



PEABODY
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May 4, 2017

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

Attn: Regulation Identifier Number (RIN) 1012-AA20

Re: Peabody Comments on Office of Natural Resources Revenue
Proposed Rule to Repeal the Consolidated Federal Oil & Gas and Federal
and Indian Coal Valuation Reform Rule

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

Dear Mr. Southall:

On April 4, 2017, the Office of Natural Resources Revenue ("ONRR") issued a proposed rule to repeal the Consolidated Federal Oil & Gas and Federal and Indian Coal Valuation Reform Rule that was published on July 1, 2016.

In its May 8, 2015 comments to the 2015 proposed rule, Peabody endorsed the comments of the National Mining Association and specifically noted the following:

- The proposed rule failed to adequately take into account all true costs associated with transporting coal to overseas markets.
- The "default provision" granted 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 injected uncertainty and the potential for inequity into the process.
- Through the adoption of a "net-back" methodology, the proposed rule added significant complexity to the computation and auditing of coal valuations.

Additionally, our comments noted that if a net-back methodology were to be incorporated, it should include all reasonable costs to ensure an accurate calculation.

As no changes were made to address either NMA or Peabody's serious concerns with the rule, we appreciate that ONRR has made the correct decision to rescind the final rule.

Peabody believes that an appropriate application of the 1989 regulations by ONRR provides a fair and equitable return for taxpayers and certainty for industry. The 2016 rule injected significant and unnecessary complexity to a process that has worked well for many years. If any changes are necessary, Peabody believes they should come from the Royalty Policy Committee (RPC) as we support the reconstitution of the RPC.

In conclusion, Peabody supports the decision of ONRR to rescind the 2016 rule for all the reasons previously noted and looks forward to working with the RPC in the future.

Thank you again for the opportunity to provide these comments.

Sincerely,



Kemal Williamson
President – Americas
Peabody Energy