



Q1 2018 PRB Production - Unimpressive

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According to preliminary stats compiled from the Mine Safety Health Administration (MSHA), Powder River Basin (PRB) coal production for Q1 2018 was 81 million tons or 323 million on an annualized basis. As a comparison, Q4 2017 production was 84 million tons or 335 million annualized. Q1 2018 production is also down by 40 million tons (annualized) from Q3 2017. Most of the lower production occurred at the so called 8,400 Btu mines, namely Buckskin, Cordero Rojo, Belle Ayr, Eagle Butte and Caballo.

The following table shows PRB and Bull Mountain coalfield production by company and by mine as reported by MSHA for the period 2008 through 2017 and Q1 2018.

Powder River/Bull Mountain Production																	
2008 - 2017, Q1 2018																	
By Company/Mine																	
(Millions of short tons)																	
HANOU ENERGY Company - Mine	Mine State	Joint Line Access ?	Production Year/Quarter														
			2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	
Arch																	
Black Thunder	WY	JL	88.6	81.1	116.2	105.0	93.1	100.7	101.0	99.5	67.9	18.2	15.7	19.3	17.4	70.5	17.7
Coal Creek	WY	JL	11.5	9.8	11.4	10.0	7.6	8.5	9.4	7.8	8.2	2.9	2.2	2.1	1.8	9.0	1.9
Arch Total			100.0	90.8	127.6	115.0	100.6	109.2	110.4	107.3	76.1	21.1	17.9	21.4	19.1	79.5	19.6
Black Hills																	
Wyodak	WY	N	6.0	6.0	5.9	5.7	4.2	4.6	4.3	4.1	3.7	1.0	0.9	1.2	1.1	4.2	1.1
Black Hills Total			6.0	6.0	5.9	5.7	4.2	4.6	4.3	4.1	3.7	1.0	0.9	1.2	1.1	4.2	1.1
BLACKJEWEL/Jeff Hoops (Was Contura)																	
Belle Ayr	WY	JL	28.7	28.4	25.8	24.6	24.2	18.3	15.8	17.5	14.9	4.3	2.9	4.5	4.1	15.8	3.8
Eagle Butte	WY	N	20.4	21.5	23.2	25.4	22.5	19.9	20.7	19.6	19.0	4.5	3.8	4.5	4.5	17.3	4.0
Jeff Hoops/BLACKJEWEL (Contura)			49.2	49.9	49.0	49.9	46.7	38.2	36.5	37.1	33.9	8.8	6.7	9.0	8.6	33.1	7.9
Cloud Peak																	
Antelope	WY	JL	35.8	34.0	35.9	37.1	34.3	31.4	33.6	35.2	29.8	7.4	6.7	7.8	6.6	28.5	6.7
Cordero Rojo	WY	JL	40.0	39.4	38.5	39.5	39.2	36.7	34.8	22.9	18.3	4.4	4.2	3.8	4.0	16.4	2.6
Decker	MT	N	3.4	0.5	1.5	1.5	1.4	1.6	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jacobs Ranch	WY	JL	42.1	29.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spring Creek	MT	N	17.9	17.6	19.3	19.1	17.2	17.7	17.3	17.0	10.2	2.4	3.3	3.9	3.1	12.7	2.8
Cloud Peak Total			139.3	120.5	95.2	97.1	92.1	87.3	86.8	75.0	58.4	14.3	14.1	15.5	13.7	57.6	12.1
FEnergy/Boich/Gunvor																	
Signal Peak/Bull Mountain	MT	N	0.2	0.8	4.4	5.1	5.7	8.7	7.9	6.4	5.6	0.9	1.4	1.8	1.8	5.9	1.9
FEnergy/Boich/Gunvor Total			0.2	0.8	4.4	5.1	5.7	8.7	7.9	6.4	5.6	0.9	1.4	1.8	1.8	5.9	1.9
Kiewit																	
Buckskin	WY	N	26.1	25.4	25.5	25.1	18.1	15.0	15.3	13.7	7.1	2.7	3.6	4.7	3.4	14.5	2.6
Kiewit Total			26.1	25.4	25.5	25.1	18.1	15.0	15.3	13.7	7.1	2.7	3.6	4.7	3.4	14.5	2.6
Lighthouse Resources																	
Decker	MT	N	3.4	0.5	1.5	1.5	1.4	1.6	2.4	3.0	3.2	0.9	1.1	1.1	1.1	4.2	1.0
Lighthouse Resources Total			3.4	0.5	1.5	1.5	1.4	1.6	2.4	3.0	3.2	0.9	1.1	1.1	1.1	4.2	1.0
Peabody																	
Caballo	WY	JL	31.2	23.3	23.5	24.1	16.8	9.0	8.0	11.4	11.2	2.7	2.7	2.9	3.3	11.6	2.8
North Antelope-Rochelle	WY	JL	97.6	98.3	105.8	109.1	107.6	111.0	118.0	109.3	92.9	25.1	22.7	27.8	26.0	101.6	26.3
Rawhide	WY	N	18.4	15.8	11.2	15.0	14.7	14.2	15.5	15.2	8.1	2.7	2.6	2.5	2.5	10.3	2.6
Peabody Total			147.2	137.4	140.5	148.2	139.2	134.2	141.4	135.9	112.2	30.5	28.0	33.2	31.8	123.5	31.8
Western Fuels																	
Dry Fork	WY	N	5.3	5.2	5.4	5.8	6.0	5.4	5.4	6.4	6.1	1.6	1.5	1.6	1.3	6.0	1.6
Western Fuels Total			5.3	5.2	5.4	5.8	6.0	5.4	5.4	6.4	6.1	1.6	1.5	1.6	1.3	6.0	1.6
Westmoreland																	
Absaloka	MT	N	6.4	5.9	5.5	5.1	2.7	4.2	6.4	5.5	4.2	0.7	0.6	1.1	1.2	3.6	0.8
Rosebud	MT	N	13.1	10.3	12.2	8.8	8.0	8.2	9.0	9.7	8.8	2.2	1.4	2.5	2.5	8.6	2.5
Westmoreland Total			19.4	16.2	17.7	13.9	10.7	12.4	15.4	15.2	13.0	2.9	2.0	3.6	3.7	12.2	3.3
Joint Line PRB Total			375	343	357	349	323	315	321	304	243	65	57	68	63	253	62
Montana PRB Total			44	35	40	36	31	33	36	35	26	6	6	9	8	29	7
Wyoming PRB Total			452	417	428	426	388	375	382	363	287	78	70	83	76	306	74
PRB Grand Total			496	452	468	462	419	408	418	398	314	84	76	91	84	335	81
PRB Annualized Grand Total			496.0									336	303	365	335		323
Bull Mountain Total			0.2	0.8	4.4	5.1	5.7	8.7	7.9	6.4	5.6	0.9	1.4	1.8	1.8	5.9	1.9
PRB / Bull Mountain Grand Total			496	453	473	467	425	417	426	404	319	85	77	93	86	341	83

Source - MSHA, Hanou Energy Consulting, LLC





Peabody is still by far the largest producer in the PRB. During Q1 2018 Peabody produced 31.8 million tons (127 million annualized) from three operations. During 2017 the company produced 123.5 million tons, a number which is 11.3 million tons higher than 2016.

Cloud Peak was the third largest with 12.1 million tons (48.3 million annualized) produced during Q1 2018. This rate of production is nine million tons lower than the 57.8 million tons that were produced in 2017. Its high cost Cordero Rojo mine took the brunt of the lower production. During Q1 2018 Cordero's production was only 2.6 million which is 1.4 million tons lower than what was produced in Q4 2017. At this rate, the mine will produce six million tons lower than what was produced in 2017. High export demand should allow its Spring Creek mine to have a stronger year in 2018.

Jeff Hoops' Blackjewel LLC company took over Contura's Belle Ayr and Eagle Butte mines in December 2017. The two mines produced 33.1 million tons during 2017. Q1 2018 production did not fare as well as only 7.9 million tons (31.4 million annualized) were produced. Maintaining 2017 production numbers will be a challenge for Blackjewel as Belle Ayr is one of the highest cost mines in the PRB and that the Eagle Butte mine is only served by the BNSF Railroad.

Kiewit had a strong showing in 2017 as it more than doubled production out of its Buckskin mine (7.1 million tons in 2016 to 14.5 million tons in 2017). However, during Q1 2018 the mine only produced 2.6 million tons which is 0.8 million tons lower than what was produced in Q4 2017. Assuming the preliminary MSHA stat is accurate, at this rate the mine's production could be 4.0 million tons lower than what was produced during 2017.

In early April 2018, Westmoreland said it is exploring changes to its capital structure, including possibly filing for Chapter 11 bankruptcy protection, as "substantial doubt exists as to our ability to continue as a going concern." While its Montana PRB operations continue to produce at a rate of 12 to 13 million tons per year, their PRB mines (Rosebud and Absaloka) and their other mines in eastern Montana, Canada, Texas and Ohio have face or are facing certain plant closures that is forcing and will force the company to close mines and conduct final reclamation. Its 2014/2015 acquisitions of Sherritt's mines in Canada and Oxford's mines in Ohio may not be paying off.

Peabody's North Antelope-Rochelle (NARM) mine continues to be the largest in the world. During Q1 2018 the mine produced at an annualized rate of 105.3 million tons, which is about four million tons higher than what was produced during 2017.

The second largest PRB mine is Arch's Black Thunder mine, which continues to produce at an annualized rate of around 70 million tons. It is apparent to Hanou Energy that Peabody has taken advantage of Arch's 2015/2016 decision to ratchet down Black Thunder's production to a 70 million ton per year level to preserve its reserve base and postpone the inevitable costly jump over the Joint Line Railroad. Black Thunder's production was 99.5 million tons in 2016, dropping to 67.8 million in 2016 and increasing to 70.5 million in 2017. On the other hand, Peabody's NARM mine is producing at a 10 million ton per year higher rate than it did in 2016.

Switching to the Bull Mountain coalfield in Montana, the Signal Peak Bull Mountain longwall mine production topped out at 5.6 million in 2016. Due to a 21-day longwall move in Q1 2017, the mine only produced 0.9 million during the quarter; however, with some new export sales, the mine had a strong second half and ended up producing 5.9 million tons in 2017. With strong export demand continuing, Q1 2018 production indicates the mine is approaching its 8.0 million ton per year production capacity for the full year.

Hanou Energy and Burnham Coal plan to update their *Powder River Basin Coal Supply, Demand and Price Trends 2018–2037* study in the next several months. The study is regarded as one of the best analyses of the basin available. Hanou Energy Consulting, LLC is owned and operated by John Hanou. Mr. Hanou can be reached by phone at 410-279-3818 or via email jthanou@hanouenergy.com. His website is <http://hanouenergy.com>. Burnham Coal, LLC is owned and operated by Bob Burnham. Mr. Burnham can be reached at 303-517-7826 or by email bob@burnhamcoal.com. His website is <http://burnhamcoal.com>.

