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FIRST REPORT

OF



The Comstock Tunnel Company

TO

THE SHARE AND BONDHOLDERS,

FOR ELEVEN MONTHS ENDING AUGUST 31, 1890.

OFFICE OF THE COMPANY:

115 BROADWAY, NEW YORK,

SEPTEMBER 1, 1890.

NEW YORK:

EVENING POST JOB PRINTING OFFICE, 208 BROADWAY, COR. FULTON ST.
(Telephone Call "Cortlandt 2625.")

1890.

OFFICERS.

August 31st, 1890.

TRUSTEES:

THEODORE SUTRO,	- - - - -	New York.
EUGENE SELIGMAN,	- - - - -	"
OTTO LÖWENGARD,	- - - - -	"
EDWARD W. KINSLEY,	- - - - -	Boston.
HERMANN STURSBERG,	- - - - -	New York.
ELISHA DYER, JR.,	- - - - -	"
HERMANN ZADIG,	- - - - -	San Francisco.

President,	- - - - -	THEODORE SUTRO.
Vice-President,	- - - - -	EUGENE SELIGMAN.
Secretary and Treasurer,	- - - - -	HORACE H. THAYER.
Registrars of Stock,	- - - - -	UNION TRUST CO. OF NEW YORK.
General Superintendent,	- - - - -	CHARLES C. THOMAS.



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OFFICE OF THE COMSTOCK TUNNEL COMPANY,
115 BROADWAY.
NEW YORK, September 1, 1890.

REPORT

FOR

ELEVEN MONTHS ENDING AUGUST 31, 1890.

*To the Share and Bondholders of
The Comstock Tunnel Company:*

The Comstock Tunnel Company was incorporated on August 31, 1889, under the laws of the State of New York. It did not take possession of its property until October, 1889. Its books of account begin with October 1, 1889; its fiscal year ends on August 31. This report, therefore, covers the period from October 1, 1889, to September 1, 1890.

CAPITAL STOCK.

The Capital Stock of the Company is \$4,000,000, viz.:
2,000,000 shares of \$2 each, par value.

FUNDED DEBT.

The funded debt of the Company is as follows:

First mortgage 4 per cent. non-accumulative income bonds, authorized.....	\$3,000,000
Of which there are in the Company's treasury	861,000
And there have been issued.....	<u>\$2,139,000</u>

According to the terms of the mortgage, the bonds in the treasury are to be kept as a reserve fund, to be sold from time to time, if necessary, upon a unanimous vote of the Board of Trustees, and the proceeds used for improving or extending the Company's property.

THE COMPANY HAS NO FLOATING DEBT.

INCOME AND EXPENSES.

Gross earnings for eleven months.....	\$231,287 46
Of this sum \$223,286.75 represent royalties earned and due from Mining Companies, but not as yet paid over, and \$1,662.93 royalties received; the balance other earnings.	
Accumulated income from the property at the time the Company took possession.....	124,412 37
Gross income.....	\$355,699 83
Total expenses (including legal expenses and disbursements)	79,199 90
Net income.....	\$276,499 93
Interest to become due and accrue on the bonds November 1, 1890.....	85,560 00
Surplus of net income.....	<u>\$190,939 93</u>

REDEMPTION OF BONDS.

By the terms of the mortgage one-half of the surplus of net income shall be applied to buying and cancelling bonds, namely	\$95,469 97
Leaving for disposition either for paying dividends, making improvements or extensions in the property, or otherwise, at the discretion of the Board of Trustees	<u>95,469 96</u>

PAYMENT OF INTEREST.

The Board very reluctantly decided to pass the May coupon on the Company's bonds owing to the temporary suspension, on the part of the Mining Companies, of the payment of royalties; it would have been the height of reckless financiering to have exhausted the cash in our treasury, even if this cash could legally have been applied to the payment of interest.

It is our intention to pay the entire interest for the year out of the first moneys which shall be received from the Mining Companies for royalties earned during the period covered by this report, whenever and as soon as these moneys shall be received.

LITIGATION.

The shareholders have already been somewhat informed as to the nature and condition of the litigation which has been forced upon the Company.

It consists mainly of two suits brought by the Company to collect the royalties which have become due from certain Mining Companies on the Comstock Lode. One of these suits—against the Yellow Jacket Mining Company—was begun in the United States Circuit Court for the District of Nevada; the other—against the Crown Point Mining Company—in the District Court of the State of Nevada.

These two suits are being pushed as rapidly as circumstances will allow, and constitute *quasi* test cases, as it is anticipated that all the Companies will pay as soon as we shall have obtained judgment against these two.

Negotiations for payment of our claims against the Mining Companies for past royalties, upon the basis of a new arrangement for future royalties, have been pending throughout the year, and may reach a satisfactory result before long.

There is also a suit pending against the Company instituted by three shareholders of the Sutro Tunnel Company. This suit, while annoying, in so far as it has furnished the Mining Companies with a pretext for temporarily suspending the payment of royalties, is in itself of no importance and, being without foundation or merit, will no doubt wholly fail.

CONDITION OF THE PROPERTY.

Every portion of the Company's property in Nevada was again carefully inspected by the undersigned during the month of May last, and found in a most satisfactory condition. Various necessary improvements and repairs, suggested upon previous visits, have been made, so that the tunnels throughout their entire extent of nearly seven miles have never been so well timbered, tracked, ventilated or drained as at the present time; the machinshops, workshops and other buildings have been overhauled and renovated; the ranches have been improved in every way. The property has never in its history presented so good an appearance.

PRESERVATION OF THE PROPERTY.

In order to keep the property in this condition, vigilant care and constant labor are required. Although the ground around the tunnels is settling down to a firmer condition from year to year, nevertheless the percolation caused by rains and melting snow, the disturbance of the earth through various causes, and also atmospheric influences, will necessarily always result in more or less injury to a work running to a point nearly 1,700 feet beneath the surface. Rocks, earth and debris will fall from time to time, and timbers constantly break, bend or crack, and gradually decay. To disregard these accidents, even for a single day, means double the labor and expense the next. Inattention to these matters for any length of time would cause the tunnels to cave in, the cost of remedying which would be enormous.

In view of the high price of labor and materials in Nevada, operating expenses cannot, therefore, be materially reduced. Nevertheless something may gradually be done in that direction, and this work of retrenchment and economy has already been earnestly begun.

RECOMMENDATIONS FOR THE FUTURE.

Our experience during the past year shows the importance of gradually endeavoring to secure a revenue independent of royalties which we may receive from the Mining Companies. There is every reason to believe that this object may be accomplished by keeping in view one of the main purposes for which the Sutro Tunnel was constructed, namely: *exploration*. As soon as our resources will allow it, we must endeavor to find ore within our own grounds, and reduce it in mills of our own. To accomplish this:

1. The main tunnel should be extended westward into Mount Davidson beyond the Comstock Lode.

2. Drifts should be run into and along the various veins cut by the main and lateral tunnels.

3. Should we find paying ore, mills should be erected, electric or cable cars should be substituted for mule teams in the tunnels, and a railroad should be built connecting the mouth of the tunnel with the mills.

The writer has for many years carefully considered and earnestly advocated these measures. In his Report to the Stockholders of the Sutro Tunnel Company, dated New York, July, 1887 (to which reference is made for further details), he said:

“ The right to purchase all mineral veins within
 “ 2,000 feet on each side of the tunnel, ‘cut, dis-
 “ covered or developed’ by it, is of incalculable
 “ value. As the right of way extends westerly for
 “ about seven miles from the mouth of the tunnel
 “ to and beyond the Comstock Lode, we have here

“ what practically amounts to a grant of a section
 “ of mineral land, immediately adjoining and cross-
 “ ing the richest gold and silver vein in the world,
 “ of an area of nearly a mile in width and of about
 “ seven miles in length; not only this, but under
 “ the language of the act the right of purchase ex-
 “ tends, moreover, within 2,000 feet of each side of
 “ said tunnel ‘*through its entire extent,*’ and under
 “ the latter is embraced the right of way not only
 “ in a westerly direction, as aforesaid, but northerly
 “ and southerly on the course of said lode, and also
 “ on or along any other lode discovered or developed
 “ by the tunnel.

“ The tunnel has, in fact, ‘discovered or devel-
 “ oped’ quite a number of promising lodes or veins;
 “ as it progressed westerly it cut across these veins
 “ nearly at right angles; in order to explore them it
 “ would therefore obviously be necessary to drift
 “ along their course in a northerly and southerly
 “ direction, off from the tunnel line. * * * *

“ The work of exploration under the franchises
 “ granted by the Act of Congress is, therefore,
 “ still in its infancy. What developments may be
 “ made by exploring thoroughly the aforesaid veins
 “ already cut by the tunnel, and what new veins
 “ might be cut and discovered by running drifts in
 “ various directions along the whole extent of the
 “ main and lateral tunnels, and, working both up-
 “ ward and downward, from these various drifts and
 “ tunnels, and, most important of all, by extending
 “ the main tunnel at its present level for miles into
 “ the virgin ground west of and beyond the Comstock
 “ Lode, in which case it would pass in a horizontal
 “ direction at a depth of 3,600 feet below the sum-
 “ mit of Mount Davidson, it is impossible to fortell!
 “ Explorations hitherto made by means of small
 “ horizontal drifts or so-called tunnels, run into the
 “ sides of Mount Davidson not far below the sur-
 “ face, prove conclusively that veins of value exist

“ on both its eastern and western slopes. For ex-
 “ ample, the McKibben Tunnel, so called, which is
 “ some distance west of the Comstock Lode, shows
 “ a vein of quartz sixty feet in width; and ore has
 “ also been discovered in the Cole Tunnel, which is
 “ still further west; ore assaying as high as three
 “ hundred dollars per ton has been found in another
 “ small drift west of the summit, while on a claim
 “ a short distance to the south and west of Mount
 “ Davidson, and not far from the direction where
 “ our tunnel, if extended, would pass under said
 “ mountain, some very rich gold ore has been found.
 “ The distance intervening between the western
 “ terminus of the main tunnel and a point directly
 “ beneath the summit of Mount Davidson is only
 “ 6,000 feet, whereas the Company, under the Act
 “ of Congress, has the right of extending the tunnel
 “ over three miles further westward from its pres-
 “ ent terminus.

“ There is every reason to expect the most won-
 “ derful and profitable results from a thorough
 “ exploration of all the many miles of territory
 “ through which the exclusive right of way and of
 “ purchase of the Company extends; and there is
 “ no reason why this work of exploration should
 “ not be prosecuted with all possible energy, as
 “ soon as we shall be free to direct a portion of our
 “ revenues or resources to that great object.”

The report of the Treasurer herewith submitted will
 show in detail our financial condition, and the report of
 the General Superintendent, what work has been done in
 connection with our property.

THEODORE SUTRO,
President.

(Account 1.)

TREASURER'S REPORT

FOR ELEVEN MONTHS ENDING AUGUST 31, 1890.

Dr.

Cr.

Oct. 1, 1889.			
To Cash in Nevada office.....	\$879 68	By Cash disbursed in Nevada.....	\$62,383 05
“ “ Cultivation.....	4,106 76	“ “ disbursed in New York, including salaries, Trustees' and Registrar's fees; new books, furniture and supplies necessary for estab- lishing the Company's office; office rent, etc., etc.....	14,758 15
“ “ Rents.....	500 50	“ “ disbursements connected with litigation in Nevada.....	7,400 22
“ “ Miscellaneous receipts, including sales of old material.....	7,434 03	“ “ Balance.....	53,213 18
“ “ From the Union Trust Co.....	123,532 69		
“ “ Interest on balances with the Union Trust Co.....	1,300 94		
	<u>\$137,754 60</u>		

Balance on hand August 31, 1890.

Nevada office..... \$1,387 92

New York office..... 51,875 26

\$53,213 18

NOTE.—The above being merely the cash account, does not show the net cost of the operations of the year; this will be found in the following account.

INCOME AND EXPENDITURE.

Dr.

Cr.

To General Office.....	\$22,158 87	By Tunnel Transportation.....	\$100 56
“ Nevada Office.....	7,671 50	“ Material.....	1,540 40
“ Main Tunnel.....	27,929 91	“ Machinery Department.....	3,546 06
“ North Lateral Tunnel	294 91	“ Freight.....	27 62
“ South Lateral Tunnel	4,385 86	“ Royalty.....	224,949 68
“ Turbine Wheel Tunnel	149 21	“ Discount and Interest.....	1,123 14
“ Real Estate.....	288 57		
“ Mansion.....	677 40		
* “ Improvements.....	1,467 71		
“ Ice House.....	1,592 01		
“ Lumber.....	1,580 20		
“ Cultivation.....	1,352 10		
“ Cars.....	419 41		
“ Compressor.....	1,242 73		
“ Telegraph Department.....	17 36		
“ Team.....	2,868 85		
† “ Expense.....	5,103 80		
Balance.....	\$152,087 56		
			\$231,287 46

* Sundry. † Taxes, etc. || Total Expenses, \$79,199 90.

(Account 3.)

BALANCE SHEET.

Assets.

Property	\$6,139,000 00
Cash in Treasury	51,875 26
“ Nevada office	1,337 92
Due from the following Mining Companies:	
Confidence	964 00
Yellow Jacket	14,262 97
Hale and Norcross	32,780 00
Chollar	6,427 44
Con. Cal. and Va.	114,395 59
Crown Point	29,344 18
Belcher	2,125 00
Cash advanced by Mining Companies to aid construction:	
Main Tunnel	37,146 07
North Lateral Tunnel	140,655 17
South	195,970 16
	<hr/>
	\$6,766,283 76

Liabilities.

Shares	\$4,000,000 00
Bonds	2,139,000 00
Contingent liability to Mining Companies for construction, as follows:	
Gould & Curry	39,814 11
Best & Belcher	37,458 00
Ophir	39,612 58
Mexican	23,328 57
Eschequer	29,040 20
Alpha	20,659 80
Challenge	1,692 50
Bullion	68,950 00
Con. Imperial	26,797 05
Overman	35,774 45
Savage	27,656 57
Balance	276,499 93
	<hr/>
	\$6,766,283 76

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NOTE.—The figures of the royalty due not having been furnished officially, as customary, by the Mining Companies, are possibly subject to slight correction.

SUMMARY.

Accumulated Income October 1, 1889	\$124,412 37	See Acct. 1.
Profit from the operations of the year	152,087 56	See Acct. 2.
	<hr/>	
Net Income	\$276,499 93	See Acct. 3.
	<hr/>	
Cost of operating, including all expenses of every kind	\$79,199 90	See Acct. 2.

New York, September 1, 1890.

HORACE H. THAYER,

Secretary and Treasurer.

THE COMSTOCK TUNNEL COMPANY,
SUPERINTENDENT'S OFFICE.
SUTRO, LYON COUNTY, NEVADA, Sept. 1, 1890.

THEODORE SUTRO, Esq.,
President The Comstock Tunnel Company,
115 Broadway, New York City.

Dear Sir:

Since October 1, 1889, previous to which date my reports were made to the Receiver of the Sutro Tunnel Company, our underground operations have been principally confined to doing necessary repairs in the Main and South Lateral Tunnels. The Main Tunnel has been retimbered with new timbers for a distance of 853 feet, also been retimbered with new and old timbers a further distance of 50 feet. The double line of drain boxes in the Main Tunnel have been repaired wherever repairs were needed, and the dams kept in order for the purpose of submerging the boxes. The track has been repaired at various points along the line of tunnel, and placed on regular grade. The single line of track was also taken up and relaid with new sills for a distance of 2,900 feet, and Switches No. 3 and 4 taken up and relaid with new sills for a distance of 830 feet. This work has been made necessary in consequence of the decay of the track sills. New drain boxes, size 16" x 18", inside measurement, have been laid in the Chollar drift for a distance of 235 feet. The roof of the tunnel in places along its line has been picked down for a distance of 479 feet, and repairs have been made on the boxes and among the timbers at various points. There has also been removed a number of 12 and 6-inch pipe, and a small amount of 2-inch pipe, heretofore laid down for drainage purposes. The Main Tunnel and Laterals, together with the track and drains, are now in better con-

dition than they have been for some years; but, as the ground in places is constantly swelling and breaking the timbers, in addition to the decay of the same from atmospheric and other causes, there will be no cessation of repairs at any time; therefore a moderate force will always be needed for repairs and retimbering—the force of men necessarily employed will always be governed by the extent of repairs needed.

In the South Lateral Tunnel about 40 feet of ground has been repaired and retimbered with old and new timbers. The sub-drain and tunnel have been cleaned out for a distance of about 3,600 feet, and the debris from the same removed. The track has been repaired at various places and a number of old drain boxes removed to the mouth of the tunnel. Near the Crown Point and Chollar connections 500 feet of air pipe has been put in for ventilation purposes. Near the Hale and Norcross and Savage connections a partition has been extended for a distance of 375 feet, and the same paid for by the Hale and Norcross Mining Company. The partition was built to improve the ventilation of the Hale and Norcross underground works, and also to give the Chollar Mining Company and ourselves more ventilation by confining the currents of air in the Hale and Norcross works in a smaller space, and stopping the direct current across the tunnel. The boxes now being placed in position in the South Lateral Tunnel, together with those to be placed in the Main Tunnel, are for the purpose of getting sufficient drainage capacity, and to separate the hot from the pure cold water, the pure cold water being needed for various purposes outside of the tunnel.

At various points along the line of the South Lateral Tunnel the loose roof has been picked down, and some repairs made to the timbers and track. The Combination Drift, which connects with the Main Tunnel, has been cleaned out, and some repairs done in it to improve the ventilation. Half of this expense was borne by the several Companies interested, and the other half by our Company. These improvements enable us all

to work to better advantage. It may possibly be necessary to do some other work to insure good ventilation in other part of the works; but if found not necessary, it will not be done. It is very important to keep our works well ventilated, as it prevents the timbers from rapid decay, and the ground from swelling to that extent it otherwise would. The air is not as good in the South Lateral Tunnel as it would be if we had another up-cast shaft—in fact, it is very poor between the Julia Shaft and Crown Point connections, and should the water from the Gold Hill Mines be very hot, it may be necessary to put in boxes, or cover the sub-drain from a point 200 feet south of the South Lateral Junction to the Crown Point Drift. Some repairs have been done in the Crown Point and Chollar Drifts, and the Companies have paid us for the same.

Between the Ophir and C. C. connections the sub-drain has been cleaned out and the debris removed; very few repairs have been required to be made to the timbers.

During the past eleven months very few repairs were made on the houses situated near the entrance to the tunnel, and in the town site, as they were thoroughly repaired the previous year.

The quantity of ice secured from the ponds on the ranch, during the month of January, was about 440 tons.

The unusual dry season of 1889 resulted in the yield of very light crops of hay and grain on the Companies' ranches. This year water has been abundant for irrigation, and we have thus been able to get very fair crops of alfalfa, barley and oats; but the price of hay is very low at present. I anticipate better prices, however, later in the season. It will be necessary to have the hay baled and stored, in order to take advantage of the market, and to prevent loss by exposure to the weather. The value of the crops of hay and grain harvested on the ranches this year is estimated at about \$7,000.

Since I was appointed Superintendent of the Sutro Tunnel Company, in the year 1880, over two-thirds of the Main

Tunnel has been retimbered. In the South Lateral, owing to the swelling ground in many places, retimbering has had to be gone over from four to five times. This swelling always occurs in a soft clay formation. This character of ground, both in the Main Tunnel and South Lateral, has caused great expense in keeping it secure. In advancing the Main Tunnel originally, a number of caves have occurred to a height of at least thirty feet. These caves have required to be filled up with timbers and rock, and at all times have required careful and skillful attention to make them safe. The timbers are constantly decaying and have to be renewed by the placing of new ones. Most of the decay in the timbers occurs near the ground, and is caused by atmospheric influences, and the connection of the ground with the bottom of the timbers. We have tried different experiments to prevent decay, but so far without success. Some portions of the tunnel are worse than others in hastening decay, as in places they will last only three years, while in other portions five years or more. The rapid decay of timbers, extending over a length of over six and a half miles of tunnel, requires constant watchfulness, and a necessary force of men to keep it in proper repair, and under the most favorable conditions it is attended with considerable expense.

I have gradually reduced the number of men and expenses of keeping this large extent of underground works in proper repair, which we must do under the contracts with the Comstock Mining Companies, which force is now as small as I can consistently make it for the safety and security of the tunnel and its laterals. Since the property has fallen into the hands of The Comstock Tunnel Company, under your instructions I have reduced my force still more, and have cut off expenses wherever I could, and will continue to follow your instructions. However, in my judgment it is better to keep a sufficient force to attend to the repairs as soon as they are known to exist, than to put off for an indefinite period at a very much increased cost for material and labor. I have made these explanations in order to give the Stockholders

all the information I can about their property. I think it is a property that can be made one of the most valuable mining properties on the Pacific Coast. There are lodes between the mouth of the tunnel and its present end which are valuable, and only need the hand of labor and capital to make them good mining properties. I particularly allude to the Brunswick and Solferino Lodes. Beyond the present terminus of the tunnel there are other lodes known to exist, at least on the surface, and west of Mount Davidson. There are other croppings of lodes west and south of these in Jumbo District, and are now being worked by private parties. Small but rich gold veins are supposed to extend west of Mount Davidson. If the Main Tunnel was extended two miles further west, and the water was drained out of this western mineral belt, in my opinion it would add new life to this entire section of the State of Nevada, and add to the value of this Company's property.

C. C. THOMAS,
General Superintendent.

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