

CHAPTER XIII

THE VALUATION OF MINES AND OIL PROPERTIES

General Statement

Purposes of the Valuation. — Valuations of mines and oil properties as in case of other properties are needed for many purposes, the most general being, (1) the purchase or sale of such properties or portions thereof, (2) the information of owners or others interested in the property as a guide to the proper operation thereof or to the financial operations connected with such operation and (3) the determining of a basis on which taxation can be figured. The methods used to accomplish purposes (1) and (2) are closely associated and in many cases identical, but the proper method or methods for determining what the basis for taxation shall be, as shown later, must differ from valuations for other purposes.

Limitations upon Accuracy. — Because of the impossibility of fixing definitely the economic value of the mineral deposit, the extent of which may be indeterminable, valuations of mining and oil properties must be less definite than the valuations of industrial and public utility properties, the value of whose physical elements, at least, can usually be determined with considerable accuracy.

In underground metal mining, the development is in many instances kept just a short distance in advance of productive operations. This is sometimes due to the irregular nature of the ore bodies, but generally can be explained as a result of the method of financing mining properties. This is particularly true in small operations where the money earned is used to carry the expense of the development and the necessity to raise additional funds for extensive development is avoided.