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Bull Mountain Lays Off 50 As It Awaits Sale



Newspaper

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Feb. 28--ROUNDUP -- Anticipating the sale of Bull Mountain Coal Mining Inc. by the end of April, developers of the mine near Roundup laid off 50 of its 62 workers Tuesday morning.

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The mine, 16 miles south of Roundup, employed 55 people. Seven employees will continue to load stockpiled coal to fill existing contracts, including heating Roundup's courthouse, three schools and St. Benedict's Catholic Church.

Two of the seven employees at the corporate office in Billings also were laid off.

The layoffs were portrayed as temporary while terms of the sale to two unnamed companies are completed.

"I'm hopeful this purchase is concluded in the near term and that these men will come back," said John DeMichiei, president and chief executive Bull Mountain Coal Mining Inc.

He delivered the bad news to the workers during a 6:30 a.m. meeting at the mine, and later to the Billings employees.

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The buyers are taking a careful inventory of the company, DeMichiei said. "This has been very painful. Due diligence can go on and on," he said.

The employees remaining at the mine will continue to work on regulatory issues, including maintaining the mining permits.

"It's too important," he said. "I'm looking for a quick start-up."

The company recently received permission from the state to significantly expand the underground mine.

In September 2005, a group of companies affiliated with Airlie Opportunity Fund Cayman Ltd., in Greenwich, Conn., invested \$110 million in the Bull Mountain operation and now owns 75 percent interest. John Baugues Jr., the developer and minority owner, is in Greenwich this week trying to complete the sale.

That pending sale -- along with the difficulty in obtaining financing, a soft coal market, and a dip in demand related to a relatively mild winter -- combined to prompt the layoffs, DeMichiei said.

"First of all, there's no market. There's absolutely no market," he said, and then added, "We're getting to the point where, why move the coal if you can't sell it?"

Rep. Alan Olson, R-Roundup, said Tuesday that his "gut feeling" is the sale will go through.

Olson, who carried a private bill in the 2001 Legislature that allowed the mining permit to be resurrected and transferred to a new owner, said discussions have been under way for about three months.

"Airlie advertised the mine for sale," he said. "They had three offers.

One dropped out. One major is still in it."

The miners are not unionized, and a dozen workers approached for comment Tuesday declined to talk.

DeMichiei said he hopes employees will be called back by the new owner because their safety and efficiency record is as good as any mine in the U.S.

"Obviously these are experienced coal miners, and they have done a remarkable job," DeMichiei said.

The workers were paid through the end of this month, including the days they won't be working.

Medical insurance will be covered through March, DeMichiei said, and the workers will be eligible for unemployment insurance.

One Roundup miner said he was talking to Job Service three hours after the layoffs. Another mine worker and his wife had a baby boy last

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Wednesday and had just returned to work.

Two miners, wearing their reflective tape coveralls, declined to talk as they walked out of Van Dykes Supermarket in Roundup. One man carried a half gallon of milk. The other carried an 18-pack of beer.

Tracy Barta, who has owned Van Dykes for 15 years, said he would like the roller-coaster ride to end.

"Two to three months ago, it was full steam ahead," Barta said, referring to Gov. Brian Schweitzer's announcement of a feasibility study on building a coal-to-liquids plant near the mine at a cost of around \$1.3 billion.

"The mine has had a nice impact, but not a great impact yet," Barta said. "Yet with all the millions invested, they're not going to walk away from there."

The governor's economic development chief, Evan Barrett, said Tuesday that the coal-to-liquids plant could move forward no matter who owns the site. With an estimated 500 million tons of recoverable coal, permits in place to expand production and plans for the rail spur moving forward, activity at the site is inevitable, he said.

Thirty-five of the laid-off employees live in Musselshell County, DeMichiei said, and earn an average of \$22,500 per year.

That is \$787,500 per year in lost payroll for his town if the layoffs drag out, said Roundup Mayor Bill Edwards, who runs the State Farm Insurance office.

DeMichiei spoke to Roundup's Rotary Club a year ago, the mayor said, but generally the mine managers don't keep the locals informed. That means rumors rule in town, he said.

"My thoughts are, when you see the train rolling down the tracks, it's a deal," Edwards said. "Until then, it's a bunch of hot air."

That said, the economic promise of a coal mine and hundreds of jobs, along with a 35-mile railroad spur to Broadview and a power plant, are too alluring to ignore.

"Our tax base will just about triple for the county," Edwards said. The area needs the money: Roundup's elementary school dates back to 1910.

"To make a mine work takes lots of money, and if we had a company like Peabody that had money and the experience come in here I would feel very confident," Edwards said.

Musselshell County has a population of 4,200. Before the coal mines shut down in 1957, Edwards said 7,000 people, including 2,000 miners, lived in the county. In those days, Roundup supported two

lumber yards and three clothing stores, he said.

At the Pioneer Cafe, eight men sat around breakfast tables guzzling midmorning coffee, jawing about the feather-light snow and upholding a small town tradition by constantly teasing each other.

The Main Street hangout cooks homemade food, pours rivers of coffee and rounds out its services by renting videos, and selling jewelry and fancy cakes crafted by a local businesswoman.

Merle Hunt, who moved to Roundup from Iowa in 1947, spent 25 years drilling in the oil fields and 27 years drilling for water.

Sipping his coffee, Hunt said he would like to see the mine make a go of it and bring some money to his small town. However, the 81-year-old said the operation has always seemed short of cash and overhyped.

"There's too many promoters in this thing from the businesses I've seen come and go in my lifetime," he said.

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Bull Mountain lays off 50, idles coal mine pending sale
Posted on Feb. 27
By the Associated Press

ROUNDUP - The Bull Mountain Coal Mine has laid off 50 workers and idled the mine, pending an expe
this spring, the owners said Tuesday.

Mine manager John DeMichiei blamed the soft coal market with oversupplies of coal at U.S. coal com
and utilities, the mild winter and tight finances for the layoff decision.

The shutdown marks the latest interruption in the mine's turbulent history since it was taken over in
Tennessee businessman John Baugues.

In October, the mine was highlighted by Gov. Brian Schweitzer as the site of a future coal-to-liquids p
would convert coal to cleaner-burning diesel fuel. It was not immediately clear how Tuesday's events
affect that \$1.5 billion project.

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Just last month, Bull Mountain appeared poised to increase production after receiving an expansion p
from the state Department of Environmental Quality. The announcement followed a string of setback
including a revoked operations permit in 1998, multiple penalties for environmental violations and at
four lawsuits from disgruntled investors seeking a return of their money.

Baugues, who was in New York courting potential buyers, said he expected the idling of the mine to b
temporary.

"I truly believe it's just a temporary thing while we get going," Baugues told the Associated Press in a
telephone interview Tuesday. "They just decided to stop for the time being until we get this thing thr

A spokeswoman for DKRW Advanced Fuels, one of the partners in the coal-to-liquids plant, said Tues
the layoffs and shut down "don't directly impact us" because the company does not have a direct fina
to the mine.

"We're at a preliminary stage and are still very interested in the project," spokeswoman Sandy Fruhr
the AP.

Baugues controls 25 percent of the mine after selling a majority stake to the Greenwich, Ct.-based Ai
Enterprises in 2005. He said he hoped to raise close to \$300 million through the latest sell-off of inte
the mine.

The money would go toward paying off former investors, building a 35-mile rail spur from the mine to
Broadview and increasing production capacity to prepare for the proposed coal-to-liquids plant, Baug

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He declined to name the prospective buyers, citing a confidentiality agreement.

DeMichiei announced that 48 of the 55 mine workers and two of the seven corporate employees in Bi
were being laid off at a meeting at 6:30 a.m. Tuesday at the mine.

"We were getting to the point where 'Why move the coal if you can't sell it?'" DeMichiei told The Billin
Gazette.

Seven employees will continue to fulfill sales contracts and maintain the mine.

The decision to sell the mine was a joint one between Airlie and local managers and was made last w
DeMichiei said.

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