

March 1, 1918.

Hon. Max Levy,

Cincinnati, O.

Dear Sir:-

I have your letter of Feb. 28, and enclosure therewith, being letter from Bickart Coal and Coke Company, Mr. C. F. Fowler, Vice-President, of date February 27, which is also noted.

If Mr. Fowler is as familiar with this section of the country as his letter would indicate, then he is in error in his statement that 10% royalty for gross ton is too high. As a matter of fact, is too low. Every lease being made in this section now is on a basis of at least 10% per gross ton, most of them net ton, and a large number of leases have been made on a basis of 12% to 15% per net ton. Elkhorn coal has an established reputation in the market, and under normal conditions commands a considerable premium over other coals, as much as 50¢ per ton, or more. On Left Beaver Creek, where the Elkhorn by-product coal extends, the leases that have been made there are on an average of 12% per ton, net ton, and many of them higher than that royalty. Equally, living here in this district, and knowing the demand for the Elkhorn coal, I would take every lease that I could get on Elkhorn coal on a basis of 10% per ton, either net or gross, and could sell the leases at a handsome profit. As matter of fact, there is no Elkhorn Coal that I know of that can be leased today.

It is true, as Mr. Fowler suggests, that the acreage is not all underlaid with coal, and that the seams mentioned are only found in the hills. This is a peculiarity existing throughout the entire coal field of Eastern Kentucky, also of West Virginia and we know of but few places where the entire acreage is underlaid with coal. In fact, it is the general rule that the coal is found only in the hills.

Whether or not the properties were purchased at a very low price does not effect the value of the same, but only evidences the good judgment of the purchaser. No property owner is going to sell or dispose of its property, if there is any merit in the same without a profit, and this is especially true in the coal business, where it takes a long period of time to make the development and bring up the production to a paying status. Even though the property did not cost Mr. Rogers more than \$18000.00 as an original proposition, it is my understanding that since they acquired the property they have put in from \$65000 to \$75000 in additional improvements and equipment. You have seen the same yourself. Most of the houses we noted were new; the office and commissary were new; the boarding house was new; the power plant and equipment were new; the great percentage of mine cars are new; and as a matter of fact, what I understand is that as an original proposition these people bought not much more than a