

## SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002, and Peabody Powder River Mining, LLC (formerly known as Powder River Coal Company, LLC) (Powder River), 2515 Warren Avenue, Suite 500, Cheyenne, Wyoming, 82001, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in Notice of Violation Docket Number 5149-13. The Notice of Violation alleged that Powder River violated the Wyoming Air Quality Standards and Regulations (Air Quality Rules) and Permit MD-6375A by improperly controlling fugitive dust at the North Antelope Rochelle Mine, located in Campbell County, Wyoming and further alleged that Powder River failed to adhere to the Air Quality Action Plan contained in Permit MD-6375A.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2013) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Powder River and the DEQ/AQD hereby agree as follows:

1. Powder River is a Wyoming company that owns and operates the North Antelope Rochelle Mine, located in Campbell and Converse Counties, Wyoming.
2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.
3. Wyo. Stat. Ann. § 35-11-201 provides, “[n]o person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the [environmental quality] council.”
4. Chapter 3, Sections 2(f)(i)(A) and 2(f)(ii)(A) of the Air Quality Rules both mandate that fugitive dust must be controlled.
5. Wyo. Stat. Ann. § 35-11-801 states, “In granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards.”
6. Permit MD-6375A, issued to Powder River for the North Antelope Rochelle Mine, requires the implementation of fugitive dust control measures and the installation and operation of an ambient particulate monitoring.

7. DEQ/AQD has reviewed the ambient particulate monitoring data associated with the RO-1 monitoring site and determined that there was an exceedance of the 24-hour PM<sub>10</sub> standard at the North Antelope Rochelle Mine on August 7, 2012. The standard limit is 150 µg/m<sup>3</sup> and the monitor registered a concentration of 250.4 µg/m<sup>3</sup>.

8. DEQ/AQD has determined that this exceedance was a result of Powder River's failure to control fugitive dust in accordance with the Air Quality Rules. DEQ/AQD has further determined that Powder River maintained compliance with its Air Quality Action Plan, and rescinds the allegations to the contrary contained within the Notice of Violation.

9. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Powder River agrees to pay to the DEQ/AQD the amount of five thousand dollars (\$5,000) as a stipulated penalty to resolve the violations alleged in the aforementioned Notice of Violation. Powder River agrees to make full payment by check made payable to the Wyoming DEQ/AQD, within thirty (30) days after Powder River has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Powder River agrees to mail the payment to Ann Shed, DEQ/AQD, Herschler Building, 122 West 25<sup>th</sup> Street, Cheyenne, Wyoming 82002.

10. Powder River, by entering into this Agreement, does not concede or admit any liability, fault, or statutory noncompliance. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Powder River may have against any entity.

11. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Powder River arising from the allegations contained within the Notice of Violation and this Agreement. In reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Powder River for these particular alleged violations. By this Agreement, the Parties intend to resolve with prejudice all allegations that are contained within the Notice of Violation and this Agreement.

12. In the event that Powder River fails to fulfill its obligations under this Agreement, Powder River waives any statute of limitation claims that may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notice of Violation or otherwise set forth in this Agreement.

13. This Agreement shall be admissible by either Powder River or the DEQ/AQD without objection by the other party in any action between DEQ/AQD and Powder River relating to the violations alleged herein.

14. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other. Neither DEQ/AQD nor Powder River shall have any claim against the other for attorneys' fees, or any other costs related to the preparation and resolution of this Agreement.

15. Any changes, modifications, revisions, or amendments to this Agreement are invalid unless mutually agreed upon by both parties, incorporated by written instrument, executed, and signed by all parties to this Agreement.

16. The laws of the State of Wyoming shall govern the construction, interpretation, and enforcement of this Agreement. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

17. This Agreement, consisting of four (4) pages represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

18. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

19. The parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed to create such status. The rights, duties, and obligations contained in this Agreement shall operate only between the parties to this Agreement, and shall inure solely to the benefit of the parties to this Agreement. The parties to this Agreement intend and expressly agree that only parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

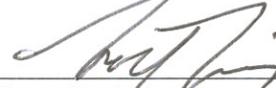
20. In the event that Powder River assigns any or all of its proprietary interest in the North Antelope Rochelle Mine located in Campbell and Converse Counties, Wyoming, DEQ/AQD reserves the right to enforce this Agreement against any and all subsequent owners and operators.

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21. Each party represents that they are authorized to enter into this Agreement, agrees to comply with and to be bound by the terms of this Agreement, and further agrees that they will not contest the basis or validity of this Agreement. This Agreement shall become binding upon the parties once executed.

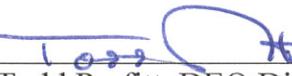
IN WITNESS THEREOF, the parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

PEABODY POWDER RIVER MINING, LLC:

By:  7/29/14  
Scott N. Durgin Date  
President

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  8-15-14  
Steven A. Dietrich, AQD Administrator Date

By:  8/15/14  
Todd Parfitt, DEQ Director Date

APPROVAL AS TO FORM:

 8/20/14  
Jeremiah Williamson Date  
Assistant Attorney General  
Attorney for DEQ/AQD