ST. LOUIS, July 26, 2016 /PRNewswire/ -- Peabody Energy announced today it reached agreements with three state regulatory agencies regarding financial assurances in support of coal mine restoration.

Superpriority settlement agreements have been reached with Wyoming, New Mexico and Indiana, states in which Peabody has self-bonding obligations. These agreements, which are subject to bankruptcy court approval, would provide the relevant state authorities with the ability to receive cash first in priority as additional assurance for Peabody's performance before distribution to any lender or other pre-petition creditor, up to the full amount of the company's $200 million bonding accommodation facility. Each state is entitled to a percentage of the company's $200 million bonding accommodation facility based on a proportion of self-bonding relative to the company's total obligation as of April 12, 2016.

Peabody's $800 million Debtor-in-Possession financing facility, which includes the bonding accommodation facility, provides financing for up to 18 months during the Chapter 11 process as described further in the company's SEC filings on Form 8-K on April 13 and May 24, 2016.

"Peabody is continuing our actions to restore coal mined lands using best-in-class practices, and we are committed to our reclamation as we have been for decades," said Peabody President – Americas Kemal Williamson. "We are pleased to reach agreements that provide additional security toward our reclamation obligations and look forward to ongoing discussions regarding Peabody's reclamation bonding long term."

In addition to providing supplemental financial assurances to these states, the company has agreed to, among other things, quarterly reclamation activity status meetings as well as targeting reductions in the amount of bonds outstanding with the states. Motions for the agreements are expected to be heard by the court in August and are available online at http://www.kccllc.net/Peabody.

Land restoration continues to be an essential part of the coal mining process. Over the past decade, Peabody has spent approximately $185 million to restore 48,000 acres. As of June 30, the company had approximately $1.14 billion of self-bonding and $320 million of surety bonds supporting reclamation activities outstanding.

Due to the conservative nature of bonding estimates, the total amount of required reclamation bonding in the United States for Peabody exceeds the related financial-statement liability by approximately $1 billion. Self-bonding amounts are calculated based on a reclamation scenario that assumes the company's current personnel, equipment and expertise do not exist; the coal mines immediately shut down and third parties step in to complete the reclamation, without taking into account the expected lifespan of the coal mine. On the other hand, accounting practices require companies to account for the estimated financial liability based on the projected lifespan of individual mine plans and future costs to complete final reclamation. Based on these estimates, the company's GAAP financial statements reflect U.S. asset retirement obligations of approximately $450 million, with recent typical annual cash outlays of approximately $20 million.

In addition to paying for every dollar of its own coal mine restoration, the company has paid nearly $560 million in the past decade to the Abandoned Mine Lands (AML) program, and contributed more than $45 million in 2015. AML, which has an unappropriated balance of $2.5 billion, is intended for the restoration of lands that other coal producers operated, does not reclaim any Peabody lands and was due to sunset years ago.

Peabody Energy (OTC: BTUUQ) is the world's largest private-sector coal company and a Fortune 500 company. The company serves metallurgical and thermal coal customers in 25 countries on six continents and has earned more than 90 environmental honors since 2000. For further information, visit PeabodyEnergy.com.

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