

# US coal giant Blackjewel, LLC and affiliates declare bankruptcy

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The recent bankruptcy declaration of coal giant Blackjewel, LLC and its affiliates, which has left some 1,800 workers unemployed and owed unpaid back wages, is a case study in gross incompetence and criminality.

The company made an emergency Chapter 11 filing in the Southern District of West Virginia on July 1. Included in the filing are Blackjewel's offshoots, Blackjewel Holdings, LLC, Revelation Energy, LLC, Revelation Energy Holdings, LLC, and Revelation Management Corp. Workers were not aware of the move until they reported for their shifts, after which they were escorted off the premises and given no indication of when or if they would be allowed to return to work.

Blackjewel, which is headquartered in Milton, West Virginia, also operates mines in Virginia, Kentucky, and, as of 2017, Wyoming, when it took over two sizable mines in that state. The Wyoming mines are located in the largest coal-mining region in the country, the Powder River Basin (PRB). This makes Blackjewel the latest PRB operator to file for bankruptcy following Cloud Peak Energy in May of this year.

The declining demand for coal due, due to the slowdown of the world economy and escalating trade tensions, coupled with the unresolved effects of the 2008 financial crisis and the sharp decline in the price of natural gas, has driven numerous coal companies, such as Peabody Energy, Arch Coal and Alpha Resources, into insolvency. However, in virtually every instance these companies were prepared months in advance to file for Chapter 11, thus allowing them to continue their operations. Blackjewel represents an exceptional case, in which the company apparently disregarded numerous indicators that it was approaching ruin up until the very last minute, when it

could no longer continue operations.

In a court hearing, Blackjewel's counsel, Stephen Lerner of Squire Patton Boggs, suggested that all was well with the company until one creditor, Riverstone Credit Partners, withdrew its financing, telling a judge, "That happened Wednesday. Prior to Wednesday there was no issue. Zero issue."

That assertion is directly contradicted by Blackjewel and Revelation founder and CEO Jeff Hoops, who stated in his testimony, "Myself and our CFO, Drew Kesler, we maintain a very detailed cash flow model of the company, week to week. And we review cash needs and cash requirements each week." If such an accounting was indeed taking place, then there is little doubt that Blackjewel was well aware of what was on the horizon.

Upon examination, it is a wonder that Blackjewel was able to last as long as it did. Before Blackjewel was formed in 2017, its affiliate, Revelation Energy, was struggling with cash flow since at least 2013. Blackjewel inherited this problem as well. Meanwhile, the companies were accumulating vast sums of debt. Clark Williams-Derry, director of energy finance for the Sightline Institute, draws this conclusion:

"The fact that Hoops's companies have been short on cash, even as they racked up hundreds of millions of dollars in unpaid bills, leaves only two options: business failure or fraud. Either Hoops's coal mining empire was spending more than it was taking in, or someone was siphoning money out of the company. Or perhaps both."

A lawyer for one lender contended that Hoops had engaged in what is known as "check kiting," a type of check fraud that Wikipedia defines as "intentionally writing a check for a value greater than the account balance from an account in one bank, then writing a

check from another account in another bank, also with non-sufficient funds, with the second check serving to cover the non-existent funds from the first account.” Evidence before the court showed that Hoops would often transfer funds into and out of Blackjewel, with many of these transfers done on the same day.

In its petition for bankruptcy, Blackjewel lists 30 creditors to which it owes a combined total of approximately \$288 million. Topping the list is the US Department of Interior, with a claim of over \$60 million, followed by Wyoming’s Campbell County Treasurer, with over \$37 million owed. In 2018, Revelation Energy was ordered to pay \$7.3 million in damages to Fifth Third Bank for violating an agreement in which Revelation was not allowed to transfer assets—in this case, the transfer of the Wyoming mines to Blackjewel—while it was in default on loan obligations to Fifth Third.

In addition to racking up huge debts, the company piled up numerous environmental and safety violations. On January 16, Blackjewel’s acquisition of its Wyoming assets were temporarily halted due to Revelation Energy’s 42 outstanding violations, some of which were so severe that regulators threatened to shut down the offending mines.

Blackjewel was prepared to file for Chapter 7—that is, liquidation—if not for an emergency \$5 million loan approved by the court on July 3. The loan agreement was contingent on the resignation of Hoops and all of his family members.

The bankruptcy has completely devastated Blackjewel’s 1,800 workers, their families, and their communities. Workers had already had their wages, benefits, and working conditions eroded by decades of forced concessions imposed by the trade unions and their corporate masters.

Blackjewel owes about \$6 million in unpaid wages to its employees. Paychecks that workers received on June 28 were withdrawn from their accounts by banks on July 1, leaving many with debilitating overdraft fees. Some workers were issued cashier checks but were unable to access them due to bank holds. Meanwhile, despite driving his companies into the ground, now former-CEO Jeff Hoops will have no trouble putting food on his plate. Indeed, Hoops will continue to develop a \$30 million resort in West Virginia called The Grand Patrician, complete with a 500-person

convention center, a nine-hole golf course, and a 3,500-seat replica of the Roman Colosseum.

As of this writing, there has been no indication as to when workers may return to their jobs.



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