

-REPORT ON-

THE SMOUGLER UNION MINING COMPANY.

FOR THE YEAR ENDING

April 30, 1903

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MINE MANAGER'S REPORT

PAGE 468

STATE BUREAU OF MINES

STATE OF COLORADO.

THE SMUGGLER UNION MINING COMPANY.

San Miguel County.

To the Stockholders of The Smuggler Union Mining Company:

The following is submitted as the report of the operations of the company for the year ending April 30, 1903:

During its fiscal year ending April 30, 1903, the Company mined and milled, or sold, 114,419 tons of ore. Its gross receipts were \$655,530.07 of which \$10,185.02 was paid by the lessees as royalties. The operating expenses at the mine were \$605,150.50, leaving a mining profit of \$50,379.57. The interest on our Debentures and general expenses (including interest due on loans) reduces this profit to a loss of \$3,378.02.

2244 feet of development was made in the mine during the year, the expense of which (\$20,594.70) is included in the amount above stated for operating expenses. Our ore reserves April 30, 1903 are computed as follows: Positive ore blocked out, 283,600 tons; probable ore partly blocked out 351,100 tons; possible ore, above Penn. Tunnel level 1,000,000 tons.

Comparing the above estimate with that contained in the plan furnished with the President's report for the year ending April 30, 1902, it will be seen that the estimate of positive and probable ore, inscribed on that plan, is considerably reduced. This reduction is mainly due to the exclusion of the ore contained in the old dump piles of the Sheridan and Meadota mines which were included last year in the amounts stated on the plan referred to. Conservation seems to require the exclusion of these dumps on account of the fall in the price of silver which has made it unprofitable to mill the material in them.

Another fact which has reduced the present estimate of the ore reserves is that the vein has proven to be narrower in the northern part of the property than it was in the parts exposed at date of last year's report.

During the year there were produced 21,792 ounces of gold and 637,121 ounces of silver. The average price obtained for the silver was 49½ cents per ounce which was lower than the price received in any previous year. Although the gold yields the larger part of the value recovered from the ore, the value of silver plays an important part in determining our profits.

On account of the low price of silver during the year, our receipts were only \$5.53 per ton of ore, as against a cost of \$5.29, leaving a profit of only 26 cents per ton. During the year the price of silver varied from 46 5/8 to 54½ cents per ounce. At the close of the year it was 54½ cents per ounce.

The Cyanide Plant, which cost about \$100,000 saved \$21,781.39 of our profit. The ore bodies have not shown any material change in character or value during the year, but developments have led to the belief that the ore bodies north of the Sheridan carry a little less gold per ton of ore than those to the south. Nearly all of these southern ore bodies above the Bullion tunnel have been worked out. Against the decrease in the quantity of gold, there is an increase in the quantity of silver in the northern ore bodies. The vein in the northern part of the property being narrower and harder is more expensive to mine than that in the southern part.

The theory advanced in last year's report that the best ore lies in horizontal rather than vertical pay chutes, seems to be well established by the year's work. Whenever a stope has pinched and grown poor for several hundred feet in length, it has improved in value when opened a few feet upwards.

On the night of November 20, 1902, Mr. A. L. Collins, our Manager, was assassinated by a shot through the window of the company's house at Pandora. The assassin has not yet been found although strong effort has been made to effect this.

Upon the death of Mr. Collins, the operations in the mines and mills were stopped out of respect to his memory, and they remained suspended during the sitting of a Grand Jury, which was immediately called together. This Jury, although it did not identify the assassin, found indictments against twenty-two men for having taken part in the previous disorders, which it is believed were the work of the men who are responsible for Mr. Collins' death. The indictments were found defective on the ground that the Grand Jury had not been called in the manner prescribed by law. The indicted men immediately fled from the district and cannot now be found in the state for arrest on new proceedings. Our operations were resumed December 27, 1902, and have continued to date without serious interruption.

In view of our previous misfortunes, the Directors are not inclined to predict the future but they think that all the earnings of the Company during the current year should be devoted as far as they will go to:

Sinking the Mendota Shaft to the Bullion Tunnel Level, about 850 ft., at a cost of sinking and equipping not to exceed \$35,000.00.

Extending a water pipe from the Bridal Veil towards Blue Lake to enable us to obtain water for running the mills during the winter.

Accumulating a sinking fund to meet our Debenture Bonds, and for quick capital.

Enlarging the ore bins at the mouth of the Bullion Tunnel to enable us to continue tramming in case of accident to the tramway connecting the ore bins with the mills.

Constructing an auxiliary tramway from the Bullion to the Penn. Tunnel and extending the Penn. Tunnel to reach the Smuggler Vein.

The report of the Treasurer for the fiscal year ending April 30, 1903 is herewith presented.

Buckeley Wells, President.