

The Balatoc Case

By James M. Robb

The following items, taken from the "Manila Elks Bulletin" of November 1, 1913, purport to appear as reprints in the latest issue:

"Have you seen the new Ford introduced to Manila last week by Bro. Julius Reese? It is called the Model T, has a four cylinder motor and a very snappy appearance. Bro. Chapman has purchased one of the sedans from Bro. Reese.

"Bro. E. B. Ford has one of the new Lincoln pennies just introduced in the United States and has been showing it around lately. Have you seen it? Now that they have taken the Indian off the pennies, next thing you know they will be disappearing from the cigar stores.

"Bro. 'Doc' Harris has gone to San Francisco to make some moving pictures. 'Doc' predicts that some day he will be making movies that talk. Even if such a thing were possible, how could you tell which person was talking when the sound comes out of the screen, say we.

"Bro. Paul Gulick still thinks there will be a mine at Balatoc some day. Unfortunately, there is no gold in the Baguio district, as the only place it is found in the Philippines is in Paracale, where worked-out Spanish mines have been observed".

We do not believe the popular canard that the Ford car which Bro. Chapman drives today is the identical Model T he bought 25 years ago. That car you see him driving around town can't be more than 15 years old. The Model T is an honorable memory, and they have taken Lincoln off of the pennies now. The movies do indeed speak for themselves, and we like it. We even enjoyed a picture we attended some years ago, in a Hollywood Super-Colossal Picture Palace, where the odor of incense was wafted gently about the place to give that touch of realism to the plot which was laid, we recall, in a Chinese garden. We like to see, hear, and even smell the movies, but when they start *feeling*, we will stay at home and listen to the radio.

And there is a mine at Balatoc. A pretty good one, too, as mines go. It made a net profit last year after all charges (including depreciation) of P1.09 per share, from an average monthly production of 37,000 tons of an average value of P29.26. That is almost P13,000,000 worth of gold in one year. They can mill 1,325 tons of rock in a day, and they are going to step that up to 2,000 tons which will enable them to mill comparatively marginal ground at a profit, and extend the life of this mint indefinitely.

It was not always thus. The Balatoc property, which has made so many fortunes, at one time did not support a five-stamp mill. A mere P53,000 in promissory notes against the Acupan Mining and Milling Company—which preceded the Balatoc company—brought 316,440 shares of stock of the Balatoc Mining Company. Stock dividends have made this 1,898,640 shares, for which you could get at least P19,000,000 on the market today. The story of the Balatoc mine is incredible; fascinating. The tale is unfolding in the murky atmosphere of a Manila courtroom, as one incident in the struggle at Balatoc is resurrected and brought up for judicial inspection.

It is a big case, involving millions of pesos, but as the picture is gradually pieced together from old records

introduced as exhibits, and from the testimony of people who took part in the heartbreaking effort, one forgets the money involved in the litigation, or even the issues of the case itself and remembers only such things as hope, and faith, and honor and trust among men.

There were prospectors sniffing around Baguio as long ago as 1901. Remember, there were no roads then, and for long afterwards it was a ten-day hike up the hills to the Baguio pines. If you wanted to haul machinery you packed it on horseback, and you lowered it down mountain sides with ropes. Anyone who has read Victor Heiser's graphic description of the building of the Benguet Trail has some idea of what this vacation spot was B. R.—before roads—and why it was that, although the Igorotes wore gold ornaments and everybody knew them that hills held yellow stuff, little was done about it.

The claims which now form the Balatoc property had been scratched and poked over from time to time with just enough results to encourage the formation, in 1915, of the Acupan Mining Company, Inc. John W. Ferrier (who will tell you without stuttering that he is from Potawattomie County, Iowa) was practising law here with Judge Williams, and Albino Sy Sip, and this firm took care of the legal details attendant to the incorporation. The company had pretty rough going; there was a vein all right which assayed pretty well, but it was not of the stuff of which mines are made. A five-stamp mill which Mr. Ferrier says someone in a moment of "intellectual aberration" had ordered, didn't seem to help matters very much, and finally things got to where they had difficulty in finding money enough even to keep up assessment work on the company's claims. So, presently, the Acupan Mining and Milling Company was organized, which took over the claims from the Acupan Mining Company.

The new company had just about as rough going as its predecessor. Things would have been easier if that one vein—now known as the Balatoc 99 vein—had not been there, because then everybody would have felt justified in dropping the project. But, there it was. Paul Gulick was sure they had a rich mine; Judge Ferrier thought they had a prospective mine, and almost everybody else thought the property was a wash-out.

Mining engineer after mining engineer came, saw, and turned down the claims. Still a few loyal stockholders continued to pony up small sums from time to time in order to keep things going.

That went on until about 1919, when an Englishman named Wheeler came down from Shanghai, liked what he saw, and asked and obtained an option in the name of an English syndicate. Wheeler was to put forth every effort to develop the property, and was to pay all expenses, including assessment work. He went at the job with zest, spending in all *circa* P200,000 over a period of about two years. Then came the world-wide depression of '20-'23, and an Order in Council, which was to the effect that England expected every man to do his duty by spending his money within the Empire. Wheeler had to drop his option.

Well, then things went back into the same dreary pattern: that pesky vein looked too good to abandon, and yet the mining engineers insisted that no part of the property would ever make a mine. Some thirty or more stockholders continued to dig down into their pockets, until finally the Acupan Mining and Milling Company owed them about P53,000.

Judge Haussermann and Walter Beam, meanwhile, were just beginning to make a success of Benguet Consolidated. They had each taken a flyer in the Acupan project, and had strung along with the loyal group in advancing money to the Acupan Mining Company, and the Acupan Mining and Milling Company.

Beam made one condition: eleven of the claims must be dropped; they would never justify assessment expenses. The company complied. These eleven claims were later picked up by a Swede named Petersen, who left them at his death to his widow. Mrs. Petersen married Jan Hendrick Marsman and some of those same claims now form an important part of the property of the Itogon Mining Company. Heigh, ho.

The Balatoc Mining Company was then formed—the third company organized to take a whack at the claims. Somehow or other, the original 31 claims had by now dwindled to 5. We have noted 11 which were abandoned at Mr. Beam's request, and 15 others apparently got into the names of some private individuals under some sort of an agreement the exact terms of which at this date appear uncertain.

The note-holders of the Acupan company had to be taken care of, and this was accomplished through a trust arrangement, under which Paul Gulick was placed in control of 499,995 shares of Balatoc stock as trustee for the benefit of the old Acu-

pan creditors. Only 316,440 of these shares were eventually distributed to these note-holders, and it is for their pro-rata share of the difference—183,555 shares—and accrued dividends for which some of these creditors are now suing. In some instances where the original creditors have died, the suit is being carried on in the names of their heirs. The allegation is that no one authorized the trustee to dispose of these shares outside.

As a matter of fact, the 183,555 shares were to be sold by Mr. Gulick to the extent necessary to finance development to a point which would justify the installation of a mill. The defense is that all concerned were fully aware of this, and agreed to it at the time. Certainly Mr. Gulick made no secret of what he was doing; he made frequent trips to the city, button-holing his friends, and making a nuisance of himself, trying to sell the shares. Many a man who turned him down then wishes now that he had not. Those shares have since become 1,101,330 shares, worth better than P10 each at the present market.

Allied with this main action is another one brought by the Northcott heirs to annul sales of promissory notes made by the Acupan Mining and Milling Company to John Northcott and sold by E. C. Mills as the administrator of his estate, under court authority in the course of winding up the affairs of the estate. Dr. Vincent,

(now retired) bought some of the notes, and Fred Harden bought others. These two gentlemen got Balatoc stock for the notes, and Northcott heirs are trying to annul the sale, so that they may join in the main action.

(At this point, we wish to make it clear that we express no opinion whatever as to the merits of either side in either of these two cases. We are concerned here only with informing our readers as to what this litigation is about, since it has aroused a good deal of public interest. Should any reader gain the impression from this article that we lean toward one or the other side, that impression is gratuitous.)

The rest of the story of the Balatoc mine is, in the main, a story of Judge Haussermann's determination, and of the business acumen and stick-to-it-iveness displayed by the Balatoc people.

Along about 1926, it was generally assumed that Benguet was a worked-out mine. Judge Haussermann told us one evening that he returned here from the States in that year, to perform the melancholy task of shutting it down, and winding up its affairs. Walter Beam was too sick to do the job, and there was nobody else available. Haussermann went to Baguio and looked over the Benguet claims and mill, to take stock of the situation. What he saw convinced him that Benguet was not worked out, and he determined to go

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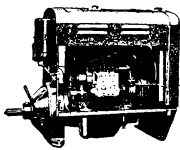
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"In June of this year the Santa Rosa Mining Company petitioned the Securities and Exchange Commissioner to authorize the release of its shares held in "escrow", after our mining engineers have submitted a report to the effect that we had reserves worth P4,800,000. Acting upon this petition, two engineers of the Bureau of Mines were sent to our mines, to make the necessary examination of the property; they inspected all the tunnels for about fifteen days, and have taken samples personally of our ore in accordance with the regulations of said Bureau, which samples were assayed afterwards in the Government Laboratory giving an average value of P32.80 per ton, after which the engineers of the Bureau of Mines, in their report submitted to the Securities and Exchange Commissioner regarding this particular, confirmed that on June 30, 1938 we had ore reserves worth P3,631,208. In view of this, the Securities and Exchange Commissioner authorized us last Saturday to release the shares of this Company held in "escrow". On the 29th of this month, the books of the corporation will be closed for transfer on the so-called "Old Santa Rosa Stock". It is requested, therefore, that all holders of the same present to the Secretary of our corporation their corresponding certificates of stock which have not yet been transferred properly in their names in the books of the corporation, so that we may execute the necessary transfer not later than October 29, 1938, and before the "escrow" shares are delivered to their owners." (50,000,000 shares)

The Balatoc . . .

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The arrangement with Benguet was made in 1927—just a year after Hausserman had arrived to close Benguet down. Benguet Consolidated agreed to spend P600,000 in putting a 10-ton mill on the Balatoc property, and got 600,000 shares of Balatoc in return—all of the shares which were still available. By 1929, the P600,000 had been repaid, and enough more so that a small dividend was distributed.

Benguet Consolidated, the courts have decided, is not a corporation, but a *sociedad anonima*, which existed under the old Spanish Code of Commerce, and is not bound by the provision of the law preventing a mining company from owning stock in another mining company.

Paul Gulick, who participated in the long struggle with the Balatoc property from start to finish, and who more than any other one man is responsible for its success, says that his experience has convinced him that mining is not a matter of luck. "It's the same as any other business", he says, "you've got to use good horse sense in mining the same as you do in merchandising, shipping, lumbering, or anything else. Luck? Sure there's luck, but there's luck in any other game".

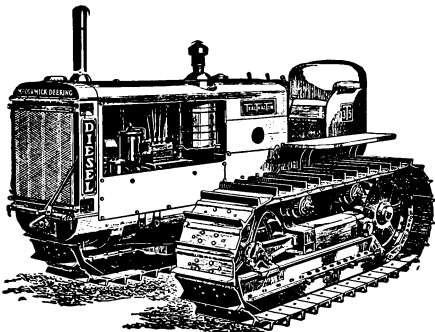
He's probably right. Certainly Benguet and Balatoc are managed today in the very best conservative business tradition. But we are curious about one thing: suppose they hadn't gone 500 yards farther up that creek?

Mining in the . . .

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option on the property and relinquished that option due to the adverse result of development. To make a long story short, in 1927 the Balatoc Mining Company, who at that time was in possession of this area of mining claims, again found itself financial-

ly unable to carry through the development of the mine. They appealed to the Benguet Company and an arrangement was finally made under which Benguet would build a 100-ton mill and carry on development of the mine at an estimated expenditure of P600,000.00. In return for the P600,000.00 spent, Benguet was to receive 600,000 shares of Balatoc stock, the full amount of stock still available and for any expenditures beyond P600,000.00 Benguet was to be returned such amounts with 6% out of the first profits. We went at this job very energetically and by the end of the following year had completed construc-



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