



*PEABODY ENERGY*

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Brian Yansen  
Director Real Estate Development  
701 Market Street  
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Wednesday, March 17, 2010

Department of the United States Army  
Corps of Engineers, Sacramento District Regulatory  
402 Road Avenue, Room 142  
Grand Junction, CO 881501-2563  
(970) 243-1199

Dear Mr. Green,

Peabody Energy is requesting your permitting recommendation and our point of contact for the Trout Creek Reservoir Project.

I have attached two copies of overall scope of the Trout Creek Reservoir including the water right decree, master plan of property owners, preliminary wetland delineation mapping, and several conceptual layouts of the reservoir for your review. Please review the attached documentation and call with any questions in regards to the project, or if I maybe of any further assistance. We look forward to receiving your guidance as we move forward with the project.

Thank you,

Brian Yansen  
Director Real Estate Development



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## **TROUT CREEK RESERVOIR**

**Owners:** Twentymile Coal Company a subsidiary of Peabody Energy

**Lead Agency:** Department of the United States Army  
Corps of Engineers, Sacramento District Regulatory Branch

**Location:** Routt County, Colorado

### **Project Team:**

#### **Peabody Energy**

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#### **Twentymile Coal Company**

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#### **McLaughlin Water Engineers Ltd :**

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Aaron Asquith- Engineer  
Hal Simpson- Consultant to project

#### **TZA Water Engineers**

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#### **ERO Resources Corp.**

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#### **Holland & Hart LLP**

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***Project Water Right:***

The proposed Trout Creek Reservoir is located 15 miles from Steamboat Springs in Routt County, Colorado. The proposed in-stream reservoir would be located on Trout Creek, a tributary of the Yampa River. The Trout Creek Reservoir aka The Energy Fuels Reservoir No. 2 water right has an appropriation date of July 8, 1977 and a decreed water storage right of 30,000 AF. In addition the decree states a 100' high dam with a 2100' dam length, and a right to fill and refill whenever water is available. The beneficial use of the water is decreed as : Irrigation, fish propagation, domestic, municipal, industrial, commercial, mineral processing, suppression of fugitive dust, electrical generation, fire prevention, stock watering, exchange, substitution, replacement and augmentation in connection with other water rights of owner.

***Current Conditions:***

At the project site, Trout Creek, a perennial stream, flows south to north through a valley surrounded by sage brush-covered rolling hills. Middle Creek, an intermittent stream, is in the western portion of the project area and has its confluence with Trout Creek in the center of the project site. The meadows in the valley bottom have been irrigated and used primarily for hay production and livestock grazing. The preliminary natural resources assessment indicates that portion of the wetlands that would be affected may be supported solely by irrigation. If that is the case, then the total acres of wetlands impacted should be considerably lower. These hydrophytic vegetation areas are being maintained only because of man-induced wetland hydrology that would no longer exist if the irrigation were to be terminated resulting in a lesser impacted to jurisdictional wetlands. The wetlands are dominated by sedges and grasses with occasional willows occur along the banks of the streams, in abandoned oxbow channels, in low lying areas adjacent to the streams, along ditches, and along the toe of the slope on the east side of the project site. Based on preliminary aerial photograph interpretation mapping, ERO mapped about 70 acres of wetlands and 6 linear miles of stream within the boundary of the reservoir.

***Project Overview:***

Peabody Energy and its affiliates propose to construct the reservoir to provide a long term sustainable water supply for industrial and mineral processing related to mineral extraction and mineral process facilities. The use of this water is a key component to future coal mining operations throughout Northwest Colorado Region over the next 50 years. Peabody Energy has many large coal reserves throughout the Northwest Colorado Region and would like to continue the long term presence of coal mining and coal production in Routt County, Colorado. Trout Creek Reservoir water storage would assist in the long term water demands for Peabody Energy and its subsidiaries such as the Twentymile Coal Company, and Sage Creek Coal Company. The benefits of this water supply is to provide a long term source to assist in the continuing extraction of coal, coal processing, and coal preparation. In addition, this water could assist with our consumers of coal and their needs for ongoing demands for water and help provide affordable energy for the entire region. This proposed project will help to strengthen the coal markets in Northwest Colorado and will benefit many of the surrounding communities.

***Dam and Reservoir Area:***

The proposed dam would be an earth fill embankment approximately 85 feet high and 1800 feet long with normal high water elevation of 6669 feet. The spillway crest would be at an elevation of 6,669 feet. The embankment would impound a maximum of approximately 13,560 AF of water (9,190 AF of active storage and 4,370 AF of inactive storage) and inundate approximately 397 acres. The normal reservoir pool elevation would be 6,669 feet. The average annual yield from the reservoir would be approximately 9,000 AF. Water stored in the reservoir would be used throughout the year for a constant source of water for industrial and mineral production. Other proposed facilities to be located near the base of the dam could include a headquarters building, maintenance yard, fish hatchery, and hydro power station. The site would be accessed from County Road 179 and County Road 33.

The land surrounding the reservoir could be master planned for low impact residential development. The plan could include large conservation areas for wildlife habitats and wildlife fishery as amenities to the development. The proposed master plan could be developed into a destination style green residential community which could include conservation areas, and other recreational opportunities including hiking / biking trails, fishing, equestrian facility, cross county skiing, swimming, picnic areas, and possibly boating. No plans have been designed at this time, but as time progresses a master plan will be developed to assist in the guidance for any development to the property. The proposed mitigation of wetlands could potentially be constructed on property that is downstream of the proposed reservoir, and development of a wetland study area or park. The newly constructed wetlands would be supplied by water from the reservoir. This permanent supply could ensure the wetlands supportive hydrology, and be incorporated as a key wildlife amenity to the development.

I have enclosed several maps illustrating the proposed reservoir layout, and several additional conceptual layouts based on the decreed water right. In addition, I have included a copy of the preliminary wetland delineation for your use, and a copy of the decreed water right.

Our intentions are to begin the individual permit process with the U.S. Army Corps of Engineers. Please respond back with your recommendation and our point of contact within your office. Please verify and provide us with the direction on how to proceed. If you have any questions or need additional information please don't hesitate to contact me at the address below.

Thank you,

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