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Carbon County mine to supply coal to PacifiCorp

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The Salt Lake Tribune

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America West Resources, Inc. has signed a five-year contract to supply coal from its Horizon mine outside of Price to PacifiCorp.

The company said the deal could be worth up to \$67 million between 2011 and 2015, and its value could go up to \$175 million if a seven-year extension is approved after that. Employment could double, added America West Resources CEO Dan Baker.

"Expansion is our key focus now," he said, predicting the mine's workforce will increase from 80 to 160 as production is ramped up to a projected five million tons of coal annually.

Horizon mine yielded about 200,000 tons of coal per year since production resumed in 2008. Before that, it was closed due to a bankruptcy proceeding.

PacifiCorp spokesman Dave Eskelsen confirmed the utility had signed a coal-delivery contract with the mine for the years 2011-15. But, he added, "I can't confirm or deny the accuracy" of financial figures cited in the announcement by Salt Lake City-based America West.

PacifiCorp has two coal-fired power plants in Emery County and is a major supplier of electricity in the northwestern United States.

The deal comes at an important time for America West, which as recently as Nov. 22 had said in a quarterly filing with the U.S. Securities and Exchange Commission that it had a working capital deficit of \$26 million and an accumulated deficit of \$36.2 million.

"These conditions raise substantial doubt as to America West's ability to continue as a going concern," the SEC filing said.

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George Jarkesy, a member of America West's board, noted that the "going concern" language has been included in filings since the company's new managers took over after bankruptcy.

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At A Glance

Coal sale

America West Resources Inc. said its Horizon mine near Price will supply PacifiCorp with coal worth up to \$67 million through 2015. Additionally:

- A seven-year extension after that could increase the deal's value to \$175 million.
- Employment at Horizon mine could increase from 80 to 160.

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But much of that concern has been alleviated by management's \$30 million investment into its operation, he said, adding "this announcement makes the company significantly stronger."

When the mine first reopened, the economy was in recession, national consumption of coal was down and utilities were not signing new coal-supply contracts, he said. "Our company really struggled between September 2009 and June 2010."

But during that time, it developed its infrastructure, mining an underground tunnel system three miles long that will provide access to abundant reserves.

"Now we've got orders and we're far enough in to go into production," Jarkesy said, adding America West plans to increase the number of continuous mining machines it uses from one to three.

Eventually, the company plans to acquire a far-more productive longwall mining machine. But that multimillion-dollar piece of equipment has not been bought yet, he said.

As the recent development occurred, Horizon mine was subjected to additional scrutiny by the federal Mine Safety and Health Administration, which cited repeated safety violations there.

America West has said it revised operating procedures and installed additional roof support to comply with federal regulations.

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