

Coal production drops 7%



The dragline Ursa Major dumps a load of overburden while working at Arch Coal's Black Thunder mine. The mine dropped its production by nearly 17 percent, according to MSHA figures. - News-Record photo by Nathan Payne

By **STEVE MCMANAMEN**, News-Record Writer smcmanamen@gillette newsrecord.net

Published: Monday, January 11, 2010 12:35 PM MST

Coal production in the Powder River Basin has been steadily climbing for the last two decades, but the trend ended in 2009 with production falling about 7 percent from 2008.

Early estimates using statistics from the U.S. Mine Safety and Health Administration show Campbell County's 13 coal mines produced about 419.6 million tons of coal in 2009, down from 451.7 million tons the previous year. Meanwhile, the federal Energy Information Administration reported Wyoming produced 427.4 million tons in 2009, down about 8.6 percent from 467.6 million produced in 2008.

More concrete numbers will be available later this month. Local mines traditionally have reported their production figures in the first week of January, but in recent years have deferred such reports until annual earnings are released to investors in the latter half of the month.

The cold weather the last couple of months is not expected to have increased coal production at the end of the year, said Marion Loomis, executive director of the Wyoming Mining Association.

"The utilities have a lot of inventory on hand that they wanted to get through anyway," Loomis said. "If this (cold) weather holds for another month and they work those inventories down, then there could be a little increase in demand."

The lower production was not a surprise. Demand for electricity dropped significantly at the end of 2008 and coal companies expected less coal would be needed from the Powder River Basin to meet energy demands in 2009.

In January 2009, Peabody Energy announced it was going to cut its Powder River Basin coal production by 10 million tons because of the recession and weakening global demand. The company was only down 2.2 percent in October at the end of the third quarter.

Arch's Black Thunder mine, which had a record breaking year in 2008, also cut production in 2009.

"That was kind of what the feeling was going into the year — that we would be down between 30 and 40 million tons (in Wyoming)," Loomis said.

Despite the lower production, most mines were able to maintain their work forces, according coal company statements and MSHA statistics.

Changes in 2009

Apart from the drop in production, there were some significant changes for mines in the basin in 2009. Mines were sold, combined and spun off as Rio Tinto pulled out of the Powder River Basin.

Arch Coal bought Jacobs Ranch mine just north of its Black Thunder mine and combined the operations to create one of the biggest, if not the biggest coal mine in the world.

Rio Tinto's other two mines and 50 percent interest in a mine in Decker Montana was successfully spun off as Cloud Peak Energy. The Gillette-based company is now the third largest coal company in the U.S. and the only coal company with headquarters in Wyoming.

What's ahead in 2010

Few are betting there will be a significant turn around in coal production 2010, but another 7 or 8 percent drop is unlikely, Loomis said. What happens in 2010 will largely depend on what happens with the national economy.

"If the economy recovers and we see electricity demand go back up, I think there will be a demand for more coal," Loomis said.

But if that happens, the coal industry is going to be competing with natural gas. One question is whether the utilities that have the ability to switch back and forth between coal and gas opt for gas or coal.

While the drop was only 7 percent, that could translate into a significant loss for Campbell County, which gets a substantial portion of its tax revenue from coal production. In preparation for the reduced taxes, the Campbell County Commission is putting together a tax revenue review committee to help predict exactly how much less.

COAL PRODUCTION

MINE 2009 2008 2007 2006 2005 2004

Rawhide	16.5	18.4	17.1	17	12.4	6.9
Buckskin	25.7	26.1	25.2	22.8	19.6	20.3
Dry Fork	5.1	5.3	5.3	5.9	4.1	4.5
Eagle Butte	21.9	20.4	24.9	25.3	24.1	23
Wyodak	5.9	6	5	4.7	4.7	4.8
Caballo	23.7	31.2	31.1	32.7	30.6	26.4
Belle Ayr	28.4	28.7	26.6	24.6	19.5	18.7
Cordero Rojo	37.7	40	40.4	39.7	37.7	38.8
Coal Creek	9.9	11.4	10.2	3.1	—	—
Jacob's Ranch	38.7	42.1	38.1	39.9	37.3	38.6
Black Thunder	73.6	88.6	86.1	92.7	87.5	75
N. Antelope-Rochelle	98.6	97.6	91.5	88.5	82.7	82.5
Antelope	33.9	35.8	34.4	33.8	29.9	29.7
PRB Total	419.6	451.6	435.9	430.7	390.1	369.2

Note: All figures are in millions of tons based on News-Record estimates using numbers from the U.S. Mine Safety and Health Administration and U.S. Energy Information Administration.

Coal mine employment

MINE 2009 2008 2007 2006 Change 2008-2009

Rawhide	226	218	214	159	+8
Buckskin	316	337	265	230	-21
Dry Fork	64	71	71	70	-7

Eagle Butte 269 274 280 274 -5

Wyodak 121 118 90 66 +3

Caballo 428 433 412 341 -5

Belle Ayr 372 328 294 270 +44

Cordero Rojo 626 614 592 578 +12

Coal Creek 148 161 134 120 -13

Jacob's Ranch 640 643 603 598 -3

Black Thunder 1112 1166 1088 1000 -54

N. Antelope-Rochelle 1218 1054 955 864 +164

Antelope 483 487 464 426 -4

Totals 6023 5904 5462 4996 +119

Notes: Employee numbers are as reported by the U.S. Mine Safety and Health