

Peabody and ConocoPhillips Enter Into Agreement to Explore Development of Midwest Coal-to-Substitute Natural Gas Facility

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Peabody Energy and ConocoPhillips today announced they have entered into an agreement to explore development of a commercial scale coal-to- substitute natural gas (SNG) facility using proprietary ConocoPhillips E- GAS™ technology.

The project would be developed as a mine-mouth facility at a location where Peabody has access to large reserves and existing infrastructure. It would be designed to annually produce 50 billion to 70 billion cubic feet of pipeline quality SNG from more than 3.5 million tons of Midwest sourced coal. In addition, presuming there is a supportive regulatory framework in place, the project scope will provide for carbon capture and storage.

"Our agreement with ConocoPhillips combines the strength of global industry leaders and proven technology that further demonstrates coal's ability to build energy reliability, security and price stability," said Gregory H. Boyce, Peabody president and chief executive officer. "The energy value in Peabody's vast coal reserve base exceeds the energy in the oil or gas reserves in the Continental United States, offering strategic advantages for coal-to-gas projects and other Btu Conversion projects."

Peabody and ConocoPhillips would participate in project ownership along with other potential equity partners. The preliminary design and economic assessment is expected to be complete in early 2008.

"ConocoPhillips believes the key to a secure energy future is the development and efficient use of diverse energy sources," said Jim Mulva, ConocoPhillips chairman and chief executive officer. "This project, as currently envisioned, would be designed to deliver over 1.5 trillion cubic feet of SNG in its first 30 years of operation from proven, domestic coal reserves. It also offers an excellent opportunity to use our company's project management capabilities, manufacturing expertise, and advanced technology to help increase the supply of alternative fuels."

Gasification has been used for the refining, chemical and power industries for more than 50 years. E-GAS™ technology converts coal or petroleum coke into a clean synthesis gas, allowing virtually all impurities to be removed.

Natural gas demand has grown rapidly in recent years, and development of coal-to-SNG projects is gaining increasing interest. In a 2006 study, the National Coal Council called for using coal to provide at least 15 percent of U.S. natural gas consumption, or 4 trillion cubic feet per year, using nearly 350 million tons of coal annually.

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 generation and more than 2 percent of worldwide electricity.

ConocoPhillips is an international, integrated energy company and one of the largest natural gas producers in North America. It is the third-largest integrated energy company in the United States, based on market capitalization, oil and gas proved reserves and production; and the second- largest refiner in the United States. ConocoPhillips operates in more than 40 countries. The company has approximately 38,700 employees worldwide and assets of \$173 billion.

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CAUTIONARY STATEMENT FOR THE PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This press release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that contain projections about revenues, income, earnings and other financial items, plans and objectives for the future, future economic performance, or other projections or estimates about assumptions relating to these types of statements. These statements usually relate to future events and anticipated revenues, earnings, business strategies, competitive position or other aspects of operations or operating results. In many cases you can identify forward- looking statements by terminology such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and other similar words. However, the absence of these words does not mean that the statements are not forward- looking. The forward-looking statements are based on the expectations, estimates and projections of Peabody and ConocoPhillips about their respective businesses and industries in general on the date this statement was released. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward- looking statements. Economic, business, competitive and regulatory factors that may affect Peabody's and ConocoPhillips' business are generally as set forth in their filings with the Securities and Exchange Commission (SEC). Neither Peabody nor ConocoPhillips are under any obligation (and expressly disclaim any such obligation) to update or alter these forward- looking statements whether as a result of new information, future events or otherwise.

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