Peabody Acquires Coal Reserves From CNX Gas in Exchange for Oil and Gas Properties

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Peabody Energy today announced that it has entered into agreements with CNX Gas Corporationwhereby Peabody will receive $15 million in cash and 41 million tons of high-Btu coal reserves in West Virginia and Kentucky in exchange for coalbed methane (CBM) and oil and gas assets.

Under the agreements, Peabody subsidiaries will receive nearly 27 million tons of Pittsburgh seam coal reserves adjacent to the Federal No. 2 Mine in West Virginia and more than 14 million tons of coal reserves in Western Kentucky. CNX Gas will also provide Peabody with a $15 million payment.

In return, CNX Gas subsidiaries and affiliates will receive coalbed methane and oil and gas rights and assets in more than 860,000 map acres in the Illinois Basin, West Virginia, New Mexico and the Powder River Basin. There are no proved gas reserves associated with the acreage.

"This transaction adds high Btu reserves that will enable Peabody to double the remaining reserves and expected life of our Federal No. 2 Mine in Northern Appalachia," said Peabody Chief Financial Officer and Executive Vice President of Corporate Development Richard A. Navarre.

Peabody Energy is the world's largest private-sector coal company, with 2006 sales of 248 million tons of coal and $5.3 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. electricity and more than 2 percent of worldwide electricity.

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