

Coal & Energy

Price report

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Market commentary

By Bob Hodge, bob.hodge@ihsmarkit.com

- RJR Mining opens a new mine in Alabama.
- Production is targeted for 25,000 tons/month to start.
- Fighting the War on Coal.
- Letter to Trump.

"We're going to put a lot of coal miners and coal companies out of business."

Hillary Clinton

Donald Trump has his name on everything from hotels to high rises to restaurants. Now he has his name on a coal excavator.

If you head to Alabama and visit the new -- and as of now not-yet named -- mine that began producing last week for RJR Mining Co., you can see "Trump" the excavator. The name was the brainchild of RJR's Randy Johnson, who believes that without Trump (the president) there would be no Trump (the excavator) because there would be no new mine.

As the coal market has steadily improved over the past year, RJR -- which had been idle since 2014 -- decided to begin producing again and soon expects to be shipping 25,000 tons of metallurgical, industrial and thermal coal from the new operation in Jefferson County, Ala.

The mine has the potential to produce as much as 40,000 tons a month, with most of the coal likely staying in state but some destined for the export met market and, well, wherever a high-Btu, low-ash coal is needed.

Johnson, who cut his teeth in the coal business with Drummond and went on to be a driving force behind the Alabama Coal Cooperative, believes now's the time for the coal industry to make a stand and get the word out: Sticking it to the U.S. coal industry is a problem, not a solution.

"People are so misinformed about everything about the coal industry," Johnson said just a couple of days after the mine began loading its first coal. "Just let us do our job."

War on Coal combat

At age 71, most people have either retired or are wanting to retire, but Johnson figured that was a good age to jump back into the coal

Bluestone to open three E. Ky. mines

By Steve Hooks, steve.hooks@ihsmarkit.com

Bluestone Energy Group plans to reopen four surface mines in eastern Kentucky, gearing up for a possible 110,000 tons/month of production that will go to domestic thermal and international metallurgical coal markets.

The mines being reopened are the following, according to the company:

- Bent Mountain in Pike County, to produce 20,000 tons per month of steam coal, all being sold domestically. The operation last produced in the third quarter of 2016, MSHA records show, with 125,330 tons of output.
- Beech Creek, also in Pike County, to produce 60,000 tons per month of high-vol "A" met coal to be sold on the export market. The mine last produced 35,123 tons in the third and fourth quarters of 2017.
- A&G Job 4, 30,000 tons per month, with half of that steam coal and half high-vol "B" met coal. The steam coal will be

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industry. It was Obama's War on Coal that drove him to the sidelines in the first place, and he believes it's the current administration's counterattack that has paved the way for the current, smaller-but-vibrant industry.

Johnson said that even though the War on Coal was poo-pooed by the U.S. media, there wasn't anyone in the industry from Alabama to Allentown who wasn't caught up in the fight.

"Before Obama got in office, when we needed to get a permit, it took about five months and between \$35,000 to \$50,000," he said. "We got with the state and the OSM and we got things worked out."

There were the usual delays and some nitpicks along the way, but in the end the permitting process ran about as smooth as anything handled by a government bureaucracy. Then along came the Obama administration.

"The last permit I got cost us over \$270,000 and took over two years," Johnson said. "Nothing had changed, but now you had all these people involved and they would always come up with some new question. Answer that question and they would come up with something different."

At one time, he says, there were 51 permits, some more important to Alabama operations than others, that were being held up by the bureaucrats. Johnson described a meeting about a permit that involved 17 different people from the local level all the way up to the feds "because we were close to a creek."

"We had to go out and look for arrowheads, then there would be some questions about some kind of plants, and then we would have to look at the fish ... it didn't matter how you answered the questions; they just would come up with new ones."

A different vibe

Johnson said getting the new mine up and running wasn't done on a lark because the investment is simply too big. Even though he wasn't actively mining coal himself, he was still the president of the Alabama Coal Cooperative, which he helped found in 1990.

He said not only does the new mine have good coal – it will cut through four seams and average between 12, 200 to 12,600 Btu/lb. with 1.1 to 1.2% sulfur – but there had to be a place to market it.

"We are going to develop the mine slowly because we've got to make sure we can sell the coal," Johnson

said. "We're not trying to go too fast because if you go too fast, you make mistakes."

The operation currently has 18 employees at the facility and expects to be adding more.

"We have guys calling us who are 50 and 60 years old and saying 'Keep me in mind.' They've worked in the coal industry and they would like to get back into it."

Johnson said that when the Obama administration was "coming up with a new regulation every day," it was the people working in the industry "that they just didn't care about at all." He said that the people in the Trump administration stopped a lot of new regulations from going on the books and that is, in part, why he was able to jump-start RJR.

Letter to Trump

In fact, he feels so strongly about that that not only did he name the mine's excavator after the president, he wrote him a letter back in June that summed up his feelings with a thank you.

In part, the letter said:

The "War on Coal" is over. RJR has been idle since February 2014. We finished mining one reserve and sold another and since we were in our late 60's, we decided to stop. But, you have shown us age does not matter so we are opening another mine. This will be the largest reserve we have ever mined. This will be the largest capital investment we have ever made. We will provide more jobs than we ever have. You have restored our confidence and excitement, and our desire to stay involved. It is common practice in the mining industry to name the "big machines." We just purchased a 2.7 million-dollar excavator and we have named it TRUMP! We have enclosed a picture for your enjoyment.

Mr. President, we are extremely proud of you. Keep fighting for us and we will stand with you. Let's Keep America Great! God bless you, your family, your staff and every single person who fights alongside you every day. And, God bless the United States of America.

Johnson said the letter has spawned a small media frenzy, with newspapers and magazines wanting a picture of Trump (the excavator) and some calls from radio stations for interviews.

"We need to get our side of the story out," he said. "Maybe this will help."

Bluestone to open... continued from page 1

sold domestically and the met coal will be sold on the export market. No MSHA production data could be found for A&G Job 4.

The MSHA database lists a number of A&G Coal Corp. operations in Virginia and one in West Virginia, all of which are surface mines that are temporarily idled or nonproducing.

A & G Coal and Kentucky Fuel Corp., listed as operator of Bent Mountain and Beech Creek, are controlled by Jillean L. Justice and James C. Justice III. James C. Justice II is listed as controller of Bluestone Coal Corp. He is the governor of West Virginia.

Bluestone indicated the company will hire 150 workers and hiring is taking place at all three sites. No timetable for production startup was provided.

Justice cos. face Xcoal lawsuit

Xcoal Energy & Resources is suing James C. Justice II, Bluestone Energy Sales and Southern Coal Corp. over a coal supply agreement entered into on Oct. 19, 2017, alleging breach of contract.

Xcoal is asking for “damages and/or other amounts in excess of \$75,000.00, exclusive of interests and costs ...”

While details deemed “confidential” were redacted in a July 2 filing in U.S. District Court in Delaware, Xcoal is charging that the defendants “have substantially and materially breached their respective obligations under the (coal supply agreement by) failing to timely supply the quantity and quality of coal required under the CSA, and by otherwise failing to honor their other respective obligations under both the CSA and the guarantee.”

The coal supply agreement “provides for the sale of a specified quantity and quality of metallurgical grade coal by Bluestone to Xcoal,” the complaint states.

“Bluestone’s inability and/or failure to perform continued into May 2018, and finally culminated in Xcoal’s cancelation of the CSA on May 31, 2018, with full retention and preservation of its rights and remedies for Bluestone’s breach and default,” the complaint continues.

It also alleges: “Although testing at Bluestone’s loadout indicated that the coal’s quality was

compliant with the specifications set forth in the CSA, sampling at the port revealed that the quality of this coal was well below that specified in the CSA.”

In its response, filed on June 27, Bluestone et al. categorically denied a number of the allegations, and alleged in turn that “Xcoal knew the load dates were commercially unreasonable because Bluestone could not physically load the coal fast enough to meet the scheduled load dates (and) Xcoal demanded unilateral terms and conditions on the loading of trains that were not set forth in the CSA,” among other circumstances.

Navajo company buys Four Corners share

Navajo Transitional Energy Company has finalized a transaction to acquire a 7% ownership interest in units 4 and 5 of the Four Corners Power Plant, the company said Monday.

Under the purchase and sale agreement, NTEC purchased the 7% interest from 4C Acquisition, LLC, an affiliate of Arizona Public Service Company, which operates the power plant. The agreement was executed last week, and the transaction closed on July 2, NTEC stated.

“As a result of the transaction, NTEC, a business entity wholly owned by the Navajo Nation, becomes an owner of a coal-fired power plant, a first for a Navajo Nation enterprise,” the company said.

“Concurrently with NTEC’s purchase of the FCPP interest, NTEC and Arizona Public Service Company also entered into an amended and restated coal supply agreement, which governs FCPP fuel purchases from NTEC,” the statement continued. “The amended and restated coal supply agreement provides NTEC with more flexibility in the sale and purchase of coal from NTEC’s Navajo Mine.”

NACCO Industries’ Bisti Fuels is mining the coal for NTEC, which serves as the fuel procurement agent for the power plant. The surface mine in San Juan County, N.M., produced 417,659 of bituminous coal in the first quarter of 2018, according to MSHA data, and 3.7 million tons last year. The dedicated mine supplied 580,224 tons of the coal to Four

Corners in the first four months of 2018, according to the latest EIA fuel-delivery data. The power plant also takes natural gas. The coal is transported from the mine to the plant by a dedicated, electrified railroad.

In connection with these transactions, NTEC was also able to pay off the remaining balance of its term loan that was used to refinance NTEC's purchase of the Navajo mine from BHP Billiton in 2013.

NTEC is 100 percent owned by the Navajo Nation. The Four Corners plant is a 1,540-megawatt

facility located on Navajo Nation property in Fruitland, N.M.

Four Corners was originally a five-unit plant. Units 1-3 were retired at the end of 2013. APS owns 63% of the remaining units 4 and 5 following the acquisition of Southern California Edison's interest. APS has a total entitlement from Four Corners of 970 megawatts. 4CA owned 7% of units 4 and 5 following its acquisition of El Paso Electric's interest.

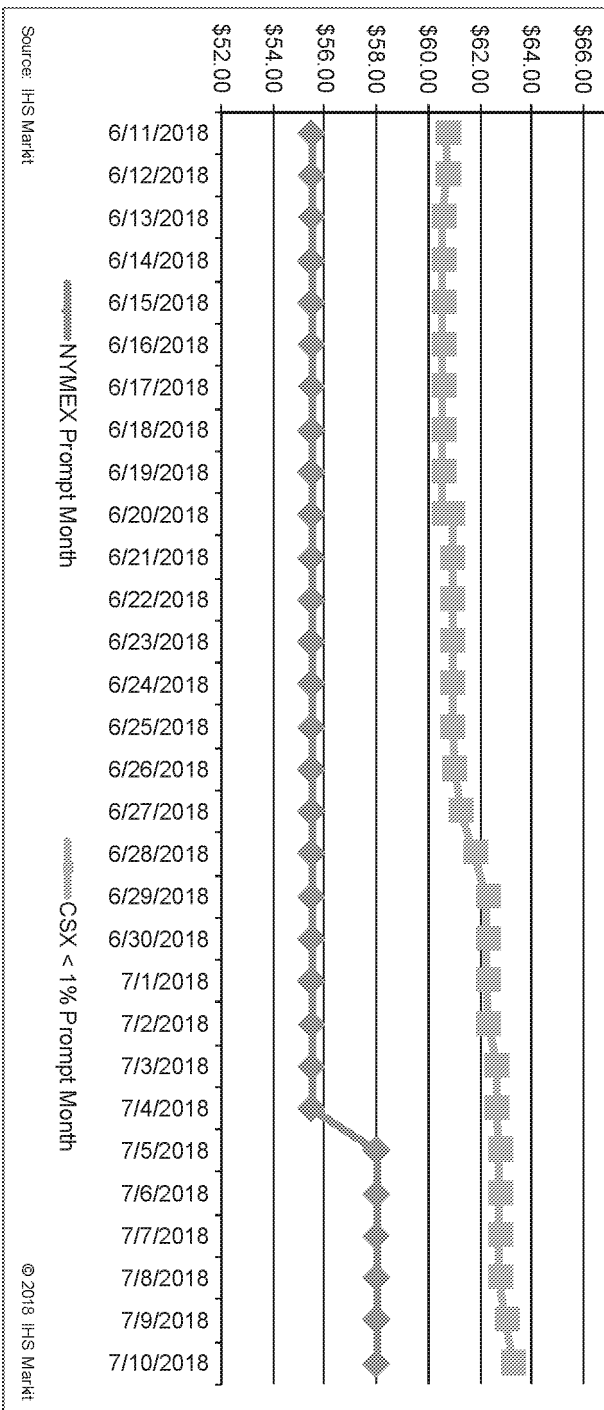
IHS Markit

North American Export Coal & Gas Summit

October 9-11, 2018
San Francisco, CA
InterContinental Mark Hopkins

Presented with support from:

Xcoal **X LNG**
ENERGY & RESOURCES ENERGY & RESOURCES



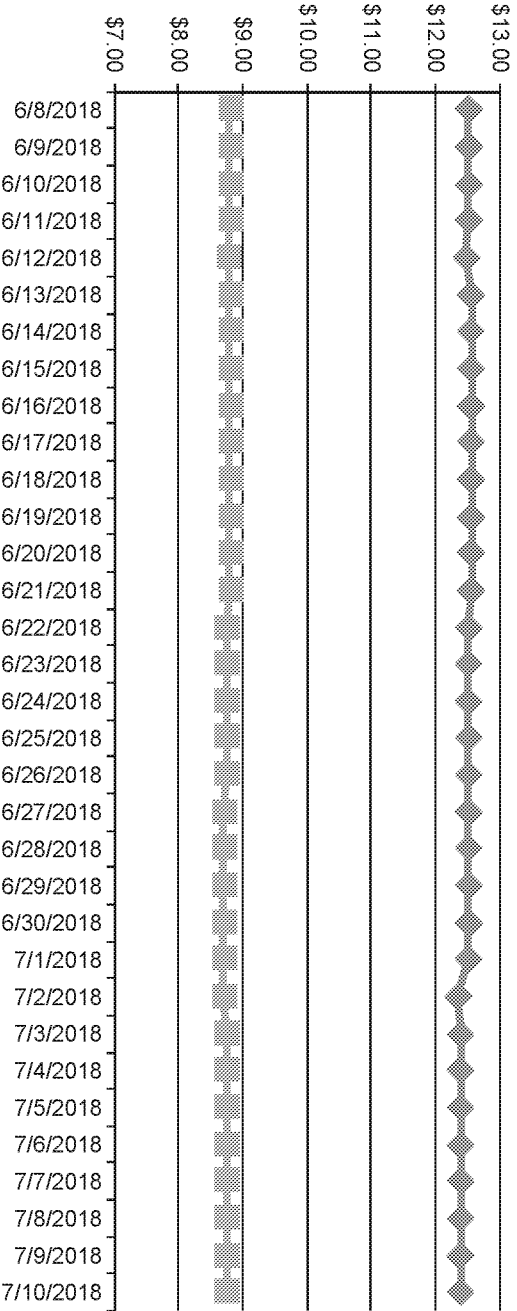
Price markers

- NAPP rail 12,800 Btu/lb., 3.5 lbs SO2/MMBtu, **\$51.68/ton**
- ILB rail 11,500 Btu/lb., 3.0% Sulphur, **\$40.43/ton**
- NAPP barge 12,500 Btu/lb., 5.5 lbs SO2/MMBtu, **\$45.58/ton**
- ILB barge 11,500 Btu/lb., 3.0% Sulphur, **\$41.82/ton**

Source: IHS Market

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Prompt Month for PRB 8800 and PRB 8400 Coals



PRB8800 Prompt Month

PRB8400 Prompt Month

Source: IHS Market

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Prompt Month for CSX < 1% & NYMEX Coals

Global Coal News & Analysis

McCloskey Coal Report:
Comprehensive news and analysis of the global coal markets covering coal prices, seaborne trade and discussing supply and demand issues with immediate and longer term implications.

Fax:
Weekly digest of global prices and news in bite-sized form. All your weekly pricing data and market moving information in one place.

Newswire:
Real-time breaking coal market news and pricing wherever you are, delivered 24 hours a day.

Chinese Coal Market News & Analysis

The service, which comprises analytical reports and daily intelligence updates, brings together IHS' tradition of excellence in covering seaborne markets with Argus Intolink's knowledge and insight of the Chinese market. Recent coverage has been at the heart of the policy, regulation, implementation and effect of China's goal of reducing domestic production capacity. This intelligence is augmented with data sets of key indicators.

APAC and African Coal Market News and Analysis

Australian Coal Report
In-depth weekly coverage of Australian coal markets focusing on market moving events. Infrastructure is a key focus and includes port performance, vessel queues and freight. Australian coal statistics and published monthly in Excel covering exports and other data.

Indian Coal Report
Monthly update on developments in the Indian coal, power and steel markets, including coal production and prices. Key shipping routes to India (Cape, Mini Cape, Supermax) are assessed and priced. Data includes monthly coal imports.


Coalfax
Weekly summary of events impacting international coal markets focusing on Australia and wider Asia. Includes prices, tenders, stocks, shipping and the NEX Index, a key indicator of the spot price of thermal coal ex-Newcastle.

South African Coal Report
The interplay between domestic power demand and exports is a focus. Covers corporate news and wider African coal markets and includes an infrastructure focus on Richards Bay coal terminal, loading rates, rail, capacity, vessel queues, and freight.

North American Coal Market News & Analysis

Coal & Energy Price Report
Coal & Energy Price Report is the go-to daily publication for industry professionals. It features commentary by Jim Thompson, critical news and insight about the U.S. domestic markets, and analysis of the U.S. participation in international markets. The publication is included in IHS Energy's North American Coal suite.

U.S. Coal Review
Published weekly, U.S. Coal Review is focused on the U.S. utility market but has complete coverage of current coal developments including comprehensive price coverage and production trends. The publication also features weekly analysis and insight from IHS experts. The publication is included in IHS Energy's North American Coal suite.



ENERGY

Coal Capability

Publication products and services

Coal Price Data and Indexes

IHS coal price markers form a key component of the API indices, which serve as the settlement price in 90% of the world's coal derivative contracts. With its legacy of playing a key role in developing steam coal indexation, IHS McCloskey first published the NW European market in 1991.

Available as an add-on to our other products, the full set of steam, coking and petcoke prices – along with vital coal market data, news and analysis can be accessed through our online platform IHS Connect™

Global Steam Coal Service

The service is a one-stop shop for forward-looking analysis on the international steam coal market. At its core is a supply-demand and price forecast service. Outlooks are updated quarterly and backed up with in-depth commentary and a comprehensive data-base. The service also focuses on the inter-relationships between steam coal and other fuels, particularly natural gas as well as petcoke.

Metallurgical Coal Market Insight, News and Analysis

The Metallurgical Coal Quarterly
forecasts metallurgical coal fundamentals and price out ten years. It is the critical decision making tool for metallurgical coal market players, and those in its related commodities.

Inside Coal
Daily news and analysis of the biggest events in the international metallurgical coal market. Complete coverage of prices, deep insight from met coal specialists, and supply/demand analysis.

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