

SPECIAL REPORT: ILLINOIS BASIN

WESTERN KENTUCKY THRIVES: Independents and Big Boys Struggle to Keep Up With Increasing Demand and a Lack of Experienced Workers

BY LEE BUCHSBAUM

This is the second installation in a 2-part series covering the Illinois Basin, which also includes Indiana and Western Kentucky.

At the end of the 1990s, prospects looked grim for the Illinois Basin (IB). "1999 had to be the ultimate low market for western Kentucky," said Chester Thomas, principal owner of various coal related companies including Allied Resources, Inc. "You could hardly give washed coal away back then and you damn sure couldn't give away raw coal." In that year only 29.6 million tons came out of this storied coalfield, down from a 1990 high of nearly 45 million and mid-70s peak of just under 58 million tons. The same legislation that eviscerated the rest of the IB coalfield caused markets to collapse throughout the decade as production bottomed out at 21.5 million tons in 2003. Since then there has been an abrupt turn-about as renewed demand has driven coal production up some 23% over last year, with total figures projected to top out around 28 million tons, or 5 million tons higher than 2004.



Chester Thomas (right) and Chris Williams of Allied Resources at the Onton No. 9 mine.

While such an increase is not a huge upswing elsewhere, western Kentucky is the only area displaying real growth within the entire Illinois Basin where capacity is escalating, but production continues to decline.

Prior to the Clean Air Acts, power plants and infrastructure were designed to exploit local coal deposits. But since then, other regions have taken over much of that market share, with IB coal being blended—if used at all. Recently, however, many local power generators have installed scrubbers, and more units are on the way. With transportation and fuel costs soaring and scrubbed capacity growing, western Kentucky's many power plants are returning to what's near at hand.

Perhaps anticipating these trends, several large coal operators expanded capacity. As companies like P&M Coal Mining Co. exited, and Lodestar and Horizon Natural Resources (HNR) declared bankruptcy, the region has experienced tremendous consolida-

tion. The large coal operators have purchased most of what reserves are still extant, virgin or otherwise. Today, according to Mark Bowles, owner of Rapid Energy and son of Don Bowles, long time western Kentucky independent and owner of Charolais Coal, "there is very little reserves around here that they don't control; maybe 80% belongs to larger companies."

In 2004, Peabody Energy produced approximately 8.7 million tons in western Kentucky, roughly 38% of the total production from the region. Alliance Resources, which produced 8.1 million from their Dotiki, Warrior and Hopkins County mines comprised another 35%. Robert E. Murray's KenAmerican mine accounted for another 10%. The smaller, independent companies are all fighting for a piece of the remainder.

THE NEW ONTON NO. 9 MINE

While the big boys are adjusting to new market demands, so are western Kentucky's independent operators like the Bowles' and Chester Thomas' Allied Resources, both of which have opened new mines this year, including two large underground operations. "We are now the largest producer in Webster County," said Thomas, "and in 2006 the new Onton No. 9 should produce 2.5 million tons per year." Given that Thomas, through various companies, also owns the 1.2 million tpy Vision No. 9 mine, these combined operations could be considered the third largest producer and the largest independent in western Kentucky.

The Onton No. 9 mine is the first underground facility to be constructed in western Kentucky in years. Its 60 million ton reserve base will allow it to be mined over a two decade period. After receiving all of its permits and securing a 20 year, 1 million plus tpy contract with the Tennessee Valley Authority (TVA), it took about 13 months to construct Onton, reaching coal in the 11th month by driving a 2,000-ft slope. Most of the construction work was undertaken by Allied themselves using a Joy 14 CM11 and a Auxier Welding rebuilt Joy 10-ton shuttle car. Workers at Onton set a temporary drive at the top of the slope and then advanced by cutting with a continuous miner and loading rock on the shuttle car.

Power cables for working on the slope were dropped down a series of bore holes. Once the slope advanced to the next bore hole, the power was advanced and concrete was poured through the old bore hole. The final product was 9° slope with primary roof support consisting of both 5-ft and 12-ft roof bolts and in some places truss bolts were installed as needed. The floor was constructed with steel reinforced concrete to a thickness of 12- to 20-inch. Camber Corp. arches with steel lagging were also employed, with the arches being fully encapsulated with 4,500 psi concrete. "There is not a better constructed slope anywhere in West Kentucky," declared a proud Thomas.

The new mine's air shafts were constructed by North American Drillers. They consist of two 11.5-ft diameter holes lined with 10-ft fully grouted steel liners. "North American does one hell of a job," said Thomas. I don't know why anyone would use any other contractor for building air shafts."

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The mine has excellent roof conditions, a 54-inch coal seam, and all new equipment. Onton completed its development stage and began producing in August, and has since added a second CM unit. "Currently," said Thomas, "our plans are to have three super sections working two shifts a day, with maintenance and dead work on third shifts. We are using on each super section, two Joy 14 CM15s, four rebuilt shuttle cars, two J.H. Fletcher Roof Ranger II's and DBT rebuilt 488 battery-powered scoops. The slope has a Goodyear 1,500 PIW conveyor belt and we're using Pioneer belt structure and Price conveyor belting underground." Onton also employs a 500 ton per hour (tph) heavy media prep plant using a Krebs 40-inch HM cyclones, 15- and 6-inch classifying cyclones, a Decanter screen bowl, Tabor double deck screens as well as a ConnWeld double deck Banana screen and two Phoenix belt presses with adjacent stacker storage, and a ROM raw coal stacking tube with a reclaim tunnel.

The new Onton mine is adjacent to the separate Steamport LLC's coal dock (also owned by Thomas), situated on the Green River. The facility began loading coal in February 2004 from the nearby Vision No. 9 mine. Since Steamport's 1-mile long overland conveyor is just 50 feet away from Onton's permit boundary, they can eliminate any associated trucking costs. The new dock is scheduled to operate two shifts per day loading about 3.5 to 4 million tpy.

CHAROLAIS AND RAPID ENERGY

Despite a general depletion of surface reserves, Charolais and Rapid Energy have been mining for almost 30 years. Owned by longtime independent Don Bowles and his son Mark, the companies operate one underground and four surface mines. Most of Charolais' present reserves were purchased from P&M when they exited the region during the late 1980s. After a five-year absence, Don opened up a new surface mine in 2001. Four years later, he also opened his first underground operation, the Old Sunrise.

"When he shut down in '96" said Mark, "we were up to about 200 employees. In 2001, we came back in with 35 and now we're almost up to 200, roughly the same size we were a decade ago, but now running a combined total of between 195,000 to 205,000 tons per month from all the operations." Charolais is also building a new 1,200-tph prep plant, raw coal facilities, and river transloading dock on the Green River. The company will be able to load either clean, raw, or blended coal into waiting barges. The senior Bowles manages the Charolais mines assisted by his son Donnie, and Mark runs the other two Rapid Energy operations.

Rapid Energy's new Caterpillarville mine is being developed into the largest surface operation in the region. "I'm on the high end of available western Kentucky coal, lower in sulfur and more than 12,000 Btu/lb, said Mark. Any better you'd be over in Appalachia."

Production runs about 60,000 tons per month, mined at a 25:1 ratio, moving roughly 80 feet of overburden to get into the 3.5-ft seam. "Larger operations just aren't feasible anymore," said Mark, "unless you're getting about \$80 a ton to run a 3 million yard/month mine for eight to 10 years. Except for our operation, I'm not aware of any place where you can run half of that. The truth is everyone pretty much cleaned out those reserves in the 1980s and 1990s. We're going after what they left behind and said couldn't be mined." As both Mark and Don related, since the 1950s, there have been people saying that western Kentucky is out of coal, "but at a certain price and technology, you can make it happen."



Mark Bowles at the Rapid Energy Caterpillarville mine in western Kentucky.

LOCAL PLANTS INSTALL SCRUBBERS

Currently Western Kentucky Energy is scrubbing at their Green, Henderson II, Reid and D.B. Wilson Station power plants and its Coleman Station will have a scrubber on line in January. "Additionally," said Allied's Chester Thomas, "customers have come back to our area such as AEP which stopped buying coal in 1994; and Cinergy is active around here again too." As many have predicted, when scrubbing takes sulfur out of the equation, the issue becomes one of transportation costs for delivered Btu's. With those costs soaring, many power plant fuel managers are contemplating buying locally. This is especially true for folks at the TVA, whose massive Paradise Fossil Fuel plant is just now completing a several hundred million dollar scrubber installation project.

For decades TVA has been one of, if not the, largest consumer of IB coal. Their power plants are for the most part evenly served by both rail and barge. Anytime Jackie Preslar, general manager of Fuel Supplies for TVA, looks at coal prices, transportation costs immediately come to mind. "I don't separate the two," he said. "Whenever it comes time for me to decide what coal to purchase for what plant, I look at its delivered-in costs, that's the bottom line."

Today, great amounts of Illinois Basin coal are shipped into Paradise. "Most of it is trucked coal from western Kentucky, but we're starting train deliveries again" as the rail spur has been rebuilt and trains from Alliance's Dotiki mine now ship there several times a week.

Out of TVA's 59 coal-fired units, only six are scrubbed. Those six, some of TVA's larger units, burn predominantly IB coal. TVA has five additional scrubbers planned or under construction. Two of them are at Paradise and they're scheduled to begin operating this year, with a third joining them in 2006. "When these come on line, it will open up the markets for us as it becomes a question of where we can get the cheapest Btu's at this point in time," Preslar said. "If the price stays right, it migrates us toward the Illinois Basin. Even though we get 20% of our total from the PRB and are also the nation's biggest buyer of Colorado coal, getting coal from the Illinois Basin is a lot easier than Colorado or Wyoming."

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Aerial view of Charolais Coal's Old Sunrise mine in western Kentucky.

MANPOWER CRUNCH

After a decade where the industry was contracting, no one was hiring and many experienced miners were let go, western Kentucky—like most of coal country—has lost an entire generation of miners. And many of those who are still working are mostly in their 40s and 50s and looking to retire themselves. Today, local competition for trained workers is driving up labor costs as regional operators struggle to match or trump their competitors' pay packages and extend more benefits and throw in a few perks. "This area is pretty well tapped out of coal miners," lamented Mark Bowles, "if for some reason I had to find 25 miners, I'd hate to do it, 'cause I'd be stealing someone else's crew."

BOB MURRAY TAKES EXCEPTION WITH GLOWING IB REPORTS

While many analysts have touted the emerging possibilities within the Illinois Basin, and with a wave of the new operators betting their capital on a high sulfur market resurgence, others have taken a less optimistic viewpoint as to what level of renaissance can be expected over the next five to 10 years. One somewhat surprising bear in this debate—especially given his large financial stake in the Illinois Basin—is Robert E. Murray, owner of the Murray Energy Corp. which has two large facilities in southern Illinois and western Kentucky: the American Coal Co. in Galatia, Ill., and the KenAmerican Paradise mine near Central City, Ky.

In a candid interview, Murray declared that any resurgence that has already begun within the Illinois Basin has been overstated and while some "coal operators will definitely benefit from the installation of scrubbers and other forms of clean coal technology in the years ahead, these markets have not yet materialized." And at the moment, demand for IB product is weaker than any other type of coal in the country. Nor does Murray believe that most of the new applied technologies will ever come to fruition. At the same time, though, Murray Energy's own IB mines have begun churning out more coal, ramping up production, and creating plans for further expansion.

The American Coal Co. operates three longwalls at the Galatia North and Millennium Portal mines, which feed coal to a 2,600 ton per hour central cleaning plant. The longwall in the No. 6 Seam mine started operation at the end of September 2005. That will bring the complex's total output to 10.5 million clean tons per year, up from 6.5 million last year. Also, over the summer of 2005, the central cleaning plant was upgraded and fully renovated to handle the escalated coal throughput.

Prior to the new No. 6 Seam mine's startup, the complex's total production already comprised nearly 20% of all the coal coming out of Illinois. And according to Murray, on a

The shortage is propelling a tremendous effort to train new miners. But it's a necessarily slow process, and while these green hats are training, production is slowed down and equipment costs are rising. Bowles worries that while "we're going to work more people and have more miners next year, we're going to run less coal. Through no fault of their own, unskilled employees are going to just tear up more equipment." This is an especially important concern in underground mining where there is much less room for error.

Recently, Don Bowles' underground Old Sunrise mine was forced to idle after running with a crew made up of too many inexperienced miners. With the cost of fuel, explosives, steel, and bolts escalating, and with equipment and parts hard to find, margins were already tight. Add to it the costs of both training and enduring production slowdowns, and the ink starts to bleed red. But as Mark was quick to point out, "you can't fault people for having a learning curve. It's necessary." While the state is helping to prepare people, "you can spend lots of time in classrooms," said Mark, "but until you get a guy in there that wants to learn and has natural talent, you're not going to have a really productive workforce. A surface miner is going to take three years to really understand his job, underground miners probably five. And not everybody makes it all the way through."

Although most operators are quick to point out that they would rather not have another 4 to 5 million tons coming into the marketplace, almost all of them have plans to do so. Alliance's new Elk Creek operation outside of Madisonville will be ramping up to 3.2 million tons throughout 2006. KenAmerican could expand by another 3 million tons. And one of the projects that many are following is Peabody Energy's Thoroughbred Energy Campus mine-mouth 1,500-megawatt coal-fired power generating plant and adjacent 6 million tpy underground mine.

raw coal basis, the American Coal Co. was already the largest coal mining complex in the United States and certainly will be as the No. 6 mine produces to full capacity.

Across the Ohio River in Muhlenberg County, Ky., the KenAmerican Paradise mine currently produces about 2.4 million tons of clean coal per year through their new prep plant which has been in operation for less than a year. The mine uses several super sections to extract this coal. From there, KenAmerican's product is primarily delivered by truck to local power plants though some is shipped longer distances by barge and rail. Historically the mine was producing 2.4 million tpy raw (or 2 million tpy clean) and it's since been ramped up. There are also plans to double the size of the mine over the next three to four years if markets do materialize, but further expansion will only take place if those markets actually do materialize.

As Murray expands his operations he's been keenly monitoring what he terms a "stampede" into the Illinois Basin of "many would-be coal producers and their financial backers," whose money is being thrown around pursuing technologies and new markets that are probably not going to appear.

"These potential coal operators and their financiers are promoting mine-mouth, integrated gasification combined cycle and other types of projects which, I believe, will never be built," Murray said. And the problem is that if these neophytes do not build power plants or manufacture markets, they are going to find out that existing markets for their IB coal aren't there, at which point they could cause whatever value IB coal still retains to fall further.

In a word, driving so much of the speculation over the IB is exactly that: speculation," Murray explained. Although increased coal demand and prices over the past one and one-half years "has been a blessing," Murray lamented that it has also "brought forward groups of financial investment firms, individuals, and would-be coal operators who are assembling coal properties for the purpose of promptly

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A rising tide lifts all boats. But western Kentucky, for a variety of reasons, has historically been the last of the three regions to see that lift and the first to return to bottom. "Generally, said Mark Bowles, "we're at the bottom of the food chain, when the price of coal gets high enough and other markets go up, ours starts to get attention, but it's usually the last one to bounce back and the first to sink." Illinois, Indiana and even eastern Kentucky have usually seen large increases before western Kentucky would. Today, that rule of thumb is reversed. The tide is on the rise.



Idled dragline at the Kindill No. 2 operation in Indiana.

HOOSIER HAPPENINGS

Nearly 15 years ago Indiana mined roughly half of what Illinois did and trailed western Kentucky by extracting "only" 35.9 million tons. Now Indiana is the 8th largest coal producing state in the nation, ahead of Illinois by several million tons and has rebounded to near pre-Clean Air Act levels. In 2004, Indiana's 28 mines (7 underground, 21 surface) extracted 35.2 million tpy, only 2 million below the record set in 1984. The Hoosier State's coal industry has been able both to recover and seemingly make new ground due to its coal's predominantly lower sulfur properties (compared to the rest of the IB), a still regulated utility industry, a State governmental decision to use local resources and further promote Indiana coal, easily recoverable surface reserves, a diversity of transportation networks, and of late, a fairly steady and slightly growing in-state coal market.

Buoying the state's coal industry, as Nat Noland, president of the Indiana Coal Council related, is the fact that Indiana derives fully 98% of its electricity from coal and that its regulated power plants consume the second largest amount of coal in the nation, some 50 million tons, with over half originating in-state. "The utilities," Noland said, "anticipating the Clean Air Acts, installed scrubbers early, beginning in 1995. Currently we have only one power plant that burns predominantly PRB coal, and we have a couple of other utilities that use some western coal. In Indiana, we're loyal to each other."

However, as Prof. Tom Sparrow, director of Purdue University's Indiana Center for Coal Technology Research (CCTR), points out, "since 1987, Indiana coal use has increased over 30%, while in-state production has increased only 3%. PRB and western coals have dominated that growth market."

Throughout the 1990s, as coal companies adjusted to the Clean Air Acts, many exited Indiana for lower sulfur markets. Peabody Energy's Black Beauty subsidiary, on the other hand, did just the opposite: purchasing reserves, and later expanding into them. "Today Black Beauty," said Noland, "is by far the most dominant coal provider in the State.

They've gone from a company that mined only 2 to 3 million tpy to a whopping 18 to 19 million tpy, or more than 50% of our total Indiana output." And they're far from finished growing as the construction work at their planned 2 to 3 million tpy Knox County operation readily attests. This former HNR facility (Beech Coal Sycamore), is one of three Peabody/Black Beauty purchased earlier this year (along with Kindill No. 3 and Zeigler No. 11), and is one of several former HNR properties now in transition. It also suggests that although HNR may not have been solvent, the viability of their holdings and the value of Indiana (and IB) coal is only growing. Alliance Resources LP is also moving into other reserves, having recently initiated the permitting process to begin mining their large Gibson County south reserve area. When completed in 2008-9, this new 3.2 million tpy underground mine will allow the company to produce some 6 to 7 million tpy within the state.

While Alliance and Black Beauty continue to increase production within Indiana, they are being joined by new players like James River Coal Co. (JRCC), a long time CAPP operator, and the first large eastern miner to enter Indiana since the beginning of the coal industry's recent upswing. JRCC's \$75 million purchase of Triad Mining at the end of May 2005 raised many eyebrows, however, not because the company decided to enter the market, but because of the amount they paid for one underground and six surface mines that produced a combined 3.4 million tons from less than 20 million tons of proven reserves.

Although James River is reticent to discuss their immediate plans, their stated corporate goal is to achieve a measure of parity and balance between their CAPP reserves and production (220 million tons of proven or probable tons of reserve with a roughly 20 year lifetime mined at roughly 8.5 million tpy), and what they'll be able to purchase and mine in the Midwest. James River's biggest customer, The Southern Company, is making a \$7 billion investment in scrubber technology over the next several years. As associated costs continue to rise in CAPP coal production, this move allows JRCC to remain competitive and offer more flexible pricing to customers throughout the Southeast and Midwest.

Several other former HNR properties, Kindill No. 1 and No. 2 in Pike County, have also recently been in play. Once HNR was liquidated, these properties, along with Kindill No. 3, were acquired by Lexington Coal LLC. Idle since September 2004, both Kindill No. 2 and No. 3 had been producing up until liquidation. Kindill No. 1 and No. 2 however, have been involved in an evolving transaction between Lexington, T&T Washing of Madisonville, Ky., and

CLARIFICATION/CORRECTION

Last month, Part I of the Illinois Basin report contained some inaccuracies that need to be clarified.....

Fully two thirds of Alliance Resource Limited Partner's 2004 production and roughly 70% of its 512 million tons of reserves are located in the Illinois Basin. MAPCO Inc. was the parent company of Alliance's predecessor company MAPCO Coal, Inc. Joe Craft served as general counsel of MAPCO, Inc. from 1982 to 1986 when he was appointed president of MAPCO Coal, a position he has retained throughout MAPCO Coal's transformation into ARLP. In 1996, The Beacon Group, along with the MAPCO Coal management team formed Alliance Coal Corp. to purchase the coal division from MAPCO Inc. Alliance is currently developing the Elk Creek reserve which contains 33 million tons of high sulfur coal. Alliance's recently announced Tunnel Ridge project is located in Northern Appalachia.

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American Metals & Coal International (AMCI), a large investment and holding company headquartered in Greenwich, Conn.

T&T currently operates several slurry impoundment recovery operations throughout western Kentucky and is recovering coal fines at the old Enos mine near Kindill No. 1. Eddie Tapp, T&T's owner, does have some mining experience, having been involved in a few smaller western Kentucky operations. AMCI formerly owned and operated several large underground mines in Central Appalachia, all of which were sold to Alpha Natural Resources, another company that has publicly stated their interest in entering the Midwestern market and was initially linked to this transaction, though they have subsequently denied any participation in it.

This newly created partnership, entitled the Indiana Land and Mineral Co., LLC, will take advantage of Kindill No. 1 and No. 2's substantial underground reserves and the large amounts of waste coal present at both these former surface mines. Although most of the surface reserves at Kindill No. 1 have been depleted, substantial deep reserves remain there in the No. 5 coal seam. Both mines may also contain some reserves in the lower sulfur No. 6 and No. 7 seams that could feasibly be blended with other coals. However, if any coal is extracted out of the long idled Kindill No. 1, according to state officials, the new operator would likely have to demolish the existing plant and construct new facilities. Conversely, Kindill No. 2 was operated until HNR shut down and should only require minor refurbishment.

This transaction further illustrates the renewed vitality and salability of Indiana coal and the higher sulfur underground coal found in these reserves. In the very recent past, most operators would have dismissed these in favor of easier to mine surface reserves, but now with so much scrubbing activity and potential coming on line, this

coal is much more marketable. If indeed a new generation of now planned gasification (IGCC) power plants are constructed, the large deposits of coal fines would constitute "an ideal feedstock for these facilities," said Prof. Sparrow, "they can burn anything."

Indiana's coal industry will hopefully be further boosted by the new Governor Daniels Administration which recently signed legislation that provides a major tax credit for utilities to construct new IGCC plants that use Indiana coal. A recent study conducted by Purdue's CCTR estimates that substitution of Indiana coal through clean coal technologies required in the Clean Indiana Energy Legislation could replace some of the 22.5 million tons of coal currently imported and add billions of dollars and up to 18,000 jobs.

At the end of September, two Indiana power generators, Cinergy\PSI and Vectren, announced that they are currently negotiating a contract with General Electric and Bechtel for a preliminary engineering study and design of a commercial IGCC generating station. They are considering several sites, for the 600 megawatt facility. It would require an estimated 1.5 to 1.7 million tons of coal per year.

A decade ago, Cinergy was part of a federally assisted project to build a small 260-mw demonstration IGCC unit near Terre Haute to determine the viability of a commercial design. Today it appears as though the timing and economic incentives are making the leap to a full commercial plant more possible. Furthermore, Prof. Sparrow has pointed out, given that similar proposed plants, at least in theory, could also take advantage of advanced Fischer-Tropsch coal-to-liquids processes to create transportation fuels either off peak or at night, and one can begin to imagine the full potential that this new generation of coal and energy technologies might contain.

cashing-out through an initial public offering, with no apparent attempt to really mine the reserves." They may be dressing up the girl, but there's no prom to take her to, and Murray doesn't believe one will break out anytime soon.

However, while castigating others for rushing in too quickly, Murray's company has also been increasing capacity ahead of expanding markets in an attempt to gain them as soon as they become available. "You may ask why we have developed the new No. 6 Seam mine at American Coal," parried Murray, "when anticipated markets have not yet materialized. The answer is that, with previously existing infrastructure, we were able to build the No. 6 at a cost of about \$7 per annual ton of production, compared to \$30-\$50 per annual ton for a new stand alone mine. Thus, our new mine, with low capital and mining costs, should capture whatever market is available for a 4.2 lb., 11,800 Btu coal in the IB at the present time and going forward. Indeed, our initial production from this mine is close to being sold out."

Murray doesn't deny that strong markets for Illinois Basin coal will eventually materialize with the retrofitting of scrubbers and other forms of clean coal technologies on existing and new electric generating units. "But it will take some time, and in the interim, electric utilities will consume whatever producers and shippers can provide from Central Appalachia," Murray said. "The same should apply to Northern Appalachian sources, and, of course, Powder River Basin coal will be a factor in virtually every region of the country."

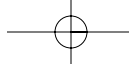
One of the side effects of coal's comeback nationally and more to the point, within the Illinois Basin, has been a resulting shortage of equipment, materials and qualified workers. Throughout the region, coal operators of nearly every size are complaining that there just aren't enough people to produce the output that the market can now absorb. This is causing a rise in wages and benefits for the individual experienced mine worker, and propelling quite a few to move from mine to mine in search of the best pay package.

Even before the Millennium Portal was constructed, turnover rates at Murray's American Coal Co. had become somewhat legendary throughout Illinois. Toward the middle of September 2005, American Coal had more than 900 total employees, with a very high percentage having been hired within the past three years. And fully 28% of these folks are considered "red hat" or inexperienced miners. For a variety of reasons, be they geological and hydrological, labor and management, or Murray's well known 'charisma', it has been difficult to maintain a viable workforce in Galatia.

At the Paradise mine, however, the employee base has been quite stable (at a much smaller 230 person force). Given how disrupted the industry in western Kentucky became when Peabody Energy and others pulled out during the 1990s, perhaps those workers will simply tolerate more to hold on to a well-paying job. Murray blames a good portion of his labor troubles on the "raiding" of his employees "by the new mining companies coming into the Illinois Basin." Whatever the turnover rates, few dispute that his workers are certainly well trained when they take off their red hats, and that makes them a premium commodity within the IB.

The current "rush" into coal in general, and the hints, rumors, and hopes within the IB remind Murray of the 1970s when the oil companies entered the coal business. While their imprint, in hindsight, can be viewed positively or negatively, at least they treated their new coal acquisitions as they did their oil, on a long term basis," Murray said. "Now we see financial institutions, individuals, and promoters upsetting much of the U.S. coal industry in an attempt to turn a quick profit. These institutions and individuals do not serve the best interests of coal producers and customers, or our country."

Murray Energy certainly remains bullish on coal and particularly a product that has a high heating value and is located near waterway transportation. "This has been the primary strategy of our company from its inception, and one which we will continue," Murray said.



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2. Which one of the following best describes your primary business activity?

- 90 Coal Mining Company, including exploration, mining or preparation and distribution of bituminous, lignite or anthracite coal.
- 12 Coal Transportation.
- 13 Users of coal—utilities, power plants, cement plants, industrial facilities.
- 14 Consulting or Construction Engineering.
- 15 Research firms, engineering technical schools, university instructors and students, libraries, associations.
- 16 Government departments, divisions, and institutes.
- 17 Financial institutions.
- 18 Distributors of machinery, equipment and supplies.
- 19 Manufacturers of machinery, equipment and supplies.
- 20 Coal Sales, import or export companies, land companies.
- 21 Metallic or non-metallic mining; oil gas firms.
- 11 Other (Please specify) _____

3. What is your job title?

- A Administrative (President, CEO, Vice President, Secretary, Treasurer, Owner, Partner, Purchasing Agent)
- B Department Heads (General Manager, General Superintendent, Mine Manager, Safety Manager, Environmental Manager, Manager and Supervisor)
- C Sales/Marketing Executives and Personnel (Sales Manager, Director of Sales, Vice President of Sales, Vice President of Marketing, Marketing Manager, Territory Manager)
- D Production Executives and Technical Personnel (Chief Engineer, Mine Engineer, Geologist, Surveyor, Preparation Plant Engineer, Consultant)
- E Production Supervisors and Foreman (General Mine Foreman, Preparation Plant Foreman, Maintenance Foreman, Electrical Foreman)
- F Production Personnel (Foreman Operating Boss, Crew Supervisor, Mine Examiner and other mining company employees)
- H Professor or Instructor
- G Other (Please Specify) _____

4. Which one of the following best describes your primary job function?

- 1 Management
- 2 Operations
- 3 Engineering
- 4 Purchasing
- 5 Maintenance
- 6 Foreman
- 7 Other (Please specify) _____
- 8 Safety/Employee Relations
- 9 Reclamation/Environmental
- 0 Marketing/Administration
- 92 Consultant

5. If you are employed by a coal producing company, please provide the following information on your operation.

I personally work in: (Check all that apply)

- E Underground – Longwall
- F Underground – Other
- G Surface
- H Preparation
- S Other (Please specify) _____

6. How many tons of coal are moved at your mine site annually?

- P More than 3 million
- Q 1 million – 3 million
- R 500,000 – 999,999
- S 250,000 – 499,999
- T 0 – 249,999

7. Check all the products you personally select/specify/buy:

- 1 New Equipment
- 2 Equipment Upgrades
- 3 Plant Additions
- 4 Technology Upgrades
- 5 New Mine/Plant Construction
- 6 None

8. Which of the following best describes your involvement in the purchase of products or services (check all that apply)?

- 1 Recommend
- 2 Specify
- 3 Approve
- 4 Buy
- 5 Consult
- 6 Are involved
- 7 Not involved

9. What is the dollar volume per year you spend on products and/or services?

- A \$0 - \$500,000
- B \$500,000 - \$1 million
- C \$1,000,001 - \$5 million
- D \$5,000,001 - \$10 million
- E \$10,000,001 - \$20 million
- F Over \$20 million

NAME: _____ TITLE: _____

COMPANY: _____

COMPANY ADDRESS: _____

CITY: _____ STATE: _____

ZIP/POSTAL CODE: _____ COUNTRY: _____



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