SAN JOSE MERCURY. J. J. OWEN, Editor.

Thursday, July 7, 1864.

The great water-works tunnel at Chica ... go progresses. The iron portion of the shore shaft has been sunk, and has reached the expected shore clay. -There is every h reason to expect that the tunnel will pass through a uniform stiff clay, in which v le case the operations of the workmen will h be easy. The clay is found to be of excellent quality for making bricks, and it is now planned to make the bricks required for the tunnel out of the clay excavated, m thus effecting a great saving.