PEABODY ENERGY CORP
Form 8-K
May 04, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 1, 2005

PEABODY ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	1-16463	13-4004153
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
701 Market Street, St. Louis, Missouri		63101
(Address of principal executive offices)		(Zip Code)

Registrant s telephone number, including area code: (314) 342-3400

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

<u>Top of the Form</u>
Item 1.01. Entry into a Material Definitive Agreement.

and

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

Effective May 1, 2005, a wholly-owned subsidiary of Peabody Energy Corporation ("Peabody") and the United States Bureau of Land Management ("BLM") entered into a coal lease agreement on approximately 2,800 acres of land, including approximately 327 million tons of coal reserves in the Powder River Basin. The lease has a minimum term of 20 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year and each 10-year period thereafter.

Peabody is obligated to make five deferred bonus payments of $63.5 million for a total, undiscounted deferred bonus obligation of $317.7 million. The first payment was made in February 2005 on the date the bid was awarded by the BLM; successive payments are due each year on May 1 for four years beginning in 2006. Production royalties required under the lease will be 12.5% of the value of the coal produced.

A copy of the coal lease agreement will be filed as an exhibit to Peabody's Quarterly Report on Form 10-Q for the period ended June 30, 2005.

Top of the Form

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PEABODY ENERGY CORPORATION

May 4, 2005

By: *Jeffery L. Klinger*

Name: Jeffery L. Klinger
Title: Vice President, General Counsel and Secretary