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- BULKLEY VALLEY COLLIERIES LIMITED -

TELKWA, BRITISH COLUMBIA

The Company was formed in 1931 as a private company to undertake small volume mining of coal in the Telkwa coal basin. This basin includes localized coal deposits which were examined and reported as early as 1907 by W.W. Leach of the Geological Survey of Canada.

Telkwa is situated roughly midway between Prince Rupert and Prince George in north central British Columbia. The coal basin lies six miles south of the town which is served by the C.N.R. 'Northline' connecting with Prince Rupert on the Pacific Coast, 225 rail miles further to the west.

Small volume mine production, most of it underground, was maintained continuously since 1931 with total production through 1962 amounting to approximately 500,000 tons. Markets for this included - domestic heating (mostly local); during the war, the U.S. Army near Prince Rupert; and in the early fifties, utility heating for the cellulose acetate plant at Prince Rupert.

Engineering examination of the mine in late 1962 raised the possibility of off-shore shipments to the orient, via the limited distance of the existing C.N. rail to Prince Rupert - potentially a second bulk cargo terminus on the Pacific. Management involvement in reorganizing the mine and advancing engineering understanding of the reserve dated from this recognition.

Through 1962 the Company showed minor yet consistent operating loss in each of the previous five years with basic problems being low productivity in mining and lost markets. Secondary problems involved shortage of capital, serious labour situation, lack of engineering data on the reserve, and confused operating organization.

Following survey of coal mines that had terminated production in Alberta, 85 tons of mechanical coal mining equipment in sound operating condition were bought essentially for the price of scrap. Use of this equipment resulted in threefold increase in productivity and also in the output of the underground mine. Based upon the high heat content and resultant competitive strength of the coal, a majority of heating contracts for government buildings were bid and won directly by the company. Sub contract for local delivery provided lever to obtain dealer support for their household sales with the result that the Company became the principal coal supplier in the region.

With these changes, additional capital obtained through long-term debt. Labour and organization problems resolved. Engineering on property expanded and near surface reserve of coal discovered in 1966. Mine productivity and mine output increased further through adoption of surface mining. Sales and mining operation placed under operating lease in 1963, thereby permitting prime management effort on increasing the geological, mine engineering, and metallurgical engineering knowledge of the main reserve.

This uniform advancement in engineering was made progressively with the understanding that the Company's traditional domestic heating market was at risk to convenience fuel delivered by a gas line then being considered between Prince George and Prince Rupert. Plans for this line became firm in 1970 and Bulkley Valley Collieries then moved into a singular preliminary mine development role on the main property by leasing the perimeter ground and causing all of the engineering work to be reviewed by independent and senior mining consultants.

This confirmed the Company's recommendation for a three-step program of drilling and testing and discussions on financing this commenced in 1972; concurrent with this a markedly different Provincial Government was elected in British Columbia. In short time they evidenced disfavour with private mine development such that orthodox and private financing of the recommended program became impossible.

Alternatively, they distained in the direct invitation to join in this financing, using both a flexible business arrangement and reasonably standard terms of participation. Thus, preliminary mine development was impossible, at a time when the Company's domestic coal market was being lost.

Through the remainder of the seventies, the Company's mine was maintained by a very small leasing operation, and the property was cut back to the basic three crown granted sections. Sale of timber rights and of undersize coal screenings produced earlier, permitted continuity in ownership of this basic property.

In 1978, a major international petroleum company acquired approximately 120 square miles of coal leases in the immediate area which left Bulkley Valley's three crown granted sections somewhat unique, if not lonely. Invitation for business participation was declined pending three years of exploration field work by this Company on their leased ground. In 1981, negotiations were commenced and a definitive agreement was reached six months later.

Through it, they acquired Bulkley Valley Collieries.