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## The making, shaping and treating of the Sago coal mine disaster

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By Maria Guzzo

PITTSBURGH -- The deadly accident at International Coal Group Inc.'s Sago Mine in Tallmansville, W.Va., last week might not mean an end to the company's health, industry analysts said, but it has certainly cast a dark cloud over both ICS and the industry as a whole.

Jim Thompson, managing editor of Coal & Energy Price Report, Knoxville, Tenn., said he doesn't anticipate any long-term effect from the accident on ICG's operations or value, although the immediate impact was being felt by ICG and its industry counterparts. "Stories like this can't have a positive impact on any company," he said. "On the other hand, the way things work in this country is that after the headlines, no matter how tragic, people do move to the next story."

ICG's stock price dropped to \$8.85 a share on the New York Stock Exchange late Friday, down 6.8 percent from the \$9.50-a-share level recorded at the close of business Dec. 30, the last day of trading before the accident. Other coal producers have seen their stock values follow a similar path since the accident.

However, Christopher Ecclestone, an analyst at New York-based investment research firm Hallgarten & Co., indicated that the decline in ICG's stock value, in particular, isn't just a temporary blip caused by the accident. Investors have shied away from ICG even since its initial public offering last year, he said, despite surging coal prices.

Indeed, a closer look at the company's stock shows the current stock price marks a nearly 29-percent decline from the \$12.45 logged Nov. 21, its first day of trading on the NYSE.

"I can't really understand (why) people are running away from it," Ecclestone said, adding that current coal prices are among the highest they've been in years.

Thompson agreed that ICG's stock has struggled since its IPO late last year. "A lot of that has to do with the fact that recently Wall Street has been most comfortable with coal companies that have been around, who are big and proven players," he said. "I think also Wall Street has really been focused on mining costs as opposed to market prices. A year ago, the focus was market prices."

Mining costs in central Appalachia tend to be very high because mining conditions are more difficult-coal seams are thinner-than in other parts of the country, Thompson said, adding that Appalachia also has more labor and equipment issues because the mines and equipment are older.

Another black mark can be spotted in the less-than-stellar safety record at the Sago Mine, which the company inherited when it finalized its acquisition of bankrupt Anker Coal Group Inc. in late November at the time of its IPO (AMM, Nov. 22). The 800,000-tonne-a-year coal

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mine, now operated by ICG subsidiary Wolf Run Mining Co., garnered more than 150 citations from the U.S. Mine Safety and Health Administration in the past year, some of which reportedly were for the accumulation of combustible materials like coal dust and loose coal. However, most of the fines were nominal penalties of between \$60 and \$440 each.

The latest accident, an underground explosion that left 12 miners dead, was West Virginia's worst mining disaster since 1968. The exact cause of the accident and whether any safety issues were involved remains unknown, although investigators were said to be eyeing a link to a lightning strike.

Another unknown lies in what safety changes ICG might have implemented or planned to implement at the mine as a result of the citations the mine has received. The company has failed to address the issue, stating only that it continues to investigate the cause of the accident. "A joint investigation by state and federal mine regulatory officials is already under way," a company spokeswoman said. "ICG is an active participant in the investigation and is cooperating fully with authorities."

Ben Hatfield, ICG's president and chief executive officer, said the accident represented the most tragic period of his life. "Our management is working diligently with the government investigators to learn the cause of the explosion and we will report all findings in the hope that lessons learned here may help prevent similar problems at other mines."

Michael D. Locker, founder and president of New York-based economic consulting firm Locker Associates Inc., said accidents can occur anywhere. "Mining disasters happen," he said. "(Wilbur Ross) just bought it. Whether he'll be able to fix it is another story."

Meanwhile, ICG has set up a fund to help provide financial support to the families. The company provided a \$2-million contribution to initiate the Sago Mine Fund and is accepting additional donations at (212) 826-2174.

Ross, ICG's chairman and former owner of International Steel Group Inc. before selling it for \$4.5 billion to Mittal Steel Co. NV, Rotterdam, said that no amount of money could take the place of a loved one, but he wanted to help take care of the families' financial needs.

"My heart goes out to these families," Ross said in a statement. "I personally understand their trauma since I lost my own father when I was a teenager and my widowed mother was left with three children, the youngest of whom was eight years old."

The ICG spokeswoman said she didn't have the latest tally on the size of the fund since the initial \$2-million installment from ICG. "We've been getting many calls with pledges and contributions, including \$250,000 from Massey Energy (Co.)," she said.

ICG, currently headquartered in Ashland, Ky., has made a commitment to West Virginia and broke ground last year on a new headquarters building in Putnam County.

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