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BRIEF OF THE CONTRACT BETWEEN KENNECOTT COPPER
COMPANY AND THE CONSOLIDATED COPPERMINES OF
JULY 1, 1937

(327)
item 19

by
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This operating contract covers 33 legal pages, single spaced and mimeographed.

Article 1. List of definitions.

"Indicated recovery" is the percentage of recovery computed by Richards formula which is, that the percentage of recovery is equal to the following:

The concentrate assay times (the heads assay minus the tails assay) times 100, with this result to be divided by the following: heads assay times (concentrate assay minus the tails assay).

Article 2. An agreement to sell and purchase.

A. Coppermines ore mined by Kennecott.

B. Coppermines ore mined by Coppermines as will not exceed 7000 tons in any one operating day or 6000 tons per day average over any continuous period or 6 concentrating operating days.

The Coppermines can build a plant of its own for treatment of tonnage in excess of 6000 tons a day.

Article 3. Transportation agreement.

Article 4. Trackage rights and agreements.

Article 5. Milling. A maximum of 2 units of 2600 tons each capacity, shall be available for Con Copper ores only, and not over 2730 tons per day shall be treated in one unit.

Con Copper shall not deliver less than 2600 tons in one day and all in excess of 2 units capacity shall go into Kennecott units, but the result shall be based upon that obtained in the Con Copper units.

In case of reconstruction of the units the capacity must not come under the results of today's units.

The method of computing copper recovery is given in great detail and entitled "Exhibit A" which gives the methods, and examples of applying same, being based upon Richards formula.

Con Copper ore shall be ground as fine as Kennecott ore, the comparison being based upon the percentage of # 100 mesh.

Kennecott shall use the same methods and endeavor to secure as high a ratio of concentrates and recover as on its own ores.

Con Copper can suggest changes, and supervise the milling and sampling of its ores.

Kennecott in its research of recovery of additional methods will make provisions for sharing its results with Con Copper.

Con Copper can at its own expense install a plant to treat its own mill tailings.

If Kennecott at any time cleans up its mill or has a scavenger plant on the tailings, Con Copper shall share in it.

Article 6. If only Con Copper ores are milled, Nevada Con can smelt the concentrates intermittently.

Article 7. Assaying. The gold and silver shall be determined by fire assaying, the copper content shall be determined by electrolytic method, the iodide method or any in general use.

Kennecott shall automatically sample the heads and tails and the concentrates and shall make 15 day settlements.

The method of settling differences is that a third sample shall be sent for umpiring to three mutually agreed upon firms to umpire in rotation.

The umpire shall be final unless it is ^{higher} or lower than either company's assay, in which case the middle assay shall be taken.

The final 15 day settlements shall not be subject to be reopened by suit.

Kennecott shall make the moisture determination as on its own ores and in accordance with general practice.

Kennecott shall give notice of the time of weighing the moisture in and out.

Any objection by Con Copper to the length of time and temperature of weighing shall be made within 5 days.

The percentage of moisture as found shall be increased by $7\frac{1}{2}\%$ as a correction factor to compensate for loss in transportation from car to laboratory, and also to compensate for other factors that may cause a variation between the indicated recovery of copper in the concentrates and the actual recovery thereof in the form of concentrates made.

This correction figure of $7\frac{1}{2}\%$ is subject to tests to be made by a referee as to its correctness. The referee shall taken into account ~~the~~ the scrap wood and steel introduced with the ore, the dust of the ore, the ore left in the cars, in addition to the factors named above. He shall also take into consideration the method of procedure of taking the samples of the heads and also of the tails and concentrates.

Kennecott shall determine what method, such as equipment, the flow sheet, and the reagents, shall be used in the plant, and shall apply the same to both the Kennecott and Con Copper ores.

* Cu.

Article 8. Payment for gold and silver of concentrates, of direct smelting ores. Payment of copper in direct smelting ores, of concentrates, ^{and} as precipitate copper, ~~as blister copper~~ as blister copper ~~from leaching plant~~. Of the gold $97\frac{1}{2}\%$ shall be paid for at the price 75 days after the day of the deliver of the blister, at the U. S. mint price or the world price, which ever is higher. Of the silver 95% shall be paid for at the government or world price, which ever is the higher.

Con Copper shall furnish Kennecott with the necessary affidavits.

The copper shall be paid for as blister equal to 98% of content plus 8 lbs. more on direct smelting ores, with a minimum of 10 lbs total on any ore. *of conc.?*
*Below 1/2 %
no pay.*

The blister shall be 98% plus copper and under 5 oz. gold and 100 oz. silver.

Provisions made for the sampling and weighing of the blister copper.

Con Copper is to pay Kennecott on an equal basis for the gold and silver in the blister shipments. *7 ton tu.*

Article 9. Charges. Power shovel mining charge to the Con Copper shall be 25¢ a ton, transportation from pit or shaft to McGill 15¢ a wet ton, concentrate costs per ton on ore shall be the Kennecott costs plus 10¢ a ton, the smelter costs for concentratates of direct ore shall be the Kennecott costs plus \$1.00.

"Cost Factor" is the quotient obtained by dividing the concentrating plant costs by 25¢. *(Present cost?)*

If this cost factor is above 1 after 5 years, Kennecott can increase its charges for power shovel mining, transportation, concentration, and smelting, by the above charges multiplied by the factor.

Kennecott costs are to be based upon form sheets mutually agreed upon and included herewith with the contract as exhibits (being 11 in number) (these costs include the security taxes which are a percentage of the payroll). The Kennecott concentrating costs are worked out from the form sheets, plus taxes and general administrative expenses divided by the total tons treated.

The items of "Indirect Costs" are definite expenses as shown on the form sheets.

"Power Cost" per kilowatt hour is to be worked out as per form sheets attached to contract with wasteheat steam credited to the smelter and charged to the power house on the basis of evaporating $8\frac{1}{2}$ lbs. of water for each pound of coal.

There to be included in the concentrating and smelting costs expenses for replacement, rehabilitation and rearrangement, but not for increased capacity now rated at 18,000 tons.

General administrative costs shall be found as follows:

The taxes of the Nevada Con shall be divided between McGill and Ruth according to the respective assessed value.

The general administrative expenses of salary, office, etc., shall be divided 60% to McGill and 40 to the Pit and Ruth.

The general administrative expenses shall be divided between the concentrator and smelter in ration of the respective plant payrolls.

The items of depletion and depreciation shall not be included in the general administrative costs nor shall the Kennecott federal taxes or charges of ~~this~~ kind be included.

A paragraph dealing with how the accounts shall be rendered and settlements made.

The Con Copper has the right to examine the Kennecott books.

If the Kennecott is forced by the railroad commission to charge higher railroad rates on the Con Copper ores, the Con Copper must pay the same.

Article 10. This article deals in detail with the maximum demand and kilowatt consumption.

Article 11. When Con Copper shall mine "Tract A" it can request 1800 tons a day additional concentrator capacity.

Article 12. This article enumerates a large number of reasons, including Act of God, floods, strikes, etc., allowing relief from performance.

Article 13. When Con Copper shall have delivered (?) tons of ore to Kennecott it shall have the right to terminate its transportation, concentrating, and ore smelting contracts.

Article 14. Contract shall be binding upon the grantees, successors or assigns.

Articles 15 & 16. Deal with how notices to each other shall be made.

Article 17. Time. Contract is started July 1, 1937 and endures for 15 years and as long thereafter as Kennecott shall operate its concentrator on its own ores but in no event beyond December 31, 1967.

Article 18. Provides that the contract is under Nevada laws and subject to them.

There follows the signatures of the companies.