



PEABODY ENERGY

701 Market Street
St. Louis, Missouri 63101-1826
314.342.3400

Friday, July 27, 2012

Bill McCawley
1814 Hunters Court
Steamboat Springs, CO 80487

Re: Trout Creek Reservoir Project—notice of federal licensing activity

Dear Mr. McCawley

As you are aware from our conversation over the past several years, Peabody is developing a reservoir that will inundate portions of the Trout Creek basin to the south of your property. As we continue to determine the footprint of the reservoir and the projected water elevation, we would like to discuss any impacts that the project will have upon your property. This letter is also intended to formally notify you with regard to the federal licensing activity for the project.

Peabody is applying for a Federal Energy Regulatory Commission (FERC) hydropower license for a proposed multi-purpose water storage project. As the applicant, Peabody is preparing a Pre-Application Document (PAD) to be filed with FERC along with Peabody's Notice of Intent, which filing will trigger the formal commencement of the licensing proceeding. The PAD will provide FERC and other entities with existing, relevant, and reasonably available information pertaining to its proposed project to help identify issues, information needs and required studies, and in order to prepare documents analyzing Peabody's hydropower license application.

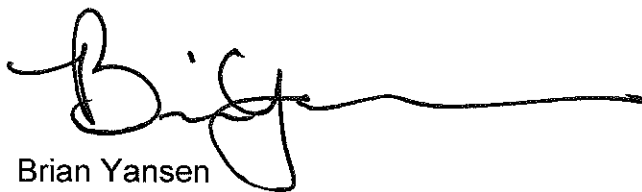
The proposed Trout Creek Reservoir Project is located approximately 15 miles southwest of Steamboat Springs, Colorado. The project area is in Sections 1, 12, and 13, Township 5 North, Range 86 West, and Sections 6 and 7, Township 5 North, Range 85 West, 6th P.M. As presently proposed, the project will include a proposed dam and reservoir on Trout Creek, a tributary to the Yampa River, which will have a surface area of approximately 385 acres and a reservoir volume of approximately 11,720 acre-feet. Water stored in the reservoir would be used to generate hydropower expected to average approximately one million kilowatt hours per year. Additionally, the reservoir would support residential development, recreation, and fish habitat, as well as provide a source of supply for water to support Peabody's mining operations in northwest Colorado.

Your property has been identified as an area that will be impacted by the Trout Creek Reservoir Project, we presently have a high water discharge on your property. This discharge will be used as an emergency flood condition and will discharge the flood level in the reservoir back into Trout Creek below the dam, but will be located on your property that is adjacent to the CR

179. As you know, when you acquired title to this property from Twentymile Coal Company (a Peabody affiliate) in June 2006, the Special Warranty Deed through which you took title included an express reservation of a permanent easement for future development of the reservoir. And, to the extent that any additional interests in your property may be required for the project (either for the reservoir itself or for other project components, such as power facilities), upon issuance of a FERC license Peabody would have the right to acquire the same upon payment of just compensation. Nonetheless, Peabody hopes and expects to be able to work with you to confirm an inundation easement or acquire the impacted portion of your property and any other interests in your property as may be necessary to accommodate the project.

This project will be a long process with many agencies being involved. Peabody believes that an open and inclusive application development process provides the best outcome for licensing. We appreciate your assistance and look forward to a collaborative and positive project licensing experience for all stakeholders.

Please call me to discuss and I can answer any questions for you.

A handwritten signature in black ink, appearing to read 'B. Yansen', with a long horizontal flourish extending to the right.

Brian Yansen
Peabody Energy
Director Real Estate Development
701 Market Street
St. Louis, Missouri 63101
Phone 314.342.3484
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byansen@peabodyenergy.com



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Friday, July 27, 2012

Paul and Sue Orton
35100 RCR 179, P. O. Box 880856
Steamboat Springs, Colorado 80488

Re: Trout Creek Reservoir Project—notice of federal licensing activity

Dear Paul and Sue Orton

As you are aware from our conversation over the past several years, Peabody is developing a reservoir that will inundate portions of the Trout Creek basin adjacent to your property. As we continue to determine the footprint of the reservoir and the projected water elevation, we would like to discuss any impacts that the project will have upon your property. This letter is also intended to formally notify you with regard to the federal licensing activity for the project.

Peabody is applying for a Federal Energy Regulatory Commission (FERC) hydropower license for a proposed multi-purpose water storage project. As the applicant, Peabody is preparing a Pre-Application Document (PAD) to be filed with FERC along with Peabody's Notice of Intent, which filing will trigger the formal commencement of the licensing proceeding. The PAD will provide FERC and other entities with existing, relevant, and reasonably available information pertaining to its proposed project to help identify issues, information needs and required studies, and in order to prepare documents analyzing Peabody's hydropower license application.

The proposed Trout Creek Reservoir Project is located approximately 15 miles southwest of Steamboat Springs, Colorado. The project area is in Sections 1, 12, and 13, Township 5 North, Range 86 West, and Sections 6 and 7, Township 5 North, Range 85 West, 6th P.M. As presently proposed, the project will include a proposed dam and reservoir on Trout Creek, a tributary to the Yampa River, which will have a surface area of approximately 385 acres and a reservoir volume of approximately 11,720 acre-feet. Water stored in the reservoir would be used to generate hydropower expected to average approximately one million kilowatt hours per year. Additionally, the reservoir would support residential development, recreation, and fish habitat, as well as provide a source of supply for water to support Peabody's mining operations in northwest Colorado.

Your property has been identified as an area that will be impacted by the Trout Creek Reservoir Project, portions of your property which may be inundated by the reservoir waters. Nonetheless, Peabody hopes to be able to work with you to discuss potential acquisition of your entire property, as necessary to accommodate the project.

This project will be a long process with many agencies being involved. Peabody believes that an open and inclusive application development process provides the best outcome for licensing. We appreciate your assistance and look forward to a collaborative and positive project licensing experience for all stakeholders.

Please call me to discuss and I can answer any questions for you.

A handwritten signature in black ink, appearing to read "B. Yansen", with a long horizontal flourish extending to the right.

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Theresa Friederich-Takasugi
Co-Trustee for the Friederich Family Trust
4571 New Hampshire Street
San Diego, CA 92116

Re: Trout Creek Reservoir project—notice of federal licensing activity

Dear Ms. Friederich-Takasugi:

I would like to reintroduce myself --I am Brian Yansen, Director of Real Estate Development for Peabody Energy ("Peabody"). I work with George Wagner in the land department here at Peabody. I understand that George has spoken to you in the past about Peabody's interest in possibly acquiring your 200-acre tract near Trout Creek in Routt County, Colorado. As you are aware from the water rights correspondence and notifications, Peabody is developing a reservoir that will inundate portions of the Trout Creek basin adjacent to your property. As we continue to determine the footprint of the reservoir and the projected water elevation, we would like to discuss any impacts that the project might have upon your property. This letter is also intended to formally notify you of the federal licensing activity for the project.

Peabody is applying for a Federal Energy Regulatory Commission (FERC) hydropower license for a proposed multi-purpose water storage project. As the applicant, Peabody is preparing a Pre-Application Document (PAD) to be filed with FERC along with Peabody's Notice of Intent, which filing will trigger the formal commencement of the licensing proceeding. The PAD will provide FERC and other entities with existing, relevant, and reasonably available information pertaining to its proposed project to help identify issues, information needs and required studies, and in order to prepare documents analyzing Peabody's hydropower license application.

The proposed Trout Creek Reservoir Project is located approximately 15 miles southwest of Steamboat Springs, Colorado. The project area is in Sections 1, 12, and 13, Township 5 North, Range 86 West, and Sections 6 and 7, Township 5 North, Range 85 West, 6th P.M. As presently proposed, the project will include a proposed dam and reservoir on Trout Creek, a tributary to the Yampa River, which will have a surface area of approximately 385 acres and a reservoir volume of approximately 11,720 acre-feet. Water stored in the reservoir would be used to generate hydropower expected to average approximately one million kilowatt hours per year. Additionally, the reservoir would support residential development, recreation, and fish habitat, as well as provide a source of supply for water to support Peabody's mining operations in northwest Colorado.

Your property has been identified as an area that will be impacted by the Trout Creek Reservoir Project, in that a small portion of your property may be inundated by the reservoir waters. To the extent that interests in your property will be required for the project (either for inundation by the reservoir itself, or related land uses), upon issuance of a FERC license Peabody would have the right to acquire such interests, upon payment of just compensation. Nonetheless, Peabody hopes and expects to be able to work cooperatively with you to discuss a potential acquisition of the inundated portion of your property, and/or the entire property, as necessary to accommodate the project.

In addition, I would like to discuss with you the potential for an agreement granting Peabody and our consultants temporary access onto your property for study purposes. Specifically, we would like to study the potential wetlands that may be on your property that could be impacted by the potential reservoir. Ideally, the access required for these studies would begin within the next month, and so I look forward to discussing an arrangement with you in the near future.

Keep in mind that the reservoir project will be a long process with involvement from many government agencies and other interested parties. Peabody believes that an open and inclusive application development process provides the best outcome for licensing, and ultimately, project construction. We appreciate your assistance and look forward to a collaborative and positive project licensing experience for all stakeholders.

Please feel free to call me to discuss, and I will do my best to answer any questions that you may have.

A handwritten signature in black ink, appearing to read "B. Yansen", with a long horizontal flourish extending to the right.

Brian Yansen
Peabody Energy
Director Real Estate Development
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Mrs. Barbara Kerley, Fredrickson
33425 County Road 33
Oak creek CO 80467-9708

Re: Trout Creek Reservoir project—notice of federal licensing activity

Dear Mrs.Kerley:

I would like to reintroduce myself --I am Brian Yansen, Director of Real Estate Development for Peabody Energy ("Peabody"). We spoke on the phone last year about water rights for the Trout Creek Reservoir project that you were contacted about. As you are aware from the water rights correspondence and notification, Peabody is developing a reservoir that will inundate portions of the Trout Creek basin adjacent to your property. As we continue to determine the footprint of the reservoir and the projected water elevation, we would like to discuss any impacts that the project might have upon your property. This letter is also intended to formally notify you with regard to the federal licensing activity for the project.

Peabody is applying for a Federal Energy Regulatory Commission (FERC) hydropower license for a proposed multi-purpose water storage project. As the applicant, Peabody is preparing a Pre-Application Document (PAD) to be filed with FERC along with Peabody's Notice of Intent, which filing will trigger the formal commencement of the licensing proceeding. The PAD will provide FERC and other entities with existing, relevant, and reasonably available information pertaining to its proposed project to help identify issues, information needs and required studies, and in order to prepare documents analyzing Peabody's hydropower license application.

The proposed Trout Creek Reservoir Project is located approximately 15 miles southwest of Steamboat Springs, Colorado. The project area is in Sections 1, 12, and 13, Township 5 North, Range 86 West, and Sections 6 and 7, Township 5 North, Range 85 West, 6th P.M. As presently proposed, the project will include a proposed dam and reservoir on Trout Creek, a tributary to the Yampa River, which will have a surface area of approximately 385 acres and a reservoir volume of approximately 11,720 acre-feet. Water stored in the reservoir would be used to generate hydropower expected to average approximately one million kilowatt hours per year. Additionally, the reservoir would support residential development, recreation, and fish habitat, as well as provide a source of supply for water to support Peabody's mining operations in northwest Colorado.

Your property has been identified as an area that will be impacted by the Trout Creek Reservoir Project, a small portion of your property which may be inundated by the reservoir waters. Nonetheless, Peabody hopes and expects to be able to work with you

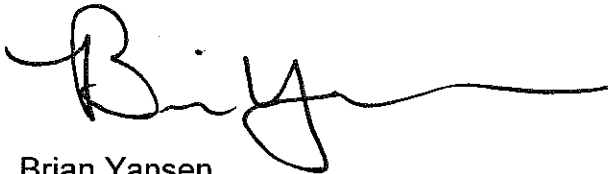
to discuss potential acquisition of the inundated portion of your property, and or the entire property as necessary to accommodate the project.

I would like to discuss this with you in person. I am traveling from St. Louis and will be in Steamboat Springs for three day starting on July 31st. Please let me know if you are available to meet and discuss the project with you.

In addition I would like to discuss with you the potential of an agreement that would grant Peabody and our consultants' temporary access onto your property for study purposes. We can discuss more in detail when we meet.

This project will be a long process with many agencies being involved. Peabody believes that an open and inclusive application development process provides the best outcome for licensing. We appreciate your assistance and look forward to a collaborative and positive project licensing experience for all stakeholders.

Please call me to discuss and we can set up a time to me, or if I can answer any questions.

A handwritten signature in black ink, appearing to read 'Brian Yansen', with a long horizontal flourish extending to the right.

Brian Yansen
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Mike Ludlow
Ludlows' Mountainview Ranch LLC
34115 Routt County Road 33
Steamboat Springs, CO 80487

Re: Trout Creek Reservoir project—notice of federal licensing activity

Dear Mr. Ludlow:

I would like to reintroduce myself --I am Brian Yansen, Director of Real Estate Development for Peabody Energy ("Peabody"). We spoke on the phone last year about access and water rights for the Trout Creek Reservoir project. As you are aware from the water rights correspondence and notification, Peabody is developing a reservoir that will inundate portions of the Trout Creek basin adjacent to your property. As we continue to determine the footprint of the reservoir and the projected water elevation, we would like to discuss any impacts that the project might have upon your property. This letter is also intended to formally notify you with regard to the federal licensing activity for the project.

Peabody is applying for a Federal Energy Regulatory Commission (FERC) hydropower license for a proposed multi-purpose water storage project. As the applicant, Peabody is preparing a Pre-Application Document (PAD) to be filed with FERC along with Peabody's Notice of Intent, which filing will trigger the formal commencement of the licensing proceeding. The PAD will provide FERC and other entities with existing, relevant, and reasonably available information pertaining to its proposed project to help identify issues, information needs and required studies, and in order to prepare documents analyzing Peabody's hydropower license application.

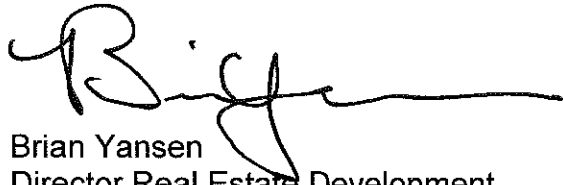
The proposed Trout Creek Reservoir Project is located approximately 15 miles southwest of Steamboat Springs, Colorado. The project area is in Sections 1, 12, and 13, Township 5 North, Range 86 West, and Sections 6 and 7, Township 5 North, Range 85 West, 6th P.M. As presently proposed, the project will include a proposed dam and reservoir on Trout Creek, a tributary to the Yampa River, which will have a surface area of approximately 385 acres and a reservoir volume of approximately 11,720 acre-feet. Water stored in the reservoir would be used to generate hydropower expected to average approximately one million kilowatt hours per year. Additionally, the reservoir would support residential development, recreation, and fish habitat, as well as provide a source of supply for water to support Peabody's mining operations in northwest Colorado.

Your property has been identified as an area that will be impacted by the Trout Creek Reservoir Project in that approximately 13 acres in the northwestern portion of your property may be inundated. As you may recall, pursuant to the Special Warranty Deed dated December 15, 2005 through which you took title to your property from Twentymile Coal Company. That deed expressly reserves a perpetual easement for the reservoir. To the extent that any additional interests in your property may be required for the project (either for the reservoir itself or for other project components, such as power facilities), upon issuance of a FERC license Peabody would have the right to acquire

the same upon payment of just compensation. Nonetheless, Peabody hopes and expects to be able to work with you to acquire the inundated portion of your property, and any other interests in your property as may be necessary to accommodate the project. In any event, the value of your remaining property should be enhanced, as there will be potentially public access to the reservoir, the inundated property and property within the project boundary will be subject to regulation by FERC (including limitations on access points, docks, etc.).

Thank you for allowing us temporary access onto your property. This will be a long process with many agencies being involved. Peabody believes that an open and inclusive application development process provides the best outcome for licensing. We appreciate your assistance and look forward to a collaborative and positive project licensing experience for all stakeholders.

Please do not hesitate to call if you have any questions.

A handwritten signature in black ink, appearing to read "B. Yansen", with a long horizontal flourish extending to the right.

Brian Yansen
Director Real Estate Development
314.342.3484



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Mr. and Mrs. Daniel Huber
5 Rose Bank Lane
Long Cove Club
Hilton Head Island, SC 29928

Friday June 1, 2012

Re: Trout Creek Reservoir project

Dear Mr. Huber,

This letter is intended as follow-up to your letter to me regarding potential sale of the Elk Pass Ranch (72 acre property) and the official notice regarding federal licensing activity for the Trout Creek Reservoir project.

As we have discussed, Peabody Energy ("Peabody") is applying for a Federal Energy Regulatory Commission ("FERC") hydropower license for a proposed multi-purpose water storage project in Routt County, Colorado. As the applicant, Peabody is preparing a Pre-Application Document ("PAD") to be filed at FERC with its Notice of Intent, which will trigger the formal commencement of the licensing proceeding. The PAD will provide FERC and other entities with existing, relevant, and reasonably available information pertaining to the proposed project to help identify issues and information needs, identify required studies, and prepare documents analyzing Peabody's hydropower license application.

The proposed Trout Creek Reservoir Project is located approximately 15 miles southwest of Steamboat Springs, Colorado. The project area is within Sections 1, 12, and 13, Township 5 North, Range 86 West, and Sections 6 and 7, Township 5 North, Range 85 West, 6th P.M. The project includes a proposed dam, reservoir and associated power generation facilities on Trout Creek, a tributary to the Yampa River. As currently planned, the reservoir would have a surface area of approximately 385 acres and a reservoir volume of approximately 11,720 acre-feet. Water stored in the reservoir would be used to generate hydropower expected to average approximately one million kilowatt hours per year. Additionally, the reservoir would support residential development, recreation, and fish habitat, as well as provide a source of supply for water to support Peabody's mining operations in northwest Colorado.

The Elk Pass Ranch has been identified as an area that will be impacted by the Trout Creek Reservoir Project (we presently expected up to about 33 acres to be inundated). As you know, when you acquired title to this property from Twentymile Coal Company (a Peabody affiliate) in June 2006, the Special Warranty Deed through which you took title included an express reservation of a permanent easement for future development of the reservoir. And, to the extent that any additional interests in your property may be required for the project (either for the reservoir itself or for other project components, such as power facilities), upon issuance of a FERC license Peabody would have the right to acquire the same upon payment of just compensation. Nonetheless, Peabody hopes and expects to be able to work with you to

confirm an inundation easement or acquire the inundated portion of your property and any other interests in your property as may be necessary to accommodate the project.

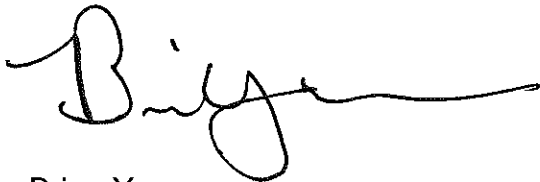
Your recent letter states that you would offer your entire property for sale for \$2,250,000 or \$31,250 per acre. You purchased this property in June 2006, prior to the real estate downturn, for \$331,300, which represents \$4600 per acre. Even excluding any decline in market values, you are now requesting a 679% return on your investment. While Peabody remains interested in purchasing the property, and is willing to pay a small premium in lieu of any condemnation proceedings that may otherwise be necessary, at present Peabody is unwilling to meet your asking price.

In your recent letter you also indicated that your property could be developed into 14 to 15 five-acre lots. Routt County introduced the land preservation subdivision (LPS) in 1995 as a way to encourage developers to better utilize property and protect open space from future development. A land preservation subdivision preserves agricultural land and creates additional lots within a smaller area by clustering homes within one specific area instead of spreading them throughout a property. For this type of subdivision, however, a landowner or developer is required to preserve adjacent open space land in order to divide into five acre lots. With just one 72-acre parcel, however, under present Routt County regulations only two 35 acre lots can be created. And, if your 72 acres were to be subdivided into two lots, the value would be substantially less than \$10,000 per acre--the lots at Vista Ridge are all priced below that and they have power, wells, roads, and an owners association to control the overall development. Bearing this information in mind, please let me know if you wish to reconsider your position on a potential sale price.

In any event, the Trout Creek Reservoir project is in its very early stages. This will be a long process with many agencies involved. I would like to thank you for letting allowing our consultant to access your property for environmental studies and testing. That access was helpful in moving the project forward. Peabody believes that an open and inclusive application development process provides the best outcome for licensing. We appreciate your assistance and look forward to a collaborative and positive project licensing experience for all stakeholders.

Please let me know if you have any questions or should you wish to continue discussions regarding a sale of your property to Peabody.

Thank you once again,

A handwritten signature in black ink, appearing to read "Brian Yansen", with a long horizontal flourish extending to the right.

Brian Yansen
Director Real Estate Development
314.342.3484