

FILE NAME: RT Vanderbilt (RTV)

DATE: 1972 June 2

DOC#: RTV163

DOCUMENT DESCRIPTION: J-M Memo RE Standard Industrial Minerals' White Eagle Talc

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June 2, 1972

Mr. G. G. Schuknecht
 Johns-Manville Products Corporation
 Lompoc, California 93436

Dear Jerry:

Subject: Standard Industrial Minerals' White Eagle Talc

With reference to our telephone discussion of May 30 on the above subject, I have some notes that I discussed in a fragmentary way with Perry Martinson while he was here. Perry suggested that I communicate any notes I have to you with a copy to him. This letter is to bring you up to date.

As I told you over the telephone, Standard Industrial Minerals has been mining and stockpiling White Eagle Talc at Zurich, California, for our account in 1,000-ton lots. We are just now starting on the second thousand tons which we pay for as shipment is made to us in Los Angeles at \$34.50 per ton f.o.b. Zurich.

We have all been concerned here with the problem of tremolite in talc and we are getting increasing calls for tremolite-free talc. Accordingly, I contacted Don Brandt at Standard's Reno office about two weeks ago and suggested that he give some thought to further quantities for us. I also had another purpose in having a discussion with him: to call his attention to impurities occurring in the talc other than tremolite. We have used White Eagle Talc in the past and are still using it for our No. 140 series cosmetic talcs as well as for DESERTALC® USP. Dick Lamar has been telling us that White Eagle Talc carries impurities that downgrade it as to color and grit. Accordingly, Dick sampled very thoroughly two recent shipments of White Eagle crude talc and made some identifications and recommendations in two reports dated May 5 and May 16, 1972. I am enclosing copies of these reports. Oddly enough, we have been able to pass USP tests because the talc is very low in acid solubles although it is not a pure steatite talc as such.

At any rate, it is the only source of talc we have that is tremolite-free. Accordingly, in order to do a little planning for the future I asked Don Brandt to come down and see me when convenient so that I could show him the sample Dick referred to and discuss purity of product with him as well as to make some plans for future quantities.

Don came down on May 24 and brought with him Mike Evasovic, who is in charge of their mine operations. They were impressed with the reports and promised to

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improve their sorting so that on future stockpiles they could eliminate some of the questionable products. I asked them what quantity they might require to give us exclusive rights to the output of the mine, but they did not want to commit themselves for the reason that they told me they had discussed the matter with other people besides us. However, he did indicate that they would give serious consideration to protecting us on an annual contract for a minimum of 100 tons per month and a maximum of 500 tons per month. Beyond that they want to be free to sell elsewhere if we could not take more than the maximum.

At the present time the mine is closed down and will not be reopened until they get further orders. They state that they will have to spend about \$10,000 to improve the mine and to provide for a second way out. For this reason they have to be assured of enough tonnage to justify the expenditure.

Standard Industrial Minerals has the White Eagle mine under lease for the life of the mine from its owners, United Sierra Division of Cyprus Mines. Sierra only gets a small royalty for the talc and has tried hard to break the lease but has lost out in court battles in their efforts to secure cancellation of the lease. Standard has put a tentative price on the lease to us, if it is transferable, of \$4 million, which seems to me to be very high. However, they have heard of the tremolite restrictions and feel in a pretty strong position.

Don confirmed that Niggemyer of Calcite Corporation has no interest in nor contract with them covering the White Eagle Talc. He tells me that Niggemyer has just recently traded his stock in the Calcite Corporation for stock of Diversified Earth Sciences. He will continue to manage Calcite Corporation, according to the story we hear, for a period of three years. When he bought the mill at Laws from Standard, he did not buy any of the mines. According to Don, he does have an option to purchase clay and pyrophyllite from their other mines. Niggemyer may be trying to horn in on the talc deal if he can smell a sale.

I assume that you are familiar with the location of the White Eagle mine. If not, you can find it by taking the Saline Valley Road out of Big Pine, passing up the first junction and remaining to the right into Saline Valley, a total of 59 miles from Big Pine. The road is a dirt road, sometimes maintained by the County, but is passable to most equipment. This is a pretty long letter, Jerry, but Perry thought that it would be interesting to you because you will be functioning in an operating way so far as this is concerned. We have enjoyed our meetings with Perry this week and hope that our affiliation will be of great mutual benefit. We shall also be happy to work with you in any way we can.

Yours very truly,

DESERT MINERALS, Inc.

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Enclosures

cc: Mr. P. A. Martinson

Mr. Earl B. Smith

President

CRMC-HT-TALC-000258