



Interview with Bob Murray, Founder, Chairman, President, and CEO, Murray Energy; May 2016



Bob Murray

CoalZoom.com: *Good morning, Bob Murray, the Founder, Chairman, President, and CEO of Murray Energy. We appreciate you talking to us at CoalZoom.com. The theme of the VCEA/SSEB Conference is Coal: Weathering the Perfect Storm, and I know the industry is challenged enormously at the present time, both with low natural gas prices and government regulations. Natural gas prices are a temporary problem for the industry, whereas government regulations are a permanent problem for the industry. Do you agree with that assessment?*

Bob Murray: Yes, I do. I think the natural gas issue will resolve itself in that the greater demand for gas and the reduction in the amount of drilling will bring prices of natural gas back to where it will not be the competition that it is today for coal, but Henry Hub prices right now are about \$2 a mcf, and I'm competing against \$0.89 gas in Dominion South, so it's got a long way to go. As far as the government regulations are concerned, they are permanent. We have to get them overturned. We have to get an executive branch and a Congress willing to reexamine these regulations and to stop the destruction, but the coal mines cannot come back to where they were or anywhere near it.

CoalZoom.com: *The Energy Information Administration says that gas prices may change about 2018. Do you share that view?*

Bob Murray: I don't know when it will be, Bill. I think that's a little optimistic. I don't think they are going to increase that quickly to help coal. What I do see is coal is a solid hydrocarbon, and as the loads on the power plants go up and down during the day and during the seasons, the gas cannot meet those peak demands. They don't want to pay for gas. They buy it take-or-pay. They don't want to pay for gas they don't use, so they set the diameter of the pipe into that plant, and when it comes with these peaks, they've got to have some way – it isn't wind, it isn't solar, and isn't the gas with the finite diameter pipe – it's coal; and that's about 30% to keep the reliable power grid across the country, about 30% of our electricity generation. That brings us down to about 550 million tons a year. I've been saying it for about five years now. Nobody has agreed with me, but in the first quarter, if you annualized the actual thermal coal production in the first quarter it was only 480 million tons for the year of '16. So we're there. I think that's about as low as it will go because we will have reliability issues in the power grids across the country if we try to take coal out even more, but again there's way too much production going from 1.2 billion counting the metallurgical as well, 1 million tons of thermal down to 500 million. We've got to shed more production, and I'm focusing on Murray Energy on being able to supply about 1/6th of what's left in the country, and I think that's reasonable to assume that when you have low-cost longwalls and water transportation.

CoalZoom.com: *If I could turn to the presidential election just for the moment. Are you optimistic? I know you mentioned this morning you had met Mr. Trump. What are your thoughts on Mr. Trump's successes in the future?*

Bob Murray: He's got to get elected for the sake of our country. The meeting was at his request, a lengthy meeting. He asked a lot of questions. He will surround himself with some very capable people, and I'm confident – he knows that I was a Ted Cruz supporter. I had four events for Ted, and he knew all that when he called me in and the meeting was not about money at all. It was about energy policy. He gets it. Right now he is just focused on getting elected, so he has to gloss over all the issues, but later if he is elected and he starts handing out policy, he will have the courage and the passion, and that's what we don't have right now. We don't have the will in the United States Senate for instance to make the changes that need to be done, and I believe that he has the will and the passion to get it done. He's our only salvation.

CoalZoom.com: *One final question from me, and then Taylor will ask you a few questions. As I mentioned this morning, once we get the presidential election over, and we get the bankruptcies over, and we get the mergers and acquisitions that are inevitably going to place in this country, we are going to end up someday with a new exciting, dynamic American coal industry once again. Do you have this optimism of the long-term future of coal in America?*

Bob Murray: I don't think I'm greatly optimistic, because that future coal industry is going to be about half the size of what it has been, and it's going to be extremely competitive. So I just want to see Murray Energy Corporation survive. There are fifty bankrupt coal companies. There are only four of us that aren't. Through this period that I say is going to last through '18, and I can't see any further. I don't think it will

ever be a thriving industry again ever. We'll hold our own, but it'll be an extremely competitive industry, and it'll be half size.

Taylor Kuykendall (SP Global) : *You mentioned the annualized rate. Do you think that's going to be actually what we see for coal production this year? And, if so, that's a lot lower; do you think there's going to be any kind of relief as far as prices go for you guys.*

Bob Murray: I think it was, Taylor, lower in the first quarter because of inventories. It'll be more than 480 million for the year, but that's what it was in the first quarter annualized, but that had a lot do with the heavy stockpiles and the low burn rates of the power plants. It'll be higher than that for the year, but it was that low in the first quarter.

Taylor Kuykendall: *Tell me more about the Trump meeting. Some of the energy policies you talked about suggested maybe a little bit more about how receptive he was to that. You mentioned LNG exports, just some of the other policies and if you have a sense that industry will maybe get a better ear from Trump than they've gotten in the past couple of years.*

Bob Murray: There's absolutely no question. He asked me questions rapid fire for the 45 minutes. He was alone. I had two of my people there, but they never said a word, because you couldn't get a word in edgewise with him asking me questions and me talking over him and vice versa. He gets it. He knows that there is a whole amount of the economy there that has to be stabilized. He wants to bring the mines back, and I told him that was not possible, and I explained to him that mines are a living thing, and that they cave in, and they flood. You can bring a new mine back in that reserve, but now you have the capital costs that render the mine non-competitive in the energy mix, so he was sort of sobered to find out that it can't come back to where it was.

Taylor Kuykendall: *In West Virginia, we heard him saying, "We're going to put you all back to work."*

Bob Murray: And I cautioned him. I got into that myself with him, because I don't think you should be saying this, because you're going to get expectations that aren't real. So that was the kind of conversation we had, but he wants to see American move forward, and as you heard me say he has the will and the courage to do it. He will surround himself with good people. That's the big takeaway that I had. He sought me out, and he is looking for advice wherever he can get it.

Taylor Kuykendall: *If I can talk just a little bit more, the last question. You said you had a conversation with Ryan as well. Can you tell me what that was about or what you talked about?*

Bob Murray: Yea, he called me. He set it up in advance. It was about 45 minutes last week, and it was all about the Stream Protection Rule primarily. I would say over half of the – he gets it, he's on top of it. He wanted to assure me. He knows it's the number one issue. He knows I have litigation ready to file

whenever the rule comes out in July. He knows that I've lobbied it harder than any other issue; that it is our number one issue, and how upset I was that the Omnibus Tax extender bills in '14 and '15, Boehner didn't get it done, and McConnell didn't try. So he gets it, and he knows how important this is to us. I would say of the 45 minutes, most of the time we talked was about that. I have a lot of respect that he would seek me out as the coal miner out in the hills, but he wanted to know how I was doing too; but we talked policy the whole time. It was rewarding and refreshing that he wanted to talk about the issues. Issues – that's what he wanted to talk about.

Taylor Kuykendall: *Ok, great. Anything else new and exciting going on at Murray Energy?*

Bob Murray: I haven't been at my desk this morning. I'm sure we are being sued by somebody, and that a mines down, and that another customer is not taking their coal. It's really dangerous. More so than anybody thinks.

Taylor Kuykendall: *Oh, that reminds me of another question. We've seen in some of the bankruptcies, a lot of utilities try to get out of their contracts. Are you guys finding opportunities to pick of some of these and maybe get some business from these companies?*

Bob Murray: No, they overbought. They're not dispatching their plants. There has been zero of those. You would think so. It's a good question, but none, because the utilities were overbought and then they're not dispatching their units against the use.

CoalZoom.com: *In these tough times, it's very difficult to keep the spirits up of everybody in the industry. Are you finding that within Murray Energy, and are you able to maintain your safety record at these difficult times?*

Bob Murray: Yes, to both questions. I have a wonderful organization of men and women. Some have actually been with me 50 years, and a lot of young ones, too. We've got the challenge. Everybody is digging in and fighting harder to prove that we're going to be one of the last companies to survive this. So, no, there's no depression. We would like to see some positive results, which we don't see many, but they're digging in; there's none there. As far as safety is concerned, my safety record is better than it has ever been. My violation per inspector unit shift rate is much lower. My non-fatal accident rate is lower. So my safety record for our mines is better in terms of accidents and in terms of violation frequency than it has ever been. So there's no shortcuts; there can't be. You know, I worked in these mines and I was underground last week, and so there's no shortcuts with a man's life.

CoalZoom.com: *Thank you very much!*

