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Sales, Wallowa R-6
Bowman-Hicks Lbr. Co.
June 4, 1924.

REPORT ON APPRAISAL OF DAMAGES¹

Under Congressional Act of April 17, 1935, the Bowman-Hicks Lumber Company makes application for cancellation of its timber-sale agreement of the above designation, as modified by extension of agreement approved April 11, 1934.

History of the sale

The timber included in this sale was cruised by the Forest Service in 1920 and 1923. The proposed sale area was examined and the timber appraised by Lumberman G. L. Drake, in February, 1924.

The timber included in the sale is located on approximately 8,150 acres in Secs. 4, 5, 6, 7, 8, 9, 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32, and 33, T. 3 N., R. 43 E., W.M, and Secs. 7, 17, 18, 28, 29, 30, 32, and 34, T. 4 N., R. 43 E., W. M.

At the time the sale was made, the Bowman-Hicks Lumber Company was operating a large tract of privately owned timber lying to the west of and adjoining the sale area. The company's plan was to extend its main tapline railroad into the sale area. This railroad would follow the main Powatka ridge through T. 3 N., R. 43 E., and a short distance into T. 4 N. R. 43 E. This line would be used in removing the timber on the sale area, also a considerable amount of privately owned timber lying north of the Forest boundary. The sale was made August 20, 1924, and the proposed railroad improvements were completed by the company the following year.

Estimate of timber to be cut

The estimated amount of timber to be cut from the sale area under Forest Service methods of marking was as follows:

| | | |
|---|--------------|------------------------------|
| 28,500,000 | feet b.m. of | ponderosa pine, |
| 50,000 | " " " | lodgepole pine, |
| 6,700,000 | " " " | Douglas fir, |
| 2,700,000 | " " " | western larch, |
| 560,000 | " " " | white fir and other species, |
| a total of 38,510,000 feet b.m. of live and dead saw timber | | |

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Logging operations were started on the sale area in the late fall of 1925 and continued intermittently up to October, 1930. During this period the following amounts of the different species were cut:

| Year | Ponderosa pine | Fir and Larch | Total | Per cent of Ponderosa pine |
|-------|----------------|---------------|------------|----------------------------|
| 1925 | 890,250 | 230,370 | 1,120,620 | 78.55 |
| 1926 | 8,447,690 | 1,081,840 | 9,529,530 | 88.65 |
| 1927 | 9,902,390 | 3,318,240 | 13,220,630 | 74.90 |
| 1928 | 6,163,380 | 816,010 | 6,979,390 | 88.31 |
| 1929 | 315,780 | 548,170 | 836,950 | 36.61 |
| 1930 | 669,880 | 806,140 | 1,476,020 | 45.40 |
| Total | 26,389,370 | 6,800,770 | 33,190,140 | 79.52 |

In support of its application for cancellation of the timber-sale agreement, the purchaser has submitted cost data showing the losses sustained in logging and manufacturing timber cut from the sale area during the period of operation. The following summary shows the company's operating record for the period 1925 to 1930, inclusive:

Summary

| | | | |
|--|----------|-------------|--|
| Logging costs lumber basis 6 year average | \$ 12.09 | per M. feet | |
| Manufacturing, shipping and selling, lumber basis 6 year average..... | 12.73 | “ “ “ | |
| Total average logging, manufacturing, and shipping and selling costs..... | \$ 24.82 | “ “ “ | |
| Average selling price for ponderosa pine lumber using company's average lumber grade produced, and regional average selling prices for these grades | \$24.18 | “ “ “ | |
| Net loss without stumpage..... | .64 | “ “ “ | |
| Stumpage value for ponderosa pine | 3.25 | “ “ “ | |
| Total net loss without any allowance for profit | 3.89 | “ “ “ | |
| Average regional selling value shown by the industry for ponderosa pine for this period | \$23.89 | “ “ “ | |

The above shows that the company received an average of 29 cents more per M. for ponderosa pine lumber during this 6 year period than the average selling values received by the ponderosa pine industry in the region.

Timber remaining uncut

The timber remaining to be cut on the sale is located on approximately 2,800 acres in Secs. 4, 5, 6, 7, 8, 9, 17, 18, 19, 30 and 31, T. 3 N., R. 43 E., W. M.

The timber left is divided into two separate blocks, all within T. 3 N., R. 43 E., but lying in separate units by reason of partial cutting of the timber on the sale and natural topographic conditions. For convenience of description, hereafter in this report these two units will be designated as Units 1 and 2. The following tabulation shows very closely by sections the total volume of timber left uncut on the sale area:

| | Section | Ponderosa pine | D.F., W. L., and other | Total |
|---------------|---------|----------------|------------------------|------------|
| Unit 1 | 4 | 879,000 | 366,000 | 1,245,000 |
| | 5 | 1,100,000 | 483,000 | 1,583,000 |
| | 6 | 490,000 | 65,000 | 555,000 |
| | 7 | 1,231,000 | 395,000 | 1,626,000 |
| | 8 | 2,326,000 | 1,462,000 | 3,788,000 |
| | 9 | 598,000 | 226,000 | 824,000 |
| | 17 | 585,000 | 204,000 | 789,000 |
| | 18 | 278,000 | 159,000 | 437,000 |
| | Total | 7,487,000 | 3,360,000 | 10,847,000 |
| Unit 2 | 19 | 510,000 | 631,000 | 1,141,000 |
| | 30 | 572,000 | 521,000 | 1,093,000 |
| | 31 | 1,751,000 | 681,000 | 2,432,000 |
| | Total | 2,833,000 | 1,833,000 | 4,666,000 |
| Units 1 and 2 | Total | 10,320,000 | 5,193,000 | 15,513,000 |

Contract cutting requirements

The timber-sale agreement provided for cutting not less than 80 per cent by volume of the total stand of merchantable ponderosa pine and lodgepole pine, and that a maximum of not more than 30 per cent of the total cut might be required to be of Douglas fir, western larch and white fir. The cut of ponderosa pine to date represents 79.5 per cent of the total. From the best information available the cut of ponderosa pine has been overrunning the cruise by about 20 per cent.

Though the quality of the Douglas fir, western larch and white fir on the sale area is about the average for the Blue Mountain region, it is so low that together with the high cost of logging these species, it is impossible for an operator to compete with the west side Douglas fir in the general markets.

Description of timber to be cut

Unit 1

The timber on this unit is about average quality for the entire sale area.

The topography and general logging conditions are about the average for the entire sale area and are somewhat better than on parts of the sale where logging has been completed.

Some of the old railroad grades extended into this unit can be very easily converted into usable truck roads.

Unit 2

The ponderosa pine on this unit is more scattered and is found more in a mixture with the fir-larch type. The quality is about the average for the sale.

The topography on this unit is more broken and in some places quite rough. In removing the timber from this unit, the greater part of it will have to be truck-hauled over adverse grades, some of which will be steep, and the logging and hauling costs will be above average.

There are several abandoned railroad grades extended into this unit that can be converted into truck roads.

Accessibility of remaining timber

As previously stated, all logging operations on the sale area were suspended in October, 1930. Since that date the company has pulled up all railroads and removed all logging equipment from the sale area. There is not a sufficient amount of timber in this unit to justify rebuilding a railroad for logging purposes.

The nearest sawmill and shipping point are at Wallowa, Oregon, an average distance of about 16 miles from the remaining uncut portion of the area.

The Bowman-Hicks Lumber Company has a sawmill located at Wallowa and there is also another small mill being constructed at this point. There are also several sawmills located at different points along the Union Pacific branch line. Some of these mills have a limited supply of timber and will become dependent on timber at a considerable distance from their plants within a few years.

The timber remaining uncut on this sale is not so isolated but what it will perhaps become marketable within the next few years.

The ponderosa pine remaining on this sale area is of better than average thrift for the Blue Mountain region. There is no indication of epidemic beetle infestation or other diseases, and no immediate need for early cutting of this timber.

There appear two possible ways of cutting and removing this timber: First, by building a small sawmill in or near the timber and logging it to the mill, sawing and trucking the lumber to the nearest shipping point at Wallowa where it can be marketed to some nearby box factory or some of the larger mills located within shipping distance; Second, by cutting and truck-hauling the logs to the Bowman-Hicks Lumber Company sawmill at Wallowa, or by shipping them to some of the sawmills located along the Union Pacific branch line.

The present roads leading into the sale area are very poorly constructed dirt roads, and at the present time can only be used for heavy truck-hauling during the dry summer period.

From an operating standpoint, it is not believed that this timber can be cut, logged, and manufactured profitably at present.

Appraisal

In appraising the damages, the associated species are not considered. The appraisal report showed a loss on these species, not considering profit margin, and they have undoubtedly been cut at a loss. The stumpage price fixed was arbitrary and in the event of a re-sale cutting of these species would now be made optional.

Following is an appraisal of the ponderosa pine timber remaining on the sale area. The logging costs used are based on cutting and truck-hauling the logs to the sawmill or closest shipping point, at Wallowa.

The logging costs used in this appraisal are estimated costs for this type of operation, and check very closely with costs of similar operations in the ponderosa pine region of eastern Oregon:

| <u>Logging</u> | <u>Per M.</u> |
|--|--|
| Falling and bucking..... | \$ 1.00 |
| Skidding..... | 1.00 |
| Construction truck roads..... | .50 |
| Maintenance of truck roads..... | .25 |
| Forest Service requirements..... | .70 |
| Supervision..... | .50 |
| Liability and other insurance..... | .20 |
| Camp supplies and maintenance..... | .25 |
| Loading logs on trucks..... | .50 |
| Truck haul 17 miles, to Wallowa..... | <u>4.00</u> |
| Total logging stump to pond..... | \$ 8.90 |
| Margin of profit on logging, 15%..... | <u>1.33</u> |
| | Total \$ 10.23 - \$10.23 per M. |
| <u>Manufacturing</u> | |
| Manufacturing, shipping and selling..... | \$ 10.00 |
| Overrun, 5%..... | .50 |
| Depreciation sawmill and finishing plant..... | <u>1.00</u> |
| Total mfg., shipping and selling..... | \$ 11.50 |
| Margin of profit, 15%..... | <u>1.72</u> |
| | Total <u>\$13.22</u> - <u>\$13.22</u> per M. |
| Total operating cost..... | \$ 23.45 “ “ |
| Grade values for ponderosa pine based on the estimated lumber grades this timber will produce, with average selling values for these grades as shown by the ponderosa pine industry for the period 1924-1934, inclusive, give an average selling value of..... | |
| | \$21.45 |
| Overrun, 5%..... | <u>1.07</u> |
| | Selling value \$22.52 - \$22.52 per M. |
| Indicated loss..... | \$.93 “ “ |

Conclusions of analysis

Analysis of the costs data furnished by the Bowman-Hicks Lumber Company for the 6-year period, 1925-1930, during which time they were operating on the sale, indicates that the net loss without stumpage was \$.64 per M. board feet, and that the loss including stumpage was \$.64 per M. board feet, and that the loss including stumpage for ponderosa pine was \$ 3.89 per M. board feet, or a total loss of \$102.654.65.

The above appraisal made of the ponderosa pine left uncut on the sale area, estimated at 8,256,000 feet b.m., using the best available costs based on cutting the timber and transporting the logs by truck to the shipping point or sawmill at Wallowa, indicates that the net loss with stumpage at the present time would be \$.93 per M. board feet.

Indicated damage

As indicated on the accompanying map, the company in developing the sale area extended its main tap-line railroad north along the main Powatka ridge, approximately through the center of the sale area. Short spurs were run off from the mainline and cutting was confined largely to the most accessible timber.

As indicated on the sale map, a large part of the uncut portion of the unit is partially opened up some of these abandoned railroad grades which can very easily and cheaply be converted into truck roads. There is also an unimproved County road traversing the Powatka ridge through the sale area. This road leads directly into Wallowa, where one of the Bowman-Hicks Lumber Company sawmills is located, and also is the closest railroad shipping point.

It is now quite evident that when the remainder of the timber is cut and logged it will necessarily have to be done with trucks and perhaps tractors—an entirely different method of logging than the one on which the original appraisal was based.

From the standpoint of quality and general logging condition, the portion of the area uncut is considered equal to the average for the entire sale.

As a basis for arriving at the damage to the sale unit by partial cutting, the following factors will be considered:

- (1) Approximately 94 per cent of the original sale area and 95 per cent of the estimated amount of timber to be cut lie in T. 3 N., R. 43 E., W.M.
- (2) All of the timber included in the original sale lying outside of T. 3 N., R. 43 E., has been cut and all requirements of the sale agreement complied with.
- (3) As there are no other items of the sale agreement which have not been complied with, it is proposed to show by appraisal analysis the comparative logging costs for the timber cut with estimated costs for the average of the sale.
- (4) In making this analysis it is assumed that the timber is to be cut, skidded and truck-hauled to the sawmill or shipping point at Wallowa. All costs incidental to logging the timber cut and the uncut portion are assumed to be equal, except the difference in the truck-hauling cost which will vary according to distance.
- (5) The maximum distance of this truck haul is 18 miles. This will be for the timber in Secs. 4, 5, and 6, in T. 3 N., R. 43 E. The estimated maximum cost for the 18-mile haul will be \$4.00 per M. with a reduction of \$.20 per M. feet being made for each miles reduction in hauling distance.
- (6) The following tabulation will show by this method the comparative hauling cost for all of the ponderosa pine included in the sale located in T. 3 N., R. 43 E., with the ponderosa pine remaining uncut.

The timber volumes used in this comparison were taken from the cruise estimates for the area, and are shown in the tabulation in M. feet volume by 1-mile interval trucking cost:

| Total Ponderosa Pine – T.3 N., R.43 E., W.M | | | | | Pond. Pine remaining uncut | | | |
|---|-----------------------|----------------|-----------------------|---------------------|---------------------------------|-----------------|-------------------|---------------------|
| Sections | Long haul Cost per M. | Distance Miles | Ponderosa pine M. ft. | Total Trucking Cost | Long haul cost Per M. | Dis-tance Miles | Pond. Pine M. ft. | Total Trucking Cost |
| 4, 5, 6 | \$4.00 | 18 | 3,443 | \$13,772.00 | \$4.00 | 18 | 2,469 | \$9,876.00 |
| 7, 8, 9 | 3.80 | 17 | 6,091 | 23,145.80 | 3.80 | 17 | 4,155 | 15,789.00 |
| 16, 17, 18 | 3.60 | 16 | 4,016 | 14,457.60 | 3.60 | 16 | 863 | 3,106.80 |
| 19, 20, 21 | 3.40 | 15 | 5,252 | 17,856.80 | 3.40 | 15 | 510 | 1,734.00 |
| 28,29,30 | 3.20 | 14 | 5,134 | 16,428.80 | 3.20 | 14 | 572 | 1,830.40 |
| 31,32,33 | 3.00 | 13 | 6,354 | 19,062.00 | 3.00 | 13 | 1,751 | 5,253.00 |
| Total | | | 30,290 | \$104,723.00 | | | 10,320 | \$37,589.20 |
| Average cost per M. feet \$3.46 | | | | | Average cost per M. feet \$3.64 | | | |

The indicated increased cost per M. for logging the ponderosa pine left uncut on the sale, in comparison with the cost per M. of logging all of the estimated pine in T. 3 N., R. 43 E., is \$.18 per M. feet.

The estimated amount of ponderosa pine left to cut is 80 per cent of the 10,320 M. feet shown by the cruise, or 8,256 M. feet.

The total damage would be 8,256 M. feet x \$.18 per M., or \$1,486.08.

There are approximately 8 miles of abandoned railroad grade in and adjacent to the timber left, that can be converted into truck roads for use in removing the remaining timber. The estimated value of these roads is \$150 per mile, or \$1,200.00. There are no other usable improvements.

The company has a credit balance of \$32.60. The total assessed damage would be \$286.08.

G.E. Stevenson,
G. E. STEVENSON,
Chief Lumberman.

Approved, January 23, 1936

O.F. ERICSON
Assistant Regional Forester.

S.

Sales, R-6, Wallowa

Bowman-Hicks Lumber Co.

June 4, 1924

M A P To accompany

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