

## Willow Creek mine sees strong Pacific Rim sales

Cyprus Amax Coal plans a big new longwall mine in Utah (CO 6/5, 5/15, 1/23), and is already lining up markets for that coal, said Cyprus Amax President Garold Spindler.

Spindler, in a recent interview with *Coal Outlook*, said a lot of the initial production out of the Willow Creek mine is already committed, or is on short lists now being considered by unnamed customers along the Pacific Rim. This is basically a steam coal, but there will also be a wash plant at the mine that will allow this coal to play heavily in the pulverized-coal injection market, Spindler noted. He said there will be some domestic sales of this coal, but probably very little in relation to total production.

Late this year the Willow Creek mine plan and budget will likely go before the Cyprus Amax Minerals board of directors for final approval, but considering market interest so far there shouldn't be a problem in getting that approval, Spindler said.

First production at the mine should be in late 1997, Spindler said, and then it will take four to five years from there to get up to the full planned production level of 5 million tons/yr. The mine is currently going through permitting at the state level.

Also in the West, Cyprus Amax is looking toward 8 million tons/yr of production, with a single longwall, out of its Twentymile mine in Colorado (CO 11/14/94). That plan is keyed around the fact the company plans to go to longwall panels there that are 1,000 feet wide and a mammoth four miles deep. Spindler said the first of those big panels will be tapped starting late next year.

He also noted that a wash plant might be built at the Empire mine in Colorado, making the mine a player in some new markets. The company has not yet applied for a state permit on such a plant. A small wash plant at Twentymile was completed earlier this year and Cyprus Amax had talked to local officials about trucking coal from Empire to that plant. Such a truck haul may be economically infeasible.

In some other areas of interest:

- A longwall is planned but not certain yet for the Wabash mine in Illinois (CO 9/4). Spindler said a big factor in the decision-making is that when primary Wabash customer PSI Energy and Cyprus Amax recently did a tentative re-working of their coal supply contract, they put in provisions for the contract to go to market prices in the year 2000 (CO 7/17). A longwall is affordable based on prices up to then, Spindler said, but he pointed out that market prices may not support that kind of investment. The longwall decision may be made next year, he said, adding that a big factor in that is whether the UMW agrees to a sweeping series of work-rule changes. (A UMW official last week said the company has talked so far only about a new, flexible work schedule at Wabash. He expects that more changes will be asked for.)

- Spindler said a mining contractor was recently lined up for the Straight Creek reserves in eastern Kentucky. There will be a combination of deep and surface mining there, with production to begin in the third quarter of 1996. A new prep plant there is also possible. It will be very similar to the Pine Mountain operations in the same region, he noted.

- The company is projecting 85 million to 86 million tons of production this year, including Australian output. Cyprus Amax Minerals Chairman Milt Ward has promised that the coal

division will be a 100-million-ton/yr producer in the near future. Spindler pointed out that target can be met with coal out of non-U.S. operations. He didn't offer any ideas on where new offshore output might come from, but acknowledged the company has done some looking in Indonesia.

- There are rumors Cyprus Amax is looking to buy almost every company in the U.S. coal industry, including CONSOL and Arch Mineral. While acknowledging the company is looking in a number of different places for acquisitions, Spindler noted wryly that the company doesn't have the management manpower to look at every company they are rumored to be talking to.

- There has been word that the Cumberland longwall mine in Pennsylvania could go to 7 million tons of production in 1996, up from a production rate earlier this year of only 4.1 million tons/yr. Spindler said the company is still fighting bottlenecks at the mine, including inadequate beltline capacity. But he said that based on the mine's recent record output of 573,000 tons of washed coal in a single month (CO 7/24 *Marketscoop*), a 7 million-ton target is not unreasonable. He added that in total Cumberland and the nearby Emerald mine have a total of about 11 million tons/yr of capacity.

- Cyprus Amax and independent power producer NRG Energy are trying to buy the Bonanza power plant of financially ailing Deseret Generation & Transmission Cooperative (CO 7/24). They also want the captive Deserado mine that supplies that plant. Spindler said the offer to Deseret is still outstanding, but that things have cooled lately as Deseret looks for other ways to solve its financial problems. He also noted that Cyprus Amax is looking at other opportunities to get into the power supply business, though he said the company definitely did not bid on the Kincaid and State Line coal-fired plants in Illinois, which Commonwealth Edison has offered up for sale (CO 5/22). He said due to what Com Ed is offering in terms of a takeback electricity contract, the "economics" of any buy just don't work.

### KCS does joint venture in Mexico

Kansas City Southern Industries last month did a joint venture deal with a Mexican concern that is aimed at giving that U.S. railroad a better shot when and if the Mexican government privatizes its state-owned railroads.

Transportacion Maritima Mexican SA is a major Mexican ocean-going shipper and also has railroad interests. As part of the joint venture deal with TMM, KCS will buy 49% of Texas Mexican Railway, a TMM subsidiary that runs a rail line between Corpus Christi and Laredo, Texas. Laredo is a major rail gateway into Mexico.

The two venture partners say that this deal will help position the two to bid on Mexico's government-owned rail system. Mexico has said it plans to spin off its rail assets, probably as four separate companies, perhaps in 1996. Rail analysts say up to 100 companies are positioning themselves to bid on those rail units, including every major U.S. railroad.

A sale of these Mexican rail assets could make those rail lines more efficient and could aid the entry of U.S. coal into the growing Mexican market, for example to the new Carbon 2 power plant of Mexican utility CFE (CO 8/28).