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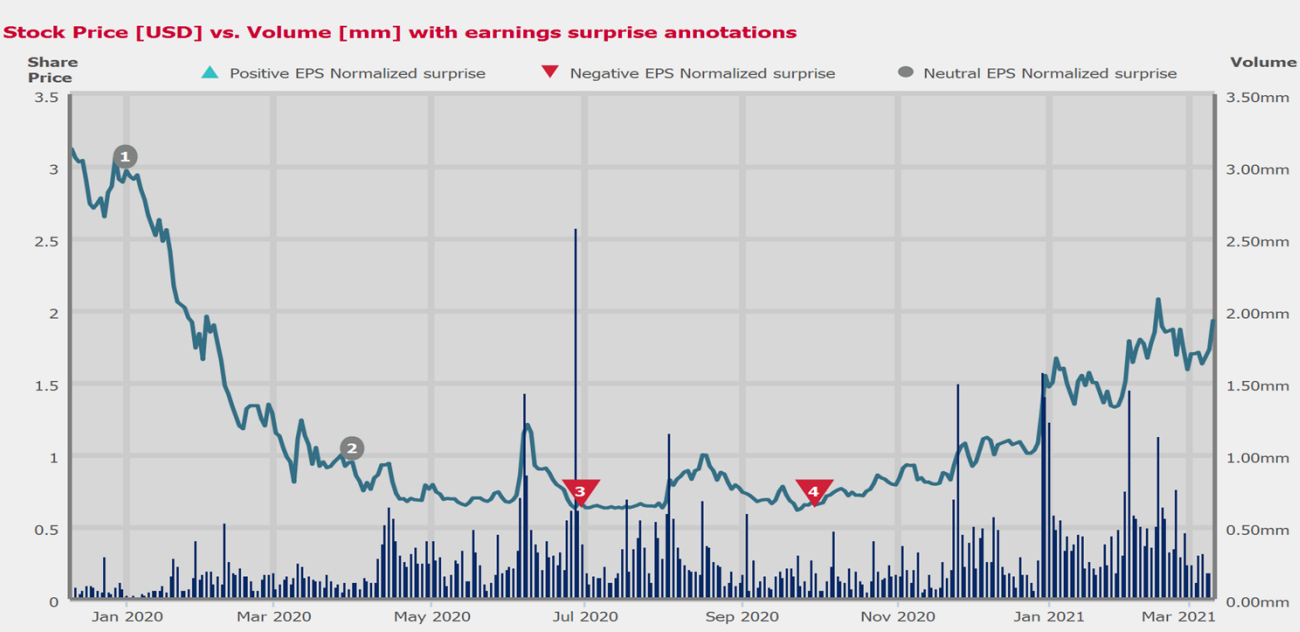
Hallador Energy Company NasdaqCM:HNRG FQ4 2020 Earnings Call Transcripts

Tuesday, March 09, 2021 7:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2020-			-FQ4 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.17	0.12	(29.41 %)	0.02	NA	NA
Revenue (mm)	73.90	65.13	(11.87 %)	68.10	247.80	NA

Currency: USD
Consensus as of Nov-04-2020 7:31 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2019	(0.01)	(0.02)	NM
FQ1 2020	0.02	(0.12)	NM
FQ2 2020	0.02	0.01	(50.00 %)
FQ3 2020	0.17	0.12	(29.41 %)

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Call Participants

EXECUTIVES

Brent K. Bilsland
President, CEO & Chairman

Lawrence D. Martin
Executive VP & CFO

Rebecca Palumbo
Director of Investor Relations

ANALYSTS

Douglas Louis Dethy
D.C. Capital Advisors, Limited

Lucas Nathaniel Pipes
B. Riley Securities, Inc., Research Division

ATTENDEES

Unknown Attendee

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Presentation

Operator

Good day, and welcome to the Hallador Energy Company Fourth Quarter and Full Year 2020 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Becky Palumbo. Please go ahead.

Rebecca Palumbo
Director of Investor Relations

Thank you, Tom. Good afternoon, everyone. Thanks for joining us today. Early this morning, Hallador Energy released its fourth quarter 2020 financial and operating results on Form 10-K and issued a press release containing certain financial metrics. Both documents are posted on our website. Today, we will discuss these results as well as our perspective on market conditions and outlook. Following our prepared remarks, we will open up the call to your questions. But before beginning, a reminder that some of our remarks today may include forward-looking statements that are subject to a variety of risks, uncertainties and assumptions contained in our filings from time to time with the Securities and Exchange Commission. While these forward-looking statements are based on information currently available to us, if one or more of these risks or uncertainties materialize or if our underlying assumptions prove incorrect, actual results may vary materially from those we projected or expected. In providing these remarks, we have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, forward future information or otherwise, unless required by law to do so.

With us today on the call is Brent Bilsland, our President and CEO; Larry Martin, our CFO.

And with the required preliminaries out of the way, I'll now turn the call over to Larry Martin.

Lawrence D. Martin
Executive VP & CFO

Good afternoon, everyone. Before I get started with our review of our operating results, I would like to go over a couple of definitions. We define free cash flow as net income plus deferred income taxes, depreciation, depletion and amortization, ARO accretion, change in fair value of hedges and stock compensation, less maintenance CapEx and the effects of our equity method investments. We define adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, plus stock compensation, ARO accretion and changes in fair value of hedges, less the effects of our equity method investment in Hourglass Sands.

Hallador Energy incurred a net loss of $4.7 million for the quarter or $0.15 per share, a loss of $6.2 million for the year, which equates to $0.20 per share. Our free cash flow for the quarter was $2.9 million, for the year $27.6 million. Our adjusted EBITDA was $9.4 million for the quarter, and $53.5 million for the year.

We had a decrease of our bank debt of $9.2 million for the quarter and $42.4 million for the year. We paid dividends of 0 in the quarter and $1.2 million or $0.04 a share for the year 2020.

Our bank debt at 12/31/2020 was $137.7 million of borrowed funds and $5.7 million of letters of credit. Our net debt as of 12/31/20 was $129.7 million. And our debt-to-EBITDA leverage ratio was 2.68x.

I'll now turn the call over to our CEO, Brent Bilsland, for his summary of the quarter and the year.

Brent K. Bilsland
President, CEO & Chairman

Hello. Thank you for joining. The global pandemic brought huge disruptions to the energy markets as people stayed home and sheltered in place. Oil prices went negative for the first time. Natural gas prices dropped to multi-decade lows and coal plants struggled to dispatch for at least 2 months in early 2020.

Despite these challenges, Hallador displayed great resiliency as evidenced by generating strong operating cash flow of $52.6 million. Hallador has continued its focus on debt reduction as we paid down $42.4 million of bank debt, representing

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24% of our outstanding bank debt. We maintained $51.8 million in liquidity, even as our EBITDA -- debt-to-EBITDA ratio rose slightly to 2.68x. On April 16, you may remember, of 2020, Hallador received a $10 million loan under the Paycheck Protection Program. And we expect the loan to be forgiven by April 8 of this year.

As our customers' inventory levels grew at record highs in 2020, we worked with them to modify shipping schedules, sell additional tons and extend the terms of our contracts with multiple customers. Shipments for the quarter were 1.6 million tons. Coal inventories were reduced year-over-year by $2.8 million. Our operations team has also rose to the challenge implementing new safety protocols and training to protect the health and safety of our employees. Out of an abundance of caution, at times up to 25% of our workforce was quarantined due to possible exposure issues.

These operational hurdles, coupled with some temporary poor recovery in the fourth quarter led to slight cost increases of $31.07 in 2020 versus $30.69 in 2019. At Oaktown, costs were $29.84 versus the year before, $28.35. As our recovery has now returned to normal and as increasingly more of the population receives vaccines, lessening our disruptions from COVID-related workforce issues, we anticipate our costs returning to the lower end of $29 to $30 in 2021.

Looking forward, energy markets are recovering as evidenced by the forward strip on natural gas prices, it's up 44% year-over-year. As of the end of January '21, Illinois Basin utility inventory levels have returned to 48 days of full load burn versus being in the low 60s in May of 2020. Inventory levels are expected to drop further in February as a result of the cold snap that affected most of the nation. This return to normal was further displayed by Duke Energy and Southern Company's services to the largest utilities in the nation, coming out with request for proposals to buy coal over the last few weeks. As Texas received the majority of the nation's attention over its 4-day long blackout, MISO, which operates the grid in the Midwest, experienced the same cold weather but fared much better as coal represented nearly 60% of its power supply during the cold snap. The Texas event has caused many decision makers to question our nation's pace to transition to carbon-free electricity. One poll I saw last week of roughly 2,000 voters, conducted by Morning Consult, found that 7% and 10% (sic) [7 in 10] registered voters support maintaining baseload on [the manned] power plants such as coal plants to support the reliable supply of electricity.

In the last 7 months, California and Texas, the 2 states with the highest concentration of renewal generation at 30%, have both experienced multiple rolling blackouts. We acknowledge the greening of the grid, but believe that coal will play an important role in supporting the grid for many decades to come.

With that, I will open up the microphone to...

Lawrence D. Martin
Executive VP & CFO

It's 7 out of 10, not 10%.

Brent K. Bilsland
President, CEO & Chairman

I'm sorry, 7 out of 10, I misread my document here. 7 out of 10 support maintaining baseload on the manned power plants. Sorry, I misspoke.
With that, I'll open up the microphone to questions.

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Question and Answer

Operator

[Operator Instructions] And the first question comes from Lucas Pipes with B. Riley Securities.

Lucas Nathaniel Pipes
B. Riley Securities, Inc., Research Division

Brent and team, good job on navigating this is very difficult past year. I wanted to follow-up on the comments you just made there regarding kind of the storm and then also the renewed purchasing activity. And kind of what's your outlook for coal burn this year, specifically, kind of on a year-on-year basis? How sustainable do you think it is? Kind of as we look at 2022, is there going to be a continued erosion, given the plant retirements? Kind of at the stage where we are today, kind of what's your outlook for coal burn, this year, next year? And maybe just to hone in a little bit further, any particular comments around Illinois Basin would be appreciated.

Brent K. Bilsland
President, CEO & Chairman

Sure. Thank you. I would say what we saw last year was, if you look at that mid-March to mid-May time frame, coal plants just really didn't dispatch. I mean natural gas price is down around $1.50 [power gen was anemic] as people stayed at home. And so what we saw is coal inventory levels at our customers grew dramatically higher, especially towards the end of May, mid-June. And then basically, inventory levels have been declining from that peak every day since.

And we're -- we were happy with what we kind of saw data wise at the end of January. We haven't seen the end of February coal inventory levels yet. Those have yet to be reported. But we know just with the record amount of cold weather everywhere, those inventory levels got drew down further. And when it's that cold, neither trucks nor rail perform that well from a shipment perspective.

So we think that the market has improved. Just I'm not going to sit here and say it's great yet, but it's certainly much improved from where we sat 6 months ago. We've seen the other coal companies came out and say that they have booked that export shipment coal. I don't think anybody expected to ship exports this year. LNG pricing got so terribly high in December. And I think KJM (sic) [JKM] marker got up to $32 an MMBtu, which is a record. And so coal is exporting for various reasons. So that's helped to get some of that inventory level out of the area. We've seen some supply come offline, both from us and from competitors as well. Some of that -- actually a fair amount in Indiana that looks to be permanent.

And so I think the utilities have been long and wrong for quite some time. And so now they're kind of playing a wait-and-see approach, but we think they have to buy coal at the end of this year. They're probably going to try to get this summer and just see how strong the summer burns are before they really come in and buy big volume with the spot purchases here and there. We think strong -- we think our sales are strong, considerably stronger in 2022 than they will be in 2021. Just from what our customers are telling us what their open position is and from mine closures that typically supply market that are no longer operating. So from that perspective, we see our coal sales being stronger in '22 than '21.

Lucas Nathaniel Pipes
B. Riley Securities, Inc., Research Division

That's very helpful. And then another topic I wanted to touch on is M&A. And historically, you've had some opinions on M&A and the industrial logic behind it. Do you see increased appetite today? from my vantage point, it's been pretty quiet, but would be curious to see if maybe something changed on the ground?

Brent K. Bilsland
President, CEO & Chairman

Yes. I think that you will see continued M&A efforts. If the market gets smaller, we think you'll see more consolidation. And that kind of -- the kind of reason behind that is, we're seeing contracts getting moved from high-cost production to low-cost production, just seeing the higher cost mines come off-line and the lower cost mines produce more. And I think that's just the natural progression, especially as we see power plant closures over the next decade or 2. So yes, I think we see it.

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Capital for fossil fuels is certainly more challenging than in years past, but it is available. And we'll see what the market bring.

Lucas Nathaniel Pipes
B. Riley Securities, Inc., Research Division

Okay, that's helpful. And Brent, I'll ask a final one before I turn it over. In terms of the outlook on natural gas, I'd say you've always been able to look a little bit beyond the corner in terms of what's coming your way in terms of the price on the [computing] fuel there. What's your analysis today, say, about natural gas prices, obviously a huge impact for the competitiveness of coal in the Illinois Basin in particular?

Brent K. Bilsland
President, CEO & Chairman

Yes. I think capital for oil and gas became more expensive mid-2019. And then 2020 certainly brought challenges for everyone in the energy space. And so that kind of forced a little more capital discipline into the oil and gas producers. And I think that a lot of guys have -- on one hand, we still see productivity gains from some of those producers. On the other hand, we're starting to see some of the Marcellus and Utica become pipeline constrained. And so it's going to be interesting to see if future pipelines can be built.

I think there's -- the Mountain Valley Pipeline, I think it's got a shot at getting built. But we had surprises. I thought Atlantic Coast Pipeline will get built, and it doesn't look like that's going to be the case now. So if you really kind of pay attention to the gas, yes, there's a lot of low-cost gas, but there's very few basins anymore, in my opinion, that have excess takeaway capacity. Really good job of building pipelines to get gas out of the U.S. and Mexico and building LNG export facilities to get gas out of the country and in Europe and in Asia. Those facilities were running wide open in the last few months. So that's been somewhat of a relief -- out -- to get that gas out there. And that's kind of what we're seeing is gas prices are up 44% year-over-year. That means coal plants are going to burn more, right? I mean they're going to dispatch at a higher percentage, the higher the price of gas is.

And from a liability perspective, it's going to be interesting to see, like I said, back in August, California had multiple rolling blackouts and their renewable profile is a little bit over 30%. We saw California had several natural gas plants that were slated for retirement. But as they've had reliability issues, that has pushed those retirement date out. And we think that a similar narrative can be made for coal is that, yes, certainly, there's a lot of pressure and a lot of desire by environmentalists and those more on the left side of the politics. But at the end of the day, no one's willing to sit in the dark. We've seen this in California, we're seeing this now in Texas. And we're seeing any leader who lets us sit in the dark quickly losses their leadership position.

And so I think that's -- what we're seeing is legislators from across the country that are pulling these ISO operators, MISO in the Midwest, PJM, SPP and others and say, "Hey, explain to us how this can never happen in our region," right? And so it really kind of comes back to diversity of supply. I mean if you look at Texas, Texas got a lot of gas generation. But it couldn't get gas from plants. And in that case right there, we saw in Indiana, where a coal-fired power plant was running full bore all through the night, and the gas plant that was owned by the same utility wasn't running because the local price of gas was $500 an MMBtu. And so they were just asking -- they are offering that plant -- that gas plant, it was available, but it was being offered in at $3,600 a megawatt hour. A megawatt hour typically sells $25. And so [a lot of the] public certainly said, wait a minute, how is it possible? How can we basically have our power interrupted 4 days at a time in Texas, and then you say this is a $6,000 power bill, right?

And so because of that area, I think a lot of people are looking at that and saying, well, wait a minute, it turns out there is a big difference between baseload power and interruptible power, right? Renewable power doesn't have an off switch. It comes on when the sun shines and the wind blows, or you have to back it up with batteries, produce the batteries. In most of these markets, they're only backing it up for 4 hours. So what happens when you have an event that last 4 days?

So from that perspective, it seems to be a challenge for any market to go over 30% renewal. I'm not saying it doesn't happen, I am just saying that really seems to be the law of resistance. And we hear that from MISO in Indiana is that, "Hey, we're at 10% renewables. We think we can get to 30%" and then, "Boy, it really is difficult." It's going to take a lot of transmission lines to get built, and transmission lines typically take decades, not years. I think the Biden administration is working on this. They are looking at this saying, well, how can we speed this process up? But there's just a lot of steps, and quite frankly, [not in on] the power lines built in their backyard. So there's lots of ways for the public to fight that. So

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all of this is another way of saying that we acknowledge this greening of the grid. We just think this transition is probably going to take considerably longer than what politicians and the press would have you believe.

Operator

[Operator Instructions] The next question comes from Douglas Dethy with D.C. Capital Partners.

Douglas Louis Dethy
D.C. Capital Advisors, Limited

Thank you for the good results in 2020. Lots of challenges, for sure. But good results as far as I was concerned. Could you talk a little bit about your -- given the uncertain environment, but maybe with a little bit of an upward bias the ability to, I guess, flex production up? And kind of what is the marginal cost on doing that per ton?

Lawrence D. Martin
Executive VP & CFO

Well, we do have the ability to flex up to 8 -- over 8 million tons. And actually, as in most manufacturing and miners, the incremental cost would be negative because our cost would be lower if we maxed out our production.

Douglas Louis Dethy
D.C. Capital Advisors, Limited

So -- I mean, your average cost would go down, you're saying, but at the margin, how much will your marginal cost be? I mean, there's always some marginal cost.

Lawrence D. Martin
Executive VP & CFO

I think that's probably a number that we don't really want to disclose from a competitive point of view. I think that if you look back over the history of our company, when we run over 7 million tons, you typically see a pound average cost structure in the mid- to lower 20s. And so yes.

Douglas Louis Dethy
D.C. Capital Advisors, Limited

And do you think on the pricing on the coal going forward as -- with the natural gas strip up, as you mentioned, is the pricing on the coal going to -- is it coal on coal competition so much or coal versus natural gas, do you think, in terms of the price setting on any incremental demand?

Lawrence D. Martin
Executive VP & CFO

Natural gas kind of sets the size of the market as well as the electricity demand. And then once the size of the market is kind of set, then it becomes more coal on coal competition.

Douglas Louis Dethy
D.C. Capital Advisors, Limited

Okay.

Brent K. Bilsland
President, CEO & Chairman

And that's -- we have one customer in particular that tells us "Hey, our model shows that our dispatch could be anywhere from 7 million tons to 13 million tons in a given year." And so typically, what they'll do is try to buy towards their minimal burn and then fill in the balance with spot sales or even potentially longer-term sales once that burn forecast really starts to materialize. And that's -- we kind of think this year is one of those years, where the utilities are bought at the minimum levels. And it's been caught long and wrong before, especially last year, nobody really saw the pained income. And so we think that they do have open positions in the back of the year, and that's what -- we're expecting to participate in that. We know there's significant open positions with our customers. Starting in '22 gas market will continue to kind of set the size of what that market opportunity is.

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Douglas Louis Dethy
D.C. Capital Advisors, Limited

No. That is certainly helpful. You mentioned the customer survey, and if I understood it correctly that people are obviously very upset about the lack of stability and supply of electricity in different parts of the country. And do you have an idea from your customers, like, the people who make the decisions tend to be the right Commissioners and often influenced by the political figures. Is that -- do you think it's going to reach that level? Or it has -- you sort of implied that it had already reached that level? Could you talk a little bit about that among the decision makers as opposed to the broad population on the sort of the Texas Fiasco, if you will.

Brent K. Bilsland
President, CEO & Chairman

So Texas is an unregulated market, Indiana is a regulated market, by and large. The decision is to build a plant because there's a gas plant, right? And we've seen proposals from customers that are, "Let's ship this coal plant and build a gas plant." A couple of things are happening there. First, you're seeing the -- you're seeing legislators all of a sudden and say, wait a minute, so if -- of course, the utility wants to build a gas plant because they get a guaranteed rate of return on the cost of capital of that plant.

But from an environmental perspective, the Biden administration is clearly focused on trying to get carbon emissions down. If we allow a gas plant to get built, what if there's a rule down the road that all of a sudden, now we have a stranded out -- we have greater stranded asset risk with trying to build new gas-fired power plant? And so we think that this might favor coal in that are [indiscernible], these plants are already built. They're already paid for and already [Indiana] hope for them. You should use the coal piles you have to transition to greener sources over time and use that to stabilize and back up the grid, [and scope] the grid rather than shutting down coal, building a new gas plant and then having a gas plant have a stranded asset risk 10, 15, 20 years down the road and not reaching its full 30, 35 years of amortization.

So you're starting to see discussions among politicians, specifically in Indiana around, hey, does it make sense to shorten up the amortization schedules on new fossil fuel builds such as gas? And I think that type of conversation favors coal. The part where you're really not seeing any headlines because they work a little quieter is the ISOs. The ISOs now are -- MISO has come out and said, "Hey, we're going to reallocate the capacity factors of wind and basically put them in half of the MISO district," because originally, he came out and said if you've got a gigawatt of wind, we're going to give that a 25% capacity rating in the capacity market. So that means when a gigawatt of wind is going to be credited for 250 megawatts of capacity. ISOs come back and said, "Hey, we're just not seeing an amount of reliability out of the wind generation assets. So we're going to reaccredit those assets here probably this year." And I think everyone is expecting that to drop to something like 12%, 13% versus 25% of capacity. So meaning a gigawatt of wind would suddenly only have 130 million -- or excuse me, 130 megawatts of capacity accreditation.

We've seen discussion at MISO level and other ISOs of winter constructs and all of this is just another way of saying they're going to make sure that they build enough resources into the grid so that there's not a failure. And those ISOs that are lucky enough to have fuel diversity and are lucky enough to maybe be a little slow to the greening process are going to have much more reliability and they're going to get to watch and see the mistakes of other ISOs that were more aggressive. And California and Texas have been, to date, the most aggressive. Looks like to me the New York ISO is -- put out some mandates that are extremely aggressive.

So those will be the ISOs that -- more conservative ISOs will probably sit back and watch and say, how did they do it? What did they get right? What did they get wrong? And what do we need to do to make sure that the lights stay on. But -- and we just saw it. We just saw it a few weeks ago in Indiana, where I would say, in the end, I mean all of MISO, which is -- MISO didn't have the most customers, but it had the largest footprint of any ISO in the country. It was all the way from Louisiana to the top of Alberta, Canada. And at times, that grid was floating, it being 60% coal-fired power. And so I think all those ISO operators have to say, what happens down the road if we shut those assets down? How do we handle these taxing events, which is resiliency, right? I mean that's part of the discussion.

It's kind of very interesting that the by -- FERC decided the week that Texas was sitting in the dark to cancel Trump's resiliency study. I mean, [indiscernible] timing like, why will we delay that decision a week, right? People are sitting at the dark and FERC is coming out and saying, we know we're responsible for reliability but we're not going to do a resiliency study. So a lot of people all know the difference between reliability and resiliency. Reliability is like get a light switch and flip it on 100x, it comes on 99x. Resiliency means the house got hit by lightning and then it was floated and the light switch

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still comes on, and we could take a look and keep on taking. Texas proved in February did not have enough resiliency. And they'll, I'm sure, do the correct things to make sure they get that building in the future. And I think it's got as much of the country between that and what happened in California talking about how do you build more resiliency into this grid, which means probably baseload assets -- that baseload assets stay on longer, whether that be coal, whether that be gas, whether that be nuclear.

Douglas Louis Dethy
D.C. Capital Advisors, Limited

No, that's really, really helpful. I appreciate it, really insightful. Just so to summarize, what does that mean if looking at it in terms of, I guess, kind of death sentences that some of these coal plants could get a longer-term until they're supposed death or extinction by regulation or get commuted all together, die a natural death, if you will, is that too much to read into it?

Brent K. Bilsland
President, CEO & Chairman

Well, I think you can look to California where they had 4 gas-fired power plants that were all slated to close this year and all those -- to my knowledge, all those plants are still in place and still operational because at the end of the day, leadership knows, whether that's political, whether that's an ISO operator, whether that's the President of the United States, if you let people sit in the dark, you're going to be out of a job. So we all have goals and we all have targets, and those are certainly noble aspiration, but we're not trying to deny that exists. And we certainly acknowledge that it's headed in that direction. Our point is this transition is much more complex and will take more time than what a lot of people give it credit for.

Operator

The next question comes from [Bryan Bassett], who is a private investor.

Unknown Attendee

I was wondering if I could -- a couple of company-specific questions. First, if you could talk about -- I think at the end of the third quarter, the contracted sales that you were expecting in Q1 was a little over $2 million, and it came in at $1.6 million. So if you could talk about that a little bit.

And then also talk about CapEx in '20, and what you're projecting in '21 in terms of the split between maintenance and growth CapEx and maybe a little more detail on what that growth CapEx is going into in '21? Because it looks like it was expected to be from the $13 million or $14 million?

Brent K. Bilsland
President, CEO & Chairman

So I'll take the first one on coal sales. And I think you said first quarter, right, I think I meant say fourth quarter. But yes, we were expecting $2 million for the quarter, but basically, because of the lack of demand, customers came to us and we were able to negotiate extensions to where we would for we would push tons to [our years] in an agreement for selling more tons and adding, in some cases, up to 3 years to the length of our contracts. So I think we reported in the -- I know in the management commentary, this 2 years of sales. So you don't really see a growth in sales in D&A section. But our total contract position pretty significantly -- some parts -- some -- I know one of the contracts went as far out as 2027. [Bryan,] I think I answered your sales question. I'll let Larry here answer your CapEx question.

Lawrence D. Martin
Executive VP & CFO

Yes. So CapEx, the investment CapEx for 2021 of the $13 million, a little less than half of that is for a manned drop elevator in Oaktown 2 that we are building to, say, basically production type travel to the phase, which we think that's $5 million to $6 million, and that's less than a 2-year payback. The other gross CapEx, we are not ready to disclose at this time.

Brent K. Bilsland
President, CEO & Chairman

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So just a little more color on the elevator. Once we start mining 5 miles out, [keep pushing the] portal, it makes sense to put an elevator and to strap our people in much closer to the operating phase. And as it's usually pretty -- as he said, 2 year paybacks, is usually our math because we save significant labor instead of people driving around, trying to get to the phase, we drop them in very close to where they're working and they're much more productive right away.

Unknown Attendee

Okay. And I guess just a follow-up then on whatever the project is that you're not at liberty to disclose right now. Is that something that's already committed to, or is that something that you're going to wait and see how 2021 develops in terms of expecting more orders or growth in 2022?

Brent K. Bilsland
President, CEO & Chairman

Yes. So quite -- right now, it's a placeholder. We are in negotiation. And so if we're able to develop that, that will -- if we're able to contract, then we'll have a capital expenditure there. We think that, that is likely announced that we chose to put it in our budget.

Operator

[Operator Instructions] Next question comes from [Sam Serio], who is a private investor.

Unknown Attendee

If you look at the contracted prices, I think that was touched on the last question. It's down a little bit from last year. I was wondering if there's a reason, just a reason for that given the natural gas tailwind or if that's 2 different things that aren't really related?

Lawrence D. Martin
Executive VP & CFO

Well, the contracts for '21 were -- most of them were all -- were entered into way before the natural gas prices went up. So that's the reason why they're a little lower is because when those were entered into, natural gas was lower than it is today.

Unknown Attendee

Right. Awesome. And then last question, I think -- sorry, go ahead.

Lawrence D. Martin
Executive VP & CFO

No, go ahead.

Unknown Attendee

And then the second question was, I think, back late 2020, early 2021, there's some local news articles about storage facility down in Indiana, I think, by a Duke Energy plant. I was wondering if there was any more color on that or any more news or development?

Brent K. Bilsland
President, CEO & Chairman

Well, we built a rail facility down there, Princeton, Indiana, which is right next door to Duke Energy's Gibson station power plant. And that really is where we truck coal to the NS Railroad to hit various other markets. And we have a lot of land there, so it is designed and permitted to be able to store coal for customers in the event that they need that. Currently, we do not have any storage for customers at that facility. We have a little bit of coal stored at our Oaktown mine, but it's fairly insignificant.

Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to Brent Bilsland for any closing remarks.

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Brent K. Bilsland
President, CEO & Chairman

Well, I just want to thank everybody for their interest in Hallador. And we will continue to try to generate positive cash flow and pay down debt. That's the direction we've been headed, and that's the direction we'll continue. And I look forward to talking to you at our next quarterly call. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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