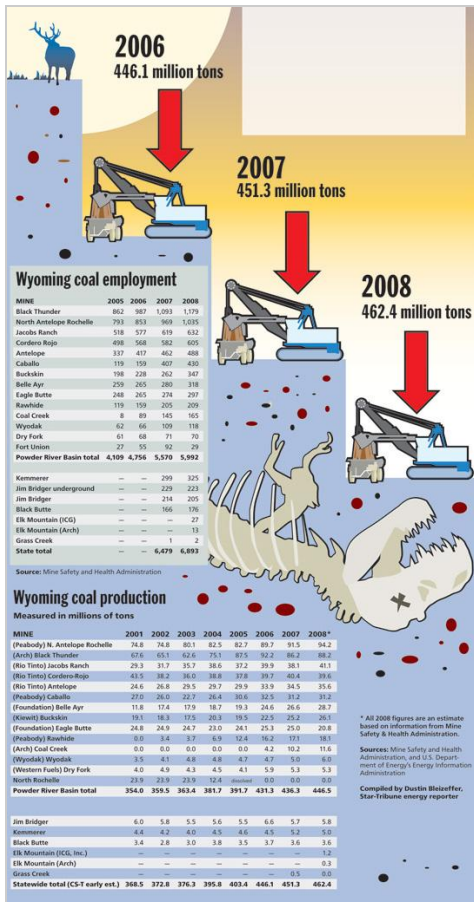


Wyo coal makes inroads; Rail, mine expansions result in another record year



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Wyoming coal mines added more than 400 jobs and boosted production by more than 11 million tons in 2008, according to a Casper Star-Tribune estimate.

Based on production figures for the first three quarters of 2008, the Star-Tribune estimates Powder River Basin mines scooped 446.5 million tons and statewide coal production was in excess of 462.4 million tons. On Thursday, the U.S. Energy Information Administration estimated Wyoming's total coal production in 2008 was 467.4 million tons.

Both the Star-Tribune and EIA estimates will be revised when final production figures are reported.

The increase in production is attributed to strong electrical demand nationwide and an increase in U.S. coal exports early in the year. Though Eastern bituminous coal filled the bulk of exports, Wyoming coal made inroads to replace those volumes.

The global economic downturn has already sunk U.S. exports, and growth in electrical demand is expected to sour, contributing to an estimated 2.6 percent decrease in U.S. coal production in 2009, according to the EIA's Short-Term Energy Outlook.

"The only way you are going to see coal usage go up is to have new plants go up," said Tom Johns, a coal analyst with the firm Sithe Global.

Construction of new coal-burning power plants has softened and will likely not increase significantly until national regulations are in place for greenhouse gas emissions.

Johns said growth in coal production during the past 10 years was largely based on capacity gains at existing power plants, and there's little room left for more capacity in the existing fleet.

Yet Wyoming coal remains competitive on a price-per-Btu basis compared to Eastern bituminous coal.

"In the West, you could see some Powder River Basin coal continue to displace Eastern coal. That trend may continue," Johns said.

Mine, rail expansions

While Wyoming coal production levels are based on demand, the movement of some 20,000 trainloads of coal in a year is the result of hundreds of millions of dollars of investments in new rail capacity, load-out facilities and overland conveyor systems.

After a pair of derailments in 2005, BNSF Railway and Union Pacific spent more than \$200 million to add third and fourth tracks along the 75-mile joint line in the Powder River Basin. The railroads spent millions more to increase efficiency and maintain coal routes throughout their systems, and mines invested in more rail loops resulting in a more fluid coal delivery.

If the expansions continue, total production and rail delivery capacity from the Powder River Basin could reach 500 million tons annually by 2012.

"Our investments in the joint line and throughout our coal network continue to pay dividends in terms of

our coal train velocity and throughput," Doug Glass, Union Pacific vice president and general manager of energy, said in a prepared statement.

Union Pacific set an all-time record in 2008, loading 13,212 trains out of the southern Powder River Basin -- 332 more trains than the previous record set in 2006. Union Pacific loaded 204.6 million tons of coal out of the southern Powder River Basin in 2008, 5 percent higher than the railroad's previous record.

Several mines have invested in overland conveyors -- a necessity of chasing coal seams farther and farther away from mine facilities built decades ago.

Foundation Coal installed a \$40 million, 2.5-mile overland conveyor at its Belle Ayr mine in 2007. In 2008, about 95 percent of Belle Ayr's coal was delivered to load-out facilities on the conveyor, cutting back on truck traffic and fuel costs.

Foundation Coal West Inc. president Steven Rennell said the conveyor freed up several trucks to switch to overburden removal and boost overall capacity.

Arch Coal Inc.'s Black Thunder mine recently installed two new silos with a capacity of 17,500 tons of coal each -- the largest in the basin. Mine officials said the larger capacity was designed to match coal trains that are growing longer.

The typical 115-car train -- about 1.5 miles long -- will soon grow to about 150 cars, according to BNSF Railway and Union Pacific.

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