



PEABODY ENERGY
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May 8, 2015

Armand Southall
Regulatory Specialist, ONRR
P.O. Box 25165, MS 61030A
Denver, CO 80225

Attn: Regulation Identifier Number (RIN) 1012-AA13

Re: Peabody Energy Comments on Office of Natural Resources Revenue
Proposed Rule to Amend Federal and Indian Coal Valuation Regulations, 80
Fed. Reg. 608 (Jan. 6, 2015)

Submitted via: <http://www.regulations.gov> and U.S. mail

Dear Mr. Southall:

On January 6, 2015, the Office of Natural Resources Revenue ("ONRR") issued a proposed rule entitled "Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform" (the "Proposed Rule"). This Proposed Rule would significantly modify the royalty valuation regulations in 30 C.F.R. Part 1206, Subparts F and J, applicable to coal production from leases on federal and Indian lands, respectively.

Peabody Energy is writing to express our strong concerns regarding the Proposed Rule. We believe the current royalty rules accurately capture all royalty revenue at the lease and therefore any changes are not necessary or appropriate.

Peabody Energy endorses the comments of the National Mining Association on the Proposed Rule. We believe the Proposed Rule is unworkable and deficient in a number of respects including the following:

- The Proposed Rule fails to adequately take into account all true costs associated with transporting coal to overseas markets.
- The "default provision" would grant the ONRR the arbitrary ability to set coal royalties without having to adhere to market benchmarks or the valuation rules otherwise set out in the Proposed Rule. By enabling ONRR to unilaterally establish a royalty value, the proposed rule injects uncertainty and the potential for inequity into the process.
- Through the adoption of a "net-back" methodology, the Proposed Rule will add significant complexity to the computation and auditing of coal valuation.

The marketing and transportation of coal overseas is much a different business model than the domestic sale of coal at the mine loadout and should therefore not be incorporated into the royalty process. If, however, the ONRR believes it needs to account for such sales despite the additional complexity associated with the sale and transportation of coal internationally, we believe all reasonable costs should be included to ensure an accurate net-back and appropriate valuation.

Thank you again for the opportunity to provide these comments.

Sincerely,

A handwritten signature in blue ink that reads "Kemal Williamson". The signature is fluid and cursive, with the first name "Kemal" being more prominent than the last name "Williamson".

Kemal Williamson
President Americas
Peabody Energy