

EXPLORING THE WORLD FOR BEST PRACTICES IN ENERGY AND PRECIOUS METALS

Energy & Mining

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Encore Energy has high expectations for the Berea Oil Sandstone. P.24

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Promise Keepers

Its relationships with local communities, First Nations and government were critical to Conuma's successful reopening of two British Columbia mines.

Conuma Coal pledged to bring back jobs and treat the surrounding communities with integrity.



Vancouver, British Columbia

"Our employees are highly incentivized to be part of the solution."

// MARK BARTKOSKI, PRESIDENT

[BY TIM O'CONNOR]

When it took over three mines in Canada last year, no one knew the name "Conuma Coal." But the newly formed coal mining company pledged to bring back jobs and treat the sur-

rounding communities with integrity. "I made a commitment to them that I wouldn't do something that didn't result in long-term security for their family," President Mark Bartkoski pledges to the people of northeastern British Columbia.

Nine months later, Conuma is proving that was more than talk. Its dedication to worker safety and collaboration with local officials and First Nations groups has demonstrated its willingness to act as a partner to all those liv-

ing in the region. The community has reacted in kind, welcoming Conuma and providing it with resources to help revitalize the local mining industry.

The biggest vote of confidence came in May, when 80 percent of Conuma's Wolverine Mine employees voted to decertify their union – a step Bartkoski took to symbolize their faith in the young company's direction.

"This showed proof of how well our employees are buying in," he says. "Those are the results of treating a

PROFILE

Conuma Coal

www.conumacoal.ca | Headquarters:

Vancouver, British Columbia | Employees: 520

Specialty: Metallurgical coal



Conuma began in 2016 when its investors purchased three Canadian coal mines which had been shut down.

team right and building a group of co-owners that are very much bought into the success of the organization.”

RAMPING UP PRODUCTION

Conuma began in 2016 when its investors purchased three Canadian coal mines from Walter Energy, but the seeds of the company were planted a year earlier. In mid-2015, five coal industry veterans founded ERP Compliant Fuels as a mining company specializing in metallurgical coal, a product required in steel production. ERP started with four distressed mining operations in the United States and later bought three Walter Energy mines.

When the opportunity arose to acquire Walter Energy’s idled mines in British Columbia, ERP’s leadership realized it would be more efficient to set up a separate Canadian entity that could better manage local regulations, liabilities, and commitments, while also allowing for some new investors.

As a result, Conuma today is not a

subsidiary of ERP; rather, it is a stand-alone company.

Conuma owns and operates the three operations that formerly made up Walter Energy’s assets in northeast British Columbia: Brule, Wolverine and Willow Creek. The company is headquartered in Vancouver and maintains a regional office in Tumbler Ridge.

The acquisition of the Walter Energy mines was completed on Sept. 9 of last year and the first truckloads of coal left Brule 13 days later. The speed of the change in ownership and resumption of mining was in response to the strength of the met coal market – the price of premium hard metallurgical coal had doubled to \$180 per metric ton from the early fall of 2016 when Conuma took over the mines to the end of the year.

Not wanting to lose out on rising commodity prices, Conuma accelerated its schedule for Brule and even moved up the reopening of the Wolverine mine. Production employees for

Wolverine were not hired until January, but the company began to prepare the mine a month earlier to shorten the lead time to production.

Wolverine was also still sitting on a couple hundred thousand tons of coal that had been dug out by Walter Energy, but never processed and shipped. Conuma transported the coal down to Willow Creek where it could be shipped to market. “The Wolverine operation was originally forecast to be open in Fall 2017 but the market responded strongly to the quality of coal that would be available, so we decided to open early and hire another 250 employees,” Bartkoski explains.

Between Brule and Wolverine, Conuma has already produced more than 2 million tons of coal. All of that has been shipped from the Willow Creek mine loadout. The mine at Willow Creek itself has not yet reopened, but the location serves as the hub for the other two sites.

The accelerated speed of the mine



The accelerated speed of the mine reopenings created a transportation challenge.

reopenings has created a transportation challenge for Conuma. When they decided to restart Wolverine at the beginning of 2017, it was found that the rail line that carried coal between

Wolverine and Port Ridley was in need of extensive repairs. Conuma had to scramble and lean on its partners to speed up that work. “We joined with CN [Canadian National Railway] on an

investment to rehab the rail line to get it in quicker,” Bartkoski says.

The railway is expected to reopen by Sept. 1. In the meantime, about 30 trucks are hauling 3,000 tons of coal along the nearly 40-mile route between Wolverine and Willow Creek each day. Another 8,000 tons are trucked daily from Brule to the Willow Creek loadout. From there, more than 10,000 tons of coal per day is shipped by rail to Port Ridley on British Columbia’s coast.

Although it will make transportation more efficient, Bartkoski does not expect the refurbishment of the rail lines between the three mines to increase production. Brule is already on pace to

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mine 2.4 million tons of high-quality, low-phosphorus and low-sulfur pulverized coal injection (PCI) coal. Likewise, Wolverine is expected to produce 1.4 million tons annually of premium hard coking coal. Between the mines, Conuma expects to have 15 years of production in the area – and over double that, as it permits and taps into contiguous reserves.

“The market responded strong to the quality of coal that would be available, so we decided to open early and hire another 250 employees.”

// MARK BARTKOSKI

MORAL RESPONSIBILITY

The previous closing of the mines left hundreds of people unemployed in the Tumbler Ridge and Chetwynd area. Conuma’s attempt to revitalize the mines has returned many of those people to work, but the company must also take a different approach if it wants to find long-term success where the previous operators failed.

In restarting the mines, Conuma has two primary advantages over the previous operation: it purchased the mines during a low period for the market and so has low debt. That, along with new, creative mining processes will help it run more efficiently.

Conuma Coal says it is following a different mining plan from what was used at Brule and Wolverine before. Cast blasting, for example, uses surplus explosive energy to remove overburden from above the coal seam more effectively than traditional techniques.

Other methods bundled in the company’s Total Quality Control

Program are aimed at improving the quality of the coal. Conuma is mining the coal seams in different levels so it can customize the blending to create a homogeneous product. The process allows Conuma to consistently offer customers coal that

contains less than 9 percent ash and at variation of only 0.2 percent, making it very valuable for steel production. Higher levels of ash can result in quality issues during steel production, Bartkoski says. Implementing homogeneous

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blending required contributions and buy-in from employees at every level of the company – and serves as an example of the collaborative culture Conuma strives to create. “One of the signatures of Conuma is the fact that the people are very involved in every aspect of our business,” Bartkoski says.

The company holds monthly partnership meetings with workers to discuss production goals, the quality of coal and other issues that arise. “We look at everybody as an integral part of the group,” Bartkoski says. “Our employees are very much incentivized to be part of the solution.”

It also offers an aggressive profit-sharing program that not only rewards productivity but also encourages workers to be vigilant about job safety. At the end of every month, if no accidents have occurred and production and quality targets are met, employees receive additional compensation in their paychecks in accordance with the team’s performance. Balanced results must be the outcome.

The program is one way Conuma teaches its workers to focus on loss prevention, which reduces injuries, violations, downtime and waste. “Our business plan is that loss prevention earns long-term job security,” Bartkoski says.



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Conuma has already produced more than 2 million tons of coal.

“Safety is an uncompromisable value. It’s not a choice.”

The approach has seen immediate results. Through the first six months of 2017, four of the 17 major mine complexes in the province had perfect safety records – and three of those were the ones operated by Conuma. “We are the No. 1 safety-rated mining operation in British Columbia and probably Canada,” Bartkoski beams.

Worksite safety is especially important considering the pledge Conuma made to take care of the communities where it operates. “We have a moral responsibility to make sure we take care of the area we’re investing in and to be a blessing to the communities and our partners,” Bartkoski says.

Other mining projects often bring in outside workers to live in temporary housing, spending as much as \$10 per ton on camp costs. That can quickly become expensive and eat into the security and profitability of a mine in the long run.

Because of its lean strategy, Conuma chose instead to hire primarily from the surrounding population. “We feel like that is a longer-term commitment to local communities,” Bartkoski says. “Partly because of that, we’ve



Within two months of reopening the mines, 200 people were already employed.

earned a tremendous respect, appreciation and a partnership relationship with the community,” he continues.

Conuma has benefited from those relationships as well. Because it showed its willingness to hire and train locally, the government of

British Columbia allowed Conuma to reopen the mines acting as a contract miner under Walter Energy’s original permits. This unusual setup meant production could begin immediately while waiting for the permits to be transferred to Conuma.

In a short amount of time, “It’s been a neat success story to be able to show how industry, community and government can all work toward a common cause,” Bartkoski says. “Nine months later, we have 520 direct jobs and probably 4,000 indirect jobs.” **EMI**



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