TO SAVE THE DIAMONDS: Ila Clawitter, 83, of Little Rock (right) and her son-in-law Bill Stone of Conway were among opponents of commercial diamond mining at the Crater of Diamonds State Park who showed up Saturday to try to find some diamonds that could be sold to support their legal battle.

2.59 carats to be left at park

By Elizabeth Lowry and Valerie Smith
Gazette Staff

MURFREESBORO — One diamond was unearthed at the Crater of Diamonds State Park Saturday, but it was sizable.

And its finder intended to leave it behind.

The 2.59 carat light brown diamond probably will be donated to the Crater of Diamonds Fund, to aid in the legal fight against commercial diamond mining at the park, according to park superintendent Jim Cannon.

About 50 other people who weren't so successful had registered to dig for diamonds as part of a benefit to help pay for the legal battle sponsored by Friends of the Crater of Diamonds, the Sierra Club and the Wildlife Federation.

The dirt rows at the park Saturday were dotted with diamond hunters, but only a few were with the environmental groups.

Organizers were hoping any diamonds discovered would be donated to help pay legal fees.

Cannon said the gem was turned in about 4:30 p.m. by Jim Horton of Morning Star, who said he found it about 4 feet underground on the southwest side of the diamond field.

Though Horton had not turned over the diamond to the fund by 5 p.m. Saturday, Cannon said the man had "thought a long time about it" and indicated that he planned to do so.

Though it was not as large as some diamonds found in the past, it was substantially larger than the average size of ¼ carat to 1 carat, Cannon said.

"We at the park consider anything over two carats big," he said.

One of those who came looking for diamonds to help prevent commercial mining was Bill Stone, who said he digs for diamonds twice a year although the last time anyone in his family found a gem was 1970.

"We haven't found one since my daughter did when she was 5 years old," Stone, a Conway resident, said Saturday.

By 11 a.m., Bill and Carolyn Stone still hadn't found a diamond.

But the Stones and Ila Clawitter, 83, of Little Rock, Carolyn Stone's mother,

See DIAMOND/**6B**

Diamond

Continued from Page 1B

didn't seem to care.

"It needs to stay a park just like it is," Bill Stone said.

"I sure don't want anyone to buy this," Carolyn Stone agreed. "This is the only one in the state."

The Stones came well-equipped for diamond hunting. Bill Stone wore a towel over his head topped with a cap to keep the sun away. Clawitter wore an enormous straw hat. They carried spades and sifters.

At one point, Clawitter thought she had found a diamond. She held a clump of dirt in a gloved hand and brushed the dust away to expose a glimmer of light.

She was disappointed when her son-in-law said it wasn't a diamond. Dirt doesn't cling to the gems, he explained.

The state Parks and Tourism Department has agreed to let four mining companies test the mine. The tests were to start June 11, but were delayed after the three environmental groups sued in U.S. District Court.

The groups are trying to raise $5,000 to $10,000 to pay legal fees. Attorneys are donating their time to fight the legal battle.

Sylvia Laurent, member of the Friends group, said the state would lose regardless of the tests' outcome.

If the mining companies discover enough diamonds to justify mining, state residents and tourists will lose the opportunity to dig, she said. If no diamonds are found, the state park will lose tourists, Laurent said.

A hearing is set Tuesday on arguments that the testing will permanently damage the park.

C. B. Manley and his daughter, Carrie, 12, traveled from Houston, Texas, to dig for diamonds.

"I want my daughter to find her mother a big diamond," C. B. Manley said. "So far all I've got is a lot of dirt. If we get something it will be sheer luck."

Jim Graham, of Prescott, a member of the Friends group, came Saturday to watch others dig and show his support for saving the mines.

"I would like to see it preserved for future generations," Graham said. "If it were a successful diamond mine it might last 10 years. No one knows what's down there."

Cannon said the diamond found by Horton was less common than a white diamond, but more common than a yellow diamond. He said he did not know the value of the stone.

Horton started digging at the park at about 9:30 a.m., and found the diamond between 1:30 and 2 p.m., Cannon said. Horton has unearthed about eight diamonds at the site on previous occasions, but the one uncovered Saturday was the largest, Cannon said.

Diamond dig to raise legal fees

Gazette Staff

Three environmental groups are sponsoring a "Diamond Dig" Saturday to help finance a legal fight against test drilling at the Crater of Diamonds State Park.

The state Parks and Tourism Department has agreed to let four mining companies test the commercial potential of the diamond mine near Murfreesboro in Pike County.

The tests, originally to start June 11, were delayed after the Arkansas Wildlife Federation, the Arkansas chapter of the Sierra Club and Friends of the Crater of Diamonds sued in U.S. District Court.

A hearing is scheduled Tuesday on arguments that the testing will permanently damage the park.

Terry Horton, executive director of the federation, also is contending that the testing is illegal because federal land and water conservation money was used to buy the mine under an agreement that stipulated it should be used only as a park.

The Diamond Dig will be held from 10 a.m. to 4 p.m. Saturday. Participants should meet at 9:30 a.m. at the Crystal Pyramid Rock Shop about a half-mile from the park.

Horton said the idea is for people to donate any diamonds they find. Donations in cash or by check or money order also will be accepted, he said.

"Greed that can lead to total or partial destruction of the park is wrong," Rhana Harris of Murfreesboro, president of Friends of the Crater, said.

The four mining companies are sharing the drilling costs of about $350,000.

Suit filed to halt diamond drilling

By George Wells
Gazette Staff

Test drilling at the Crater of Diamonds State Park, scheduled to begin next week, should be stopped immediately, environmental groups contended Thursday in federal court.

A suit was filed to stop the testing in January by three environmental organizations after the state Parks, Recreation and Travel Commission announced plans to consider commercial diamond mining at the park near Murfreesboro.

The plaintiffs are the Sierra Club, the Arkansas Wildlife Federation and Friends of Crater of Diamonds State Park Inc.

Negotiations to settle that suit have failed, the groups said Thursday in a motion for a temporary restraining order, and if the testing is allowed to continue it will cause irreparable damage to the park and the people of the state.

They have not asked for an order blocking testing earlier because of the negotiations, the groups said. "An agreement has not materialized and the state defendants have begun receiving bids on a contract for test drilling which is scheduled to commence the week of June 11," the motion says.

The harm that would be caused by the drilling will be greater than the harm the state might suffer by delays, the organizations contended.

In identical affidavits supporting the motion, Terry W. Horton, executive director of the federation, and Andrea C. Jackson, a member of the club's executive committee, said "there is great potential for permanent damage to the soil," which they said was fragile because of its loamy consistency. Heavy equipment would compact the soil and the erection of drilling rigs could cause extensive damage, they said.

Horton and Jackson also said that the activity would "disrupt the peaceful and recreational environment for which the park was established. The actual drilling process is loud and produces significant amount of waste in the form of water mixed with removed soil."



Groups filing suit to stop mining plans

At Crater of Diamonds

By Karen Rafinski
Gazette Staff

A coalition of environmental groups will file suit in federal court Friday to stop commercial diamond mining in Crater of Diamonds State Park in Murfreesboro.

The Friends of Crater of Diamonds State Park, the Sierra Club and the Arkansas Wildlife Federation will sue to stop testing which had been scheduled to start in May, Jim Stanley, lead attorney for the environmentalists, said. The suit also will ask that Act 793 of 1987, which authorized commercial mining in the park, be declared unconstitutional.

The suit will name Richard Davies, chairman of the Parks, Recreation, and Travel Commission, U.S. Secretary of the Interior Manuel Lujan and John Cook, director of the Southwest Region of the National Parks Service, as defendants, Stanley said.

"What we're saying is let's put an end to this kind of nonsense," said Dean Banks, coordinator of Friends of Crater of Diamonds. "There is such a thing as law and order."

The coalition was formed in July to stop commercial mining, which they say will ruin the only park in the nation that allows tourists to dig for diamonds.

The state is working with four mining companies that will share the estimated $350,000 cost of conducting a 12-week test to determine whether commercial mining is feasible.

The suit will seek to have the testing declared a conversion of the park's use from recreation to mining. If the park is being converted the Interior Department would require the park be replaced with equally valuable land.

Stanley argues that conversion can not be allowed because the state has no other known diamond mine to replace the park.

Edwin Shellenberger, a spokesman for the National Parks Service, said he could not comment on the matter until he had seen the suit.

Sheila Sharp, the state parks department's officer in charge of the testing, said that the matter would be referred to the state attorney general's office.

"We're commmitted to doing Phase 1 testing," Sharp said. "A delay will push it farther down the road but I'm not sure there's any great urgency."

Arkansan to test for gems

Will rate diamonds

ARKADELPHIA (AP) — A committee of mining specialists has unanimously selected an Arkansan to oversee commercial testing at Crater of Diamonds State Park in Murfreesboro.

The panel Friday chose Drew F. Holbrook, 72, of North Little Rock, who has worked as a private consulting geologist since 1980. He was assistant state geologist from 1946 to 1980.

Holbrook's Arkansas residence was not a factor in his selection, John Morgan, project manager for the diamond exploration venture, said. "It was a bonus," Morgan said.

"I'm very pleased that a panel of experts from all over the world selected someone from Arkansas in a unanimous decision," said Karen Lackey, vice chairman of the state Parks, Recreation and Travel Commission. She also is the nonvoting chairman of the committee.

The testing at the nation's only diamond mine is expected to cost about $350,000.

Four firms — Arkansas Diamond Development Co., Continental Diamonds Inc., Kennecott Corp. and Capricorn Diamond Pty. Ltd. — are splitting the cost of the testing in a joint venture with the state. The drilling contractor will be selected by normal state bidding.

The limited testing will determine the extent and quality of the park's diamond deposits. The U.S. Parks Service approved the project.

The drilling, expected to begin in April or May, will be done by a "buggy or tracked rig, one that will have limited impact on the site," Morgan said. Up to 30 holes will be drilled as deep as 660 feet.

If the tests indicate substantial deposits, the state and the four companies have the option of applying for the right to conduct additional tests.

The park and the diamond field will remain open during the tests and the public will be invited to watch the drilling. However, officials said an area of up to 5,000 square feet will be fenced off.

4 firms to participate in exploratory drilling

HEBER SPRINGS (AP) — All four mining companies that submitted proposals for exploratory drilling in Crater of Diamonds State Park will participate in testing to determine the feasibility of commercial diamond mining at the park.

That decision was reached Thursday by the state Parks, Recreation and Travel Commission at a meeting in Heber Springs.

The commission voted 12-0 to enter into a cooperative agreement with the four companies under which drilling at the park near Murfreesboro could begin by April, if the process is not delayed by a suit.

The four companies are Continental Diamonds, 51 percent owned by Galactic Resources Ltd., of Vancouver, Canada, a gold-mining company; Arkansas Diamond Development Co., with ownership divided equally between Sunshine Mining Co. of Dallas, Rhombus Inc. of Little Rock, owned by local financiers Jack and W.R. "Witt" Stephens, and Exdiam Inc. of Dallas; Capricorn Diamonds of West Perth, Australia; and Kennecott Inc. of Salt Lake City, Utah.

Two environmental groups, the Sierra Club and the Friends of the Crater of Diamonds, have said they'll file suit to stop testing in the park.

The decision to go ahead with exploratory drilling came more than 2½ years after Gov. Bill Clinton's appointed a Diamond Mining Advisory Task Force to study the prospect of commercial mining at the park.

Clinton's action began what Richard Davies, acting director of the state Parks and Tourism Department, called "long and miserable but very worthwhile"

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Diamond

Continued from page 10A

effort by the task force and the parks agency.

"It has forced us to ask a lot of questions about what we really want out of the only resource of its kind in the U.S.," Davies said. "It also made us realize that we made some strategic mistakes at the park, because the crater is not very user-friendly."

The public is allowed to look for diamonds in a 35-acre plowed field at the park. But the field is inaccessible to the handicapped and lacks water fountains, restrooms or any other amenities.

"The massive amount of publicity we've had since we started studying mining hasn't hurt," Davies said. "The mine has been featured on 'Good Morning America' and on the front page of the Wall Street Journal." He said park attendance has risen by more than 20 percent.

According to John Morgan, a consulting engineer who has advised the state on the project, the process of screening mining companies "was designed to approve companies qualified for all future phases of this, including not only mining but the marketing of diamonds."

He told the commission that the evaluation was intended "to weed out speculative companies who would hire consultants and call themselves a mining company."

The four companies have agreed to pay for the testing and also any litigation costs. In return, any contract for actual mining would go to one of the four.

Mining companies to pay for drilling

By Tyler Treadway
Gazette Conway Bureau

HEBER SPRINGS — Four mining companies will share the cost of tests to determine whether a commercial diamond mine would be feasible at the Crater of Diamonds State Park near Murfreesboro (Pike County).

The state Parks, Travel and Recreation Commission Thursday approved an agreement with Arkansas Diamond Development Co. of Dallas; Capricorn Diamonds Party Ltd. of West Perth, Australia; Continental Diamonds Inc. of Little Rock; and Kennecott Exploration Co. of Camden, S.C.

The commission met at Lindsey's Rainbow Resort on the Little Red River just north of Heber Springs.

Originally 13 companies expressed interest in participating in the tests, but only the four accepted Thursday submitted proposals for the project.

The state will hire a contractor to

See DIAMONDS/4B

Diamonds

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do the tests at the companies' expense, according to John S. L. Morgan, chairman of the team that evaluated bids by the companies seeking to take part in the tests.

The first tests are expected to cost about $350,000, and Morgan said the companies will pay for any other expenses.

The companies were evaluated, Morgan said, on the stability of their management and their mining track records.

Kennecott operates gold and silver mines in Utah, Nevada, South Carolina and Alaska; Capricorn has two diamond mines in Australia; and Continental runs gold mines in Colorado and South Carolina (Continental and Kennecott share interest in the Ridgeway mine near Columbia, S.C.). Arkansas Diamond Development is a subsidiary of Sunshine Mining Co., Exdiam Corp. and Arkansas Corp., which is owned by the J. T. Stephens Trust, the W. R. Stephens Trust and J. T. and Mary Ann Stephens. Sunshine has mining interests in Idaho, Utah and California.

The initial tests will consist of drilling no more than 30 holes, each about 2 inches in diameter and up to 600 feet deep, to determine the type of diamond deposits, called pipes, in the park. Diamonds occur in two configurations: champagne glass pipes, so called because

Davis and his son were visiting Heber Springs as part of a Royal Ranger scout program with the Assembly of God Church.

The group visited several tourist spots Oct. 28, Davis said, "but our last stop was the swinging bridge, obviously."

After stopping at the river's edge, the group walked onto the 550-foot bridge.

Davis said he was standing about 15 feet out onto the bridge, his son slightly in front of him.

"I looked down on one side and I saw one part of the bridge unraveling," Davis said. "At that point I looked around for my son. There was nothing to do but

4 propose diamond mine test

Effort limited to 30 holes

By Scott Bowles
Gazette Staff

Four mining firms, from Little Rock to Australia, will vie for rights to begin diamond mining testing at the Crater of Diamonds State Park near Murfreesboro.

Test proposals were opened Wednesday from Continental Diamonds Inc. in a joint venture with Galactic Resources Ltd. of Little Rock; Arkansas Diamond Development Cos. of Dallas, Capricorn Diamonds Party Ltd. of West Perth, Australia, and Kennecott Exploration Co. of Camden, S.C.

No information other than the companies' names and locations was released Wednesday to prevent competitors from gaining an advantage, said Dudley Meadows, procurement manager for the state Purchasing Office.

The proposals reportedly contained financial information about the companies and profiles of officers.

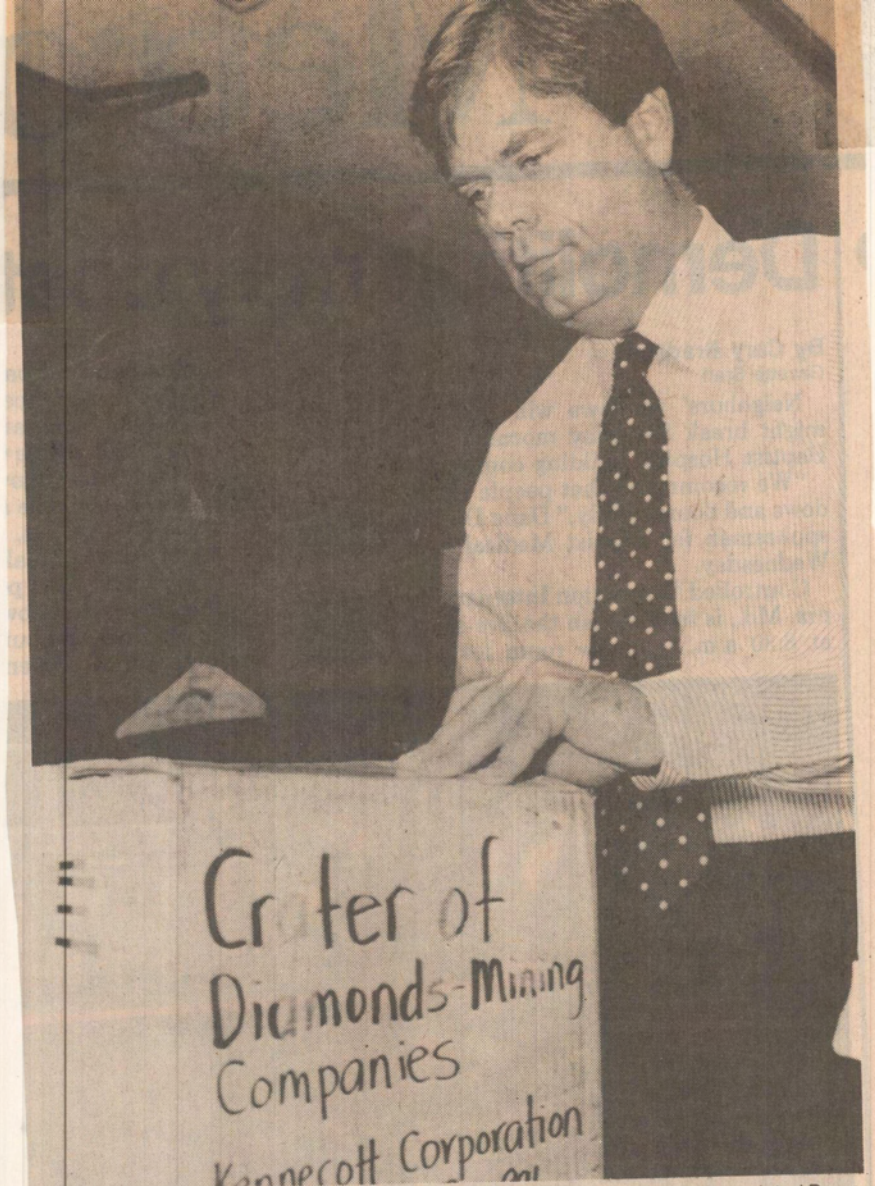
At least three of the four firms will be chosen, and possibly all four will be permitted to conduct phase one testing, Linda Woods, an administrative assistant with the state Parks and Tourism Department, said.

Woods said 13 firms expressed interest in test mining, but only four submitted proposals by Wednesday's deadline.

No more than 30 holes will be drilled during the 12-week test period, Sheila Sharp, chief of grants and special projects for the state parks, said. The holes, which will be almost 2 inches in diameter, will

See DIAMOND/2B

Thursday, November 9, 1989 Arkansas Gazette



Associated Press

ONE OF FOUR: Dudley Meadows, state Purchasing Office procurement officer, opens one of four proposals by firms seeking to drill tests holes at the Crater of Diamonds State Park near Murfreesboro.

Diamond

Continued from Page 1B

probably go no deeper than 600 feet.

The mining companies are trying to determine what type of diamond deposits, called pipes, are within the park. The two types are champagne glass pipes or vertical pipes, Sharp said.

Champagne-shaped pipes are considered less fertile because the deposit narrows near the bottom, limiting the number of diamonds inside.

Vertical pipes, which are about the same width throughout, generally hold more diamonds, Sharp said.

The type of pipes dotting the 35-acre diamond field could determine whether future testing is conducted, Sharp said.

"I would suppose that if these are vertical pipes, they would consider more testing," she said.

A five-member evaluation team will review the proposals.

The review team allowed itself four days to verify the proposals, Woods said, but with only four proposals to consider, a decision might be made today.

The team will then present the proposals to the state Parks, Travel and Recreation Commission next Thursday or Friday, Sharp said.

She said the commission must accept or reject the entire list of recommended companies, rather than choose which companies can test.

Sharp said testing could begin as early as March or April.

The area being tested will be fenced off, Sharp said, and the public will still be permitted to search for diamonds in the surrounding area.

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Diamond mining a Murfreesboro dilemma

By Scott Bowles
GAZETTE STAFF

When Richard Davies was asked last week to give a simple explanation of the status of diamonds in Murfreesboro, he laughed so hard he had to catch his breath.

"Where would you like me to begin?" he asked with a trace of sarcasm. "We literally have cabinets filled with files, letters, reports, you name it."

Most of those reports have the name Crater of Diamonds State Park somewhere in them. The park, near Murfreesboro, is the only public park in the country that allows patrons to go diamond searching.

That could change soon, but not without a bitter fight between conservationists and corporations.

Since it became a state park in 1972, Crater of Diamonds has been a virtual gold mine. According to the park's figures, patrons have plucked more than 13,000 gems from the land. One of the stones was 16.37 carats, worth $75,000.

Commercial interests

And since it has become a state park, various companies have begged for a chance at the treasure hunt, except by digging with cranes and bulldozers instead of shovels and buckets.

At stake, some say, could be more than the park itself. The group vying for mining rights promises to open up a public diamond plant, making it the first of its type anywhere. The jobs it would create, they say, would be a tremendous boon to an area with faltering economic legs.

Opponents say that opening public parks to commercial mining would be a Pandora's Box, ruining the environment and bringing only limited economic success to cities.

Caught in the middle is the state Parks and Tourism Commission.

Davies, the commission's director, said that his group has for years denied requests for commercial mining at the Crater of Diamonds.

During the years, Davies said, the constant pressure from companies forced the commission to look into commercial mining.

"It just wouldn't go away," Davies said. "So we decided to study it and see if something could be

(See DIAMONDS on Page 6A.)

Diamonds

Continued from Page 1A.

done. If it could, fine. If it couldn't, we could finally kill it."

But the commission may have created a bureaucratic Frankenstein.

Following a proposal from a diamond company composed of Sunshine Mining Co. and Exdiam in Dallas, and Stephens Inc. in Little Rock, the commission reviewed the commercial mining issue.

It had to notify the federal government first, because federal money helped build the park.

Then confusion began.

The Department of the Interior originally told the commission that it could do no experimentation to determine how fertile the park was for diamonds. To do so, the department said, could lead to full-scale mining of a "unique and irreplaceable resource."

"So we were getting ready to tell the commission that they said no," Davies said. "Then the phone rang."

A day before the commission was to meet, an official with the Interior Department called a commission member to tell him the department had reconsidered its decision.

At the meeting, a letter from the Interior Department was read, stating that the department was going to further study the possibility of commercial mining.

"Right now we're just waiting," Davies said. "They could respond in a week, it could be a month. But I do think they are going to tell us something."

In the meantime, groups on both sides of the issue are preparing for any response.

Carrick Patterson, spokesman for the diamond company hoping for commercial mining rights, said that a diamond plant could be Murfreesboro's saving grace.

Patterson said the plant will give work to at least 400 people with a payroll "in the millions."

"And building the plant will be a huge project, which will employ even more," he said.

Patterson said that the plant would come equipped with accommodations for visitors.

"Tourists could watch dirt come into the plant and diamonds come out," Patterson said. "We've designed little trains to take people to various areas. It would be a major tourist attraction."

He said that the top several inches of soil that are open for visitors to look through for diamonds would be lifted and dumped in an area away from the mine site. That way, Patterson said, tourists would have "the exact same attraction they have now."

"We see it as a win-win situation."

But Audrey Burtrum-Stanley fails to see the double victory. She sees the diamond company's plan as an effort "to rape the parkland."

Stanley, of North Little Rock, is a member of the Sierra Club and has made several speeches to Murfreesboro residents, urging them to oppose commercial mining.

"Ever watch a diamond mine operate?" she asked Wednesday. "It takes highly skilled workers. People who think they're getting a long-term job will probably wind up pushing a broom."

More importantly, she said, is the effect on the land.

"There are only a tiny number of places in the country like this," she said. "This park belongs to the nation. If you allow mining here, you open the door to mining everywhere."

She called the proposed diamond plant the company's way of saying "it's better for them to eat the cake than for us to eat it."

The park itself, meanwhile, waits with wrung hands.

"We have chosen not to take a stand on this, but wait and see," park superintendent Jim Cannon said. "Obviously we're cautious of any major changes made at the park."

Caution, he said, is advisable in any issue that's not crystal clear.

According to the park's figures, patrons have plucked more than 13,000 gems from the land. One of the stones was 16.37 carats, worth $75,000.

Fifth Sea

CHIN

ARKANSAS GAZETTE Saturday, May 27, 1989 · · ·

Diamond plan fails environmental test

By Rebecca Benton
and Mark Oswald
GAZETTE STAFF

Proposals to allow commercial mining at the Crater of Diamonds State Park near Murfreesboro have been dealt a serious blow by the federal Interior Department.

The Interior Department — in a letter received by state officials Friday — has disapproved a plan to test the park for possible commercial mining, saying the testing could lead to full-scale mining of a unique and irreplaceable resource.

The state Parks, Tourism and Travel Commission can appeal the decision, and will discuss that issue next month.

But state Parks and Tourism Department director Jo Luck Wilson said she wouldn't want to see an appeal.

"I can't imagine what we would gain from an appeal," Wilson said. "I would like to see us stand on this, but I respect my commission's opinion," Wilson said.

Wilson said since the state Parks and Tourism Department often must reject proposals for converting state park land to non-recreational uses, "it wouldn't behoove us to turn around and ask for an exception ourselves in this case."

The possibility of mining the park has been a high profile issue for more than a year, when the governor-appointed Dia-

(See MINING on Page 9A.)

home delivery call 371-3800 in Pulas

Mining

Continued from Page 1A.

mond Task Force began studying the feasibility of commercial mining. The commission voted earlier this year to send a proposed testing plan to the Interior Department.

The park was developed with a $723,800 grant under the federal Land and Water Conservation Fund Act.

Richard Marks, the Interior Department's acting regional director, said in a letter to the state Parks and Tourism Department that because the federal money was used, the park is designated for public outdoor recreational use only. Marks said granting the request for testing would essentially allow "temporary non-recreational use" of the site.

Legal restrictions

The act states that property acquired or developed with Land and Water Conservation money cannot be converted from public outdoor recreational use without consent from the Secretary of the Interior. A conversion would require replacement of the park site with land of equal market value. "The crater is a unique resource and cannot be replaced," Marks said.

According to Marks, the act is the "cornerstone" of the federal government's efforts to maintain such investments as public outdoor recreational facilities.

Testing or mining, according to Marks, would have three results.

★ A decrease in accessible public recreation area.

★ A change in part of the site from public outdoor recreation to non-public commercial/industrial use.

★ An alteration of the character of the land.

Any of these results would violate the act, Marks wrote.

Richard Davies, the state parks director, said the commission could appeal the ruling, first to the director of the National Parks Service and then to the Secretary of the Interior. The commission will discuss the matter at a June 15-16 meeting in Mountain View.

Chairman favors appeal

Commission chairman Charles Yeargan said he would definitely be in favor of an appeal.

Several mining companies had expressed interest in the testing and mining proposal. Among them is Diamond Exploration Inc.

pact on economic development, one of the framers of the tax said Thursday.

Dr. Jerry Miller, a former budget director in Michigan, said the main job-creating provision is a 100 percent write-off for capital expenditures in the year they are made. He said that was the single best selling point when seven other business taxes were repealed in 1976 in favor of the single business tax.

"The service sector is paying more, but the general analysis is that it has had a positive impact on capital-intensive industries," Miller told the legislative Joint Interim Committee on Revenue and Taxation.

Would only need 1 percent

If Arkansas adopted the same tax base as Michigan and imposed a nominal tax rate of 1 percent, Miller estimated, the state could more than match the roughly $180 million it now collects in business taxes each year. He said adopting the 2.5 percent rate used in Michigan would mean increasing that figure by about $250 million.

The tax, which Gov. Bill Clinton has mentioned as a potential new revenue source for Arkansas, raised $1.5 billion in Michigan last year and is expected to raise about $1.6 billion this year.

The Michigan tax is a value-added levy based on business activity rather than profits.

Miller is now executive director of the National Association of State Budget Officers. He said that, in his opinion, a tax on activity was a better method of taxing a business' drain on a state's resources.

byists for business-related groups were present Thursday as Michigan's single business tax was explained to a legislative committee.

Among them was Archie Schaffer, executive director of the Arkansas Business Council. That organization consists of some of the state's wealthiest businessmen, who have vowed to pay their fair share to improve education. Schaffer said, though, that the council so far had no opinion on the single business tax.

"That's why I'm here — to get more information," Schaffer said. "We'll be looking at it along with everybody else, and we'll perhaps develop a position if it seems like the governor and the legislature are serious about proposing it."

Under the Michigan scheme, a company's tax base is figured by adding the following components:

★ Employee compensation, including wages, salaries, fringe benefits, workers' compensation, unemployment insurance, health insurance and Social Security contributions.

★ Profits, defined as federal taxable income.

★ Interest paid — the sum of

(See TAX on Page 2B.)

Federal officials asked to decide mining issue

By Joe Crommett
GAZETTE TEXARKANA BUREAU

HOPE — The question of commercial mining at Arkansas's diamond crater was passed Thursday to the U.S. Interior Department.

The State Parks, Recreation and Travel Commission voted to ask the Interior Department if the state can allow commercial mining at the Crater of Diamonds State Park.

"If the federal government is not going to approve this, it's a moot permission to pursue it further," Richard Davies, director of state parks, said.

Federal permission is needed because the park was developed in 1972 with a $723,000 federal grant from the Federal Land and Water Conservation Fund, part of the Interior Department.

The commission also asked if the Interior Department would have any objection to testing to see if the park is worth mining.

Davies said Interior officials have said they will answer the questions before the commission's November meeting if they are provided with "fairly specific" information on what testing and mining at the park would include.

The park cannot be converted to anything other than public outdoor recreation use without the approval from the Interior Department. Even if approval is given, the state park would have to be replaced with land of equal value somewhere else.

That prompted commissioner J. D. "Bud" Shamburger of Conway to say, "I'd like to know what

(See MINE on Page 2B.)

. . . ARKANSAS GAZETTE Monday, September 12, 1988

Other states tested secretly for diamonds; information scarce

By Joe Crommett
GAZETTE TEXARKANA BUREAU

MURFREESBORO — Kimberlite is the rock that contains diamonds.

While Murfreesboro has the only operating diamond mine in the United States, tests apparently have turned up kimberlite and diamonds in Wyoming near the Colorado border. But information on those tests is as scarce as the gems themselves.

"It's a very secretive business," said Gary Glass, head geologist for the state of Wyoming. "Getting any information out of these guys, even after you give them the lease, is tough business."

Tests for diamonds were also done in Colorado about the same time but an official said the state was given little information because they were done on private land.

Glass said the testing companies worked for a few years, but pulled out of Wyoming about two years ago and there are no plans to start a mine. Glass said the state was given little information about the tests, which were conducted on land leased from the state.

The company, Cominco American Corp., did report that about half of the diamonds found were gem quality and that the largest was slightly bigger than a carat. Glass said there was no way to tell if the information was valid because there was no obligation for the company to release the information.

"We were a little suspicious. We have no idea really what the company found in largest size," he said. "We are kind of at a disadvantage on knowing exactly what that company found in there during testing. They may have found a four-carat diamond for all I know, but the biggest they showed us was just a little over a carat."

The Arkansas Parks, Recreation and Travel Commission has been authorized by the legislature to lease the Crater of Diamonds State Park at Murfreesboro for commercial mining. Now the park is open only to tourists, who get to keep what they find.

A commission task force has recommended that tests for commercial mining be conducted, but no decision has been made on who will do the testing or how it will be done.

Richard Davies, director of state parks, said the task force has discussed ways to make sure the state receives information about testing.

If a company gets a contract to test, the state could require

(See DIAMOND on Page 7A.)



—Staff Photo by Jeff Bowen

NOT FOR TOURISTS ONLY? Mike Ball of Hot Springs and Heather Johnson of Kansas City, Mo., dig for diamonds at Crater of Diamonds State Park. The park is open only to tourists now, but the legislature has authorized leasing of the park for commercial mining.

ARKANSAS GAZETTE Sunday, September 11, 1988

Will Arkansas get wealth or the shaft from diamond mining?



Robert McCord
Forum Editor

While it hasn't attracted much attention, there is a debate going on in Arkansas that I think is more interesting than the presidential campaign. It's whether there should be commercial mining at the Crater of Diamonds State Park in Mufreesboro—the only place in North America where diamonds are found.

The argument pits environmentalists against economic developers and is arousing a lot of cynicism.

There's been talk of mining off and on in Pike County for 80 years, but developments in mining technology have aroused new interest. Miner inquiries have been taken seriously by the Parks, Recreation and Travel Commission in a state with a stagnant economy and diminishing tourist dollars.

Actually, the Crater of Diamonds, while attendance is down from the peak by about 20,000, generates more income than most parks. And Pike County is in the middle rather than the bottom in most economic indicators, including population growth, although its senator, Neely Cassady, complains that too many of its citizens have to work outside the county.

Governor Clinton has appointed a Diamond Mining Advisory Task Force and the General Assembly has passed a law giving the parks commission the authority to lease the crater for mining provided it would not close the park. All of this was done early in 1987, so you can see that progress has been slow.

So slow, in fact, that the Task Force has yet even to ask the Department of Interior, which contributed $723,000 to develop the park for "recreational purposes," if it would agree to commercial mining, or even testing to see if mining was feasible. So the whole project may be fruitless, or at least dependent on who is elected president later this year.

Meanwhile, eight companies have expressed interest in a lease, and one of them has guessed that there may be $1 billion worth of diamonds underneath Pike County. There have been public hearings in Murfreesboro and Little Rock attended by about 400 persons. The reaction has varied from an unequivocal NO from the Arkansas Conservation Coalition to what-are-we-waiting-for? from the Southwest Arkansas Compact, an 18-county economic development group.

Supporters say it could bring $8 million travel dollars into Arkansas each year, create 189 new jobs and produce $96,000 in local taxes and $364,000 in state taxes.

Objectors say the parks commission's obligation of preservation is greater than attracting tourists. Also, they believe, as I do, that the economic claims are highly exaggerated. And some, like Bill Fulton, president of the Arkansas Herpetological Society, say that the miners will cheat us by ruining the ecology, taking our diamonds and leaving us with a 600 foot hole filled with brackish water.

"Miners," he said, "will give Arkansas the shaft and that's the pits."

The real problem is making a decision without knowing the quantity or quality of the diamonds in Pike County. So the Task Force wants testing, preferably by the state, but the legislators have all but veoted that after one company said it would test for free (at a cost of $1 to $3 million) so long as it got the first chance to negotiate the lease for the crater.

Arkansas Diamond Development, a joint venture of Texas mining interests and Stephens, Inc. of Little Rock, is represented by Lawyer Bruce Lindsey, who says it will eat the costs if the state decided against leasing after it saw the test results. However, if the state granted a lease to another mining company, Arkansas Diamond would expect to be compensated by that company for its exploratory work.

It sounds like a pretty good deal to me.

If the tests aren't really promising, forget the lease and save what diamonds are there for Arkansans and tourists. Dr. David Vosburg, a geologist at Arkansas State University and a Task Force member, suggests a model mining operation, sort of like panning for gold in Knott's Berry Farm, which attracts millions of tourists in southern California.

But if tests show a billion dollar lode, Arkansas would be foolish not to profit from it, just as we do our other natural resources. Surely we have enough ingenuity to redesign the park so that miners and tourists could coexist. In fact, if the lease were drawn so that tourists could have access to the mining process, attendance would go up.

Also, I don't believe that the Task Force, the parks people or our governor are going allow miners to gyp us. The state certainly will insist on keeping all the diamonds that might be discovered during testing, and Arkansas surely can draw and enforce a lease as well as any government entity.

I don't know any more about diamonds than I do about herpetology, but I have made a few visits to the Crater of Diamonds State Park. Records show that 67 persons, who make a career of digging in that black dirt, have found 75 per cent of all the large stones ever discovered there.

The ordinary park visitor has fund touring the Visitors Center and scratching around looking for a diamond in the funny dirt—for about an hour. But think what it would be like to also watch a commercial mine in operation, see diamonds being cut and polished, patronize interesting shops, eat at a fine restaurant and spend the night at the beautiful Hyatt in downtown Murfreesboro.

ARKANSAS GAZETTE Thursday, July 14, 1988..

Tests for diamonds at Murfreesboro could be costly

May range from $200,000 to $3 million

By Lamar James
GAZETTE STAFF

The Diamond Mining Advisory Task Force was told Wednesday that initial testing to determine the commercial potential at the Crater of Diamonds State Park could cost $200,000 to $300,000.

If more testing is needed, the cost could soar to $3 million, geologists and mining company officials said. The representatives were from seven mining companies owned by firms in Canada, Great Britain, Australia, Belgium and Arkansas. Fourteen companies have expressed interest.

Gov. Bill Clinton appointed the task force to study the feasibility of leasing the park for private commercial mining.

Michael Waldman, project manager for Long Lac Mineral Exploration of Fort Collins, Colo., told the task force there was a "tremendous untapped resource" at the park and there could be $900 million "sitting in the ground."

But the companies won't commit money to mining without tests and testing is expensive.

Two options approved

After hearing from the companies, the task force approved two options to present at public hearings August 17.

Under the first option, a mining company would pay for the cost of the testing and it would be given first preference in contract negotiations for mining. Under the second option, the state would hire an independent company to do the testing.

Jo Luck Wilson, chairman of the task force, said she prefers to let the state do the testing because that would leave the state free of any obligations.

"At this point I cannot go to the legislature or the governor for the $3 million or whatever it might be to do testing with all the high priorities there are in the state," she said. "But the more I've learned, the more I'm thinking we're going to have to do it to have true picture."



—Gazette File Photo/1979
JO LUCK WILSON
'We're going to have to do it'

The task force had previously approved the first option, but Wednesday, it deleted wording that "U.S. headquartered and controlled companies" would be given preference in testing. It made the deletion after learning that most of the mining companies with diamond experience are owned by other countries.

Richard Davies, the park director, said recommendations will be made to the state Parks Recreation and Travel Commission in October and the public hearings "may make us change them again." The hearings will be held at Murfreesboro, where the state park is located, and Little Rock to inform he public of the results of the task force's study.

The representatives at the meeting Wednesday said they would not risk money to test the Crater without a guarantee that the state would not decide against commercial mining. They also wanted a guarantee that if mining were feasible that they would have a chance to get the contract.

Diamonds

• Continued from Page 1B

ing companies told Parks and Tourism Executive Director Richard Davies in July they would prefer a company-managed project with state monitoring, instead of the other way around, as it has been.

The four companies don't want to complete Phase 1B until the next phase is decided, including who controls the project.

Davies said his position is to retain state control.

"The only thing that will force the issue is for you to approve the budget that says pay up or get out," Davies told the commission in an advance briefing for today's meeting.

"If none do agree, it's all over," he said later of the mining exploration.

"They have said, 'This is how we want Phase 2 organized administratively, with us (the consortium) managing,' " Davies said after Thursday's meeting. "Their proposal, in my opinion, is to change in midstream. ... Our position is, 'No, no.' "

"Who is controlling the process in this state park is very important to us," he said. "It's important to the state, to the citizens certainly."

Davies told commissioners there has been "no feedback" from the four companies, so he doesn't know whether representatives have accepted the state's stand or will show up today to negotiate their position.

"We're willing to negotiate," Davies said. "The main issue of control is the whole core of the arrangement."

Commission approval of the $110,544 cost for Phase 1B of the process would mean dividing the amount four ways and billing each of the four companies their share.

Any can drop out, but the process cannot continue with less than two members, to ensure competitive bidding if commercial mining of the park is allowed in the future.

Phase 2, including how many diamonds are there and what their value is, could cost "several million dollars," Davies said.

The initial phase of determining the commercial viability of the park has been completed. In that phase, mining companies were allowed to drill holes to determine the size and shape of the diamond-bearing crater. The second phase would involve removing several tons of the soil to determine how rich in diamonds the crater is.

The commission authorized Phase 2 testing in February, but no further digging has occurred as participants waited for approval of the next phase.

On the subject of Fort Lincoln, officially named "Fort A," Davies said the commission has the authority to condemn the land for park use but is split on whether to proceed with the project.

The fort was built about 130 years ago near DeValls Bluff. The state's attempt to establish a park at the site has run into local opposition and the owner of the land, Byron Smith III, of Kansas City, Kan., has rejected offers to sell the land to the state.

The only question that may be decided today is which state agency — Parks and Tourism or the Department of Heritage — would run it if the site is acquired, what federal money is available for the project and whether the park needs to be protected from commercial development by either condemning the land or buying it with an available $100,000 appropriated by the Legislature.

Delta Heritage Trail gets $600,000

BY JERRY DEAN
Democrat-Gazette Staff Writer

The state Highway Commission gave the Arkansas Parks and Tourism Department $600,000 Thursday to pay railroad right of way costs for the eventual development of a Delta Heritage Trail in Southeast Arkansas.

The commission also accepted bids on $39.6 million in highway projects.

Greg Butts, parks division director, said $150,000 would also come from the governor's office to acquire a Desha County railroad right of way between Snow Lake and Cypress Bend for development of a state park.

Public hearings on the proposal at Helena, DeWitt (Arkansas County) and Watson (Desha County) were encouraging, but some hunting club members expressed concern that a park might prompt vandalism.

Butts told commissioners no money has been earmarked to develop the trail. But once it opens, "I think it will make a difference in the Delta," he added.

Among road construction and maintenance jobs approved by the commission Thursday was work on the long-awaited replacement of the Third Street viaduct over Union Pacific railroad tracks in Little Rock.

Southern Pavers Inc. of Pine Bluff outbid four firms for the $1.8 million project. The work is to be completed in November 1994.

Other bids of $1 million or more accepted Thursday were:

- The Hardaway Co. of Columbus, Ga., $12.4 for a 510-day Interstate 30 rehabilitation project between U.S. 67 and the Red River bridge in Miller County.
- Robertson Bridge and Grading Inc. of Poplar Bluff, Mo., for work on Arkansas 1 (St. Francis County) between Colt and Little Tellico Creek, $2.1 million.
- L.J. Earnest Inc. of Bossier City, La., for work on Arkansas 245 between U.S. 71 and U.S. 82 (Phase I of the Texarkana Loop) in Miller County, $3.7 million.
- Forsgren, Inc. of Fort Smith for structures and approach work on Arkansas 348 at Cedar Creek in Crawford County, $1.9 million.
- White Bros. Inc. of Warren (Bradley County) for passing lanes on Arkansas 15 between Hermitage and Warren, $2.2 million.
- Conway Asphalt Co. Inc. of Conway for grading and drainage structures on U.S. 64 from Squirrel Hill east, $3.8 million.
- Crouse Construction Co. of Harrison for grading and structures on U.S. 62 Bypass between U.S. 62E and 62W in Mountain Home, $5.8 million.

The total of bids exceeded estimates for all work by $2.6 million.

Unique Kahn Canary diamond dazzling crowds around country

BY HELAINE R. FREEMAN
Democrat-Gazette Fashion Writer

The Kahn Canary — the 4.25-carat yellow diamond immortalized by first lady Hillary Clinton in the presidential inauguration in January — is getting around.

Since former Arkansas Gov. Bill Clinton and his family were formally installed in the White House, the diamond has gone on the tour circuit, according to Stan Kahn, the Pine Bluff jeweler whose family owns the stone.

Mentioned in the November issue of *Vogue* magazine, the ring has been exhibited in museums and charity fund-raisers around the country. Past and future stops include St. Louis; Portland, Ore.; Kansas City, Mo.; Virginia; and North Carolina.

Recently the ring was showcased at the Los Angeles County Museum of Natural History in Burbank, Calif.; in Houston, it was the centerpiece for a symphony benefit.

"It's been to some notable places," Kahn said. "We get calls almost every day from someone who's wanting it."

The Kahn Canary diamond has even been featured on ABC's "Good Morning America." And Kahn is trying to obtain a taped copy of a British Broadcasting Co. program that also discussed the piece. "Every place it goes, there's usually a television show built around it," Kahn said.

The flawless, uncut stone, whose color Kahn said is very rare in diamonds, was found in 1977 at the Crater of Diamonds State Park near Murfreesboro (Pike County) by a logger who later sold it to the Kahn family.

"Clinton wore a diamond in the rough to her husband's inauguration," writer Dodie Kazanjian observed in her *Vogue* article on the advent of casual diamond jewelry. She also mentioned the fact that "for $4 you can go and dig up your own diamonds" at Crater of Diamonds State Park.

Clinton also had worn the stone to two gubernatorial inaugural balls — in 1979, as part of a Victorian necklace; and in 1983, in a contemporary ring setting. For the presidential inaugural, Clinton wore the stone in an unusual ring created in conjunction with top designer Henry Dunay.



A REAL GEM — The 4.25-carat Kahn Canary Diamond, worn by Hillary Clinton initially as first lady of Arkansas and later as first lady of the United States, is displayed in a ring designed to reflect the beauty of The Natural State. The ring has been shown at museums and charity fund-raising events throughout the country.

"This is such a unique piece," Kahn said. "It's a very intense and very rare color in diamonds ... it has a natural beauty of its own." The much-photographed piece is also appearing in a number of books.

When in Arkansas, the Kahn Canary is usually displayed in the Mid-America Museum in Hot Springs.

Plans are now being laid for the ring to appear in April at the Basel Fair, Kahn said. Held annually in Basel, Switzerland, the event is touted as the largest jewelry show in the world.

Kahn also hopes Clinton will take the ring with her on an upcoming trip to Russia, another diamond-producing country.

Most times, Kahn travels with the ring. He enjoys explaining to audiences that the natural beauty of Arkansas — including mountains, forest, lakes and streams — are all represented in its design.

He takes no chances with the precious piece, which is provided to exhibit sponsors free of charge. These sponsors must meet certain security criteria, including the provision of an armed guard wherever the ring goes.

"It's irreplaceable; it's one of a kind. There's nothing like it in the world," Kahn said.

"It's so beautiful and so natural. I think that's one of the reasons Hillary likes it so much. She also talks about it (being) a good luck piece. She's always enjoyed wearing it and we've always enjoyed having her wear it."

Kahn's goal is to give all those interested in the Kahn Canary diamond ring a chance to see it. He sees it as an educational tool for those who don't know much about Arkansas, let alone the fact that Crater of Diamonds is the only place in the Western Hemisphere where diamonds can be found. Kahn also noted that Crater of Diamonds State Park in Murfreesboro is the only place in the world where the public can dig for diamonds for a nominal fee.

The ring is due back in Arkansas around Dec. 14, when it will be shown in the downtown Pine Bluff location of Kahn Jewelers.

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Ark. Democrat - Gazette

SATURDAY, MARCH 27, 1993 •

Counting our chickens

Hold on a minute. Does the Legislature really want to earmark most of the royalties and severance taxes that might be gleaned from commercial mining at the Crater of Diamonds for the state parks? Might not education or Medicaid or the state in general need the money as much, if not more? Note the periodic fiscal crises that keep hitting state government. Is the answer always another tax, often on those least able to pay?

Steve Bell, the state senator from Batesville, wants the parks to get the lion's share of the money. He has a bill working its way through the Senate that would reserve 75 percent of the take from commercial mining at the Crater for the state's park system.

Can the senator have proposed this to placate the never-move-a-stone preservationists? They oppose any move that might disturb the huge diamond formation deep beneath the park; apparently they want to reserve it for the tourists. (As though amateur diamond-hunters could fetch up all the gems there over the next century with only their hands and a shovel.)

Most Arkansawyers are ready to stand on up their hind legs and fight when it comes to protecting the beauty and natural resources of this small, wonderful state. But how would the environment around the Crater of Diamonds State Park be harmed by a professional mining venture that would be digging down 500 feet or more?

Because the Crater is the only proven diamond reserve on the North American continent, must it be preserved intact — as if it were a sacred relic rather than a natural resource?

Okay, okay. All this pre-hatch chicken-counting is premature. The first phase of a two-phase testing process is yet to start. Till it does, there's nothing to shed light on the quality, quantity and potential value of the deposits at the crater. So let's not divvy up the proceeds before there are proceeds.

Arkansas Democrat Gazette
• TUESDAY, MARCH 2, 1993 D
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Parks chief fears deception by diamond-mining company

BY DOUG THOMPSON
Democrat-Gazette Business Writer

One of four mining companies involved in exploration at Crater of Diamonds state park faces an investigation by the state securities commissioner at the request of the state Parks and Tourism Department.

Richard Davies, Parks and Tourism director, said Monday that he did not know if Continental Diamonds violated any regulations by issuing a news release he considered "somewhat misleading. I don't know. I don't know enough about the securities business, so I thought I'd better ask."

Jim Cairns, spokesman for Continental, said Monday the complaint was improper and showed Davies' inexperience in stocks. "The state commissioner can only investigate stocks sold in Arkansas, and we don't sell any stocks here," Cairns said. "But more important, the company has not done anything wrong."

The news release Davies questioned was issued from Houston on Jan. 29. Davies filed his complaint two weeks ago, Securities Commissioner Joe Madden said Monday. Madden declined further comment on the issue.

The release said that Texas Star Resources Corp., Continental Diamonds' parent company, is investing $7.5 million in a bulk processing plant in Pike County for "the exploration and development of the company's Arkansas properties consisting of its right to conduct exploration on the Crater of Diamonds, and its exclusive interests in the Kimberlite Mine, American Mine and Twin Knobs I properties" as well as testing ore from Canada.

Davies said his chief objection to the release is that it implies Texas Star Resources had substantial interests in developing the park. In the first place, Davies said, he'd never heard of Texas Star. The state did its business with Continental Diamonds. Second, Continental Diamonds' "right to conduct exploration on the Crater of Diamonds," as described in the news release, is

See DIAMOND, Page 2D

Diamond

• Continued from Page 1D

limited to paying one-quarter of the costs of exploration under a joint venture with three other companies.

"To me, the press release implied that Continental Diamond's 'right to conduct exploration' is a whole lot more substantial than it actually is," Davies said.

Cairns said "If this was stock hiking, stock churning, we wouldn't be making this kind of investment." The directors would keep the money they've been spending in Southwest Arkansas, Cairns said.

Texas Star Resources has two wholly owned subsidiaries involved with diamond exploration in Arkansas, Cairns said. Continental Diamonds deals exclusively with the company's interests in the Crater of Diamonds. Diamond Exploration Inc. is concerned with the company's private holdings throughout the United States and Canada. Both subsidiaries have the same personnel and the same office in Little Rock. Texas Star stock is traded on the Vancouver stock exchange in Canada.

The company is paying $2 million a year for mineral leases and property acquisitions in at least 18 Arkansas counties, Cairns said. The company has decided to go ahead with testing of its holdings in Pike County first, he said. It will therefore locate its testing plant there, and ship in samples from other sites as far away as the Northwest Provinces in Canada.

Whether the four companies testing park diamond deposits have a right to explore Crater of Diamonds park any further than the limited drilling allowed so far will be subject of a federal court lawsuit if the attempt is made, environmental groups have pledged.

Before the Crater of Diamonds could be commercially mined, the state would have to accept bids from each of those four companies paying for the tests. The winning company would have to reimburse the others for the exploration costs.

The Crater of Diamonds is the only proven reserve of diamonds in North America and the only diamond mine in the world open as a tourist attraction where visitors may keep whatever diamonds they find.

Whatever happens with the park, the processing plant will open this year in Pike County, about two and a half miles northeast of Murfreesboro, and will test ore samples from the company's private holdings, Cairns said.

Firm puts X-rays to new use

BY JOSHUA SHAPIRO
New York Times News Service

SYDNEY, Australia — With his X-ray vision, Superman might spot diamonds with ease. But for mere mortals the task is labor intensive, for the stones are only one in a million.

So the Argyle Mine, the world's largest producer of diamonds, in the Top End of Western Australia has developed its own X-ray vision system to recover them.

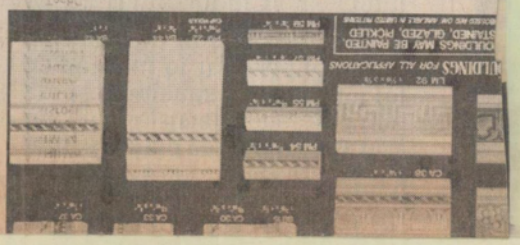
Round-the-clock shifts at Argyle produce 6 million tons of diamond-bearing lamproite ore each year to produce six tons, or 30 million carats, of diamonds.

To extract a diamond from its matrix, the ore is drilled and blasted; crushed under high-pressure rollers; washed and screened, and then passed through a cyclone heavy media separation process.

As in a centrifuge, the heavy minerals, including the diamonds, sink, while lighter minerals are floated off to be deposited in waste pits. At this stage, 99.9 percent of the mined rock has been rejected.

The dried, re-screened, concentrated ore is then sent to an X-ray sorter. Diamonds scintillate when hit by X-rays. As a stream of ore falls through a 40,000 electron volt X-ray beam, the diamonds' intermittent luminescence is detected by a battery of photo multiplier tubes that, within milliseconds, trig-

was an under-served market for finished hardwood millwork. In 1980, the couple opened a 2,000-



Arkansas Democrat Gazette B
THURSDAY, AUGUST 20, 1992

Geologists given months to assess diamond drilling

BY DOUG THOMPSON
Democrat-Gazette Benton Bureau

MURFREESBORO — Geologists will have until November to analyze and report on the results of the drilling at Crater of Diamonds State Park that ended Saturday.

One of the reports apparently will indicate that the extent of known diamond-bearing ore at the park is larger than once believed.

Two separate studies will be presented to the state Parks, Recreation and Travel Commission in November, Richard Davies, director of the state Parks and Tourism Department, said. The commission then will have until March 1993 to decide whether to proceed to the next level of testing.

The four mining companies that paid for the testing will present their conclusions in one report to the commission, Davies said. John Morgan, project manager for the Parks Department, also will present his report. The four companies are paying for testing expenses in a joint venture with the state.

"The reports may concur. They may not," Davies said. "It's going to take some time to analyze the results. All Morgan can tell me at this point is that it's bigger than we thought it was."

The Crater of Diamonds is the only proven reserve of diamonds in North America and the only diamond reserve in the world open solely as a tourist attraction. Park visitors are allowed to keep any gems they find.

Phase 1 testing consisted of drilling 25 holes in the 39-acre sandy field where diamonds have been found and in the surrounding area. The holes were laid out in a grid-like pattern designed to show the approximate shape and volume of the known reserve of diamond-bearing ore.

The tests do not give any indication of how many diamonds are in the ore, Davies said. That would require testing of "tons and tons of material," Davies said, possible only in further testing, which would require federal approval.

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The state built facilities for the park with money from the National Park Service.

The Park Service notified the state before it began Phase 1 testing that an environmental impact study would be required for anything beyond the Phase 1 tests.

When the Phase 1 tests were challenged in federal court, the U.S. District Court in Little Rock halted testing at the park for a time.

That decision was reversed earlier this year by the U.S. 8th Circuit Court of Appeals at St. Louis.

So far, the Phase 1 testing has cost the mining companies $477,260. The environmental study for Phase 2 testing would cost at least $100,000, Davies said, and probably much more.