

November 9, 1937

Southern Oregon
Jackson Co.

Mr. C. H. Higley
1024 N. E. Grand Avenue
Portland, Oregon

Dear Sir:

The Sterling Mine is an old producing mine. It has produced a very large amount of gold. It has been worked up Sterling Creek to a point where the ditch line was so close to the level of the gravel that hydraulic operations were not effective. A higher ditch line would cost a very large sum of money so that some other method of working the remaining gravel would have to be used in order to operate economically.

I have been on the ground and have seen the area remaining unworked. It is quite large.

If you wish to come into this office, we should be glad to discuss it with you as fully as we are able to do so. You will note from our letterhead that our office is in Portland and not in Salem.

Very truly yours,

AMS:va

A. M. Swartley
Consulting Mining Engineer

Portland Oregon November 3rd.1937.

State Bureau of Mines,
Salem Oregon.

RECEIVED
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STATE DEPT OF GEOLOGY
& MINERAL INDS.

Gentlemen;

Can you supply me with the following information
in reference to the Sterling Mine located in Jackson County?

Is this an old producing mine ?

How long has it been in operation ? Or production ?

What values have been taken out according to your
records ?

How does it compare in size to other placer mines
in Oregon.

Please include such other pertinent information
as you may have.

Thanking you in anticipation,I am,

yours truly,

C. H. Higley

1034 N.E. Grand Ave.,

JACKSON

STERLING CR.

February 8, 1941

AIR MAIL

Mr. John T. deBlois Wack,
299 Park Avenue,
New York, New York.

Sterling Creek
Jackson Co. Oregon.

Dear Mr. Wack:

I have just returned to Seattle after meeting Mr. Wadley at Sacramento and after an examination of his mining property near Medford, Oregon.

I did not write you while away as I had nothing definite to say.

My meeting with Mr. Wadley and his engineer was far from satisfactory. After Mr. Wadley made a definite appointment to meet me in Sacramento he postponed it twenty four hours, which was all right. He arrived shortly after I got there, apologized, and said he would have only thirty minutes for our meeting.

Mr. Wadley's knowledge of the property was extremely vague and his engineer's was not much better. Both had been at the property but just once, and Mr. Wadley on one of his rush trips.

I asked Mr. Wadley what equipment he had available for operation, also if he had any operator or organization to send to the property. He said he had none but

he could build a washing plant. I believe he did tell you about some equipment but this he has now shipped to Eastern Oregon. I didn't get much of an idea of what his washing plant or equipment actually consisted of. He said he would be pleased to have me visit his property in Eastern Oregon in about a month after they go into operation.

Three times I asked him what his proposal was to you and each time he told me more of the merits of his system of placer operation, so I never did find out. When he left his engineer went to the train with him and returned to the hotel to have dinner with me. Then his engineer told me that Mr. Wadley wanted him to tell me that if I examined the property and thought well of it he (Mr. Wadley) and you would work out a deal. The engineer, Mr. W. W. Williams, left immediately after dinner and the next morning I left for the mine.

The property is the old Sterling Mine, roughly eleven miles southwest of Medford, Oregon, on a good highway.

Mr. D. F. McCormick, an engineer for the owner, Edward J. Grassman, 433 North Broad Street, Elizabeth, New Jersey, met me at Medford and took me to the mine and was very generous with all information. Mr. McCormick has been at the property since 1933, when Mr. Grassman first acquired

the mine. He said that Mr. Grassman had spent considerably over \$100,000 in operation and experimenting. He abandoned operation in 1938. Mr. Wadley came into the picture a little over a year ago but did not get the lease until the early part of January of this year. The lease is for the life of the property; royalty of ten per cent on all ground worked containing 40 cents per cubic yard or less, and 15 ⁹/₁₀ cents on all ground over 40 cents per cubic yard. There is a minimum payment of \$500.00 per month after August 1, 1941 regardless of operation, but credited to royalties. Up to August 1, 1941 one has the right to test the ground. Total county taxes are roughly \$400.00 per year of which the lessor pays ten per cent and the lessee ninety per cent. Any equipment on the property can be purchased by the lessee at the then market price, i.e., when the lessee decides he wants any of the equipment. A limited amount of the equipment could be used.

The property has priority rights to 20.7 second feet of water from the Little Applegate River. This is ample for operation on any scale one would operate with a dragline and washing plant.

The mining season is from November 1 to July 1, it might be longer, or one might have to close down during

June, July, August and September. This is problematical but I do not think it is serious.

Gold was discovered on Sterling Creek in the early Fifties and worked by hand until the early Seventies, when the Sterling Mining Company acquired all of Sterling Creek, built a high ditch line to take water from the Little Applegate River. This ditch is in excellent condition today. Its maximum capacity is roughly seventy cubic feet per second.

The Sterling Company worked all of the ground up to a point where the hydraulic head of the ditch was effective. Its operation ceased in about 1908. During 1913 to 1918 a man named Bullis operated in a small way. At the old price of gold Sterling Creek is credited with a production of over \$3,000,000 in gold (U.S. Bulletin No. 546).

In 1933 Edward J. Grassman acquired the property. He operated with stripping equipment, dragline and stationary washing plant. In 1935 he built a second experimental washing plant. In his first plant he treated 100,000 cubic yards of gravel that returned about \$1.00 per cubic yard. In the second plant he treated 50,000 cubic yards of gravel that averaged 40 cents per cubic yard. He worked about 800 lineal feet of the channel which averaged 270 feet wide.

The average depth was 42 feet. Bedrock is soft and easily dug. The over-burden was first removed and the gravel to bedrock dug with a Bucyrus 3-yard dragline, and delivered to trucks and hauled to the plant. The maximum haul was about a quarter of a mile. Water for scrubbing and sluicing was pumped to the plant. The present face of the channel, i.e., where operation ceased in 1938, carries about 25 cents per cubic yard.

There remains within the limits of the property about two and a quarter miles of unworked channel. Apparently the ground is getting deeper and the bedrock flatter.

During Grassman's operation thirteen drill holes were put down covering nearly a mile of the channel beyond the present face. The drilling was not done by experienced placer drill operators. Therefore, no dependency can be put on the results. There was no attempt to systematically cross section the channel at any place. The few holes drilled were scattered over quite an acreage. Some of them were definitely out of the channel. However three of the drill holes show very interesting amounts of gold, about a quarter of a mile apart, up stream. The last hole is about a mile from the present face. One hole fifty feet deep returned 42 cents per cubic yard. One hole eighty feet

deep 92 cents per cubic yard, and the last hole ninety feet deep 90 cents per cubic yard. This is an incentive to do some systematic testing.

If this depth of gravel and values can be proved across a width comparable to the width worked below it will mean a major operation of sufficient life to justify the investment in mechanical equipment for properly working the ground.

I do not approve and do not want to be part of Mr. Wadley's idea about going right ahead with operation before testing the unworked ground. Such a program might meet with disappointment that would preclude the chances of developing a real piece of property, and might result in more financial loss than spending a small amount of money for testing.

I certainly think enough of the property to recommend spending, say, \$5,000 to do some systematic testing. You might not spend all of this before you have determined that further testing is not warranted, or you might spend another \$5,000 to actually prove a property that is worth a million dollars or more.

My recommendation is to put down a couple of shafts to check the best holes of the former drilling and

John T. deBlois Wack

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if favorable results are obtained then make several cross sections of the channel by drilling at wide intervals. If favorable drilling results are obtained then drill in between, i.e., shorten the interval and spacing.

I can get the proper placer man for this job if you can work out some equitable agreement with Mr. Wadley. I believe he would be willing to assign his lease to you on a basis of a division of profits.

I regret my inability to pin him down to something definite but apparently Mr. Wadley has his own way of doing business.

Very truly yours,

Park Lane

299 PARK AVENUE
NEW YORK

February 21, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Wash.

Dear Mr. Levensaler:

Since writing me on February 15th, a copy of which letter Mr. Wadley sent to you, he wrote again on the 17th and I am enclosing a copy of his letter.

In reply to the two letters I wired him as follows:

"Thanks letters 15th and 17th. I used term dredging in general sense. Levensaler has made no specific recommendation as to method of moving dirt. Think drilling will determine best way of handling it. Agree with you unnecessary meet you Dallas. I will have agreement prepared and sent to you shortly after reaching California March 1st."

and today I have written him and enclose a copy for your files.

I suggest you and I meet as soon as possible and go over the whole situation. Perhaps it would be wise to meet in San Francisco to help McCarthy, or, better still, perhaps you could fly to Santa Barbara and go over things with me there, after which you can see Mr. McCarthy on the way home.

I would like you and Mr. Erice to meet each other, as he has recently agreed to take a 20% interest in our contract with you.

Will you kindly give some thought as to which of the two arrangements I suggested to Mr. Wadley would be most advantageous for us. If it is a big operation we might welcome Mr. Wadley's financial assistance in equipping the property. At the same time we could probably get financial assistance elsewhere if drilling results are favorable. Furthermore, if the drilling results are very favorable, so that the operation would be virtually a sure thing, we might wish to do the whole thing ourselves.

Park Lane

299 PARK AVENUE
NEW YORK

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I am wondering if you were able to determine why the previous operators abandoned the property when it must have looked fully as encouraging to them as it does to ~~you and~~ us? I am looking forward with great pleasure to seeing you, though if you think it unnecessary to meet me, and that we can handle it all by correspondence or telephone, perhaps it would be best to save the time and expense.

I am enclosing Mr. McCarthy's bill for legal services in connection with the contract with you, as I feel that for the sake of the records it would be best if it were paid from your expense money, which of course can be increased at any time to cover this and similar items.

Please let me hear from you in Santa Barbara, and with all good wishes, I am

Sincerely yours,

John de Blais Wack

JdeBW:P

February 21, 1941

Mr. J. K. Wadley,
Texarkana
California.

Dear Mr. Wadley:

Replying to your letters of February 15th and 17th,
I wired you as follows:-

"Thanks letters fifteenth and seventeenth. I used term dredging in general sense. Levensaler has made no specific recommendation as to method of moving dirt. Think drilling will determine best way of handling it. Agree with you unnecessary meet you Dallas. I will have agreement prepared to send to you shortly after reaching California March 1st."

I am returning to Santa Barbara from here next Monday, the 24th, and will arrange to see Mr. Levensaler and my mining attorney, Mr. Frank J. McCarthy, in San Francisco to prepare an agreement.

I shall have Mr. McCarthy look over your agreement with Mr. Grassman. Off hand, the agreement looks all right to me but, of course, it would be fine if you could improve the terms.

Will you kindly let me know your address in Florida after March 1st, so that I can reach you by wire or telephone. I would like to get things under way as soon as possible at the mine.

I hope you and Mrs. Wadley and Emily will have a nice vacation. Ethel is in Arizona now, but we are going to meet at Santa Barbara on Tuesday.

With all good wishes,

Sincerely yours,

JdeBW:P

D. FORD McCORMICK

MINING AND CIVIL ENGINEER

Box 228
Medford, Oregon
Feb. 20, 1941

Mr. Lewis A. Levensaler
1408 Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

The data has been received and I note your comments re Mr. Wadley.

If you need a good drilling rig, I know where there is one that I think can be rented or purchased. It is a Bucyrus-Armstrong, and there is some Ex Heavy Casing with the drill. It is practically new, cost over \$2300, and can be had for about half price. It is over on the Rogue River not far from here.

Best regards,

Sincerely,



D. Ford McCormick

DFMCC:fm

February 19, 1941

Mr. D. Ford McCormick,
Box 228,
Medford, Oregon.

Dear Mr. McCormick:

I am returning herewith material you mailed me under date of February 10, also material given to me by Mr. Williams who asked me to deliver it to you after I was through with it. I may call on you at a later date for all of this material again and perhaps for some additional information.

I have reported to my principals and they have communicated with Mr. Wadley. I have just received a copy of Mr. Wadley's answer today. You will probably be advised as soon as anything develops. We are at present negotiating.

I wish to thank you very kindly for all of the hospitality you extended to me while I was at Medford.

Kindest regards.

Sincerely,

Encls.

February 19, 1941

Mr. J. K. Wadley,
Texarkana, Arkansas.

Dear Mr. Wadley:

I wish to thank you very kindly for copy of your letter addressed to Mr. Wack.

I too noticed in Mr. Wack's letter that he referred to the ground as dredging. Just what he had in mind I do not know; certainly not a floating bucket-line dredge because the ground is far too deep. Often people speak of dredging where any mechanical equipment is used for digging the ground and washing it -- whether in a stationary, movable, or floating plant.

If it were not for the flat grade it would make an ideal hydraulic mining operation but now it looks as though it would have to be a mechanical digging problem.

I hope that some business develops as a result of your referring this property to Mr. Wack.

Kindest regards.

Sincerely,

CC to Mr. Wack
299 Park Ave. N.Y.

J. K. WADLEY
FEBRUARY 12, 1941

Mr. John T. DeBlois Wack,
The Park Lane,
299 Park Avenue,
New York, N. Y.

Dear Mr. Wack:

I have today received your letter of February 12th. I concur in Mr. Levensaler's recommendation that additional testing be done before attempting to work the ground, as the information that he gives you coincides with our own information, and our own conclusions pertaining to the previous testing done by the owners. However, after discussing this testing with Mr. McCormick, the engineer in charge for Mr. Grassman, and seeing the samples and character of the gold recovered, I am quite encouraged to believe that there is a substantial yardage with high values remaining in this channel with possibilities of considerable yardage with an average above 50%, in which case it should be a highly profitable operation in the event satisfactory dirt moving equipment is placed on the property.

I notice in your letter that you make mention of dredging in the event the drilling proves satisfactory, and I am wondering if that is the type of operation that Mr. Levensaler is inclined to recommend since his visit to the property.

The outline of a proposed basis of operation between us as indicated in your letter seems altogether fair and reasonable to me, and I am sure that we can work out something agreeable along these lines.

I notice that you expect to be back in Santa Barbara around the first of March. I am planning to go to Florida with Mrs. Wadley and Emily around March 1st. If you would care to return via Dallas, I could meet you there, as the plane from New York does not stop between Memphis and Dallas, and you could catch the night plane out of Dallas for Santa Barbara; that is in case you are planning to take the plane on your return trip. If this arrangement should not be altogether satisfactory to you, I could meet you later in California, as we have ample time under our contract to begin operations for the testing.

Thanking you for your interest and cooperation in the matter, and with kindest regards, I am,

Yours sincerely,

JKW:ehg

cc to Mr. Levensaler,
Seattle, Wash.

Park Lane

299 PARK AVENUE
NEW YORK

Feb. 13, 1941

Mr. L. A. Severson,
Hoge Bldg. Seattle, Wash.

Dear Mr. Severson,

Just a line to enclose
a copy of the letter I sent yesterday
to Mr. Wadley at both his
Texarkana and Glendale addresses.

I think your views are entirely
sound in the matter and that
we have made him perfectly
reasonable offers but I fear he
may submit some counter offer
that may not be acceptable
to us. Will keep you advised.

Sincerely,
John de Bois Wadell

D. FORD McCORMICK

MINING AND CIVIL ENGINEER

Box 228
Medford, Ore.
Feb. 10, 1941

Mr. Lewis A. Levensaler
1408 Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

I am sorry to have delayed sending the notes you asked for. I spent part of the next day looking for the data, and was suddenly called away, and returned last night.

To give you an idea of how I arrived at some of my figures back in 1936, and to not delay you further, but to give you what figures I have, I copy the page from Prof. G.W. Maynard's report, which converted into present values is \$3,506,186.00 from about that same volume in yards, calculated roughly from Sam Randles statement of a season's advance each year and the average width of the channel mined, from 1878 to 1907 over a period of 30 years;-but a higher yardage by Prof. Maynard @ 80¢/yd.

Mr. Bullis mined as per table shown below and recovered \$98,090 (present value) from approximately 94,000 yds. by calculation from measurements made by myself of that part of the channel he mined.

Paul Pearce (whom you met) said he mined 17,000 yds. in 1932 average 85¢ per yard and 17,000 yards in 1933 average 61¢ per yard; - and he mined the seasons of 1928, 1929, 1930, and 1931 - all about the same except one year when he took out only about half the yardage and values due to bad ditch conditions and no water. If we sum Pearce up say at 5½ x 17,000 yds. - 93,000 yds. @ 85 + 61 = 1.46 divided by 2 = .73¢ average then he recovered about \$68,000.00 from the west channel, and we took out 40¢ per yard out of 40,000 yds. during 1934, 1935, and 1936 hydraulicking, or an additional \$16,000.00 up through 1936. I have not the figures before me for the following three years, but they were about the same each season, and this would add up to approximately another 40,000 yards and \$16,000.00 - grand total.

				Yds
For hydraulicking	#1887-1907	- \$3,506,186	@ 80¢ /yd.	4,380,000
"	"	1913-1929	- 98,090 1.04¢ /yd.	94,300
"	"	1928-1939	32,000 73¢/yd.	80,000 49,285
Girand Plant	1935	16,500 @ 33¢/yd.		50,000 app.
*Washer Plant	1937	84,000 @ 84¢/yd.	767¢	100,000 "

Total \$3,736,776 4,704,300

Handwritten calculations:
~~480,000~~
~~392,360~~
~~980,980~~
~~1020,360~~
~~174,300~~
 320,000
 96,000
 224,360
 333,600
 1020,13,60
 125373,60
 174,300 / 130090.01
 1220100
 808000

Feb. 10, 1941

* There ^{will} about 75,000 yds. @ \$1.00 and 25,000 from 35¢ to 20¢ per yard ~~lat~~ runs near present face.

By Maynard @ 30¢ per yard.

The above figures, though not the exact figures, will give you roughly about what has been removed, as nearly as any one can get at it.

Hope this will help you, and please send back the Notes I sent you dated January 22nd, 1936, and the sheet from Prof. Maynard's report, showing the figures for 1887 to 1907, as they are the only copies I have.

Very truly yours,

D. Ford McCormick

D. Ford McCormick

DFMCC:fm

Park Lane

299 PARK AVENUE
NEW YORK

January 28th, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Wash.

Dear Mr. Levensaler:

Just a line to acknowledge copy of your letter of January 24th to Mr. Wadley. No doubt by the time this reaches you you will be well on your way toward inspecting the property and to meeting Mr. Wadley.

I hope you received my air mail letter of January 20th telling you about Mr. Wadley and his deal. If you did not receive it, please let me know and I will send you a copy.

Thanks also for your letters of January 20th regarding the McAllister property, the Kaiyuh Hills and the High Ridge Mines. I would have acknowledged them before but have been in the hospital with flu and only just got out today. The High Ridge property looks interesting, but I strongly feel that with reliable people the owner should be satisfied with a straight royalty basis--perhaps a high royalty, say 25%, until the purchase price is paid, and then perhaps 10% thereafter as compensation for his more reasonable terms.

The Mercury Mine we went into with North American Mines had plenty of ore in sight when we ~~last~~ looked at it and seemed to justify the cash consideration we paid in addition to a royalty, but the ore was leaner than had been anticipated and floods and breakdowns increased operating costs to an extent that has amply proven the cash payment was a mistake. I suppose there are cases where cash is justified for a mine, but it has always seemed to me that a straight royalty basis was much fairer to all concerned and a good deal safer for the operators. I shall be interested to hear whether the owner offers more reasonable terms.

Park Lane

299 PARK AVENUE
NEW YORK

Mr. L. A. Levensaler

Page Two

I wrote Mr. Wadley that if I went into a deal with him that you would take complete charge of my end of the operations, assuring Mr. Wadley and me of good management. I also told him you would have an interest in my profits from the deal, which I hope was not a breach of confidence. I wanted him to know that you would have a personal as well as professional interest, and I wanted to assure him that the property would be well managed, as I am sure it will be if you do it. However, as Mr. Wadley is a friend and we want to avoid having any disagreement in the future, I suggest that if the mine looks good to you and we are going into the deal, that you and Mr. Wadley come to complete agreement in advance in all details of operation, bookkeeping and management. I think, too, that it would be well if Mr. Wadley provided us with a foreman who is entirely familiar with the particular mining equipment we shall be using. We may not need the foreman permanently, but I think we should have him to start with.

I hope the property looks as good to you as Mr. Wadley's description makes it appear to be. It seems almost as if there must be an Ethiopian in the woodpile somewhere!

With all good wishes,

Sincerely,

John T. de B. Wadley

January 28, 1941

Mr. D. F. McCormick,
Medford, Oregon.

Dear Mr. McCormick:

I am to meet Mr. Wadley at Sacramento Thursday night or Friday morning. In his last wire he told me he notified you that I might stop at Medford on Wednesday. My time will not permit this but I will arrange to stop at Medford on my return.

I will notify you a day in advance by telegraph either from Sacramento or San Francisco.

Very truly yours,

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION (04)

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

SYMBOLS

DL = Day Letter

NT = Overnight Telegram

LC = Deferred Cable

NLT = Cable Night Letter

Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

FB40 36 DL=TDS GLENDALE CALIF 27 258 P

1941 JAN 27 PM 4 05

LOUIS LEVANSALER ENGINEER=

1408 HOGE BLDG SEATTLE WASH=

CAN MEET YOU SENATOR HOTEL SACRAMENTO THURSDAY NIGHT OR
FRIDAY MORNING THIS WEEK. HAVE WIRED D F MCCORMICK AT MEDFORD
YOU WILL PROBABLY ARRIVE THERE WEDNESDAY. SUGGEST YOU WIRE
HIM AT MEDFORD. HE IS WELL KNOWN=

J K WADLEY.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

January 24, 1941

AIR MAIL

Mr. J. K. Wadley,
1736 Standard Avenue,
Glendale, California.

Dear Mr. Wadley:

I have your favor of January 20 and note what you say regarding your property in Oregon near Medford.

I will arrange to stop at Medford and look at the mine before meeting you in Sacramento. Therefore, upon receipt of this letter please notify Mr. D. F. McCormick, engineer at Medford, the purpose of my visit; also let me have Mr. McCormick's address at Medford and I will send him a telegram making a definite appointment.

This program will permit my meeting you in Sacramento around the first of ^{February} ~~March~~. I will give you two or three days advance notice so that you can arrange your plans accordingly.

Kindest regards.

Sincerely,

CC - Texarkana, Ark.
" John T. DeBlois Wack - N.Y.

Park Lane

299 PARK AVENUE
NEW YORK

OFFICE OF
FRANK W. REGAN
MANAGER

January 20, 1941.

Mr. Lewis A. Levensaler,
Hoge Building,
Seattle, Washington.

Dear Mr. Levensaler:-

Thanks for your letter of January 15th regarding the Bullard Mine and I shall be obliged if you will return the report to Mr. Bryce in Santa Barbara. I don't think it is a very interesting proposition. Thanks also for your letter about the High Ridge Mine and I am pleased that we may at least have an opportunity to go into it if we want to.

I have finally received some word from my friend J.K. Wadley of Texarkana, Arkansas about the Oregon Placer property he told me about last summer. I quote from his letter of the 15th: -

" I do not know whether you are still interested in the placer property I mentioned to you last summer. I have just in the last week received a contract on the property near Medford, Oregon which we have been trying to secure for about a year and a half.

" This property had an old operation on it that worked about 100,000 yards with a 78% recovery with considerable losses in their recovery unit, it being a very crude affair. The property has some three to five million yards of gravel; Electric power on the property, and ample water for about seven months of the year, and water for the additional five months can be very easily developed without a great deal of expense. The deposit of gravel runs to a depth of some sixty to seventy feet in places, with from ten to forty feet of overburden. There have been several drill holes put down to depths as above stated, and the average, including the overburden showed about 80% average. With the overburden stripped it would bring the average up well above \$1.00.

" I am planning on going to the coast in a week or so, and would thank you to advise me here whether or not you are further interested, and if so, whether you could have your engineers look over the property right away. Send a copy of your letter to me c/o Pacific Placers Engineering Company, 1736 Standard Ave. Glendale, Calif."

Park Lane

299 PARK AVENUE
NEW YORK

Mr. Lewis A. Levensaler - Sheet #2.

I have both wired and written him that I am interested and have asked him send full information about the property, the terms of the deal and a description of his special equipment to you. Unless you feel that both the property and his proposition to us are distinctly uninteresting, I would like to show Mr. Wadley the courtesy of your making a prompt examination of the ground. He discussed it with me along the lines that if he got this property under option he would also provide some special mining equipment supposed to give a very high recovery, whether dredge or hydraulic, I don't know, and his suggestion was that I pay to put it on the ground and run it on a fifty-fifty basis. I don't know whether I was to get the cost of moving the equipment back first but assume that by fifty-fifty he meant after all operating costs, royalties, taxes, etc. I don't know the value of the equipment he would provide or whether the deal is equitable but if the ground is as good as he thinks it is, I feel that I am lucky to have a chance at it on any basis at all as Mr. Wadley is a man of means and could perfectly well handle the whole thing himself. I think he wants to avoid the problems of management and also any drilling costs and his theory is that as it would cost as much to drill the property as it would to move his equipment to it and start handling gravel, we might as well do the latter, test the property by actual operation and save the expense of drilling. Please size up the ground and if it is good, get the best terms you can without risking losing the deal and then if you can estimate our probable cost in the matter and recommend that we go ahead, I imagine we will.

Both this and the High Ridge seem to be interesting possibilities of a suitable size for us and I hope one or both of them will look really encouraging. Mr. Bryce has not yet let me know whether or not he is going along with us.

We are all well as I hope this finds you.

With all good wishes,

Sincerely,

John T. de Blois Wack

J. K. WADLEY
TEXARKANA, ARKANSAS
January 20, 1941

Mr. Lewis Levensaler,
Mining Engineer,
Hoge Building,
Seattle, Washington

Dear Sir:

As per the copy of telegram enclosed, received today from Mr. John T. Wack, I am writing you pertaining to the property in question which is located a short distance out from Medford, Oregon. This is the property about which I spoke to Mr. Wack while in California in September, and in which he indicated he would like to join in on an operation, provided examination and other details were satisfactory.

This property we have been trying to secure for more than a year and a half, but due to title difficulties it has just become available, and we have a contract which we figure is satisfactory on same, which provides ample time for sampling and testing, and a six months period within which to begin active operations, with a 10% royalty on values up to 40¢ per yard, and above 40¢ a 15% royalty, with a minimum payment of \$6,000.00 per year. The property is an old channel which was hydraulicked in earlier years with a very substantial profit and very extraordinary values according to available records with which my engineer in California is familiar. The hydraulic operations ceased when they worked the channel up as far as the hydraulic head would permit. The present owners of the property attempted to work it by mechanical means of a stationary plant, using a shovel and dump trucks for conveying material to the plant. The depth of the channel values is from forty to eighty feet. They worked approximately 100,000 yards with a total recovery of about 78¢ per yard, with substantial tailing losses. The operating costs were practically the amount of the recoveries. They put down several drill holes on the channel above the operations. Three of these, I believe were in the channel, and two or three of the drill holes missed the channel. They were to a depth of approximately eighty to ninety feet, and the average from top to bottom, including some forty feet of overburden was around 90¢ per yard. The overburden is easily removed, and the channel is some 200 to 300 feet in width, and there is an estimated three to five million yards of pay gravel unworked. There is electric power, transformer, etc., on the property, and there is an abundance of water for pumping purposes for seven months of the year, and sufficient water can be obtained at a nominal expense during the remaining five months of the year.

The equipment that we have been operating on this type of deposit is a wash box with screen and tailing stacker with a hydraulic head; the head being obtained by pumping instead of gravity. We have found this very satisfactory as the hydraulic head thoroughly disintegrates, and we use a sluice box of about forty feet in length, and have obtained very satisfactory recoveries from same. The wash box and all equipment can be moved in three to four days time to another location when the radius of six hundred to a thousand feet adjacent is worked out, which is about the limit of profitable hold with cats and carryalls.

Page #2
Mr. Mewis Levensaler

January 20, 1941

We have had a reliable firm of contractors look at this deposit, and they agreed that they would do the stripping and moving of the dirt to the plant for around ten cents per yard.

Our operating cost, exclusive of royalty is not over 5¢ per yard, and capacity of 2000 to 2500 yards per day can be obtained with one of these plants.

I am giving you this information and will request that if you care to do so you can meet me in Sacramento sometime around the first of February, and I can have my engineer, Mr. Williams, meet you, and also at that time go into further details, both as to the operating equipment that we would propose to furnish, and also give you further information in details regarding the property.

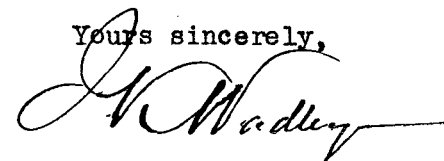
If you care to stop off and look at the property on your way to Sacramento it is about fifteen miles out from Medford, and could be shown to you by Mr. D. F. McCormick, engineer, located at Medford, who is in charge of same for the owners. If this arrangement would suit your plans, kindly notify me at 1736 Standard Avenue, Glendale, California, sending copy to this office. It is my plan to leave here, not later than Saturday of this week for Los Angeles.

Awaiting your advice, I am,

JKW:ehg
Encl.

cc to Mr. John T. DeB Wack,
Rancho Del Bosque,
Santa Barbara, California

Yours sincerely,



CLASS OF SERVICE DESIRED	
DOMESTIC	CABLE
TELEGRAM	FULL RATE
DAY LETTER	DEFERRED
NIGHT MESSAGE	NIGHT LETTER
NIGHT LETTER	SHIP RADIOGRAM

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

WESTERN UNION

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

CHECK
ACCT'G INFMN.
TIME FILED

Send the following message, subject to the terms on back hereof, which are hereby agreed to

C O P Y

January 20, 1941

J. K. WADLEY

TEXARKANA, ARKANSAS

THANKS LETTER FIFTEENTH RECEIVED TODAY STOP AM VERY MUCH INTERESTED

STOP KINDLY SEND FULL INFORMATION ABOUT PROPERTY YOUR SPECIAL EQUIPMENT

AND TERMS OF DEAL TO MY ENGINEER LEWIS LEVENSALER. HOGE BUILDING

SEATTLE. WRITING. REGARDS.

JOHN T. DEBLOIS WACK.

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

JACKSON

STERLING MINE

FRED L. DREHER
J. ED McCLELLAN
FRANK J. McCARTHY

DREHER, McCLELLAN & McCARTHY
ATTORNEYS AT LAW
485 CALIFORNIA STREET-SUITE 1005
SAN FRANCISCO, CALIF.

August 6, 1941.

Mr. Lewis Levensaler
1408 Hoge Building
Seattle, Washington

Re: Sterling Mine

Dear Mr. Levensaler:

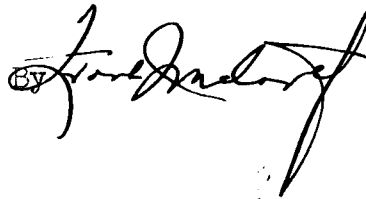
This will acknowledge with our thanks receipt of a copy of your letter to Mr. Wack dated July 26, 1941, together with the enclosed copy of final report of the results of preliminary testing on the Sterling Mine properties.

In conformity with your recommendation we are today giving Mr. Grassmann formal notice of our abandonment of testing operations on the property. A copy of the letter is enclosed. We are also giving Mr. Wadley formal notice of the termination of his agreement. A copy of this letter is also enclosed.

You will note that we have advised Mr. Grassmann and Mr. Wadley that if any further information is desired relative to the testing operations you shall be glad to supply it on request. If any request for this information is received we shall, of course, advise you.

Very truly yours,

DREHER, McCLELLAN & McCARTHY

BY 

FJM:G
Encs.

J. B. SCHOLEFIELD, C. P. A., A. C. A.
NORMAN MCLAREN, C. P. A.
P. G. GOODE, C. P. A., A. C. A.
N. L. MCLAREN, C. P. A.
LEWIS LILLY, C. P. A.
SELDON M. WILSON, C. P. A.
D. J. W. PATRICK, C. P. A.
GEORGE E. MILNER, C. P. A.
JAMES A. RUNSER, C. P. A.
ARTHUR A. WENDER, C. P. A.

MCLAREN, GOODE & Co.

Certified Public Accountants

21 EAST CANON PERDIDO
SANTA BARBARA

October 3, 1941

OFFICES
SAN FRANCISCO
LOS ANGELES
SANTA BARBARA
OAKLAND
CORRESPONDENTS IN THE
PRINCIPAL CITIES OF UNITED STATES
AND ABROAD
CABLES: "CERTIFIED"

Mr. L. A. Levensaler
Hogue Building
Seattle, Washington

Dear Sir:

With reference to Mr. and Mrs. Wack's income tax returns for 1941, will you kindly be good enough to advise us of the status of their investment in the Sterling Mine?

In discussing the matter with Mr. Wack, he stated that the project has or is to be abandoned. Their records show that they each invested \$4,000.00 in the mine, and if this investment has become worthless in 1941, we should have all the facts to substantiate a loss. We assume there was no stock acquisition involved in the transaction.

Yours very truly,

R. H. Falseth

RMF:E

D. FORD McCORMICK

MINING AND CIVIL ENGINEER

Mr. Lewis A. Revensaler
Seattle Wash.

Mc Dermitt, Nevada.
Aug 29, 1941.

Dear Mr. Revensaler:

Thank you for the return of the letter on Sterling Co., and I am sorry that you did not find sufficient encouragement to do more testing.

Am afraid that I missed you again. Have been hard at it here completing a plant and organizing an operating crew for a very fine Mercury Plant. It is probably the most modern plant to date.

Hope to see you ere long, and that Alameda is proving up to your expectations. Kindest regards,

Sincerely,
D Ford McCormick.

August 18, 1941

Mr. D. Ford McCormick,
Box 228,
Medford, Oregon.

Dear Mr. McCormick:

I am sorry I did not get a chance to see you on my last trip to Medford. However, I expect to be there in about a week and will call you at that time.

Enclosed is your report on Sterling Creek -- sorry we did not find sufficient encouragement to hold our interest.

Thanking you for all your courtesies, I am, with kindest regards,

Sincerely,

Encl.

(Signed and mailed by G.B.)

August 12, 1941.

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

AIR MAIL

Dear Mr. Wack:

Re: Sterling Creek

With the exception of one item that has not yet been figured, i.e., unemployment fund due the State of Oregon, all bills have been received and paid. The total expenditures are \$3,943.53, as follows:

Engineering and administrative expense	\$ 980.23
Legal costs re contract	386.21
Drilling and testing	2,577.09

Under engineering and administrative expense is included the expense of all my trips to the property, my trip to Sacramento to meet Mr. Wadley, and my trip to discuss Sterling Creek with you, Mr. Bryce and Frank McCarthy. The legal expense is the bill that your secretary mailed me that was submitted by Mr. McCarthy.

This leaves roughly \$1,000 from the original \$5,000 that was allocated for testing Sterling Creek. This balance I will apply on the Alameda account.

Kindest regards.

Sincerely,

August 8, 1941.

Mr. Frank J. McCarthy,
485 California Street,
San Francisco, California.

Dear Mr. McCarthy:

I have your favor of the 6th with copies of
your letters to Mr. Grassman and Mr. Wadley re Sterling
Mine.

Enclosed is check for \$386.21 to cover your
bill rendered to Mr. Wack. This at the request of
Mr. Wack.

Kindest regards.

Sincerely,

Encl.

August 5, 1941

Mr. W. M. Wither,
R. F. D. 8, Box 1381,
Portland, Oregon.

Dear Mr. Wither:

I have just returned from New Mexico and have your letter of July 29 with final accounts, all of which is in very nice shape.

From your statement there is a balance in the bank of \$454.96. However, I do not see where you have paid yourself your July salary. Please figure out what is due you, making one per cent social security and one cent per day industrial insurance deductions, also add the \$6.63 that is due you, and pay yourself from the Grants Pass bank account. If there is not enough I will send you an additional check from here. If there is any balance make out a check for the balance to me and mail it with your voucher.

I have your letters regarding Mr. Acheson's property and you gave him the proper answer as what he had to offer is too small. I also have your letter regarding Evans and Pleasant creeks and I feel that an operation on these creeks would be altogether too marginal.

Kindest regards.

Sincerely,

Grants Pass Gen Area

One.

July 26, 1941

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

Re: Sterling Creek Placer

Herewith final report on the results of the preliminary testing on Sterling Creek, Jackson County, Oregon.

Trench sampling of the face of the present pit where Mr. Grassman's operations ceased shows an average value of 9¢ per cubic yard. The best trench was "A" in about the middle of the pit where, roughly, 25 feet of overburden has been removed. This trench returned an average value of 16.8¢ per cubic yard. The width of the pit is 200 feet. The average depth, including overburden, is roughly 65 feet. The present pit is definitely out of pay.

To determine if there was a channel containing values comparable to the channel worked below that produced gold in excess of one million dollars per mile by Sterling Creek Mining Company a cross section line was established 1,243 feet north, or roughly, a quarter of a mile upstream, from the present pit face. Along this line nine test holes were put down to bedrock at regular 100-foot intervals across

The results of the early operation were certainly an incentive to prospect the upper unworked area.

I feel that we have given Sterling Creek a fair preliminary test and I recommend that the lease be abandoned and that Mr. Frank McCarthy write a formal release to Mr. Wadley, with copy to Mr. Grassman.

A complete detail record of all logs and drill sheets are on file for the inspection of Mr. Wadley and Mr. Grassman. If they care to review them I will be pleased to forward them by registered mail.

Very truly yours,

R R R

CC E. G. Grassman
J. K. Wadley
D. Ford McCormick
Peter Cooper Bryce
Frank J. McCarthy

Sterling Mine, Jacksonville, Oregon.

July 21st. 1941.

Mr. L. A. Levensaler,

Seattle, Wash.

Dear Mr. Levensaler;

Enclosed find data on Station "B", situated in the N.E. of the old Pit workings. This sampling appears to have taken a lot of time, the boys doing it are working most of the time, in puddling the drill core material, after the panning, also supplying the driller with water, that has to be hauled to the driller. Also the bank samples takes time to puddle.

Footage made by the driller up to date, ^{for July,} by the drill, totaled 340 feet, casing trouble caused some delay, and three days delay by the Medford shop locking up for a 4th of July celebration.

The 38 feet of casing is still in the ground, we will endeavor to have one of the well drillers get the same out they have the necessary equipment, if they can overcome their professional jealousy.

Yours very truly
W. W. Wither

340	
16-2	
23-3	
23-4	
23-5	
30-6	
93-7	X-C
95-8	
97-9	
73-11	
79	X-E
4	

5

552
240 July
212 June

July 18, 1941

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

Since writing to you on July 9 giving you the record of testing on Sterling Creek, including hole No. 7, we have drilled holes 8 and 9. Both of them were poor holes so we decided to omit hole 10 and drill 11. I have just received the logs of these holes and No. 8 is 88.5 feet to bedrock, 3.7¢ per cubic yard. No. 9, 91.5 feet to bedrock, no value per cubic yard, just a few small colors of gold for the entire hole. No. 11, 66.5 feet to bedrock, 7.1¢ per cubic yard. Most of these values were in a strata between 18 feet and 23 feet. All the ground has contained a large percentage of clay.

We are moving the drill to a location 1600 feet up the creek from our cross section C to a hole that Mr. McCormick reported to be 80 feet deep, containing 92¢ per cubic yard. We will check this very carefully.

While I realize we have not done a great deal of testing, what has been done has been thorough and systematic. I appreciate that the ground is spotty but even at that, cross section C should show much better value if the ground

John T. deBlois Wack

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7-18-41

is to be worked with profit. It is too deep for anything but high grade ground. A creek that has produced as much as a million dollars per mile in one section is an incentive to test the unworked ground above, but it is not a positive index that the ground farther up is going to be as good or better. This can only be determined by testing.

I will wait until I know the results of the hole we are now checking. I expect to go to the property this coming week and will talk to you on the telephone from Medford.

As a result of drilling section C the low point of bedrock is at hole 7. The bedrock rises both east and west from that hole so that we have definitely proven a channel coming through. Also the bedrock elevation at hole 7 and the bedrock elevation in the Grassman Pit 1243' below indicates bedrock grade of 1.7 per cent, so this checks with the grade of bedrock below.

I will not pass this present information on to Mr. Wadley or Mr. Grassman until I visit the property and talk with you.

Kindest personal regards.

Sincerely,

July 18, 1941

Mr. W. M. Wither,
Sterling Mine,
Jacksonville, Oregon.

Dear Wither:

I have just received your air mail letter of the 17th and note the trouble you are having with casing. I will call up Kirk Hillman and if I find it possible to get the spear I will send you a telegram. If you receive no message you will know that I have not been able to make a satisfactory arrangement with Hillman.

The log of hole 11 has also been received which is poor and confirms the spotty character of the ground. Hole No. 7, both in cross section and alignment, seems to be the low point of the channel. From bedrock elevation in the pit to bedrock elevation in hole 7 figures out about 1.7 per cent grade. This is the grade that has been the average. No where has it ever exceeded two per cent. Apparently it seems to be getting a little flatter near the head of Sterling Creek.

By the time you finish drill hole No. 3 in the field, your cross section E hole No. 5, I will be at the property. In any event should you finish before I arrive

W. M. Wither

-2-

7-18-41

stay at the property as it will be a matter of only a day or so.

Under separate cover I am sending you pay roll tax record, and according to the law you are to give each man that was on your pay roll a slip properly filled out as per the form, keeping the yellow copy for your own record. You will find carbon paper in the back of the pad.

Kindest regards.

Sincerely,

Sterling mine, Jacksonville, Ok.
July 17th 1941

Mr. L. C. Lemusaler,
Seattle, Wash.

Dear Mr. Lemusaler,

Leland Goff just back from hunting a spear to pull the 38 feet of casing from drill hole #11 C-S. "C". Those drillers who have such a tool, refuse to loan or hire same, under any circumstance.

There is not enough casing on the job to go on with, and I have suggested to him to get what he can at the Esterly mine so we can just down the drill hole near the flag, approx. 1600' North of Cross Section "C". In the meantime we will endeavor to rent such equipment.

I thought Hillman might rent such equipment, consisting of one spear to fit heavy drilled casing, with one set of long stroke jars. The spear for 5 $\frac{3}{4}$ " I.D. casing. The tools have regular 2x3-7 Joints with 3 $\frac{1}{4}$ " squares.

Should we be successful in getting additional casing, we will go ahead on drill hole #5 Cross Section "E", kind, advice.

new set
\$ 90.⁰⁰

~~Next 95.⁰⁰~~

315.⁰⁰

Yours very truly
H. M. Wither

adapter

Sterling Mine, Jacksonville, Oregon.

July 17th. 1941.

Mr. L. A. Levensaler,
Seattle, Wash.

Dear Mr. Levensaler;

Enclosed find drilling data on Hole #11., cross-section "C". We are experiencing casing trouble again, it broke 31 feet below the surface leaving 38 feet in the hole. Due to the uncertainty of the project I am reluctant on insisting that the Goff Bros. go to the expense in getting a new string of "D" grade casing, am worrying along until we can check the Sterling Mine drill test #3 in the grain field, this will be our next set-up. Should you wish further drilling on cross-section "C", it will take very little time to return .

The Sterling Mine ground so far has been easy to drill, coarse gravels, and boulders cause little trouble , pulling casing delays the work.

The following is a memo. of time that I did not get on the field_logs, "9 c.s. "c"

Commenced drilling	1 P.M.	7-8-1941
Finished	"	10 A.M. 7-12-1941
" pulling	12 P.	7-14-1941
" moving	2 P,	7-14-1941

The delays are on the Field- Logs.

James W. Miller
J. W. Miller

July 16, 1941

Mr. W. M. Wither,
Sterling Mine,
Jacksonville, Oregon.

Dear Mr. Wither:

I have your letter of the 12th with which was enclosed the log of hole No. 9. Apparently the ground is getting poorer instead of better. I am glad you have decided to skip No. 10 and drill No. 11. If No. 11 shows no improvement, complete the bank sampling and move the drill to hole No. 3 up the field near where the flag is. This hole is reported to be 80 feet deep and returned an average of 92¢ per cubic yard.

I hope you have no more lost time on account of casing breaking.

With reference to your inquiry regarding the 1¢ per day deduction, this is a credit to the amount I pay the Oregon Industrial Accident Insurance Commission which amounts to 7% of the pay roll. I have taken care of this so that you do not have to make any further report except as you did for the month of June, have it appear on your pay roll sheet as a deduction from each man employed in the amount of 1¢ per day.

With reference to 1% Social Security deduction, I have to pay another 1%, which is 2% that I have already paid to the Collector of Internal Revenue so that you do not have to bother further about it except as in the above case - have it appear on your July pay roll sheet.

In checking over the bedrock elevations of holes 1, 2, 3, 4, 5, 6, 7, 8, and 9 - Hole No. 7 is apparently the low point of the bedrock as the bedrock seems to rise both ways from there and the holes are close enough together for a preliminary test to give a very good cross section of the channel at line C -- all of which has been disappointing.

The operating problems involved in handling ground as deep as this, and the character of the, are too great to spend further money prospecting in view of the discouraging results that we have encountered along cross section C. After you complete No. 11, if it is not unusually good, check Hole No. 3 up the field as I have indicated, and I think we are through.

If you have any suggestions please do not hesitate to make them because I know that you have had a great deal more experience with placer ground than I have and I would appreciate your comments.

Kindest regards.

Sincerely,

80' @ 92'

Sterling Mine, Jacksonville, Oregon.

July 12th., 1941.

Mr. L. A. Levensaler,
Seattle, Wash.

Dear Mr. Levensaler;

Drilling on #9, cross-section "C" was finished this morning, the logs are enclosed.

Started pulling at 10.30 A.M. casing coming up when it broke in the threaded portion of the top casing, the metal is either fatigued, or a lower grade than "D", it will not stand pulling from the top, suggested to Goff to get a spear and pull from 70 to 80 feet down, the drill was shut down while he is rustleing a spear.

Will send the data of pulling, moving, and lost time, in a later letter.

I figured to move to Station #11, 200 feet East of #9 for the next test.

There are a number of Pit samples to be rocked through that are now being puddled, have no further data at present writing than #18. of Station "B" which was sent you July 8th,

Have not made the payments deducted from the paychecks of Martyn & Gerald Pearce, on account of the Oregon State Accident Com., or S.S.1%, kindly send me instructions.

Thanks for the check.

Yours very truly

H. M. Wether



B.R.S. — # 1 —

2 —	3165
3 —	3164.5
4 —	3179
5 —	3181
6 —	3183.3
7 —	3124.2
8 —	3131.5
9 —	3137.2
11 —	3177.3

July 9, 1941

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

Enclosed is report on progress at Sterling Creek, together with an extra copy for Mr. Bryce. I have mailed copies to Mr. Grassman, Mr. Wadley, and Mr. McCormick.

The work at the Almeda Mine is included in the quarterly report, which is enclosed herewith.

I am extremely pleased with the work at the Almeda and have every confidence that we are going to make some money there. I was complimented by a competitor the other day for having secured the property. They had examined it and were trying to negotiate for it.

Our payroll is about \$600 a week and in addition we will shortly have to buy more equipment amounting to roughly \$1,000. Therefore, by July 15 it would be well to have another \$5,000 for account of Almeda Mine. I will keep you advised of our requirements so that it will not be necessary to carry a large amount of cash on deposit in the Seattle bank.

John T. deBlois Wack

-2-

7-9-41

Yesterday I mailed you copy of a letter I had written to Mr. Seaver. His total expense was \$556.35, which I paid. You will note that I told him we do not care at this time to incur any further expense in connection with his Montana properties.

Also accompanying this letter is my conclusion regarding Mr. Seaver's Montana properties.

Kindest regards.

Sincerely,

Encls.

July 9, 1941

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

In planning the testing of Sterling Creek it was decided to cut three wide trench bank samples from the present face of the operation where Mr. Grassman's work ceased. Also, as a preliminary, to make our first cross section of Sterling Creek Valley roughly a quarter of a mile beyond the face of the pit, the drill holes to be 100 feet apart. In all twelve locations were made which would give the cross section a total length of 1200 feet.

Nothing is known of the actual location of the channel beyond the present face. This cross section will define it if it comes through in any workable form.

Enclosed is a blue print that will give you an idea of the location of the testing.

The reason that so many holes were located west of the center line of the present pit is that a west channel exists farther down the creek and probably comes through somewhere. However, the drilling results do not indicate any pay coming through as a west channel.

(Signed and mailed by G.B.)

June 30, 1941

AIR MAIL

Mr. W. M. Wither,
Care, Sterling Mine,
Jacksonville, Oregon.

Dear Wither:

I have just returned from Montana and have your letters with reports on the drill holes. I am leaving tomorrow for Medford and will see you on the 2nd.

You had better pay Goff Brothers from your account and I will replace it when I arrive.

Kindest regards.

Sincerely,

Sterling Mine, Jacksonville, Oregon.

June 28th, 1941.

Mr. L. A. Levensaler,
Seattle, Wash.

Dear Mr. Levensaler;

Find enclosed report on Pit samples at Sta. A., also
Field Log & Drilling report on Sta. #6, Cross-section C.

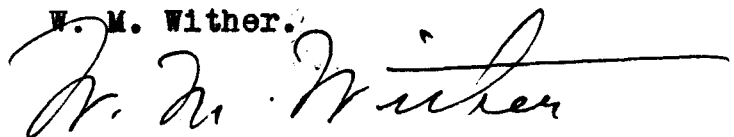
Sampling on Sta. B started June 27th. on East side of
Pit, starting at the surface on approx. 22° slope, sample #8, size 12" x 6" -
8.6, vertical height 2.84, returned 85 mgs. of gold from topsoils, sand,
and small gravels, the best I looked for was traces.

The bank sampling has had frequent interruptions,
it takes the time of one man about half a day to fill the water barrels
at the drill, the drillers accident slowed things up, I had to put the
other man helping on the drill, his wages will be deducted from the drill
rent. On June 82 feet of casing was in the ground at noon, they got a
supply at the Easterly Mine, when it arrived here, it was standard thread
of 8 to 1 inch, that in the hole 7 to 1 inch, more delay for a trip to a
Medford machine shop.

McCormick was out yesterday, he said it looked like
he was right about his #1 hole being down 90 feet, I replied, also the
the gold values of 2¢ per cu. yd. if I remembered right.

Yours very truly,

W. M. Wither.



June 23, 1941

Mr. W. M. Wither,
Care, Sterling Mine,
Jacksonville, Oregon.

Dear Wither:

I neglected to tell you when you went to work at the mine that it would be necessary to report to the Social Security Board. Therefore, everyone on the payroll will have to have an employee's number so be sure to ascertain the number from the employee and if they do not have one it will be necessary for them to make application. I have made application for an employer's identification number but have not yet received it.

We are also required by law if we contract any work to give proper notification of when the work started and how many men are employed by the contractor. Beyond that we make no further report.

You are liable to be called upon at any time to show your records. I am therefore mailing you some payroll sheets with sufficient space for proper deductions for social security, which is one per cent collectible from the employee and one per cent is to be paid by the employer. The one per cent deduction should be shown on the payroll sheet, also the one cent a day for the Oregon State Accident Compensation

W. M. Wither

-2-

6-23-41

should be deducted from the employees. In order to show that the employee had full knowledge of these deductions it will be necessary to have each employee sign the payroll whenever he is paid off.

I expect to visit you about the first of July.

I am also enclosing a few vouchers and will send you more when I have them printed.

Kindest regards.

Very truly yours,

Encls.

Stirling Mine, 6/23/1941

Jacksonville Oregon
Memo. to Mr. Levensalee,

Find enclosed Field Logs, & Drilling
Reports of Drill Holes #4 & #5 Cross-section C-
Hole #4 Weight of gold Traces - Value per cu. ft. Trs.
" #5 " " " 5.5 mgp Est. " " " 5.74

The drill is on the Western rim of the
deep channel on Drill Hole Station #7.

Casing down 34 feet, on account of the
excess clays in the core, which are being
puddled down near the creek, I am unable
to give any idea of gold values, I put in
test shot occasionally to test the pumps,
only to recover the same after clays are
dissolved, I look for this hole to go
at least 50 feet down, or more, if McCommick's
information on his drill test #5 was correct.

on station #6, approx 150 feet East of the
Pearce residence, bedrock was 21.5 feet,
the hole was continued to 30 feet:

Wisher

Kindly send me a pad of Lowman &
Harford Co. "Field Logs" 61472, I
have plenty of Drilling Reports.

Sterling Mine, Jacksonville, Ore,

June 21st, 1941.

Mr. L. A. Levensaler,
Seattle, Wash,

Dear Mr. Levensaler;

The driller got started June 17th., on cross-section
C. Sta. #2, results given below:

Sta.	Depth of hole.	Depth to B.R.	Mgs. Au. Re.	Est. of values per cu. yd. (adjusted from field log)
#2	16 feet	14.5 ft.	.5	Traces
#3.	23 "	21.5 "	4.	3.8 cents
#4.	23 "	14. "	} Wghts. & est, of values to be sent later.	ditto.
#5.	23 "	19. "		

Driller F. Snell got a smashed finger the first day,
had to be sent into Medford for treatment, Goff Bros. had got in touch
with Mr. Thomas of the State Indus. Accident Com. prior to starting the
work. Snell got back on the job yesterday,

Bank sampleing in the Pit is under slow bell, due to
having to take one of the boys to help on the driller, 4 samples have
been taken from Sta. A., am including the sample taken last week:

Sta. A.

Sample.	Size.	Depths above Bedrock.	Mgs, Au, re.	Est. gold values per cu. ft.
#1.	12x6-5'	25 to 30 ft.	7	8¢ per cu, yd. for 5 ft,
#2	"	20 " 25 "	11.5	12.7¢ " " " " 5 "
#3.	"	15 " 20 "	13.	14.3¢ " " " " 5 "
#4.	"	10 " 15 "	3.	3.3¢ " " " " 5 "

The clays from Sta, s #4 & #5 on C-S. C. have to be dissolved,
using the sands and gravels from the cores as abrasives, they are not
so tough as those on the Logan Mine, Drill footage up to date 85 feet.

Yours very truly,

W. M. Wither.

June 19, 1941

AIR MAIL

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

Thank you for your favor of the 16th with which was enclosed copy of letter from Mr. Whitney to Mr. Bryce.

I do not believe that I am personally acquainted with Mr. Whitney but I feel much as you do that if he were not a capable man Bob Livermore would not have employed him. I do not think we can give him any encouragement at present but I will communicate with him because Mr. Bryce has mentioned my name in his letter to Mr. Whitney.

I also received copy of the letter written by Mr. Bryce's attorneys addressed to him dated June 3 regarding his liability under the limited partnership agreement.

I wish to thank you, Mrs. Wack, and Mr. Bryce in expressing your agreeable thought regarding remuneration for the extra time that Sterling Creek and Almeda are taking. It is a little early to send very much definite information but by the end of this month we should be progressing smoothly and I can then furnish weekly progress reports.

John T. deBlois Wack

-2-

6-19-41

I received a letter from Mr. Wither advising that the drill had arrived on Sterling Creek June 14 and is now drilling.

I have an appointment to meet Mr. Seaver at Missoula on June 24 at which time we will visit the properties he has discussed with us. Upon my return I will write you, and also make a trip to Sterling Creek and Alameda.

Kindest regards.

Sincerely,

C/o. Sterling Mine,
Jacksonville, Oregon.

June 14th. 1941.

Mr. L. A. Levensaler,
Seattle, Wash.

Dear Mr. Levensaler;

Enclosed find a sketch map of the Cross-section C. that the driller will be started on as soon as it gets here. One of Goff Bros was here June 9th, looked over the ground, said they had a water well partly down which they had to finish or lose the well, he figured it would take several days, then he would come over about June 13th or the 14th, getting ^{Casing} extra, and two drive shoes in the meantime.

The cross-section is a few feet South of the East and West fence in front of the Sterling Office Bldgs, at present I have made no attempt to tie in to any of the property lines or corners.

Mr. Pearce informed me the office bldg. was about 3200 feet El., I made a bench mark, assuming for the present it is 3200 ft.

Bank sampling has been started at the North end of the Pit, the bank is 30 feet high above the bedrock in the pit, the top dirt having been stripped. My sample book reads:

Bank sample Sta. A.

Sample.	Size.	Depth above B.R.	Mgs. Au.	Est. gold values per CU. Y.
#1.	12" x 6" - 5'	25 to 30 feet	7	8¢ for 5 foot strata.

Sterling Ck. gold 860 fine, \$30.10 per oz.

Yours very truly

W. M. Wither.

W. M. Wither

News. to Mr. Levensaler. June 15th

*Driller rig arrived late yesterday, casing to come in today.
Mail arrives & departs 3 times per week Monday, Wednesday & Friday
W. M. Wither*

June 13, 1941

AIR MAIL

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

Copies of your two letters of June 2 I received upon my arrival at the Medford Hotel, Medford, Oregon, also the confidential letter that Mr. Wadley sent you regarding Mr. Seaver.

You might recall that I told you at one time that I was not personally acquainted with Mr. Wadley but I knew a great deal about his mining investments that had not turned out very well for various reasons. Therefore, I know that there are two sides to the matter referred to in Mr. Wadley's letter to you. However, it was very nice of him to write you the way he did and to give us the advantage of his association with Mr. Seaver.

I reviewed very carefully the rather sketchy material that Mr. Seaver had on four Montana properties. As prospects they seem to have merit but only two of them I believe are of immediate interest. Mr. Seaver said it would take a little time to do some further reconnaissance that he and his man wanted to do and then he would send for me, so I am expecting

a letter from him any day now and if everything is all right I will go to Montana to see what he has.

Mr. Seaver said he would want expenses and together we made an estimate which I think, and he agreed, would be sufficient to take care of his expenses this trip. I gave him a check from the Seattle Exploration Account for \$150 which I consider a good investment because it will give us an opportunity to check on some properties that are the result of a lot of travelling and investigation over perhaps a large area during which time many properties were considered by Seaver and his Montana scout.

Very truly yours,

June 13, 1941

AIR MAIL

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

Re: Sterling Creek

I have just returned from Oregon and have a small crew at Sterling Creek. It took a little longer to locate a placer drilling firm than was anticipated but by now the drill should be on the property and at work. Mr. Wither will be in charge of the testing but I will have to make frequent trips there during the testing.

As the ground is deep it will probably be at least a month before we begin to get a fair idea of how the values are.

My original thought was to sink a shaft but as no good miners were immediately available and the shaft work would naturally be slow I decided to put a row of holes across the channel about a quarter of a mile beyond the face where Mr. Grassman did his last work.

John T. deBlois Wack

-2-

6-31-41

I have the operation covered by Oregon state
accident insurance so that all liabilities are protected.

I will advise you each week of progress and
the results.

Sincerely,

June 13, 1941

AIR MAIL

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

Regarding the telephone conversation that we had on Sunday, June 1, at which time you spoke about the necessity of my devoting more time to the two Oregon operations, I can now see that it is going to take quite a little time and much more than we figured on under our first arrangement. As you know, these jobs just can't run themselves and in order to give my associates the time these properties deserve it is going to be necessary for me to pass up other work from time to time unless it happens to be something I can take care of independent of our work. I have already had to pass up one job.

Therefore, I feel that I should take out as monthly remuneration \$150 from the Almeda project and \$150 monthly from Sterling Creek without disturbing our original contract.

I know that you will give this fair consideration.

Kindest regards.

Sincerely,

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

June 16, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Thank you for your several letters of June 13. Mrs. Wack, Mr. Bryce and I are entirely agreeable to your taking out as monthly remuneration \$150. from the Almeda project, and \$150. monthly from the Sterling Creek project, without disturbing our original contract. We feel that both properties should receive as much attention from you as they need, to insure the most careful examination.

I am enclosing copies of a letter from Charles A. Whitney, mining engineer, to Mr. Bryce, and Mr. Bryce's reply to him. Just for your information, in case you think Mr. Whitney might be useful to us in the operating end of any property later on, I quote Mr. Bryce's letter of June 9th to me:

"Insofar as I know Charlie Whitney was up against a pretty tough proposition in the Jack Wade. I have no reason to believe that he was ever dishonest or disloyal, although of course it was difficult to check at that long distance. However, I think he did the best job that he could under the circumstances, and as you know it turned out to be an unfortunate enterprise. I do not believe that his judgment was always the best, because he was inclined to be too optimistic, and was all for carrying on Jack Wade further, and spending more money, which, we ultimately came to think, would have been throwing good money after bad. This, however, would not necessarily disqualify him as an operator under Mr. Levensaler's supervision."

I have no personal knowledge of Mr. Whitney. Apparently he has not been very successful in his recent operations, but even though the Jack Wade turned out very badly I do not think Bob Livermore and Quinny Shaw would have had him on it unless they thought well of him. My feeling is that if the time ever comes to operate Sterling Creek, Whitney might do, unless you know of somebody you consider as good or better. Certainly the decision as to who we have to operate any property must be made by you, and as soon as our limited partnership is formed it is a question how much Mr. Bryce and I should even attempt to influence a decision.

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

Mr. Levensaler
Page No. 2
June 16, 1941

I am enclosing a copy of a letter from McCutcheon, Olney, Mannon and Greene to Mr. Bryce.

I think you have been quite right in financing Mr. Seaver's trip to his placer prospects, and that it will be a good idea for you to look them over. It will be a very small investment in investigation if one of them should be really interesting.

Best of luck to you, and I shall be looking forward with great interest to the weekly reports on the Almeda and the Sterling. With kindest regards,

Sincerely yours,



Enclosures (3)

C O P Y

Nelscott, Oregon.
June 6, 1941

Mr. Peter Cooper Bryce,
4 East Carrillo Street
Santa Barbara, California.

Dear Mr. Bryce:

You will recall me from my association with North American Mines, Inc. for which company I worked for some seven years on examination and mine management.

Since leaving North American Mines at the end of December 1939 I have been in charge of a dredging (gold) operation in Idaho which has been quite successful. However, the owners of the enterprise decided to take over the management themselves and I am looking for a new connection.

It occurred to me that there might be a place somewhere in your organization for me. I am thoroughly experienced in the examination, preparation and operation of small mines, and there is no phase of the gold dredging business with which I am not familiar. I have had considerable experience in construction work, having built two dredges, and am well grounded in the technical and practical aspects of operation of any kind of mechanical equipment. My experience in purchasing and in general business transactions has been varied. I did the accounting and book keeping for the Jack Wade operations of North American Mines as well as all design work necessary on the dredge, the supervision of the operation, and even the surveying.

I do not believe that any employer whom I have had could wish for more in loyalty, trustworthiness, or industry than I have given them. I have always been successful in handling any new line of endeavor although my training and experience have been most closely allied with the mining business.

With kindest personal regards,

Sincerely yours,

(Sgd) Chas. A. Whitney,
Nelscott, Oregon.

COPY TO MR WACK

June 9, 1941

Mr. Charles A. Whitney,
Nelscott, Oregon.

Dear Mr. Whitney:

Your letter of June 6th has been received. I have not been at all active in the mining business lately, and consequently do not know of any place in my organization where you might fit in at present.

However I am forwarding your letter to Mr. John Wack, who is quite interested in mining at present, and in whose companies I hold a very small minority interest. Neither Mr. Wack nor I engage in the operation actively of any of these mining interests, and all business decisions are left to Mr. Levensaler, Mr. Wack's engineer in Seattle. I believe that Mr. Wack may be interested in forwarding your letter to me to Mr. Levensaler, and I am leaving that up to him for a decision.

I hope that you succeed in getting located in a pleasant job very soon, and wish you the best of luck.

Always with regards,

Sincerely yours,

(Sgd) Peter C. Bryce

PCB:E
CC-Mr. Wack.

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

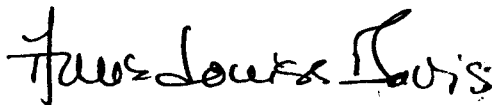
June 3, 1941

Mr. Lewis A. Levensaler
Medford Hotel
Medford, Oregon

Dear Mr. Levensaler:

Mr. Wack has asked me to send to you a copy of a confidential letter which he has received this morning from Mr. Wadley of Texarkana, which you will find self-explanatory.

Very truly yours,

A handwritten signature in cursive script that reads "John De Blois Wack". The signature is written in dark ink and is positioned above a horizontal line.

Secretary to Mr. Wack

CC: Mr. Levensaler
Hoge Building
Seattle, Washington

Enclosure

C O P Y

McCUTCHEEN, OLNEY, MANNON & GREENE
Counselors at Law
Balfour Building
San Francisco

June 3, 1941

CONFIDENTIAL

Mr. Peter Cooper Bryce,
4 East Carrillo Street
Santa Barbara, California

Rogue River Gold Dredging Project
(Lewis Levensaler, Limited)

Dear Sir:

You are one of the limited partners in the limited partnership which has been formed to undertake the above project and you have asked our opinion as to what your relations with such limited partnership may be without jeopardizing (a) the limitation of your liability and (b) the partnership status as a partnership for tax purposes.

In general, it may fairly be said that a limited partner has few rights other than to receive his share of the partnership's profits and to obtain the ultimate return of his contribution. (California Civil Code, sections 2486(2), 2491, 2492.) He is more nearly in the position of an investor in the business than in the position of an active participant therein and, accordingly, he may lend money to and transact other business with the partnership subject to certain specific limitations. (California Civil Code, section 2489.)

A limited partner is also entitled to inspect the books of the partnership, to have full information concerning partnership affairs including a formal accounting when necessary, and to have dissolution and winding up by decree of a court. (California Civil Code, section 2488(1).) Ordinarily, he may assign his interest in the partnership (California Civil Code, section 2495(1)) although this may not be so in the case of a contrary agreement. In the present case, as impliedly authorized by section 2478(1)X of the California Civil Code, Section X of the Certificate of Limited Partnership denies to limited partners the right to substitute assignees as contributors in their places, but there is no prohibition of assignment without substitution.

There are, however, certain things that a limited partner may not do without destroying the limited character of his liability. If a limited partner's name appears in the partnership name, the limited partner is liable as a general partner to creditors who advance credit to the partnership without actual knowledge that he is not a general partner. (California Civil Code, section 2481.) This is, of course, not important in the present instance because your name does not appear in the partnership name.

The most important provision concerning the rights of limited partners is contained in section 2483 of the California Civil Code. This section reads as follows:

"LIMITED PARTNER IS NOT LIABLE TO CREDITORS.
A limited partner shall not become liable as a general partner, unless, in addition to the exercise of his rights and powers as a limited partner, he takes part in the control of the business."
(Emphasis supplied)

The above provision emphasizes the fact that a limited partner is more of an investor than a participant in the business and makes it clear that it is highly important that you should not attempt to exercise any rights in connection with the limited partnership other than those expressly mentioned above. In particular, you should not attempt to control the operations of the partnership, although you may give it the benefit of your advice and counsel.

The treatment of the limited partnership as a partnership for tax purposes depends upon certain tests set up by the Treasury Department's Regulations. Section 19.3797-5 of the Regulations 103 provides in part that

"If the organization is not interrupted by the death of a general partner or by a change in his participating interest, and if the management of its affairs is centralized in one or more persons acting in a representative capacity, it is taxable as a corporation. For want of these essential characteristics a limited partnership is to be considered as an ordinary partnership notwithstanding other characteristics conferred upon it by local law."

The limited partnership in the present case will meet the first test set up by the above quoted Regulation because there will be but one general partner, and section XIII of the Certificate of Limited Partnership provides that "the partnership shall be dissolved upon his death, retirement, or insanity".

The limited partnership will not necessarily meet the second test because there will be a centralization of management to a certain extent, but it is our view that the general partners in a limited partnership do not act in a representative capacity but by right as general partners. Furthermore, it seems to us that centralization of management is unimportant because there must be centralized management whenever a limited partnership exists for, as we have seen, limited partners have no right to control the business. Accordingly, it is our opinion that the limited partnership in the present case will probably be treated as a partnership for tax purposes under the Regulation above quoted.

Assuming that the limited partnership in the present case would ordinarily be treated as a partnership for tax purposes, it remains to investigate the effect of the activities of the limited partners upon the tax status of the partnership. It seems to us that so long as the limited partners do not engage in activities adversely affecting the limitation of their liability, the tax status of the partnership will not be affected. However, if limited partners were to do anything making them liable as general partners, it is at least possible that the partnership might be treated as an association taxable as a corporation on the ground that the limited partners in question were in effect general partners whose interests in the partnership would be assignable at least by operation of law without causing dissolution. Accordingly, it is our view that you should avoid engaging in the control of the partnership business, not only because of the effect upon the limitation of your liability but also because of the possible effect upon the tax status of the partnership.

If you have any further questions concerning this matter, please do not hesitate to call upon us.

Very truly yours,

(Sgd) McCutchen, Olney, Mannon & Greene

June 3, 1941

Mr. Lewis A. Levensaler
Medford Hotel
Medford, Oregon

Dear Mr. Levensaler:

Mr. Wack has asked me to send to you a copy of a confidential letter which he has received this morning from Mr. Wadley of Texarkana, which you will find self-explanatory.

Very truly yours,

Fred Jones & Sons

Secretary to Mr. Wack

CC: Mr. Levensaler ✓
Hoge Building
Seattle, Washington

Enclosure

Confidential Copy

J. K. WADLEY

Texarkana, Arkansas

May 31, 1941

Mr. John T. DeBlois Wack,
Rancho Del Bosque,
Santa Barbara, California

Dear Mr. Wack:

Referring to the conversation I had with you yesterday on the phone, as stated then, this party is very inclined towards the optimistic side, and has spent a great part of my funds in testing placers that turned out to have no merit whatever, but prior to the testing they were wonderful prospects, based on information that he had gathered from other parties, and which statements he accepts rather too readily, and I would have any prospects gone into by Mr. Levensaler before you authorize expenditure of money for sinking shafts, etc. The thing you have to avoid is getting into a "come along" proposition such as I did, and I would have a distinct understanding as to expenses, as he is very liberal with himself in expense accounts.

He does, however, have a lot of information about the placer business and different properties, but my experience, and no doubt yours, has been to date, and will be more so hereafter, that all territory has been pretty thoroughly combed over by various interests, and there are very few prospects left that merit serious consideration. They have fine engineer's report and local build up, but properties suitable for dredging and boat ground that have values above 20¢ per yard are exceedingly scarce, and it will require a fund of approximately Fifteen to Twenty Thousand Dollars per year to cover such a program as you have in mind, or may have discussed with him.

He is good and thorough in his sampling tests, and knows how it should be done, but any estimate of cost that he gives you, double it and then add something to that as a margin of safety -----that has been my experience.

Just thought that I would give you this added information for your own guidance. (Confidential)

With best regards, I am,

Yours sincerely,

(Signed) J. K. Wadley

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

June 2, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Since writing you this morning, Mr. Seaver has been to lunch with Mr. Bryce and me, and told us some more about the four placer properties.

Offhand, they look pretty good, and Mr. Bryce and I are perfectly willing to test any or all of them if you think it advisable.

Mr. Seaver is willing to go right on to Montana after seeing you, and if the properties look interesting to you, I suppose it would be wise for you to join him there at your convenience.

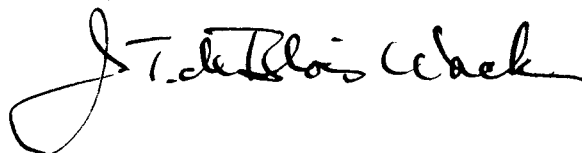
If any testing is done by Mr. Seaver and his crew, we would, of course, want it done under your supervision.

Mr. Seaver seems to have had a good deal of recent experience in placer properties, and we think he is perfectly all right from the standpoint of honesty and integrity.

He and Mr. Wadley own some equipment on their Eastern Oregon property that might be useful on Sterling Creek. I think Mr. Seaver has some ideas about the Sterling Creek property which you might care to hear.

With best wishes,

Sincerely,



CC: Mr. Levensaler
Medford Hotel
Medford, Oregon

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

June 2, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Thank you for your letter of May 29.

Enclosed please find Mrs. Wack's and my cheques for \$250. apiece, to take care of the June 1st payment to you under the terms of our contract. I do hope the two ventures we are now engaged in will turn out well. It will be a fine thing if our association with you results in a successful mining company, with some profitable properties.

I hope Mr. Seaver will not be a bother to you, but I felt after talking to him, and after talking over the 'phone with Mr. Wadley, that it might be wise for you to at least hear about the placer properties of which Mr. Seaver thinks so highly.

I am paying his travelling expenses for the trip to see you, so unless you think well of his ideas, and wish to assume the cost of the testing operations he proposes from the Seattle account, I suggest you do not keep him any longer than necessary. I shall give him a letter of introduction to you.

With all good wishes and kindest regards,

Sincerely,



CC: Mr. Levensaler
Medford Hotel
Medford, Oregon

Enclosures (2)

June 2, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Thank you for your letter of May 29.

Enclosed please find Mrc. Wack's and my cheques for \$250. apiece, to take care of the June 1st payment to you under the terms of our contract. I do hope the two ventures we are now engaged in will turn out well. It will be a fine thing if our association with you results in a successful mining company, with some profitable properties.

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erties of which Mr. Seaver thinks so highly.

I am paying his travelling expenses for the trip to see you, so unless you think well of his ideas, and wish to assume the cost of the testing operations he proposes from the Seattle account, I suggest you do not keep him any longer than necessary. I shall give him a letter of introduction to you.

With all good wishes and kindest regards,

Sincerely,

J. T. de B. W.

CC: Mr. Levensaler
Medford Hotel
Medford, Oregon

Enclosures (2)

June 8, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Since writing you this morning, Mr. Seaver has been to lunch with Mr. Bryce and me, and told us some more about the four placer properties.

Offhand, they look pretty good, and Mr. Bryce and I are perfectly willing to test any or all of them if you think it advisable.

Mr. Seaver is willing to go right on to Montana after seeing you, and if the properties look interesting to you, I suppose it would be wise for you to join him there at your convenience.

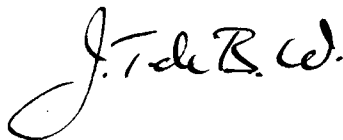
If any testing is done by Mr. Seaver and his crew, we would, of course, want it done under your supervision.

Mr. Seaver seems to have had a good deal of recent experience in placer properties, and we think he is perfectly all right from the standpoint of honesty and integrity.

He and Mr. Wadley own some equipment on their Eastern Oregon property that might be useful on Sterling Creek. I think Mr. Seaver has some ideas about the Sterling Creek property which you might care to hear.

With best wishes,

Sincerely,



CC: Mr. Levensaler
Madford Hotel
Madford, Oregon

Confidential Copy

J. K. WADLEY

Texarkana, Arkansas

May 31, 1941

Mr. John T. DeBlois Wack,
Rancho Del Bosque,
Santa Barbara, California

Dear Mr. Wack:

Referring to the conversation I had with you yesterday on the phone, as stated then, this party is very inclined towards the optimistic side, and has spent a great part of my funds in testing placers that turned out to have no merit whatever, but prior to the testing they were wonderful prospects, based on information that he had gathered from other parties, and which statements he accepts rather too readily, and I would have any prospects gone into by Mr. Levensaler before you authorize expenditure of money for sinking shafts, etc. The thing you have to avoid is getting into a "come along" proposition such as I did, and I would have a distinct understanding as to expenses, as he is very liberal with himself in expense accounts.

He does, however, have a lot of information about the placer business and different properties, but my experience, and no doubt yours, has been to date, and will be more so hereafter, that all territory has been pretty thoroughly combed over by various interests, and there are very few prospects left that merit serious consideration. They have fine engineer's report and local build up, but properties suitable for dredging and boat ground that have values above 20¢ per yard are exceedingly scarce, and it will require a fund of approximately Fifteen to Twenty Thousand Dollars per year to cover such a program as you have in mind, or may have discussed with him.

He is good and thorough in his sampling tests, and knows how it should be done, but any estimate of cost that he gives you, double it and then add something to that as a margin of safety -----that has been my experience.

Just thought that I would give you this added information for your own guidance. (Confidential)

With best regards, I am,

Yours sincerely,

(Signed) J. K. Wadley

LAW OFFICES
CHASE, BARNES & CHASE
Title Insurance Building
Los Angeles, California

(COPY)

May 19, 1941

Dreher, McClellan & McCarthy
485 California Street
San Francisco, California

Attention Mr. McCarthy

Dear Mr. McCarthy:

This will acknowledge your wire of today.

While I do not know just what Mr. Grassman's position would be, it seems to me that Paragraph 15 ought to contain additional language at the end of it after the word "unpaid" something like this:

"And except as to obligations theretofore accruing hereunder; provided, however, that no claim for breach of covenants and agreements herein contained shall be valid unless claim therefor shall have been presented in writing to second party within 90 days of the forfeiture, termination, or cancellation of this agreement," or words to that general effect.

The different idea that I would have in mind is that you limit any claim to damages for one specific thing. Obviously, the liability ought to exist for breach of any of the covenants of the agreement which have existed prior to the termination. Furthermore, I think the 60 days is likely to strike him as a bit short in the light of the fact that he is not resident near the property.

If some such language as this is agreeable to you, if you would wire it to me, I can wire Mr. Grassman and ask his approval.

I did not wire you because I have not been able to get to an analysis of your contract and your wire and letter until after closing time, and I thought this letter might be more complete.

With personal regards, I am

Sincerely yours,

LFC:ARS

Lucius F. Chase

FRED L. DREHER
J. ED. McCLELLAN
FRANK J. McCARTHY

DREHER, McCLELLAN & McCARTHY
ATTORNEYS AT LAW
485 CALIFORNIA STREET-SUITE 1005
SAN FRANCISCO, CALIF.

AIR MAIL

May 19, 1941.

Mr. Lewis Levensaler
1408 Foge Building
Seattle, Washington

Re: Sterling Mine

Dear Mr. Levensaler:

This will acknowledge with our thanks receipt of the copy of your letter to Mr. Wack dated May 7, 1941, covering the pollution question. We were very gratified to receive the report and believe that the investigation referred to in the report adequately disposes of the pollution question.

On Tuesday of last week the writer met with Mr. Wack, Mr. Wadley and the latter's attorney, Mr. Lucius F. Chase, at Los Angeles. New proposed agreements were prepared; one between Mr. Grassman and Mr. Wadley and the other between Mr. Wadley and Mr. and Mrs. Wack, superseding the agreements previously proposed. The proposed new agreement between Mr. Wadley and Mr. Grassman was signed by the former on that date and forwarded to Mr. Grassman for execution. A copy of it is enclosed for your record and information.

The proposed new agreement between Mr. Wadley and Mr. and Mrs. Wack was signed by Mr. Wadley on the date mentioned and will in due course be signed by Mr. and Mrs. Wack. Delivery will be delayed pending execution and delivery of the Grassman agreement. We do not have a copy of this new Wadley-Wack agreement but Mr. Chase will furnish us with one in due course and at that time we shall forward a copy to you for your record.

We received today from Mr. Chase a wire reading as follows: "Grassman objects paragraph 15 on ground it will allow tenant to go free from liability for failure to preserve water rights or other equities. Also objects extension without protecting water rights." We discussed the subject matter of the wire with Mr. Wack by phone and wired Mr. Chase in reply and enclose a copy of the wire for your information.

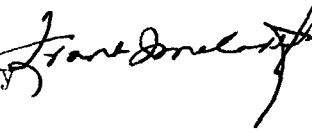
It is our understanding that you have previously investigated the work required under paragraph 10 of the new Wadley-Grassman indenture relative to maintenance of water rights and ditches and ascertained that this work will not

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involve substantial expense. If this understanding is not correct we would appreciate your wiring us on receipt of this letter.

Very truly yours,

DREHER, McCLELLAN & McCARTHY

BY 

FJM:G
Encs.

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

May 14, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Thanks for your several letters of May 7, 8, 9, and 12, which I have received today on my return from a trip to our ranch in Arizona. I am sorry for the delay in answering them and for sending you the enclosed cheques.

I stopped off in Los Angeles yesterday, and spent the day with Mr. Wadley, his attorney, Mr. Chase, and Frank McCarthy. We completed a contract between Messrs. Wadley and Grassman, which Mr. Wadley signed and sent off to Mr. Grassman; and we also completed and signed the contract between Mr. Wadley, Mrs. Wack and me.

Your report on the water pollution caused by mining operations on Sterling Creek is very satisfactory indeed, and I think safely disposes of that matter. I am sorry you were put to so much trouble in connection with it.

The title is being searched, and we have applied for title insurance in the amount of \$15,000, but I think that it seems so very likely that there will be no trouble about the title, and as Mr. Wadley's agreement with Mr. Grassman gives us complete protection insofar as they are concerned, I think we will not wait to start the testing until we get the title insurance, but will start in as soon as we hear that Mr. Grassman has signed the Wadley contract. That should be within the next few days, and I will wire or telephone you when to start.

It is unfortunate that the man you were going to use for drilling has taken another job, but I don't blame him. Perhaps you could locate some other reliable operator to start the work, and later on switch to the other man, or if it will not take too long I suppose we could wait for your original choice.

Mr. Bryce is in New York now, and will be there for the next couple of weeks. I don't think it will be necessary to send him copies of our correspondence; and I also think we can

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

Mr. Levensaler
Page No. 2

May 14, 1941

count on him to go along in the drilling campaign. He is very thorough, and always wants to be protected against every possible contingency, but I suppose in the long run that is the best way. I think we can definitely count on his participation in the drilling of this property, and if the results are successful, I am quite sure he will either go along with us in the mining operation, or at least not interfere with anything we decide to do. I am sorry he doesn't seem more enthusiastic about the possibilities of this venture, but like myself he hasn't hit a successful mining prospect in a long time.

Regarding your letter of May 9 about the Dent properties, I think the deal looks very interesting. I am not at all sure that one reason for their desiring to sell may not be the fear of trouble in Alaska if we should find ourselves at war with Japan. I don't know whether we can defend Alaska or not in addition to everything else we shall probably be called upon to do. If there is any doubt about it, it would be a bad time to take on an Alaskan proposition. I think also that it is more cash than we would want to put up, but if the deal looks very good to you, and you feel that you could organize the necessary crews, I think we might possibly be interested in putting up, say, \$100,000. cash, and then paying the balance due them and our own money back over the same number of years. This is not intended to commit us to that, but merely to give you something to consider if you like the deal. I suppose too that we might consider going into it with some company.

I think you have made the proper decision about the Pittsburg and Banner Hill properties.

All good wishes to you, and I hope we will soon get going on the Sterling Mine. Mr. Wadley seemed to think we might be able to remove the over-burden and then put a boat on it.

Sincerely,

John de Blois Wack

(Signed and mailed by G.B.)

May 8, 1941.

AIR MAIL

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

I sent my report to you regarding alleged pollution from operation on Sterling Creek. I also sent a copy to Mr. McCarthy and to Mr. Costigan. I did not send a copy to Mr. Bryce but if you wish me to send copies of all of our correspondence to Mr. Bryce I will be glad to do so.

I have just received a letter from the man I have been more or less holding up waiting for a final decision regarding Sterling Creek as he is the person I want to test the ground. He now writes that he has had an offer to go to Granite, Oregon to drill a piece of ground there. He previously drilled this ground but they have acquired a small adjacent area that they want tested. Because I have held him up for nearly two months I told him to go ahead and accept the job because he states it will be a short one after which he will be available.

I am sorry Sterling Creek has taken so long to iron out and I know how you feel about Mr. Bryce. All of

John T. deBlois Wack

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5-8-41

these ventures are of uncertain outcome until they have been tested and if Mr. Bryce is not enthusiastic about it and being a partner we should give his thoughts due consideration. I hardly approve of undertaking a piece of exploratory work when one of the associates has to have his rather indifferent attitude overruled, because we must have harmony. There is always a chance of having to write off exploratory money so I do not want someone to say we should not have gone into it.

Kindest regards.

Sincerely,

(Signed and mailed by G.B.)

May 8, 1941

AIR MAIL

Mr. W. M. Wither,
Route 8, Box 1381,
Portland, Oregon.

Dear Mr. Wither:

Replying to your letter of the 6th, I am sorry the testing of the Oregon ground has been held up for so long but when attorneys get their hands on a contract they can find more irregular things even though other parties have been operating and enjoying the property for years.

First, they wanted an abstract of title. You can imagine the difficulty and the time it takes to get an abstract on a property as old as the Sterling. After that one of them decided that there might be trouble from tailings on account of farm lands below the property. I think we have both of these phases pretty well cleared up and we should get some definite word very shortly.

In the meantime, I think you had better accept the job near Granite, Oregon. It will probably not take very long. I will keep you advised and I know that we can wait a little while for you because you have waited for us.

Kindest regards.

Sincerely,

Seattle, Washington
May 7, 1941

Mr. John T. de Blois Wack
Rancho del Bosque
Santa Barbara, California

Dear Mr. Wack:

STERLING MINE
Jackson County, Oregon

Herewith a report on the disposal of tailings and mine water from hydraulic and other methods of placer operation on tributaries of the Applegate River, Oregon, more especially on Sterling Creek.

It is to be emphasized that placer operations do not pollute streams. It is merely excess erosion of inert material by artificial means. The tailings and water do not contain toxic material and therefore cannot pollute. The disposal may do an injury to farm lands by covering fertile soil with waste or build up the bed of a river, if its grade is insufficient to carry away the enormous erosional material put into it, and thereby flood or inundate adjacent farm lands.

Sterling Creek is a small mountain stream, roughly, eight miles long. Its average grade is 2%+. Mining water is brought into the creek by ditch thirty miles long supplied with water from the Little Applegate River and delivered to a penstock about five miles from its mouth. The ditch was originally built to carry 3000 miners inches of water or 75 sec. ft.

The ditch was completed in 1875 and the major operation started then. Prior to this, most of the farm lands, such as they are, along the Little Applegate and Applegate Rivers were cultivated and irrigated through ditches by water from the adjacent streams. A search of the records shows many of the applications for water from the Little Applegate for irrigation and stock use were recorded in 1854 and all before 1877 have priority rights over Sterling Mining Company.

Sterling Creek is a tributary of the Little Applegate River. It discharges three miles above where the Little Applegate joins the Applegate River. Roughly, the Applegate river is a stream about six times the size of the Little Applegate and therefore supplies a great dilution. Thirty miles below the confluence of the Little Applegate and Applegate, the Applegate joins the Rogue River, roughly six miles below Grants Pass.

The Little Applegate and Applegate valleys are relatively narrow with high mountains on both sides except near the confluence of the Applegate and Rogue rivers. The streams are confined to a permanent channel with boulder and gravel bottoms. There is no appreciable accumulation of mud, silt or sands after eighty years placer mining on their tributaries. The adjacent farm lands are benches, all above high water. The farmers are stockmen and dairymen. The principal crop is alfalfa and much of the land is pasture. There are no orchards.

The entire water shed is south and west of the Rogue River Valley where it is so highly cultivated in the vicinity of Ashland, Medford and Grants Pass, and therefore, none of its waters reach that valley until it passes beyond the area west of Grants Pass. The Rogue River from that point to the sea is more or less in a canyon with no large areas of bottom farm lands. Only small scattered farms on benches, except where the valley canyons.

When hydraulic mining was at its peak on Sterling Creek, it was necessary to stack the tailings with a giant or monitor, because the grade was too flat to carry them away. Therefore, nothing but silt and muddy water ever reached the Little Applegate River.

Originally the dam of the Farmers ditch, which dates back to 1854, was above the mouth of Sterling Creek, but after the Sterling Creek Mining Company put such a volume of water down Sterling Creek, the dam of the Farmers ditch was built below the mouth of Sterling Creek. Therefore, for many, many years the farmers and stockmen have voluntarily taken muddy water. The reason for changing the dam was to get away from the maintenance of additional ditch and a flume crossing over the Little Applegate. Also, it must be remembered that water is not turned into the irrigating ditches until June, or, in an extremely dry season, some times in May. July and part of August are the principal irrigating months. By September all of the hay crops have been harvested.

During the irrigating months there is seldom enough water for placer mining; at the best, it is then a very minor operation.

For sixty years Sterling Creek operators and the farmers have enjoyed harmony. The Watermaster of this district informed me that there was no record of any trouble or lawsuits on the books.

Many of the local farmers, stockmen and their sons, work in the placer mines during the winter months. This has been the condition for years and it is unlikely they would take any action to embarrass or close down an operation. Of course, no one can guarantee a situation like this will always be free from lawsuits. But in my opinion, based on the natural conditions and past history, the continued disposal of placer tailings and water, as in the past, will be free from trouble.

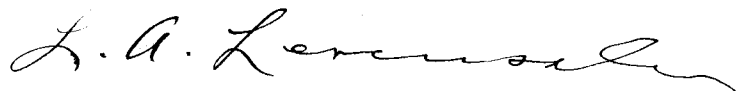
At present, and for some years just past, three dragline operations are working on Forest Creek, a tributary of the Applegate River two miles below the mouth of the Little Applegate. Also, two draglines in the Applegate River three miles below Forest Creek. So far no complaints.

The Applegate River has been classed as a non-fishing stream.

On this trip I interviewed farmers, stockmen, placer miners and state water officials, besides covering the country from Sterling Creek to the mouth of the Applegate River. In previous years I have been down the Rogue River to Gold Bar.

The complaints of fishermen on the Rogue River, especially at Gold Bar at the mouth, are mainly against placer operators in the vicinity of Galice, on the Illinois River and Graves Creek, which enter far below the Applegate. According to Dr. Henry Baldwin Ward, who made an ecological study of the Rogue River for the Oregon State Department of Geology, the complaints are largely unfounded.

Respectfully,



cc-Henry D. Costigan
Frank J. McCarthy
Without U.S.G.S.
topographical sheets.

R.#8, Box #1381. Portland, Oregon

May 6th, 1941.

Mr. L. A. Levensaler,
Seattle, Wash.

Dear Mr. Levensaler;

Had a phone call last night to ascertain if I was available to check up prior drilling on a property near Granite, Oregon, for a drag-line outfit. From the conversation I do not think it would be a long engagement, as these people are operating, are about out of ground, wish to test out a few drill test holes on a property offered them.

Would appreciate it if you would let me know, if I am free to accept this work should it come along, I having done such work for members of the above outfit in the past,.

Have been very busy on my horticultural hobby during the past months, things are in shape that I can leave them alone for the summer, with regards.

Yours sincerely

W. M. Wither

May 3, 1941.

AIR MAIL

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

You have undoubtedly received a copy of Mr. Costigan's letter addressed to me, dated April 30, regarding stream pollution that might be caused by operation of Sterling Creek.

In order to bring this matter to an early decision I am leaving tomorrow for Medford and will go into the matter in every phase there with Mr. McCormick and will forward you my report as soon as I have finished it.

Kindest regards.

Sincerely,

CC-Mr. Henry D. Costigan

Mr. Lewis A. Levensaler -2-

hydraulicking process normally cannot be operated during the same season when farmers are taking water for irrigation is helpful as indicating that there would probably be no appreciable pollution of water which farmers actually use for irrigation. However, it seems to us that there are some gaps in this picture and we believe that before Mr. Bryce and Mr. Wack go forward they should have a further opinion as to the absence of any practical danger of liability for pollution. It seems to us that this is primarily an engineering rather than a legal matter and that therefore it should devolve upon you to advise them on this subject, with such assistance from Mr. McCormick or others as you may need.;

In this connection, we have examined maps of the area involved and it appears from these that Sterling Creek drains into the Little Applegate River, which we assume drains into Applegate River. The latter river - Applegate River - apparently runs for a long distance from the situs of the mining project before it empties into the Rogue at a point below Grant's Pass on the Rogue. Offhand it would seem that probably the greatest danger of any liability would be between the place of the project on Sterling Creek and the place where the Applegate enters into the Rogue. As to this area, the conclusions of the

Mr. Lewis A. Levensaler -3-

pamphlet as to the effects on fish would not necessarily be applicable, since that is directed to the Rogue River itself and doubtless the Applegate has much smaller quantities of water and might be very differently affected. Furthermore, while Mr. McCormick's observations as to the time when the hydraulicking operation is carried on may thoroughly demonstrate that the farmers cannot object to pollution of irrigating water, it is still possible that there might be some liability for the deposit of tailings on their lands in times of high water when the mining operation is at its height. On the other hand, it may well be that the country through which both the Applegate River and the Rogue River (below the point of confluence with the Applegate River) flow is of such a mountainous or hilly character that there is no practical danger of any such deposit of tailings on valuable farm lands. It would seem to us that either through an inspection of this country or through information obtained from persons familiar with it and from topographical maps and assessors' maps showing the elevation and farming or nonfarming character of the bordering lands, you would be able to determine pretty definitely whether or not there is any substantial risk of attack by the farmers. As to the fishing end, on the Applegate above the Rogue, you might find

Mr. Lewis A. Levensaler -4-

that this question would be answered by the determination of the volume of water in this river and whether or not there are other mining projects which may add to the pollution.

We are sending copies of this letter to Mr. Bryce and Mr. Wack, also to Mr. McCarthy and to Mr. McCormick. It may be that you or Mr. McCormick will already have much of the information necessary for a report along the lines above indicated. If, however, a substantial further investigation is required, perhaps you had better let Mr. Bryce and Mr. Wack know something as to its extent before proceeding. In other words, this letter is intended merely as a suggestion for the parties in interest to consider, and they will of course determine to what extent it is to be followed.

Pursuant to your request, I am returning herewith the pamphlet of the State of Oregon Department above mentioned, being the pamphlet entitled "Placer Mining on the Rogue River, Oregon, in its Relation to the Fish and Fishing in that Stream" by Dr. Henry Baldwin Ward, Consultant. It seems to us that this pamphlet may be very valuable in event of any claim for damage to fish and I assume you will carefully preserve it. In addition, Mr. McCarthy is writing to the Oregon Department for additional copies.

Yours very truly,

Enclosure

Henry S. Costigan

April 19, 1941

Mr. A. Crawford Greene,
Balfour Building,
San Francisco, California.

Dear Mr. Greene:

I have sent a telegram to Mr. D. Ford McCormick, Mr. Grassman's engineer at Medford, who operated the Sterling Mine for several years, and as soon as I hear from him regarding his experience with reference to disposal of tailings to assure no stream pollution, also how many months he felt operation might be suspended on account of either shortage of water or on account of irrigation, I will let you know. I have asked him to reply by air mail.

Enclosed is a publication of the Department of Geology and Mineral Industries of the State of Oregon. You might find something of interest in this. Kindly return it to me after it has served your purpose.

Sincerely,

DREHER, McCLELLAN & McCARTHY

ATTORNEYS AT LAW

485 CALIFORNIA STREET SUITE 1005

SAN FRANCISCO, CALIF.

FRED L. DREHER
J. ED. McCLELLAN
FRANK J. McCARTHY

April 18, 1941.

Messrs. McCutchen, Olney, Mannon & Greene
Attorneys at Law
Balfour Building
San Francisco

Attention Mr. Henry D. Costigan

Re: Sterling Mine

Gentlemen:

In conformity with our conversation this morning we enclose herewith our office copies of the following agreements:

1. Indenture dated January 14, 1941, between Edward J. Grassman and J. K. Wadley;
2. Proposed agreement dated March __, 1941, between the parties named modifying the indenture mentioned;
3. Proposed agreement dated March __, 1941, between J. K. Wadley as first party and John T. de Blois Wack, Ethel Barksdale Wack and Peter Cooper Bryce, as second parties;
4. Copy of letter dated March 11, 1941, from Mr. J.K.Wadley to Mr. Wack;
5. Proposed agreement dated March __, 1941, between the parties named in 3 above;
6. Draft marked "page 4" amending page 4 of proposed amended indenture between the parties named in 1 above;

You will note from enclosure 4 above that the original indenture marked 1 above, provided for a graduated royalty. The proposed amendment to the indenture substituted the flat royalty. The parties to the original indenture have approved the substitution of the flat 11% royalty for the graduated royalty provided by the original indenture. The concluding portion of the letter, dealing with the proposed

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FRED L. DREHER
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FRANK J. McCARTHY

substitution of a beneficial interest in the Wack operations in favor of Wadley other than that provided in the proposed agreement numbered 3 above, may be eliminated from consideration. The parties consented and approved retention by Mr. Wadley of only the beneficial interest provided in the agreement last mentioned.

You will note from the agreements that no specific description of the properties is provided. We have taken this matter up with Mr. Levensaler and he has agreed to secure a legal description of the property from Mr. McCormick, the engineer for Mr. Grassman. Mr. Wack has, too, authorized the procuring of a title report on the properties.

Very truly yours,

DREHER, McCLELLAN & McCARTHY

By

FJM:G
Encs.

OSR

D. FORD McCORMICK

MINING AND CIVIL ENGINEER

Box 228
Medford, Ore.
April 18, 1941

Mr. L.A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Replying to your telegram of 18th- Sterling has never lost any time or had any trouble of any kind or complaint account of disposal of tailings. My understanding of the Rogue River Situation no different now than in past years.

As I stated when you were here it has always been figured a minimum of 150 days per season for hydraulicking, that means sufficient water to supply three giants (3 to 5 inch nozzles) up to about the end of June each year, after that the water usually drops although it has held into August. However, one irrigation user has by decree the right to demand the use of the water on three day notice to the amount of 12½ second feet, not exceeding one week at a time for five weeks between the first day of July and the first day of October each year.

The Farmer's Ditch has priority after August 1st each year according to the decree, but we have found it advisable to shut down the hydraulicking usually some time during July each year due to insufficient water.

For the washing plant operation during August and September (the driest part of the year) we pumped 300 gals. per minute from Armstrong Gulch without any water in the ditch and by settling the tailings water in the settling pond, pumped back 1,800 gals. per minute clear water to the plant, which is all we required to handle from 2,500 to 3,000 yards of gravel per 24 hrs. at the time.

The mining season is deemed to be from Nov. 1st to Aug. 1st.

I was told that there were seasons where the Old Sterling Mining Co. operated right through the year, but that there was more water then. I know that since 1928 this has not been the case, and that for hydraulicking the water has been turned into the ditch as early as November, and used into August, but this depends entirely on the precipitation each year, and it has been figured an average 150 days with no set dates for hydraulicking.

The farmers may start irrigating as early as May during very dry seasons and the watermaster has told me that in extreme cases he has favored the farmer. The fact is such a dry season would

Mr. Levensaler

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April 18, 1941

exclude hydraulicking under any conditions, because there would be insufficient water to operate at all.

Trust the above answers your telegram, and if I can be of further assistance please do not hesitate to call on me.

With kindest regards,

Yours very truly,



D. Ford McCormick

DFMCC:fm

COPY FOR MR. LEWIS A. LEVENSALER

J. K. WADLEY
Texarkana, Arkansas

April 8, 1941

Mr. John T. DeBlois Wack,
Rancho Del Bosque,
Santa Barbara, California

Dear Mr. Wack:

I received your letter of April 4th. I wired Mr. Grassman yesterday to forward new contract and agreement along the lines of the revised agreement, and as soon as this is received I will be able to execute the papers pertaining to the deal between us, and will forward same to you as soon as received.

Regarding the deal between us, I will go ahead and execute the papers as prepared on the basis of the 20% participation, then if after I get out there, and before you have finished sampling it is mutually desired to work out some other different basis we can do so, but this will permit you to go ahead with your sampling, and the agreement to stand unless otherwise agreed to by both of us to modify it in some other manner.

It is possible I may have to come out there very shortly, and if so I will be glad to contact you.

Mrs. Wadley and Emily are just home from the Florida trip, and I am sure that they would not have much enthusiasm for another trip just at this time.

I am sorry that Mrs. Wack is not well, and I hope that she will soon fully recover from the operation you speak of.

With best regards, I am,

Yours sincerely,

(Signed) J. K. Wadley

JKW:ehg

D. FORD McCORMICK

MINING AND CIVIL ENGINEER

Medford, Oregon,

April 8th, 1941.

Mr. Lewis A Levensaler,
Consulting Mining Engineer,
Hoge Building,
Seattle, Washington.

Dear Mr. Levensaler:

Am having legal description of the holdings of the Sterling Mines, Inc., sent to Mr. McCarthy.

I note that you will return my copies of letters sent you when you come down to Medford, which may be soon. I will be glad to see you and hope the work will get under way and prove all that the indications predict. Paul Pearce has been bringing in some fine nuggets from the hydraulicking. Yesterday he turned in 18 oz. from 1500 yards, and as you know he is out on the edge, up on the island.

Sincerely yours,

D. Ford McCormick

M/A

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

April 7, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Thank you for your letter of April 4, enclosing the Thompson correspondence, which I am returning herewith.

Mr. Bryce and I feel that before making any decision as to whether we want to go into this that we would like your opinion of the property after you have studied the complete report and maps. I would like particularly to know the cost of pumping out the mine to the 500-foot level, and the probable cost of driving the drifts North and South, through the fault zones.

Is there any equipment on the property, or would we have to completely equip it to do such work? Also, I am wondering if instead of trying to reach the continuation of the Pittsburgh vein on the 500-foot level beyond the faults it might not be cheaper to try to reach it from the surface and work our way down.

I think it would be interesting to know what the deal might be on the 900 acres of adjacent property with five systems of unexplored veins, all virgin territory. Perhaps you could make a better deal with the American Smelting & Refining Company if we had the property actually sewed up, and had done some development work, than if you merely act as broker between Thompson and the A. S. & R.

I do not want to stand in the way of your making a quick commission on the deal for yourself if you can do so, but it occurred to me it might be handled in a way wherein you could make just as much or more, and our little syndicate might make something as well. Please let me hear from you when you have studied the matter further.

With all good wishes and kindest regards,

Sincerely,

John de Blois Wack

Enclosure

April 4, 1941

AIR MAIL

Mr. D. Ford McCormick,
Box 228,
Medford, Oregon.

Dear Mr. McCormick:

This is rather a late date to acknowledge receipt of your air mail letter of February 25th addressed to me at the Palace Hotel, San Francisco.

I will return your report on my next trip to Medford which I hope will be quite soon.

I have just received a request from Mr. McCarthy, copy of which is enclosed, asking for a legal description of the holdings of Sterling Mines, Inc. Mr. McCarthy is the attorney engaged by Mr. Wack and Mr. Wadley to draw up contracts and agreements with Mr. Grassman. Everything seems to be proceeding satisfactorily but you know when these matters get into the hands of an attorney he asks for a lot of things that we might take for granted or overlook.

I wish you would get the legal description at the earliest possible moment and send it direct to Mr. Frank McCarthy, 485 California Street, San Francisco. I have

D. Ford McCormick

-2-

4-4-41

written to Mr. McCarthy today acknowledging receipt of his letter and telling him that I have asked you to get this description and that you will send it direct to him. This will save time.

Kindest regards.

Sincerely,

Encl.

April 4, 1941

Mr. Frank J. McCarthy,
485 California Street,
San Francisco, California.

Dear Mr. McCarthy:

Sterling Mines, Inc.

Replying to your favor of the 2nd, I have today written to Mr. D. Ford McCormick who is manager and engineer for Mr. Grassman, owner of the Sterling Mines. Mr. McCormick has been in the employ of Mr. Grassman for a great many years in charge of operation of some of his clay deposits in Georgia. I believe Mr. McCormick can furnish the legal description of the property which you ask for. I will have him forward it direct to you.

Kindest regards.

Very truly yours,

April 4, 1941

Mr. J. K. Wadley
Texarkana, Arkansas

Dear Mr. Wadley:

On my return home today, I wired you as follows:

"Just returned home. Replying your wire April 2d Grassman's changes are satisfactory to me. Writing reply to your letter April 2d. Regards."

Apparently everything is now settled with Mr. Grassman, and all that remains is the agreement between you and me and my associates. If you care to sign the agreement sent you on March 11, I will instruct Mr. Levensaler to start drilling immediately. If you wish to change it to a straight 50-50 basis from the time I finish drilling the property, that will be O. K., or it might be that you would prefer a combination of my two original suggestions for a deal between us wherein you might agree to pay 25% of equipping and running the property if the drilling results justify it, and then after the capital is returned to you and ourselves in the proper proportion you would receive 10% of the net profits plus one quarter of the remainder of the profits.

This last suggestion would enable you to participate in our side of the deal, and assuming the equipment cost as \$100,000. would give you 32 1/2% of the net profits for an investment of \$25,000. after the property is proven, - a price for each percent of \$768. We would be paying \$85,000. or more for 67 1/2% of the profits, and the drilling expense part of that is, of course, spent before the property is proven. The price to us would be \$1,260. for each percent.

Usually when a mining company takes over a lease and assumes all the expenses it seldom gives more than 5% or 10% of the profits to the individual who brings the lease to it. At this very minute we are trying to get an option to lease a large property, and if successful we would be more than happy to turn it over to a big company for 5% interest in the profits.

Really, I think any one of the three bases I have suggested is very fair to you, and I think we ought to sign an agreement on one of them before we start drilling, so that neither of us is influenced in the negotiations by the drilling results.

Mr. Wadley
Page No. 2

April 4, 1941

Regarding the entirely different type of deal you suggest in paragraph four of your letter, wouldn't it be best to decide now on one of the other three, and then if you have some equipment that could be used advantageously in the operation I am sure the financing group, whether or not it included you, would be happy to buy or rent the equipment from you at a fair price? I think the decision whether or not to use it should be left to Mr. Levensaler and any other engineers responsible for the job, and decided later on its own merits rather than now in the financial arrangements between us.

I hope that you have all had a fine vacation. Ethel is, I regret to say, in the hospital, but recovering very nicely from a minor operation. My golf is beginning to go a bit better and while by no means in your class, I would certainly enjoy a game with you.

How about bringing the contracts over and paying us a visit? Perhaps Mrs. Wadley and Emily would come too. Please let me hear from you, and with all good wishes, I am,

Very sincerely yours,
J. T. de B. W.

CC: Mr. Lewis A. Levensaler ✓

Mr. Frank McCarthy

Mr. L.A. Levensaler,
Seattle, Wash.

Dear Mr. Levensaler;

Replying to query in your letter of April 1st. for a man to test placer ground on Seward Peninsula, Alaska, I might suggest you phone N.J. Butler 614 W. Halladay St., Seattle, phone GA 3443, ascertain if he is available. He was with us on the Fairbanks Project, Alaska, also has done work for the same people on the Nome project, and several other jobs in that district. You know him, I can vouch for him, he is carefull in all matters pertaining to that work.

Yours very truly.

Copy to N.J. Butler:

W. M. Wither

W. M. Wither

COPY FOR MR. LEVENSALER

J. K. Wadley
Texarkana, Arkansas

April 2, 1941

Mr. John T. DeBlois Wack,
Rancho Del Bosque,
Santa Barbara, California

Dear Mr. Wack:

I wired you night letter today as per the enclosed copy, and I am forwarding herewith copies of the two letters received from Mr. Grassman upon my return home.

I wired you while in Augusta, Georgia pertaining to the reduction of the royalty and elimination of the bank measurement, etc. I presume the amended suggestions and agreement by him will be satisfactory to you.

Pertaining to the agreement between us, after arriving home I have gone over same carefully. Ordinarily under contracts of this character after money has been paid back out of profits from operation, the split in the profits is on a 40-60 basis, or a third and two-thirds basis. In lieu of my participating in the operation on the basis of 50%, I am wondering if it would not be satisfactory to you to modify the agreement to the effect that after return of your investment as provided in the contract out of profits, that I receive a 25% or 30% of the net profits after the money is returned; or in lieu thereof that you be returned only one-half of the amounts expended by you, after which I will participate to the extent of 20% of the net profits.

The above agreement to apply in the event that you use equipment in operating the property other than the semi-hydraulic equipment which we are now using. In the event it is found that the property is not suited to a bot operation and other types of operation are considered, I believe the method we are using as semi-hydraulic will be the most desirable, and in this event we would expect to furnish this equipment and participate in the operation on a 50-50 basis - you to furnish the working capital in installing the equipment and carrying on the operation.

If the Grassman contract is satisfactory to you as now indicated there is nothing to prevent your going ahead with the sampling, and as I expect to be out in California the early part of May, I am certain we can work out a basis of agreement between us that will be mutually satisfactory.

I had expected to remain over in Augusta for the Masters Golf Tournament and Mr. Grassman was expecting to come to Augusta the early part of this week, and that is why he makes mention in his letter of my moving to another hotel. I was very sorry that I could not remain over, but too many accumulated affairs rather prevented this and prevailed upon my returning home.

With kindest regards to you and Mrs. Wack, I am,

Yours sincerely,
(Signed) J. K. Wadley

JKW:ehg
Encl.

FRED L. DREHER
J. ED. McCLELLAN
FRANK J. McCARTHY

DREHER, McCLELLAN & McCARTHY
ATTORNEYS AT LAW
485 CALIFORNIA STREET-SUITE 1005
SAN FRANCISCO, CALIF.

AIR MAIL

April 2, 1941.

Mr. Lewis Levensaler
Hoge Building
Seattle
Washington

Re: Sterling Mines, Inc.

Dear Mr. Levensaler:

In a phone conversation with Mr. Wack today he authorized us to procure a title search on the properties covered by the Wadley-Grassman agreement.

You will recall that in that agreement the properties are described simply as "all the property of Sterling Mines, Inc. situated in Jackson County, Oregon." Before we can have the search made it will, of course, be necessary for us to have a legal description of the properties in question.

We would greatly appreciate your obtaining such a description and forwarding it to us as soon as possible.

Kindest personal regards.

Very truly yours,

DREHER, McCLELLAN & McCARTHY

By 

FJM:G

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

April 1, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Just a line to enclose my check for \$500. to cover your April salary and expense account under the terms of our agreement. My check includes Mrs. Wack's share, because she is ill, and also Mr. Bryce's share, he having paid me for his interest in the account up to the first of July.

I hope to receive a signed agreement from Mr. Wadley soon, at which time I will probably telephone you.

With all good wishes,

Sincerely,

A handwritten signature in cursive script that reads "John de Blois Wack". The signature is written in dark ink and is positioned below the typed name "Sincerely,".

Enclosure

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA
March 28, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Today I received a wire from Mr. Wadley, reading as follows:

"Talked with Grassman today. He agrees to all changes in contract with 11% royalty. Is forwarding contract revised to Texarkana. Expect arrive home middle next week. Regards."

I am happy that everything seems to have worked out satisfactorily regarding the contract, and I guess you will be able to go on with the program.

It is possible that when you have decided on a plan of operation Mr. Bryce may want another engineer to express an opinion on it. I think Mr. Wells rather scared Mr. Bryce about that region, and Mr. Bryce wants to make sure that the testing we do will definitely prove the property one way or the other. I am sure you won't mind another opinion, which I don't doubt will merely confirm the program you have in mind.

I am enclosing some voluminous correspondence from Major Hoople, or rather I should say Major Lineberger. I also enclose a copy of my letter to him. Exhibit A indicates that the Mojave Tungsten Mine was closed down during the latter part of 1917, and it seems to me that unless you find that the price of tungsten had gone down at that time, it would indicate that they may have run out of ore. After all, the World War did not end until a year later, and off-hand, I would think they would have operated this property for at least the duration of the war had the ore held out.

In my letter to Mr. Lineberger I gave a good excuse for our not going along with them, so unless you think very favorably of the possibilities of this venture I suggest that we conserve our resources for the Sterling Mine. With all good wishes,

Sincerely,

Enclosures



(Signed and mailed by C. J.)

March 24, 1941

AIR MAIL

Mr. John T. deBlois Waack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Waack:

Thank you for your favor of the 22nd enclosing copy of Mr. Wadley's last letter to you.

I note what Mr. Wells told Mr. Bryce, which is about the gist of his telephone conversation with me while in Mr. Bryce's office. I quite agree with him in that the values may be spotty, but so much of Sterling Creek has been worked with profit in the past I feel that if the gold is there, even though its occurrence is irregular, with modern equipment and the increased price of gold its continued operation will be profitable.

I will wait to hear from you regarding Mr. Wadley's negotiations with Mr. Grassman.

Kindest regards.

Sincerely,

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

March 26, 1941

Mr. Lewis A. Levensaler
Hoge Building
Seattle, Washington

Dear Mr. Levensaler:

Thank you for your letters of March 24
with enclosures.

I think you have handled the Vivian
Mining Company matter in just the right way, and quite
agree with you that if it were good the United Eastern
would surely have negotiated for it.

I have heard nothing further from Mr.
Wedley, and will of course advise you immediately when
I do.

Kindest regards,

Sincerely,

John de Blois Wack

C O P Y

THE BREAKERS
Palm Beach
Florida

3/18

Dear Mr. Wack:

Rec'd your letter with enclosure, and thoroughly agree with you regarding the objection to the royalty clause.

I have not as yet rec'd a reply to my letter to Mr. Grassman. I presume he sent the papers to his Engineer in Medford, Ore., for his suggestions, etc. Will wire you as soon as I hear further from him.

I also concur in your ideas regarding my partition in the deal and am sure we can work that out satisfactorily.

We are having a nice trip, and am playing fine golf, as is Emily also. We leave Friday for points North.

Best regards,

Sincerely,

(signed) J. V. Wadley.

Signed and mailed by G.B.)

March 17, 1941

AIR MAIL

Mr. John T. deBlois Wack,
Rancho Del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

I have your letter of the 11th with a copy of Mr. Wadley's letter to you and your reply. I believe we will have to accept Mr. Wadley's decision regarding the two proposals because negotiations originally started on that basis.

You will note that he speaks about no charges made against operation except those incurred at the property. This is not all together the situation as recited in Mr. Wadley's letter. Most of the major companies with headquarters in New York make a nominal charge. The following is quoted from an old American Smelting & Refining Company contract on an Arizona property:

"The charge for any New York and Tucson administration, that is to say, for management above that of resident superintendent or manager, shall be ten cents per ton on all ore milled and/or shipped but not exceeding \$300 per month, and shall not be charged until the property is upon a producing and profitable basis, to which shall be added the actual cost, once a year, of the Smelting Company's traveling auditor's audit of the accounts."

However, if Mr. Wadley has other ideas I think it best to work out the contract in an agreeable manner.

Kindest regards.

Sincerely,

March 11, 1941

Mr. J. K. Wadley,
Kenilworth Lodge,
Sebring, Florida.

Dear Mr. Wadley:

Thank you for your kind letter of March 8th.

In regard to the proposed agreement between ourselves, on page 2, paragraph 1, "first party warrants that the said Edward J. Grassman is the owner in fee simple, and that his title thereof is clear and unincumbered", your suggestion that the clause be changed to read that "first party represents" is acceptable to me.

I will have a search made of Mr. Grassman's title. Also we will be quite agreeable to having the term "net profits" elaborated to define what constitutes charges and expenses against said operation from which net profits may be derived. I agree with you that there should be no general overhead charges or salaries to other than those engaged in the direct operation of the property. However, I assume that you would have no objection to reasonable fees and transportation charges of any consulting geologists.

For your convenience I am enclosing a copy of the original agreement between you and Mr. Grassman. As you see in Paragraph 6 the term "bank measurement of material treated" is used. It makes a very complicated setup, particularly if the gravel should run just a little over 40 cents per yard. I think it would take an Einstein to figure out how much gravel was treated running below 40 cents and how much was treated running above 40 cents on a bank measurement basis.

To properly protect himself, Mr. Grassman would have to retain the services of an engineer and have him constantly on the premises. Not that we would do such a thing deliberately or sanction it, but it would be a great temptation if gravel were running around 43 or 44 cents a yard, for any superintendent to dilute it with barren gravel to bring the gold content down to 40 cents per yard to keep it within the 10% royalty.

Even if that element did not enter into it, it would still be a very difficult matter to figure the royalty due Mr. Grassman on a bank measurement basis. Mr. Levensaler, in

fact, has said it cannot be done on a continuous drag line operation. I am not sure that it might not even prevent our operating efficiently by removing a lot of overburden if the drilling indicates that the values near the surface are non-commercial. I am sure that to give Mr. Grassman a straight percentage of our mint receipts regardless of its gold content per yard of material moved or treated would be much better.

If absolutely necessary I suppose we could give Mr. Grassman a straight 11% of the mint receipts but 10% would certainly be better for you and us, and if the drilling indicates that the property is marginal, the higher the royalty paid, the less likely we would be to go ahead with it.

Regarding the fact that the proposed agreement I sent you was on an 80/20 basis, instead of the alternative 50/50 basis, I had suggested in previous correspondence, as you had not expressed any preference of the two proposals, we chose the one which while of course committing ourselves to 100% of the cost of equipment would give us the bigger gamble. We felt that as we would be spending considerable cash to test the property we would rather be shooting for the higher stakes. However, we would be quite agreeable to the 50/50 proposition only we feel that the matter should be decided in advance of the testing. Mr. Levensaler estimates that the equipment cost may be in the neighborhood of \$100,000, perhaps higher, probably not much lower. If it should run much higher, or general conditions be unfavorable, we might be very glad to raise some of the capital elsewhere and before taking any one else into our group, we would certainly offer you a participation.

One possible advantage of our choice of arrangements is that it removes the element of divided control and joint responsibility of what may well be a rather complicated mining operation. However, either plan decided in advance of the testing is entirely agreeable.

Kindly let me know or in the interests of time, have the agreements changed to suit you, sign and return them for our perusal and signatures if acceptable.

I wish we were with you at Sebring tho' my golf is in a bad slump after the New York trip. Every good wish to you all in which Ethel joins.

Sincerely,

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA
March 11, 1941

Mr. Louis A. Levensaler,
Hoge Bldg.,
Seattle, Washington.

Dear Mr. Levensaler:

Just a line to enclose a copy of a letter I received today from Mr. Wadley which is self-explanatory and a copy of my answer. I feel that after all we offered Mr. Wadley a choice of two propositions and if he choses the 50/50 one, we cannot help it, but as you can see in my letter to him, I tried to discourage him from a 50/50 proposition as much as possible.

In a 50/50 proposition we would certainly have to decide in advance that we were to control the operation policies.

I am also enclosing a copy of a letter I received today from Mr. McCarthy and a letter he received from a mining man named George C. Kelber of the Vivian Mining Company. Unless you know something distinctly against this property I am inclined to think it may warrant your examination. If you go to the property perhaps I could join you there for a day or so, but whether or not you think it worth examining, will you kindly handle the matter with Mr. Kelber from now on.

I asked Mr. McCarthy to let Mr. Kelber know that his correspondence was being sent to you. I do not know what Mr. Kelber's connection with the Vivian Mining Company is but I assume he is a friend of the owners and acting as their agent.

I am anxious to hear the result of your trip to the Ermont, and it certainly would be fine for us all if you could get an option on it and sell the property to a large company which would let us retain a small interest.

With all good wishes,

Sincerely,



March 11, 1941

Mr. Frank J. McCarthy,
485 California Street,
San Francisco, California.

Dear Mr. McCarthy:

Shortly after I returned to Seattle I left for Montana before I had an opportunity to look further into the properties referred to in Mr. Plank's report.

I am returning herewith the report and regret that it sounds a little too fantastic to take seriously. The values mentioned in Mr. Plank's report undoubtedly are mere local concentrations and not bank measurements. The early history of this district is rather meager but I did find that placer miners had been in there many years ago, and if any such values as Mr. Plank records actually exists over workable areas the hazards of getting in there and operating would have been overcome many years ago. The district undoubtedly has merit and will probably produce some gold at a profit.

Thanking you for having brought this to my attention, I am

Sincerely,

P.S. Received your letter of March 3 with enclosures.

c o p y

March 8, 1941

Mr. John T. deBlois Wack,
Rancho del Bosque,
Santa Barbara, California.

Dear Mr. Wack:

I received your favor of March 3rd with enclosures. I have read over the agreements as submitted by your attorneys. I will forward today the proposed Amendment to Mr. Grassman and endeavor to obtain his consent to the modification as prepared by your Attorneys.

I do not have before me a copy of the original agreement with him. I notice you refer to a royalty in said agreement, based on "bank measurements". In reading over the contract when it was received, I did not detect such a clause and if I overlooked it, I certainly censure myself and I am sure that my engineer, Mr. Williams, did not discuss such a basis of royalty settlement or he would have objected to same as it is altogether not a practical method of settlement. There however may be some difficulty in getting him to waive the 15% royalty above the 40¢ per yard, as throughout all my negotiations with him he has been rather firm in insisting upon a 15% straight royalty.

In regard to the proposed agreement between ourselves, I submit the following comments: On page 2, Paragraph 1 - "First party warrants that the said Edward J. Grassman is the owner in fee simple and that his title thereof is clear and unencumbered."

I have made no examination of his title and therefore would not be in a position to warrant same and I suggest that that clause be changed to read that first party "represents". The remainder of the contract seems to be acceptable except that the term "net profits" should be elaborated to define what shall constitute charges and expenses against said operation from which net profits may be derived, which should be limited I feel to actual charges and expenditures incurred directly upon the property such as Superintendent, wages, equipment, repairs and maintenance, taxes, insurance, and any and all expenses incidental to such an operation but not including any general overhead charges or salaries to others, only those engaged in the direct operation of the property. I believe this is the usual and customary provision.

During the period of time in hearing further from

Mr. Grassman, you might consider the above suggestions pertaining to the Agreement between us and write me your views. Also state whether or not it is your intention to permit me to pay for one-half of the expenses in equipping the property and participate in one-half of the net profits in the event that I should later decide to do so, prior to the date of installing equipment on the property.

We arrived here Thursday and find ideal weather and enjoying golf on one of Florida's best courses. Wish you and Mrs. Wack were both here to enjoy it with us. Have met a number of friends who have been here for several weeks.

Mrs. Wadley and Emily join me in best regards to Mrs. Wack and yourself.

Sincerely yours,

J.K.Wadley

JOHN T. DE BLOIS WACK
RANCHO DEL BOSQUE
SANTA BARBARA
CALIFORNIA

March 3, 1941

Mr. Lewis A. Levensaler,
Hoge Bldg.,
Seattle, Washington.

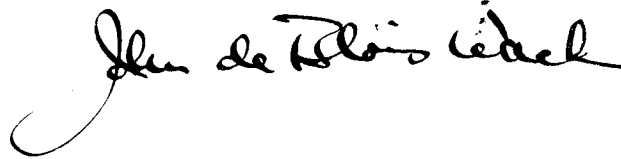
Dear Mr. Levensaler:

Thank you for your letter of
March 1st from San Francisco, and enclosed please
find copy of my letter of today to Mr. Wadley. You
will see that I have practically quoted you verbatim.

I am also enclosing Mrs. Wack's
and my cheques for \$250 apiece to cover our March
1st payment.

I will let you know the moment I
hear anything from Mr. Wadley, and with every good
wish, I am

Very sincerely,

A handwritten signature in cursive script that reads "John de Blois Wack". The signature is written in black ink and is positioned below the typed name.

March 3, 1941

Mr. J.K.Wadley,
Kenilworth Lodge,
Sebring, Florida.

Dear Mr. Wadley:

Thank you for your letter of February 25th.

Since my return I have discussed the situation fully with Messrs. Levensaler and McCarthy, and I think that we have worked out two agreements, the signing of which would enable us to immediately proceed with a thorough testing of the property on Sterling Creek you have under lease, and its successful operation if the gold values justify the drag line operation we have in mind.

The first agreement enclosed, in duplicate, is one between you and Mr. Grassman, to be supplementary to the lease you have already made with him. It contains clauses which my attorney considers necessary to the proper protection of you and me. At the same time, the only substantial change as far as Mr. Grassman is concerned is that he would receive a flat royalty of 10% of the net mill, smelter or mint returns, instead of the impractical set-up of a 10/15% royalty based on "bank measurements". This would lead to endless controversies between engineers and accountants where a settlement is required every thirty days. Mr. Levensaler assures me it just cannot be done on a continuous drag line operation in placer mining. A straight 10% of mint receipts is a clean and simple way to handle it and seems a very fair royalty considering the large investment we may have to make in equipment suitable to handle gravel at such great depth, and all the problems involved.

The other agreement enclosed, in duplicate, is one between you, Mrs. Wack and our associate in many mining operations, Peter C. Bryce, of Santa Barbara, who in addition to being a very close friend of ours, is a man of considerable means, wide business experience, and excellent reputation.

I have had a copy of Mr. McCarthy's letter made and am enclosing it in further explanation of the contracts. I hope you will have no objection to any clauses in our agreement

with you, all of which are intended to be for our mutual protection.

Needless to say, it is our intention to handle this deal according to the best mining practice, and I sincerely hope that you will be successful in getting Mr. Grassman to modify his terms so that we can go ahead as soon as possible.

I hope you, Mrs. Wadley and Emily are enjoying your stay in Florida and that we will see you all here later this spring. Ethel and I are planning to stay in Santa Barbara until next fall.

Sincerely yours,

cc. Texarkana, Arkansas.

FRED L. DREHER
J. ED. McCLELLAN
FRANK J. McCARTHY

DREHER, McCLELLAN & McCARTHY
ATTORNEYS AT LAW
485 CALIFORNIA STREET-SUITE 1005
SAN FRANCISCO, CALIF.

March 3, 1941.

Mr. Lewis Levensaler
Hoge Building
Seattle
Washington

Dear Mr. Levensaler:

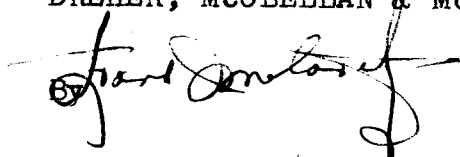
In accordance with our recent conference we enclose herewith for your record copies of the following documents:

1. Indenture dated January 14, 1941, between Edward J. Grassman and J. K. Wadley;
2. Proposed supplemental agreement dated March 1941, between the parties named modifying and supplementing the indenture mentioned;
3. Proposed agreement dated January _____, 1941, between J. K. Wadley and John T. de Blois Wack, Ethel Barksdale Wack and Peter Cooper Bryce.

We also enclose a copy of the agreement between the A.S. & A. and Arizona Magma Mining Company, which you submitted for our use and the copy which you left with us of Mr. Wack's letter to Mr. Wadley, dated February 12, 1941.

Very truly yours,

DREHER, McCLELLAN & McCARTHY



FJM:G
Encs.

C o p y
DREHER, McCLELLAN & McGarthy
San Francisco, Calif.

March 1, 1941

Mr. John T. deBlois Wack
Rancho del Bosque
Santa Barbara
California.

Dear John:

Mr. Levensaler called at the office yesterday and we conferred with reference to the proposed modifications and additions to the Grassman-Wadley lease and the proposed agreement between Wadley and you and your associates.

In accordance with our telephone conversation and our conference with Mr. Levensaler we have prepared a supplemental agreement to the existing Grassman-Wadley lease. Under the terms of the supplemental agreement certain paragraphs of the existing lease are modified and other provisions are added.

Paragraph 1 of the existing lease is modified to provide for a specific description of the properties covered by the agreement. In the existing lease these properties are referred to simply as properties belonging to Sterling Mines, Inc., and it is, of course, advisable to have them more specifically described.

Paragraph 6 of the lease is changed to provide a flat royalty of ten percent instead of the sliding scale royalty provided by the existing lease and in addition to provide for an enlargement of three months in the examination period on condition that at least \$500 per month during each month of the extended period be spent by the lessee in testing operations.

Paragraph 7 of the lease has been modified by adding clauses providing for a grace period of sixty days on default and for arbitration of disputes arising under the lease. There has also been added a clause providing for a ninety day period for removal of equipment by the lessee in the event of termination of the lease by his failure to perform any substantial term thereof.

Paragraph 12 has been amended by adding a provision prohibiting the owner of the property from selling or encumbering it during the period of the lease.

We have also prepared and enclose a proposed agreement between Mr. Wadley and you and your associates.

In it we have incorporated the provisions discussed in our conversation and the other provisions usually contained in agreements of this character. You will note by the provisions of paragraph 5 specifying the manner in which net profits arising from the enterprise shall be distributed that there has been added to the provision guaranteeing the return of your capital from first profits another provision allowing retention of \$25,000 in profits next accruing as and for operating capital for the enterprise. This addition is made at Mr. Levensaler's suggestion and is, of course, a desirable and practical arrangement. Both agreements have been examined by Mr. Levensaler.

You will also note that your agreement with Mr. Wadley provides for the assignment of his lease to you or your nominee or nominees. This language is to permit assignment to a corporation if corporate operation is deemed advisable. We discussed this suggestion generally with Mr. Levensaler and shall write you more fully with reference to it the early part of next week.

We enclose duplicate originals of both agreements together with your correspondence file in the matter. We shall retain your copy of the Wadley lease until Monday and shall have a copy made for our records before returning it to you.

Kindest personal regards.

Very truly yours,

DREHER McCLELLAN & McCARTHY

By Frank McCarthy

J. K. WADLEY
TEXARKANA, ARKANSAS
February 24, 1941

Mr. L. A. Levensaler,
Hoge Building,
Seattle, Wash.

Dear Mr. Levensaler:

Your letter of February 19th was received. Mr. Wack later advised me that he only used the word "dredging" as referring to any type of operation, and not what is considered either "doodlebug or bucket line", and that you had not indicated to him any particular type of operation as yet that you would recommend; waiting of course, for the outcome of the sampling before this is determined.

After the weather has cleared up somewhat in Oregon, I would like for you to visit the operation at Vale, of Mr. Seaver's, and when you get ready for this visit let me know and I will write to Mr. Seaver to give you full information, as I am of the opinion that this type of operation will be found to be most suitable for the Sterling property.

With best wishes, I am,

JKW:ehg

Yours sincerely,


February 21, 1941

Mr. W. W. Wither,
Route 8, Box 1381,
Portland, Oregon.

Dear Mr. Wither:

I believe we will do a little shaft sinking on the Sterling Mine that I discussed with you on my way through Portland. My client and the owner are now negotiating and it will probably be shortly after March 1 when a conclusion is made. I will advise you promptly as I would like to have you do this work for us.

My idea is to put down one or two shafts where the best drill records were obtained and if the results are favorable then do some rather systematic but widely spaced prospecting sufficient to determine whether or not we want to go ahead or drop the property.

Kindest regards.

Sincerely,