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Seite 930

335
ITEM 35

December 20, 1977

Mr. J. McLaren Forbes
Consulting Geologist
2275 Mueller Drive
Reno, Nevada 89509

Dear Mr. Forbes:

Subject: Placer Mining Operation of Donald W.
Miller in Osceola Area of Nevada

Confirming our discussion this morning, we have tentatively agreed to buy a mining operation from Mr. Miller in the Osceola gold placer area near Ely, Nevada, subject to geological and engineering verification of the potential of his operation. Mr. Miller and a group of limited partners, some of whom we know both personally and by reputation, invested over \$½ million in this placer mining operation, but have now exhausted their funds. The mining which they did was not profitable.

Mr. Miller is not trained in the operation of a placer mine. However, several years ago, circumstances forced him to assume direct responsibility for the operation. At the time they had placed a dredge on the property which proved to be a financial disaster. They then installed machinery for a standard mining operation. After this proved uneconomical, Mr. Miller sought the advice of Gallagher Company in Salt Lake City to determine what refinements should be made in the operation. He alleges that the Gallagher Company recommended the addition of a leaching operation to process the black sands and/or tailings from the tabling operation. He states that the Gallagher people found that he was losing 70% of the gold production by dint of the fact that he had no leaching operation. Mr. Miller, in addition, decided that the richness of the ore at the confluence of two fans 3,000 feet up the mountain warranted moving the operation to that location for future production. He estimates that although the reserves are smaller farther up the mountain, they are still sufficient to carry on a mining operation for fifteen years at the rate of 10,000 cubic yards per day.

We would like you to do the following in respect to the Miller operation:

1. Prove the claimed values of placer gold ore to be found on subject claim, and more particularly, the area that Mr. Miller proposed to mine on his claim.
2. Establish the proximate limit of the deposits at the site that Mr. Miller proposes to mine.

December 20, 1977

3. Determine why past operations by Miller were unprofitable. Would the two changes proposed by Mr. Miller cause the operation to be profitable? The two changes are:

- a. Re-locate the mining operation 3,000 feet up the mountain.
- b. Install a leeching operation to recover gold from black sands and/or tailings from the tabling operation.

4. Can the present equipment efficiently mine the deposits with the addition of a leeching operation? Verify the list of assets shown on Mr. Miller's inventory which is attached.

5. Determine the cost of:

- a. Moving the operation 3,000 feet up the mountain, and
- b. Adding leeching operation.

6. Verify the monthly cost of operation as shown on the estimate prepared by Miller.

7. Determine the adequacy of water from the two wells now operating at the mining operation to process 10,000 cubic yards of material per day on a continuing basis. Determine the potential of the new well for which Mr. Miller has obtained permission to drill from the State. Is it true that no other operating wells of sufficient capacity exist in this area to make adjacent claims feasible to mine?

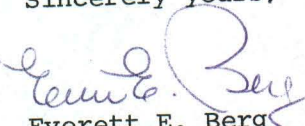
8. Check the reputation of Miller to the extent possible.

In order to prepare you for your trip to Ely next Tuesday, I am enclosing copies of the following documentation supplied by Miller:

1. Various geological and engineering reports.
2. Monthly costs of operation 1-3 shifts.
3. Assets at Osceola mine (2 sheets).
4. Cost of moving the mining operation 3,000 feet up the mountain.
5. Production estimate and return on investment at various levels of operation.
6. Description of metals from operation.
7. Resume of Donald W. Miller.

I hope to be able to join you in Ely next Tuesday, but if not, will expect you to work with Mr. Miller to develop the foregoing information for me.

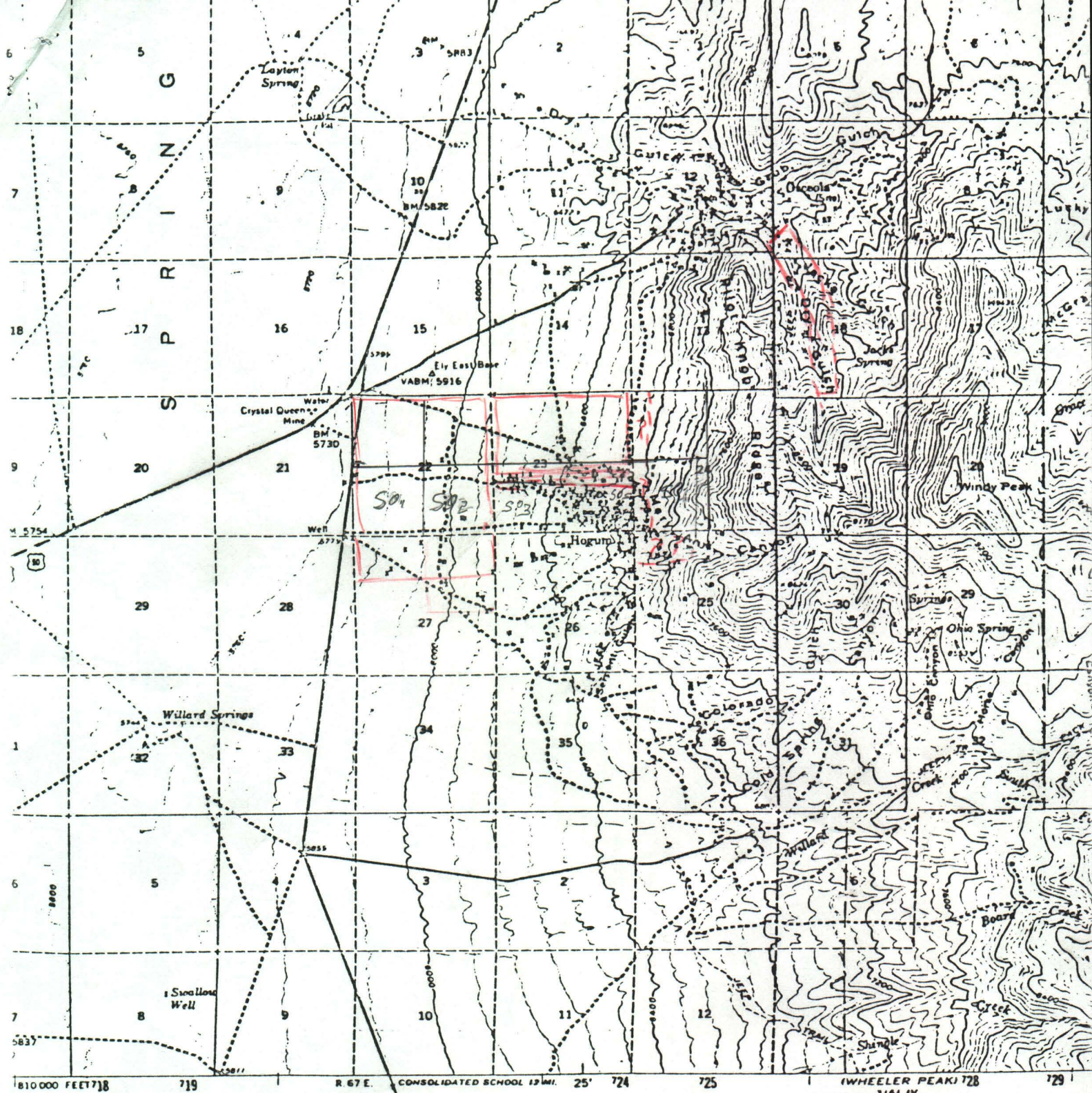
Sincerely yours,


Everett E. Berg
Owner

enclosures

cc: David Owens, Attorney at Law

MAPS

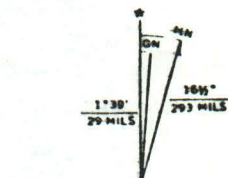


edited, and published by the Geological Survey
USGS and USC&GS

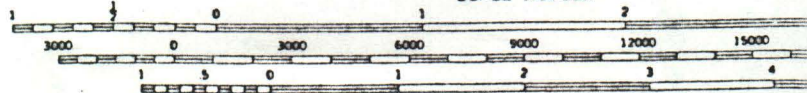
by from aerial photographs by photogrammetric methods
and table surveys 1959. Aerial photographs taken 1956

projection. 1927 North American datum
not grid based on Nevada coordinate system, east zone
ter Universal Transverse Mercator grid ticks,
shown in blue

and lines indicate approximate locations
s unsurveyed in Ts. 13 and 16 N.-R. 69 E.,
of Ts. 13 and 16 N.-R. 68 E.

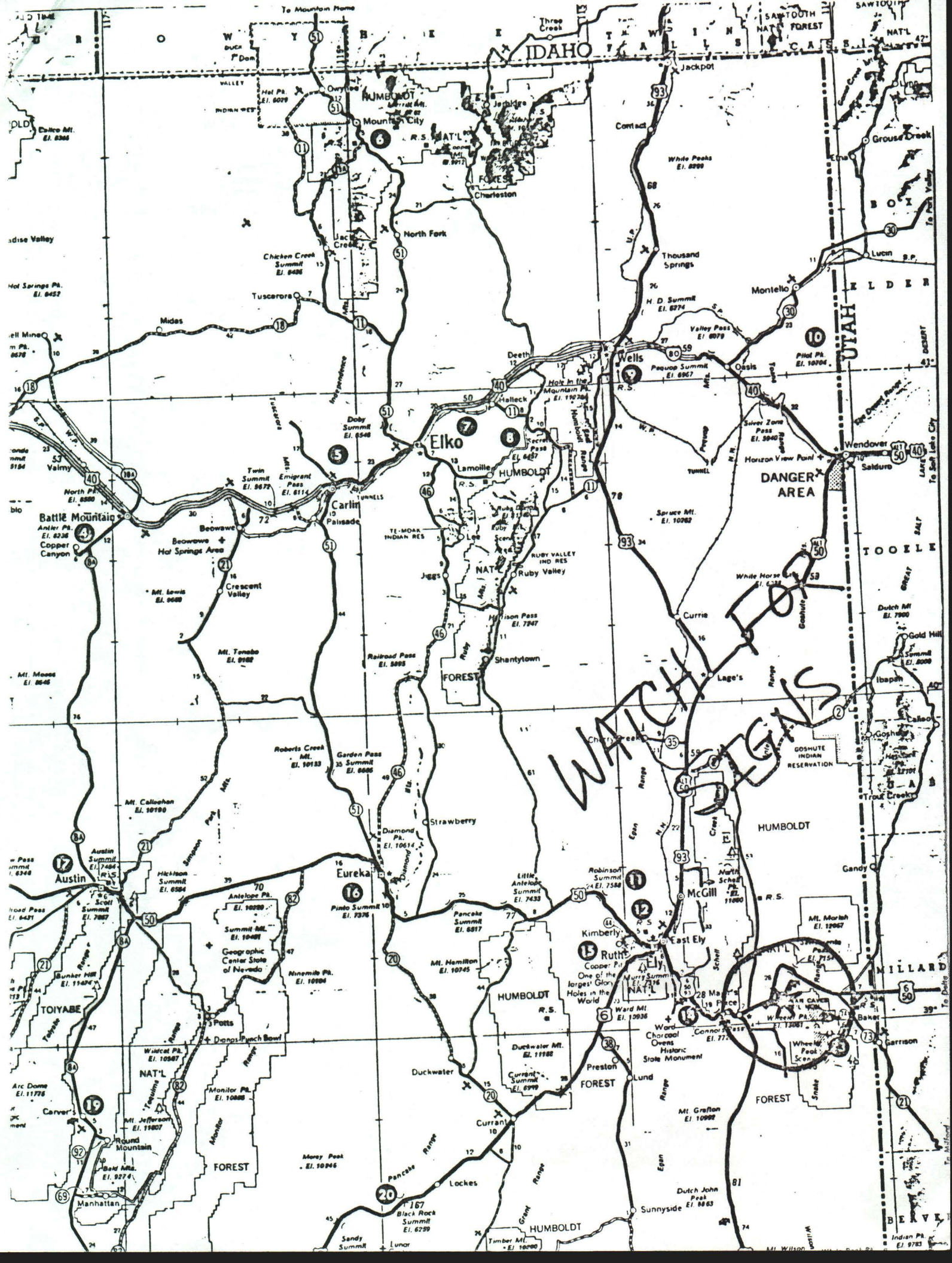


UTM GRID AND 1959 MAGNETIC NORTH
DECLINATION AT CENTER OF SHEET



CONTOUR INTERVAL 80 FEET
DOTTED LINES REPRESENT 40-FOOT CONTOURS
DATUM IS MEAN SEA LEVEL

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS
FOR SALE BY U. S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225 OR WASH.
A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON



Placer Mining in Nevada

deposits in the District by small-scale hand methods. Most of these were working in the Hogum area on ground owned by T. B. Tilford. Royalty payments on Tilford ground vary from 25 to 35 percent of the gross returns.

The Hogum placers are three miles southwest of Osceola, on an alluvial fan that spreads out from Mary Ann Canyon. First gravel was found here in 1879, and the deposits have been worked intermittently since that time.

The placer deposits occur in channels buried under the detrital material of the alluvial fan. Usually they occur in a stratum overlying a false bedrock of cemented material. Frequently small potholes that carry high values are found in the false bedrock. It is believed that the gold was derived from

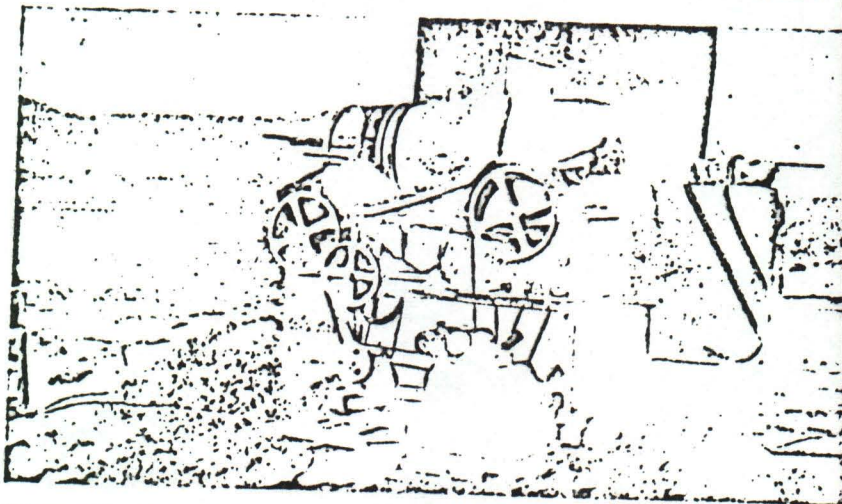


Figure 65. Patented portable placer machine used in Hogum placer area, Osceola District.

quartzite strata exposed on the ridge above the canyon. The gold is generally fine.

The pay gravel is removed by drift mining and hoisted either by hand windlasses or small power hoists. In the spring of the year when water is available the gravel is sluiced. During the summer months hand-powered dry washers generally are used to recover the gold. In working with dry washers, sometimes the gravel has to be dried before it can be treated. Stoves made of sheet iron placed on rocks are employed for this purpose. Sagebrush is used for fuel.

During 1933 and 1934 William Trent worked in the Hogum area and recovered \$7,500 in gold with a G. B. portable placer machine, shown in figure 65. This machine handled about two

MONTHLY COST OF OPERATION ONE TO THREE SHIFTS

First Shift

2 Cats - \$6,500 x 2	\$13,000
1 Loader - \$5,500	5,500
Fuel - Diesel - 170 Gal. per day for 25 days at 40¢ per gallon	1,700
Power - Electricity	3,500
3 Operators - \$8.00 per hr. 8 hrs. - 25 days	4,800
3 Workers - \$6.00 per hr. 8 hrs. - 25 days	3,600
1 Foreman	1,200
Camp Supplies - Gas, Trucks, Trailers, Ins.	3,000
Belts (feed and discharge)	7,000
Miscellaneous Error	<u>8,000</u>

\$ 51,300

Second Shift

Fuel - Diesel	1,700
Power - Electricity	3,500
3 Operators - \$8.00 per hr. 8 hrs. 25 days	4,800
3 Workers - \$6.00 per hr. 8 hrs. 25 days	3,600
Foreman	1,200
Error	<u>3,500</u>

18,300

\$ 69,600

Third Shift

Same as above for Second Shift

18,300

\$ 87,900 48¢/yd.
R/E

Plant will run 3 - 8 hour shifts.

Minimum Recovery

410 Yds. per Hour
20 hrs per day
<u>8,200</u> yds
22 days per month
<u>16,400</u>
<u>16,400</u>
<u>180,400</u>
<u>1.25</u> per yard recovery
<u>\$225,500</u> gross per month

8 week test - WHEN?

THOUGHT IT
NO Mineral Jigs WAS 40¢
RAW GOLD only
\$1.35 per Yard
3500 yards processed

ASSETS AT OSCEOLA MINE

MARKET VALUE

Electricity	\$28,000	0
Well and Water System; Domestic (50%)	12,000	0
5200 feet 10" Pipeline	23,000	10,000
8' x 26' Trommel, Carriage and Sluices	95,000	75,000
Well and Pump to produce (50%) water for Mine (600 GPM)	15,000	0
Workshop, 2 trailers, 2 work trucks, welder, tanks, etc.	8,000	4,000
15 KW Generator	3,000	1,500
50 KW Generator	3,000	1,500
5 - Electric Motors	2,000	500
2 - Air Compressors	2,000	500
150 HP Pump to Trommel	7,000	3,500
1500 feet of 10" pipe	10,000	5,000
Test Unit and Classifier	10,000	5,000
Equity (4) 14' x 70' Trailers (WHAT IS OWEN?)	9,000	0
	<u>\$230,000</u>	<u>106,500</u>

Cost of 500 Acres of Gold Claims \$200,000
Balance Due 34,000

\$166,000 Equity

Yuba jig - 2 units \$ 10,000

ASSETS OF OSCEOLA MINE

	MARKET VALUE
ELECTRICITY - CONTRACT ATTACHED (COST \$28,000 in 1976)	\$35,000
WELL AND WATER SYSTEM; DOMESTIC 50%	\$12,000
5200 FT. PIPE LINE	\$23,000
8'X26' TROMMEL AND CARRIAGE (TRACKS) INCLUDES 150 H. P. MOTOR, 4 - 30 FT. SLUICES	\$135,000
WELL AND PUMP to produce (50%) water for mine (600 GPM)	\$15,000
15'X20' WORK SHOP, 2 8'X20' Work Trailers, 1-1967 Dodge Pickup Truck, 1-1953 Dodge Flatbed, 1-Hobart Portable Arc Welder, 2 fuel tanks cap. 4500 gals. 9000 gals.	\$8,000
1 - Kato 15 KW Generator	\$3,000
1 - International 50 KW Generator	\$3,000
5 - General Electric Motors	\$2,000
2 - Lansing Air Compressors	\$2,000
150 H. P. Johnston Pump (To Trommel)	\$7,000
1500 ft. of 10" steel pipe	\$10,000
Complete test unit (20'X3' Agitating Sluice on 60' enclosed aluminum trailer) Sand Classifier	\$10,000
Equity (4) 14'X70' Trailers	\$9,000
1974 Columbia, 3 Bedroom, 2 Bath	\$230,000
1975 Columbia, 3 Bedroom, 2 Bath	
1975 Broadmore, 3 Bedroom, 2 bath	
1976 Broadmore, 2 Bedroom, 1 Bath	
All trailers are air-conditioned and heated, and extra insulation has been added.	
Cost of 500 Acres of Gold Claims	\$200,000
Balance Due	34,000
	\$166,000 Equity

274,000

PRODUCTION ESTIMATES

Figures below show gold production computed on "Sante Fe" Trommel at various levels of production:

- 1) Trommel designed to handle 5,000 yards in 8-9 hour work shift.
- 2) Actual history of Osceola property gold (free) should run \$6.60 per yard with gold \$125.00 per troy ounce.
- 3) Mining Company plans to run 3 eight hour shifts a day May thru October
- 4) All computations below do not include the values contained in the black sand concentrate.

4,000 yards a day x 24 days a month = 96,000 yards per month

	<u>GROSS GOLD</u>	<u>GOLD OUNCES</u>
\$1.00 per yard	\$ 96,000	750
\$2.50 per yard	240,000	1,920
\$3.00 per yard	288,000	2,304
\$4.00 per yard	384,000	3,072
\$5.00 per yard	480,000	3,840
\$6.60 per yard	633,600	5,064

5,000 yards per day x 24 days per month = 120,000 yards per month

\$1.00 per yard	\$120,000	960
\$2.50 per yard	300,000	2,400
\$3.00 per yard	360,000	2,880
\$4.00 per yard	480,000	3,840
\$5.00 per yard	600,000	4,800
\$6.60 per yard	792,000	6,336

6,000 yards per day x 24 days per month = 144,000 yards per month

\$1.00 per yard	144,000	1,152
\$2.50 per yard	360,000	2,880
\$3.00 per yard	432,000	3,456
\$4.00 per yard	576,000	4,600
\$5.00 per yard	720,000	5,760
\$6.60 per yard	950,000	7,603

7,000 yards per day x 24 days per month = 168,000 yards per month

\$1.00 per yard	168,000	1,344
\$2.50 per yard	420,000	3,360
\$3.00 per yard	504,000	4,032
\$4.00 per yard	672,000	5,376
\$5.00 per yard	840,000	6,720
\$6.60 per yard	1,108,800	8,870

RETURN

9,000 yards per day x 24 days a month = 216,000 yards per month

216,000 yards per month @

A. \$1.00 per yard	=	\$ 216,000.00	=	1,728 ounces
B. \$2.50 per yard	=	540,000.00	=	4,320 ounces
C. \$3.00 per yard	=	648,000.00	=	5,184 ounces
D. \$4.00 per yard	=	864,000.00	=	6,912 ounces
E. \$5.00 per yard	=	1,080,000.00	=	8,640 ounces
F. \$6.60 per yard	=	1,425,600.00	=	11,405 ounces

TO MOVE COMPLETE MINING OPERATION TO NEW LOCATION (TESTED) APPROXIMATELY 3,000 FEET
UP MOUNTAIN (HOW MUCH MATERIAL AT THIS LEVEL?)

1.	Cost to move electrical plant 3,000 ft. Bid by Mt. Wheeler Power	\$ 11,500.	
2.	3,000 feet 6" to 8" pipe. To move water to new settling pond	10,000	
3.	2-Pumps: 1 to settling pond \$5,500 1 to trommel pond \$6,000	11,500	
✓ 4.	Metal - New sluice, water carriers & slicers	10,000	
5.	To move existing plant	3,000	
✓ 6.	Feeder belt and discharge belt (1st month and delivery) Total cost both belts \$44,000	5,500	new 44,000 ⁰⁰
✓ 7.	2 Months crawler cat <i>Fiab Alice 131C</i>	13,000	new 165,000 ⁰⁰
✓ 8.	1 Month loader	6,000	new 155,000 ⁰⁰
✓ 9.	Cost leach system (2 tanks and carbon column, and trough)	20,000	
10.	Wages - 10 weeks to move and set up (4 men - \$8. per hour x 8 hr. x 6 days)	15,000	
✓ 11.	Miscellaneous - Sand slicer, welding rods, fuel, electricity, shot	<u>12,500</u>	
		\$ 118,000	
	Donald W. Miller	<u>25,000</u>	
		\$ 143,000	

Refer now to one month's cost to run.

12 Table 8000⁰⁰
 13 building for table & leach- 11000⁰⁰
 + cleanup
 + working capital
 + down payment
 + exploration 4000⁰⁰
 pick up for transferring dig con. 7500⁰⁰
 6 new pick up

METALS

1. The main metal is gold. It is placer gold - 85.2 pure with silver as only alloy. The history and geological studies forwarded state that with gold at \$125.00 per ounce the property should produce 6.60 per yard. We will make substantial profit as \$1.00 per yard tests, using Cyanide recovery addition show \$1.25 to \$1.35 from top-ground. Top ground is earth processed from top to 60 feet down. This increased in lower soil and reaches to over \$15.00 per yard at bed-rock level.

2. The other metal to be separated at the project is Tungsten. We run good Tungsten and plan to separate and stock pile. We have buyers.

Both of these metals will be sold in raw ore. The gold that is microscopic (cyanide) flake and dust to be sold to Newport Metals, Newport, Rhode Island. The nuggets will be sold separately. Nugget gold brings \$30.00 to \$75.00 over LME quote per ounce.

3. There are other major and minor metals in the black sands and concentrates. The plan today is to stockpile until time, equipment and cost prove advantageous to extract these metals. Also, if they prove profitable now we are in contact with groups that will purchase these stockpiles.

Purchaser of gold recovered:

Robert Montgomerie
Newport Metals
Newport; Rhode Island 02840

RESUME

DONALD W. MILLER
101 Skyway
Vallejo, CA 94590

Born - Birmingham, Alabama, October 30, 1928

Education -

1947-1951	University of Auburn, Auburn, Alabama
1952-1954	Baylor University, Waco, Texas
1954-1958	Southern Baptist Theological Seminary, Louisville, Ky.

Employment -

1952-1962	Pastored Baptist Churches
1962-1967	Myers International Corporation, Cecil W. Myers, Pres. Advertisement and Sales Promotion, San Francisco, CA.
1967-1970	C & H Land Company, Corporation, Partner (1/3 Owner) Real Estate Sales - Property, Vallejo, CA
1970-Present	D. Wells Land Company, Owner Real Estate Sales, Vallejo, CA
1973-Present	Valley Properties, a California Limited Partnership, General Partner, Investment Property, Vacaville, CA
1973-Present	Aurum, A California Limited Partnership, General Partner, Gold Mining, Vacaville, CA

References -

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Fred Davis, Manager
United California Bank, Larwin Plaza Branch
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Vallejo, CA 707-644-0444

Dr. John A. Duff, M.D.
1617 Broadway
Vallejo, CA 707-522-3000

RESUME (Cont'd) Donald W. Miller

References -

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