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REPORT OF WILLIAM M. WELLS

To Mr. R. J. Booth and
Monitor Gold Mining Company
Western Bldg., Amarillo, Texas

Feb. 7.1934

Gentlemen:

As per your request I herewith submit my report as to values of ore compiled from the reports of the following properties viz;

Report on Ridgway Mine, Silverton Quadrangle
San Juan County, Colorado Dated November 1933
as signed by F. M. Stephens M.E. Denver, Colo.

Report on The Golden Fleece, Ilma-Hiwassee,
General Sherman, Red Mountain and other prop-
erties of Monitor Gold Mining Company, dated Oct. 30,
1933 as signed by John H. Marks, Mining Engineer,
504 Bank Block, Denver, Colorado.

From such reports I have estimated the ore on dumps and in sight specified in such reports is of a total value of \$5,667,288.97 as of dates of such reports.

Taking the increased value of gold only, (37½%) and leaving all other metals at the former price, I have calculated the increased value of the ore above mentioned as \$2,125,210.86.

Inventory at old price per reports mentioned willbring value	\$5,667,288.97
Increase value gold	2,125,210.86
Present value	<u>\$7,792,439.83</u>

I therefore would estimate values as of this date is as above indicated \$7,792,439.83 being calculated at gold value \$35.00 per oz., price quoted this date.

Respectfully submitted,

William M. Wells

William M. Wells
Geol. Engineer
1527 Vine St. Denver, Colo.

To R. J. Booth and
Monitor Gold Mining Company
Western Bldg., Amarillo, Tex.

Feb. 7, 1934.

Gentlemen:

As per your request I herewith submit my report as to values of development and equipment described in the reports of the following properties, viz:

Report on Ridgway Mine, Silverton Quadrangle, San Juan County, Colo. dated November 1933 as signed by F. M. Stephens M.E. Denver, Colorado.

Report on the Golden Fleece, Ilma-Hiwasssee, General Sherman, Red Mountain and other properties of Monitor Gold Mining Co., dated October 30, 1933 and as signed by John H. Marks, Mining Engineer, 504 Bank Block, Denver, Colo.

Taken in connection with my personal inspection made during February, 1934 warrants the following estimates as reflecting a fair and conservative value of the development and equipment at the various properties and herein after set forth.

An analysis of development and equipment accounts carried on your balance sheet is submitted herewith.

The engineer's reports covering the various properties have been thoroughly examined and only that development now of value to your company, as a going concern, has been taken into account.

The upper workings of the Golden Fleece, Ilma-Hiwasssee and General Sherman; Drifts under stoped areas; Drifts and tunnels inaccessible on account of cave-ins and miscellaneous "exploratory" drifts, therefore, are not considered in this analysis.

The unit of \$29.00 per foot used in computing tunnel values is based on standard costs for openings of the character, size and location of these and, considering the character of the ground, difficulties of transportation and similar factors surrounding work of this nature in the Lake City District, I believe that unit to be very conservative indeed.

The unit of \$25.00 per foot on the General Sherman development was taken because of the smaller size and shorter length of tunnels in this property as compared with those of the Golden Fleece

and Ilma-Hiwassee.

Drifts in the Lake City properties have been calculated to cost approximately half that of the tunnels.

The Ridgway costs, since practically all of it was hand work, and since adits and drifts are of practically the same size, were calculated at \$25.00 per foot, but raises and winzes in this group are figured at \$35.00 per foot which is the usual rate for contract work on this sort in this region.

Duplication of development in Golden Fleece and Ilma-Hiwassee groups has been eliminated.

Peele's "Mining Engineer's Handbook", published by John Wiley & Sons, 1927 edition, volume 1, pp. 224-265, a standard work used by all branches of the mining industry, gives detailed tunnel cost data ranging from \$10 to \$126 per foot.

After computing costs on development, a conservative appraisal of approximately 49% was used as a basis for present worth to the Monitor Gold Mining Company.

Equipment account contains only those items of machinery and equipment in place, or available on the properties, which are currently valuable to an operating concern. Obsolete mill equipment, miscellaneous machinery and supplies, though potentially of some value, have not been considered. A present worth of \$21.3% of estimated cost has been used.

ANALYSIS OF DEVELOPMENT ACCOUNT

Balance			\$203,900.00
<u>Detail</u>			
<u>Golden Fleece:</u>			
#4 Tunnel	4000'	@ \$29.00	116,000.00
#3 Tunnel	1075' (net)	@ 29.00	31,175.00
Connecting raise	350'	@ 29.00	10,150.00
			<u>\$157,325.00</u>

Tunnel #1 & 2, 225 ft. stoped area in #3, miscellaneous drifts upon which no data is available are not considered.

Ilma-Hiwassee

1	100 HP Boiler, good condition in brick setting	\$1,200.00
1	80 HP Boiler, good condition in badly depreciated setting	500.00
1	80 HP Compressor complete with receiver, good condition	1,350.00
1	100 HP Compressor, complete with receiver good condition	1,750.00
	Mine Bldgs. in good state of repair	<u>1,000.00</u>
		<u>\$5,800.00</u>
	Total machinery est. cost	<u>\$27,526.50</u>
	Present appraised value (21.3%)	<u><u>5,862.50</u></u>

Timber

Will average 50 M Board ft. usable lumber to the acre and is conservatively set up @ a value of \$5.00 per M in place. The Golden Fleece, Ilma-Hiwassee and General Sherman are heavily wooded, (approximately 1/4 of their total area).

Timber in place then valued at \$250 per acre gives the following conservative value on this necessary asset.

Golden Fleece

225 acres total area	
Estimate 56½ acres timber @ \$250.00	\$14,062.50

Ilma-Hiwassee

50 acres total area	
Estimate 12½ acres timber @ \$250.00	3,125.00

General Sherman

500 acres total area	
Estimate 125 acres timber @ \$250.00	<u>31,250.00</u>
Total timber	<u>\$48,437.50</u>

Timber on the Ridgway is not considered as there are no photographs in engineer's report covering that property to which you can be referred. As a matter of fact, however, sufficient timber is available on the property for use in the mine.

The engineer's reports covering the various properties made no mention of the value of this timber asset, but, in mine development and extraction of ores timber cost is a prime factor in costs per ton. Peele's Handbook notes timber costs in tunnels ranging from 30¢ to \$8.48 per foot, depending on character of ground gone through.

SUMMARY

Present value machinery	\$5,862.50
" " timber	48,437.50
Balance Sheet Equipment Account	<u>\$54,300.00</u>

William M. Wells
Denver, Colo.
February 7, 1934

Respectfully yours,
William M. Wells

William M. Wells
Geol. Engineer
1527 Vine St., Denver, Colo.

Mr. R. J. Booth and
Monitor Gold Mining Co.
Western Building
Amarillo, Texas

Gentlemen:

The above data constitutes the basis upon which my audit of February 7, 1934 of the development and equipment account of the various properties mentioned therein were calculated and are in accordance with accepted mining practice.

Respectfully yours,

H. E. Munroe
Independent Public Accountant

Durango, Colorado
February 7, 1934.