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Perigo Mine
Gilpin Co., Colo

COLORADO SCHOOL OF MINES
GOLDEN, COLORADO

Denver, Colorado, October 6, 1919.

Dear Sirs:

I own a five year lease and option covering the Perigo Mine, situate in Gilpin County, Colorado, about three and one-half miles southwesterly from the town of Rollinsville, on the Moffat Road.

Two ore shoots, one 800 feet, the other 200 feet in length, have been stoped out above the tunnel level to surface, a distance of about 600 feet. The owners state that they averaged between \$20 and \$25 per ton in gold and silver, the silver running from one to four ounces. Ore has been shipped in large quantity from this mine running as high as \$82 per ton as broken, without any sorting or screening.

These statements, made by the present owners, appear to be based on a knowledge of the value of the ore taken out of the mine in general by lessees since the present owners acquired title, and upon statements contained in a report written by W.H.Knowles. The latter now resides in Los Angeles. An unsigned copy of his report is the only evidence of the results of his sampling now obtainable. On pp.5 and 6 the following language occurs:

"I have thoroughly tested the values of the ore in the ore chutes heretofore referred to by sampling the same, and by reducing 13-1/2 tons of ore extracted from the bottom of the 600 foot level. (This is the Lower Tunnel level) Owing to the fact that this ore was extracted from the middle of the vein and it was not possible to remove the ore from the hanging and foot walls without displacing the timbers protecting the workings of the property, we are compelled to leave the ore of the greatest value upon these walls. The value of the ore milled ran .48 of an ounce of gold, or \$9.60, from which was recovered by amalgamation \$4.00 per ton of crude ore, or \$53.55 in the aggregate in bullion, and \$43.40 concentrates, making a recovery of 73% of the original assay value, which, as heretofore stated, we confidently believe can be substantially increased, probably to the aggregate of 85%. Samples of ore from the main ore chute of the lower level were taken at intervals for 800 feet; five of each of these samples were mixed and a single sample taken therefrom. The results were as follows:

1,.....	1st 100 feet, gold,	.44 oz.,.....	\$8.80.
2,.....	" "	1.04 ozs.,.....	20.80.
3,.....	2nd " "	1.26 "	25.20.
4,.....	" " "	1.10 "	22.50.
5,.....	3rd " "	.98 "	19.60.
6,.....	" " "	1.36 "	27.20.
7,.....	last 500 feet, "	1.68 "	33.60.
8,.....	" " "	1.50 "	30.00.
9,.....	" " "	1.40 "	38.00.
10,.....	" " "	.16 "	3.20.

The above assays represent 50 samples from the ore chute on the main tunnel level condensed into ten, or substantially 800 feet in length, silver values small and omitted.

It will be observed that the last sample shows low values. This is accounted for by the fact that the ore chute rapidly declines in value at its south end. I confidently expect that the milling ores taken from this vein carry values running from \$10.00 to \$20.00 per ton."

History of the property, explaining present mine condition:

The Rollins Gold & Silver Mining Co., at one time owner of the property, issued bonds for development purposes. Thos.H. Potter, of the Rocky Mt. Bank, Central City, and J.E. Lightbourn acquired approximately a half interest. The mine was leased for three years to Arthur Collins. The lease provided that royalties must be calculated on net profits, and the then owners received no royalties. Potter and Lightbourn borrowed ten thousand dollars each from Ed Williams to assist them in acquiring the remaining half of the property, for which, it is commonly stated by their associates, they paid \$95,000. Collins worked his lease for the full three years and applied for a renewal, which was refused.

Lightbourn, although not an experienced mining man, undertook to manage the mine. It was supposed that considerable ore yet remained above the tunnel level. He made a failure of it. Neither he nor Potter had sufficient cash capital, or income from unincumbered property, after they acquired title to the mine, to provide equipment and working funds to extract ore from below the tunnel level.

Then W.H. Knowles, whose report is above quoted, tried to sell the mine for \$500,000. He gouged out ore from the center of the vein (the milling grade portion) below the tunnel level, but left the smelting grade ore on the walls, for the reasons stated in the foregoing quotation from his report. Since then the posts have had a tendency to slip toward the centre of the tunnel, additional posts have been set in and the track ballasted by small lessees, until satisfactory sampling is impossible.

A half million dollar price, milling grade samples from the centre of the upper edge of the ore, and no development work below the tunnel, appear to have made it impossible for Knowles to dispose of the property.

Ed W. Williams, who loaned the \$20,000 to Potter and Lightbourn, died, and his heirs, through these circumstances, now own a large interest. They have not had sufficient capital to work the ore below the tunnel, and have been trying to sell. The price has been gradually lowered until the price is now \$75,000, altho it is said that Potter & Lightbourn paid \$95,000 for a half interest, and the mill alone cost \$65,000.

The foregoing history of the property was given to me by its present owners. Laying aside all of the foregoing statements, one unquestionable fact remains, i.e., one ore shoot of an 800 ft. stope length, and another having a 200 ft. stope length, have been stoped from the tunnel level to the surface, a distance of 600 feet.

These facts would lead one to expect the 800 foot ore shoot to extend, according to the first ratio, from 1,000 to 1,800

feet below the tunnel level, this shoot beginning as it does, at the surface. Calculating on the shorter distance, 1,000 feet, and a thickness of vein of only four feet, altho it is in places thirteen feet wide, allowing 12 cubic feet to the ton, and using \$16 per ton as the average value, instead of the \$20 or \$25 claimed for that portion of the ore already extracted, we have a gross tonnage of 266,666 tons, with a gross value of \$4,266,656, one half of which should easily be profit.

Using the larger probable figures given above, the net profit would be \$7,680,000. This does not take into consideration the 200 foot ore shoot in the bottom of the tunnel, which should be figured at the same value per ton. This would add 25% to the above results, since its known dimensions are 25% of the former.

Neither does this take into consideration the ore recently opened above the tunnel level in three places, but not yet blocked out or developed, which may easily prove to be of great importance.

Ore above the tunnel level:

The following is a tracing of the plan of the Lower Tunnel of the Perigo Mine as shown on page 199 of "Geology of Gilpin, Clear Creek, and Boulder Counties, Colo.", published by the U.S. Geological Survey, and known as "Professional Paper No. 94."

During this summer ore has been opened in three places above the tunnel level, at the points indicated in the foregoing diagram. The drift north on the Spar vein was started by myself in the hope of cutting the junction of the Spar with the Perigo vein. The latter was supposed to parallel the tunnel at about forty feet north of the tunnel, and the same distance south of the Baker vein. At 45 feet a small, unknown vein was encountered. It is not the Perigo vein, but the junction carries values running from \$11 to \$16, a first class indication that yet larger and better ore will be found at the junction with the Perigo, the latter being a much larger vein, and a well known producer. Good ore will also probably be found at the junction of the Spar and Baker veins, an additional forty or fifty feet beyond the Perigo.

The ore opened late this summer by Stanley & Wolverton at the point indicated in the diagram, runs \$8 or \$9 per ton; these values are expected to improve as the drift advances. Only the outer edge of the ore has been touched, where values are commonly poorer, and the ore narrower than they are farther into the shoot. The ore is now about four feet wide.

The ore opened by Mason & Crook has been developed a little more than that of Stanley & Wolverton. It also, at first, was of lower grade, carrying values of \$7 to \$10 in gold and silver. This ore has been stoped to a height of about thirty-five feet, and has been followed horizontally for twenty or twenty-five feet, and is now assaying from \$11.50 to \$38.37 per ton. Solid sulphides now show in the breast from four inches to a foot thick, consisting chiefly of pyrite, chalcopyrite, galena, and some graphite. Assays could doubtless be obtained running much higher than those mentioned. The ore has widened to about five feet.

Property covered:

My lease and option cover twenty lode claims and a mill-site, all patented, including about eighty acres; a concentration mill of about 100 tons daily capacity, containing thirty stamps, quick dropping, followed by copper plates, Wilfley tables and flotation tanks, now in operation by electric power; a good office building, blacksmith shop, living houses and stables.

The owners inform me that the mill alone cost \$65,000, which is \$10,000 less than the purchase price of the entire property. I enclose a copy of my lease and option.

Very truly,

1461 Quince ST.

D/M.
1 encl.

(Copy of lease and option).

THIS INDENTURE, Made this nineteenth day of September, in the year one thousand nine hundred and nineteen, between The Perigo Mines Company, a body corporate existing by and under the laws of the State of Colorado, party of the first part, and Darwin T. Mason, party of the second part,

WITNESSETH, that the said party of the first part, for and in consideration of the rents, covenants and agreements hereinafter expressed, to be paid, kept and performed by the said party of the second part, has leased, let and demised, and by these presents does lease, let and demise unto the said party of the second part, the following described premises, situate, lying and being in Gold Dirt or Independence Mining District, in the County of Gilpin, and State of Colorado, to-wit:

The Perigo lode, Survey No.218; the Perigo lode, Survey No.217; the Perigo lode, Survey No.381; the Perigo No.4 lode and mill-site, Survey No. 893 A and B; the West Perigo lode, Survey No.881; the Perigo Mountain lode, Survey No. 892; the New York lode, Survey No. 219; the Baker lode, Survey No. 632; the Spruce lode, Survey No. 891; the M.S.lodes Nos.1 to 6 inclusive, Survey No.15,895; an undivided one-half of the South Perigo lode, the South Perigo No.2 lode, the South Perigo No.3 lode, the Perigo No.13 lode, and the Mammoth No.4 lode, all patented together as one group as Survey No.15,487; also the thirty quick-drop stamp mill and all other buildings and improvements located on the above mentioned and described properties.

TO HAVE AND TO HOLD THE SAME, for the purpose of mining, with no power to assign this lease or any interest thereunder, or sub-let the whole or any part of said premises, except by consent of the party of the first part, for the term of five (5) years from the date hereof. AND the said party of the second part, for and in consideration of the leasing of said premises, has covenanted and agreed, and by these presents does covenant and agree with the said party of the first part, its successors, heirs, executors, administrators and assigns, to commence work on said premises on or before ninety days from this date as hereinafter provided, and thereafter to work the same continuously, in a thorough and workmanlike manner, employing at least three (3) men, each doing at least twenty five (25) shifts per month, and keeping the same securely timbered, drained, and clear of loose rock and rubbish; to keep accurate accounts, and to render monthly reports, accompanied by mill and smelter statements as vouchers, to the said party of the first part, its agent or attorney, showing the amount of all ore taken from the said premises and the yield thereof, and also the cost of hauling and milling the same, and to pay monthly to said party of the first part, its agent or attorney, as rental for said premises ten (10) per cent of all recoveries by amalgamation after deducting the cost of hauling and milling, and twenty (20) per cent. of the gross of all sampler's or Smelter's checks received for smelting ore and concentrates, mined and extracted from said properties. All royalties paid as above to apply on the purchase price of the above described properties in case of ultimate purchase as hereinafter provided. In case the property is not purchased, said royalties to be and remain the property of the party of the first part as rental and liquidated damages paid.

A rental of fifty (50) cents per ton of crude ore treated by whatever process by or in the mill shall be paid monthly by the party of the second part to the party of the first part, after the mill shall have come into the possession of the party of the second part as hereinafter provided; this rental not to apply on the purchase price. Party of the second part to keep the mill in as good condition as when received.

The party of the second part further agrees to post and keep posted in a conspicuous place on said property, where it can

be plainly seen, a notice that the property is being worked by him under lease and that the owners will in no manner be responsible for any debts incurred by reason of such work for labor, supplies, material, or services of whatever kind.

Whenever required by the lessor, the lessee shall carefully sample all ore before shipment and furnish such sample to the lessor, and if such sampling is not done satisfactorily, the lessor may sample and charge the cost thereof to the lessee.

All taxes assessed against this above described property, including the year 1919, shall be paid by the party of the second part, up to the time of forfeiture, or purchase as herein provided.

Taxes that may be assessed on the output that may be made hereunder, shall be paid as hereinafter provided.

Lessee shall do all work necessary for the development of the property leased.

The lessee shall make and deliver to the lessor such monthly or other reports of the work done as it or its agent may require, and in case surveys of the workings shall be found necessary, in the opinion of the lessor or its agent, the lessee shall render such assistance as may be necessary in making the same.

The party of the second part shall report monthly the number of feet of shafts and winzes sunk, the number of feet of levels and cross-cuts driven, and the amount of stoping done, together with the location of each and all of said work so that a working plan of the same may be kept up.

Work shall begin on or before ninety days from the date hereof, with a diamond drill for the purpose of testing the ground above and below the main tunnel level, this work to be completed within sixty (60) days of date of commencement, and upon completion thereof, if such tests are satisfactory to the party of the second part, he shall at once begin sinking a winze below said tunnel level, at such point as he may select, for developing the ores expected to be found by the drill work.

The work of sinking the winze and subsequent development of the ground below the tunnel level shall be prosecuted by at least three (3) men, each doing at least twenty five (25) shifts of work per month, during the entire term of the lease.

It is hereby stipulated and agreed that the party of the second part shall have the right to purchase the herein described property at any time during the life hereof upon the following conditions, viz:

Purchase price of property if paid during first year of life of lease, \$75,000.	"		
Purchase price of lease, \$80,000.	"	second	"
Purchase price of lease, \$85,000.	"	third	"
Purchase price of lease, \$90,000.	"	fourth	"
Purchase price of lease, \$95,000.	"	fifth	"

Terms of payment of purchase price to be as follows:

\$2,000 to be paid on or before eight months from the date hereof; an additional \$5,000 to be paid on or before twelve months from the date hereof; an additional \$10,000 to be paid on or before two years from the date hereof; an additional \$15,000 to be paid on or before three years from the date hereof; an additional \$20,000 to be paid on or before four years from the date hereof; and balance of purchase price to be paid on or before five years from the date hereof.

Upon the payment of the ultimate \$5,000- as provided to be paid during the first year of the life hereof, the party of the second part shall be entitled to the possession of the mill and the use thereof, after the expiration of the sixty days notice of

the termination of the lease under which the mill is now being operated.

And the said party of the second part further covenants and agrees that the said party of the first part, its agent or attorney, shall have the right at any and all times to enter upon and descend into any and all parts of said premises, and that the said party of the second part will render to them all the assistance in his power in so doing. And the said party of the second part furthermore covenants and agrees to occupy and hold all side veins, spurs, feeders, cross-lodes, parallel lodes, or mineral deposits of any kind which may be discovered by the said party of the second part or by any person working under him in any manner, by working within or from the aforesaid premises, as the property of the said party of the first part, and as part of the premises demised, and to not allow any person not in privity with the parties hereto to take or hold possession of said premises or any part thereof under any pretense whatever.

Should the output of these mines reach an amount that would be taxable under the law relative thereto, provision for the payment of such tax shall be made as follows: The party of the second part shall in addition to the royalties herein provided to be paid, deposit monthly with the treasurer of The Perigo Mines Company, such a sum or percentage of the remaining gross output of the mines as will apparently pay the pro rata proportion of said tax, and upon the payment of said tax any surplus remaining in the hands of said treasurer, of the fund created as above provided, shall be paid to said party of the second part; but if this fund falls short of his proportion of said tax, then said second party shall make up said shortage.

Failure by the party of the second part to make any payment of royalties, or purchase price, as hereinbefore provided shall, at the option of the party of the first part, work a forfeiture of this lease and option of purchase, and all rights hereunder, and also of all previously made payments of royalties or otherwise, to the party of the first part, and all such payments shall be and remain the property of the party of the first part as rental and liquidated damages paid.

And the said party of the second part furthermore covenants and agrees that in case he fails to commence work on said premises as aforesaid, or to work the same continuously and with reasonable diligence and in a workmanlike manner, or to keep the same securely timbered, or render said statements, or to pay said rental as aforesaid, and in any case to keep and fulfil any and all agreements herein expressed or implied, then, and in that case, it shall be lawful for the said party of the first part, its agent or attorney, to declare said term ended, and with or without process of law to enter upon and take possession of said premises; also at the expiration of this lease by limitation, said party of the second part agrees to surrender, yield and deliver to said party of the first part, its successor, heirs, executors, administrators, or assigns, quiet and peaceable possession of said premises in good condition.

This lease is subject to all leases now in force upon any part of the property herein enumerated, and is binding on the heirs, successors, and assigns of the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

Attest: The Perigo Mines Company (Seal)
(Signed) Clara Williams, (Signed) By Hal Sayre, President. (Seal)
(SEAL) Secretary. Darwin T. Mason (Seal).