

“Not So Fast” (Lee Corso)

Constraints in the Powder River Basin

Factors that Impede PRB Production Growth

- Mining difficulties
- Market share
- Labor
- Transportation
- Taxes

Mining Difficulties

- Striping ratios increase as mining moves West
 - Moving more dirt less coal tons
- Ground Control Impacts
 - Limited height of Highwalls (500 feet)

Market Share

- More Eastern Utilities installing FGD's
 - will be able to burn higher sulfur coals
- New Longwall mines in Illinois
 - have low cost structure
 - will compete with PRB coals in the East
 - transportation advantage to Southeast
- Two companies already control 8,800 btu coal & have dual rail service

Labor Issues

- Labor is difficult to attract and retain
 - Often PRB competes with other mining sectors, (i.e. Alberta Tar Sands)
- Already recruiting at 100 mile radius

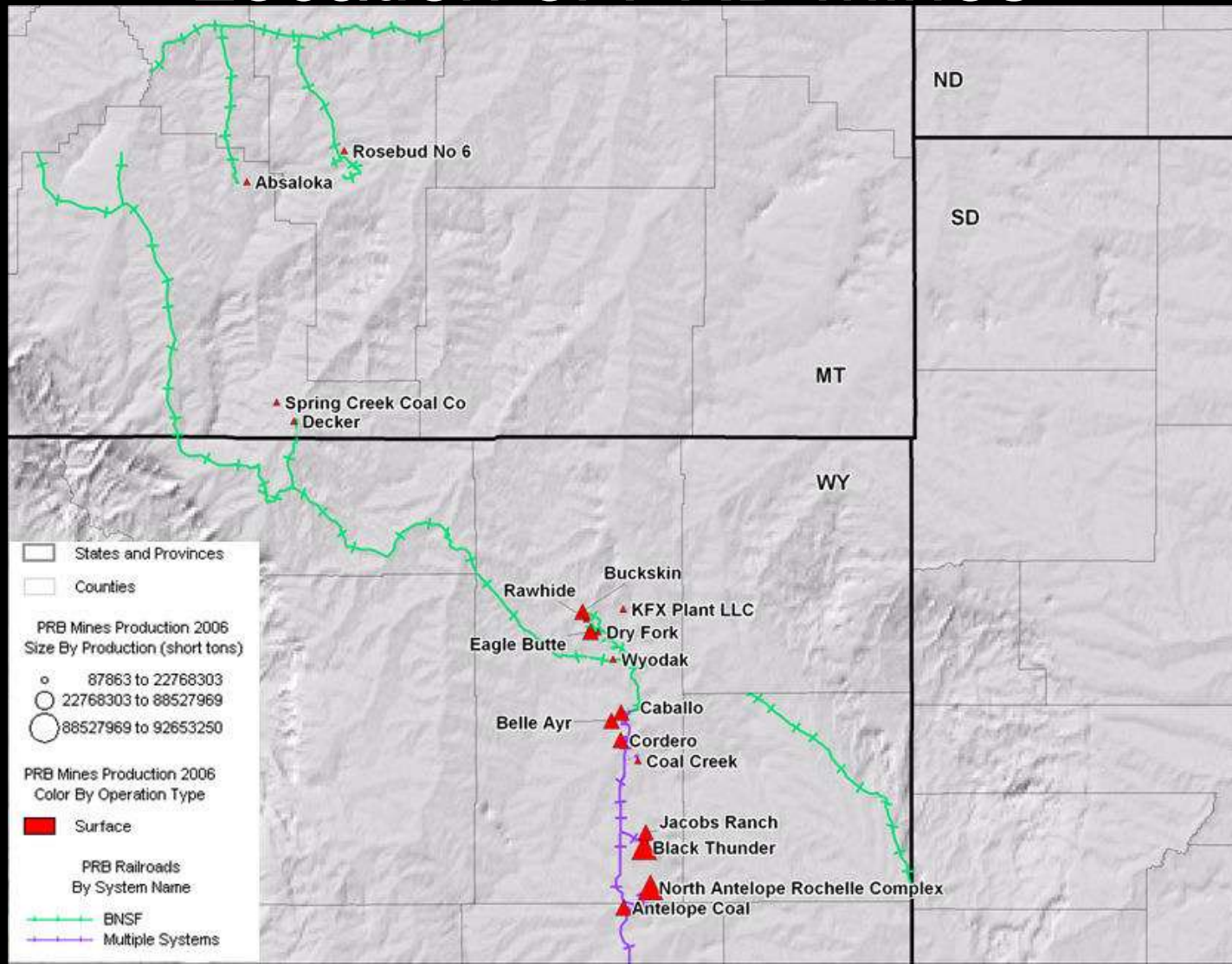
Transportation

- As mining moves West distance to transportation network increases
- Joint Line has finite capacity

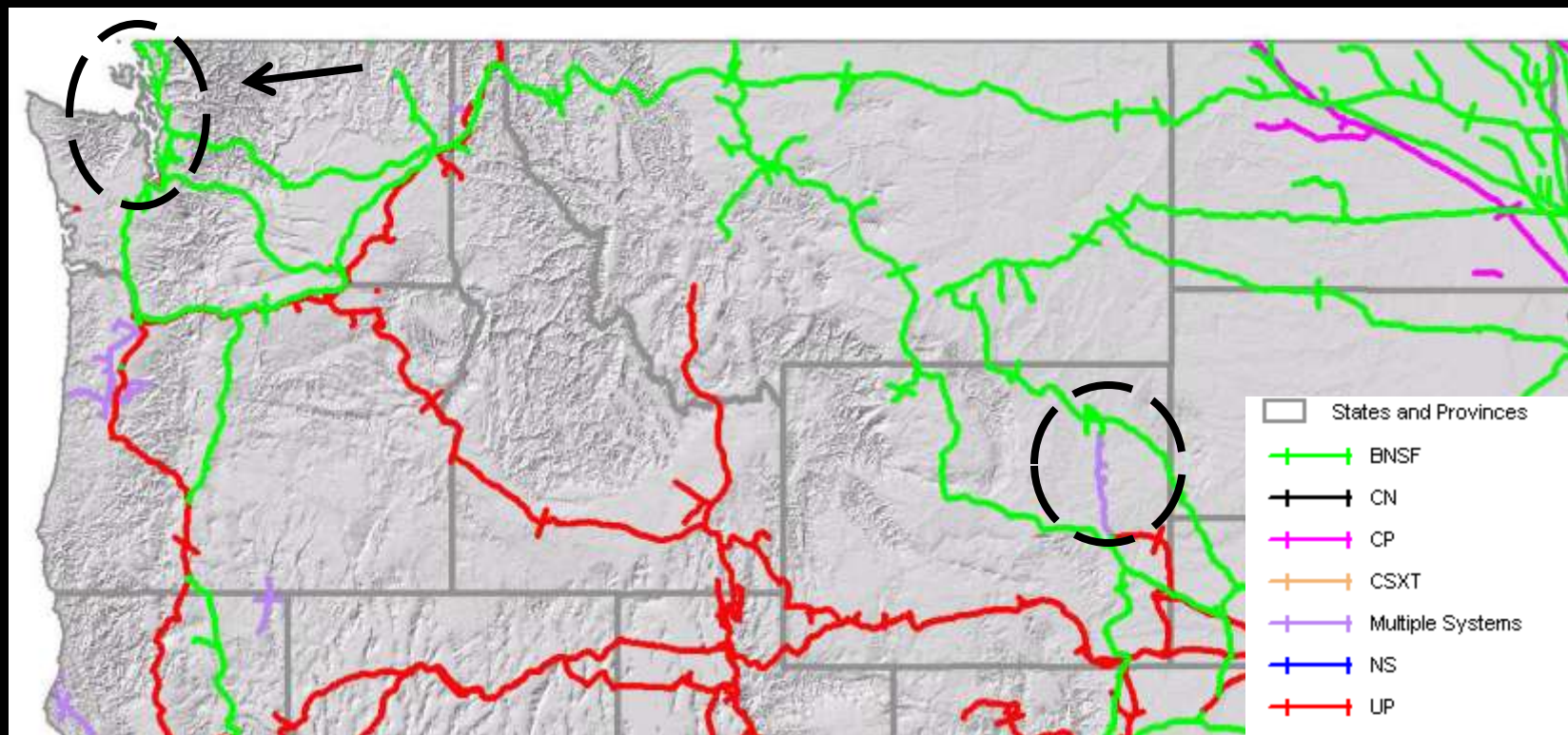
Taxes

- Future contested LBA's will be very expensive
- Total taxes & royalties approach 35% of revenue

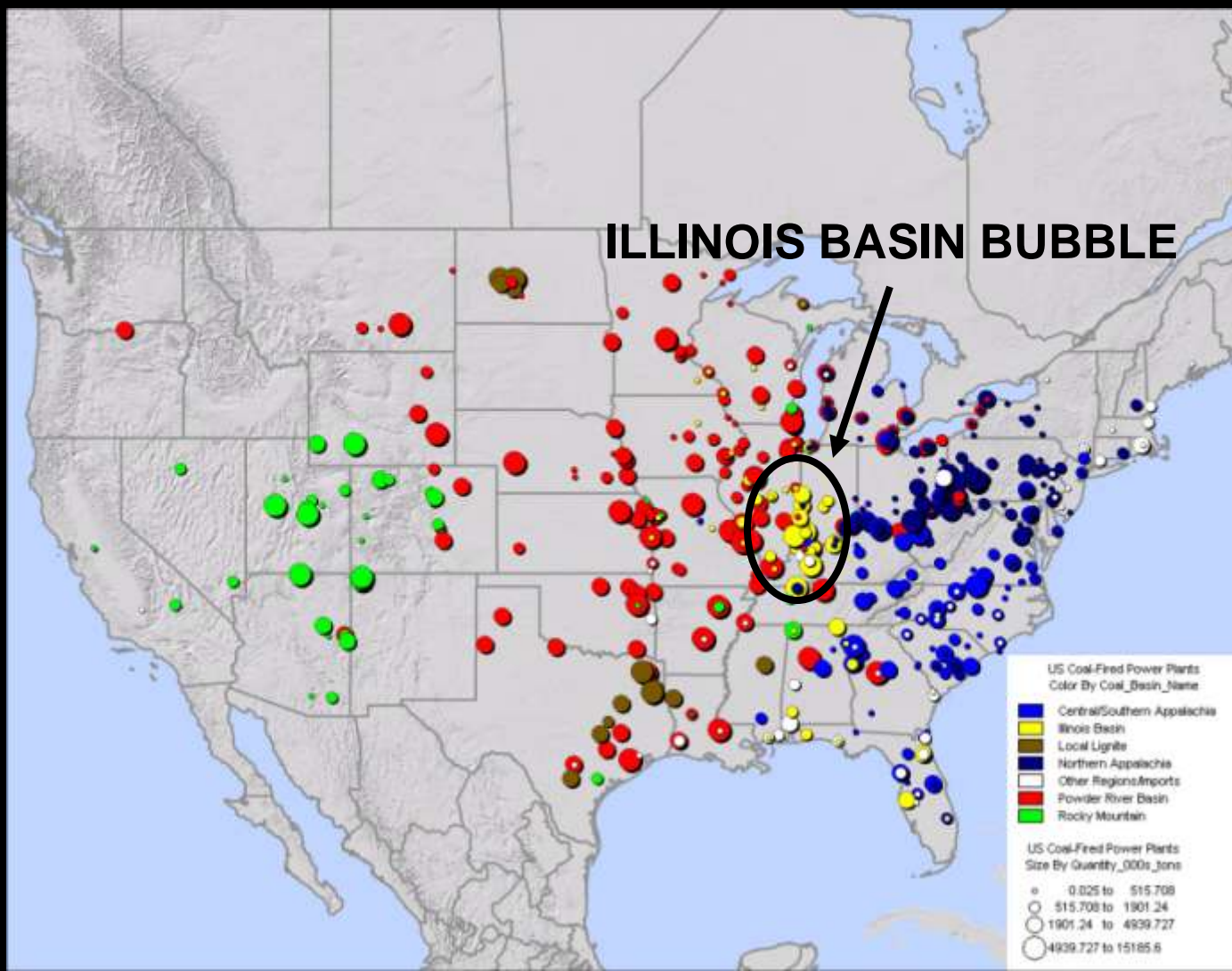
Location of PRB Mines



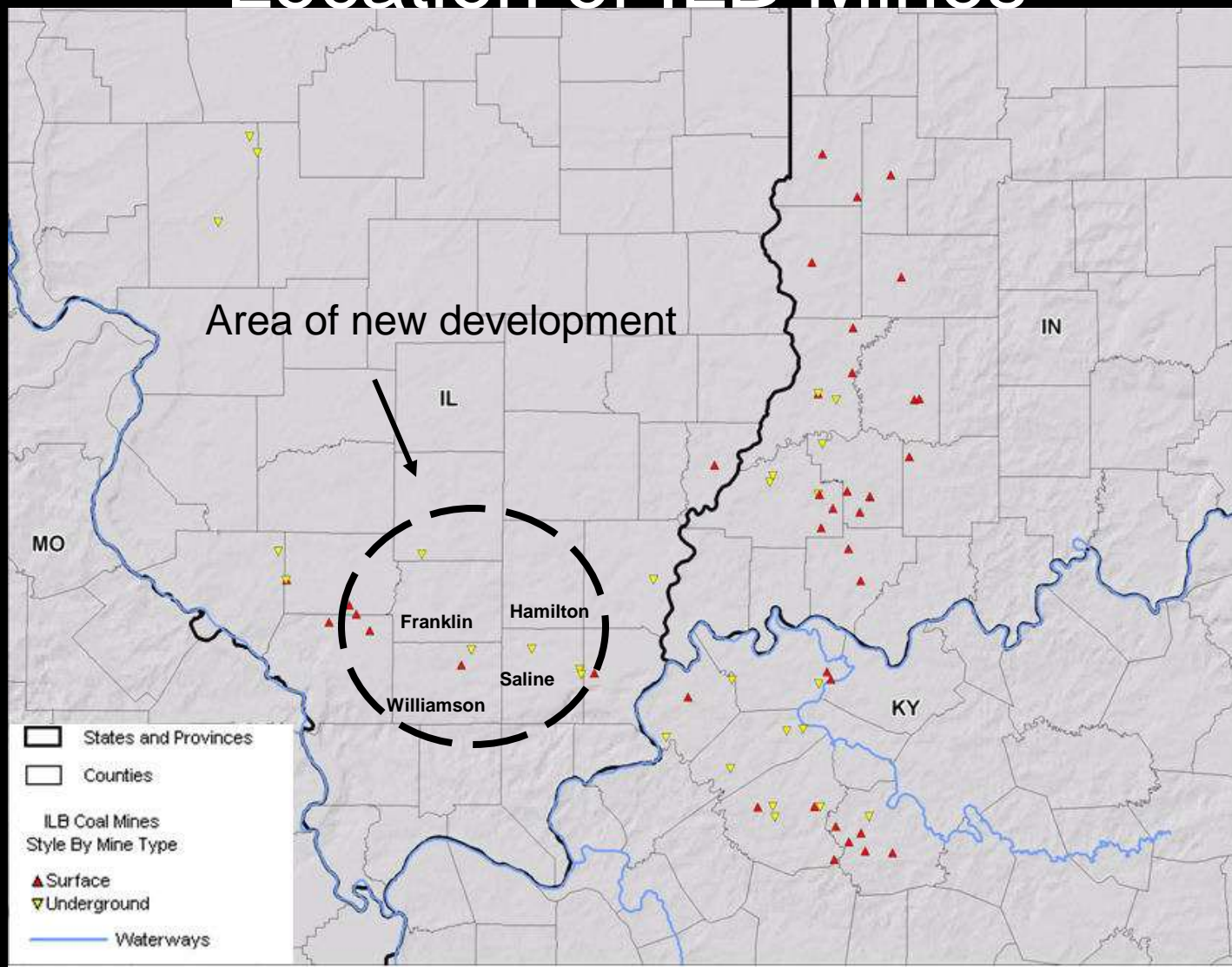
Possible Pacific Coal Port?



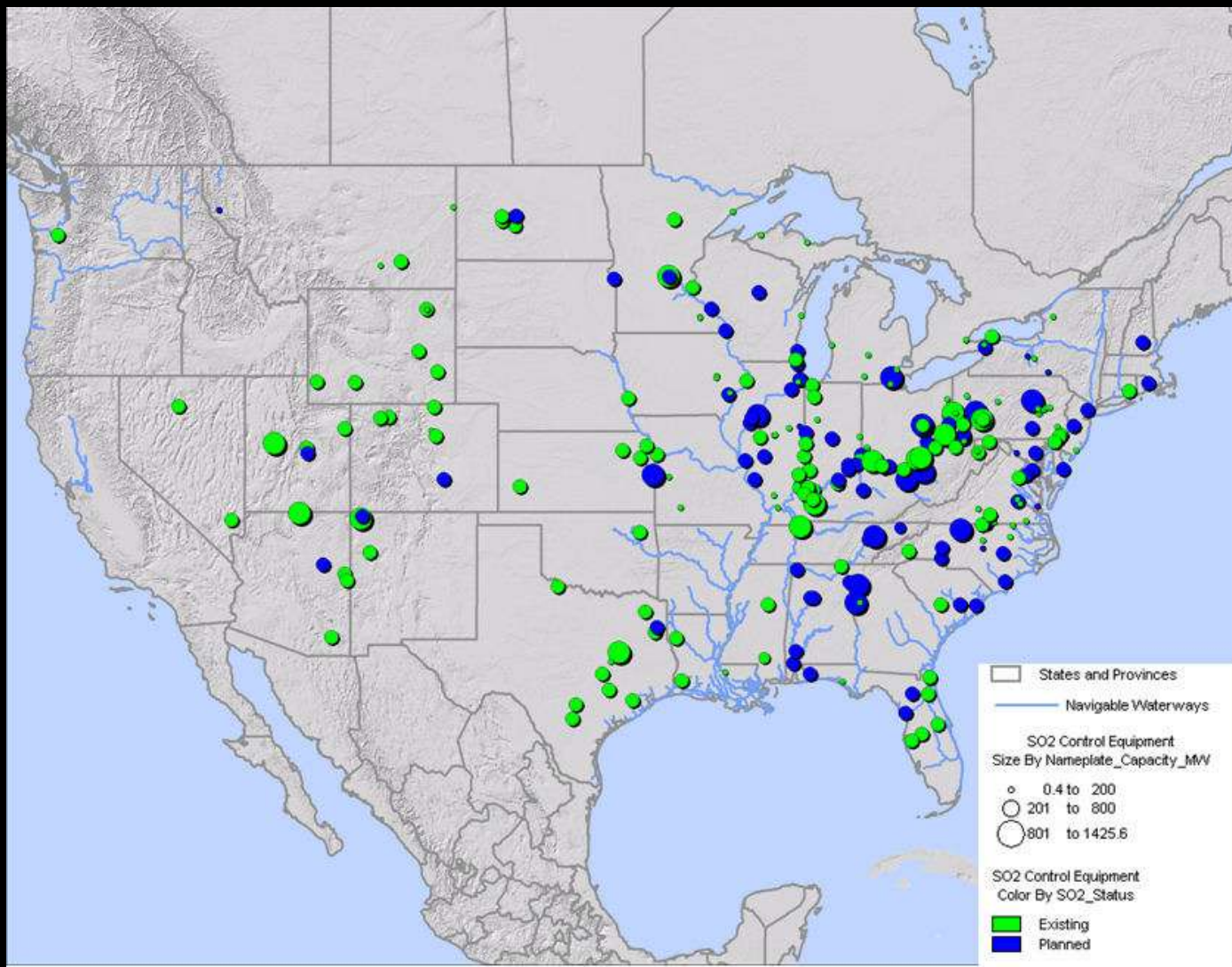
US Coal Consumers



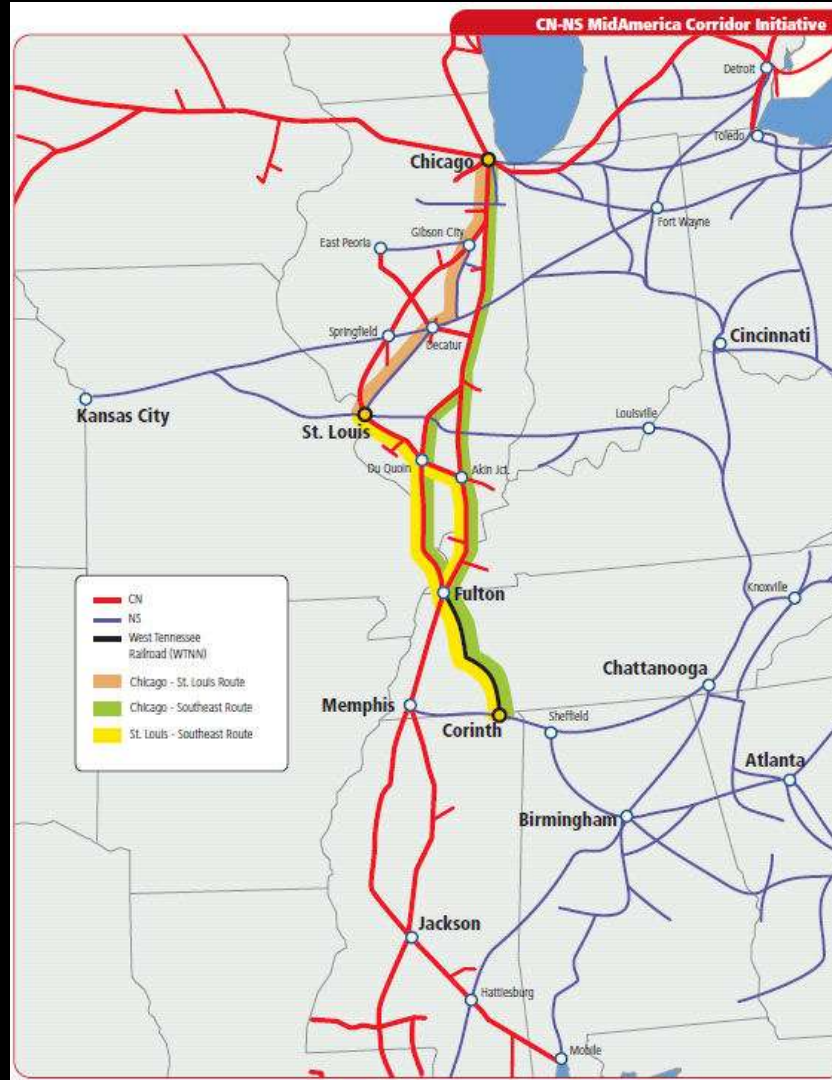
Location of ILB Mines



Scrubber Overview



CN/NS Mid-American Corridor



Future Illinois Basin Production

Permitted Capacity*	IN	IL	W. KY	TOTAL
2008	36	33	29	98
2010	48	75	44	167

*Millions of tons