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RICK A. BOWEN
President
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The Honorable Ernie Fletcher
Governor
Commonwealth of Kentucky
700 Capital Avenue, Suite 100
Frankfort, KY 40601

Dear Governor Fletcher:

I enjoyed our recent meeting at the Kentucky Derby. Thank you and the organizers for your kindness and hospitality. It was truly a once-in-a-lifetime experience.

Following up on our brief conversation, I am writing to underscore the importance of Kentucky's active and immediate participation in developing a coal-based synthetic fuels industry. For coal-producing states like Kentucky, coal conversion technologies represent new industry and economies of scale. Nationally, these technologies are key to reducing our dependence on imports of oil and natural gas from hostile foreign regimes, while stabilizing long-term energy prices and supplies for the United States. It is critical that Kentucky remain a national leader in this effort.

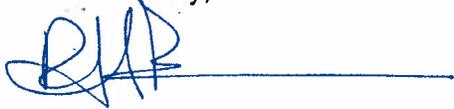
Peabody Energy is currently evaluating development of a large-scale coal conversion facility to produce 100 million to 200 million cubic feet per day of synthetic natural gas. Depending on the size, this project requires an investment of between \$1.8 and \$3 billion dollars; will create 500 to 1,000 construction jobs and between 375 and 800 full-time jobs at the plant and associated mine. Kentucky's recently enacted laws for long-term contracting for synthetic natural gas (SB 131, 2006 RS) and permitting reform (HB 470, 2006 RS; SB 196, 2007 RS) will help facilitate these types of projects.

This summer, Peabody Energy intends to make a major decision regarding development of this project and its location. In doing so, Peabody must protect our shareholders by minimizing the cost of the project. Without the financial development incentives similar to those of neighboring states, Peabody would be unable to consider locating this initial project in Kentucky. Although it would be

premature for us to commit to locating this facility in Kentucky, if the Commonwealth were to offer these financial incentives, it is unlikely that we could convince our investors to site this project in Kentucky without them. Incentives similar to those proposed in energy legislation during the 2007 Session are needed for Kentucky to remain competitive for projects such as this.

Please contact me if I can be of assistance in expediting the General Assembly's consideration of this legislation. I look forward to the opportunity to work with you in furthering the development of these projects for the benefit of all Kentuckians and the nation.

Sincerely,



Rick Bowen