SEP 4 1951

Re: DMA-1750

Mr. H. A. Dietiker, Manager
Red Elephant Metals, Inc.
709 Fairfax Street
Denver 20, Colorado

Dear Mr. Dietiker:

Your application (DMA-1750) for a Government loan of $50,000 for operating capital and the purchase of mine and mill equipment for the Red Elephant Metals, Incorporated, has been reviewed by the Defense Minerals Administration.

A necessary qualification for a direct loan is that the applicant should have proven reserves of strategic minerals in large enough tonnage to secure the loan. No loan can be approved until an adequate reserve is established. Your application states that your inferred ore contains high silver values, however, the Defense Production Act of 1950 does not provide for the encouragement of precious metal production. I regret, therefore, that, due to the lack of proven reserves of strategic minerals in your property, your application cannot be approved.

We wish to thank you for bringing this property to our attention.

Very truly yours,

Tom Lyon

Tom Lyon, Director
Supply Division

ABCampbell:emp
G 8-29-51
Copies to: J. H. East, Jr. (2)
Chief, Lead-Zinc Br.
E. T. McKnight 4204 GSA
R. H. Mote
Reports and Records
Directors r. file 4214 GSA
Br. r. file 4214 GSA
Files

P.S. The report by C. R. Wilfley accompanying your application is returned to you herewith as per your request.

J.H. East, Jr. Region IV

350

SEP 4 1951

Re: DMA-1750
Red Elephant Metals Inc.
Clear Creek County, Colo.
Direct Loan, $50,000
Lead

Memorandum

To: Reports and Records Unit
Administrative Management Div.

From: Chief, Lead-Zinc Branch

Subject: Denial of direct loan

The applicant has requested a loan of $50,000 to be used as follows:

(a) Purchase of mine and mill equipment
(b) Underground rehabilitation work
(c) Working Capital
(d) Pay watchman's back salary
(e) Pay current insurance premium
(f) Pay delinquent taxes on property

As described in U. S. Geological Survey Professional Papers 63 and 94, the Clear Creek mining district, including the Red Elephant veins, has been essentially a silver producing area. The rich silver ores have come from moderate depths and have resulted from a process of downward enrichment. The known veins of the subject property are described in the Professional Papers mentioned above and in an engineer's report accompanying the application as being shear zones in granite gneiss and schist containing narrow irregular veinlets of galena, pyrite, siderite and some sphalerite.

The applicant claims no measured reserves. Indicated reserves are described at one place in the application merely as "seven veins" and at another place as 500,000 tons. Inferred ore reserves are estimated at 1,000,000 tons. These figures appear to be optimistic, however, for the engineer's report accompanying the application states that, "Since exposures are limited to single drifts in most cases, data are insufficient for estimating tonnages and values".

The applicant states that an application to the R.F.C. for a mining loan was denied. The date of this application is not given.

AE cc-CM
JZS

In view of the lack of proven reserves of strategic minerals and the geologic improbability of developing significant reserves of strategic minerals, the Lead-Zinc Branch recommends that the request for a loan be denied.

Returned herewith is the following docket material:

2 Copies Form MF-100
2 Copies Form MF-102
Equipment and facility lists
Culter's geologic report
Wilfley's engineering report
correspondence from applicant
smelter receipts and assays

The applicant requests that the engineering report by C. R. Wilfley be returned to him after final decision has been made concerning his application.

Gunnard Johnson

C.P. Billings, Chief
Lead-Zinc Branch

Approved:

Director, Supply Division

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