

Peabody Coal Co.

by Dave Johnson



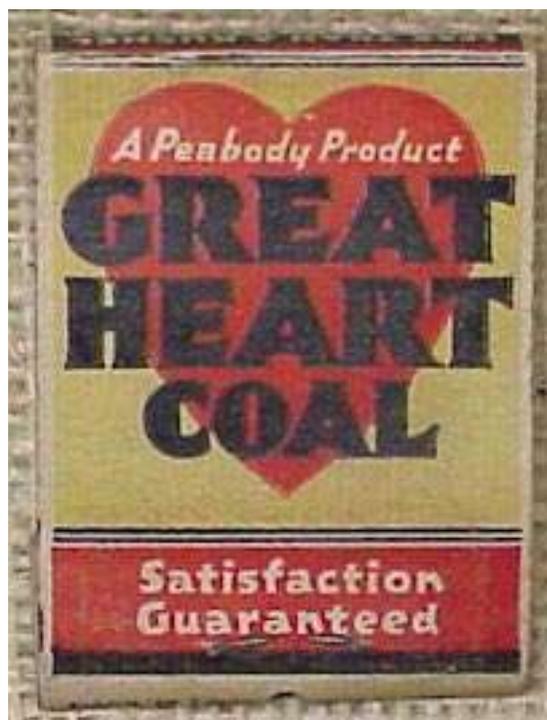
Police badge

Peabody today is the World's largest coal company with 9.9 billion tons of reserves. Peabody coal fuels more than 9% of U.S. and 2.5% of the World's electricity. Peabody provides its products to more than 180 power plants and 40 industrial facilities in the United States, as well as to customers in 18 other countries. Today coal as an energy source supplies 56% of U.S. electricity.

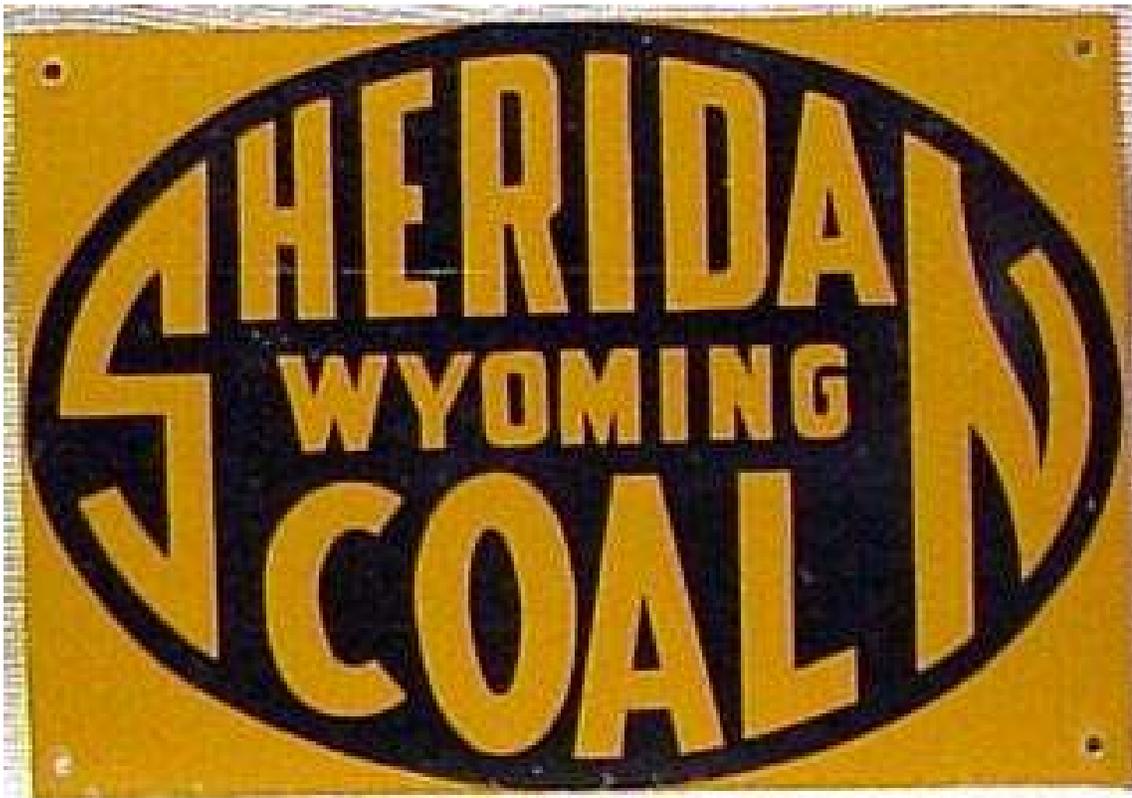
This corporate giant had its beginning, in 1883, when 24 year old Yale graduate, Francis S. Peabody and a partner, founded a retail coal business in Chicago with start-up capital of just \$100. Peabody soon bought out his partner and in 1895 opened his first coal mine in Williamson County, Illinois. He rapidly began buying thousands of acres of coal land in the Illinois Basin. In 1913, Peabody signed his first long-term coal supply contract with an electric utility, as he continued to open and acquire new mines.

In addition to owning and operating 20 mines in Illinois in 1922, Peabody

was operating 30 bituminous mines in eleven districts in Alabama, Indiana, Kentucky, Oklahoma and Wyoming under contract with a combined annual capacity of 18,000,000 tons. At this time Peabody Coal was operating the six mines in Sheridan County, Wyoming owned by the Sheridan Wyoming Coal Co. These mines worked the Carney and Monarch Seams, both of which reached thicknesses up to 34 feet. Coal from these properties was sold under the Kleenburn trade name. Due to a high moisture content in Kleenburn coal which subjected it to considerable degradation if exposed to the weather, the coal was shipped in box cars. This was worthwhile as the coal was noted for being virtually sootless, non-clinkering and having an ash content of only 3%.



(right) Great Heart matches.



Wyoming advertising sign

Continuing to expand throughout the 1920's Peabody Coal weathered the Great Depression of the 1930's, saw prosperity as a result of increased coal demand during World War II. However, by 1953, low-cost, high-volume surface-mined coal had made major inroads in the market. Peabody Coal, then the nation's 8th largest coal



producer, was fighting for its very existence. After suffering major losses in 1954, merger talks were initiated with Sinclair Coal Co., the third largest coal producer in the country. The two coal producers merged in 1955 and retained the Peabody Coal Co. name. It was a mutually satisfying arrangement; Peabody's listing on the New York Stock Exchange provided Sinclair with access to capital for investment and expansion, while Sinclair's very competitive surface mining operations in six Mid-western states meant survival for Peabody.

(left) Peabody coal scatter tag.

From 1957 through 1966, Peabody more than doubled its production, sales and coal reserves.

Through this period an extensive exploration program functioned through the western states. Peabody also opened their first large surface mine in Queensland, Australia, the firm's first venture outside of North America. In 1968 Kennecott Copper Corporation successfully bid for Peabody's stock, this led to eight

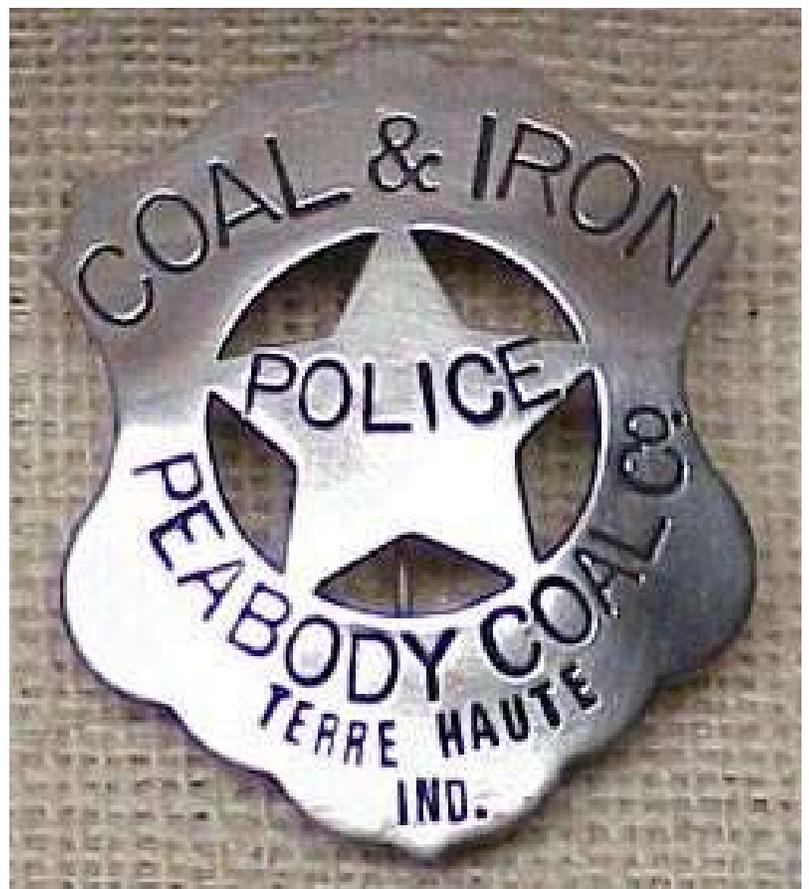
years of antitrust litigation. In 1976 Kennecott, with pressure from the Federal Trade Commission, received a court order to divest itself of the Peabody Coal Co.



Sheridan/Monarch advertising sign.

The 1980's saw Peabody expand operations throughout Appalachia. In 1984 Peabody purchased Armco's West Virginia mines and acquired the coal properties of Eastern Gas and Fuel Associates in 1987. Peabody Group became an independent U.S. based energy company in May, 1998 after 9 years of corporate change and restructuring.

The company doubled its low-sulphur reserves, tripled its productivity and sliced costs in half. This has left Peabody well poised to be an energy leader throughout the 21st Century with known reserves of 9.9 billion tons of coal.



(right) Coal & Iron Police badge from Terre Haute, Indiana.