



STATE DEPARTMENT OF GEOLOGY
AND MINERAL INDUSTRIES

BAKER FIELD OFFICE
2033 FIRST STREET
BAKER, OREGON

RECEIVED
OCT 16 1947
STATE DEPT OF GEOLOGY
& MINERAL INDS.

October 15, 1947.

Mr. Fay W. Libbey,
702 Woodlark Bldg.,
Portland 5, Oregon.

Dear Fay:

The Solar Development Co. story as I get it has two or three angles. In the beginning you perhaps knew and will recall the negotiations were "on and off" two or three times. As ~~we~~ get it from John Arthur, an understanding would be reached between the SD Co. and the owners and before contracts would be signed, owners would come back with a new proposition, each a bit stronger. The SD Co. met these changes. With the result that the final contract proved pretty stiff. Especially in view of the other difficulties--shortage of supplies and man power.

The contract calls for an expenditure of \$100,000 a year starting in 1948 with a mill to be completed by 1950, and with a rental of \$10,000 per year should the mill not be put in operation, and rental not to apply on royalty. These are some of the terms of the contract as ~~it~~ get them.

Met Mr. Selby the day he was leaving. He said it was with regrets he was going; that the company was not throwing up the contract, but that they were leaving for the present.

As we all know he was only the man on the job and the men higher in the Co. will rule action. There is the condition that the company had worked over a year on the property, and in that time had not reached one of their objectives. They had spent over ~~\$100,000~~ \$70,000 and working in the U.S. has its complications for a Canadian company.

Strong representations have been made ~~to~~ ^{To} the owners, urging them to grant concessions to the SD people that will give them a better chance. What result is yet to be learned.

The diamond drill campaign was quite a disappointment, apparently. They had a contract for 2500 feet and only

completed 1100 feet. Had trouble in getting cores and abandoned holes on that account. In fact am told but one hole was completed and that had a fairly good showing of ore.

This is about the substance of the reports I have received on the work. While they have not given up the property as yet, if the owners do not come back with some reasonable concessions, they very likely will throw it up. And even then it may be too late.

There are a lot of angles and some details of stories, as usual when such developments crop up in Eastern Oregon mines.

Sincerely,

H.E. Hendryx

Ed.

COBY

October 11, 1947

Mr. H. E. Hendryx
Box 424
Baker, Oregon

Dear Ed:

As you probably know and as I stated in the monthly report, the Solar Development Company apparently quit work at the North Pole-Columbia Lode. It is not clear to me just what the difficulty is, although Wag thinks it has something to do with extension payments which evidently the owners were unwilling to allow. Have you any definite information? I understand that Rex Ellis was in town a week ago but I did not see him.

Sincerely,

Director

FWL: jr

October 24, 1947

Mr. H. E. Hendryx
Box 424
Baker, Oregon

Dear Ed:

Thank you for your letter of October 22 enclosing the John Arthur letter to the Ellis Mining Company.

The value of the 1946 mineral production for the State is estimated at \$12,534,000, of which nonmetallics were valued at \$11,700,000. Gold and silver produced were 18,529 fine ounces and 5,890 fine ounces respectively. I regret to state that we do not have separate figures for metallic mineral production in eastern Oregon. We have to depend on the U. S. Bureau of Mines MINERALS YEARBOOK for such statistics and the volume for 1946 has not yet been issued.

In regard to returning to you John Arthur's letter, I would like to keep it for a couple of days in order to go over it a little more thoroughly. I have been knocked out with a cold for a couple of days and have just returned to the office so that there is quite a little work piled up.

With best regards.

Sincerely yours,

Director

FWL: jr

COPY

FR 11-2-47

Baker, Oregon. October 17th, 1947

Mr. C. C. Curl, President.
Ellis Mining Company.
c/o Pendleton Hotel.
Pendleton, Oregon.

RECEIVED
F. W. HURDLE
OREGON DEPARTMENT OF GEOLOGY
BANKERS BUILDING
PORTLAND, OREGON

Dear Mr. Curl:

About September 15th, 1947 Mr. B. E. Hurdle, Assistant Manager of the Consolidated Mining and Smelting Co., of B. C. arrived in Bourne, to inspect the work of the Cracker Creek Mining Company's property. Apparently he was very much discouraged regarding progress made. All was very expensive for these impossible times, especially as to gold mining where the price was frozen to pre-war, and very few, if any objectives were conclusively reached. In fact no one could, with labor conditions, scarcity of materials, and high cost accomplish anything as to de-watering and exploring the downward extensions of known formerly profitable ore series that produced much.

On account of the above conditions they attempted to open No. 1 North Pole caved level, but this was slow and took much expense. They also started drilling from an old crosscut formerly run. I doubt if this was a place to get the best results, however, the best they could do under conditions existing. Nor did they reach objectives, only in one place, and then not very definite.

Their next move was to try and get some Diamond Drilling done from the surface up on the North Pole hill. Of course this slate formation is not suitable for drilling above the 1000 foot levels. Below these depths the rock is more crystalline. In fact profitable ores had been mined under where they started to drill. They were testing an unexplored block left by the old timers as too low grade to mine when gold was \$20.00 per oz. and poor mill extractions those days. The low ores that were left occurred in intermittent shoots extending up from the better ores mined into this un-explored section, and it would be like looking for a needle in a hay stack, to prove, or find them with ONE DRILL HOLE. However, these areas would produce a reasonable profitable tonnage when times permits them to be mined. They never got further than the one hole. I doubt if the softer ores would core, and what sludge was obtained in the contact where the values should be, was simply cement they put in the caved hole.

THEIR NEXT EXPERIMENT---Was to Bull-Doze the vein off on the upper or North end of the North Pole property by trenching. That in my opinion was very good business and the only real progress made, this gave them a lot of information regarding the vein strike and strength. It further showed them that the vein had split which resulted in two veins, instead of one, as known to date, in the other parts of

the property. IN THE AREA WHERE TRENCHED, NO ORE WAS KNOWN TO EXIST, BY FORMER OPERATORS, However, the Consolidated was looking for another series of ore occurrences that would show its nose and rake down under the known ones formerly mined. It is very possible that there might have been one or more if a different programme had been followed after exposing the veins. Dozing and shallow trenching only shows the hard walls and quartz vein filling that withstood erosion, and not, EVEN IF THEY DID EXIST, ORE BODIES. The ores are sheared to permit the solutions of metals to go through them and deposit their values. They contain sulphides that oxidizes. They have gouge walls. This makes them soft with rotting and easily eroded compared with the non-mineral sections. This is in evidence in other parts of the mine where ore has been mined, gutted out on the surface in the millions of years of constant erosion.

They did find symptoms indicating that ores could be 10 or 20 feet below where they dozed. They had small free gold panings, similar to that found on other productive parts of the vein. They also got some 9 oz. assays in one place on the foot wall but never got to explore these. A system of short tunnels, about four, should be run to show the vein 80 or 100 feet deep, to know much about it. This conclusion is reached by surface conditions on former productive parts of the property.

When the Consolidated Company took the property over, they had a good programme laid out. That was to un-water the mine on the Columbia side and drill along 3000 feet of length of known ore bodies. This depth would permit better ground to drill in and also positive information of the ores at many hundred feet deeper than the bottom of the workings. No doubt would have proven enough for large expenditures in further development and mill construction on a large scale at some convenient point when conditions warranted.

They soon found out that their programme was impossible under scarcity of developing equipment and labor factors, unless they had money to throw away and wanted to dissipate any expected profits from the ground opened.

They further thought that gold would be advanced and still do, but it hinges on the peace conference being settled, and then it must be subscribed to by all the Nations to stabilize money throughout all the World. If not done, it will be confusion, and no peace obtained. They further thought that costs would gently come down, but now think they will increase for about two years before any real BUST.

They are also sore at the Cracker Creek Mining Company for making too harsh a deal after agreeing, and changing it many times. Of course they had a good deal in some respects, but impossible to keep. In the words of Mr. Hurdle. "They keep their contracts, and if impossible quit, and no beefing". They have.

As explained to me. I never read the contract. They would have to expend \$100,000.00 a year beginning January next, and be in production by 1950, or pay a high yearly rental that they would get no credit for until production started and royalties were being paid. No gold mine will pay now, or 80% of them won't in the quartz vein type of mine. It should be easily understood for if you could make \$5.00 per ton pre-war, and costs double you are licked until the cycle changes, and change it will, and always has since the beginning of civilization.

During the fall of 1946, there were three different parties contacted me and seemed very anxious to take over the Bourne properties. I informed them that the Consolidated

had taken it for a whirl. One of these parties was Mr. Knight, who made the report on the property. He has strong people. One was a Boston crowd that knew much about the property. The other was the American Smelting & Refining Co. I do not know what their reaction would be now with the un-sound conditions that exist but can contact them one at a time and find out. This depends on the attitude of the Ellis Mining Company regarding matters, as the property is now in their lap to make decisions on.

THE ELLIS MINING COMPANY BEING A CORPORATION, I would think, to comply with the law regarding Corporation's, that a letter be sent to all Stockholders and possibly copies of this explanation sent, to acquaint them with the facts as they are. This would get their views and reactions as to what they desired to do. I know that it should be, and they do, if they would think back a few years when property-cattle and farms were at low ebb, and much of it bought for a song, and the purchaser sang the song. Gold, might have a low ebb now, but never has failed, and will be used to stabilize the world's currency in due time. In fact, when gold booms do start, there has never been anything so intense, not even the Atomic Bomb. MY BEST ADVICE IS TO HOLD THE FORT. Some wish they had done it in property and farms before this shot in the arm they are now getting.

Sincerely yours,

/s/ John Arthur

See attached sheets-

(I am sending a few copies out to some parties)

October 17th, 1947.

"GENERAL REMARKS"

On Tuesday Oct. 14th., I met Mr. Rex Ellis, at his request at La Grande. The object was to talk over Bourne, and the Ellis Mining Company's position at this time. Mr. Ellis was rather down in the dumps, however, not warranted, as he, or none of us, have any control over conditions regarding GOLD properties, as exists.

Mr. Ellis, suggested selling the mill, and other equipment, of course, I don't know your or the Stockholders thoughts regarding this procedure, but I surely don't think it good business, as better things might be done. A property sells better with the equipment, as is, besides helps hold the Ellis Company Lease. At least the Cracker Creek Company, will not be as cocky as they were, and might come of their high horse.

REGARDING LEASING OUT BLOCKS & EVENTUALLY MAKING A SALE OF THE ELLIS COMPANY'S LEASE. Mr. Jack Turnbull, who done the DOZING, on the North Pole Hill for the Consolidated, approached me regarding getting a Lease where he dozed & trenched.---Mr. Glen. Ingle, a former lessee on the Columbia, also wants a lease on a little high grade streak where they formerly operated. I told both, that the Ellis Company, was a corporation and it was for the Board of Directors to decide these matters.

To make a sale of the ELLIS lease would take time, and possibly a little better outlook for gold operations. Should I take it up with parties who wanted the property. It must be done by contacting them one at a time, as to do otherwise would confuse matters in case more than one party wanted it. It is very possible that none of them would be immediately interested, as it looks like the Powers that be, helps everything but GOLD. They have good reasons for this until the World's Conference is settled one way or the other. Then, this Government having most of the gold could be the fiddler, and the others do the dancing.

At any rate, it is too late in the fall to complete a deal, but if it was worked on this winter, something tangible might be accomplished this coming spring.

INVENTORY---I suggested that a complete one be made of all the Ellis Co. equipment. This for the reason if a sale is made of the property, the purchaser would know what they were buying. Besides, one should be made to keep even a watchman from highgrading some valuable things. You know this is an age of robbery by most people. No deal can be made in mass sales of equipment. If done so to Junk men you would not realize over 1/3 value.

It would be a good idea to pack, and bring in a lot of small stuff to store in Baker. This would consist of Belting the machines that it belonged to, length, width, ply & make. Tools, small motors, and all such items that could be carried off. No danger of them taking big stuff "In winter".

When packing anything for storage it must be done orderly, and compact to save storage space. You should know what is in each package. For example, belting must be rolled, tied and tagged, likewise all other stuff properly done. If done otherwise, it would be like going into a grocery store, and throwing everything from the shelves into a truck, and dumping it in a storage room. Someone might want some cans of PEAS, and you would have to sort the pile over to get them. IF IT IS NOT DONE CORRECTLY, IT WOULDN'T PAY TO DO IT AT ALL.

Of course this would cost some money for doing a good job. It should be done by one knowing such equipment, and has the Stockholders at heart. It might take a man doing it properly as much as two weeks with a couple of helpers to pack things. Remember your equity in the mill building is worth something in the event of an operation, or sale.

All I can offer is advice.

Yours very truly,

/s/ John Arthur