



Mining the Past...Powering the Future

Powder River Basin Operations and Process Management

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The PRB Scorecard

	A	B	C	D	F	Comments
Product/Market Diversity	✓					PRB has largest customer footprint of all coal regions
Mining Method Diversity	✓					Truck/shovel equipment provides maximum operational flexibility
Transportation Diversity	✓					Access to both the BNSF and UP railroads
Production Volume	✓					High volume 50+ million ton per year capacity
Safety	✓					Low injury rates and engrained in culture
Environmental Compliance	✓					Internal President's Environmental Award for 2006
Growth Prospects	✓					Significant organic growth potential—up to 12.5 MM tons additional capacity possible by 2012
Employees	✓					Senior management staff with 25+ years of industry experience; motivated hourly workforce involved in the business
Performance	✓					Productivity 10% higher than other SPRB operators
Margins	✓					Solid EBITDA to revenue margins



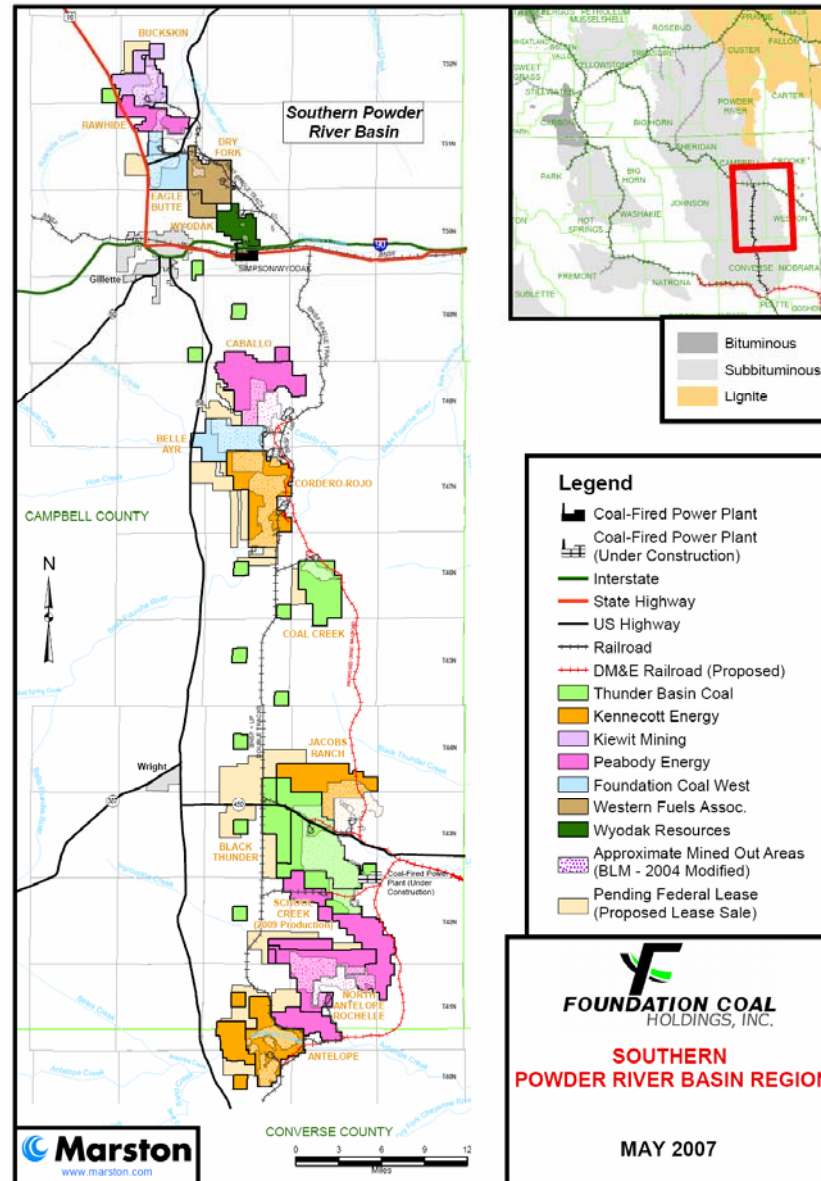
Presentation Outline

- Powder River Basin (PRB)
 - Operations review
 - What sets FCL apart from the rest in PRB
 - Growth initiatives
 - Future development

- Process Improvement
 - Search for Excellence (SFE)
 - SAP enterprise software



PRB Operations





PRB Operations – 2006



- BNSF/UP rail access
- 24.6 million tons
- 8,570 Btu, 0.59 Lb. SO₂/mmbtu
- 306 MM tons reserves

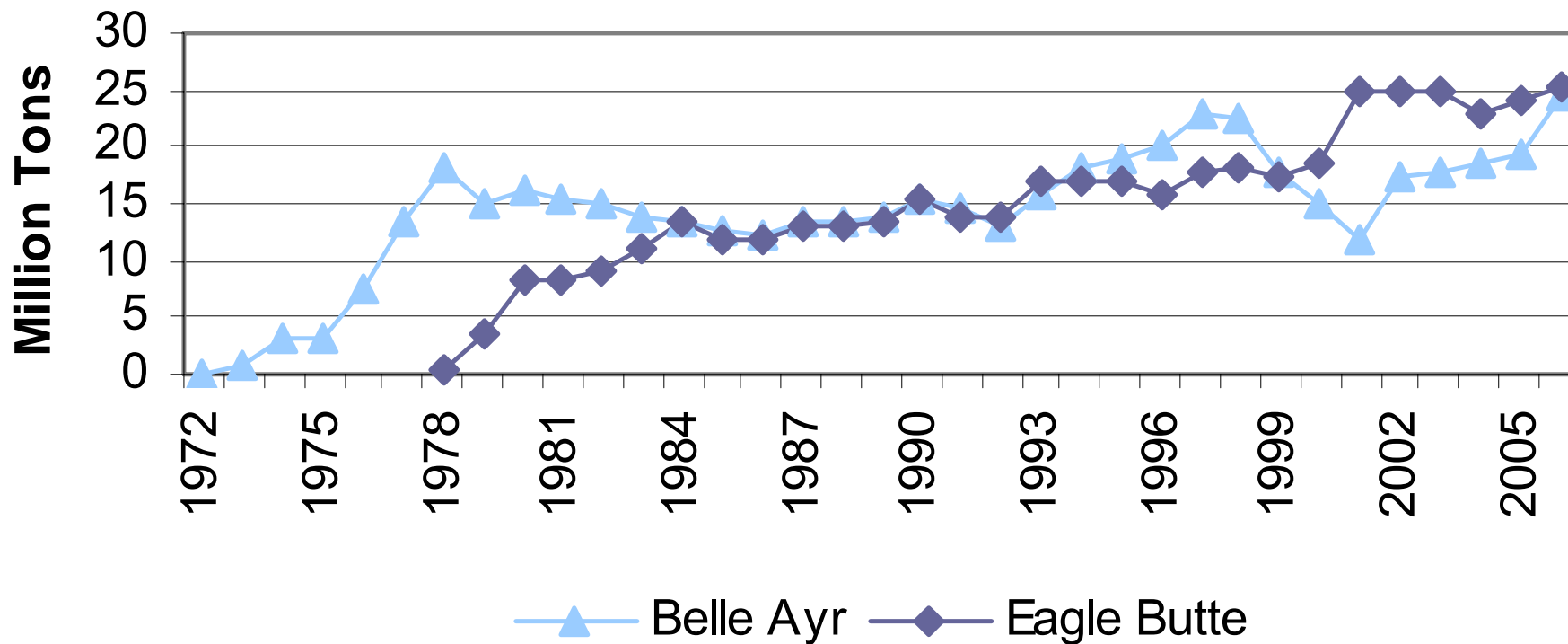


- BNSF rail access
- 25.4 million tons
- 8,450 Btu, 0.81 Lb. SO₂/mmbtu
- 320 MM tons reserves
 - Truck/shovel mining method
 - 560 employees
 - 0.52 total reportable incident rate



Historical PRB Production

Belle Ayr and Eagle Butte Coal Production

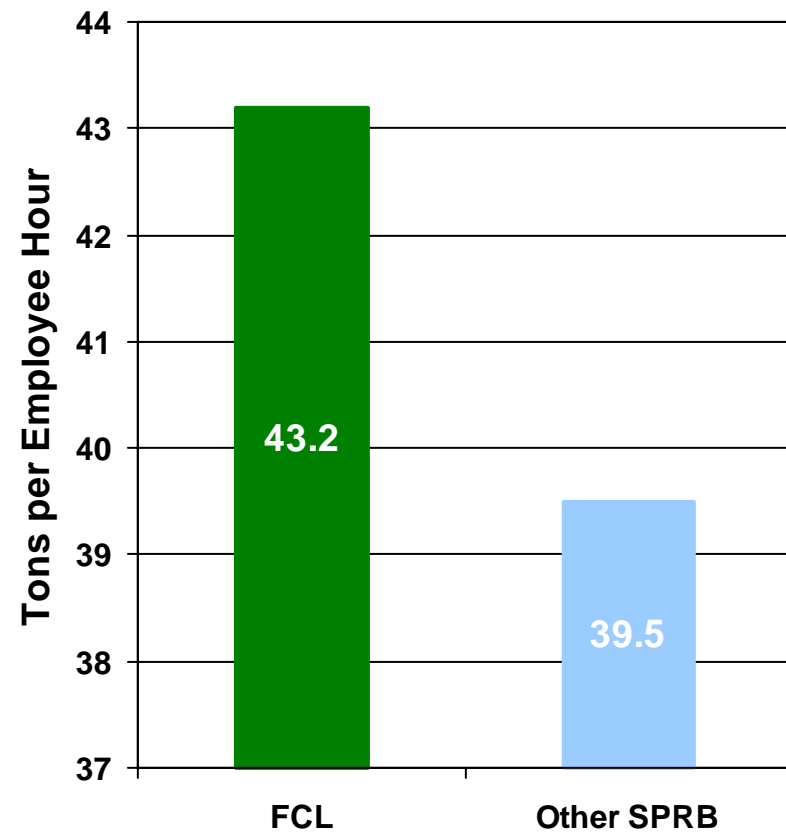




Productivity Drivers

- Quality Assets
- Efficient Processes
- Quality Employees

2006 Southern PRB Productivity



Source: MSHA



What Sets FCL Apart in the PRB?

- Customer Focus
- Technology
- Employee Involvement
- Process Improvement (Company Wide)



Customer Focus

- Consistency of Shipped Product
 - Blending capability
 - On-line analyzers
 - Contractual compliance
- Readiness to Load Trains
 - Quality and flexibility of operations
 - Recent 2007 weather event
 - Feedback from customers and business partners





Technology/Employee Involvement

- Real-Time Data Management
 - Payload
 - Truck dispatch
 - On-board health monitoring
 - Coal quality
- Equipment
 - Maximizing efficiency
 - Reducing maintenance costs
- Safety
 - Simulator training





PRB Growth Initiatives

- Reserve Base
- Production Capacity

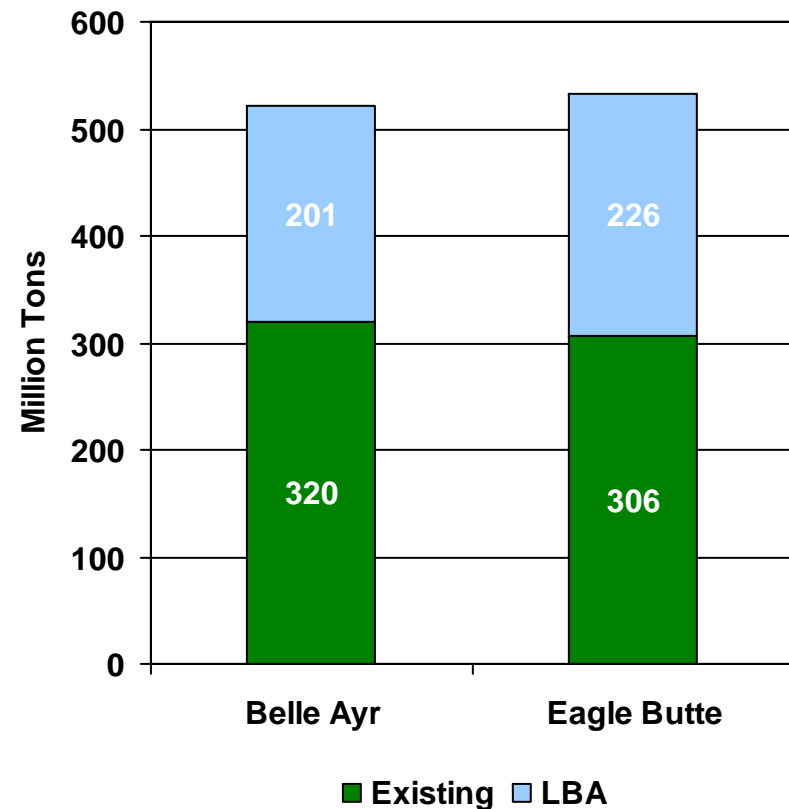




Reserve Base Expansion

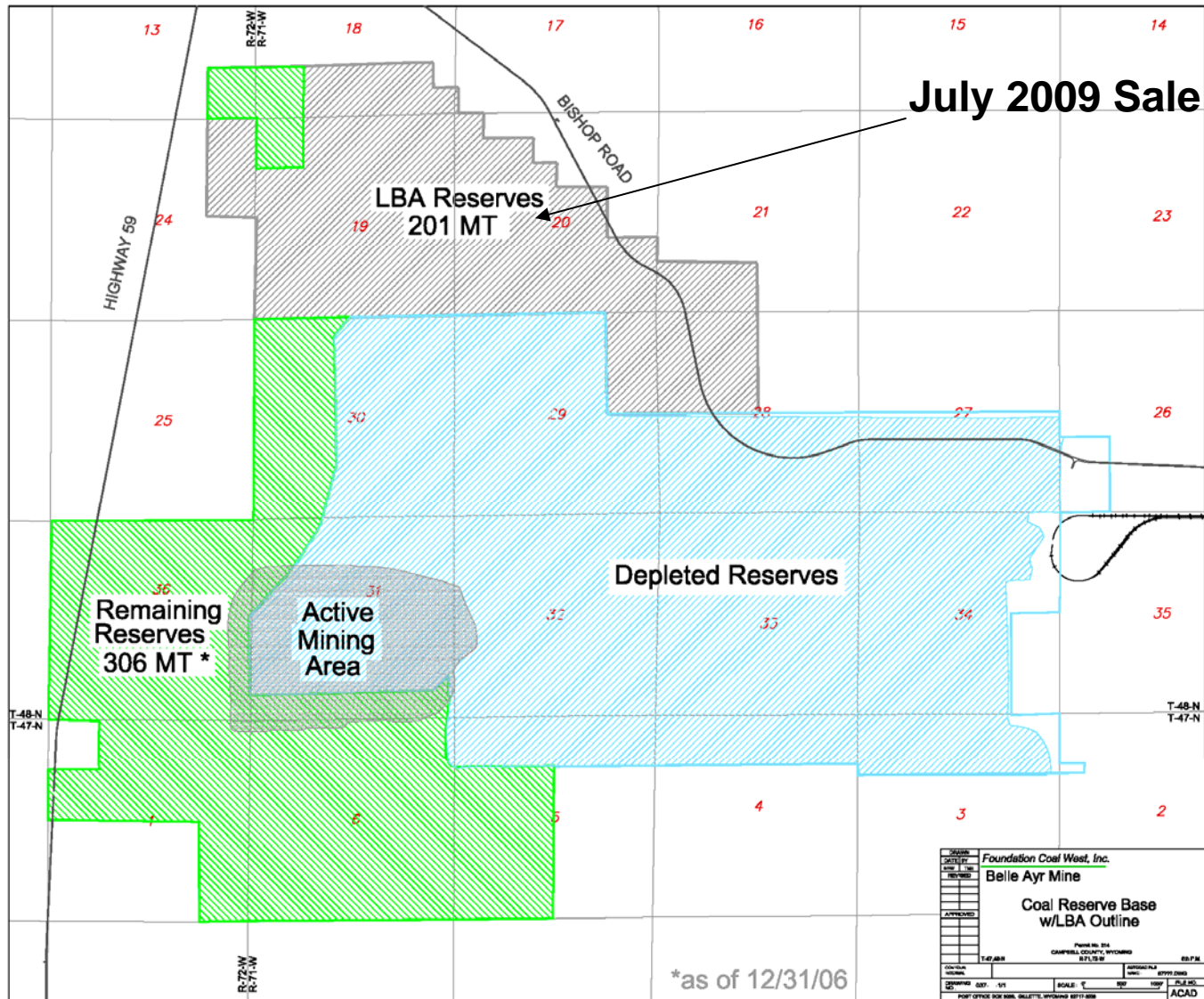
- Acquire Rights from Federal Government to Mine Coal through Lease by Application (LBA) Process
- Timeline: 6-11 Years
- Closed-Bid Process
- Payments in Equal Installments over Five-Year Period

Reserve Base:
Current and Planned





Belle Ayr North LBA





Production Capacity Expansion

- Phase I (2005)
 - Increase capacity to 50 million tons/yr.
 - Equipment additions
 - Expanded train landings
- Phase II (2007)
 - Increase capacity to 55 million tons/yr.
 - Installation of overland conveyor belt
- Phase III (Future)
 - Increase capacity to 65+ million tons/yr.
 - Equipment additions
 - Train landings and coal processing additions



PRB Future Development

Market Demand



**Continued Growth
Expected**

Transportation



**Further Rail
Investment**

Supply Chain Management



**Planning & Partnering
Underway**

Employee Availability



**Continuous Training
Programs**



PRB Summary

- Safe Operations
- High Capacity
- High Productivity
- Low Cost
- High Growth Potential
- Experienced & Motivated Workforce



Process Improvement





Process Improvement

- Begins with Foundation Coal Corporation Vision Statement:

Employees are our most valuable resource. Using state-of-the-art technology we will be a low-cost, profitable operator and industry leader in safety and environmental practices. We strive **continuously** to **improve** our product quality and **overall performance**.



FCL Guiding Principles





Search for Excellence (SFE)

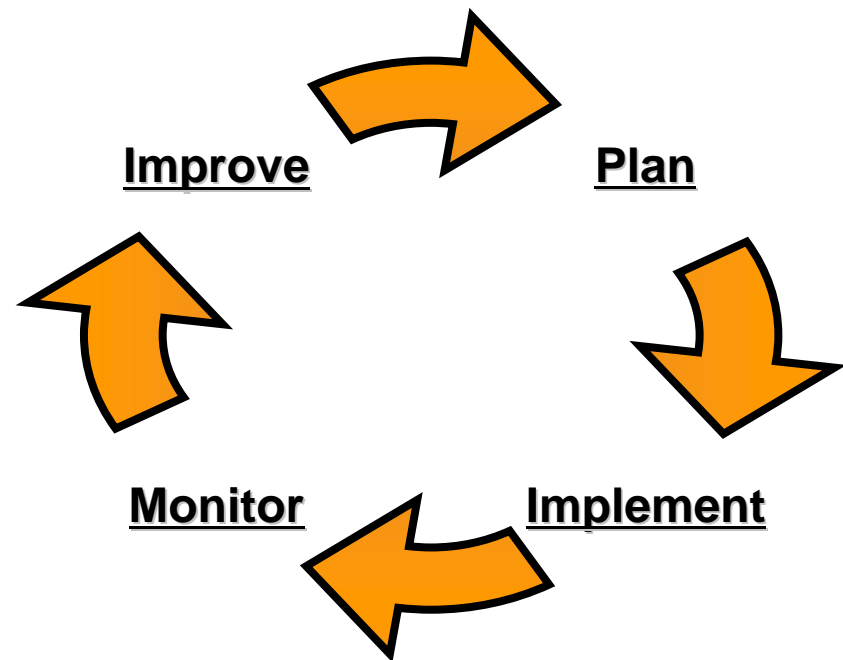
- **Mission**
 - Install improvement processes
 - Drive a ***Continuous Improvement Culture*** throughout the Corporation

- **Desired Outcomes**
 - Achieve next level of operational excellence
 - Improve productivity
 - Reduce costs



SFE Components

- Coal Management Planning Process (CMPP)
- Improvement Tools
- Continuous Improvement Team Structure
 - Site
 - Corporate governance council



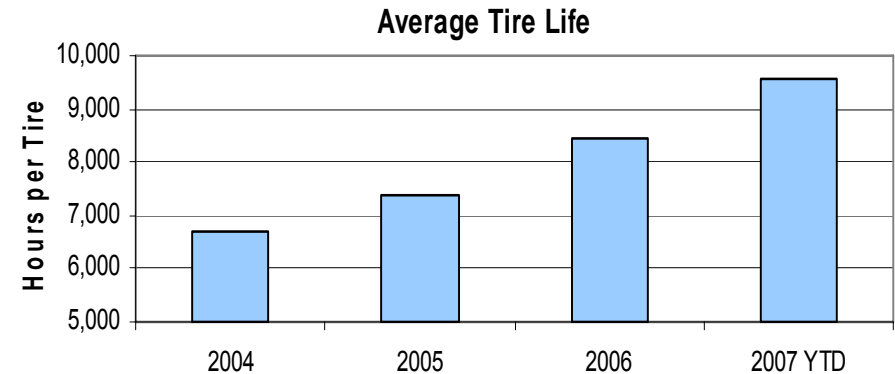


- Activity Based
- Functional Impacts
- Financial Impacts



Case Study: PRB Tire Life

- Review and modify operating practices
- Establish key performance indicators
- Communications and performance feedback
- Alignment with incentive program
- Audit of vendor practices

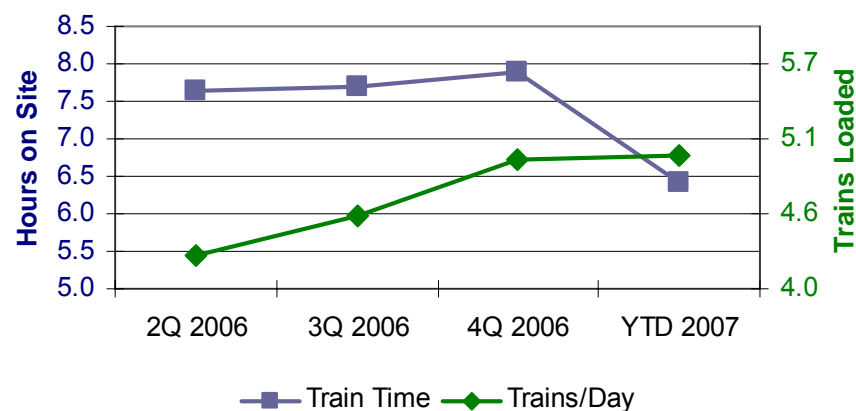




Case Study: Belle Ayr Train Loadings

- Formed joint problem-solving team with railroad representatives and mine employees
- Focused on communications and operating practices
- Established metrics; gained commitments; built relationships
- Six week duration; long lasting impact

Belle Ayr Loading Metrics





SAP Enterprise System

- Installed April 2007
- Mission: One Company-One System
- Across All Major Business Processes
 - Finance and Control
 - Materials
 - Maintenance
 - Production
 - Sales
 - Human Resources
- Value Drivers
 - Integrate the Organization
 - Optimize Business Processes
 - Improve Decision Making



SFE Financial Benefits

- Main Impact Areas
 - Production and transportation
 - Coal quality management
 - Plant and pit recovery
 - Equipment maintenance
 - Supply chain
- Equivalent Value ~ 7% of Cash Costs



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