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KARL EILERS
50TH FLOOR—233 BROADWAY
NEW YORK CITY, N. Y.
TELEPHONE 4878 WHITEHALL

January 21, 1927

26
27

Mr. G. M. Colvocoresses,
Humboldt, Ariz.

My dear Mr. Colvocoresses:

This morning I had a call from Mr. Max Breitung, whose family, and he himself, have had large iron mines to deal with in the Lake Superior region.

Mr. Breitung would like to branch out a little, and through friends became acquainted with a Mr. E. J. DeSabra, Jr. of 165 Broadway. Mr. DeSabra has called his attention to the Otsego property of the Navajo Lead Mfg. Co., located in Mohave County, Arizona, some 44 miles southeast from Yucca on the Santa Fe, and it is stated that this property is on McCracken Mountain.

Report is made by Mr. G. K. Mainhart, Consulting Engineer of 2043 Hyde St., San Francisco, Calif. Mr. Mainhart's report indicates 124,000 tons of positive ore of a total value of \$11.00 a ton; costs, \$7.50 a ton, so that he shows up a net profit of \$365,083. There are also 25,000 tons of probable ore, to which he gives a value of \$190,500.

Mr. DeSabra has, I think, a quarter interest, but his "wicked" partners are not playing with him as he would wish, and he would like to have Mr. Breitung buy them out for \$250,000. I told Mr. Breitung I thought that no mine in that vicinity was worth a cash payment of \$250,000., but that if he could get some deal whereby he might get a half interest on putting up \$250,000 or \$300,000. for working capital, to be used in the operation of the mine, that perhaps under those circumstances there might be a mine there. I also suggested that he might write to you because undoubtedly you know these mines and particularly this district very well, and would be able to give him off-hand advice as to whether it is worth while having some good mining engineer make a report for him on the property before he goes any further.

With kindest regards,

Yours very truly,

Karl Eilers

MB

W. Otsego

January 31, 1927.

Mr. Max Breitung,
Marquette Ore Company,
100 Broadway,
New York, N.Y.

Dear Sir:

I am in receipt of your letter of January 24th relative to the property of the Navajo Lead Manufacturing Company. Our mutual friend, Mr. Karl Eilers, had already written me in regard to your interest in this property and I wrote him at some length in reply on January 26th, telling him much of what I know concerning the Navajo property.

I presume Mr. Eilers will show you my letter, or furnish you with copy of same, so I will not repeat all that I said to him.

My interest in the Navajo Company has arisen from the fact that a company in which I am interested holds a lease on the property of the Signal Mines Company, whose claims adjoin those of the Navajo Company on the north. Both of these mines ^{are} located on a strong vein or mineralized belt of high ^{lead} grade silver ores ^{(near from} ~~the surface, which have, for the most part, been worked out.~~ ^{which the high grade silver ores which have found near the surface have} The mineral increases in lead content as depth is gained, and decreases in silver, and while the ^{better} higher grade ^{of} ore is confined to pockets or narrow veins, examination which we have made of the surface and underground workings of the Signal Company, and ^a ~~my~~ casual examination of the property of the Navajo, or Otsego, Company, leads me to believe that there is a chance to develop a large and continuous orebody of comparatively ^{medium} low grade material which might, however, be mined and

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concentrated on the spot, leaving a reasonable margin of profit, and it appealed to me from the time we became interested in McCracken that these two properties should be developed and operated together, but this involved a probable expenditure beyond the resources of the Western Metallurgical Company, in which I am interested, and which holds the lease from the Signal Company referred to above.

Mr. Eilers wrote me of a report which had been made on the Otsego property indicating a large reserve of positive ore, but without attempting to definitely make a statement on this matter, it is my impression that ^{only} a comparatively small tonnage of ore can be considered positive in the Otsego property, as development has only been carried on to a very limited extent. The same thing is true regarding the Signal mine, where several hundred thousand tons of good ore have been mined, but without continuing development sufficient to permit estimating any large positive reserve. The future value of both properties clearly lies in carrying on additional development in a scientific manner, and it is my personal opinion that the chances are excellent for developing a comparatively large property on the claims of these two companies.

As I recall the workings of the Otsego, and my memory is ^{has} refreshed by one of our engineers who was there ^{at a later date} only two weeks ago, there are a number of short tunnels and pits on the hillside showing good ore from some of which mining was carried out by operators many years ago and ^{during the 1920's} more recently by leasers. The main shaft is about 200 feet deep with levels at 80 feet and 150 feet, approximately. The 80-foot level runs north to near the end line of the property, and a raise was put up near this end line to the surface. Below the 80-foot ^{level}

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a winze was sunk which now connects with the 150-foot level and some stoping has been done between the winze and the shaft and above the 150-foot level. The 150-foot level is short, and on the 80-foot level the workings to the south show the vein to be badly split and comparatively low in values. At this point the Otsego vein is 36 feet wide, and while I have no idea of the average value, I recall that several samples carried 6% to 8% lead and 2 to 4 ounces in silver. There are streaks of waste in the vein, but it would probably be possible to mine a considerable tonnage of this grade ore.

We sampled the surface of the vein on the McCracken right to the end line of the Otsego and near the surface found the ore to run 10 to 12 ounces silver, and 2% to 3% lead. Our workings at McCracken indicate quite positively that the silver decreased and lead increases with depth, and the same thing has proved to be true in the Otsego.

As a mining man you will appreciate that no engineer would care to give you any definite and positive opinion on a property which he had not carefully examined and sampled, or at least unless he had carefully substantiated the examination and sampling of other parties. I cannot express any positive opinion regarding the Otsego, but the above will indicate my reasons for believing that this mine might be considered promising from a development standpoint and justifies further work, particularly if combined with the holdings of the Signal Mines Company, and with the pumping plant and milling equipment owned by the Signal. I do not think that there is any basis whatever for such a purchase price as Mr. Eilers indicated

Mr. Breitung, - 4.

January 31, 1927.

was being asked by the present owners, but if you could obtain substantially different terms and are interested in the development of lead-silver property in this section of the country, I feel that you would make no mistake in thoroughly investigating the Navajo Company's property, and I shall be glad to assist you further in this matter if you care to have me do so.

Yours very truly,

J. M. Colver

GHC-s

January 26, 1927.

Mr. Karl Eilers,
50th Floor, 233 Broadway,
New York, N.Y.

Dear Mr. Eilers:

I have your letter of January 21st referring particularly to your conversation with Mr. Breitung, and his possible interest in the Otsego property of the Navajo Lead Manufacturing Company, Mohave County, Arizona. It is rather peculiar that this property should have been brought to your attention, and that you should have written me on the subject, since from an entirely different standpoint I have been very much interested in the Otsego for some three years past, and have visited the property on several occasions, in fact I was here that way only a few days ago, but did not go on the Otsego ground nor in the underground workings, which, however, I examined rather superficially in 1924⁵⁻²⁶, and I have recently kept in touch with the development through reports from our field engineers.

In reference to Mr. Mainhart's report, I should say to you personally that it is my opinion that estimates which he makes are substantially exaggerated both as to tonnage and developed ore, and ^{as to} ~~in~~ profit which might be expected from operating same, but, none the less, I consider the property to be very promising from a development standpoint and well worth careful investigation.

The Western Metallurgical Company, with which I am con-

Mr. Eilers, - 2.

January 26, 1927.

nected, and in which our mutual friend Walter Schmidt is also interested, acquired an operating lease and option on the property of the Signal Mines Company in 1924. Signal Company hold the old McCracken Mine, their claims covering the northern part of McCracken Mountain, and adjoining the claim of the Navajo Lead Company on the north. There is a strong mineralized ^{vein} ~~vein~~ running north and south across McCracken Mountain and ore showings are practically continuous throughout the Signal ground and over onto the property of the Navajo Lead Company. The values in the upper workings of the old McCracken mine are principally in silver, but lead increased as depth was gained, and the ore which I saw in the Navajo Company's shaft and workings, which were at a lower level, contained principal values in lead and comparatively little silver.

It is my belief that the mineralized zone is continuous across these two properties and for a length of nearly two miles, and that shoots of pay ore, which are partly developed at the present time, may be extended by further development so that a really substantial tonnage of lead-silver ore (gaining in lead values as one goes deeper) will eventually be proved.

The mines are so located and the character of ore is such that it is necessary to concentrate this material on the ground, and the Signal Company had equipped their property with a fairly good concentrator capable of treating some 200 tons of ore per day, and also at very considerable expense had installed a pumping plant on the Big Sandy Creek and pipe line ten miles long to the mill.

The metallurgy at the Signal Company was extremely poor and

Mr. Eilers, - 3.

January 26, 1927.

they recovered only about 60% of the silver-lead values, whereas our tests, and some work which was done at the mill of the Signal Company, just before they turned it over to us, indicated quite positively that 90% recovery was altogether feasible. We had also experimented with volatilization of the oxidized surface ores, and had installed a plant for the purpose of treating this class of material, but subsequently found that the tonnage of oxidized ore was comparatively limited and the future of the McCracken property undoubtedly lay in developing extensions of the sulphide zones.

During the time we were experimenting at Signal the Navajo Company (or as it was then called, the Otsego) were sinking a shaft and doing further development work under direction of a Mr. Curtis (who was not a practical mining man at all) and under general management of a Mr. Moore (who was I think a contractor and with whom I believe Mr. DeSabra has since fallen out).

Now all the above may seem somewhat beside the points brought up in your letter. But from ^{my} study of the McCracken country, I am convinced that these two properties should be combined and worked together as one mine, utilizing the mill and water services of the Signal Company and drawing ore from both properties, which should be connected by underground workings. I suggested such an arrangement to Mr. Moore, but was never able to make any progress with him, and he subsequently left for Florida where I believe he is now located.

Soon after we took the lease on the McCracken mine the Signal Company put themselves into bankruptcy to avoid payment of certain claims, and this complicated matters in their dealings with

Mr. Eilers, - 4.

January 26, 1927.

us and has resulted in a dead lock and considerable litigation in which so far we have been holding our own.

The logical solution of the whole difficulty would be to find some company or individual who would be able and willing to invest a certain amount of money in taking over the property of both the Signal Company, including our lease, and the Navajo Company, and developing these two properties as one mine. There is a considerable tonnage of ore developed in both of these mines which, together with the equipment, would justify a certain purchase price, and the chances of making a valuable and comparatively large property are, I think, very favorable, but eventually, if ore reserves justify, it will be necessary to install new and larger mine and mill equipment and provide improved transportation facilities, all of which would involve an expenditure beyond the resources of the Western Metallurgical Company.

The above I think will give you a general idea of the situation. If Mr. Breitung would be interested in further investigating a proposition of this kind, I personally feel that such investigation is fully justified. I know that the property of the Signal Company can be purchased on a reasonable basis, and I have every reason to believe that the property of the Navajo Company can be purchased for very much less than Mr. DeSabra suggested to Mr. Breitung, or at least arrangements should certainly be made whereby only a small cash payment would be involved and the balance of the purchase price could be obtained, at least in part, from the operation of the property.

Your opinion to the effect that no mine in the vicinity

Mr. Eilers, - 5.

January 26, 1927.

of the Navajo property is worth \$250,000 cash is absolutely correct, but I do feel that the Otsego, and particularly the combination of the Otsego and McCracken have the makings of a really meritorious and profitable mining proposition (assuming the price of lead will be maintained for some years to come) and on this basis I should certainly suggest that Mr. Breitung make ^{or} thorough investigation.

As you will see from the above I have through my connection in the Western Metallurgical Company some personal interest in the Signal Mine, hence I hesitate to stress this feature of the proposition, but I have no interest whatever in the Otsego and should Mr. Breitung write me in connection with same, and particularly as I am now doing a certain amount of outside consulting work, I will be very glad indeed to correspond with him, or, if he desires, to thoroughly examine and sample the Otsego property and to give him at the same time fullest information regarding the Signal so that he can determine whether or not in his opinion a combination such as I have suggested would be advantageous.

I have been keeping in close touch with lead-zinc developments, particularly in the Kingman-Chloride district, where I spent part of last week, and revising a report which I hope to send you in the course of the next few days, and which will, I believe, state clearly the proposition that I talked over with you in New York. Am very sorry to be so slow on this matter, but it is impossible to make definite statements until some of the ore which we would expect to treat at Humboldt can be definitely released from contract at present existing with the United States Company.

Mr. Eilers, - 6.

January 26, 1927.

The United States officials have promised to give us such release unless they desire to operate themselves at Humboldt, but I have not yet received any definite decision on these matters in writing and feel that I cannot put the matter up to you in a satisfactory manner until I hear definitely from them one way or the other.

With best regards,

Yours very truly,

GMC-s

R E C E I P T

Received from Miles P. Romney the sum of fifteen
dollars (\$15.00) cash for copy of report on Otsego
Mine near McCracken by G. B. Mainhart dated June
22nd, 1926.

G. B. Mainhart

1/15- '43