



Full year 2019 PRB production could be lowest since 1996

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The following table shows Powder River Basin (PRB) and Bull Mountain coalfield production by company and by mine as reported by the Mine Safety Health Administration (MSHA) for the period 2008 through Q1 2019. A projection for full year 2019 is also provided.

Powder River/Bull Mountain Production																						
2008 - 2018, Q1 2019, Full Year 2019 Projected																						
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	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	Q1 2019	Proj. Q2 2019	Proj. Q3 2019	Proj. Q4 2019	Proj. 2019
Arch																						
Black Thunder	WY	JL	88.6	81.1	116.2	105.0	93.1	100.7	101.0	99.5	67.9	70.5	17.7	16.5	19.4	17.6	71.1	16.4	16.5	19.0	19.0	70.9
Coal Creek	WY	JL	11.5	9.8	11.4	10.0	7.6	8.5	9.4	7.8	8.2	9.0	1.9	2.2	2.0	1.9	8.0	0.7	0.7	0.7	0.7	2.8
Arch Total			100.0	90.8	127.6	115.0	100.6	109.2	110.4	107.3	76.1	79.5	19.6	18.7	21.4	19.5	79.1	17.1	17.2	19.7	19.7	73.7
Black Hills																						
Wyodak	WY	N	6.0	6.0	5.9	5.7	4.2	4.6	4.3	4.1	3.7	4.2	1.1	1.0	1.1	1.0	4.1	1.0	1.0	1.1	1.1	4.1
Black Hills Total			6.0	6.0	5.9	5.7	4.2	4.6	4.3	4.1	3.7	4.2	1.1	1.0	1.1	1.0	4.1	1.0	1.0	1.1	1.1	4.1
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	15.8	3.8	4.1	5.4	5.1	18.5	4.0	4.0	5.0	5.0	18.0
Eagle Butte	WY	N	20.4	21.5	23.2	25.4	22.5	19.9	20.7	19.6	19.0	17.3	4.0	3.7	4.7	4.7	17.1	4.0	3.7	4.7	4.7	17.0
BLACKJEWEL/Jeff Hoops (Contura)			49.2	49.9	49.0	49.9	46.7	38.2	36.5	37.1	33.9	33.1	7.9	7.8	10.0	9.8	35.5	8.1	7.7	9.7	9.7	35.1
Cloud Peak																						
Antelope	WY	JL	35.8	34.0	35.9	37.1	34.3	31.4	33.6	35.2	29.8	28.5	6.7	4.9	5.8	5.8	23.2	4.8	4.5	6.0	6.0	21.3
Cordero Rojo	WY	JL	40.0	39.4	38.5	39.5	39.2	36.7	34.8	22.9	18.3	16.4	2.6	3.3	3.4	3.3	12.6	2.6	3.1	3.1	3.3	12.1
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	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	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	12.7	2.8	3.4	3.7	3.8	13.8	2.3	2.5	2.5	2.5	9.8
Cloud Peak Total			139.3	120.5	95.2	97.1	92.1	87.3	86.8	75.0	58.4	57.6	12.1	11.6	12.9	12.9	49.5	9.6	10.1	11.6	11.8	43.1
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	5.9	1.9	2.0	1.5	2.2	7.6	1.2	2.0	1.5	2.0	6.6
FEnergy/Boich/Gunvor Total			0.2	0.8	4.4	5.1	5.7	8.7	7.9	6.4	5.6	5.9	1.9	2.0	1.5	2.2	7.6	1.2	2.0	1.5	2.0	6.6
Kiewit																						
Buckskin	WY	N	26.1	25.4	25.5	25.1	18.1	15.0	15.3	13.7	7.1	14.5	2.6	2.9	3.8	4.2	13.5	4.1	4.0	3.8	4.0	15.9
Kiewit Total			26.1	25.4	25.5	25.1	18.1	15.0	15.3	13.7	7.1	14.5	2.6	2.9	3.8	4.2	13.5	4.1	4.0	3.8	4.0	15.9
Lighthouse Resources																						
Decker	MT	N	3.4	0.5	1.5	1.5	1.4	1.6	2.4	3.0	3.2	4.2	1.0	1.4	1.4	1.0	4.8	0.4	1.0	1.0	1.0	3.4
Lighthouse Resources Total			3.4	0.5	1.5	1.5	1.4	1.6	2.4	3.0	3.2	4.2	1.0	1.4	1.4	1.0	4.8	0.4	1.0	1.0	1.0	3.4
Peabody																						
Caballo	WY	JL	31.2	23.3	23.5	24.1	16.8	9.0	8.0	11.4	11.2	11.1	2.8	2.6	3.1	2.8	11.3	2.7	2.6	3.1	3.1	11.4
North Antelope-Rochelle	WY	JL	97.6	98.3	105.8	109.1	107.6	111.0	118.0	109.3	92.9	101.6	26.3	21.4	26.1	24.5	98.3	20.3	21.4	23.0	23.0	87.7
Rawhide	WY	N	18.4	15.8	11.2	15.0	14.7	14.2	15.5	15.2	8.1	10.3	2.6	1.9	2.4	2.5	9.5	2.3	1.9	2.4	2.5	9.2
Peabody Total			147.2	137.4	140.5	148.2	139.2	134.2	141.4	135.9	112.2	123.0	31.8	25.9	31.6	29.9	119.2	25.3	25.9	28.5	28.6	108.3
Western Fuels																						
Dry Fork	WY	N	5.3	5.2	5.4	5.8	6.0	5.4	5.4	6.4	6.1	6.0	1.6	1.3	1.6	1.8	6.3	1.2	1.3	1.4	1.7	5.7
Western Fuels Total			5.3	5.2	5.4	5.8	6.0	5.4	5.4	6.4	6.1	6.0	1.6	1.3	1.6	1.8	6.3	1.2	1.3	1.4	1.7	5.7
Westmoreland																						
Absaloka	MT	N	6.4	5.9	5.5	5.1	2.7	4.2	6.4	5.5	4.2	3.6	0.8	0.8	1.1	1.1	3.8	0.6	0.8	1.0	1.1	3.5
Rosebud	MT	N	13.1	10.3	12.2	8.8	8.0	8.2	9.0	9.7	8.8	8.6	2.5	1.5	1.8	2.7	8.4	2.5	1.5	1.8	2.7	8.4
Westmoreland Total			19.4	16.2	17.7	13.9	10.7	12.4	15.4	15.2	13.0	12.2	3.3	2.3	2.9	3.8	12.2	3.2	2.2	2.8	3.8	11.9
Joint Line PRB Total			375	343	357	349	323	315	321	304	243	253	62	55	65	61	243	51	53	60	60	224
Montana PRB Total			44	35	40	36	31	33	36	35	26	29	7	7	8	9	31	6	6	6	7	25
Wyoming PRB Total			452	417	428	426	388	375	382	363	287	305	74	66	79	75	293	64	65	73	74	276
PRB Grand Total			496	452	468	462	419	408	418	398	314	334	81	73	84	84	324	70	70	80	81	301
PRB Annualized Grand Total			496.0										323	291	346	336		280	281	318	325	
Bull Mountain Total			0.2	0.8	4.4	5.1	5.7	8.7	7.9	6.4	5.6	5.9	1.9	2.0	1.5	2.2	7.6	1.2	2.0	1.5	2.0	6.6
PRB / Bull Mountain Grand Total			496	453	473	467	425	417	426	404	319	340	83	75	88	86	332	71	72	81	83	308

Source - MSHA, Hanou Energy Consulting, LLC





According to preliminary stats compiled from MSHA, PRB coal production for Q1 2019 was 70 million tons (280 million tons annualized). As a comparison, Q4 2018 production was 84 million tons or 336 million annualized. Apparently, the severe flooding in the Midwest caused production to be this low. Accounting for guidance's provided by Arch, Peabody and others, full year 2019 PRB coal production could be as low as 301 million tons. The last time production was this low was in 1996 when 299.5 million tons were produced.

Peabody is still by far the largest producer in the PRB. During 2018 the company produced 119.2 million tons; however, the company produced at an annualized rate of just over 100 million tons during Q1 2019. End of year 2019 production is likely to be higher, probably around 108 million tons for the year. Peabody's North Antelope Rochelle (NARM) mine is still the largest in the world. We are projecting a production level of nearly 88 million tons in 2019 or about a 10 million ton drop from 2018.

Five years ago Arch Coal wanted to increase its Black Thunder coal production to 135 million tons per year. However, since exiting bankruptcy a couple years ago, Arch has ratcheted down Black Thunder's production to around 70 million tons per year to preserve its reserve base before it has to jump across the Joint Line Railroad. For 2018 Black Thunder produced 71.1 million tons. For 2019 we are projecting a production level of 70 million tons.

During 2018, Arch's Coal Creek mine produced 8.0 million tons, which was more than a million tons lower than in 2017; however, in December 2018 Arch announced it would move 100 of its 148 employees from Coal Creek mine to its higher Btu Black Thunder mine. As a result, Coal Creek's production dropped to 0.7 million tons in Q1 2019. Full year production at Coal Creek will likely be between 2.5 and 3.0 million tons.

Cloud Peak continues to be the third largest PRB coal producer; however:

Late last year the company announced it was considering "strategic alternatives," including a possible sale of the company. On March 26, 2019, the Company "was notified by the New York Stock Exchange ("NYSE") that the NYSE had determined to commence proceedings to delist the Company's common stock as a result of the NYSE's determination that the Company's common stock was no longer suitable for listing on the NYSE based on "abnormally low" price levels, pursuant to Section 802.01D of the NYSE Listed Company Manual. The NYSE also suspended trading in the Company's common stock effective immediately." "The NYSE stated that it will apply to the Securities and Exchange Commission ("SEC") to delist the Company's common stock upon completion of all applicable procedures. The Company does not intend to appeal the delisting determination." Cloud Peak's common stock is now trading on the OTC Pink as of March 2019.

Cloud Peak is likely to file Chapter 11 in the coming days. The company chose not to make an interest payment on certain senior notes by an extended, grace-period deadline on April 14 and thus was in default.

During Q2 018, Cloud Peak stated that the company's total 2018 PRB coal production would be between 52 and 56 million tons. They then revised it down to 49 to 52 million tons. Final production ended at 49.5 million tons which is 8.1 million tons lower than in 2017. Q1 2019 coal production was 9.6 million tons. Full year production is project at around 43 million tons.

Cloud Peak's Antelope mine production was impacted by heavy rain experienced during Q2 2018 which increased moisture causing significant spoil failures in both dragline pits in mid-August. This occurred as coal was removed from the base of the wet spoil piles and is still occurring as coal is removed in mid-October. As a result, Antelope's coal production suffered dropping by more than 5 million tons from 2017 to 2018. Q1 2019 production was 4.8 million tons. With an average selling price of around \$12.00/ton this equates to nearly \$100 million revenue shortfall in 2018 versus 2017. This shortfall is continuing today.





Cloud Peak's high cost Cordero Rojo mine dropped production from 16.4 million in 2017 to 12.8 million in 2018. 2019 production is projected at 12 million. During Q1 2019, Cloud Peak stated that Cordero is out of the money, meaning that its costs are higher than its selling price. The future of the mine is uncertain.

Stronger coal exports allowed its Spring Creek mine to expand production from 12.7 to 13.8 million tons from 2017 to 2018. However, weaker exports during 2019 may cause the mine's production to drop below 10 million tons.

Kiewit had a strong showing in 2017 as it more than doubled production out of its Buckskin mine (from 7.1 million tons in 2016 to 14.5 million tons in 2017). First half 2018 production was a dismal 5.5 million tons; however, production during 2018 rebounded ending up at 13.5 million tons. Q1 2019 production was a healthy 4.1 million tons. Full year 2019 production could be as high as 16 million.

Westmoreland's production was 12.2 million tons in 2018 – the same as in 2017. 2019 production will likely be around 12 million. The company filed Chapter 11 on October 9, 2018 and exited Chapter 11 on March 15, 2019.

“Through its plan of reorganization, the Company effectuated the sale of substantially all of their assets to a new entity, Westmoreland Mining LLC (“Westmoreland Mining”), created and controlled by the Company's former first lien creditors that enabled the business to emerge from the restructuring process with enhanced financial flexibility, a stronger balance sheet and a renewed ability to focus on providing reliable and affordable energy products. Post-bankruptcy, Westmoreland Mining's assets include an extensive portfolio of coal mining operations, including five operating mines in each of Canada and the U.S. supplying regional power producers, and one export mine in Canada. Westmoreland Mining's assets will remain in operation under the same local leadership, and the business will continue operating in the normal course, preserving over a thousand jobs in the U.S. and Canada. Westmoreland Resource Partners, LP, which owns the Kemmerer mine, remains in Chapter 11 and its mining assets, have not been acquired by Westmoreland Mining.”

Switching to the Bull Mountain coalfield in Montana, the Signal Peak Bull Mountain longwall mine production topped out at 5.6 million in 2016. With new export sales, the mine ended up producing 5.9 million tons in 2017. With strong export demand continuing, full year 2018 coal production ended up at 7.6 million tons, which is close to its capacity of 8.0 million tons per year production. Q1 2019 production was 1.2 million tons. Expected lower export sales suggest final year 2019 coal production may drop to less than 7.0 million tons.

Higher export sales allowed the Lighthouse Resources' Decker mine to improve production from 2017 to 2018 by 0.6 million tons to 4.8 million; however Q1 2019 production dropped drastically to less than 0.4 million tons. For full year 2019 production could be as low as 3.4 million tons. The company is still trying to develop its 44 million ton per year, \$680 million Millennium Bulk Terminals-Longview coal export facility in Longview, Washington. The long-delayed facility received a boost in October 2018 when the Army Corps of Engineers revived an environmental review of the controversial coal-export project a year after state environmental regulators denied the project a key permit.

Jeff Hoops' Blackjewel LLC coal company took over Contura's Belle Ayr and Eagle Butte mines in December 2017. The two mines produced 33.1 million tons during 2017 and for full year 2018 the two mines produced 35.5 million tons, a 2.4 million ton increase. Q1 2019 production was also strong with 8.1 million tons produced. This is of interest because most of the mines that Belle Ayr and Eagle Butte compete against cut production back in 2018.





Blackjewel is considered to be a so called “8,400 Btu” coal producer. Excluding the “captive” mines (Wyodak and Dry Fork), the other Wyoming PRB mines that fit this category are Peabody’s Rawhide and Caballo, Cloud Peak’s Cordero Rojo, Arch’s Coal Creek and Kiewit’s Buckskin mines. Combined, these five mines cut back production by a total of 6.4 million tons from 2017 to 2018. This suggests to this author that prior to its sale to Blackjewel, Contura bought market share to assure a strong production year at Belle Ayr and Eagle Butte. Reports are that the company bid prices as low as \$8/ton to assure high production levels at the expense of production from other PRB coal producers. (This is one of the reasons Cloud Peak’s Cordero Rojo mine is not profitable and why Arch is cutting back production at its Coal Creek mine.

With Contura/Blackjewel buying market share and with Peabody’s announcement of cutting production by 10 million tons at its NARM mine, Arch’s announcement of cutting back Coal Creek production to minimal levels, with Westmoreland’s bankruptcy filing (and exit of) and with Cloud Peak facing Chapter 11, the PRB continues to experience major “winds of change.” The bottom line is that the PRB is not in a healthy state; one that may not be reversible. PRB coal-fired power plants will continue to shut down, natural gas prices are again in the mid \$2.50/mmBtu range and exports have again dropped.

One saving grace for 2019 is that in spite of natural gas prices in the \$2.50 range, natural gas stockpiles are 30% below the five year normal range. The EIA is projecting natural gas prices will continue to be low based on their assumption that gas production will continue to increase. It is Hanou Energy’s opinion that production may have hit a peak and may not increase as before. If so, expect gas prices to surge again and top \$4/mmBtu by mid to late summer, resulting in higher coal-fired generation.

Hanou Energy and Burnham Coal completed their annual Powder River Basin Coal Supply, Demand and Price Trends 2018–2037 report in August 2018. An updated report for 2019 is in the works. 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>.

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