

These questions, as your Lordship is well aware, are two in number ; the one relating to the sea boundary between Her Majesty's possessions and those of the United States west of the Rocky Mountains ; the other, to the possessory rights of the Hudson's Bay and Puget's Sound Companies in the territory assigned by the Treaty to the United States.

The two questions stand at this moment in different positions.

With regard to the sea boundary, a compromise was proposed by your Lordship's despatch to me No. 42 of the 24th August last. By the arrangement suggested in that despatch the greater number of the islands in dispute would have been given to the United States, but the Island of San Juan would have fallen to Great Britain. The arrangement was, however, rejected by the United States' Government, and a correspondence ensued, the last paper of which is a despatch from General Cass to Mr. Dallas dated the 23rd April last, reiterating the refusal of the United States' Government to accede to your Lordship's proposal.

With a view to settling the question of the possessory rights of the Companies, General Cass stated to Lord Napier, in the month of July 1858, that he was disposed to negotiate a Treaty under which a Commission might be appointed to value these rights, with a view to their purchase by the United States. Her Majesty's Government declared their readiness to conclude such a Treaty, and have frequently pressed the Government of the United States to enter upon the negotiation, but have never received any definite answer. During the whole time, however, encroachments upon the property of the Companies have been made not only by private citizens, but by the civil and military officers of the United States, and have been the subjects of continual remonstrance on the part of this Legation. At last, General Harney, Commander of the United States' forces in Oregon, by a letter written by his order on the 3rd March last, declared that the Hudson's Bay Company were not recognised as having any possessory rights. In answer to a note dated the 25th of May last, in which, by command of Her Majesty's Government, I brought this declaration to the notice of the Government of the United States, General Cass informed me that orders had been sent to General Harney, which would effectually prevent any interference with the Hudson's Bay Company, and that every facility would be afforded by the State Department for a prompt, just, and amicable solution of the general question.

Upon this (as your Lordship is aware) I pressed with renewed earnestness upon General Cass, in oral communications, the importance of taking means, without further delay, to effect such a solution. The result has been the note inclosed in the present despatch. In that note General Cass expresses the concurrence of the President in the declaration made by your Lordship's order in my note of the 25th May already mentioned, that it would serve no good purpose to settle the question of San Juan, unless the question of the Hudson's Bay Company were settled at the same time. And General Cass founds upon this declaration a suggestion that Her Majesty's Government should now make a proposal for the adjustment of both questions.

I have, &c.
(Signed) LYONS.

Inclosure in No. 64.

General Cass to Lord Lyons.

My Lord,

Washington, June 25, 1860.

I COMMUNICATED to the President the conversation I had with your Lordship a few days since concerning the existing differences between our respective Governments arising out of the Treaty of Washington of the 15th June, 1846, and I have been instructed to assure your Lordship that the President is equally solicitous with the Government of Her Britannic Majesty for the amicable and satisfactory adjustment of the questions now at issue, and he concurs in the opinion entertained by your Government as stated in your note of the 25th May, 1860,