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Archives

Recapitulation of Operations.

Specie Payment Mine.

From Janry. 30th, 1903 to Oct. 15th, 1910.

Coleman & Colley.

Reorganization Committee.

Providence, Rhode Island.

Gentlemen:

Obedient to your request I have prepared and herewith hand you the following résumé of the happenings of the Specie Payment Gold Mining Co. from Janry. 30th 1903 to October 15th 1910 covering a period of seven years nine and one half months during which entire time the property has been under the supervision of the writer.

In January 1903 the writer was engaged by the owners to make an examination and report upon this property which was completed and the report handed in on the 30th of the same month. The mine's workings then consisted of what is now known as the "old workings" operated by shaft near the summit of Bellevue Mountain, while the same were in extent at that time only about half what they now are.

The result of this examination showed the property to be in a deplorable condition. First, as shown by the plan of workings, no system had ever been observed, the ore was mined in patches here and there and for want of open and continuous mill holes at regular distances, reaching from level to level, the product mined had to be packed laboriously and expensively to distant points, wherein it could be discharged to the level below. Second, the workings were equipped and maintained throughout with the cheapest and most unscientific of timbering, done with the lightest and poorest of timber. Third, the provisions for the hoisting of product and waste, were crude, illkept, and practically inoperative. The equipment of the main shaft (an Incline operated by steam) it was found necessary to re-equip from top to bottom, also much betterment was found necessary in the "Top works". Fourth, three of the claims comprising the company's property at the time of purchase, were only in process of U. S. Patent, or the gaining of final title, and which later involved most extended and trying, not to say expensive efforts to consummate.

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Finally, the mine itself was found in a condition further so far as ore reserves were concerned, that forbade further consideration of its operation profitably under any system, save what might arise from farther development, and the opening of, as yet unopened ground.

Immediately following my examination and report, having accepted the management of the property in its entirety, I first attempted to operate it along legitimate lines of mine operation, viz that of Company operation and the payment of all service rendered at the ruling scale. After a brief period of trial along these lines, I at once placed the mines entire workings under what is known as the "Leasing system". The leaser furnishing everything so far as agreed and accepting as pay for his expenditures together with his labor the percentage agreed upon of the "Mill Return" value of the product which he produces. The result of this system, soon adopted in these "old workings", notwithstanding the fact that the same have in the interim mentioned as covering this statement, made a total product of over One Hundred and Fifty Thousand Dollars, which product after deducting the company's royalty, and the cost of all supplies used, as powder, fuse, caps, candles, etc. , there has remained as an average wage for the leaser in all this time less than one dollar and fifty cents per day, or less than one half the amount the company would have been compelled to pay for the same service.

Production from these old workings practically ended during the early part of 1909, the leasers no longer being able to make a product that warranted the "dead" work or development required in its search. Still a few clung to the hopeless task until within a few months past making no product that would even pay for the candles which lighted their work until today these old workings are completely exhausted in all directions, having been practically exhausted in their downward course at the commencement or at the time of the writer's examination and report. Yet notwithstanding this last mentioned feature, the vein after a careful examination presented features that led the writer to the belief that it was one of the few in this locality that carried ore of commercial value to still greater depths; the low-

est level of these old workings, being then about six hundred feet on the dip of the vein below the surface.

In view of all conditions presenting themselves during the examination I immediately thereafter sought to convey to the owners of this property my belief that no ore bodies of the character and magnitude they hoped for would ever be found in the territory existing above the then lowest workings; but qualified this belief with the further expression of opinion that another ore body or ore bodies existed at greater depth, and separated from the lower portion of ore bodies in old workings by a more or less barren zone of perhaps several hundred feet in depth; that such existing would prove the only possible salvation of the property, yet the cost of its determination would approximate seventy five thousand dollars. I further recommended that in case the undertaking was engaged in that it be done by means of a tunnel driven preferably from Virginia Canon on the county wagon road between Idaho Springs and Central City, and at a point wherein to cut the vein at a given depth below the bottom of the then existing workings, in place of extending the shaft downward from the old workings, for various reasons. First, that the old plant covering collar of shaft occupied most disadvantageous ground, which to prepare for the creation of the plant required, and provide room for the handling of supplies, product, etc. would involve a large expenditure and ever remain inconvenient. Second, operation by Tunnel would obviate the necessity of raising water from the great depth to be attained and which would prove a matter of much expense, should an augmented flow be encountered. Third, operation by tunnel would lessen the cost by one half of all hauling.

After somewhat brief consideration on the part of the owners or their representatives, the writer, having for some time past been General Manager and also Assistant Treasurer of the Company was instructed to proceed with the undertaking by means of the tunnel. A site was at once acquired at a point in Virginia Canon two miles from Idaho Springs and at an elevation wherein the tunnel would cut the vein at a vertical depth of 792.1 ft. below the collar of the main shaft of old workings less the grade of tunnel, or about 1000 ft. as measured

on the dip of the vein. Ground was broken at the tunnel entry in September 1903, plans were prepared showing the theoretical position of the vein at the depth at which it would be cut by the tunnel as calculated by strikes and departures exhibited in the old workings, the tunnel was vigorously projected and encountered the vein in the early part of January 1906 at a distance of 2548. ft. from the portal, and at a total cost including the power plant for driving the same of \$61,368.48. The vein was encountered within ten (10) ft. of its theoretical position as denoted upon sheet previously prepared, and was found to agree very closely in width and values, with the average of the old workings. It may here be stated that no vein of apparent importance was cut throughout the entire length of tunnel, save the workings of the "Bald Eagle", until this the "Specie Payment" vein was reached.

Immediately upon encountering this the Specie vein (of which there could be no question, owing both to its position and to its general features) a drift upon same was extended both to the right and to the left, or easterly and westerly from the point of intersection, "Mill Holes" being located and started at each thirty feet and an accompanying "manway" at each fourth "mill hole". This drift along the vein, in either direction from the point of the tunnel's intersection, and known as the "tunnel level", or "tunnel level drift", has to date been driven from this point of intersection by tunnel, a distance of 385 ft. easterly, and 815 ft. westerly, or a total distance of 1200 ft. when in each breast the vein pinched, and the longitudinal extent of the shoot at this level appears to have been reached; a most extraordinary length however for ore shoots in this locality. Steping followed closely the opening of the level and has been engaged in to the extent, that at the time of the shut down October 15, 1910 the portion of the ore shoot existing above tunnel level has been topped from end to end, and practically exhausted. It was found to reach its greatest height at a point about 250 ft. westerly from the main station, or point of intersection of tunnel with vein. At this point the stope reaches a height of 325 ft. from which point the roof or

erown dips to the floor of the level at both its easterly and westerly extremities. The better grade of material mined was taken from between the main station and No. 15 mill hole westerly a distance of about 450 ft. From this entire stope above tunnel level, having a length of 1200 ft. and an average height of about 175 ft., from which has been extracted and milled more than 40,000 tons of material, which has rendered a net smelter return of \$360,031.85 or a net return of about nine (9) dollars per ton after suffering the loss in milling of about 15% of the total value, together with the freight on the dressed product to smelter, and the smelter's charge for reduction, which would bring the gross value of the product mined up to nearly if not quite twelve (12) dollars per ton. Adding to the product from the stope discovered and operated through the Two Brothers Tunnel, and laying wholly above said tunnel level, the amount produced from January 1903 to October 1910 of \$154,800.31^{taken from Old workings} and a total is presented of \$514,832.16 produced from the entire property during the writers management thereof.

In October 1907 the stope above tunnel level had reached a production, and promised a permanency that demanded and warranted the installation of a power plant of greater capacity and also the erection of additional buildings, ore bins, etc. The old plant being steam and the water being of such a character as destroyed from two to three sets of flues annually, together with boiler, pump and compressor connections, beside coal being expensive delivered at the power house, it was determined to instal a new plant operated by electric energy, which installation was completed in November 1907 with a capacity about double that of the old plant. The power house was enlarged, the automatic ore bins extended, a car barn, transformer house, timber framing shed, stable for employees horses, and two small cottages were erected. During 1908 although the ore above tunnel level showed no signs of exhaustion, it was deemed best to prepare for the opening of ground below tunnel level, the floor of which level giving every evidence of the better portion of the ore body lying below; hence in the latter part of 1908 work was commenced of the cutting of a hoisting station in the hanging wall of the vein at a point directly opposite the tunnel's intersection with vein. This station room is 40 ft. in length, has a

width at floor of 16 ft. and an extreme height of 32 ft. over sheave wheel of gallows frame. In addition the tunnel was widened for a distance of 100 ft. back from its intersection with vein to permit of a siding. The cutting of this station and siding alone costing over \$3,500.00 the rock being intensely hard and having no tendency to slack, no stick of timber has ever been employed in its fortification. This station has since been equipped with a model steel lined, self loading ore bin, steel gallows frame, and 25 H.P. steam hoist operated by air. The first 100 ft. approximately of the incline shaft now existing was sunk before the present equipment was installed; the hoisting being done by mule power operating "whip". The present hoist being the one heretofore operating the power upraise at a point about 250 ft. westerly from main station, will prove of insufficient power should later a large tonnage be produced from levels below the tunnel level. In case of necessity for a change it would probably be best to install an electric hoist of about twice the power of the present one.

Preparations were no more than complete for sinking below tunnel level and the first 100 ft. sunk (which incidentally gave no knowledge of the vein until the 100 ft. point was reached, being of necessity sunk in the hanging wall for that distance) when we were confronted with dastardly and premeditated interference. Immediately this property was acquired by the present owners, there began prowling about amongst their holdings which are composed of a tangled mass of claims, nearly all of which are fractionals, an individual named Kirk; who for years past has devoted himself almost exclusively to nefarious proceedings directed toward properties of greater promise which could in some manner be found susceptible of attack (and nearly all can) with the hope at least of being bought off. To this end he quietly secured control mostly by option, of several pieces of ground lying to some extent vertically over the lower workings and stopes of the Specie property, and under the common law theory claimed the ore being extracted and damages for that extracted on the grounds that the vein being worked below or from Two Brothers Tunnel, which on its dip had carried under his ground was not the same as that in the old workings above

which had been followed down from the apex; and that we not having the apex of the vein we were working vertically beneath his ground (although it was impossible for the apex to be in his ground) that under the common law he owned all such ore within his boundary lines extended downward vertically. After lengthy preparation for this suit, and the retaining of numerous counsel, the writer constructed a model of the mine showing the relation of the lower to the upper workings on their dip, the case was called before the District Court at Georgetown Colorado, and immediately the jury was chosen and the case presented, they threw up their case and ran out of court.

Following failure in this case he and his supporters at once commenced active work along other lines; a claim called the Eureka was located covering what was supposed to be an old patented claim called the Swansea into the end line of which unquestionably the Specie vein apexes in its easterly course after passing out of the side line near the easterly end line; this has later been proven. This Swansea claim it seems although surveyed for U. S. Patent and the corners plainly established and worked, and shown on all official maps as the oldest patent in the district, never went to final proof, and the annual labor not having been performed for many years past, the ground upon proof of this, reverted to the public domain, and became again subject to location. In some manner these parties discovered this and covered the ground with the Eureka for the purpose of gaining a foothold upon which to hinge a future suit for damages as the extra-lateral rights of the Swansea, into which as stated the Specie vein passes does cut off and cover about 300 ft. of the easterly end of our tunnel level stope. But the greater portion of this stope was made before Kirk located his Eureka and while as it proves the ground was public domain; hence he has no claim on that, moreover no damage in a case like this can be obtained except for the net profit, and this company alone possesses the proof that there was no profit in all this portion of the ground, as I kept it well sampled and further mined, milled, and marketed several hundred tons of material from this ground separate from the balance of the stope. But in addition to all this, discovering the facts in the case, the writer at once entered and examined the discovery shaft of the Eureka and found it to be substantially

invalid, being sunk in barren granite with no sign of a vein whatever; in addition six (6) other of the best and most reputable mining men in the district examined it, with like results. The writer then began the uncovering and tracing of the apex of the Specie vein, following it through the end line and into Swansea ground and at once made a location called the Specie, covering the Swansea and in conflict with Kirk's Eureka. Kirk began proceedings for U. S. Patent on the Eureka, and the writer in behalf of the Specie Payment Company adversed him before the U. S. Land Office. The case went to trial in the early part of the summer of 1910 before the District Court at Georgetown, jurymen were scarce, and we went to trial with six (6) jurors. Four miners and leasers from Silver Plume, a saloon keeper from Georgetown and another from Idaho Springs; we were so sure of our position as our counsel had himself personally examined the Eureka discovery, that after the testimony was in we made a proposition to the court to adjourn, take the jurors to the alleged discovery and let them examine it themselves, which was done. Returning they deliberated until past midnight, the two saloon keepers holding for no valid discovery, when being tired out, wanting to get free, and believing that the ground was of little value anyway, they went over to the four miners and leasers, who talked loudly of a rich cooperation trying to rob a poor prospector.

The writer at once appealed the case to the Supreme Court of the state where it will remain undisturbed for the coming four years at least.

A most amusing aftermath of this blackmailing affair with its years of persistent search for some opening, and its later year and a half of litigation is the fact that during all this time they have remained ignorant of the fact that there was a mortgage of \$75,000.00 covering this entire property that took precedence over any judgments that they or anyone else might obtain, and it is only since this adverse case has gone to the Supreme Court that they have discovered it, and as a result are very much subdued in their attitude.

Such have been the conditions in the matter of dastardly conspiracy and attack, and the litigation made necessary with which the company and its management have been forced to contend; nor is this all;

for in the years of our operation our dump has finally reached across the "Kentucky West" a dumping privilege very kindly extended by Mr. Hal Sayer. Partially at least, in any case, exists a claim obstructing to a great extent the further progress of our dump. To the owners of this in their attempt to work it we have extended every courtesy and neighborly accommodation, when finally after squandering several thousand dollars and proving the claim worthless, they have resorted to the scheme of compelling our company to purchase it by an attempted interference with our dump. Yet wherein ^{with} our other abuses ^{this} is extremely annoying, it is by no means fatal; as first the County Commissioners have extended us the privilege of dumping along the county roads right of way down the Canon; but this involves hauling it an average distance of about 500 ft. Again there is a piece of ground lying in the very bed of the canon and adjoining or lying side by side with theirs that it may be possible to make reasonable terms for the surface right to dump upon. Moreover if not there is other ground beyond; but to reach it our track must cross their ground; but as simply a mining company, we cannot do this through condemnation proceedings, for the uses of a Tramway or ditch; but as a transportation company we can.

Finally it may be clearly observed that directly following the commencement of preparations for sinking and opening new ground below tunnel level and while the stopes above tunnel level were producing fairly, we were beset with litigation of a nature that threatened any portion of the vein we might open; and to open which and disclose ore of sufficient quantity and value would incite increased determination on the part of our enemies and enable them to obtain added support in their undertaking. When, however, they had retreated from the attack on the grounds upon which it was first undertaken, and which in all probability they will never resort to again, work was resumed in the opening of this lower ground; but it was with a depleted treasury and rapidly declining ore reserves in the stopes above; but worse than this our efforts and the time and expense involved in the sinking to a depth of 255 ft. 6 inches and in drifting for a distance of over 250 ft. westerly, was rewarded with utter disappointment in the ore it disclosed; the vein was

continuous and of average width, but the ore it contained had no commercial value. After sinking the shaft a depth of 255 ft. 6 inches, a drift was turned each way on vein for a distance of 25 ft. and the shaft sunk 10 ft. deeper for a sump making its total depth 265 ft. 6 inches. Meantime the 1st level west was being pushed forward, and at 265 ft. to inquire what had become of the ore that existed above and to secure better ventilation an upraise was started which at the time of shut down had reached a height of 108 ft. and still has some 20 ft. to connect with tunnel level above; this excess of distance over the incline shaft is due to a flattening of the vein at this point. At 25 ft. in height in this raise the ore showed a decided improvement, and has remained about of equal grade to the 108 ft. point; not as good grade as existed at tunnel level directly above, but more than three times as good as anything yet found in all the work done below, while the ore streak is very strong and continuous from top to bottom. At about 25 or 30 ft. beyond upraise the drift entered ore of almost identical grade with that shown in upraise above the 25 ft. point, while the vein shows even stronger. This condition continues to present breast which had reached a distance of 354 ft. at time of shut down October 15, 1910. The level and upraise, in fact all ground opened below has been kept well sampled as work progressed. The upraise and that portion of 1st level west since passing the upraise and seeming to enter an ore shoot, show almost identical values averaging from \$18.00 to \$20.00 per ton. This apparent line of the ore shoot below would indicate that it is dipping westerly, and that it is approximately parallel with the dip of the crown of the ore shoot directly above; this being the case, the 2d level west will have still farther to run to catch it, and the 3d level west still farther yet, save perhaps local ore shoots may occur enroute.

The question may now arise in the minds of our committee as to why a shut down should have been engaged in at a time when apparently productive ground had been reached. In explanation it may be stated, that it will require several months yet in which to open sufficient ground in which to get advantageous stoping well under way, and with our

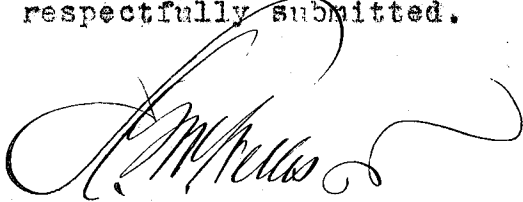
heretofore field of productiveness wholly exhausted, and practically so for several months preceeding shut down, during which time much indebtedness was created, and more bound to occur for a few months at least, and with no systematic and equitable provision for the care of that which has occurred, and that which would follow, together with other advisable steps suggested in part herein, and set forth more fully in a previous communication to your committee, tending toward the further protection, and peaceful operation of your holdings, it became difficult, disadvantageous, dangerous and illadvised to proceed further, until some universally agreed, well understood, rational and united effort, possibly involving a complete reorganization of your Company, provides a method of more proper procedure.

Most respectfully submitted.

Dated

Denver, Colo.

Dec. 10, 1910.


Genl Mgr & Cash Treasr
J. P. G. M. Co.

Supplementary Sheet #1.

To Report to Reorganization Committee.

In view of the somewhat extensive product made from the Specie holdings, since the change in administration in the early part of 1903, the question may arise in the minds of shareholders who have not taken the pains to keep constantly informed, as to what disposition has been made of this seemingly large aggregate sum received for product. Replying it may be stated, and easily understood that the recapitulation of so extended operations covering so lengthy a period, would of necessity require too great a length of time, and prove far too voluminous to in any form embody in this report. However: monthly reports have during the entire period of operation been forwarded to the Providence office, showing receipts and disbursements in detail; the receipts accompanied by the Smelters Returns and the disbursements supported by proper receipts on file in the Denver office. Further these accounts have annually been checked in the Denver office in detail, by the Company's auditor sent from the east.

The writer further begs to call your committee's attention to various conditions other than litigation and general interference, which have contributed in a vastly greater measure toward the destruction of desired results.

First, Copper slumped in July 1907 from \$3.50 per unit paid by Smelters to \$1.07 per unit by the close of October of the same year, and has ever since ranged between this last mentioned price and \$1.45 per unit. This alone has inflicted a loss on the product since mined of fully \$26,000.00

Second, Silver commenced a slump in November 06 from above 70 cts. per ounce and continued the same until at close of 1907 it had reached 54 cts. per ounce, while its average since has been even less. This on the product mined, milled and marketed during that time has added a further loss of at least \$13,500.00.

Third, By the close of 1905 the wage scale had advanced a little more than an average of 20% involving an additional or increased cost of operation since that date from this source alone of \$21,000.

Recapitulating the foregoing we have as a total subsequently imposed, and wholly unlocked for, increased cost of operation during the past five years:

Shrinkage in Copper values-----	\$26,000.00
" " Silver "-----	13,500.00
Increased scale of wages-----	21,000.00
" cost various mine supplies-----	<u>5,000.00</u>
	\$65,500.00

In conclusion permit me to again urge upon your committee serious consideration of the measures heretofore recommended to you in a letter bearing date December 5th 1910. In the matter of re-incorporation alone, as a transportation Company or common carrier, there are other advantages than that of thwarting the purpose in a great degree of obstructionists. It may never have occurred to your committee, or to any share holder of the Company but your tunnel possesses value other than that of the operation of your own holdings. To begin with the Two Brothers Tunnel has already reached the heart of Bellevue Mountain. Its plane, or elevation, or depth, is far more advantageous in the possible cutting of veins in their field embracing ores of commercial value than either the "Newhouse", "Lucania" or any other tunnel driven from the level of "Clear Creek". They are too deep, and will encounter nine tenths of their veins below the zone of commercial values.

The Two Brothers Tunnel projected will enter Gilpin County in a further distance of Two Thousand feet. A cross cut from present breast of tunnel level westerly will open out into "Fall River" drainage in a distance of Two Thousand feet. Or said tunnel level westerly may be driven to explore Specie vein a further distance of about Eleven Hundred feet to the westerly end lines of your property and then open out into "Fall River" drainage through a cross cut of equal length viz Two Thousand feet. All of this territory being far more promising of reward at its depth, than the deeper, longer, and many times more expensive tunnels are at theirs. Moreover the distance being so short to reach a great number of promising veins, that their owners may be induced to assume the expense, (as has been done of late in the Newhouse tunnel) being later reimbursed for same should they become ship-

pers through remittance of freight charges or toll.

Trusting I have fully covered your needs for fullest presentation and explanation of the Company's affairs, I remain,

Most respectfully yours,

*Robert
Raymond Cole
Dec 27th 1910*

