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TODAY'S TOP 10

Cold stretch no panacea, only beginning of what's needed for domestic steam coal market revival

A number of sources are quick to emphasize that the early January cold snap that brought record power generation in some regions, while certainly a boost for Eastern coal producers, is not a panacea or sprinkling of magic dust that will signal a reversal of fortune in the domestic steam coal market.

The bitter cold turned up the heat in American homes and office buildings, and it also stoked the flames in the utility coal market, if only slightly. A few spot deals were done – or at least discussed – in Central and Northern Appalachia, and inquiries were much more numerous than in many months previous.

Still, as the reality of warmer weather takes hold in parts of the country, the producers' euphoria brought about by frigid conditions has been replaced by a return to the woe-is-me mentality that has prevailed in the recession-altered thermal coal market.

It wasn't a complete waste of cold weather for producers. Coal stockpiles definitely took a fairly sizeable hit, as several U.S. Coal Review utility sources have verified, and NYMEX pricing rose somewhat. A source added that FirstEnergy has returned some coal-fired units back to service, a move that has to bring a smile to the faces of certain producers.

Still, it seems activity among the big players in the market was limited, as inventories remain high at many power plants.

"It got cold, and people used more coal. It's basic Coal 101 class," a source said. "I know this is helpful, but on the other hand, I don't know if it is affecting prices much. I think there is still a malaise. It's too early to tell what this will do.

"In Pennsylvania, they are talking about a warm trend, and for the rest of the month they expect it to be above freezing. You wonder whatever slight gain there might have been if now the pressure might be off for the second half of the month of January. That's a good ways through the winter.

"Things are still fairly depressed. I am not seeing a lot of excitement. Coals really aren't moving. That's my barometer."

While acknowledging the role played by cold weather where stockpile levels are concerned, a source said an improved economy is the key to a return to normalcy.

"The U.S. unemployment (rate) is at 10 percent, and the manufacturing sector has not really picked up to the extent that you see much increase in electricity usage," he said. "As long as it stays there, I think we will be in the same doldrums.

"Even if it stays fairly cold, that's probably not enough to drop the stockpiles as much as is needed.

"I think the big driver is the economic situation. You need to see people going back to work and manufacturing opening back up. The manufacturing sector has to start making

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Americas Energy in Canada completes merger with Americas Energy in U.S. to form AENY, confuse many

Americas Energy Company of Canada and Americas Energy Company based in Knoxville, TN, have completed their merger and the company is now known as AENY.

The coal producer, which has reserves in East Kentucky and Tennessee, expects to be producing 75,000 tons of coal per month by the end of the year. Its current production, all under contract according to company President and CEO Chris Headrick, is currently coming from its East Kentucky properties.

"I am extremely pleased and excited for all the shareholders," Headrick said in a released statement. "The completion of the merger allows us to move forward with our business plan and to exploit all our assets to their maximum potential."

Headrick said that in the near future the company plans to begin mining at its Artemus operations, which include surface and deep mines in Knox County, KY. That includes coal from the Blue Gem seam. The company also plans on opening two deep mines that will produce mid- to high-vol met coal.❑

MIDWESTERN

White Oak branches look unlikely to extend to Illinois Basin sky nearly as quickly as once anticipated

It appears delay is at least in the offing for White Oak Mining's Illinois longwall plans, which were to mine 14 million tons/year of coal.

Mike Tracy, who served as White Oak's chief executive, has returned to Drummond Coal, from which he joined the Illinois venture. Drummond has not yet made any announcements regarding the move, but one is anticipated.

Reportedly, White Oak has retained its property folks and accounting department, but it's not clear the company is continuing to aggressively pursue permitting for a development that originally was set to go on line during 2010. One Illinois Basin source said he expects a delay of "five years, at least."

Questions about financing the project might play a role in any delay.

White Oak hasn't benefited from being a couple of years behind Chris Cline in getting to work on its mining venture.

"They were having trouble getting their permit" in a timely fashion, a source said, citing a long queue to get necessary approvals in Illinois. "I think the state just couldn't handle all the activity, so a lot of things got pushed back," a source said. The permit process was probably at least a year behind White Oak's expectations, a source said, "maybe two years."

Perhaps more information will emerge in the coming days, but for now, we will have to watch for White Oak's next move. Regardless of its plans, Southern Illinois will produce substantially more coal during the next few years, undoubtedly led by Cline.

"Chris Cline was three to five years ahead of everybody, and he's able to get his mines going," a source said. Cline could have 22-25 million tons of production on line within the next couple of years, assuming he judges the market to be prepared.

White Oak has some potential, though one source said its coal is "thinner, in general (than what Cline will mine in abundance) and also deeper – and probably higher in chlorine content."

As for the outlook for the Illinois Basin, its anticipated staggering growth path has changed "not at all," a source said. But White Oak might have been "two years too late getting started."

The company's plans include two longwall mines, each capable of producing for some 40 years 7 million tons of coal annually. The potential reserve base is 1 billion tons. While the seam might not be quite as favorable as what Cline is mining, it's six to eight feet, which is nothing to easily dismiss.❑