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Roster of US coal companies turning to bankruptcy continues to swell

By Taylor Kuykendall

As coal market conditions squeeze even the most optimally balanced mining companies, more than three dozen coal operations have been forced into bankruptcy in just over three years.

A review of bankruptcy filings by SNL Energy found that most of the operators turning to the bankruptcy courts in the U.S. are primarily doing so in Central Appalachia. The coal mining region has been hardest hit by market pressures as the region's increasingly difficult geology has left neighboring coal basins with a competitive advantage as the entire sector battles increased regulatory scrutiny, weak export markets and inexpensive natural gas.

Coal company bankruptcy filings since 2012

01/23/12	Evergreen Energy	7	$240M	Delaware
01/26/12	Larry Addington	11^	$7.1M	Kentucky
02/15/12	Alpha & Omega Coal	7	Up to $1M	West Virginia
03/29/12	H & D Mining	7	Up to $50,000	Kentucky
06/11/12	B&B Coal	7	$125,750	Kentucky
06/29/12	Panther Branch Coal	7	$2.4M	West Virginia
07/09/12	Patriot Coal	11	More than $1B	Missouri
07/11/12	Conshor Mining	7	Up to $50,000	Kentucky
09/21/12	Tennessee Classic Coal	11	Up to $500,000	Tennessee
10/01/12	Haley Bros. Coal	7	Up to $10M	Alabama
11/07/12	King Coal Trucking	11	Up to $50,000	West Virginia
02/01/13	Cobra Mining	7	Up to $50,000	Pennsylvania
02/01/13	America West Resources	11	$18.3M	Nevada
02/14/13	Trinity Coal	11	NA	Kentucky
02/14/13	Excell Energy and Coal	11	Up to $50K	Kentucky
02/19/13	T&T Energy	11^	$8.5M	Kentucky
06/28/13	Twin Star Coal	11	$2.8M	Kentucky
07/01/13	Detherage Coal Sales	7	$10,398	Kentucky
09/23/13	Lily Group	11	Up to $50M	Indiana
10/08/13	Valley Mining	7	Up to $50,000	Ohio
11/22/13	Manalapan Mining[1]	7	$2.3M	Kentucky
11/22/13	Left Fork Mining[1]	7	$56,700	Kentucky
11/22/13	Cloverfork Mining & Excavating[1]	7	$61,609	Kentucky
11/22/13	Cumberland River Energies[1]	7	$14,000	Kentucky
11/22/13	B&S Trucking[1]	7	$10,845	Kentucky
11/22/13	Bennett Resources	7	No assets	Kentucky
02/07/14	Cobalt Coal	7	$30,000	West Virginia
04/07/14	James River Coal	11	Up to $1B	Virginia
05/22/14	US Coal*	11^	NA	Kentucky
05/22/14	Licking River Mining*	11^	NA	Kentucky
06/27/14	IBCS Mining	11	Up to $50M	Virginia
10/08/14	Coal Valley	7	Up to $50,000	Pennsylvania
12/01/14	Bumi Investment	15	Up to $1B	New York
12/01/14	Bumi Capital[2]	15	Up to $500M	New York
12/01/14	Enercoal Resources[2]	15	Up to $500M	New York
12/03/14	Cline Mining	15	Up to $100M	Colorado
02/24/15	Covington Coal[2]	11	$1.1M	West Virginia
04/06/15	Xinergy	11	Less than $50,000	Virginia
04/15/15	Grass Creek Coal	11	Up to $500,000	Wyoming
05/12/15	Patriot Coal	11	More than $1B	Virginia
05/27/15	Birmingham Coal & Coke	11	Up to $50M	Alabama
06/03/15	A & M Coal	7	Up to $500,000	Kentucky

List may not be comprehensive.
[1] Companies of coal operator Benjamin Bennett and his family.
[2] U.S. units of Indonesia's PT Bumi Resources Tbk.
* Jointly filed.

^ Later converted to a Chapter 7 case.
NA = not available
Sources: SNL Energy, assorted court filings
Credit: Cat Weeks

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Patriot Coal Corp., now on its second bankruptcy since it first filed in 2012, noted the sector's challenges in a declaration from Chief Restructuring Officer Ray Dombrowski.

"Coal's share of the U.S. energy market and prices for thermal and metallurgical coal have both declined markedly," Dombrowski wrote. "The lethargic economic environment, lack of growth in energy demand generally, and a number of scheduled coal-fired plant retirements have precipitated this decline. … Additionally, the demand and price for metallurgical coal are dependent on the strength of the global economy and, in particular, on steel production in countries such as China and India, as well as Europe, Brazil and the United States. The global metallurgical coal market continues to suffer from oversupply in addition to reduced demand from China, further depressing the price of coal."

Patriot also cited increased regulatory impediments, including not just environmental protections, but also worker health and safety obligations as reasons for the company's stress. Many companies, particularly in Central Appalachia, have also amassed a large amount of legacy liabilities.

Now, it appears Blackhawk Mining LLC is poised to capture a substantial amount of Patriot's assets. It also made a move on the distressed assets of James River Coal Co., which expressed concerns similar to Patriot about the state of coal markets in early 2014.

"Domestic demand for coal has decreased dramatically, in large part because alternative sources of energy have become increasingly attractive to electricity generators in light of declining natural gas prices and more burdensome environmental and other governmental regulations," wrote former James River Chairman and CEO Peter Socha in an April 7, 2014, bankruptcy filing. "Similarly, the seaborne markets have experienced an oversupply of coal products, primarily in response to slow economic growth in key international markets."

Murray Energy Corp. President and CEO Robert Murray warned attendants of an industry conference in September 2014 that more coal companies could soon resort to bankruptcy. He said those publicly touting their ability to shed costs in tough markets — as Alpha Natural Resources Inc., Arch Coal Inc. and other companies have done — are in trouble.

"Because in the coal business, you already had your costs as low as you could possibly make them every day," Murray said. "That is garbage from public coal companies who are worried about their stock price. Be alerted."

Arch has been reported to have hired restructuring advisers to help the company reduce its debt.

While the met coal market has shown some signs of hitting bottom, any recovery may not be rapid enough to save producers that are closest to the edge. Though Alpha and Arch have significant liquidity cushions, many analysts have kept a watchful eye on Walter Energy Inc., a met coal producer with a lower pool of liquidity.

While regulations expected to restrict demand are on the horizon for domestic thermal coal companies, at least one company believes that those with heavy thermal coal portfolios are in better shape than those that primarily produce met coal. Credit Suisse, which recently initiated coverage on several in the coal sector, warned investors considering picking up cheap coal stocks that the industry faces a "dire macro outlook."

Many producers that have filed for bankruptcy are seeking to liquidate their assets, but some are hoping to restructure and emerge as a stronger company. Mark Levin, a BB&T Capital Markets analyst, noted in a recent report that coal companies looking around at distressed competitors may seek a "first mover" advantage and file bankruptcy soon. He also suggested a major bankruptcy, like that of Walter, could trigger a domino effect that ripples through the industry.

Article updated at 3:22 p.m. EST on June 5, 2015, to correct the date of Cobalt Coal's bankruptcy filing.