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HNRG - Q1 2015 Hallador Energy Company Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Hallador Energy's First Quarter 2015 Earnings Conference Call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions).

I would now like to introduce your host for today's conference Becky Palumbo, Director of Investor Relations. Please go ahead.

Becky Palumbo - *Hallador Energy Company - Director - IR*

Thank you, Danielle. Good afternoon, everyone and welcome to Hallador Energy's first quarter 2015 earnings call. On Friday afternoon, May 8, we filed our Form 10-Q with the SEC. It is available on our website and in the SEC Filings tab during this call. This call is being webcast and a replay will be available on our website, along with a transcript tomorrow afternoon. Management present for the call today are Brent Bilsland, President and CEO; Andy Bishop, CFO; Larry Martin, CFO of Sunrise Coal; and myself, Director of Investor Relations.

Our remarks will include forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially. For example, our estimates of mining costs and regulations relating to the Clean Air Act and other environmental initiatives. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. The format for today will be a discussion from management followed by a question-and-answer period.

Brent Bilsland, will now discuss our first quarter results.

Brent Bilsland - *Hallador Energy Company - President, CEO*

Hi, everybody and thank you for calling in. We'll kind of go through here our first quarter results, talk about cash costs, talk a little bit about sales and then we'll open it up for Q&A.

So, starting off in the first quarter, our cash provided by operations was $22 million. Those proceeds were used to pay down $14.4 million in bank debt. Additionally we paid a $1.2 million quarterly dividend, and I'd like to point out our first quarter debt repayment is equivalent to $0.50 a share and if you look over the last seven months that we have owned Vectren Fuels our Company has paid down $58 million of debt, which is an equivalent of $2 a share. Our goal, as we continue to focus on debt repayment and we'll continue to do so until we can find a better use for the funds, but our goal is to have our debt down to $250 million by year-end, which again going back to the date of when we closed on the Vectren Fuels assets that would be $100 million in debt repayment so, pretty aggressive I think for a Company of our market cap.

EBITDA for the first quarter was $27.8 million or on an annualized basis, a little over $111 million. Our net income was $7.6 million, on a fully diluted earnings basis that was $0.25 a share. Our effective tax rate for the quarter was 31% and our cash cost for the quarter was $30.83. $30.83 was a little higher than what we're expecting. We were thrilled with our first quarter results at Oaktown, but we were equally disappointed with our cash cost at Carlisle. As a result, we're going to revise our mining plan at Carlisle and focus production towards one end of the mine. This will cut our active belt line in half, and result in reduced outlying maintenance for the mine. It will take us a couple of quarters to fully implement all of that, so we expect those changes to happen in the second and third quarter, but basically, in the past we have focused on getting a lot of production out of Carlisle, which has caused us to mine in three different directions, and the mine is quite spread out at this time. So, our plan now is to try to concentrate that production to one area, and so, basically just to lower cost.

From a sales standpoint, we stated in our March investor call that we had several offers extended to utilities in response to their request for proposal or RFP. As a result we have assigned an LOI with one utility and we are in negotiations with others. The results of those dealings will be reported in future 10-Qs if and when contracts are signed -- we do not count letter of intent tonnage in our sales figures. We like to wait until the contract's signed before we announce any of those tonnage and prices.

In general, our customers are having difficulty projecting their 2015 coal demand as $2.50 to $2.80 natural gasses affecting coal dispatch. We believe decisions concerning 2016 coal purchases have been delayed as utilities worked towards better understanding their 2015 needs. So, we expected a stronger response from the RFPs. In general, the utilities are kind of in a wait mode, trying to figure out '15, trying to figure out do they need the -- are they short or are they long and then -- but those discussions are starting to pick up here recently for us and we're in the middle of that process and we realize that it's very important that we make some sales for next year. So, with that, I want to open it up to Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) And our first question comes from Mark Levin from BB&T. Your line is now open. Please go ahead.

Mark Levin - *BB&T - Analyst*

Hey Brent, how are you doing?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Great. How are you Mark?

Mark Levin - *BB&T - Analyst*

I am doing well. Hey, as I think about pricing, obviously you guys have got a fairly significant open position in '16 and you certainly made it clear that a lot is going on still as we speak. Do you feel like the market -- do you feel like it is fair in -- when thinking about '16 to incorporate a mid to upper 30s price, is that where the market is today? Is it stronger? Is it weaker? How would you sort of characterize pricing and maybe, understand the sensitivity of it relative to what is short of shown in the spot market sheets?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Yeah. It's difficult for me to discuss price when we're still having those discussions with utilities and it's a competitive situation. So, they might be talking to me and others. So, I guess, I'll defer to or decline to throw out a price number at this time.

Mark Levin - *BB&T - Analyst*

Yeah, that's fair and then on the cost side, I think you'd mentioned, lower than $30 this year. Is there the potential this year to come in below $29 and then when you think out to '16 and some of the -- some of the things that you might be able to do with a Vectren assets, is it conceivable that you could be below $28, either '15 or 2016?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, we're really thrilled with what Oaktown has been able to accomplish and I mean, the numbers there have surprised us to the good side, and our management team there tells us that they have further cost reduction, further improvement coming, I mean, again those employees are new to our -- two thirds of our employees have only worked for us for seven, eight months now, and they're kind of learning still the Sunrise way of life and what our philosophy is and how we go about doing things, what's expected but we're thrilled. We've got great people and every day, we get a little better at what we're doing there. Our biggest cost disappointment.

So, certainly the Oaktown mines, those are in the mid-to-low 20s from a cost point of view. Carlisle has struggled. We've had some bad luck with some falls, a little bit older mine had spread out, which is why we're kind of changing our approach, a significant change to our approach on how we're going to go about mining that reserve.

We have excellent people there, but it was our only asset for a long period of time, and so we, for growth to ramp up production, we spread out and now we've got to focus on mining out an area and sealing that off and then going on to the next area and sealing that off and we think by doing that, I mean, like I said, we've got roughly 18 miles of belt line at Carlisle and we're going to move to, try to move -- try to focus on production at one end of the mine, so that we can idle another 9 miles of belt line, which we think will have a dramatic effect on bringing our cost down, but yet, that equipment is still there and it's still in place in the other units.

So, if we have a problem, we can move around and still keep consistent production, but that's the approach that we're going to take. It's going to take us 3 to 4 months to do that because we want to finish mining out in the areas that we're in. So, we've yet to fully make those moves yet but you'll see part of that happen in the late second quarter and the remaining happen in the third quarter.

Mark Levin - *BB&T - Analyst*

Last question, Brent. So, when you think about the trajectory of sort of EBITDA or the seasonality of EBITDA as the year sort of progresses, how would Q2 and Q3 look relative to Q1?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, that's a really tough question. A lot of that, you can look at our sales right now, at the beginning of the year, we had our customers saying we want maximum tonnage. Now, we have customers -- some of our customers have plus, minus in the contract, now have some of those customers say, we want minimum tonnage. So, we've just kind of projected out from the remainder of the year that everyone's going to take minimum tonnage. That may or may not be the case. So, much of this is going to depend on and what's new to us is natural gas is not typically priced into the Illinois Basin market and mess with this batch, and we've seen that happen here in the March, April timeframe.

Now, we're seeing natural gas today up back in the $2.90s, but we did get down in the high $2.40s and at that price point, there's a significant impact to coal burn in Indiana. So, it's kind of difficult for us to gauge and it's difficult for our customers to gauge right now, how many times is it going to burn, and that's what we're trying to get our arms around.

So from a sale side, that's an ongoing discussion with our customers from a cost side. We've come out and say, we think costs for the year are below $30 a ton. So, that is where were we have it projected now and that's what we're comfortable at staying.

Mark Levin - *BB&T - Analyst*

That makes sense. Then finally, like if gas were to go above $3, I mean, obviously gas has rallied about 5.5%, 6% this month. If gas were to move over $3, does that have a meaningful impact on whether, in your opinion, as to whether or not customers are taking minimums versus moving up the chain in terms of how many tons they -- I mean, is $3 an important number, put another way?

Brent Bilsland - *Hallador Energy Company - President, CEO*

I think $3 is an important number. We seem to have customers solidly dispatching when gas gets above $3 and we have almost everybody in trouble when gas gets below $2.50. So, in every utilities transportation and heat rates, and all those are a factor somewhere in between there. So, that's what's been difficult, when our customers can't tell us what they need, it's hard for us to forecast what we're going to produce, because we're going to have to adjust to meet their needs and those, again, those are conversations that we are fully in the middle of right now with multiple customers so until we get some clarity there, we're just not really comfortable coming out and saying, hey this is what it's going to look like.

Mark Levin - *BB&T - Analyst*

Great. Okay. Appreciate it. Thanks again, Brent.

Brent Bilsland - *Hallador Energy Company - President, CEO*

Thank you, Mark.

Operator

Thank you. And your next question comes from Madhu Vijay from Global Platinum Securities. Your line is now open. Please go ahead.

Madhu Vijay - *Global Platinum Securities - Analyst*

Hi Brent. Good afternoon. Thanks for putting this together. So, first of all, I wanted to talk about production going forward. So, would it be possible for you to give a rough breakdown of quarter one production by mine? I'm trying to kind of get a sense for how much of sales are coming from the Vectren assets versus say, Carlisle and Ace?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Yeah. We don't break out sales by mine, and or production by mine.

Madhu Vijay - *Global Platinum Securities - Analyst*

Okay. That's fair. Then, in terms of production going forward, this is kind of related to what you were just talking about and I think I, suspect I know what the answer is going to be, but, I was curious about whether you have a rough idea -- I realize that this is extremely demand dependent, but I was curious about whether you have a rough vision for how long it might take to ramp up to full, like 10.2 million ton production capacity?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, as far as from our point of view, as soon as the market turns, I think we can move up to that in a very short order. I mean, we have -- when we purchased Vectren Fuels, we have all the equipment, three units of equipment from the Prosperity mine, which is idled, and we've moved that equipment up to the Carlisle and Oaktown mine. So, we have a fair amount of idle equipment and we have wash plant capacity at Oaktown. Those are 2,000 raw ton an hour plants. So, we have a lot of capacity and we think that we could grow really up in the 12 million range by just changing out the slope belt at Oaktown 1.

So, we have a lot more growth potential, the trick for us is going to be market and so we're evaluating our -- what you're going to see from us in the next 12 months is -- changes on what we do from a transportation point of view to try to access more market and those are the things that we're working on today, because we know we have a lot of -- we think we have the lowest cost of production easily in the State of Indiana and we think we're very close, especially at the Oaktown mines to what the longwalls are doing in Illinois, yet we feel we have a quality advantage, we've just got to be able to get ourselves in position or we can access more markets from a transportation point of view. So, these are the things that we're working on and when we have a little more success, that's when we'll be announcing.

Madhu Vijay - *Global Platinum Securities - Analyst*

Great, thanks a lot. I just have a couple of quick clarification questions though. So, the first one's on coal contracts. So, it looks like the total number of tons sold in 2015 looks like it's going to be roughly $9.1 million, I just added the quarter one production plus the contracts for the rest of the year, but the 10-K from a couple of months ago, looks like it had $9.3 million contracted for the year. I was just curious about what caused that disparity. It's perhaps a naive question.

Brent Bilsland - *Hallador Energy Company - President, CEO*

No, I mean, we touched on that just a second ago, and that's the difference of -- our contracts have base tonnages and plus-minuses, okay, so some of our customers have the option to take a range of tonnage. So, what we're -- at the beginning of the year, January and February, we had most customers saying, we want maximum tonnage that we are allowed in the contract. Then February, they come back and say, we want minimum tonnage that's allowed or excuse in, March, April they say we want we want minimum tonnage that's allowed and so when we post our sales figure in our 10-Ks and our 10-Qs, it's always a trick for us, what number do we use, do we use the minimum, do we use the maximum, do we use the base and we were using base when we filed our 10-K and we've decided, no let's just assume minimums for the balance of the year, in this first quarter filing. So, it's -- and summer turned out to be incredibly hot. You might see us in the second quarter alter that number again. So, that's the difference, that's the reason for the change in the number.

Madhu Vijay - *Global Platinum Securities - Analyst*

Absolutely. And then, just one -- very last question, I'm sorry to keep you. I just wanted to follow up on the Bulldog situation. So, in your last earnings call, I think you said you were expecting to hear back from the state within a couple of weeks and then, possibly resubmit. So, I was just wondering about whether you have any updates on permitting for Bulldog?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Yeah. So, we have received our comment letter from the state, which basically they're requesting clarification on about 40 different points. We are answering those questions now and we'll resubmit, I think by the end of this month. So, that ball is moving forward. It is a long and slow path but I think we're really close, we still feel very comfortable that -- we see no reason we shouldn't have a permit this year.

Madhu Vijay - *Global Platinum Securities - Analyst*

Great. I'm glad to hear it. Thanks a lot, Brent.

Brent Bilsland - *Hallador Energy Company - President, CEO*

Thank you.

Operator

Thank you, and your next question comes from Lucas Pipes from Brean Capital. Your line is now open. Please go ahead.

Lucas Pipes - *Brean Capital - Analyst*

Hey, good afternoon, everyone.

Brent Bilsland - *Hallador Energy Company - President, CEO*

Hi Lucas. How are you?

Lucas Pipes - *Brean Capital - Analyst*

Doing well. Quick follow up question on what you just mentioned in terms of accessing new or more markets, could you elaborate on what those target markets would be and what transportation options you're looking at?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well. Right now, a third of our products we use truck and we would like to get that -- at least have the option to take that via rail. So, we're looking at some things. It's probably a little too early to come out and say what that is, but we want to gain -- our goal is to gain access to more markets both within Indiana and outside of Indiana.

So, from a standpoint of competitiveness, if you look today, 85% of our coal is consumed in the State of Indiana, and 15% by and large goes to the southeast or more specifically Florida. They're one of new markets that we can get into.

So, these are all existing power plants. It's just, can we access them and can we give our customers the flexibility to be able to buy bigger blocks of coal from us, knowing that they can -- it's primarily going to go to this plant, but if that plant has an issue, they can take it to a secondary or third plant. So, more of an accessibility issue that we're trying to solve, because we feel so comfortable that if we can solve some of these transportation issues, that we have the ability to ramp up low-cost production very easily.

Lucas Pipes - *Brean Capital - Analyst*

Helpful, and then, just a little bit more background on this point, what's the reason for the one third of your product being sold via truck, is that currently the most economical option or are there capacity constraints? What's the driver of that one third going out via truck?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, a couple of the plants don't have rail facilities. So, it has to go via truck, and then others have truck and rail facilities, but they prefer to take a certain percentage of their coal via truck for reliability issues, in case there's a problem with their rail dumper, they take so much coal via truck. So, we don't expect all that to completely go away, but and maybe I misspoke there. I think our real issue is, we want to give customers the ability to feel comfortable to buy bigger blocks of coal from us and know that it doesn't just work into one plant, it works into multiple plants.

Lucas Pipes - *Brean Capital - Analyst*

Then, also circling back on some of the earlier questions that have been asked. In terms of the flexibility in your contracts, let's say, the demand environment continues to be -- and I hope it's not, but we assume it continues to be rather soft and production volumes and sales volumes tend to be towards the lower end of your projections. What's the impact on cost side? Do you think you can easily hold that below that $30 mark or what's the impact there?

Brent Bilsland - *Hallador Energy Company - President, CEO*

I think our biggest cost issues is getting our arms around Carlisle, quite frankly. No, I mean, certainly slowing down doesn't help you on a cost point of view, but we still feel comfortable even slowing down, we can get our cost below $30. We've just got to get our arms around Carlisle. That's been the troubling cost number for us. The challenge child. So, and again, I think we have a great plan. It's a significant change from what we've been doing in the past and a lot of work. There's still a lot of good coal there. We still have great employees at the Carlisle mine. We've just got to change our focus a little bit on, less about production and more about cost and of course, always keep your eye on safety. I mean safety is job one.

Lucas Pipes - *Brean Capital - Analyst*

At Carlisle, so, is it the wash plant or it's just kind of the section that you're in right now, that costs are higher? You said it, maybe focus a little less on production and more on cost. What's going on at the mine there, what that trade off takes?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Again, when we had one asset, we had it in multiple direction, and so, we've got the mine really spread out so that we could run bigger tonnage. Now, we're kind of looking at that and saying, we had excess capacity at Oaktown. So, we don't have to run the bigger tonnage at Carlisle. We need to focus on -- how do we shrink the mine, so to speak to get our costs in line, and so that's what we're doing, is, we're -- instead of 2 units to the south and 2 units to the north and a unit to the west or whatever, it's going to be, 3 units to the north or 3 units to the -- we're going to pick a direction and focus on that direction and keep the other equipment on standby, but as far as having to maintain 9 mines of belt, all those entryways, I mean, they've got to be maintained, but not to the degree that it is today.

Lucas Pipes - *Brean Capital - Analyst*

Helpful. Thank you and then, lastly how is Savoy shaping up here in this environment? Obviously prices have come up again a little bit. How do you look at that asset in this environment?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, Savoy's a good asset. We continue to lease property and it's kind of interesting up there. We've had some good luck in that some of the majors that are in the area have stopped bidding for property, and so we feel that we've been able to get extremely good deals on buying acreage positions on pieces of property that, we've been looking at for quite some time. So, it's a good business. It'll always be a good business. We felt that when oil prices got up to $110 a barrel, that's a little high. So, we looked at marketing, selling Savoy.

During that process, oil slipped down to the $40s and that really made the economics of the sale not make sense. So, we pulled that asset off the market and we're just focusing on producing, finding oil. We're spending a little less money on capital expense, on drilling, we're still drilling some of the whole acreage position. We're not completing as many wells. We will complete some this summer, but by and large we feel that if and when the market comes back which we really -- our crystal ball or our view point is that oil is $80 or above next year.

We can be right, we can be wrong. Time will tell, but that's our viewpoint and, if that's the case, then we'll start completing a lot of the wells that we've gone ahead and drilled and we will produce a little more than where we are today. So, right now, I'd say they're spending cash on assets that they think are steals and just kind of waiting for a better market to bring more production on line, so.

Lucas Pipes - *Brean Capital - Analyst*

Is the asset cash flowing in this environment?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Yeah, it's cash flowing.

Andy Bishop - *Hallador Energy Company - CFO*

Yeah. Lucas, this is Andy. Savoy has no debt. They didn't have a whole lot of earnings this quarter but they generated cash flow.

Lucas Pipes - *Brean Capital - Analyst*

Excellent, great. Well, I'll jump back in the queue, but I appreciate all that color.

Brent Bilsland - *Hallador Energy Company - President, CEO*

Yeah, thank you.

Operator

(Operator Instructions) And our next question comes from Bryan Bergin from Cowen. Your line is now open. Please go ahead.

Bryan Bergin - *Cowen and Company - Analyst*

Good afternoon. Does the Carlisle mine plant changes affect its annual production profile materially? Obviously there'll probably be some near term impact, but just on a go forward basis?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, I mean, it's one of those things that we're moving where the units are at, we're trying to shrink the mine. We're trying to shrink all the outbye that we have to maintain. As far as how many units we run. We have five units of equipment there. We currently are running four. We've run four there for quite some time. If we have a problem or we get behind, we can throw some people on the fifth unit. We're going to cross train people to be able to go from Carlisle down to the Oaktown mines and operate there if that's what we need them to do.

Our contracts -- almost all of our contracts would allow the source coal from either Carlisle or Oaktown. So, we're trying to -- again, we've not owned these assets very long. Seven months worth of results is what everyone's seeing, and we're trying to cross train our people now to where we really kind of view our assets more as a one giant complex. So, we've got -- today, we've got units at Oaktown. Oaktown is two underground mines with one common surface facility. Carlisle is one underground mine with one surface facility where we prep coal, where we rail it out.

So, today we will take a unit sometimes and that unit will go underground and work at Oaktown 1 and next week it might work at Oaktown 2. We're going to be doing some training to where we can take guys at Carlisle and say, okay, rather than you work at Carlisle today, we want to take you down to Oaktown 2. So, again we're trying to manage the assets more like one complex, with one group of employee base. It takes some training to do that and it takes setting up our equipment to where it makes sense to do that. So, certainly, we want to utilize our assets to their fullest intent, and we have a lot of extra wash plant capacity at Oaktown today. We have a little extra wash plant capacity at Carlisle today. So, I wouldn't get too focused on, if we back Carlisle down, it's because we're ramping up Oaktown.

Bryan Bergin - *Cowen and Company - Analyst*

Okay. Are the costs that are associated with the work being down there, embedded in that maintenance CapEx number or are those additive?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, I really don't think there's a lot of costs to do what we're talking about. I mean our belt lines will remain in place. They just won't be running. Our equipment, we'll have to move one -- at least one set of equipment from one end of the mine to the other. There's a little bit of cost associated with that, but it's not something that we capitalize. So, it's just part of our $30 cash cost.

Bryan Bergin - *Cowen and Company - Analyst*

Okay. And then, lastly, it might be a little early to talk about here, but Illinois's, their legislative proposal, that supports and states coal burn. Will that have any impact, do you think on the Bulldog development?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Well, it certainly could. I mean, if you look at the State of Illinois, it has a lot of coal demand, but it's all PRB. So, I think there's some legislators over there that are saying, wait a second, we want to create more jobs in our state. We have these great coal reserves, but the problem with Illinois coal reserves are, the majority of that coal must leave the state. They've got some beautiful reserves in the State of Illinois. They don't have great market for their coal in the State of Illinois. So, most of those assets are designed to flow to the river, and then find its way to market, whereas Indiana coal, because Indiana scrub versus buying Powder River Basin coal, Indiana coal tends to stay in Indiana.

So, now you've got EPA legislations saying, hey we need to reduce the amount of the emissions that's emitted from a coal fired power plant and there's various ways to do that, one of which is to add mechanized controls and if you have that process going on, and I think now you're seeing a little political encouragement, but wait a minute, if we're going to be scrubbing a lot of plants in the state of Illinois to meet environmental emissions, why not do it in a way to try to encourage that those plants burn Illinois coal versus Powder River Basin coal, and there's all sorts of pros and cons to why that should or should not be done, but that is something that we would strongly support because, any closed new coal demand is a good thing for our Company.

Bryan Bergin - *Cowen and Company - Analyst*

All right. Great. Thanks, Brent.

Operator

(Operator Instructions) And we do have a question from Matt Klody from MCN Capital. Your line is now open. Please go ahead.

Matt Klody - *MCN Capital - Analyst*

Hey Brent, how are you?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Good. How are you Matt?

Matt Klody - *MCN Capital - Analyst*

Good. I just had a question on maintenance CapEx. I saw that -- I think I saw in the filing that, for Oaktown it was kind of in the $2 range, Carlisle higher in the $5 range. I guess, with respect to Oaktown, do you consider that as a sustainable number moving forward?

Brent Bilsland - *Hallador Energy Company - President, CEO*

Yeah, I mean, I think by and large, we kind of always looked at maintenance CapEx and, say, it's going to be somewhere in that $3 to $4 a ton range and you have quarters where a whole bunch of equipment shows up one quarter and none the next. Our maintenance CapEx is probably going to trend slightly lower just because we have a lot of excess equipment that we purchased via the Vectren transaction. So, our needs for minor rebuild and cars and that kind of thing is not as quite as steep maybe as it's been in years past, just because we have several units just sitting idle, and that's kind of what we talked about, is, that's why we feel so comfortable, we could easily ramp up production if we have had more market. So, because of that, we're not buying as much equipment and we're using what we have which should reduce our maintenance CapEx.

When we bought Vectren, they had a couple of capital projects that were ongoing, they had a plate press, and that sort of thing. So, we have a few projects that we had to wrap up, but those are pretty much wrapped up now. So, our maintenance CapEx should just be rebuilding equipment as needed.

Matt Klody - *MCN Capital - Analyst*

Thanks guys.

Brent Bilsland - *Hallador Energy Company - President, CEO*

Thank you.

Operator

(Operator Instructions) And I'm not showing any questions at this time. I would now like to turn the call back to Brent Bilsland.

Brent Bilsland - *Hallador Energy Company - President, CEO*

Yes. Brent Bilsland. This is -- I thank everybody for their -- taking the time to listen to our call today and ask great questions. We look forward to talking to you next quarter. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, you may all disconnect. Everyone, have a great day.