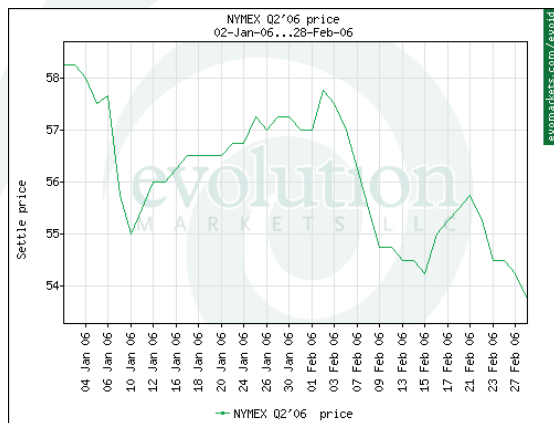


Powder River Basin Coal

PRB prices continued to soften in February as the 8800 and 8400 curves seemed to flatten. The front end of the curve seemed especially vulnerable as naturals offered down the '06 portion. Prompt month (March) 8800 started the month marked 18.50, and settled at 16.00. Similarly, Q2 '06 8800 started the month marked 18.25, settling at 16.00. The Cal '07 8800 traded often (between 15.00-16.85) and settled the month at 16.25. The 8400 spec trading activity has increased slightly as the 8800/8400 spread remains between 2.75-3.75.

Central Appalachian Coal

A relatively quiet month for the CAPP rail contracts. We did see some aggressive bidding for the spot terms early in the month as February and March traded 59.25, with continued production issues or concerns. The second half of 2006 CSX <1% was a different story as it traded in a range of 56.75-58.75, ending at the bottom of that range. The Calendar year 2007 saw little volume as prices shifted down as well, settling around the 54.75 level, with only one trade at the beginning of the month at the 57.50 level. All in all, price volatility, with low volume.



NYMEX Quality Coal

The NYMEX markets traded down almost \$3.00 across the board in February as the sell-off breached the \$55.00 floor that the market has seen for months. The selling pressure began in early February and except for a few days of minor bounces higher, traded steadily down and ended the month at its lows. The market finally seemed to react to the warm winter and the crude and gas markets which also traded steadily lower through out the month. Q2'06 NYMEX was the most actively traded part of the curve and saw the most

volatility. Q2'06 actually was the most expensive part of the curve in the beginning of February and ended the month the cheapest part of the curve. Q2'06 traded up to \$58.25 the first few days in February before ending the month with the low print of \$53.75. Q3'06 and Q4'06 NYMEX essentially traded in tandem with a \$.25 spread between them but also saw a fall from \$57.75 to \$54.25. Cal'07 NYMEX followed the BH'06 markets trading from \$57.50 down to \$54.50. Cal'08 NYMEX saw increased activity and was trading about a \$.25 discount to the '07's. The spread between CSX -1% and NYMEX remained backwardated through out the curve with CSX premium. The spread for '06 was \$1.75 for Q2'06, \$1.50 for Q3'06 and \$1.25 for Q4'06. Cal'07 remained in a narrow range with the CSX only about a \$.25 premium.

Commentary

If there is anything positive to say about February's trading action it may be that we have come a long way in terms of liquidity. In prior years whenever the market took a downturn, liquidity suffered. While the traded coal market is still largely physical, we saw enough transactions during February to prove that even in a down trending market liquidity held up – at least better than in previous years.

In the East the story was that mild weather translated into a favorable production environment while the mild weather translated into decreased demand. Its not that there is a lot of excess coal on the market, but in a physical market it doesnt take a lot of excess coal for the market to feel heavy. Certain coal qualities are still hard to find as was evidenced by some high trades for spot rail coal early in the month but these may be due largely to near term market inefficiencies due to supply disruptions at certain.

The West also felt softer as the month progressed - especially in the front of the curve as we saw the supply side lose some of its bullish sentiment. The back part of the curve has held up and we are flat to contango between '06 and '07. We are seeing increased activity for 8400 as the demand side is increasingly looking at the 8400 to 8800 spread in an effort to reduce btu intake.

The March "Platts Monthly OTC Broker Index":

PRB 8800: \$16.91 • PRB 8400: \$14.42 • CSX <1%: \$58.15 • NYMEX: \$55.84

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PRB 8400		
▼ TERM	▼ BID	▼ OFFER
Mar 06	\$12.75	\$13.75
Q2 06	\$12.75	\$13.75
Cal 07	\$12.00	\$13.00
PRB 8800		
▼ TERM	▼ BID	▼ OFFER
Mar 06	\$15.50	\$16.50
Q2 06	\$15.50	\$16.50
Cal 07	\$15.75	\$16.75
NYMEX		
▼ TERM	▼ BID	▼ OFFER
Mar 06	\$53.50	\$54.50
Q2 06	\$53.25	\$54.25
Cal 07	\$54.00	\$55.00
CSX <1%		
▼ TERM	▼ BID	▼ OFFER
Mar 06	\$56.50	\$57.50
Q2 06	\$55.25	\$56.25
Cal 07	\$54.25	\$55.25
CSX 1.2#		
▼ TERM	▼ BID	OFFER
Mar 06	\$62.50	\$63.50
Q2 06	\$61.25	\$62.25
Cal 07	\$60.25	\$61.25
NS <1%		
▼ TERM	▼ BID	▼ OFFER
Mar 06	\$56.25	\$57.25
Q2 06	\$55.00	\$56.00
Cal 07	\$54.50	\$55.50
NS 1.2#		
▼ TERM	▼ BID	▼ OFFER
Mar 06	\$62.25	\$63.25
Q2 06	\$61.00	\$62.00
Cal 07	\$60.50	\$61.50