A concise Guide to Wyoming Coal 2004

An industry overview produced by the
Wyoming Coal Information Committee

Wyoming Coal

Wyoming Mining Association

www.wma-minelife.com
Wyoming Coal Trends

Wyoming coal mines led the nation in 2003 for the 16th consecutive year producing 376 million tons of coal. Even though total U.S. production declined by 25 million tons, Wyoming had yet another record-setting year, outpacing the previous year’s production by over three million tons. Total coal consumption increased slightly with electric utilities in the U.S. increasing coal consumption by 2.4 percent. Coal continues to serve as the largest component fuel of base-load generating capacity, supplying 53 percent of total U.S. electrical power.

Wyoming supplies 35 percent of the nation’s coal production.

Growing energy needs continue to stimulate Wyoming coal production. While tonnage at mines in Appalachia and the Midwest is declining, Wyoming coal production, particularly in the Powder River Basin, is increasing. This is for several reasons: world-class coal seams, some over 80 feet thick; proximity of the coal to the surface; and a desirable low-sulfur composition. On average, 65 unit trains leave the Powder River Basin each day. Weighing between 11,000 and 15,000 tons, the 120 to 150 car trains carry coal to energy markets throughout the country.
While the average price for Wyoming coal rose 2.1 percent from 2002 to 2003—from $6.66 to $6.80 per ton—coal prices are still substantially below the levels seen in the mid-1980s.

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The coal industry continues to be a stable source of employment for Wyoming. Since 1990 the average annual variation in employment in the coal sector has been less than 3 percent. In 2003, Wyoming coal mines employed 4,788 people. It is estimated that each coal-mining job supports 3 related jobs in other sectors for a total of more than 18,700 coal related jobs statewide.

Coal industry jobs are also among the best paying in Wyoming. The U.S. Department of Commerce reports total labor earnings of $312.7 million for coal mining in Wyoming, representing average earnings per job in the coal industry of more than $64,000 (This does not include health benefits or other employer paid compensation that could add up to 40 percent more). This wage level is twice the state average of $32,000 per job. The combination of both direct and secondary employment—jobs created by the coal industry—results in significant benefit for the state. In 2000, for example, total payroll generated by direct and secondary employment exceeded $634 million.

Coal mining is an extremely competitive industry. Even Wyoming’s cost-effective mines must continually increase productivity in order to maintain their position in the market place. The productivity of Wyoming coal mines is truly remarkable. Based on tons per employee per year, productivity increased over 700 percent between 1969 and 2003. Productivity only slightly decreased in 2003 due to additional employees added by the mines. A key aspect of Wyoming mining productivity is the large scale of industry operations—without it, Wyoming mines would not be competitive.

The importance of coal as a domestic fuel source cannot be overstated. This point has been underscored by world events of the last several years. Wyoming’s role in providing this resource has not gone unnoticed in utility markets. Rising natural gas prices, the relatively low cost of coal, and new “zero-emission” coal-fired power plants, mean more coal plants will move from planning to construction.

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Another sign of the positive attitude toward future coal use is reflected in the longer term coal purchase contracts with utility companies. Several years ago, buyers opted for shorter term contracts as they tried to capture lower costs in the spot market. Now, however, utilities are locking in fuel sources for longer periods of time as a reflection of their need and commitment to coal.

Coal is also an important source of revenue for state and local governments in Wyoming. It is estimated that in 2003 coal contributed $535 million to state and local governments. This amount includes the following taxes that generate revenue for state and local governments in Wyoming. (Note: the coal industry also pays federal taxes that are not included in this analysis).
Federal Royalties: Payments by coal producers to the U.S. government for coal mined on federal leases (about 90% of all Wyoming production). Wyoming receives half of the federal royalties, less an administrative fee assessed by the U.S. Minerals Management Service. Rate: 12.5% of sales value.

Severance Tax: Levied by the state of Wyoming on mining activities in the state. Effective Rate: 7.0% of taxable valuation (surface).

Ad Valorem – Production: Levied by counties on value of production at the mine mouth. Average Rate: 60 mills (6 percent).

Lease Bonus Payments: Fee paid by bidders for the right to purchase leases to mine federal coal (“Bonus payments” are, in effect, signing bonuses). Like production royalties, Wyoming and the federal government split the bonuses 50-50. Rates: Average bid price 1989-2000 was $0.22 per ton. Recent bonuses are trending higher.

Sales and Use Taxes: Levied by the state and local government on purchases of goods and services. Rate: 4 to 6 percent depending on county.

Abandoned Mine Land: Fees assessed by the U.S. government to pay for the cleanup of abandoned mine lands (AML). Although Wyoming’s cleanup has long been completed, the fees continue. Originally, AML fees were designated to be split evenly between the federal government and the individual states where the money is generated. In practice, Wyoming receives only about half its share. In 2003, Wyoming coal producers paid $129.9 million in AML fees but the state only received $25.5 million in AML funds (19.6%). Currently, Wyoming’s undistributed balance in the AML fund is $393.4 million.

Ad Valorem – Property: Levied by counties on assessed valuation of physical property, such as mining facilities and equipment. Average Rate: 60 mills (6 percent).

State Royalties and Rents: Similar to federal royalties but for coal mined on state leases. Rates: Royalties, 12.5% (surface) and rents, $1 to $4 per acre.

Note: Based on 2002 production. Percentages are percent of total mineral revenue attributable to the coal industry in Wyoming.


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# Wyoming Coal Production by County, 2003

Note: All operating mines in Wyoming are surface mines. Idled mines and employees working at idled mines are not included.

<table>
<thead>
<tr>
<th>Location/Operator</th>
<th>Mine</th>
<th>Employees</th>
<th>Production</th>
</tr>
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<tbody>
<tr>
<td><strong>Campbell County</strong></td>
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<tr>
<td>Kennecott Energy Co.</td>
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<td>Dave Johnson</td>
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<td><strong>Lincoln County Total</strong></td>
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<td><strong>Wyoming Total</strong></td>
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<td><strong>376,565,247</strong></td>
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*Source: Annual Report of the State Inspector of Mines of Wyoming, 2003*
Safety

Safety is paramount in the mining industry. Wyoming coal mines have been recognized as some of the safest operations in the United States. The Mine Safety and Health Administration (MSHA) and the National Mining Association recognize the safest surface coal mine in the nation each year with the “Sentinels of Safety” award. A Wyoming mine has won this award 12 times in the last 23 years and has been the recipient of the award for the last five years in a row.

Non-fatal injuries by industry sector, 2002.

Statistically, Wyoming coal mining had fewer injuries than all of the major sectors of the economy in 2002. The graph at left shows that there were only 0.44 injuries per 100 full-time employees in Wyoming coal mining compared to 2.6 for the mining sector in general and 4.1 for the manufacturing sector.

Reclamation

Reclamation signals the end of mining and the beginning of restoration. All Wyoming coal mines combined disturb about 5,000 new acres per year. Federal and state laws are strictly enforced to ensure that all disturbed land is reclaimed. Specialists at the mines supervise reclamation and ensure compliance with all applicable laws. The mines have to follow pre-approved reclamation plans and some mines have gone to great measures to maintain and even improve land quality, water quality and wildlife habitat. Topsoil that was removed and stored separately from overburden during mining operations is used to restore the original contours of the land as much as possible.

Reclamation goes beyond just restoring contours and reseeding native plant species. Some of the extraordinary steps taken by mining companies during reclamation include: reclaiming wetlands, replacing rock outcroppings for raptor and small mammal use, creating waterways for fish and water fowl use, replacing sage grouse leks (mating grounds) and even relocating prairie dog towns.

Reclaimed areas often provide improvements over the pre-mining conditions on those lands. Wildlife, livestock, sportsmen and recreationists benefit from reclaimed lands after mining operations have been completed.

Mule deer on reclaimed coal mine land
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