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## Alpha Natural coal asset bankruptcy sale under fire on state and federal level

By [Christopher Coats](#)

A \$500 million [stalking horse bid](#) for core assets belonging to [Alpha Natural Resources Inc.](#) is under attack on the state and federal level, with agencies voicing concern that the sale could leave the company without the ability to meet its environmental and financial obligations.

In two objections filed Feb. 19, federal and state agencies argued that by completing the proposed sale of its core assets, Alpha would "render themselves non-viable and unable to comply with their remaining significant environmental compliance obligations under federal and state law including judicial and administrative orders and decrees."

The bid deadline proposed by Alpha is March 28.

The federal objection was filed on behalf of the U.S. Department of the Interior, Office of Surface Mining Reclamation and Enforcement, the U.S. EPA, and the U.S. Army Corps of Engineers.

"Allowing such a sale to go forward without consideration of the impact on debtors' overall operations may pose a serious threat to public health and safety in coal mining communities across the United States," the filing stated.

Those concerns were echoed on the state level with an objection from the West Virginia Department of Environmental Protection, arguing that the company could be left without the ability to sell its remaining local assets – especially considering the challenging coal market. Should that occur, the WVDEP argues, Alpha could face great difficulty in meeting its environmental obligations.

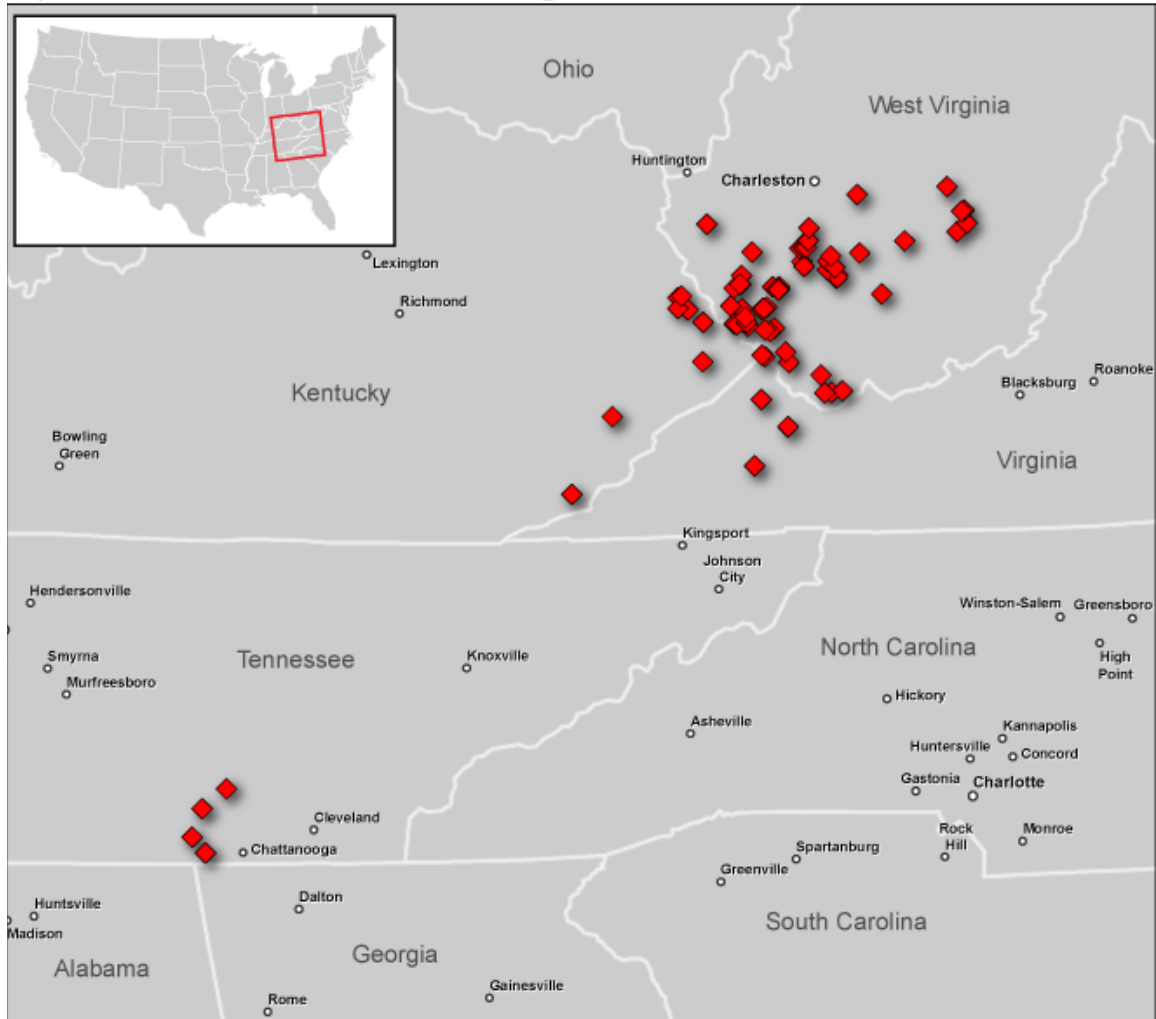
"Although Alpha proposes to continue to try to auction off and separately sell these other remaining operations, properties, and permits, it recognizes, as it must considering its inability to market those assets over the past four months or longer, the very real possibility that no bidder will emerge for the overwhelming majority of those operations, properties, and permits and that instead Alpha will need to provide some sort of mechanism pursuant to a chapter 11 plan for dealing with those remaining operations, properties, and permits and, in particular, the enormous nondischargeable environmental obligations associated with them," the state agency wrote.

Further, the WVDEP suggests that the size and scope of the "stalking horse purchaser", a group of "hedge funds that holds hundreds of millions of dollars in Alpha's secured prepetition and postpetition debt obligations", will give it a competitive advantage over any competing cash bidders.

### Alpha's 'crown jewels'

According to an initial company filing Feb. 8, the stalking horse bid covers "all assets (including, but not limited to, all mineral rights, fixed and mobile equipment and logistics assets) used or held for use primarily in connection with the Alpha Coal West mine complexes in Wyoming, the business of debtor Pennsylvania Land Resources Holding Company, LLC ("PLR"), the debtors' natural gas business in the Marcellus Shale in southwestern Pennsylvania, and the McClure, Nicholas and Toms Creek mine complexes in West Virginia and Virginia; (b) all coal operations and reserves located in Pennsylvania, including the Cumberland mine complex, the Emerald mine complex, the Freeport reserves, the Sewickley reserves and all assets used or held for use primarily in connection therewith, including all logistics-related assets; (c) the debtors' interest in Dominion Terminal Associates and (d) certain other designated assets, including certain working capital."

### Alpha coal mines not included in the stalking horse bid



All mine information provided by Alpha Natural Resources.  
 Source: S&P Global Market Intelligence  
 Map credit: Whit Varner

This leaves the company with a collection of assets still open to bids, including the Black Bear/Ben's Creek, Cucumber, Goals/Edwight, Green Valley, Rawl, Revolution Mine/Independence, Rock Springs, Superior Mine, White Flame Surface and Twin Star assets in West Virginia, the last of which is also located in Virginia. In Kentucky, Alpha is offering its Coalgood and Martin County Coal operations.

In Tennessee, the company is selling its Tennessee Consolidated Coal facility.

And in Illinois, it is auctioning its Wabash coal reserve. In a later filing, the company added the Bandmill, Delbarton, Inman/Admiral, Mammoth and Litwar assets in West Virginia, as well as the Sidney and Roxana assets in Kentucky.

With the majority of those remaining assets located in West Virginia, the state's DEP has appealed to the court based on what they see as long-standing commitments made by Alpha to "clean up the mess left behind by its operations."

"Alpha cannot simply walk away from those obligations in connection with these chapter 11 cases," the WVDEP wrote. "Its ongoing obligations to comply with the law cannot be discharged in bankruptcy."

The state agency later wrote, "Nowhere does Alpha give even the vaguest hint as to how it will deal with its remaining mining operations, properties, and permits, whether or how it will have the necessary funding, operational resources, and personnel needed to reclaim and treat water on an ongoing basis after the 'stalking horse sale,' or whether or how it can provide the necessary assurances to confirm a feasible chapter 11 plan for its remaining operations, properties, and permits."

The federal objection takes aim at the possibility of a successful stalking horse bidder leaving reclamation and other environmental obligations to Alpha, who may not be able to properly address those issues once the sale is complete.

The federal agencies requested that it "be an express condition of any stalking horse bid or other bid for debtors' mining properties in Kentucky, Pennsylvania, Tennessee, Virginia, and West Virginia that any successful bidder assume the applicable liabilities or obligations..." under the consent decree.

The Sierra Club, which filed a reservation of rights alongside the West Virginia Highlands Conservancy and Ohio Valley Environmental Coalition on Feb 9 in response to the stalking horse bid proposal, suggested that the wide range of critics responding to the process meant that Alpha is on the wrong track.

"Any time you see the state of West Virginia, the U.S. EPA, alongside land owners, mine leasing companies, the Sierra Club – it's an interesting coalition," said Sierra Club attorney Peter Morgan. "And they all want Alpha to reconsider."

Alpha declined to comment on the objections.

Alpha is one of a handful of ailing U.S. coal producers facing federal and advocacy concerns about their ability to meet their environmental obligations as they navigate the challenging marketplace. In some cases, state and federal agencies have stepped in to seek assurances that companies will be able to meet their mine reclamation obligations, especially in cases where they have sought self-bonding strategies.

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SNL Financial LC, One SNL Plaza, PO Box 2124, Charlottesville, Virginia 22902 USA, (434) 977-1600