

FOOLS' GOLD

The Mining Schemes
of
Anthony Blum



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April 2010

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Cover photograph: Anthony Blum - 1922
From his book: *Petroleum: Where and How to Find it*

Sir, I now ask you directly. Do you, in fact, have *any* mining operations whatsoever which are actually on the ground and producing mineral ore, of any nature, in or around the town of Gleeson, Arizona?" Anthony Blum sat in the witness stand, facing the attorney. Suddenly, his face pinched into a pained expression, he grabbed his chest, and collapsed to the floor. He was carried to an ante-room, where a physician of his acquaintance observed him and declared that there was little chance for Mr. Blum, and that he might die at any minute.

It was June of 1910, and Blum had finally exhausted all his delaying tactics, being forced to face his accuser in the Connecticut courtroom. Several years earlier, he had sold nearly \$5,000 of stock in the *Dragoon Mountain Mining Company* to Father Arthur De Bruycker, a Catholic priest and pastor of St. Mary's church in Willimantic Connecticut. After two years of avoidance and evasion, Father De Bruycker filed a lawsuit in November of 1905 against Blum, alleging fraud and misrepresentation. The suit claimed that there was no actual mining operation in Gleeson, Arizona, and that the entire venture was a fraud and a scam. In the end, it came down to Fr. Bruycker's word against Blum's. In late 1907, the suit was put on the docket of the Superior Court. Pleadings and legal maneuvers by Blum delayed the trial for more than two additional years, until June of 1910, when Blum was forced to take the stand.

In the midst of his "heart attack," Blum declared that he was a Catholic and begged for a priest to hear his confession and to give him last rites. The nearest church was St. Mary's, which was across town. After being told by the doctor that Blum might have only minutes to live, Father De Bruycker, with the permission of the court, entered the ante-room alone and heard Blum's confession. This placed the priest under the seal of the confessional, making it forbidden to reveal anything of what Blum said for any reason whatsoever. After Blum received absolution from the priest, he suddenly claimed that he was feeling better, and was removed from the courtroom and sent home. The trial was placed on hold. The Reverend Father De Bruycker was now in the impossible position of trying to bring a lawsuit against a man without being able to testify against him, lest he violate the seal of confession.

This trial was hardly the first accusation of fraud, mismanagement, or malfeasance brought against Blum. In fact, Anthony Blum was a longtime sojourner in the borderlands between legality and illegality.

Born in Rochester, New York, Anthony was the third of thirteen children, whose parents were shoemakers in the town of Rochester. He worked as an apprentice cobbler until his marriage at the age of 23, when he decided he'd had enough of his father's trade, and he moved into the world of mining. He married Barbara Jackson in 1877, and their first experience with a scam came as the victims, not the perpetrators. In 1885, Barbara Blum purchased, in good faith, a tract of land in Texas from a Mrs. W. V. Johnson. It turns out, however, that the land actually was reserved to the Houston & Texas Central Railway, and thus could not be legally sold. The Blums had been scammed. They recovered part of their money in court, but were unable to recover it all, because Texas law protected a married woman (Mrs. Johnson) from being sued separately from her husband. This experience formed the Blum family's relationship with the law.

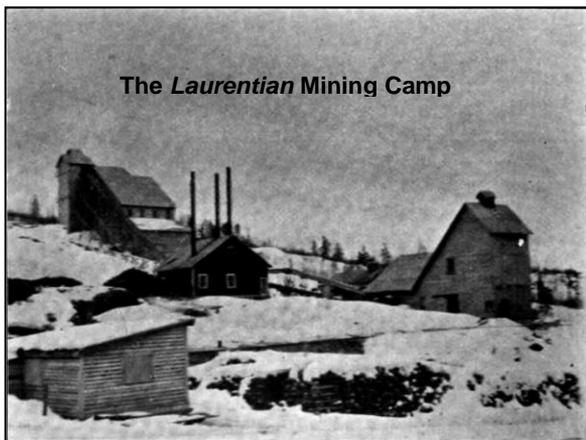


By 1898, Anthony had started up the *20th Century Mining Company*, with holdings and operations in the gold fields of Ontario, Canada. The *20th Century Mine* itself initially met with great success, and was a productive and even thriving gold mine. In 1901, Blum was an exhibitor in the mining section of the Pan American Exposition held that year in Buffalo, New York. His initial success led him to buy other properties in Canada as well.

In July of 1902, he started up the *Dragoon Mountain Mining Company*, incorporated under the laws of Arizona and headquartered in Phoenix. (A year later, Chinese businessmen in San Francisco and Tombstone began a California firm with the same name.)

The Dragoon Mountains had become quite famous as the location of the Commonwealth gold mine, one of the biggest gold producers before the turn of the century. The lands which supposedly belonged to the *Dragoon Mountain Mining Company* were situated just southwest of the Commonwealth, near the town of Gleeson, Arizona. In reality, no evidence whatsoever exists that Blum's "company" ever did any exploration or mining anywhere near Gleeson. It was a convenient and remote location, with just enough mystery to provide an incentive to the adventurous investor.

Throughout 1902 and 1903, Blum sold stock in multiple mining companies, both in Canada and the United States. The most successful of his Canadian ventures proved to be the *Laurentian* mine,



The *Laurentian* Mining Camp

located not too far from the original *20th Century* mine. Each mine, however, was owned and operated under its own company name, and thus began the difficulties and the resulting sleight-of-hand for Blum and his various stockholders.

When the gold began to peter out in the *20th Century* mine, Blum simply stopped operations there and moved the equipment to the *Laurentian*. He failed, however, to inform the *20th Century* stockholders of the closure of the mine, and simply shifted funds from the still-profitable *Laurentian* to pay dividends on the closed mine. He also neglected to pay the *20th Century* company for the sale of its equipment to the *Laurentian*. This resulted in the first of several lawsuits against him. A man named Conrad Dietrich of Allegheny, Pennsylvania, brought suit against Blum for losses adding up to \$10,000. When expenses and overhead at the *Laurentian* began to drain his reserves, he gained funds by selling more stocks, including stock in the *Dragoon Mountain Mining Company*, which

never actually had any mines or other assets at all. In the meantime, he started looking for a buyer for the Canadian properties.

Multiple schemes came from Blum's mind, which proved to be much more fertile than his mines. He hired two brothers, Harold and Arthur Wiley to find a buyer for the *Laurentian*, and promised them a 10% commission on the sale. They connected him up with Hugo Von Hogen, who offered to buy the *Laurentian*. Then, all of a sudden, the deal "fell through" and the Wiley brothers never got their commission. About a month later, however, Von Hogen and Blum started up a new company which bought the *Laurentian*, and then sold it to an American company, which they had also started up themselves. All of this resulted in being able to avoid paying the Wiley brothers. The Wileys sued, but lost the case, because the sale was made not to Von Hogen, but to a company that Von Hogen worked for.

In the meantime, Blum waltzed into the offices of the Toronto Star carrying a suitcase packed with ore and gold samples from the *Laurentian* mine. In an interview that was packed with one cliché after another, he claimed the mine produced ore worth \$300,000 per ton. Really good gold mines at the time produced about \$15 to \$50 per ton. "I am not selling shares; I don't want money," he said in the interview. "As a matter of fact, I have all the capital I need. When a gold mine is mentioned here, a man puts his hand on his pocket; he suspects a stock deal. I have no stock to sell." And yet, about a year later, an ad appeared in the Manitoba Free Press with the headline "Fortune in Gold", touting the *Laurentian* as the richest mine in the world, and offering to sell shares, at bargain prices, to those who had the courage and foresight to jump on this once-in-a-lifetime opportunity. It was billed as a "safe investment." It did not specify "safe" for whom.

FORTUNE IN GOLD CANADIAN LAURENTIAN MINE, richest in the world! Ore pans \$300,000 to ton. This great mine is situated at Gold Rock, Ont. Here's your opportunity. Can you see it? A genuine offer. A safe investment.

LAURENTIAN GOLD MINES, LTD.

is the holding company of Anthony Blum Gold Mines, Ltd., owning and operating Blum's Famous Laurentian Mine, including 1.115 acres of mineral lands equal to 56 U. S. mining claims; title patented and guaranteed by the Crown, situated in Manitou Lake District, Renora Mining Division, Ontario, about 35 miles south of Dinerwic and Wabigoon stations on the Canadian Pacific Railway.

"The prospector who sold me the *Laurentian* didn't know what he was selling," Blum claimed. "Very few prospectors do. It was not till two years ago that I could develop this claim, as I had been giving my attention to others in the north. However, I did begin active operations two years ago, and up to the present \$150,000 has been spent in development, but, my boy, that bread cast upon the waters is coming back. Yes, this will be a fairly merry Christmas. My ship has come home."

Other mining operations, such as the *Volcano Reef* mine, near the *Laurentian*, allowed Blum to sell separate shares of stock for each, using income from the newer mines to pay off dividends on the older mines.



The Volcano Reef Mine

Even the profits from all these sales were not enough for Blum, who undercut his partner, Von Hogen by removing all the high-grade ore from the mine while Von Hogen was out of the country trying to drum up investors. When Von Hogen returned with his prospective investors, only the low-grade ore was left to show to the possible investors, who balked at the idea and walked away. Von Hogen claimed that two million dollars worth of high-grade ore had been stolen by Blum. He tried to sue Blum for this high-grading treachery, adding yet another lawsuit to the stack. Von Hogen was unsuccessful, and Blum walked away again. The only

case that would not go away had been the suit by Father De Bruycker. It had been delayed, but was still actionable.

After the "heart-attack hiatus", the case of De Bruycker vs. Blum finally came back on the Superior Court's schedule for October 1911, coinciding with De Bruycker's return from Belgium. Within days of his landing, however, the case was withdrawn. Father De Bruycker's superiors had read him the riot act about being involved in this money-making scheme, bringing disrepute upon the Church. He never did see his \$5,000 again, and Blum came out smelling like a rose.

After that, Blum decided to change his area of specialization. Instead of trying to sell shares of hard-metal mining stock, he immersed himself in the next great money-making opportunity of the new century: petroleum. In 1922, he wrote a book entitled *Petroleum: Where and How to Find it*. The book was aimed at the general public, purporting to give the layman a comprehensive understanding of the "business side" of petroleum discovery and production, with a view towards guiding investors in this great new field of opportunity.

The preface of the book was reminiscent of Blum's interview with the Toronto Star in which he claimed he was not interested in selling stock... and then a year later, was selling stock like a madman. His book on petroleum, aimed at the non-expert investor, was replete with disclaimers that he was not trying to sell anybody anything.

"The author is an independent oil producer and is not directly or indirectly affiliated with any of the big oil interests or corporations, nor has he written this book in the interest of any company or project. [...] The author warns and admonishes the readers of this book to refrain from giving financial support to oil projects exploited by men who do not qualify to the standards of efficiency specified in this work in diagnosing structure and in locating oil wells."

Anthony Blum died in 1923 in Chicago, before any of his plans for "helping people invest in petroleum" could be undertaken.