AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 30, 1997
REGISTRATION NO. 333-

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ARCH MINERAL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	1211	43-0921172
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

CITYPLACE ONE, SUITE 300
CREVE COEUR, MISSOURI 63141
(314) 994-2700
(Address, including ZIP code, and telephone number, including area code, of Registrant's principal executive offices)

JEFFRY N. QUINN
ARCH MINERAL CORPORATION
CITYPLACE ONE, SUITE 300
CREVE COEUR, MISSOURI 63141
(314) 994-2700
(Name, address, including ZIP code, and telephone number, including area code, of agent for service)

COPIES TO:

RONALD D. WEST	F. RICHARD BERNASEK
KIRKPATRICK & LOCKHART LLP	KELLY, HART & HALLMAN, P.C.
1500 OLIVER BUILDING	201 MAIN STREET, SUITE 2500
PITTSBURGH, PENNSYLVANIA 15222-2312	FORT WORTH, TEXAS 76102
(412) 355-6500	(817) 332-2500

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: At the effective time of the Merger described in this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE(3)
Common Stock, par value $.01 per share.....	19,337,043 shares	--	$447,124,898	$135,493

(1) Represents the maximum number of shares issuable to holders of Common Stock, par value $.01 per share, of Ashland Coal, Inc. ("Ashland Coal Common Stock"), and holders of Class B Preferred Stock and Class C Preferred Stock, par value $100 per share, of Ashland Coal, Inc. ("Ashland Coal Preferred Stock") pursuant to the Agreement and Plan of Merger ("Merger Agreement") described in this registration statement.

(2) Estimated solely for the purpose of calculating the registration fee; computed in accordance with Rule 457(f) based upon (i) in the case of Ashland Coal Common Stock, the average of the high and low sales prices of Ashland Coal Common Stock on May 27, 1997 as reported on the New York Stock Exchange Composite Transactions Tape and (ii) in the case of Ashland Coal Preferred Stock, the respective book values thereof computed as of March 31, 1997, and the ratio at which such stock will be converted into shares of Common Stock, par value $.01 per share, of Arch Mineral Corporation (to be renamed Arch Coal, Inc.).

(3) A fee of $88,182 was paid on April 17, 1997 in connection with the filing of the preliminary proxy statement relating to the transactions

contemplated by the Merger Agreement. Pursuant to 457(o) of the General Regulations under the Securities Act of 1933, an additional fee of $47,311 has been paid upon filing of this registration statement.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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CROSS-REFERENCE SHEET PURSUANT TO RULE 404(a) OF REGULATION C AND ITEM 501(b) OF REGULATION S-K SETTING FORTH THE LOCATION IN THE PROXY STATEMENT/PROSPECTUS OF THE INFORMATION REQUIRED BY PART I OF FORM S-4

FORM S-4 ITEM NUMBER AND CAPTION	LOCATION IN PROXY STATEMENT/PROSPECTUS
A. INFORMATION ABOUT THE TRANSACTION	
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus	Available Information; Incorporation of Certain Documents by Reference; Table of Contents
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information	Summary; Risk Factors; The Ashland Coal Meeting; The Merger
4. Terms of the Transaction	Summary; The Merger; The Merger Agreement; Unaudited Pro Forma Financial Information; Comparison of Stockholder Rights; Description of Company Capital Stock
5. Pro Forma Financial Information	Summary; Unaudited Pro Forma Financial Information
6. Material Contacts with the Company Being Acquired	The Merger
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	*
8. Interests of Named Experts and Counsel	*
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	*
B. INFORMATION ABOUT THE REGISTRANT	
10. Information with Respect to S-3 Registrants	*
11. Incorporation of Certain Information by Reference	*
12. Information with Respect to S-2 or S-3 Registrants	*
13. Incorporation of Certain Information by Reference	*
14. Information with Respect to Registrants Other Than S-2 or S-3 Registrants	Outside Front Cover Page; Summary; Risk Factors; Unaudited Pro Forma Financial Information; Information Concerning the Company
C. INFORMATION ABOUT THE COMPANY BEING ACQUIRED	
15. Information with Respect to S-3 Companies	Outside Front Cover Page; Incorporation of Certain Documents by Reference; Summary; Risk Factors; Unaudited Pro Forma Financial Information

FORM S-4 ITEM NUMBER AND CAPTION	LOCATION IN PROXY STATEMENT/PROSPECTUS
16. Information with Respect to S-2 or S-3 Companies	*
17. Information with Respect to Companies Other Than S-3 or S-2 Companies	*
D. VOTING AND MANAGEMENT INFORMATION	
18. Information if Proxies, Consents or Authorizations are to be Solicited	Outside Front Cover Page; Summary; The Ashland Coal Meeting; The Merger; The Merger Agreement; Information Concerning the Company
19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer	*

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* Not applicable or the answer is negative.

[LOGO OF ASHLAND COAL, INC.] May 30, 1997

ASHLAND COAL, INC. P.O. Box 6300 Huntington, WV 25771-6300
(304) 526-3333

Dear Ashland Coal Stockholder:

You are cordially invited to attend a Special Meeting of Stockholders of Ashland Coal, Inc. to be held on Monday, June 30, 1997, at Ashland Coal's principal executive offices, 2205 Fifth Street Road, Huntington, West Virginia, commencing at 9:00 a.m., local time.

At the Special Meeting, you will be asked to approve and adopt an Agreement and Plan of Merger and the transactions contemplated thereby providing for the business combination of Ashland Coal, Inc. and Arch Mineral Corporation. Pursuant to the Agreement and Plan of Merger, Ashland Coal will become a wholly-owned subsidiary of Arch Mineral Corporation (which will change its name to "Arch Coal, Inc." at the effective time of the transaction), each outstanding share of Ashland Coal Common Stock will be converted into the right to receive one share of Arch Coal, Inc. Common Stock and each outstanding share of Ashland Coal Class B Preferred Stock and Class C Preferred Stock will be converted into the right to receive 20,500 shares of Arch Coal, Inc. Common Stock.

As of May 28, 1997, Ashland Inc. was the beneficial owner of 7,529,686 shares of Ashland Coal Common Stock and all outstanding shares of Ashland Coal Class B Preferred Stock, representing in the aggregate approximately 57% of the voting power of Ashland Coal capital stock, and 51.25% of outstanding Arch Mineral Common Stock. Because of the equity interest of Ashland Inc. in each of Ashland Coal and Arch Mineral, Special Committees of the Boards of Directors of Ashland Coal and Arch Mineral, consisting of members of the Boards not affiliated with Ashland Inc., were established to consider the business combination of Ashland Coal and Arch Mineral and to negotiate the financial terms on which such a transaction might be effected.

The Special Committee of the Board of Directors of Ashland Coal unanimously recommended to the Ashland Coal Board of Directors that it approve the Agreement and Plan of Merger, and the full Board considered and unanimously accepted that recommendation. Both the Special Committee and the full Board of Directors of Ashland Coal have unanimously determined that the transaction is in the best interests of Ashland Coal and its stockholders and recommends that you vote FOR the proposal to approve and adopt the Agreement and Plan of Merger and the transactions contemplated thereby. Salomon Brothers Inc, Ashland Coal's financial advisor, has delivered its opinion, dated April 4, 1997, to the Board of Directors to the effect that, based upon and subject to various considerations set forth in such opinion, as of the date of such opinion, (i) the consideration to be received by holders of Ashland Coal Common Stock in the transaction and (ii) the consideration to be received by holders of Ashland Coal Preferred Stock in the transaction is fair, from a financial point of view, to the holders of Ashland Coal Common Stock other than Ashland Inc. The accompanying Proxy Statement/Prospectus more fully describes the proposal to be considered at the Special Meeting. You are urged to give it your careful attention.

APPROVAL OF THE PROPOSAL TO APPROVE AND ADOPT THE AGREEMENT AND PLAN OF MERGER BY ASHLAND COAL STOCKHOLDERS WILL REQUIRE THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST 85% OF OUTSTANDING SHARES OF ASHLAND COAL COMMON STOCK AND PREFERRED STOCK VOTING THEREON, VOTING TOGETHER AS A SINGLE CLASS. IT IS VERY IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE SPECIAL MEETING WHETHER OR NOT YOU ARE PERSONALLY ABLE TO ATTEND. IN ORDER TO INSURE THAT YOU WILL BE REPRESENTED, WE ASK YOU TO COMPLETE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY. A POSTAGE-PAID RETURN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

You should not send in certificates representing Ashland Coal Common Stock or Preferred Stock at this time. Following consummation of the transaction, information will be sent to you regarding the procedure for surrendering your stock certificates and receiving certificates for the shares of Arch Coal, Inc. Common Stock issued in exchange for your Ashland Coal shares.

Sincerely,

William C. Payne
Chairman of the Board,
President and
Chief Executive Officer

ASHLAND COAL, INC.
P.O. BOX 6300
HUNTINGTON, WEST VIRGINIA 25771-6300

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 30, 1997

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders ("Special Meeting") of Ashland Coal, Inc., a Delaware corporation ("Ashland Coal"), will be held on June 30, 1997, at the principal executive offices of Ashland Coal, 2205 Fifth Street Road, Huntington, West Virginia, commencing at 9:00 a.m., local time, to consider and vote upon the following matters described in the accompanying Proxy Statement/Prospectus:

1. Approval and adoption of the Agreement and Plan of Merger, dated as of April 4, 1997 (the "Merger Agreement"), among Arch Mineral Corporation, a Delaware corporation (the "Company"), AMC Merger Corporation, a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), and Ashland Coal, and the transactions contemplated thereby, including the merger of Merger Sub with and into Ashland Coal, pursuant to which, among other things, Ashland Coal will become a wholly- owned subsidiary of the Company and each outstanding share of Ashland Coal Common Stock (other than shares owned by the Company or any subsidiary of the Company, or shares held in Ashland Coal's treasury immediately prior to the effective time of the Merger as defined in the Merger Agreement) will be converted into the right to receive one share of Company Common Stock and each outstanding share of Ashland Coal Class B Preferred Stock and Class C Preferred Stock (other than shares owned by the Company or any subsidiary of the Company, shares held in Ashland Coal's treasury immediately prior to the Effective Time of the Merger as defined in the Merger Agreement or shares as to which dissenters' rights of appraisal have been exercised and perfected under the Delaware General Corporation Law) will be converted into the right to receive 20,500 shares of Company Common Stock. A copy of the Merger Agreement is attached as Appendix A to the accompanying Proxy Statement/Prospectus.

2. The transaction of such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

Only holders of record of Ashland Coal Common Stock, holders of record of Ashland Coal Class B Preferred Stock and holders of record of Ashland Coal Class C Preferred Stock at the close of business on June 5, 1997 will be entitled to notice of, and to vote at, the Special Meeting and any adjournment or postponement thereof. A list of such stockholders will be open to examination by any stockholder at the Special Meeting and for a period of ten days prior to the date of the Special Meeting during ordinary business hours at the principal executive offices of Ashland Coal, 2205 Fifth Street Road, Huntington, West Virginia.

Whether or not you plan to attend the Special Meeting, please complete, date, sign and return the enclosed proxy card promptly. A return envelope is enclosed for your convenience and requires no postage for mailing in the United States.

By Order of the Board of Directors,

Roy F. Layman
Administrative Vice President and
Secretary

Huntington, West Virginia
May 30, 1997

YOUR VOTE IS VERY IMPORTANT

TO VOTE YOUR SHARES, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE.

PROXY STATEMENT
OF
ASHLAND COAL, INC.

PROSPECTUS
OF
ARCH MINERAL CORPORATION

This Proxy Statement/Prospectus is being furnished to holders of Common Stock, par value $.01 per share ("Ashland Coal Common Stock"), holders of Class B Preferred Stock, par value $100 per share ("Ashland Coal Class B Preferred Stock"), and holders of Class C Preferred Stock, par value $100 per share ("Ashland Coal Class C Preferred Stock" and, together with Ashland Coal Class B Preferred Stock, "Ashland Coal Preferred Stock"), of Ashland Coal, Inc., a Delaware corporation ("Ashland Coal"), in connection with the solicitation of proxies by the Board of Directors of Ashland Coal for use at the Special Meeting of Ashland Coal stockholders (the "Ashland Coal Meeting") to be held on June 30, 1997, at Ashland Coal's principal executive offices, 2205 Fifth Street Road, Huntington, West Virginia, commencing at 9:00 a.m., local time, and at any adjournment or postponement thereof.

This Proxy Statement/Prospectus also constitutes the prospectus of Arch Mineral Corporation, a Delaware corporation (the "Company"), with respect to up to 19,337,043 shares of Common Stock, par value $.01 per share ("Company Common Stock"), to be issued in the Merger (as defined herein) in exchange for outstanding shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock. Upon consummation of the Merger, the Company will change its name to "Arch Coal, Inc." Based on the number of outstanding shares of Company Common Stock, Ashland Coal Common Stock and Ashland Coal Preferred Stock as of May 28, 1997, the number of shares of Ashland Coal Common Stock issuable upon exercise of outstanding options as of such date and the respective ratios at which shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock will be converted into shares of Company Common Stock in the Merger, the stockholders of the Company and the stockholders of Ashland Coal immediately prior to the consummation of the Merger will own approximately 52% and 48%, respectively, and Ashland Inc., the Hunt Entities (as defined herein) and Carboex International, Ltd., a Bahamian corporation ("Carboex"), will own beneficially approximately 53%, an aggregate of 25%, and 5%, respectively, of the outstanding shares of Company Common Stock immediately following consummation of the Merger.

All information contained in this Proxy Statement/Prospectus relating to the Company has been supplied by the Company, and all information contained in this Proxy Statement/Prospectus relating to Ashland Coal has been supplied by Ashland Coal.

SEE "RISK FACTORS" BEGINNING ON PAGE 21 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY ASHLAND COAL STOCKHOLDERS.

THE SECURITIES TO BE ISSUED PURSUANT TO THIS PROXY STATEMENT/PROSPECTUS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Proxy Statement/Prospectus and accompanying proxy card are first being mailed to stockholders of Ashland Coal on or about June 2, 1997.

THE DATE OF THIS PROXY STATEMENT/PROSPECTUS IS MAY 30, 1997.

THE ASHLAND COAL MEETING

At the Ashland Coal Meeting, holders of record of Ashland Coal Common Stock and holders of record of Ashland Coal Preferred Stock as of the close of business on June 5, 1997 will consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of April 4, 1997 (the "Merger Agreement"), among the Company, AMC Merger Corporation, a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), and Ashland Coal, and the transactions contemplated thereby, pursuant to which, among other things, Merger Sub will be merged with and into Ashland Coal (the "Merger") and Ashland Coal will become a wholly-owned subsidiary of the Company.

CONSUMMATION OF THE MERGER

Upon consummation of the Merger, each issued and outstanding share of Ashland Coal Common Stock (other than shares owned by the Company or any subsidiary of the Company, or shares held in Ashland Coal's treasury immediately prior to the effective time of the Merger as defined in the Merger Agreement (the "Effective Time")) will be converted into the right to receive one share of Company Common Stock, and each issued and outstanding share of Ashland Coal Preferred Stock (other than any shares owned by the Company or any subsidiary of the Company, shares held in Ashland Coal's treasury immediately prior to the Effective Time, and those shares of Ashland Coal Preferred Stock ("Dissenting Shares") the holder of which (a "Dissenting Stockholder") has properly exercised and perfected appraisal rights under the Delaware General Corporation Law (the "DGCL")), will be converted into the right to receive 20,500 shares of Company Common Stock.

At the Effective Time, all shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock will cease to be outstanding and will be canceled and retired and cease to exist (except as set forth above), and each holder of a certificate formerly representing shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock will thereafter cease to have any rights with respect thereto, except the right to receive shares of Company Common Stock to be issued in consideration therefor upon the surrender of such certificate, without interest.

Ashland Coal Common Stock is listed on the New York Stock Exchange (the "NYSE"), and application has been made to list Company Common Stock on the NYSE. There is no current trading market for Company Common Stock and no trading market for Ashland Coal Preferred Stock. The closing price of Ashland Coal Common Stock (NYSE Symbol: "ACI") as reported on the NYSE Composite Transactions Tape on May 29, 1997 was $26 3/4 per share. There can be no assurance as to the market price of Ashland Coal Common Stock at any time prior to the Merger or as to the market price of Company Common Stock at any time thereafter. Stockholders are urged to obtain current market quotations.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS IN CONNECTION WITH THE SOLICITATION OF PROXIES OR THE OFFERING OF SECURITIES MADE HEREBY AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, ASHLAND COAL OR ANY OTHER PERSON. THIS PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES, OR THE SOLICITATION OF A PROXY, IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM IT IS NOT LAWFUL TO MAKE ANY SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROXY STATEMENT/PROSPECTUS NOR ANY DISTRIBUTION OF SECURITIES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ASHLAND COAL SINCE THE DATE HEREOF OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

INFORMATION INCLUDED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT/PROSPECTUS CONTAINS "FORWARD-LOOKING STATEMENTS" WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "BELIEVES," "CONTEMPLATES," "EXPECTS," "MAY," "WILL," "SHOULD," "WOULD" OR "ANTICIPATES" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY, OR BY DISCUSSIONS OF STRATEGY. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS ENCOMPASSED WITHIN THE FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED. IMPORTANT FACTORS WITH RESPECT TO SUCH FORWARD-LOOKING STATEMENTS, INCLUDING CERTAIN RISKS AND

UNCERTAINTIES, THAT COULD CAUSE ACTUAL RESULTS TO VARY MATERIALLY FROM THE FUTURE RESULTS ENCOMPASSED WITHIN SUCH FORWARD-LOOKING STATEMENTS ARE DISCUSSED HEREIN UNDER THE CAPTION "RISK FACTORS" AND IN OTHER INFORMATION INCLUDED OR INCORPORATED BY REFERENCE HEREIN. OTHER FACTORS COULD ALSO CAUSE ACTUAL RESULTS TO VARY MATERIALLY FROM THE FUTURE RESULTS COVERED IN SUCH FORWARD-LOOKING STATEMENTS.

AVAILABLE INFORMATION

Ashland Coal is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). The reports, proxy statements and other information filed by Ashland Coal with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 7 World Trade Center, Suite 1300, New York, New York 10048, and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material also can be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. Such reports, proxy and information statements and other information may be found on the Commission's Web site address, http://www.sec.gov. The periodic reports, proxy statements and other information filed by Ashland Coal with the Commission may also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

This Proxy Statement/Prospectus is part of a Registration Statement on Form S-4 (together with all amendments and exhibits thereto, the "Registration Statement") that has been filed by the Company under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities to be issued pursuant to the Merger Agreement. As permitted by the rules and regulations of the Commission, this Proxy Statement/Prospectus does not contain all of the information set forth in the Registration Statement. Such additional information may be obtained from the Commission's principal office in Washington, D.C. Statements contained in this Proxy Statement/Prospectus or in any document incorporated by reference in this Proxy Statement/Prospectus as to the contents of any contract or other document referred to herein or therein are, where the context indicates, intended to include descriptions of the material terms thereof, but are not necessarily complete. In each instance, reference is hereby made to the copy of such contract or other document filed as an exhibit to the Registration Statement or such other document and each such statement is qualified in all respects by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Annual Report on Form 10-K of Ashland Coal for the fiscal year ended December 31, 1996, the Quarterly Report on Form 10-Q of Ashland Coal for the fiscal quarter ended March 31, 1997 (as amended by Form 10-Q/A-1 dated May 29, 1997) and the Current Report on Form 8-K of Ashland Coal dated April 4, 1997 filed with the Commission pursuant to the Exchange Act (File No. 1-9993) are incorporated by reference in this Proxy Statement/Prospectus.

All documents and reports subsequently filed by Ashland Coal pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Proxy Statement/Prospectus and prior to the date of the Ashland Coal Meeting shall be deemed to be incorporated by reference in this Proxy Statement/Prospectus and to be part hereof from the dates of filing of such documents and reports. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement/Prospectus to the extent that a statement contained herein or in any subsequently filed document which is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Statement/Prospectus.

THIS PROXY STATEMENT/PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE FILED BY ASHLAND COAL WITH THE COMMISSION WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. SUCH DOCUMENTS (OTHER THAN EXHIBITS

TO SUCH DOCUMENTS UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE) ARE AVAILABLE TO ANY PERSON, INCLUDING ANY BENEFICIAL OWNER, TO WHOM THIS PROXY STATEMENT/PROSPECTUS IS DELIVERED, UPON WRITTEN OR ORAL REQUEST, WITHOUT CHARGE, DIRECTED TO DAVID G. TODD, VICE PRESIDENT, EXTERNAL AFFAIRS, ASHLAND COAL, INC., P.O. BOX 6300, HUNTINGTON, WEST VIRGINIA 25771-6300 (TELEPHONE (304) 526-3755). IN ORDER TO ENSURE TIMELY DELIVERY OF ANY DOCUMENTS, ANY REQUEST SHOULD BE MADE NO LATER THAN JUNE 23, 1997.

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[MAP DEPICTING COAL RESERVES AND MINING OPERATIONS]

SUMMARY OPERATING DATA

	1996	1995	1994	1993	1992
	(IN MILLIONS OF TONS)				
Arch Mineral Corporation:					
Tons sold	29.4	26.7	27.9	17.6	20.9
Tons produced	26.9	25.6	27.4	14.8	20.1
Proven and probable coal reserves (at December 31, 1996)	1,484.1				
Ashland Coal, Inc.:					
Tons sold	21.8	22.5	20.2	16.0	19.1
Tons produced	20.5	20.9	19.2	14.2	16.7
Proven and probable coal reserves (at December 31, 1996)	615.0				

SUMMARY

Following is a summary of certain information contained elsewhere in this Proxy Statement/Prospectus. Capitalized terms used and not defined in this summary have the meanings ascribed thereto elsewhere in this Proxy Statement/Prospectus. See also "Glossary of Selected Terms." Unless otherwise indicated, all share and per share data regarding the Company have been adjusted to reflect a 338.0857-for-one split of Company Common Stock effected on April 4, 1997. Reference is made to, and this summary is qualified in its entirety by, the more detailed information contained or incorporated by reference in this Proxy Statement/Prospectus and the Appendices hereto. Stockholders are urged to read this Proxy Statement/Prospectus and the Appendices hereto in their entireties.

THE COMPANIES

The Company..... The Company is engaged, through independent operating subsidiaries, in mining, processing, marketing and transporting bituminous coal in the domestic steam market. Through two wholly-owned subsidiaries, the Company operates 17 surface, underground and auger mines in the Appalachian, Midwestern and Western coal fields from which it produced 26.9 million tons of coal in 1996. At December 31, 1996 the Company controlled approximately one billion tons of proven and probable low-sulfur coal reserves, 865 million tons of which were located in the Appalachian coal fields in the eastern United States. The principal executive offices of the Company are located at CityPlace One, Suite 300, Creve Coeur, Missouri 63141, and its telephone number is (314) 994-2700. See "Information Concerning the Company."

As of May 28, 1997, Ashland Inc. and the Hunt Entities (as defined herein) owned beneficially 51.25% and 48.75% of the outstanding shares of Company Common Stock. There is currently no trading market for Company Common Stock. As a result of the Merger, the Company will become subject to the informational requirements of the Exchange Act and, subject to certain restrictions on sales by affiliates of either the Company or Ashland Coal, Company Common Stock will be eligible for sale in the public market. Application has been made to list Company Common Stock on the NYSE.

Ashland Coal..... Ashland Coal is engaged in the mining, processing and marketing of low-sulfur bituminous coal primarily in the eastern United States. Its independent operating subsidiaries include Coal-Mac, Inc., Hobet Mining, Inc., Mingo Logan Coal Company and Tri-State Terminals, Inc. Ashland Coal produced 20.5 million tons of coal in 1996 and at December 31, 1996 controlled approximately 615 million tons of proven and probable low-sulfur coal reserves in southern West Virginia and eastern Kentucky. The principal executive offices of Ashland Coal are located at 2205 Fifth Street Road, Huntington, West Virginia 25701, and its telephone number is (304) 526-3333.

THE ASHLAND COAL MEETING

Date, Place and Time.... The Ashland Coal Meeting is scheduled to be held on Monday, June 30, 1997, at the principal executive offices of Ashland Coal, 2205 Fifth Street Road, Huntington, West Virginia, commencing at 9:00 a.m., local time.

Record Date; Shares Entitled to Vote.....	Only holders of record of shares of Ashland Coal Common Stock and holders of record of shares of Ashland Coal Preferred Stock at the close of business on June 5, 1997 are entitled to notice of and to vote at the Ashland Coal Meeting. As of May 28, 1997, there were 13,520,952 shares of Ashland Coal Common Stock outstanding, held by 962 holders of record, 150 shares of Ashland Coal Class B Preferred Stock outstanding held by Ashland Inc., and 100 shares of Ashland Coal Class C Preferred Stock outstanding held by Carboex. Each share of Ashland Coal Preferred Stock is convertible into Ashland Coal Common Stock at the currently applicable rate of 18,346 shares of Ashland Coal Common Stock for each share of Ashland Coal Preferred Stock. Each holder of record of shares of Ashland Coal Common Stock on the record date is entitled to cast one vote per share on each matter to be acted upon or which may properly come before the Ashland Coal Meeting. Each holder of record of shares of Ashland Coal Preferred Stock on the record date is entitled to cast 18,346 votes per share on each matter to be acted upon or which may properly come before the Ashland Coal Meeting.
Purpose of the Meeting.....	The purpose of the Ashland Coal Meeting is to consider and vote upon a proposal to approve and adopt the Merger Agreement and the transactions contemplated thereby, and to consider and vote upon such other matters as may properly be brought before the Ashland Coal Meeting.
Vote Required.....	Pursuant to the Restated Certificate of Incorporation, as amended, of Ashland Coal (the "Ashland Coal Certificate"), the approval and adoption by Ashland Coal stockholders of the Merger Agreement and the transactions contemplated thereby will require the affirmative vote of the holders of at least 85% of the shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock voting thereon, voting together as a single class. As of May 28, 1997, Ashland Inc. was the beneficial owner of 7,529,686 shares of Ashland Coal Common Stock and all outstanding shares of Ashland Coal Class B Preferred Stock, representing in the aggregate approximately 57% of the voting power of outstanding Ashland Coal Common Stock and Ashland Coal Preferred Stock. As of such date, Carboex was the beneficial owner of all outstanding shares of Ashland Coal Class C Preferred Stock, representing approximately 10% of the voting power of outstanding Ashland Coal Common Stock and Ashland Coal Preferred Stock. Each of Ashland Inc. and Carboex has entered into an agreement (the "Voting Agreements") with the Company pursuant to which each such Ashland Coal stockholder agreed, among other things, to vote, and at the Company's request to grant to the Company such stockholder's irrevocable proxy to vote, all shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock owned by such stockholder in favor of approval and adoption of the Merger Agreement and the transactions contemplated thereby. See "Other Agreements--The Voting Agreements." As of May 28, 1997, the directors and executive officers of Ashland Coal and their affiliates (including Ashland Inc. and Carboex) were the beneficial owners of Ashland Coal capital

	stock representing approximately 68% of the voting power of outstanding Ashland Coal Common Stock and Ashland Coal Preferred Stock. See "The Ashland Coal Meeting" and "The Merger--Security Ownership of the Company After the Merger."
THE MERGER	
Risk Factors.....	For a discussion of certain risk factors that Ashland Coal stockholders should take into account in determining whether to approve and adopt the Merger Agreement and the transactions contemplated thereby, see "Risk Factors."
Effects of the Merger...	Pursuant to the Merger Agreement, at the Effective Time (i) Merger Sub will be merged with and into Ashland Coal, which will be the surviving corporation of the Merger and thereby become a wholly-owned subsidiary of the Company, (ii) each issued and outstanding share of Ashland Coal Common Stock (other than shares owned by the Company or any subsidiary of the Company, or shares held in Ashland Coal's treasury immediately prior to the Effective Time) will be converted into the right to receive one share of Company Common Stock and (iii) each issued and outstanding share of Ashland Coal Preferred Stock (other than shares owned by the Company or any subsidiary of the Company, or shares held in Ashland Coal's treasury immediately prior to the Effective Time, or Dissenting Shares) will be converted into the right to receive 20,500 shares of Company Common Stock. On October 4, 1996, the last full trading day prior to the date on which the Company and Ashland Coal issued a press release announcing that a possible merger of their businesses was being discussed, on January 24, 1997, the last full trading day prior to the date on which the Company and Ashland Coal issued a press release announcing that they had agreed in principle on a merger as a result of which the Company's stockholders would receive 52% and Ashland Coal stockholders would receive 48% of the common stock of the combined entity, and on April 4, 1997, the last full trading day prior to the public announcement of the execution of the Merger Agreement, the closing prices per share of Ashland Coal Common Stock as reported on the NYSE Composite Transactions Tape were $25 3/4, $27 5/8 and $25 1/4, respectively. On May 29, 1997, the most recent practicable date prior to the printing of this Proxy Statement/Prospectus, the closing price per share of Ashland Coal Common Stock as reported on the NYSE Composite Transactions Tape was $26 3/4. There is no trading market for Company Common Stock or for Ashland Coal Preferred Stock. Based on the number of outstanding shares of Company Common Stock, Ashland Coal Common Stock and Ashland Coal Preferred Stock as of May 28, 1997, the number of shares of Ashland Coal Common Stock issuable upon exercise of outstanding options as of such date and the respective ratios at which shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock will be converted into shares of Company Common Stock in the Merger, the stockholders of the Company and the

stockholders of Ashland Coal immediately prior to consummation of the Merger will own approximately 52% and 48%, respectively, of the outstanding shares of Company Common Stock immediately following consummation of the Merger. Of such outstanding shares of Company Common Stock, Ashland Inc. will own beneficially approximately 53%, various trusts for the benefit of descendants of H. L. and Lyda Hunt and various corporations owned by trusts for the benefit of descendants of H. L. and Lyda Hunt (collectively, the "Hunt Entities") will own beneficially an aggregate of approximately 25%, and Carboex will own beneficially approximately 5%.

As provided in the Merger Agreement, at the Effective Time there shall be substituted for each outstanding option to acquire shares of Ashland Coal Common Stock pursuant to stock-based compensation plans of Ashland Coal a fully vested option issued pursuant to the Arch Coal, Inc. 1997 Stock Incentive Plan (the "Company Incentive Plan") to acquire Company Common Stock, and the Company will reserve for issuance a sufficient number of shares of Company Common Stock for delivery upon exercise of such substitute options. As of May 28, 1997, there were outstanding options to purchase an aggregate of 689,035 shares of Ashland Coal Common Stock at a weighted average exercise price of $23.66 per share.

Pursuant to the Merger Agreement, at the Effective Time the Board of Directors of the Company will be comprised of Messrs. John R. Hall (Chairman), James R. Boyd, Robert A. Charpie, Paul W. Chellgren, Thomas L. Feazell, Juan Antonio Ferrando, Robert L. Hintz, Douglas H. Hunt, Steven F. Leer, Thomas Marshall, James L. Parker, J. Marvin Quin and Ronald Eugene Samples. Messrs. Hall, Boyd, Hunt, Leer, Parker and Samples are currently members of the Board of Directors of the Company and Messrs. Charpie, Chellgren, Feazell, Ferrando, Hintz, Marshall and Quin are currently members of the Board of Directors of Ashland Coal. Messrs. Hall, Boyd, Chellgren, Feazell and Quin are current or former executive officers of Ashland Inc. Mr. Hunt is a beneficiary of one of the trusts included among the Hunt Entities and Mr. Parker is a trustee of certain trusts, and an officer and director of a corporation, included among the Hunt Entities. Mr. Ferrando is an executive officer of Carboex. If, prior to the Effective Time, any of Messrs. Hall, Boyd, Chellgren, Feazell and Quin, any of Messrs. Hunt, Parker and Samples, or Mr. Ferrando, should die or otherwise be unable or unwilling to serve as a director of the Company, then a substitute for such person is to be designated by Ashland Inc., certain of the Hunt Entities and Carboex, respectively. If, prior to the Effective Time, any of Messrs. Charpie, Hintz, Leer and Marshall should die or otherwise be unable or unwilling to serve as a director of the Company, then a substitute for such person is to be designated by majority vote of the remainder of the foregoing prospective members of the Board of Directors of the Company. The Company, Ashland Inc. and Carboex have entered into an agreement (the "Stockholders Agreement") pursuant to which the Company has agreed to nominate for election as a director of the Company a person designated by Carboex, and Ashland Inc. has agreed, among other things, to vote its shares of Company Common Stock

	in a manner sufficient to cause the election of such nominee, in each case for so long (subject to earlier termination in certain circumstances) as the shares of Company Common Stock owned by Carboex represent at least 63% of the shares of Company Common Stock acquired by Carboex in the Merger. In addition, the Company has agreed for so long as the Hunt Entities have the collective voting power to elect, by cumulative voting, one or more persons to serve on the Board, to nominate for election as directors of the Company the number of persons designated by certain of the Hunt Entities that could be elected to the Board by the Hunt Entities by exercise of such cumulative voting power. It is expected that, as of the Effective Time, the following persons will be executive officers of the Company: Steven F. Leer, President and Chief Executive Officer; Kenneth G. Woodring, Executive Vice President--Mining Operations; C. Henry Besten, Jr., Vice President--Strategic Marketing and President--Arch Energy Resources, Inc.; John W. Eaves, Vice President--Marketing; Jeffrey A. Hoops, Vice President--Operations; Patrick A. Kriegshauser, Senior Vice President, Treasurer and Chief Financial Officer; David B. Peugh, Vice President--Business Development; Jeffry N. Quinn, Senior Vice President--Law & Human Resources, Secretary and General Counsel; and Robert W. Shanks, Vice President--Operations. Currently, Messrs. Leer, Kriegshauser, Peugh, Quinn and Shanks are executive officers of the Company, Mr. Eaves is an officer of the Company, and Messrs. Woodring and Besten are executive officers, and Mr. Hoops is an officer, of Ashland Coal. See "Risk Factors--Control of the Company by Certain Stockholders," "Market Price and Dividend Data," "The Merger--Directors and Executive Officers of the Company After the Merger," "The Merger--Security Ownership of the Company After the Merger," "Other Agreements" and "The Company Incentive Plan."
Reasons for the Merger.....	For a discussion of the factors considered by the Board of Directors of the Company in reaching its decision with respect to the Merger, the Merger Agreement and the transactions contemplated thereby, see "The Merger--Company Reasons for the Merger." For a discussion of the factors considered by the Board of Directors of Ashland Coal in reaching its decision with respect to the Merger, the Merger Agreement and the transactions contemplated thereby, see "The Merger--Ashland Coal Reasons for the Merger; Recommendation of the Board of Directors."
Recommendation of the Board of Directors.....	The Board of Directors of Ashland Coal, by unanimous vote, has determined that the Merger is in the best interests of Ashland Coal and its stockholders, has approved the Merger Agreement and recommends a vote FOR approval and adoption of the Merger Agreement and the transactions contemplated thereby by the stockholders of Ashland Coal.
Opinion of Financial Advisor.....	Salomon Brothers Inc ("Salomon Brothers") has delivered its written opinion, dated April 4, 1997, to the Board of Directors of Ashland Coal to the effect that, based upon and subject to various considerations set forth

in such opinion, as of the date of such opinion, (i) the consideration to be received by holders of Ashland Coal Common Stock in the Merger and (ii) the consideration to be received by holders of Ashland Coal Preferred Stock in the Merger is fair, from a financial point of view, to the holders of Ashland Coal Common Stock other than Ashland Inc. The full text of the opinion of Salomon Brothers, which sets forth assumptions made, general procedures followed, matters considered and limits of review undertaken, is attached to this Proxy Statement/Prospectus as Appendix B and is incorporated herein by reference. Stockholders of Ashland Coal are urged to read Salomon Brothers' opinion carefully and in its entirety. See "The Merger--Opinion of Financial Advisor to the Ashland Coal Board of Directors."

Interests of Certain Persons in the Merger.....

In considering the recommendation of Ashland Coal's Board of Directors, Ashland Coal stockholders should be aware that certain members of the Company's management and Board of Directors and certain members of Ashland Coal's management and Board of Directors have certain interests in the Merger that are in addition to the interests of stockholders of Ashland Coal.

Agreements governing outstanding employee stock options to acquire Ashland Coal Common Stock provide that such options, whether or not then vested, will become vested and exercisable upon a "change of control" of Ashland Coal. The Merger will constitute a "change of control" of Ashland Coal for such purposes. Based on options to acquire Ashland Coal Common Stock outstanding as of May 28, 1997, the Merger would result in the vesting of otherwise unexercisable options to acquire Ashland Coal Common Stock held by executive officers of Ashland Coal as follows: William C. Payne (Chairman, President and Chief Executive Officer)--18,750 shares; Kenneth G. Woodring (Senior Vice President)--9,375 shares; C. Henry Besten, Jr. (Senior Vice President)--6,250 shares; Marc R. Solochek (Senior Vice President and Chief Financial Officer)--6,250 shares; Roy F. Layman (Administrative Vice President and Secretary)--5,000 shares; and all officers of Ashland Coal as a group (16 persons)--79,500 shares.

William C. Payne, Chairman and Chief Executive Officer of Ashland Coal, is a party to a letter agreement with Ashland Coal that provides for Mr. Payne to receive certain supplemental retirement benefits. Mr. Payne's retirement at the Effective Time will trigger his entitlement to such supplemental benefits.

The Company and Ashland Coal have tendered retention/severance agreements to a total of 36 executive officers and other employees pursuant to which each such person will receive a severance benefit equal to 24 months of base pay if his or her employment is terminated as a result of the Merger.

The Company has established an enhanced early retirement program that will provide incentives to eligible salaried employees to elect early or normal retirement. Pursuant to the Merger Agreement, the Company has

agreed to make the enhanced retirement program available to Ashland Coal salaried employees as of the Effective Time. Certain executive officers of the Company and Ashland Coal would be eligible for benefits under the program.

Pursuant to the Merger Agreement, at the Effective Time, certain directors of Ashland Coal will become directors of the Company, and certain officers of Ashland Coal will become officers of the Company.

The Merger Agreement provides that, from and after the Effective Time, the Company will indemnify and hold harmless each present and former director and officer of Ashland Coal and any of its subsidiaries against any losses, claims, damages, costs, expenses, liabilities or judgments incurred in connection with any claim arising out of matters existing or occurring at or prior to the Effective Time, to the full extent that a corporation is permitted under the DGCL to indemnify its own directors or officers. The Company has also agreed to maintain in effect for a specified period directors' and officers' liability insurance coverage, including coverage with respect to claims arising from acts, omissions or other events which occur prior to or as of the Effective Time and has, pursuant to written agreements to be effective as of the Effective Time, agreed to indemnify the directors and executive officers of Ashland Coal for certain liabilities incurred by them in their capacities as such.

The Company, Ashland Inc., Carboex and the Hunt Entities have entered into a Registration Rights Agreement pursuant to which, subject to consummation of the Merger, the Company has agreed to register under the Securities Act the sale of shares of Company Common Stock owned by Ashland Inc., Carboex or the Hunt Entities under certain circumstances.

The Company and Carboex have entered into agreements that, effective as of the Effective Time, will replace certain agreements governing commercial arrangements between Ashland Coal and Carboex.

Pursuant to the Stockholders Agreement, the Company has agreed to nominate for election as a director of the Company a person designated by Carboex, and Ashland Inc. has agreed, among other things, to vote its shares of Company Common Stock in a manner sufficient to cause the election of such nominee, in each case for so long (subject to earlier termination in certain circumstances) as shares of Company Common Stock owned by Carboex represent at least 63% of the shares of Company Common Stock acquired by Carboex in the Merger. In addition, the Company has agreed for so long as the Hunt Entities have the collective voting power to elect, by cumulative voting, one or more persons to serve on the Board, to nominate for election as directors of the Company that number of persons designated by certain of the Hunt Entities that could be elected to the Board by the Hunt Entities by exercise of such cumulative voting power.

See "Risk Factors," "The Merger--Interests of Certain Persons in the Merger," "The Merger--Directors and Executive Officers of the Company," "The Merger--Security Ownership of the Company After

the Merger," "The Merger Agreement--Certain Covenants," "The Merger Agreement--Indemnification and Insurance" and "Other Agreements."

Control of the Company by Certain Stockholders.....

Based on the number of outstanding shares of Company Common Stock, Ashland Coal Common Stock and Ashland Coal Preferred Stock as of May 28, 1997, the number of shares of Ashland Coal Common Stock issuable upon exercise of outstanding options as of such date and the respective ratios at which shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock will be converted into shares of Company Common Stock in the Merger, Ashland Inc., the Hunt Entities collectively and Carboex will own approximately 53%, an aggregate of 25%, and 5%, respectively, of the outstanding shares of Company Common Stock immediately following consummation of the Merger. The Company Certificate will provide for cumulative voting in the election of directors of the Company. See "Comparison of Stockholder Rights." As a result of such provision, and assuming an election of 13 directors and ownership of the percentages of outstanding Company Common Stock referred to above, Ashland Inc. and the Hunt Entities (if the Hunt Entities were to vote their respective shares together) will have the power to elect six and three directors of the Company, respectively. Although certain of the trusts among the Hunt Entities have common trustees, the Hunt Entities do not have any arrangement or understanding to vote their shares of the Company Common Stock together for any purpose. See "The Merger--Security Ownership of the Company After the Merger."

Pursuant to the Stockholders Agreement, the Company has agreed to nominate for election as a director of the Company a person designated by Carboex, and Ashland Inc. has agreed to vote its shares of Company Common Stock in a manner sufficient to cause the election of such nominee, in each case for so long (subject to earlier termination in certain circumstances) as shares of Company Common Stock owned by Carboex represent at least 63% of the shares of Company Common Stock acquired by Carboex in the Merger. In addition, the Company, for so long as the Hunt Entities have the collective voting power to elect by cumulative voting one or more persons to serve on the Board, has agreed to nominate for election as directors of the Company that number of persons designated by certain of the Hunt Entities that could be elected to the Board by the Hunt Entities by exercise of such cumulative voting power.

The Company Certificate will require the affirmative vote of the holders of at least two-thirds of outstanding Company Common Stock voting thereon to approve a merger or consolidation and certain other fundamental actions involving or affecting control of the Company. The Company Bylaws will require the affirmative vote of at least two-thirds of the members of the Board of Directors of the Company in order to declare dividends and to authorize certain other actions. As a consequence of the foregoing ownership structure, Ashland Inc., the Hunt Entities and Carboex, acting together, would have the power to direct the affairs of the Company and to control or limit these actions as well. See "Comparison of Stockholder Rights--Supermajority Voting Provisions."

Dividends.....	The Merger Agreement provides that, prior to the Effective Time, Ashland Coal may continue to pay regular cash dividends on shares of Ashland Coal Preferred Stock and regular quarterly cash dividends on shares of Ashland Coal Common Stock at a rate not to exceed $0.115 per share, and that the Company may pay cash dividends on Company Common Stock in an aggregate amount not to exceed 108.33% of the aggregate cash dividends paid during the same period on shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock. It is anticipated that the annual rate of cash dividends to be declared on shares of Company Common Stock following the Merger will initially be $0.46 per share. There can be no assurance as to the length of time that the level of such dividend, or any other future dividend that may be declared by the Board of Directors of the Company, will be maintained. The declaration and payment by the Company of dividends and the amount thereof will depend upon the Company's results of operations, financial condition, cash requirements, future prospects, limitations imposed by credit agreements or senior securities and other factors deemed relevant by its Board of Directors. See "Market Price and Dividend Data."
Effective Time of the Merger.....	It is anticipated that the Merger will become effective as promptly as practicable after the requisite Ashland Coal stockholder approval has been obtained and all other conditions to the Merger have been satisfied or waived. See "The Merger Agreement--Conditions."
Conditions to the Merger; Termination of the Merger Agreement...	The obligations of the Company and Ashland Coal to consummate the Merger are subject to the satisfaction of certain conditions, including obtaining requisite Ashland Coal stockholder approval; receipt of all requisite governmental and regulatory approvals, including expiration or termination of any waiting periods applicable to consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); the absence of any injunction prohibiting, or the enactment of any law making illegal, consummation of the Merger; receipt of any material third party consents; the absence of a material adverse change affecting either the Company or Ashland Coal, and the receipt of certain legal opinions. The required waiting periods under the HSR Act with respect to the acquisition of Company Common Stock in the Merger by Ashland Inc. and Carboex have been terminated. The Merger Agreement is subject to termination at the option of either the Company or Ashland Coal if the Merger is not consummated before September 30, 1997, or prior to such time upon the occurrence of certain events. See "The Merger--Certain Federal Income Tax Consequences," "The Merger--Regulatory Approvals," "The Merger Agreement--Conditions" and "The Merger Agreement--Termination; Expenses."

Exchange of Stock Certificates.....	Upon consummation of the Merger, each holder of a certificate or certificates representing shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock outstanding immediately prior to the Merger, upon the surrender thereof (duly endorsed, if required) to First Chicago Trust Company of New York (the "Exchange Agent"), will be entitled to receive a certificate or certificates representing the number of shares of Company Common Stock into which such shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock will have been automatically converted as a result of the Merger. The Exchange Agent will mail a letter of transmittal with instructions to all holders of record of Ashland Coal Common Stock and Ashland Coal Preferred Stock as of the Effective Time for use in surrendering their stock certificates in exchange for certificates representing shares of Company Common Stock. CERTIFICATES SHOULD NOT BE SURRENDERED UNTIL THE LETTER OF TRANSMITTAL AND INSTRUCTIONS ARE RECEIVED. See "The Merger Agreement--Conversion of Securities."
Appraisal Rights.....	Any holder of Ashland Coal Preferred Stock (i) who signs a demand for appraisal in writing prior to the vote taken at the Ashland Coal Meeting, (ii) whose shares are not voted in favor of the Merger and (iii) who follows certain other procedural requirements, will be entitled to appraisal rights under Section 262 of the DGCL. Performance of the Voting Agreements by Ashland Inc. and Carboex will result in the inability of such stockholders to perfect dissenters' appraisal rights with respect to shares of Ashland Coal Preferred Stock owned by them. See "The Merger--Appraisal Rights."
Federal Income Tax Consequences.....	It is intended that the Merger will constitute either a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or a non-recognition exchange of stock pursuant to Section 351 of the Code, and that no gain or loss will be recognized by Ashland Coal and no gain or loss will be recognized by Ashland Coal stockholders on the exchange of shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock for Company Common Stock pursuant to the Merger Agreement. For a further discussion of certain federal income tax consequences of the Merger, see "The Merger--Federal Income Tax Consequences" and "The Merger Agreement--Conditions."
Accounting Treatment....	The Merger will be accounted for as a purchase for accounting and financial reporting purposes. See "The Merger--Accounting Treatment."

Comparison of Stockholder Rights.....	Upon consummation of the Merger, the stockholders of Ashland Coal will become stockholders of the Company. For a discussion of certain differences between the Ashland Coal Certificate and the Bylaws of Ashland Coal, as amended (the "Ashland Coal Bylaws"), and the Restated Certificate of Incorporation of Arch Coal, Inc. (the "Company Certificate") and the Restated and Amended Bylaws of Arch Coal, Inc. (the "Company Bylaws") to be in effect at the Effective Time, see "Comparison of Stockholder Rights."

SUMMARY SELECTED HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL INFORMATION

Company Summary Selected Financial Data

The following table sets forth summary selected financial and operating data for the Company as of the dates and for each of the periods indicated. The summary consolidated financial data for the three months ended March 31, 1997 and 1996 have been derived from unaudited consolidated financial statements which include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated results of operations and financial position of the Company for such periods. The results of operations for any interim period are not necessarily indicative of results to be expected for future periods or for the full fiscal year. The summary selected financial and operating data should be read in conjunction with the consolidated financial statements, and notes thereto, of the Company appearing elsewhere in this Proxy Statement/Prospectus. See "Information Concerning the Company--Selected Financial Information" and "Index To Company Financial Statements."

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,				
	1997	1996	1996	1995	1994	1993	1992
	(UNAUDITED)	(UNAUDITED)	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:							
Total revenues	$197,419	$188,489	$775,805	$737,264	$785,287	$487,670	$606,361
Income (loss) from operations	16,313	14,946	56,112	10,025	64,942	(52,555)	29,705
Income (loss) before cumulative effect of change in accounting principle	10,420	7,597	33,020	(11,037)	35,160	(38,898)	17,885
Net income (loss)	10,420	7,597	33,020	(11,037)	35,160	(38,898)	(104,137)
Net income (loss) per common share before cumulative effect of change in accounting principle	0.50	0.36	1.58	(0.53)	1.68	(1.86)	0.85
Net income (loss) per common share	0.50	0.36	1.58	(0.53)	1.68	(1.86)	(4.97)
Dividends declared per common share	--	--	.38	.32	--	.38	.38
BALANCE SHEET DATA (AT PERIOD END):							
Working capital	$ 43,013	$ 36,902	$ 33,166	$ 40,077	$ 27,512	$ (3,369)	$ 22,263
Total assets	872,607	920,449	885,521	940,768	993,361	849,804	874,367
Long-term debt	190,537	252,453	212,695	274,314	308,166	223,698	182,273
Other long-term obligations	422,987	429,561	421,754	429,993	413,209	413,427	428,075
Stockholders' equity	141,046	121,288	130,626	113,692	131,426	96,266	143,164
OPERATING AND OTHER DATA:							
Tons sold	7,545	7,273	29,443	26,742	27,898	17,574	20,853
Tons produced	7,127	6,698	26,887	25,562	27,383	14,848	20,136
EBITDA(1)	$ 44,609	$ 39,571	$170,815	$110,126	$164,373	$ 27,860	$117,764
Net cash provided from operating activities	$ 32,931	$ 25,116	$131,400	$ 92,526	$ 81,273	$ 54,924	$ 95,353

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(1) EBITDA is defined as income from operations before the effect of changes in accounting principles and extraordinary items, net interest expense, income taxes, depreciation, depletion and amortization. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to incur and service debt. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations or as a measure of a company's profitability, liquidity or performance under generally accepted accounting principles. This measure of EBITDA may not be comparable to similar measures reported by other companies.

Ashland Coal Summary Selected Financial Data

The summary selected historical consolidated financial data of Ashland Coal as of the dates and for each of the periods indicated are derived from and should be read in conjunction with selected financial information and consolidated financial statements of Ashland Coal incorporated by reference in this Proxy Statement/Prospectus. The summary consolidated financial data for the three months ended March 31, 1997 and 1996 have been derived from unaudited consolidated financial statements which include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the consolidated results of operations and financial position of Ashland Coal for such periods. The results of operations for any interim period are not necessarily indicative of results to be expected for future periods or for the full fiscal year.

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,				
	1997	1996	1996	1995	1994	1993	1992
	(UNAUDITED)	(UNAUDITED)	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:							
Total revenues	$166,608	$143,324	$577,204	$635,961	$610,144	$498,342	$579,724
Income from operations	18,726	6,216	31,821	67,447	54,720	5,157	57,977
Income before cumulative effect of changes in accounting principles	12,284	1,515	16,513	41,411	32,220	45,374	35,739
Net income	12,284	1,515	16,513	41,411	32,220	26,538	35,739
Fully diluted earnings per share	0.65	0.07	0.86	2.16	1.68	1.34	1.88
Dividends declared per common share	0.115	0.115	0.46	0.46	0.415	0.40	0.40
BALANCE SHEET DATA (AT PERIOD END):							
Working capital	$ 21,602	$ (1,367)	$ 17,216	$ 24,731	$ 11,955	$ 2,285	$ 37,566
Total assets	824,674	841,454	805,077	835,402	838,392	835,991	993,332
Long-term debt	128,609	154,131	135,339	172,975	200,000	244,342	317,958
Other long-term obligations (excluding deferred taxes)	138,709	132,910	137,685	129,444	123,413	113,040	57,521
Stockholders' equity	414,494	396,257	404,292	397,879	368,983	343,427	288,275
OPERATING AND OTHER DATA:							
Tons sold	6,396	6,470	21,833	22,497	20,222	16,029	19,071
Tons produced	5,957	4,944	20,476	20,945	19,183	14,176	16,719
EBITDA(1)	$ 38,239	$ 24,479	$102,000	$138,340	$126,515	$ 76,405	$124,978
Net cash provided from operating activities	$ 30,752	$ 25,939	$118,031	$121,875	$104,747	$ 74,170	$ 79,023

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(1) EBITDA is defined as income from operations before the effect of changes in accounting principles and extraordinary items, net interest expense, income taxes, depreciation, depletion and amortization. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to incur and service debt. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations or as a measure of a company's profitability, liquidity or performance under generally accepted accounting principles. This measure of EBITDA may not be comparable to similar measures reported by other companies.

Unaudited Pro Forma Summary Financial Information

The following summary unaudited pro forma financial statements give effect to the Merger, the issuance of shares of Company Common Stock to the stockholders of Ashland Coal and the substitution of options to purchase Company Common Stock for options to purchase Ashland Coal Common Stock pursuant to the Company Incentive Plan. The Merger will be accounted for under the purchase method of accounting. The unaudited pro forma financial statements do not reflect any cost savings or other synergies that may result from the Merger.

The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements and related notes thereto of the Company included elsewhere herein and of Ashland Coal incorporated herein by reference. The unaudited pro forma financial statements do not purport to be indicative of the results of operations or financial position which would have occurred had the Merger occurred as of the beginning of the period or as of the date indicated or of the financial position or results of operations which may be obtained in the future. See "Unaudited Pro Forma Financial Information."

	THREE MONTHS ENDED MARCH 31, 1997	YEAR ENDED DECEMBER 31, 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
STATEMENT OF OPERATIONS DATA:		
Total revenues	$ 364,027	$1,353,009
Income from operations	30,969	71,654
Net income	20,977	42,626
Earnings per common share	.53	1.07
OPERATING AND OTHER DATA:		
Tons sold	13,941	51,276
Tons produced	13,084	47,363
EBITDA(1)	$ 82,773	$272,815
Net cash provided from operating activities	$ 63,683	$249,431

	MARCH 31, 1997
BALANCE SHEET DATA:	
Total assets	$1,724,718
Working capital	60,115
Long-term debt	339,246
Other long-term obligations	532,196
Stockholders' equity	603,800

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(1) EBITDA is defined as income from operations before the effect of changes in accounting principles and extraordinary items, net interest expense, income taxes, depreciation, depletion and amortization. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to incur and service debt. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations or as a measure of a company's profitability, liquidity or performance under generally accepted accounting principles. This measure of EBITDA may not be comparable to similar measures reported by other companies.

Comparative Per Common Share Data

Set forth below for the periods indicated are net income, cash dividends declared and book value per common share data of the Company and Ashland Coal on both historical and unaudited pro forma combined bases and on a per share equivalent unaudited pro forma basis. Unaudited pro forma per share information is derived from the unaudited pro forma information presented elsewhere herein. The information set forth below should be read in conjunction with the respective financial statements of the Company and Ashland Coal appearing elsewhere or incorporated by reference in this Proxy Statement/Prospectus and with the unaudited pro forma data included under "Unaudited Pro Forma Financial Information."

	THREE MONTHS ENDED MARCH 31, 1997	YEAR ENDED DECEMBER 31, 1996
COMPANY--HISTORICAL		
Net income	$ .50	$ 1.58
Cash dividends declared	--	.38
Book value (at period end)	6.73	6.24
ASHLAND COAL--HISTORICAL		
Net income (fully diluted)	.65	.86
Cash dividends declared	.115	.46
Book value (at period end)(1)	22.89	22.33
COMPANY--PRO FORMA		
Net income	.53	1.07
Cash dividends declared(2)	.05	.41
Book value (at period end)	15.25	
EQUIVALENT PRO FORMA PER ASHLAND COAL COMMON SHARE		
Net income	.53	1.07
Cash dividends declared(2)	.05	.41
Book value (at period end)	15.25	

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(1) Assumes conversion of preferred stock at applicable conversion rate.

(2) Represents the aggregate of: (i) cash dividends declared on Company Common Stock, (ii) cash dividends declared on Ashland Coal Common Stock and (iii) cash dividends other than preference dividends declared on Ashland Coal Preferred Stock, divided by the number of shares of Company Common Stock assumed to be outstanding upon consummation of the Merger.

RISK FACTORS

The following factors should be taken into account by holders of Ashland Coal Common Stock and holders of Ashland Coal Preferred Stock in evaluating whether to approve and adopt the Merger Agreement and the transactions contemplated thereby, which approval and adoption will, if the other conditions to the Merger are satisfied, result in their becoming holders of Company Common Stock. These factors should be taken into account in conjunction with the other information included or incorporated by reference in this Proxy Statement/Prospectus.

RISKS ASSOCIATED WITH COAL OPERATIONS GENERALLY

Competition

The coal industry is highly competitive and is affected by many factors beyond the Company's control. Demand for coal and the prices that the Company will be able to obtain for its coal are closely linked to coal consumption patterns of the domestic electric utility industry, which has accounted for approximately 90% of domestic coal consumption in recent years. These coal consumption patterns are influenced by the demand for electricity, governmental regulation, technological developments and the location, availability and price of competing sources of coal, alternative fuels such as natural gas, oil and nuclear, and alternative energy sources such as hydroelectric power. In recent years there has been excess coal production capacity in the United States as a result of increased development of large surface mining operations, particularly in the western United States, and more efficient mining equipment and techniques. Competition resulting from excess capacity encourages producers to reduce prices and to pass productivity gains through to customers. Demand for the Company's low-sulfur coal and the prices that the Company will be able to obtain for it will also be affected by the price and availability of high-sulfur coal, which can be marketed in tandem with emissions allowances in order to meet federal Clean Air Act requirements.

Electric utility deregulation is expected to provide incentives to utilities to minimize their fuel costs and is believed to have caused electric utilities to be more aggressive in negotiating prices with coal suppliers. To the extent utility deregulation affects the Company's customers, some aspects of deregulation may adversely affect the Company's business and operating results.

Potential Fluctuations in Operating Results

The Company may experience fluctuations in operating results in the future, both on an annual and quarterly basis, as a result of one or more factors, including expiration or termination of or sales price redeterminations or suspensions of deliveries under coal supply agreements, disruption of transportation services, changes in mine operating conditions, changes in laws or regulations, work stoppages or other labor difficulties, competitive and overall coal market conditions, and general economic conditions. Such fluctuations could be significant.

The Company's mining operations are subject to factors beyond its control that can negatively or positively affect the level of production and hence the cost of mining at particular mines for varying lengths of time. These factors include weather conditions, equipment repair requirements, variations in coal seam thickness, amount of overburden, rock and other natural materials, and other surface or subsurface conditions. Such production factors frequently result in significant fluctuations in operating results.

For a discussion of certain factors currently expected to affect the Company's results of operations in the near term, see "Information Concerning the Company--Management's Discussion and Analysis of Financial Condition and Results of Operations--Certain Factors Affecting Current and Future Operating Results."

Environmental and Regulatory Matters

Governmental authorities regulate the coal mining industry on matters as diverse as employee health and safety, air quality standards, water pollution, groundwater quality and availability, plant and wildlife protection,

the reclamation and restoration of mining properties, the discharge of materials into the environment and surface subsidence from underground mining. These regulations have had and will continue to have a significant effect on the Company's mining costs and, thus, its competitive position vis a vis other coal producers and providers of alternative energy sources. Mining operations also require numerous governmental permits or approvals, the availability and timing of which can affect the efficiency of operations and mining costs. In addition, significant legislation mandates certain benefits for certain retired coal miners represented by the United Mine Workers of America ("UMWA").

New legislation, regulations or orders may be adopted or become effective which may adversely affect the Company's mining operations or cost structure or the ability of the Company's customers to use coal. New legislation, regulations or orders may also require the Company or its customers to incur increased costs or to change operations significantly. These factors could have a material adverse effect on the Company's business and results of operations.

Reliance on and Terms of Long-Term Coal Supply Contracts

The Company sells a substantial portion of its coal production pursuant to long-term supply contracts, which will significantly affect the stability and profitability of operations. Most of the long-term supply contracts currently in effect allow the Company to sell coal at a higher price than the price at which such coal could be sold in the spot market. The loss of long-term contracts, whether as a result of expiration, termination, suspension of performance or otherwise, could have a material adverse effect on the Company's results of operations and business. Such effect would be particularly adverse which respect to the loss of long-term contracts that permit the Company to sell coal at prices significantly higher than current market prices. The Company is currently a party to two such contracts, one of which expires in 2012 and provides for the delivery of approximately 1.3 million tons of compliance coal annually, and the other of which expires in 2003 and provides for the delivery of approximately 400,000 tons of low-sulfur coal annually.

The Company's long-term coal supply contracts contain price adjustment provisions, which permit a periodic increase or decrease in the contract price to reflect increases and decreases in production costs, changes in specified price indices or items such as taxes or royalties, and contain price reopener provisions, which provide for an upward or downward adjustment in the contract price based on market factors. The contracts also typically include stringent minimum and maximum coal quality specifications and penalty or termination provisions for failure to meet such specifications, as well as force majeure provisions allowing suspension of performance or termination by the parties during the duration of certain events beyond the control of the affected party, including changes in or the effectiveness of legislation or regulations affecting such party. If the parties to any long-term contracts with the Company were to modify, suspend or terminate those contracts, the Company could be adversely affected to the extent that it is unable to find alternative customers for the affected coal production at the same level of profitability.

From time to time, disputes with customers may arise under long-term contracts relating to, among other things, coal quality, pricing and quantity and applicability of certain contract terms. The Company may thus become involved in arbitration and legal proceedings regarding its long-term contracts. There can be no assurance that the Company will be able to resolve such disputes in a satisfactory manner.

Dependence on Certain Customers

During 1996, combined coal sales by the Company and Ashland Coal to affiliates of The Southern Company ("Southern Company") and affiliates of American Electric Power ("AEP") accounted for approximately 14.6% and 13.1%, respectively, of pro forma combined revenues from coal sales for such period. After the Merger, the loss of such customers would have a material adverse effect on the Company.

Reserve Degradation and Depletion

The Company's profitability will be substantially dependent upon its ability to replace depleted reserves with new reserves that can be mined at competitive costs. There can be no assurance that replacement reserves will be available when required or whether such replacement reserves can be mined at costs comparable to those characteristic of the depleting mines. Exhaustion of reserves at particular mines can also have an adverse effect

on operating results that is disproportionate to the percentage of overall production represented by the production of such mines.

The reserves at the Company's Arch of Kentucky Mine No. 37 capable of being mined by its longwall operation are expected to be depleted in the third quarter of 1997. For the year ended December 31, 1996, Mine No. 37 produced 4.5 million tons of coal (from both longwall and continuous miner sections) which accounted for $20.8 million or 37.1% of the Company's operating income and sales from the mine accounted for 16.4% of the revenues of the Company in 1996. After exhaustion of the longwall reserves, the decrease in operating profit will be mitigated to some degree by the continued operation of two continuous miner sections and by the potential development of an underground mine in the Darby seam that is in close proximity to the Cave Branch Preparation Plant currently used to process Mine No. 37 coal.

Transportation

The coal industry depends on rail, trucking and barge transportation to deliver shipments of coal to customers. Disruption of these transportation services could temporarily impair the Company's ability to supply coal to its customers and thus adversely affect the Company's business and operating results. In addition, transportation costs are a significant component of the total cost of supplying coal to customers and can affect significantly a coal producer's competitive position and profitability. Increases in the Company's transportation costs, or changes in such costs relative to transportation costs incurred by providers of competing coal or of other fuels, could have an adverse effect on the Company's business and operating results.

Reliance on UMWA-Represented Labor

At the Effective Time, UMWA-represented employees will account for approximately 47% of the workforce of the Company and UMWA operations accounted for approximately 56% of the total coal produced by the Company and Ashland Coal in 1996. Certain competitors of the Company and Ashland Coal employ non-union laborers. Due to higher labor costs and the increased risk of strikes and other work stoppages which may be associated with union operations in the coal industry, non-union competitors may have a competitive advantage where they compete with union operations. The seven-month UMWA strike in 1993 adversely affected the operations of the Company. If any current non-union operations of the Company were to unionize, the Company would incur increased risk of work stoppages, and possibly higher labor costs.

The Bituminous Coal Operators Association ("BCOA") negotiates with the UMWA on behalf of its members. The Company's Apogee Coal Company subsidiary and Ashland Coal's Hobet Mining, Inc. subsidiary are members of the BCOA. The current National Bituminous Coal Wage Agreement (the "1993 NBCWA"), which applies to all of the Company's and Ashland Coal's employees represented by the UMWA, became effective on December 16, 1993 and will expire on August 1, 1998. Wage rates and certain benefits were renegotiated in 1996 for the remainder of the contract. When the 1993 NBCWA expires, no assurance can be given that it will be successfully renegotiated without a work stoppage. In addition to work stoppages which may occur upon termination of a collective bargaining agreement, union operations may experience unauthorized work stoppages or wildcat strikes from time to time.

RISKS ASSOCIATED WITH THE MERGER

Control of the Company by Certain Stockholders

Based on the number of outstanding shares of Company Common Stock, Ashland Coal Common Stock and Ashland Coal Preferred Stock as of May 28, 1997, the number of shares of Ashland Coal Common Stock issuable upon exercise of outstanding options as of such date and the respective ratios at which shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock will be converted into shares of Company Common Stock in the Merger, Ashland Inc., the Hunt Entities collectively and Carboex will own approximately 53%, an aggregate of 25%, and 5%, respectively, of the outstanding shares of Company Common Stock immediately following consummation of the Merger. The Company Certificate will provide for cumulative voting in the election of directors of the Company. See "Comparison of Stockholder Rights." As a result of such provision, and assuming an election of 13 directors and ownership of the percentages of outstanding Company Common Stock referred to above, Ashland Inc. and the Hunt Entities (if the Hunt Entities were to vote their respective shares

together) will have the power to elect six and three directors of the Company, respectively. Although certain of the trusts among the Hunt Entities have common trustees, the Hunt Entities do not have any arrangement or understanding to vote their shares of the Company Common Stock together for any purpose. See "The Merger--Security Ownership of the Company After the Merger."

Pursuant to the Stockholders Agreement, the Company has agreed to nominate for election as a director of the Company a person designated by Carboex, and Ashland Inc. has agreed to vote its shares of Company Common Stock in a manner sufficient to cause the election of such nominee, in each case for so long (subject to earlier termination in certain circumstances) as shares of Company Common Stock owned by Carboex represent at least 63% of the shares of Company Common Stock acquired by Carboex in the Merger. In addition, the Company, for so long as the Hunt Entities have the collective voting power to elect by cumulative voting one or more persons to serve on the Board, has agreed to nominate for election as directors of the Company that number of persons designated by certain of the Hunt Entities that could be elected to the Board by the Hunt Entities by exercise of such cumulative voting power.

The Company Certificate will require the affirmative vote of the holders of at least two-thirds of outstanding Company Common Stock voting thereon to approve a merger or consolidation and certain other fundamental actions involving or affecting control of the Company. The Company Bylaws will require the affirmative vote of at least two-thirds of the members of the Board of Directors of the Company in order to declare dividends and to authorize certain other actions. As a consequence of the foregoing ownership structure, Ashland Inc., the Hunt Entities and Carboex, acting together, would have the power to direct the affairs of the Company and to control or limit these actions as well. See "Comparison of Stockholder Rights--Supermajority Voting Provisions."

Inherent Uncertainties Relating to Certain Effects of the Merger

The success of the Merger in enhancing long-term stockholder value will depend, in part, on achieving cost savings and other benefits that could be expected to be realized as a result of the Merger. As in every business combination, achieving such benefits will depend on factors that may not be within the control of the Company and require the dedication of management resources, which may temporarily divert full attention from the day-to-day business of the Company. There can be no assurance that the Company will be able to realize such cost savings and other benefits, or do so within any particular period.

Writedowns Related to Duplicate Facilities

Subsequent to the Merger, the Company and Ashland Coal believe that significant cost savings and other synergies can be achieved. However, realizing these cost savings and synergies may result in the idling or closing of duplicate distribution and production facilities by the Company. Idling or closing facilities may require significant charges to expense in order to write down the applicable assets to their fair value, less selling costs, if any. Idling or closing facilities of Ashland Coal that require writedown to fair value will be adjusted in the purchase price allocation of Ashland Coal.

Uncertainty as to Market Price of Company Common Stock

In light of the considerations set forth above, the Company's status as a new public company with no trading history, and the inherent uncertainty of future market prices of the stock of any public company, there can be no assurance as to the prices at which Company Common Stock will trade following the Effective Time. Moreover, factors such as fluctuations in the Company's operating results, general trends affecting the coal industry, broad market fluctuations and general economic and political conditions may have a significant effect on market prices for Company Common Stock.

Shares Eligible for Future Sale

Immediately following the consummation of the Merger, the Company will have outstanding 39,594,415 shares of Company Common Stock (assuming no exercise prior to the Effective Time of outstanding options to acquire 689,035 shares of Ashland Coal Common Stock and after eliminating fractional shares resulting from

the 338.0857-for-one split of Company Common Stock effected on April 4, 1997). A significant number of such shares, including shares held by certain holders of Company Common Stock prior to the Merger, will be eligible for sale without restriction under the Securities Act in the public market after the consummation of the Merger by persons other than affiliates of the Company. Sales of shares by affiliates of Ashland Coal will be subject to Rule 145 of the Securities Act (or Rule 144 in the case of such persons who become affiliates of the Company) or as otherwise permitted under the Securities Act. In addition, certain stockholders of the Company will have rights to require the Company to register the sale of such holders' shares of Company Common Stock under the Securities Act or, in some cases, to register the sale of shares in other registration statements filed by the Company in respect of sales of shares by it or by others. See "Other Agreements--The Registration Rights Agreement."

Effects of Authorized but Unissued Preferred Stock

Pursuant to the Company Certificate, the Company's authorized capital stock includes 10,000,000 shares of preferred stock, which the Board of Directors (by action of at least two-thirds of its members), without further approval of the stockholders of the Company, is authorized to issue and to determine the rights and preferences of the preferred stock. These rights and preferences could be superior to those of the Company Common Stock. The rights of the holders of Company Common Stock will be subject to, and may be adversely affected by, any future issuance of preferred stock. The issuance of preferred stock could also have the effect of delaying, deferring or preventing a change in control of the Company. The Company has no present plans to issue any shares of preferred stock. See "Comparison of Stockholder Rights" and "Description of Company Capital Stock."

Changes in Stockholder Rights

Upon consummation of the Merger, the stockholders of Ashland Coal will become stockholders of the Company. Differences between the Ashland Coal Certificate and Ashland Coal Bylaws and the Company Certificate and Company Bylaws will result in changes to the rights of stockholders of Ashland Coal when they become stockholders of the Company. For a more detailed explanation of these changes, see "Comparison of Stockholder Rights."

The Ashland Coal Bylaws provide that the number of Directors shall be fixed by the affirmative vote of not less than 76% of the whole Board of Directors. The Company Certificate provides that the number of directors may be established or changed by the affirmative vote of not less than two-thirds of the members of the Board of Directors.

The Ashland Coal Certificate provides that Ashland Coal shall not amend its certificate of incorporation or bylaws, nor shall it enter into any merger or consolidation, sell, lease or transfer all or substantially all of its property and assets, or dissolve and wind up its affairs, except upon the approval of 85% of the outstanding shares of capital stock of Ashland Coal voting thereon, voting as one class. The Ashland Coal Bylaws require the vote of not less than 76% of the members of the Board of Directors before the Ashland Coal Bylaws may be altered or repealed. The Company Certificate provides that the Company shall not amend certain provisions of the Company Certificate, nor shall it adopt an agreement or plan of merger or consolidation, authorize the sale, lease or exchange of all or substantially all of property and assets of the Company, or authorize the dissolution of the Company or the distribution of all or substantially all of the assets of the Company, except upon the approval of not less than two-thirds of the outstanding shares of Company Common Stock voting thereon. The Company Bylaws provide that there be an affirmative vote of not less than two-thirds of the members of the Board of Directors to amend the supermajority provisions of the Company Bylaws. The Company Bylaws otherwise permit the amendment or repeal of the Company Bylaws upon the affirmative vote of a majority of the Company's Board of Directors.

The Ashland Coal Bylaws provide that there be an affirmative vote of not less than 76% of the members of the Board of Directors to authorize the issuance of any stock or instrument convertible into or rights or warrants

to subscribe for or purchase any stock of Ashland Coal, except for any Ashland Coal Common Stock in an amount not greater than 750,000 shares of Ashland Coal Common Stock issued in connection with any stock option or other plan for the employees or officers of Ashland Coal. The Company Bylaws provide that there be an affirmative vote of not less than two-thirds of the members of the Board of Directors to authorize the issuance of more than 1,000,000 shares of Company Common Stock or any shares of Preferred Stock in any one transaction or series of transactions, to declare a dividend or distribution on any Company stock, to approve the Company's annual budget or operating plan (including any unbudgeted capital expenditure in excess of $10,000,000), to elect the Company's President, Chief Executive Officer, Chief Financial Officer (if any) or Chief Operating Officer (if any), to adopt a share purchase plan of a nature commonly referred to as a "poison pill," to repurchase or redeem any capital stock of the Company, to appoint members to or dissolve the Executive Committee or to amend the supermajority provisions of the Company Bylaws.

Neither the Ashland Coal Certificate nor the Ashland Coal Bylaws contain provisions addressing nominating procedures or procedures for bringing other business before a stockholders' meeting by a stockholder, whereas the Company Bylaws provide that in order for nominations or other business to be properly brought before a stockholders' meeting by a stockholder, the stockholder must give timely notice thereof in writing to the Secretary.

Since neither the Ashland Coal Certificate nor the Ashland Coal Bylaws contain a provision expressly electing not to be governed by Section 203 of the DGCL, Ashland Coal is subject to Section 203, which contains restrictions on transactions with persons who acquire 15% or more of a corporation's voting stock. The Company Certificate contains a provision expressly electing not to be governed by Section 203.

MARKET PRICE AND DIVIDEND DATA

Ashland Coal Common Stock is listed on the NYSE and traded under the symbol "ACI." There is no current trading market for Company Common Stock and no trading market for Ashland Coal Preferred Stock. The table below sets forth, for the calendar quarters indicated, the range of high and low sale prices of Ashland Coal Common Stock as reported on the NYSE Composite Transactions Tape, and the cash dividends declared on Ashland Coal Common Stock and Company Common Stock.

	ASHLAND COAL COMMON STOCK			
	HIGH	LOW	DIVIDENDS	COMPANY COMMON STOCK DIVIDENDS
1995				
First Quarter	$29 1/4	$ 26	$0.115	$ --
Second Quarter	29 3/8	26	0.115	--
Third Quarter	30 3/4	26 3/4	0.115	--
Fourth Quarter	30 1/8	20 1/2	0.115	0.320
1996				
First Quarter	$24 3/8	$20 1/2	$0.115	$ --
Second Quarter	26 3/8	22 1/2	0.115	--
Third Quarter	25 3/4	22 1/4	0.115	0.382
Fourth Quarter	28 3/8	23 3/8	0.115	--
1997				
First Quarter	$28 3/8	$23 3/4	$0.115	$0.108
Second Quarter (through May 29, 1997)	28	24 3/8	0.115	0.108

On October 4, 1996, the last full trading day prior to the date on which the Company and Ashland Coal issued a press release announcing that a possible merger of their businesses was being discussed, on January 24, 1997, the last full trading day prior to the date on which the Company and Ashland Coal issued a press release announcing that they had agreed in principle on a merger as a result of which the Company's stockholders would receive 52% and the Ashland Coal stockholders would receive 48% of the common stock of the combined entity, and on April 4, 1997, the last full trading day prior to the public announcement of the execution of the Merger Agreement, the closing prices per share of Ashland Coal Common Stock as reported on the NYSE Composite Transactions Tape were $25 3/4, $27 5/8 and $25 1/4, respectively. On May 29, 1997, the most recent practicable date prior to the printing of this Proxy Statement/Prospectus, the closing price per share of Ashland Coal Common Stock as reported on the NYSE Composite Transactions Tape was $26 3/4. Stockholders are urged to obtain current market quotations for Ashland Coal Common Stock. Prices at which Ashland Coal Common Stock may trade prior to the Merger may not be indicative of prices at which Company Common Stock may trade following the Merger.

Holders of Ashland Coal Preferred Stock are entitled to receive dividends at such times as dividends on Ashland Coal Common Stock are paid and in such amounts as are equivalent to dividends payable on the number of shares of Ashland Coal Common Stock into which Ashland Coal Preferred Stock is then convertible. Each share of Ashland Coal Preferred Stock is convertible into 18,346 shares of Ashland Coal Common Stock through August 17, 1998, 19,596 shares of Ashland Coal Common Stock from August 18, 1998 through August 17, 2003, and 20,846 shares of Ashland Coal Common Stock beginning August 18, 2003 and thereafter. In addition, holders of Ashland Coal Preferred Stock are entitled to receive cumulative annual dividends in preference to dividends paid on Ashland Coal Common Stock of $2,800 per share, decreasing to $1,400 per share beginning in 1999, and to zero after 2003.

It is anticipated that the annual rate of cash dividends to be declared on shares of Company Common Stock following the Merger will initially be $0.46 per share. There can be no assurance as to the length of time that the level of such dividend, or any other future dividend that may be declared by the Board of Directors of the Company, will be maintained. The declaration and payment by the Company of dividends and the amount thereof will depend upon the Company's results of operations, financial condition, cash requirements, future prospects, limitations imposed by credit agreements or senior securities and other factors deemed relevant by its Board of Directors.

THE ASHLAND COAL MEETING

GENERAL

This Proxy Statement/Prospectus is being furnished to holders of Ashland Coal Common Stock in connection with the solicitation of proxies by the Board of Directors of Ashland Coal for use at the Ashland Coal Meeting to be held on Monday, June 30, 1997, commencing at 9:00 a.m., local time, and at any adjournment or postponement thereof.

MATTERS TO BE CONSIDERED AT THE MEETING

At the Ashland Coal Meeting, holders of Ashland Coal Common Stock and holders of Ashland Coal Preferred Stock will consider and vote together upon a proposal to approve and adopt the Merger Agreement and the transactions contemplated thereby and consider and vote upon such other matters as may properly be brought before the Ashland Coal Meeting.

The Board of Directors of Ashland Coal has determined that the Merger is in the best interests of Ashland Coal and its stockholders, has approved the Merger Agreement and recommends that Ashland Coal stockholders vote FOR approval and adoption of the Merger Agreement and the transactions contemplated thereby.

VOTING AT THE MEETING; RECORD DATE

The Board of Directors of Ashland Coal has fixed June 5, 1997 as the record date for the determination of Ashland Coal stockholders entitled to notice of and to vote at the Ashland Coal Meeting. Accordingly, only holders of record of Ashland Coal Common Stock and holders of record of Ashland Coal Preferred Stock on that record date will be entitled to notice of and to vote at the Ashland Coal Meeting. As of May 28, 1997, there were 13,520,952 shares of Ashland Coal Common Stock outstanding, held by 962 holders of record, 150 shares of Ashland Coal Class B Preferred Stock outstanding, held by Ashland Inc., and 100 shares of Ashland Coal Class C Preferred Stock outstanding, held by Carboex. Each holder of record of shares of Ashland Coal Common Stock on the record date is entitled to cast one vote per share on the proposal to approve and adopt the Merger Agreement and the transactions contemplated thereby and on any other matters properly submitted for the vote of Ashland Coal stockholders, exercisable in person or by properly executed proxy, at the Ashland Coal Meeting. Each holder of record of shares of Ashland Coal Preferred Stock on the record date is entitled to cast 18,346 votes per share on such proposal and on any other such matters, exercisable in person or by properly executed proxy. The presence, in person or by properly executed proxy, of the holders of a majority of the voting power represented by outstanding shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock entitled to vote at the Ashland Coal Meeting is necessary to constitute a quorum at the Ashland Coal Meeting. Shares represented by duly completed proxies submitted by nominee holders on behalf of beneficial owners will be counted as present for purposes of determining the existence of a quorum for all purposes (even if some such proxies reflect broker non-votes). In addition, abstentions will be counted as present for purposes of determining the existence of a quorum.

The approval and adoption by Ashland Coal stockholders of the Merger Agreement and the transactions contemplated thereby will require the affirmative vote of the holders of at least 85% of outstanding shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock voting thereon, voting together as a single class. Abstentions will be counted as shares present at the Ashland Coal Meeting for purposes of determining the existence of a quorum, but will not be recorded as votes cast on the proposal. Broker non-votes with respect to the proposal will be treated as shares not capable of being voted on the proposal. Accordingly, abstentions and broker non-votes will have no effect either on the minimum number of affirmative votes necessary to approve the proposal or on the outcome of voting on the proposal.

As of May 28, 1997, Ashland Inc. was the beneficial owner of 7,529,686 shares of Ashland Coal Common Stock and all outstanding shares of Ashland Coal Class B Preferred Stock, representing in the aggregate approximately 57% of the voting power of outstanding Ashland Coal Common Stock and Ashland Coal Preferred Stock. As of such date, Carboex was the beneficial owner of all outstanding shares of Ashland Coal Class C Preferred Stock, representing approximately 10% of the voting power of outstanding Ashland Coal Common

Stock and Ashland Coal Preferred Stock. The Company has entered into Voting Agreements with each of Ashland Inc. and Carboex, pursuant to which each such Ashland Coal stockholder has agreed, among other things, to vote and at the Company's request to grant the Company such stockholder's irrevocable proxy to vote, all shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock owned by such stockholder in favor of approval and adoption of the Merger Agreement and the transactions contemplated thereby. Each such Ashland Coal stockholder has also agreed not to sell, transfer or encumber any of its shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock now owned or acquired during the term of the Voting Agreement. See "Other Agreements--The Voting Agreements." As of May 28, 1997, the directors and executive officers of Ashland Coal and their affiliates (including Ashland Inc. and Carboex) were the beneficial owners of Ashland Coal capital stock representing approximately 68% of the voting power of outstanding Ashland Coal Common Stock and Ashland Coal Preferred Stock.

If a stockholder is a participant in Ashland Coal's Dividend Reinvestment and Stock Purchase Plan, the proxy card represents authority to vote the number of full shares in the participant's dividend reinvestment account on the record date, as well as shares registered in the participant's name.

PROXIES

All shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock that are entitled to vote and are represented at the Ashland Coal Meeting by properly executed proxies received prior to or at the Ashland Coal Meeting, and not revoked, will be voted in accordance with the instructions indicated on such proxies. If no instructions are indicated, such proxies will in each case be voted FOR approval and adoption of the Merger Agreement and the transactions contemplated thereby.

If any other matters are properly presented at the Ashland Coal Meeting for consideration, including, among other things, a motion to adjourn the meeting to another time and/or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed form of proxy and acting thereunder will have discretion to vote on such matters in accordance with their best judgment.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with the Corporate Secretary of Ashland Coal, at or before the taking of the vote at the Ashland Coal Meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly executing a later dated proxy relating to the same shares and delivering it to the Corporate Secretary of Ashland Coal, before the taking of the vote at the Meeting, or (iii) attending the Ashland Coal Meeting and voting in person (although attendance at the Ashland Coal Meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Ashland Coal, Inc., 2205 Fifth Street Road, Huntington, West Virginia 25701, Attention: Corporate Secretary, or hand delivered to the foregoing representative of Ashland Coal, at or before the taking of the vote at the Ashland Coal Meeting.

All expenses of this solicitation, excluding the cost of mailing this Proxy Statement/Prospectus and the filing fee paid to the Commission in connection with filing the Registration Statement (which will be shared proportionately by the Company and Ashland Coal), will be paid by the party incurring the expense. See "The Merger Agreement--Termination; Expenses." In addition to solicitation by use of the mails, proxies may be solicited by directors, officers and employees of Ashland Coal in person or by telephone, telegram or other means of communication. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. Ashland Coal has retained Morrow & Co., at an estimated cost of $15,000, plus reimbursement of expenses, to assist in the solicitation of proxies from brokers, nominees, institutions and individuals on behalf of Ashland Coal. Arrangements will also be made with custodians, nominees and fiduciaries for forwarding of proxy solicitation materials to beneficial owners of shares held of record by such custodians, nominees and fiduciaries, and Ashland Coal will reimburse such custodians, nominees and fiduciaries for reasonable expenses incurred in connection therewith.

STOCKHOLDERS SHOULD NOT SEND ANY STOCK CERTIFICATES WITH THEIR PROXY CARD.

BACKGROUND OF THE MERGER

The Company was formed in 1969. Since 1972, the outstanding shares of Company Common Stock have been beneficially owned by Ashland Inc. and the Hunt Entities or their respective affiliates or predecessors. As of March 31, 1997, Ashland Inc. beneficially owned 51.25% and the Hunt Entities beneficially owned an aggregate of 48.75% of the outstanding shares of Company Common Stock.

Ashland Coal was organized in 1975 as a wholly-owned subsidiary of Ashland Inc. to conduct coal mining operations in the eastern United States that the stockholders of the Company elected not to pursue at that time. As early as 1986, the Company, Ashland Coal and their respective stockholders discussed combining the businesses of the two companies. However, no agreement was reached regarding such a combination. In 1988, Ashland Coal effected an initial public offering of Ashland Coal Common Stock, thereby becoming a public corporation.

During 1993, the Company and Ashland Coal again engaged in discussions to explore a possible merger of the two companies. These discussions did not lead to an agreement and were abandoned in February 1994, primarily due to the inability of the parties and their respective stockholders to agree upon the relative values of the two companies.

During February and March 1996, members of senior management of Ashland Inc. initiated a discussion with representatives of Ashland Coal regarding the desirability of a possible business combination of the Company and Ashland Coal. Also discussed were the procedures that might be implemented with regard to the negotiation of such a transaction, particularly in light of the equity interests in each of the companies held by Ashland Inc. and membership on the Boards of Directors of each of the companies by persons affiliated with Ashland Inc. Thereafter, representatives of the Hunt Entities were contacted to determine whether the Hunt Entities had any interest in exploring a possible business combination of the Company and Ashland Coal. Representatives of the Hunt Entities indicated that there was interest in exploring such a transaction.

On April 11, 1996, a meeting among Messrs. William C. Payne, Kenneth G. Woodring, C. Henry Besten, Sr., Marc R. Solochek and Roy F. Layman, members of Ashland Coal senior management, and Robert A. Charpie, Juan A. Ferrando and Thomas Marshall, members of the Board of Directors of Ashland Coal not affiliated with Ashland Inc., was held at which various aspects of a possible business combination of the Company and Ashland Coal were discussed, including the operations of the two companies in the Central Appalachian coal mining region; the location and general characteristics of their respective coal reserves and mining equipment and operating personnel; tax attributes of the two companies and tax and accounting consequences that could result from a combination of the two companies depending on the form and structure of a transaction; regulatory aspects (including HSR Act implications) of a transaction; the then-current capital structures and ownership characteristics of the two companies; the impact of various transaction structures on leases and other contracts to which Ashland Coal is a party; the corporate governance provisions contained in the Ashland Coal Certificate, Ashland Coal Bylaws and Company Certificate of Incorporation and Bylaws; and means by which the relative values of the two companies could be determined, including by confirmation of mineral reserves and mining plans of the two companies by an independent engineering firm, as well as through due diligence and conventional valuation techniques. Also discussed were various possible benefits that could be achieved as a result of such a transaction, including possible operational synergies from more efficient utilization of facilities, equipment, human resources and coal transportation services; economies of scale through coordinated operating strategies effected by a larger combined enterprise; cost savings through elimination of duplicative facilities and administrative functions; and better access to capital markets.

At a meeting of the Board of Directors of Ashland Coal held on April 25, 1996, a special committee of the Board (the "Ashland Coal Special Committee") comprised of members of the Board not affiliated with Ashland Inc. was formed to explore the form, substance and terms on which a business combination of the Company and

Ashland Coal could be effected, and to make recommendations to the full Board of Directors with respect thereto. Mr. Robert A. Charpie was elected Chairman of the Ashland Coal Special Committee. The other members of the Ashland Coal Special Committee were Messrs. Juan A. Ferrando, Robert L. Hintz and Thomas Marshall. The Ashland Coal Special Committee was also specifically authorized to engage professional advisors to assist it in carrying out its responsibilities.

Thereafter, Mr. Marshall, a member of the Ashland Coal Special Committee, contacted Mr. James L. Parker, President of Hunt Petroleum Corporation and a member of the Board of Directors of the Company, to arrange a meeting with members of the Board of Directors of the Company not affiliated with Ashland Inc. Mr. Marshall, together with counsel to the Ashland Coal Special Committee, met with Mr. Parker and Douglas H. Hunt, Director of Acquisitions of Petro-Hunt Corporation and a director of the Company, on June 13, 1996 in Dallas, Texas. At that meeting, the possibility of a business combination of the Company and Ashland Coal was discussed, and the process by which a further, more detailed exploration of such a transaction might be pursued was generally determined. It was agreed at the meeting that the Company and Ashland Coal should enter into a confidentiality agreement to govern the treatment of confidential information provided by either company to the other, that an independent coal mining engineering and consulting firm be retained jointly by the Ashland Coal Special Committee and a special committee of the Board of Directors of the Company to, among other things, evaluate the coal reserves, mining plans and coal sales arrangements of each of the companies on a comparable and relative basis with a view toward determining a common methodology for analyzing the relative values of the two companies. Attendees at this meeting generally agreed that John T. Boyd Company ("Boyd"), a widely recognized independent mining and geologic consulting firm with offices in Pittsburgh, Pennsylvania, and Denver, Colorado, would be an acceptable candidate for retention by the Ashland Coal Special Committee and a special committee of the Board of Directors of the Company comprised of Messrs. Parker and Hunt, directors of the Company not affiliated with Ashland Inc. (the "Company Special Committee" and, together with the Ashland Coal Special Committee, the "Special Committees").

On June 17, 1996, a telephonic meeting of the Ashland Coal Special Committee was held to receive a report from Mr. Marshall regarding the matters discussed at the June 13 meeting in Dallas as described above. During the meeting it was resolved that Boyd be retained as a consultant to the Ashland Coal Special Committee.

The Board of Directors of the Company established the Company Special Committee by unanimous written consent dated July 10, 1996. The Company Special Committee was authorized to explore the form, substance and terms on which a business combination with Ashland Coal could be effected and was directed to make recommendations to the full Board of Directors of the Company with respect thereto. As with the Ashland Coal Special Committee, the Company Special Committee was authorized to engage professional advisors to assist it in carrying out its responsibilities.

Boyd was jointly retained by the Special Committees pursuant to an engagement letter dated July 16, 1996. The Company and Ashland Coal entered into a Confidentiality Agreement, joined in by Boyd, dated July 29, 1996. The Confidentiality Agreement provided that information furnished by the Company or Ashland Coal to the other would be kept confidential. Boyd thereafter began the process of eliciting information from both companies to enable it to perform its analyses.

Boyd was retained by the Special Committees on the basis of its expertise and reputation as a widely recognized mining and geologic consultant. The Boyd engagement letter provided for the companies to pay Boyd a fee based upon Boyd's normal and customary hourly rates for such services. Payment of such fee was not conditioned on the outcome of Boyd's opinion or whether or not such opinion was deemed to be favorable for any party's purposes. No limitations were imposed by the Special Committees on the scope of Boyd's investigation undertaken in the performance of its engagement. The Boyd engagement letter also called for the companies to reimburse Boyd for its reasonable out-of-pocket expenses. The Company and Ashland Coal paid Boyd a total of $779,045 plus expenses incurred by it in the performance of its engagement. Boyd has performed

services, including reserve audits, for each of the Company and Ashland Coal for which it has been paid at its standard rates.

A meeting of the Ashland Coal Special Committee was held in Huntington, West Virginia on July 31, 1996. At this meeting, the processes and procedures involved in considering a possible business combination with the Company, including the procedures and scope of analyses expected to be undertaken by Boyd in the course of its engagement, were reviewed and discussed.

On August 20, 1996, a telephonic meeting of the Ashland Coal Special Committee was held. During this meeting, the status of Boyd's progress in performing its engagement was reported, and a joint meeting of the Special Committees was scheduled to receive from Boyd a preliminary report on the analyses being undertaken by it. On the same date, the Company Special Committee reported on Boyd's progress to the full Company Board at its regular quarterly meeting.

A joint meeting of the Special Committees was held in Pittsburgh, Pennsylvania on October 4, 1996. At this meeting, representatives of Boyd presented Boyd's initial preliminary report on its analyses based on various publicly available data regarding the Company and Ashland Coal, as well as information that had been provided to it to date by each of the companies. Boyd's presentation included a compilation of coal reserves and mining plan data on a comparable basis, as well as its views as to ranges of indicated probable relative values of the two companies utilizing a discounted pre-tax cash flow analysis, all subject to further investigation and data verification. After various aspects of the presentations were discussed by the Special Committees, the Special Committees directed Boyd to proceed with its investigations and analyses. Thereafter, Boyd sought additional information from each of the Company and Ashland Coal, discussed various data and assumptions with members of management and other employees of the companies, and otherwise continued its investigations and analyses. Boyd also conducted site visits at mines of the two companies.

On October 7, 1996, subsequent to the October 4 review of the first, preliminary Boyd report, and after concluding that there was a basis for more detailed investigation of the possible combination, the Company and Ashland Coal issued a joint press release stating that they were engaged in discussions of possible options regarding a combination of the two companies.

On November 5, 1996, at the regular quarterly meeting of the Company Board held in St. Louis, the Company Special Committee reported to the full Company Board on the status of the work done by Boyd. On November 6, 1996, the Company Special Committee met with Company management to review a revised draft of the Boyd report that was received that day.

The Special Committees again met in joint session on November 7, 1996 in Pittsburgh. At this meeting, representatives of Boyd provided the Special Committees with updated versions of its various analyses based on additional information gathered in the course of meetings with employees of the companies, mine site visits and other further investigation and analysis. Its representatives also discussed with the Special Committees the extent, scope and timing of further procedures to be conducted by it prior to completion of its engagement.

On November 13, 1996, a telephonic meeting of the full Board of Directors of Ashland Coal was held to receive a progress report on the efforts of the Ashland Coal Special Committee.

On the same date, a meeting was held in Pittsburgh among Boyd, the Ashland Coal Special Committee and members of Ashland Coal's senior management to review various aspects of the analyses performed and to be performed by Boyd and the status thereof, including the assumptions and data sources utilized. Another meeting for the same purpose was held with the Company Special Committee and Company senior management on November 14, 1996. On November 25, 1996, a meeting that included members of the Ashland Coal Special Committee and representatives of Boyd was held in New York to discuss additional aspects of the Boyd analyses.

A meeting of the Ashland Coal Special Committee was held in New York on December 10, 1996. At that meeting, various financial, operational and structural aspects of a possible combination of the Company and

Ashland Coal were discussed. In addition, members of the Ashland Coal Special Committee discussed the status of work performed and to be performed by Boyd prior to completion of its engagement. Later the same day a meeting of the full Board of Directors of Ashland Coal was held during which a report was made regarding the status of the activities being undertaken by and on behalf of the Ashland Coal Special Committee. At the meeting, the term of the Ashland Coal Special Committee was extended to March 31, 1997, and the Ashland Coal Special Committee was authorized to negotiate with the Company Special Committee the terms and legal structure of a business combination within parameters established by the Board. The Ashland Coal Special Committee was instructed to submit the negotiated terms and conditions to the full Ashland Coal Board for ratification and approval of such terms and conditions.

The final written report of Boyd, dated December 9, 1996 and supplemented on December 11, 1996, was circulated to the members of the Special Committees. In its report, Boyd reviewed and independently valued the coal holdings of each company. Boyd segregated those coal resources which have favorable characteristics to support present development, those resources having potential for near-term development and coal resources considered by Boyd to be unlikely to be economically minable for the foreseeable future. In addition to the foregoing categories, Boyd also classified the coal resources of each company in terms of the reliability of the resource estimate in terms of geological risk. These categories (in descending order of geologic assurance) are "measured," "indicated" and "inferred." The resources were further subdivided by Boyd into reserves that could be mined by surface as opposed to underground mining methods. Coal resources which had been assigned by the companies to existing or projected mine plans were segregated and valued on a relative basis as part of the pre-tax discounted cash flow analyses of current and proposed operations referred to below. Resources that were not in the companies' ten year mine plans were valued by Boyd using benchmark unit prices for undeveloped inactive resources. The work done by Boyd in conjunction with the comparative evaluation of the coal holdings of each company was not an attempt to prepare a coal reserve report of either company's reserve holdings in conformity with Commission guidelines. Boyd has separately and independently prepared for each company a reserve estimate prepared on such basis.

Boyd separately estimated the relative values of existing coal supply contacts of the companies by using a pre-tax discounted income approach (to the incremental contract pricing in excess of comparable spot market pricing) over the remaining life of the contract. In its analysis, Boyd made an independent judgment as to the likelihood that the remaining tonnage under the contracts would be shipped.

Boyd obtained from the companies their most recent mine and associated business plans. Boyd conducted an audit review of the basic parameters used for each operating or proposed mine included in the respective plans and made adjustments when it believed warranted based upon its independent professional judgment, including observations made by Boyd during its site visits to each company's major mines. Boyd applied a pre-tax discounted cash flow analysis to the Company and Ashland Coal plans as adjusted by Boyd as described above. Boyd valued each of the companies on a relative basis and made no assessment of the financial and other benefits each company might realize as a result of the Merger.

In conducting its relative valuation of the companies, Boyd first calculated the estimated future streams of free cash flows that each company would produce from its existing and proposed mines, utilizing spot market coal sales prices, over the next ten years as reflected in the mine plans provided to Boyd by the companies and modified by Boyd as described above. To the future cash flow projections Boyd applied a consistent discount rate which it believed to be appropriate given the inherent risk associated with a coal mining venture to determine a relative present value of the companies' respective continuing business on a pre-tax basis. Boyd determined such values to be $358 million in the case of the Company and $370 million in the case of Ashland Coal. Boyd then estimated the relative total enterprise values of each of the companies by adding to the value of continuing operations the following items: (i) the value of each company's coal supply contracts (estimated to be $227 million in the case of the Company and $141 million in the case of Ashland Coal), (ii) the present residual value of the coal reserves of each company that would not be mined in the ten year time horizon (estimated to be $120 million in the case of the Company and $45 million in the case of Ashland Coal), (iii) the present value of the

residual value of the plant and equipment of each company at the end of the ten year time horizon (estimated to be $123 million in the case of the Company and $110 million in the case of Ashland Coal), (iv) the present value of each company's excess and residual real estate holdings, including the Company's oil and gas holdings (estimated to be $41 million in the case of the Company and $8 million in the case of Ashland Coal), and (v) the present value of certain other assets of the companies, including the Company's Archveyor(R) mining technology (estimated to be $5 million in the case of the Company and zero in the case of Ashland Coal). Boyd then deducted from the sum of these values the estimated book value at January 1, 1997 of each company's debt (estimated to be $190 million in the case of the Company and $168 million in the case of Ashland Coal), and the present value of estimated mine closing liability (estimated to be $45 million in the case of the Company and $14 million in the case of Ashland Coal) and estimated existing employee-related liabilities, exclusive of future funding for active employees, which was factored into the cash flow analysis (estimated to be $255 million in the case of the Company and $99 million in the case of Ashland Coal). As the last step of its analysis, Boyd made adjustments for the companies' estimated working capital as of January 1, 1997 ($36 million in the case of the Company and $10 million in the case of Ashland Coal), potential federal income tax benefits (an addition of $0-$26 million in the case of the Company), and a potential decrease in value of the Company's Lone Mountain Processing, Inc. ("Lone Mountain") operations as a result of potential operational modifications that may be made as a result of certain compliance issues (a deduction of $0-$17 million). Based upon this analysis, Boyd concluded that the companies were of relatively equal value, but that the relative value of the Company could range from $403 million to $446 million, or approximately 100% to 110% of that of Ashland Coal. Boyd stated in its report that its findings were intended to demonstrate relative or comparative values, and not the fair market values, of the two companies.

Subsequent to receipt of Boyd's December 9, 1996 written report, Boyd received inquiries from representatives of the Special Committees and of the Company and Ashland Coal regarding differences between its preliminary reports and final report primarily relating to the details underlying its discounted cash flow analyses of the two companies. In its December 11, 1996 supplement to its final report, Boyd provided the Special Committees with a detailed breakdown of the differences, together with its associated workpapers.

On December 12, 1996, at a meeting of the Company Board, the Company Special Committee delivered a report to the full Company Board on its activities and the analyses conducted by Boyd. After the report of the Special Committee, Steven F. Leer, President and Chief Executive Officer of the Company, made a detailed report to the Board on the synergies that could be created by a business combination of the Company and Ashland Coal. At such meeting, the term of the Company Special Committee was extended to March 31, 1997, and the Company Special Committee was authorized to negotiate with the Ashland Coal Special Committee the terms and legal structure of a business combination between the companies, within parameters established by the Board. The Company Special Committee was instructed to submit the negotiated terms and conditions to the Company Board for approval and ratification of such terms and conditions.

On January 2, 1997, Paul W. Chellgren, Chief Executive Officer of Ashland Inc. met with representatives of Carboex in Pittsburgh to discuss the terms upon which Carboex could support the proposed business combination. The parties discussed potential terms, including various commercial and corporate governance matters.

A joint meeting of the Special Committees was held in Pittsburgh on January 3, 1997. At the meeting, Boyd representatives reviewed with the Special Committee Boyd's final report, and representatives of Boyd were available to respond to questions. In response to inquiries, Boyd explained the various differences between its preliminary reports and final report described in its December 11, 1996 supplemental letter. Discussion and negotiation then ensued regarding the relative valuation of the two companies, including the analyses that had been performed by Boyd. Issues discussed relating to the relative values of the two companies included the value (if any) that could be ascribed to the Company's federal income tax attributes, the amounts to be ascribed to each company's indebtedness given the differing terms of such indebtedness, the impact (if any) on relative valuation of various contingent liabilities of each company, and the extent of the potential decrease in value of

the Company's Lone Mountain operations as a result of potential operational modifications. After these discussions, each Special Committee met in separate session. Messrs. Charpie (on behalf of the Ashland Coal Special Committee) and Parker (on behalf of the Company Special Committee) were thereafter authorized to further negotiate the relative equity participation in the combined entity of Company stockholders and Ashland Coal stockholders. At the conclusion of these negotiations, the Special Committees reconvened and, upon consideration, each Special Committee resolved that, subject to agreement on all other matters and to the execution of definitive documentation, it would recommend to its respective full Board of Directors that the Company and Ashland Coal combine on a basis in which the relative equity participation in the combined Company would be 52% for the stockholders of the Company and 48% for the stockholders of Ashland Coal.

On January 14, 1997, Mr. Chellgren met with Messrs. Parker and Hunt in Dallas, Texas, to discuss certain issues raised by the proposed business combination. Among the issues discussed were Board size and composition, corporate governance provisions, management, corporate office location, and the name of the combined entity. No definitive agreement on those issues was reached.

On January 20, 1997, a meeting of the full Board of Directors of Ashland Coal was held in Pittsburgh. The Chairman of the Ashland Coal Special Committee reviewed the status of ongoing discussions between members of the Special Committees and the process that had been undertaken by the Ashland Coal Special Committee to date, as well as the various relative valuation, structural, operating, accounting, tax, governance and timing considerations pertinent to a possible business combination of the Company and Ashland Coal. By unanimous vote, the members of the Ashland Coal Special Committee resolved to recommend to the full Board of Directors that Ashland Coal seek to effect a business combination with the Company on a basis that would generally result in Company stockholders and Ashland Coal stockholders owning 52% and 48%, respectively, of the initial outstanding shares of Company Common Stock after the Merger. The full Board of Directors, by unanimous vote, accepted such recommendation and authorized the Ashland Coal Special Committee to continue negotiations with the Company Special Committee with a view toward reaching a definitive agreement with respect to the transaction, subject to further consideration and approval by the full Board of Directors.

On January 22, 1997, the Company Board met by telephone conference. The Company Special Committee reviewed with the full Board the status of ongoing discussions between the Special Committees and the process that had been undertaken by the Company Special Committee to date, as well as the various valuation, structural, operating, accounting, tax, governance and timing considerations relative to a possible business combination of the companies. The Company Special Committee recommended to the full Board of Directors that the Company seek to effect a business combination with Ashland Coal on a basis that would generally result in the Company stockholders and Ashland Coal stockholders owning 52% and 48%, respectively, of the initial outstanding shares of common stock of the combined enterprise. The full Board of Directors, by unanimous vote, accepted such recommendation and authorized the Company Special Committee to continue negotiations with the Ashland Coal Special Committee with a view toward reaching a definitive agreement with respect to the transaction, subject to further consideration and approval by the full Board of Directors.

On January 27, 1997, the Company and Ashland Coal issued a joint press release announcing that they had reached agreement in principle on the relative percentages of equity in the combined company that would be held by Company and Ashland Coal stockholders.

Subsequent to January 27, 1997, negotiations continued with respect to various aspects of the proposed transaction, including the terms of the Merger Agreement and the Voting Agreements. Counsel for all parties met on several occasions to draft and refine the legal documents necessary for the Merger, and the parties continued to correspond and discuss by telephone the various business and legal issues raised by the proposed combination. In addition, negotiations were conducted during this period between Mr. Hintz of the Ashland Coal Special Committee, on the one hand, and representatives of Ashland Inc. and Carboex, on the other hand, concerning the ratio at which shares of Ashland Coal Preferred Stock would be converted into Company Common Stock in the Merger, as well as among the relevant parties concerning the terms of the various agreements described under "Other Agreements."

The Company Board met on February 18, 1997 in St. Louis. At the meeting, the Company Special Committee reported on the status of negotiations with the Ashland Coal Special Committee as well as discussions held the previous evening among the Special Committee and Board members representing Ashland Inc. After the meeting, the Company Special Committee proposed by letter dated February 25, 1997 to the Ashland Coal Special Committee a basis for resolving remaining issues. The principal remaining issues were (i) the structure of the transaction, (ii) the location of the combined company's headquarters and executive personnel, (iii) the effect of outstanding options to acquire Ashland Coal Common Stock on the relative equity participation in the combined company, (iv) whether any adjustment to the Merger consideration should be made because of working capital fluctuations, and (v) the composition of executive management of the Company following the Merger.

The Ashland Coal Special Committee and the full Ashland Coal Board of Directors met on February 26 and 27, 1997. At these meetings, various aspects of the proposed transaction were discussed, including the status of negotiations with the Company Special Committee regarding remaining issues and the February 25, 1997 letter from the Company Special Committee. In addition, at these meetings a presentation was made by representatives of Salomon Brothers regarding the proposed financial terms of the business combination, and Salomon Brothers orally rendered its opinion to the Ashland Coal Board of Directors to the effect that, based upon and subject to certain assumptions, factors and limitations set forth in the written opinion described under "The Merger--Opinion of Financial Advisor to Ashland Coal," as of such date, each of (i) the consideration to be received by the holders of Ashland Coal Common Stock and (ii) the consideration to be received by the holders of Ashland Coal Preferred Stock, pursuant to the proposed combination, is fair from a financial point of view to the holders of Ashland Coal Common Stock other than Ashland Inc. and its affiliates.

Between February 27 and March 25, 1997, negotiations continued between representatives of the Special Committees regarding the various remaining issues. On March 25, 1997, a meeting of the Board of Directors of Ashland Coal was held at which the Ashland Coal Special Committee reported on the status of negotiations with the Company Special Committee regarding the resolution of such issues, and recommended to the full Board of Directors of Ashland Coal that Ashland Coal seek to enter into a definitive agreement with the Company on the terms described. The full Board of Directors, by unanimous vote, accepted such recommendation and authorized the officers of Ashland Coal to proceed to finalize the terms of a definitive agreement, subject to approval by the full Board of Directors.

Later on March 25, a meeting of the Company Board was held by telephonic conference. At the meeting, the Company Special Committee reported on the status of negotiations with the Ashland Coal Special Committee and informed the Board that agreement had been reached on all outstanding issues. The Company Special Committee reviewed with the full Board the resolution of those issues, and recommended to the full Company Board that the Company seek to enter into a definitive agreement with Ashland Coal on the terms described. The Company Board, by unanimous vote, accepted such recommendation and authorized the Company's executive officers (subject to the approval and execution by the holders of at least 75% of Company Common Stock of a written consent amending the Company Certificate to provide for an increase in authorized shares and other provisions necessary to effect the proposed Merger) to negotiate and execute the final form of a definitive agreement upon the terms outlined by the Company Special Committee.

On April 1, 1997, the Company Board held another meeting by telephone conference to consider certain other corporate actions necessary to effectuate the proposed Merger. The Company Board unanimously recommended changes to the Company Certificate, approved certain changes to the Company Bylaws, and took other corporation actions necessary to facilitate the Merger.

On April 4, 1997, the stockholders of the Company executed the necessary consents to increase the authorized capital of the Company and to take the other actions necessary to allow the transactions contemplated by the Merger Agreement to occur, including amendments to the Restated Certificate of Incorporation of the Company to increase authorized Company Common Stock in connection with the 338.0857-for-one split of Company Common Stock, authorization of the Company Certificate and Company Bylaws to be in effect at the

Effective Time, authorization of the filling of vacancies on the Board of Directors as of the Effective Time, and authorization of the adoption of the Company Incentive Plan as of the Effective Time, all as contemplated by the Merger Agreement.

On the same date, the Board of Directors of Ashland Coal met to consider the form of the definitive Merger Agreement. At the meeting, Salomon Brothers confirmed its opinion to the Board of Directors to the effect that, as of April 4, 1997, each of (i) the consideration to be received by the holders of Ashland Coal Common Stock and (ii) the consideration to be received by the holders of Ashland Coal Preferred Stock, pursuant to the Merger, is fair from a financial point of view to the holders of Ashland Coal Common Stock other than Ashland Inc. and its affiliates. The Board of Directors, by unanimous vote, determined the Merger to be in the best interests of Ashland Coal and its stockholders, approved the Merger Agreement and the transactions contemplated thereby, and resolved to recommend approval and adoption of the Merger Agreement and the transactions contemplated thereby to Ashland Coal stockholders. The Merger Agreement was thereafter executed and publicly announced.

COMPANY REASONS FOR THE MERGER

The Company Board believes that the Company and Ashland Coal are a unique strategic fit, which will allow the Company to increase its coal reserves and operations in the Appalachian region as well as allow Ashland Coal to diversify reserves and operations through the addition of the Company's Midwestern and Western reserves and operations. Moreover, the Company Board believes that Ashland Coal's business strategy, management and coal reserves are complementary to those of the Company and that the Merger provides significant opportunities for achieving strategic benefits that constitute key objectives of the Company's business plan.

Among the strategic benefits that the Company Board expects can be derived from the Merger are:

- Reducing Capital and Operating Costs. The Merger will provide several opportunities for cost savings, including reductions in borrowing and insurance costs. Moreover, since many of the mining operations of the respective companies are conducted on contiguous sites or in close proximity, the combined company will be able to effect savings on equipment costs by moving mining equipment to develop or expand operations rather than building or purchasing new equipment. Additional savings are expected to result from enhanced purchasing power and bargaining strength of the combined enterprise in obtaining equipment, parts, supplies and transportation services and in negotiating with lessors of coal leases. Finally, the combined entity will be in a position to achieve cost savings, synergies and economies of scale by eliminating duplicate distribution and coal production facilities and equipment and reducing administrative overhead and personnel.

- Achieving Benefits of Growth and Increased Size. After the Merger, the Company will have increased size and diversification of coal reserves which will enhance its marketing flexibility. Due to the substantial coal reserves in close proximity that will be controlled by the combined entity, it will be better able to match coal supplies with specifications in existing contracts to maximize the price at which coal can be sold and to effect transportation and coal royalty savings. Due to its increased size and more diverse coal reserves, the combined enterprise will be better able than the Company or Ashland Coal separately to make deliveries under favorable contracts during periods of temporary production disruptions at one or a few mines. Additionally, by virtue of its increased size and capitalization, the combined enterprise will be able to pursue more effectively opportunities for growth through acquisitions and reserve development activities.

- Benefits of Becoming a Public Company. After the Merger, the Company Common Stock will be publicly traded and listed on the NYSE. This will provide access to public equity and debt capital markets for the Company as well as providing a trading market and liquidity for the investments of Company stockholders.

The benefits described above are forward looking statements and actual results may vary materially from such projected benefits. See "Risk Factors" and "Information Concerning the Company--Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company Board considered certain potentially negative factors in its deliberations regarding the Merger, such as the difficulty, disruption and substantial expense likely to result from the Merger of two enterprises of roughly equal size, the likelihood that expected synergies and cost saving benefits would not be realized for a significant period of time (and the possibility that some of such benefits might never be realized), the factors described herein under "Risk Factors," the fact that the trading market volume for Ashland Coal Common Stock has been limited and the need to restructure existing financing and operating arrangements after the Merger. The Company Board determined, however, that the benefits of the transaction discussed above outweighed the potential negative factors.

In reaching its conclusion, the Company Board considered information provided at its August 20, 1996, November 5, 1996, December 12, 1996, January 22, 1997, February 18, 1997, March 25, 1997 and April 1, 1997 board meetings, including, among other things, (i) the presentations and recommendations of the Company management, (ii) information concerning the financial performance and condition, business operations, capital, reserves, indebtedness and prospects of Ashland Coal and information concerning the two companies on a combined basis, (iii) the structure of the Merger, including the accounting treatment, the tax-free nature of the transaction and the fact that Company stockholders would retain approximately 52% of the equity of the combined company, (iv) the terms of the Merger Agreement and other documents to be executed in the Merger, (v) current industry, economic and market conditions and trends, including the likelihood of continuing consolidation and increasing competition in the coal industry, (vi) the possibility of achieving significant costs savings, operating efficiencies and synergies as the result of the Merger; (vii) the comparative valuation study conducted by Boyd, (viii) historical market prices and trading information for Ashland Coal Common Stock, (ix) the combined company's dividend capacity and cash flow, and (x) the effect of the Merger on the employees, customers and communities served by the Company.

The foregoing discussion of the information and factors considered by the Board of Directors of the Company is not intended to be exhaustive, but includes all material factors considered by the Board. In reaching its determination to approve the Merger Agreement and the transactions contemplated thereby, the Board of Directors of the Company did not assign any relative or specific weights to the various factors considered by it nor did it specifically characterize any factor as positive or negative (except as described above), and individual directors may have given different weights to different factors and may have viewed certain factors more positively or negatively than others. After considering the Merger Agreement and the transactions contemplated thereby, and after considering, among other things, the matters discussed above and the recommendation of the Company Special Committee, the Board of Directors of the Company, by unanimous vote, approved the Merger Agreement and the transactions contemplated thereby as being in the best interests of the Company and its stockholders.

ASHLAND COAL REASONS FOR THE MERGER; RECOMMENDATION OF THE BOARD OF DIRECTORS

On April 4, 1997, the Board of Directors of Ashland Coal, including the Ashland Coal Special Committee, unanimously determined that the Merger is in the best interests of Ashland Coal and its stockholders, approved the Merger Agreement and resolved to recommend approval and adoption of the Merger Agreement and the transactions contemplated thereby to Ashland Coal stockholders. In reaching these conclusions, the Board of Directors of Ashland Coal took into account the following:

1. The recommendation of the Ashland Coal Special Committee.

2. The financial, operational and competitive advantages expected to result from the Merger, including operational synergies from more efficient utilization of facilities, equipment, human resources and coal transportation services; economies of scale through coordinated operating strategies effected by a larger combined enterprise; cost savings through elimination of duplicative facilities and administrative functions; and better access to capital markets.

3. Information, including the Boyd report to the Ashland Coal Special Committee, concerning the respective businesses, operations, assets, financial condition, operating results, strategies and prospects of the Company and Ashland Coal.

4. The opportunity for Ashland Coal stockholders to become stockholders of a larger company with complementary coal properties and mining operations and greater financial resources, of which they would own approximately 48% of the equity immediately following the Merger.

5. The terms and conditions of the Merger Agreement and related documents, which were generally reciprocal in nature and the product of arms' length negotiations.

6. The initial rate of cash dividends anticipated to be paid on Company Common Stock.

7. The detailed financial analysis and other information presented by Salomon Brothers, as well as the written opinion of Salomon Brothers to the effect that, based upon and subject to various considerations set forth in such opinion, as of April 4, 1997, (i) the consideration to be received by holders of Ashland Coal Common Stock in the Merger and (ii) the consideration to be received by holders of Ashland Coal Preferred Stock in the Merger is fair, from a financial point of view, to the holders of Ashland Coal Common Stock other than Ashland Inc.

8. The fact that the Merger would be a transaction designed to be tax-free to Ashland Coal stockholders.

9. The composition of the Board of Directors and executive management of the Company.

10. The Voting Agreements.

11. The interests of certain members of management and the Board of Directors of Ashland Coal in the Merger described under the caption "The Merger--Interests of Certain Persons in the Merger."

12. The risks associated with coordinating the operations of the Company and Ashland Coal following the Merger and with achieving the cost-savings and other benefits that could be expected to result from the Merger, which could depend on factors beyond the control of the Company.

The foregoing discussion of the information and factors considered by the Board of Directors of Ashland Coal is not intended to be exhaustive, but includes all material factors considered by the Board of Directors of Ashland Coal. In reaching its determination to approve the Merger Agreement and the transactions contemplated thereby, the Board of Directors of Ashland Coal did not assign any relative or specific weights to the various factors considered by it nor did it specifically characterize any factor as positive or negative (except as described above), and individual directors may have given different weights to different factors and may have viewed certain factors more positively or negatively than others.

FOR THE REASONS DESCRIBED ABOVE, THE BOARD OF DIRECTORS OF ASHLAND COAL, BY UNANIMOUS VOTE, APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY AS BEING IN THE BEST INTERESTS OF ASHLAND COAL AND ITS STOCKHOLDERS, AND RECOMMENDED THAT ASHLAND COAL STOCKHOLDERS VOTE TO APPROVE AND ADOPT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY.

OPINION OF FINANCIAL ADVISOR TO THE ASHLAND COAL BOARD OF DIRECTORS

On February 27, 1997, Salomon Brothers orally rendered its opinion to the Ashland Coal Board of Directors to the effect that, based upon and subject to certain assumptions, factors and limitations set forth in such written opinion as described below, as of such date, each of (i) the consideration to be received by the holders of Ashland Coal Common Stock and (ii) the consideration to be received by the holders of Ashland Coal Convertible Preferred Stock, pursuant to the proposed combination, is fair from a financial point of view to the holders of Ashland Coal Common Stock other than Ashland Inc. and its affiliates. Salomon Brothers subsequently confirmed such opinion in writing on April 4, 1997, after confirming that its analysis had not changed in any material respect.

THE FULL TEXT OF SALOMON BROTHERS' OPINION DATED APRIL 4, 1997, WHICH SETS FORTH THE ASSUMPTIONS MADE, PROCEDURES FOLLOWED AND MATTERS CONSIDERED BY SALOMON BROTHERS, IS ATTACHED AS APPENDIX B TO THIS PROXY STATEMENT/PROSPECTUS AND IS INCORPORATED HEREIN BY REFERENCE. SALOMON BROTHERS' OPINION DELIVERED TO THE ASHLAND COAL BOARD OF DIRECTORS WAS DIRECTED ONLY TO THE FAIRNESS OF THE CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF ASHLAND COAL COMMON STOCK AND THE CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF ASHLAND COAL PREFERRED STOCK, IN EACH CASE FROM THE POINT OF VIEW OF THE HOLDERS OF ASHLAND COAL COMMON STOCK OTHER THAN ASHLAND INC. AND ITS AFFILIATES, AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY ASHLAND COAL STOCKHOLDER AS TO HOW SUCH STOCKHOLDER SHOULD VOTE AT THE ASHLAND COAL MEETING. THE SUMMARY OF THE SALOMON BROTHERS OPINION SET FORTH IN THIS PROXY STATEMENT/PROSPECTUS IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION. ASHLAND COAL STOCKHOLDERS ARE URGED TO READ THE ENTIRE OPINION CAREFULLY.

In connection with rendering its opinion, Salomon Brothers reviewed and analyzed, among other things, (i) the Merger Agreement, including the Annexes thereto, (ii) certain information and analyses prepared by Boyd, which was retained by the Ashland Coal Special Committee and the Company Special Committee to provide advice with respect to the relative valuation of the assets of the two companies, (iii) certain publicly available business and financial information concerning Ashland Coal, (iv) certain internal information, primarily financial in nature, including projections, concerning the business and operations of each of Ashland Coal and the Company furnished to Salomon Brothers by Ashland Coal and the Company for purposes of Salomon Brothers' analysis, (v) certain publicly available information concerning the trading of, and the trading market for, Ashland Coal Common Stock, (vi) certain publicly available information with respect to certain other companies that Salomon Brothers believed to be comparable to Ashland Coal and the Company and the trading markets for certain of such other companies' securities, and (vii) certain publicly available information concerning the nature and terms of certain other transactions that Salomon Brothers considered relevant to its inquiry. Salomon Brothers also conducted discussions with certain representatives of Ashland Coal, the Company and Boyd to discuss the foregoing matters, including the past and current business operations, financial condition and prospects of Ashland Coal and the Company as well as other matters Salomon Brothers believed relevant to its inquiry. Salomon Brothers also considered such other information, financial studies, analyses, investigations and financial, economic and market criteria as it deemed relevant.

In its review and analysis and in arriving at its opinion, Salomon Brothers assumed that the financial and other information provided to it that was publicly available was accurate and complete and neither attempted independently to verify nor assumed any responsibility for verifying any of such information. Salomon Brothers did not conduct a physical inspection of any of the properties or facilities of Ashland Coal or the Company, nor did it make or obtain or assume any responsibility for making or obtaining any independent evaluations or appraisals of such properties or facilities. In addition, the Ashland Coal Board of Directors did not request Salomon Brothers to solicit, and accordingly Salomon Brothers did not solicit, the interest of third parties to effect a transaction involving Ashland Coal. With respect to projections, Salomon Brothers assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of Boyd and the managements of Ashland Coal and the Company as to the future financial performance of such companies, and Salomon Brothers expressed no view with respect to such projections or the assumptions on which they were based.

In conducting its analysis and in arriving at its opinion, Salomon Brothers considered such financial and other factors as it deemed appropriate under the circumstances including, among others, the following: (i) the historical and current financial position and results of operations of each of Ashland Coal and the Company; (ii) the business prospects of each of Ashland Coal and the Company; (iii) the historical and current market for Ashland Coal Common Stock and for the equity securities of certain other companies that Salomon Brothers believed to be comparable to Ashland Coal and the Company; (iv) the terms of the Class B Preferred Stock and Class C Preferred Stock of Ashland Coal; and (v) the nature and terms of certain other acquisition transactions that Salomon Brothers believed to be relevant. Salomon Brothers also took into account its assessment of general economic, market and financial conditions as well as its experience in connection with similar transactions and

securities valuation generally. No limitations were imposed by Ashland Coal with respect to the investigations made or the procedures followed by Salomon Brothers in rendering its opinion.

Salomon Brothers' opinion was necessarily based upon conditions as they existed and could be evaluated on the date of its opinion, and Salomon Brothers assumed no responsibility to update or revise its opinion based upon circumstances or events occurring after the date of its opinion. Salomon Brothers' opinion was limited to the fairness, from a financial point of view, of the consideration to be received by the holders of Ashland Coal Common Stock (other than Ashland Inc. and its affiliates) and did not address Ashland Coal's underlying business decision to effect the Merger or constitute a recommendation to any holder of Ashland Coal Common Stock as to how such holder should vote with respect to the Merger.

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances, and therefore such an opinion is not readily susceptible to summary description. Furthermore, in arriving at its fairness opinion, Salomon Brothers did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Salomon Brothers believes that its analyses must be considered as a whole and that considering any portions of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the opinion. In its analyses Salomon Brothers made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Ashland Coal and the Company. Any estimates contained in Salomon Brothers' analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth therein.

The following is a brief summary of the material financial analyses which Salomon Brothers used in providing its opinion on February 27, 1997 to the Ashland Coal Board of Directors. The following quantitative information, to the extent it is based on market data, is based on market data as it existed at February 27, 1997, and is not necessarily indicative of current market conditions.

Summary of Analyses

In order to derive an estimated relative valuation range for the valuation of Ashland Coal as a percentage of a combined valuation of Ashland Coal and the Company, Salomon Brothers completed a comprehensive valuation analysis of Ashland Coal and the Company based on three primary valuation techniques: (i) a discounted cash flow ("DCF") analysis; (ii) a comparable public companies analysis; and (iii) a precedent transactions analysis. Salomon Brothers also considered an analysis of the relative contributions of Ashland Coal and the Company, based on both historical and projected relative contributions, and an analysis of the conversion ratio for Ashland Coal Preferred Stock in the Merger. Salomon Brothers concluded that the negotiated 48% and 52% equity ownership in Arch Coal, Inc. of Ashland Coal and Company stockholders, respectively, which would result from the Merger (the "Merger Ownership Allocation"), was consistent with the reference range derived from its analyses.

Discounted Cash Flow Analysis. Using the DCF methodology, Salomon Brothers estimated the present value of unlevered future cash flows of Ashland Coal and the Company based upon a review of three cases, each yielding a set of cash flow projections for 1997 through 2006. The first case ("Case 1") was based upon forecasted operating results estimated by Boyd, assuming the operation only of mines currently in operation and no replacement of lost production resulting from mine closures. The second case ("Case 2") assumed the realization of internal expansion opportunities, including adjacent mines ("Brownfield") and new mines ("Greenfield"), the timing of which assumed stabilizing production at approximately current levels. The Case 2 scenario further assumed that the supply and demand dynamics of the coal marketplace would not be disturbed given the stable production base. For purposes of this analysis, Salomon Brothers used estimates for available opportunities provided by Boyd and confirmed with the managements of Ashland Coal and the Company. The

third case ("Case 3") assumed that cash flow generated from existing mines would be reinvested to acquire other existing mining operations. Acquisition tonnage was based on availability of cash and generation of conservative top line growth.

Salomon Brothers aggregated, with respect to each of the three cases, the present value of the projected unlevered future cash flows of each of Ashland Coal and the Company through 2006 with the present value of a range of estimated terminal values for each of the companies (representing estimates of the value of each of Ashland Coal and the Company beyond 2006). The ranges of terminal values were calculated by applying, in each case, multiples of 6x to 7x (determined by Salomon Brothers based on an analysis of comparable publicly traded companies and precedent transactions) to the estimated earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") of each company in 2006. Using assumed discount rates for yearly cash flows ranging from 9.6% to 10.9% for Ashland Coal and 9.4% to 11.5% for the Company, Salomon Brothers computed reference ranges of firm values as follows: (i) under the Case 1 scenario, $440 million to $505 million for Ashland Coal and $460 million to $535 million for Arch Mineral, (ii) under the Case 2 scenario, $485 million to $570 million for Ashland Coal and $630 million to $760 million for Arch Mineral, and (iii) under the Case 3 scenario, $700 million to $870 million for Ashland Coal and $705 million to $865 million for Arch Mineral. Using these firm value ranges, Salomon Brothers computed ranges of relative equity valuations of Ashland Coal, as a percentage of the combined valuation of Ashland Coal and the Company, as follows: (i) under the Case 1 scenario, 46% to 49%, (ii) under the Case 2 scenario, 42% to 45%, and (iii) under the Case 3 scenario, 47% to 50%. Salomon Brothers determined that the Merger Ownership Allocation was consistent with these reference ranges and that, accordingly, this analysis supported the conclusions of its opinion.

Public Comparables Trading Analysis. Salomon Brothers compared selected financial data of Ashland Coal and the Company with certain financial data from publicly traded coal companies considered by Salomon Brothers to be comparable in some respect to Ashland Coal and the Company. The comparison group consisted of Ashland Coal, Pittston Minerals, Rochester & Pittsburgh Coal Company and Zeigler Coal Holding Company. Salomon Brothers noted, however, that the universe of publicly traded companies engaged exclusively in the coal business is limited. Based on its review of certain publicly available information regarding the companies in the comparison group (including multiples of (i) firm value to each of tons produced, revenues and EBITDA and (ii) equity value to each of net income and after-tax operating cash flow, defined as net income plus depreciation, depletion and amortization ("After-tax Cash Flow"), in each case for 1996, 1997 and the average of 1995 through estimated 1997 data), Salomon Brothers established ranges of implied equity values of $450 million to $550 million for Ashland Coal and $575 million to $675 million for Arch Mineral. On the basis of such ranges, Salomon Brothers computed a range of relative equity valuations of Ashland Coal, as a percentage of the combined valuation of Ashland Coal and the Company, of 45% to 48%. Salomon Brothers determined that the Merger Ownership Allocation was consistent with this reference range and that, accordingly, this analysis supported the conclusions of its opinion.

Precedent Transactions Analysis. Salomon Brothers reviewed twenty selected merger and acquisition transactions in the coal industry since 1990. Salomon Brothers noted, however, that publicly available data on precedent transactions is limited. Based on its review of the available data (including multiples of (i) firm value to each of revenues, EBITDA, earnings before interest and taxes ("EBIT") and reserves and (ii) equity value to After-tax Cash Flow, in each case for 1996, 1997 and the average of 1995 through estimated 1997 data), Salomon Brothers established ranges of implied equity values of $500 million to $600 million for Ashland Coal and $550 million to $750 million for Arch Mineral. Using these ranges, Salomon Brothers computed a range of relative equity valuations of Ashland Coal, as a percentage of the combined valuation of Ashland Coal and the Company, of 44% to 47%. Salomon Brothers determined that the Merger Ownership Allocation was superior to this reference range and that, accordingly, this analysis supported the conclusions of its opinion.

Relative Contribution Analysis. Salomon Brothers calculated the relative contribution by each of Ashland Coal and the Company for 1994 through 2006 (based on both historical and projected contributions under the Case 2 scenario) with respect to (i) coal sales, (ii) EBITDA, (iii) After-tax Cash Flow and (iv) capital

expenditures. The results of this analysis indicated that the average relative contribution of Ashland Coal for 1994 through 2006 would have been 46%, 46%, 47% and 48% for coal sales, EBITDA, After-tax Cash Flow and capital expenditures, respectively. Salomon Brothers determined that the 48% Merger Ownership Allocation was consistent with the relative contributions of Ashland Coal and the Company and this supported Salomon Brothers' opinion.

Preferred Share Conversion Analysis. Salomon Brothers examined the terms of the conversion in the Merger of shares of Ashland Coal Preferred Stock ("Preferred Shares") into Company Common Stock from the perspective of holders of Ashland Coal Common Stock (other than Ashland Inc. and its affiliates). In connection with its analysis, Salomon Brothers used two financial techniques, the first being based on the principles of efficient market theory (the "EMT Methodology") and the second being a computation of the net present value of all incremental cash flows to be received by the holders of the Preferred Shares in respect thereof (the "NPV Analysis").

As described under "Market Price and Dividend Data," the Preferred Shares are convertible into a number of shares of Ashland Coal Common Stock ranging from 18,346 at present to 20,846 from and after August 18, 2003. In addition, each Preferred Share bears a dividend equal to the sum of (i) the dividends which would have been received by the holder of the Preferred Share had the Preferred Share been converted into the number of shares of Ashland Coal Common Stock into which it is then convertible, and (ii) a fixed preferred dividend in the amount of $2,800 until 1999, $1,400 from 1999 until 2003, and zero thereafter.

The EMT Methodology assumes that, because each Preferred Share enjoys the economic incidents of ownership of the Ashland Coal Common Stock into which it is convertible even prior to conversion, such Preferred Share should be viewed as having a value equal to the present value of the maximum number of shares of Ashland Coal Common Stock into which such Preferred Share is convertible, plus the net present value of the fixed preferred dividend stream in respect of such Preferred Share until 2003, when the maximum conversion ratio will first apply. Using this methodology, Salomon Brothers determined a reference exchange ratio for the Merger of approximately 21,200 shares of Ashland Coal Common Stock per Preferred Share. Salomon Brothers also noted that, in view of the assumption implicit in the EMT Methodology that the holders of Preferred Shares would hold such shares until 2003, it may be appropriate to apply to the excess of the exchange ratio over the currently applicable conversion ratio a liquidity discount of 10-30%, which would result in a range of reference exchange ratios of approximately 20,344-20,915 shares.

In its NPV Analysis, Salomon Brothers aggregated future cash flows from additional future shares and dividends under the terms of the Preferred Shares (discounted at a rate of 6.0%) and dividends from the Ashland Coal Common Stock into which they might be converted (discounted at a rate of 10.9%), taking into account the additional value in the future from the increase in the conversion rate for the Preferred Shares, and assuming that dividend growth would be consistent with share price growth. This analysis resulted in a reference exchange ratio in the Merger of approximately 21,800 shares of Ashland Coal Common Stock per Preferred Share. Applying the aforementioned range of liquidity discounts, Salomon Brothers determined a range of reference exchange ratios of approximately 20,760 to 21,480 shares.

Salomon Brothers noted that the agreed exchange ratio of 20,500 shares of Company Common Stock for each Preferred Share in the Merger was within or below the ranges or reference values resulting from its analyses and that, accordingly, this analysis supported the conclusions of its opinion.

Financial Advisory Fees

Salomon Brothers was retained pursuant to an engagement letter dated February 1, 1997 (the "Engagement Letter") to act as a financial advisor to the Ashland Coal Special Committee to assist it in connection with the proposed combination with the Company. Salomon Brothers was selected by the Ashland Coal Special Committee because of its reputation, its experience with similar transactions and its knowledge of the energy industry. Salomon Brothers is an internationally recognized investment banking firm continuously engaged in

the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions, and for corporate and other purposes.

Pursuant to the terms of the Engagement Letter, Ashland Coal agreed to pay Salomon Brothers: (a) a fee of $300,000, payable upon initial submission of Salomon Brothers' opinion to the Ashland Coal Board of Directors, and (b) in the event that the services performed by Salomon Brothers were to be increased materially at the request of the Special Committee as a result of modifications to the terms of the proposed combination or otherwise, such additional fees as would be commensurate with the nature and amount of additional services so provided, the precise amounts of which would be agreed upon. As a result, Salomon Brothers has become entitled to receive aggregate fees of $300,000. Ashland Coal has also agreed to reimburse Salomon Brothers for its out-of-pocket expenses, including reasonable fees and disbursements of counsel and Salomon Brothers' reasonable travel expenses. Ashland Coal has agreed to indemnify Salomon Brothers and certain related persons against certain liabilities, including certain liabilities under the federal securities laws, relating to or arising out of its engagement.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

In considering the recommendation of the Board of Directors of Ashland Coal with respect to the Merger Agreement, stockholders of Ashland Coal should be aware that certain members of the management and Board of Directors of each of the Company and Ashland Coal have certain interests in the Merger that are in addition to the interests of stockholders of Ashland Coal generally. The Board of Directors of Ashland Coal was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the transactions contemplated thereby.

Ashland Coal Options. Agreements governing outstanding employee stock options to acquire Ashland Coal Common Stock provide that such options, whether or not then vested, will become vested and exercisable upon a "change of control" of Ashland Coal. The Merger will constitute a "change of control" of Ashland Coal for such purposes. Based on options to acquire Ashland Coal Common Stock outstanding as of May 28, 1997, the Merger would result in the vesting of otherwise unexercisable options to acquire Ashland Coal Common Stock held by executive officers of Ashland Coal as follows: William C. Payne (Chairman, President and Chief Executive Officer)--18,750 shares; Kenneth G. Woodring (Senior Vice President)--9,375 shares; C. Henry Besten, Jr. (Senior Vice President)--6,250 shares; Marc R. Solochek (Senior Vice President and Chief Financial Officer)--6,250 shares; Roy F. Layman (Administrative Vice President and Secretary)--5,000 shares; and all officers of Ashland Coal as a group (16 persons)--79,500 shares.

Ashland Coal Employment Agreement. William C. Payne, Chairman and Chief Executive Officer of Ashland Coal, and a member of the Ashland Coal Board of Directors, is a party to a letter agreement with Ashland Coal dated November 20, 1990 ("Letter Agreement"). It is expected that Mr. Payne will retire at the Effective Time of the Merger. Pursuant to the Letter Agreement, Mr. Payne would receive on an annual basis a supplemental benefit equal to 50% of his average base compensation plus average incentive compensation paid or accrued under Ashland Coal's Incentive Compensation Plan during the highest 36 months of the final 60-month period of his employment. Benefits payable under the Letter Agreement are reduced by any benefits payable to Mr. Payne under Ashland Coal's Pension Plan, any other qualified defined benefit pension plan maintained by Ashland Coal, the Ashland Coal Nonqualified Excess Benefit Pension Plan, and the Ashland Coal Benefit Restoration Plan. As a consequence of the Letter Agreement, Mr. Payne's benefits under the Pension Plan, the Nonqualified Excess Benefit Pension Plan, and the Benefit Restoration Plan will be supplemented by $128,154 per year, assuming (1) he retires at the Effective Time, (2) that half of the sum of (A) his average base compensation paid during the highest 36 months of the final 60-month period of his employment and (B) his average incentive compensation paid during the highest 36 months of the final 60-month period of his employment is $154,945, and (3) that his regular benefit under the Pension Plan, the Nonqualified Excess Benefit Pension Plan and the Benefit Restoration Plan, upon retirement would be $89,353 per year. Benefits under the Letter Agreement are not prorated on years of service, and are not payable if Mr. Payne's employment is terminated by Ashland Coal for cause.

Enhanced Early Retirement Plan. On April 1, 1997, in anticipation of the execution of the Merger Agreement and a potential reduction-in-force of salaried employees following the consummation of the Merger, the Company Board authorized an enhanced early retirement program to provide certain groups of salaried employees incentives to elect early or normal retirement under the Company's retirement plans. Under the program, employees who, with the addition of three years of age and three years of service, would be eligible for early or normal retirement under the Company's retirement plans will be given credit for such age and service for the purpose of benefit calculation and vesting if they elect to retire under the enhanced early retirement program. In addition, those eligible employees electing to retire under the program will receive a retirement incentive bonus of two weeks base pay per year of service. The enhanced early retirement program was offered only to certain salaried employee groups of the Company and its subsidiaries. Pursuant to the Merger Agreement, the Company has agreed to offer this program to certain groups of Ashland Coal salaried employees after the Effective Time. Certain of the current executive officers of the Company and Ashland Coal are eligible for benefits under this plan.

Retention/Severance Agreement. The Company and Ashland Coal have tendered retention/severance agreements to a total of thirty-six executives, including all of the executive officers of both companies except for Messrs. Payne and Leer. Pursuant to the agreements, the covered executives will receive certain severance benefits if their employment is terminated other than for cause during the one-year period following the Effective Time. The covered executives will also receive a continuation of medical benefits for twenty-four months and an accelerated vesting of stock options in the event his or her employment is terminated during such period. Pursuant to the Merger Agreement, the Company has agreed, as of the Effective Time, to assume Ashland Coal's obligations under the agreements with the eighteen Ashland Coal employees who have been tendered such agreements. If all current executive officers of the Company and Ashland Coal who are not expected to remain or become executive officers of the Company after the Effective Time become entitled to benefits under such agreements, the aggregate benefit payable to such individuals would be approximately $1.6 million.

Directors and Executive Officers of the Company. Pursuant to the Merger Agreement, certain directors of Ashland Coal will become directors of the Company, and certain officers of Ashland Coal will become officers of the Company. See "The Merger--Directors and Executive Officers of the Company After the Merger."

Indemnification; Insurance. The Company has agreed that, from and after the Effective Time, it will indemnify and hold harmless each present and former director and officer of Ashland Coal and any of its respective subsidiaries against any losses, claims, damages, costs, expenses, liabilities or judgments incurred in connection with any claim arising out of matters existing or occurring at or prior to the Effective Time, to the full extent that a corporation is permitted under the DGCL to indemnify its own directors or officers. The Company has also agreed to maintain in effect for a specified period policies of directors' and officers' liability insurance coverage, including coverage with respect to claims arising from acts, omissions or other events which occur prior to or as of the Effective Time and has, pursuant to written agreements to be effective as of the Effective Time, agreed to indemnify the directors and executive officers of Ashland Coal for certain liabilities incurred by them in their capacities as such. See "The Merger Agreement--Indemnification and Insurance."

The Registration Rights Agreement. In connection with the Merger, the Company, Ashland Inc., Carboex and the Hunt Entities entered into a Registration Rights Agreement pursuant to which, subject to consummation of the Merger, the Company has agreed to register under the Securities Act the sale of shares of Company Common Stock owned by Ashland Inc., Carboex or the Hunt Entities under certain circumstances. See "Other Agreements--The Registration Rights Agreement."

The Carboex Agreements. The Company and Carboex have entered into agreements that, effective as of the Effective Time, will replace existing agreements governing certain commercial arrangements between Ashland Coal and Carboex. See "Other Agreements--The Carboex Agreements."

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AFTER THE MERGER

Pursuant to the Merger Agreement, at the Effective Time, the Board of Directors of the Company will be comprised of Messrs. John R. Hall (Chairman), James R. Boyd, Robert A. Charpie, Paul W. Chellgren, Thomas L. Feazell, Juan Antonio Ferrando, Robert L. Hintz, Douglas H. Hunt, Steven F. Leer, Thomas Marshall, James L. Parker, J. Marvin Quin and Ronald Eugene Samples. Messrs. Hall, Boyd, Hunt, Leer, Parker and Samples are currently members of the Board of Directors of the Company and Messrs. Charpie, Chellgren, Feazell, Ferrando, Hintz, Marshall and Quin are currently members of the Board of Directors of Ashland Coal. Messrs. Hall, Boyd, Chellgren, Feazell and Quin are current or former executive officers of Ashland Inc. Mr. Hunt is a beneficiary of one of the trusts included among the Hunt Entities and Mr. Parker is a trustee of certain trusts, and an officer and director of a corporation, included among the Hunt Entities. Mr. Ferrando is an executive officer of Carboex. If, prior to the Effective Time, any of Messrs. Hall, Boyd, Chellgren, Feazell and Quin, any of Messrs. Hunt, Parker and Samples, or Mr. Ferrando, should die or otherwise be unable or unwilling to serve as a director of the Company, then a substitute for such person is to be designated by Ashland Inc., certain of the Hunt Entities or Carboex, respectively. If, prior to the Effective Time, any of Messrs. Charpie, Hintz, Marshall and Leer should die or otherwise be unable or unwilling to serve as a director of the Company, then a substitute for such person is to be designated by the majority vote of the remainder of the foregoing prospective members of the Board of Directors of the Company. Pursuant to the Stockholders Agreement, the Company has agreed to nominate for election as a director of the Company a person designated by Carboex, and Ashland Inc. has agreed, among other things, to vote its shares of Company Common Stock in a manner sufficient to cause the election of such nominee, in each case for so long (subject to earlier termination in certain circumstances) as the shares of Company Common Stock owned by Carboex represent at least 63% of the shares of Common Stock acquired by Carboex in the Merger. In addition, the Company has agreed for so long as the Hunt Entities have the collective voting power to elect, by cumulative voting, one or more persons to serve on the Board, to nominate for election as directors of the Company that number of persons designated by certain of the Hunt Entities that could be elected to the Board by the Hunt Entities by exercise of such cumulative voting power. See "Risk Factors--Control of the Company by Certain Stockholders," "The Merger--Security Ownership of the Company After the Merger" and "Other Agreements."

Set forth below is information concerning each person who is expected to be a director or executive officer of the Company as of the Effective Time:

Directors

James R. Boyd, age 50, has been a director of the Company since 1990. He is currently, and has for the past five years served as, Senior Vice President and Group Operating Officer of Ashland Inc. with responsibility for APAC, Inc., Ashland Services Company, Blazer Energy Corporation and the Company.

Robert A. Charpie, age 71, has been Chairman of the Board of Ampersand Ventures, Inc. (a venture capital company) since 1988. Mr. Charpie retired in September 1988 as Chairman of the Board of Cabot Corporation. He has been a director of Ashland Coal since 1988 and is a director of Champion International Corporation.

Paul W. Chellgren, age 54, has been Chairman of the Board of Ashland Inc. since 1997, Chief Executive Officer of Ashland Inc. since 1996 and President of Ashland Inc. since 1992. Mr. Chellgren was Chief Operating Officer of Ashland Inc. from 1992 to 1996 and Senior Vice President and Chief Financial Officer of Ashland Inc. from 1988 to 1992. He was Chairman of the Board of Ashland Coal from 1982 to 1992, and he has been a director of Ashland Coal since 1981. He is a director of Ashland Inc. and of PNC Bank Corp.

Thomas L. Feazell, age 60, has been Senior Vice President, General Counsel and Secretary of Ashland Inc. since 1992. He was Administrative Vice President and General Counsel of Ashland Inc. from 1988 to 1992. Mr. Feazell has been a director of Ashland Coal since 1981 and is a director of National City Bank of Ashland, Kentucky.

Juan Antonio Ferrando, age 55, is a director of Carboex and has been Senior Vice President, Business Development, Sociedad Espanola de Carbon Exterior, S.A. ("Carboex, S.A.") (a coal supply firm controlled by a Spanish state-owned corporation, and the owner of Carboex) since 1986. During the past five years, Mr. Ferrando has served in a variety of managerial positions with Desarrollo de Operaciones Mineras, S.A. (a coal mining company with operations in Spain and other countries). He has been a director of Ashland Coal since 1988. He is also a director of Granitos Espanoles, S.A. (a Spanish company which produces and sells granite).

John R. Hall, age 64, has been a director of the Company since 1979. In October 1996, Mr. Hall retired as Chief Executive Officer of Ashland Inc., a position he had held since 1981. In January 1997, he retired as Ashland Inc.'s Chairman of the Board and director, positions he had held since 1981 and 1968, respectively. He is also a director of Banc One Corporation, The Canada Life Assurance Company, CSX Corporation, Reynolds Metals Company and Ucar International Inc. and is a member of the American Petroleum Institute Executive Committee.

Robert L. Hintz, age 66, has been Chairman of the Board of R. L. Hintz & Associates (a management consulting firm) since 1989. Mr. Hintz retired in 1988 as Executive Vice President of CSX Corporation. He has been a director of Ashland Coal since 1993 and is a director of Reynolds Metals Company, Scott & Stringfellow, Inc. and Chesapeake Corporation. He is Chairman of MVC-VCU Hospital Hospitality House; Christian Childrens Fund; and St. Joseph's Villa.

Douglas H. Hunt, age 44, has been a director of the Company since 1995. He has been the Director of Acquisitions of Petro-Hunt Corporation (oil and gas exploration and production), Dallas, Texas for more than five years.

Steven F. Leer, age 44, has been President and Chief Executive Officer and a director of the Company since 1992. Prior to joining the Company, Mr. Leer served as Senior Vice President of The Valvoline Company, a subsidiary of Ashland Inc. He serves on the Board of Directors of Mercantile Trust Company, National Association. He is also a director of the Center for Energy and Economic Development, Chairman of the Coal Policy Committee for the National Coal Council and Vice Chairman of the National Mining Association.

Thomas Marshall, age 68, retired in 1995 as Chairman of the Board of Aristech Chemical Corporation, a position he had held since 1986. He was Chief Executive Officer of Aristech Chemical Corporation from 1986 to 1994. Mr. Marshall has been a director of Ashland Coal since 1995 and is a director of PNC Bank Corp. and Allegheny Teledyne Incorporated.

James L. Parker, age 59, has been a director of the Company since 1995. He is President of Hunt Petroleum Corporation headquartered in Dallas, a position that he has held for more than five years.

J. Marvin Quin, age 49, has been Senior Vice President and Chief Financial Officer of Ashland Inc. since 1992 and a director of Ashland Coal since 1992. He is also a director of Kentucky Electric Steel, Inc.

Ronald Eugene Samples, age 71, has been a director of the Company since 1982, and has served as Chairman of the Board since 1990. Mr. Samples was President and Chief Operating Officer of the Company from 1982 until 1992 and was Chief Executive Officer of the Company from 1988 until 1992.

Executive Officers

Steven F. Leer, 44, current President and Chief Executive Officer of the Company, will remain the President and Chief Executive Officer of the Company following the Merger. He also will be a member of the Company's Board of Directors.

Kenneth G. Woodring, 47, is currently Senior Vice President--Operations of Ashland Coal and has served in that capacity since 1989. At the Effective Time, it is expected he will become Executive Vice President--Mining Operations of the Company.

C. Henry Besten, Jr., 49, is currently Senior Vice President--Marketing of Ashland Coal and has served in that capacity since 1990. At the Effective Time, it is expected he will become a Vice President--Strategic Marketing of the Company and President of Arch Energy Resources, Inc., a subsidiary of the Company.

John W. Eaves, 39, is currently President of Arch Coal Sales Company, Inc., a subsidiary of the Company, and has served in that capacity since 1995. Prior to that time, during the last five years, he held a series of sales-related positions with the Company. At the Effective Time, it is expected he will become Vice President--Marketing of the Company.

Jeffery A. Hoops, 40, currently Vice President of Operations Planning and Central West Virginia Surface Operations of Ashland Coal and has served in that capacity since 1994. Prior to that time, during the last five years, he held various operating positions with Ashland Coal. At the Effective Time, it is expected that he will become Vice President--Operations of the Company.

Patrick A. Kriegshauser, 36, became Senior Vice President, Treasurer and Chief Financial Officer of the Company in July, 1996. Prior to that time, during the last five years, he served as Vice President--Controller, Vice President--Planning & Development, and Controller of Arch of West Virginia Inc., then a subsidiary of the Company, until it was merged into Apogee Coal Company in 1993. It is expected he will retain his current position after the Effective Time.

David B. Peugh, 42, became Vice President--Business Development of the Company in 1993. Prior to that time, during the last five years, he was Director of Exploration and Development of Ashland Coal. It is expected he will retain his current position after the Effective Time.

Jeffry N. Quinn, 38, became Senior Vice President--Law & Human Resources, Secretary and General Counsel in 1995. Prior to that time, during the last five years, he served in the capacity of Senior Vice President, Secretary and General Counsel. He has been employed with the Company since 1986. It is expected he will retain his current position after the Effective Time.

Robert W. Shanks, 44, became President of Apogee Coal Company, a subsidiary of the Company, in 1995. Prior to that time, during the last five years, he was President of Arch of Illinois, Inc., then a subsidiary of the Company, which changed its name to Apogee Coal Company in 1993. Thereafter, he served as Vice President--Illinois Division, Apogee Coal Company until assuming his current position. He has been employed by the Company since 1976. Mr. Shanks is currently the Chairman of the BCOA. At the Effective Time, it is expected he will become Vice President--Operations of the Company.

SECURITY OWNERSHIP OF THE COMPANY AFTER THE MERGER

The following table sets forth certain information concerning persons or entities anticipated to own beneficially five percent or more of outstanding shares of Company Common Stock, as well as information concerning anticipated ownership of Company Common Stock by each executive officer of the Company, each director of the Company and by all directors and executive officers of the Company as a group, in each case based upon beneficial ownership by such persons or entities of shares of Company Common Stock, Ashland Coal Common Stock (including shares that may be acquired upon the exercise of employee stock options) or Ashland Coal Preferred Stock as of May 28, 1997 and after giving effect to the Merger and the elimination of fractional shares resulting from the 338.0857-for-one split of Company Common Stock effected on April 4, 1997. Each person is anticipated to have sole voting and investment power with respect to the shares listed, unless otherwise indicated.

BENEFICIAL OWNER	NUMBER OF SHARES	PERCENT OF CLASS
Ashland Inc. P.O. Box 391 Ashland, Kentucky 41114	21,340,764	53.9
Carboex International, Ltd. Sasoon Building Shirley Street & Victoria Avenue P.O. Box N-272 Nassau, Bahamas	2,050,000	5.2
Hunt Coal Corporation. 5000 Thanksgiving Tower Dallas, Texas 75201	2,199,659	5.6
C. Henry Besten	52,700(1)	*
James R. Boyd (2)	1,000	--
Robert A. Charpie	10,000	*
Paul W. Chellgren (2)	5,361(3)	*
John W. Eaves	--	--
Thomas L. Feazell (2)	670	*
Juan Antonio Ferrando (4)	--	--
John R. Hall	500(5)	--
Robert L. Hintz	1,000	*
Jeffery A. Hoops	20,887(6)	*
Douglas H. Hunt	--	--
Patrick A. Kriegshauser	--	--
Steven F. Leer	10	*
Thomas Marshall	2,500	*
James L. Parker	1,047,387(7)	2.6
David B. Peugh	1,494	*
J. Marvin Quin (2)	500	*
Jeffry N. Quinn	--	--
Ronald Eugene Samples	--	--
Robert W. Shanks	--	--
Kenneth G. Woodring	73,434(8)	*
All directors and executive officers of the Company as a group (21 persons)	1,217,443(9)	3.1

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* Less than one percent of the outstanding shares.

(1) Includes 4,955 shares held by Mr. Besten under Ashland Coal's Employee Thrift Plan, which provides participants with voting and investment power with respect to such shares, and 46,500 shares held subject to stock options.

(2) Messrs. Boyd, Chellgren, Feazell and Quin are executive officers of Ashland Inc. and to the extent they may be deemed to be control persons of Ashland Inc. they may be deemed to be beneficial owners of shares of Company Common Stock owned by Ashland Inc. Each of Messrs. Boyd, Chellgren, Feazell and Quin disclaims beneficial ownership of such shares.

(3) Includes 1,072 shares owned by members of Mr. Chellgren's family as to which he disclaims beneficial ownership.

(4) Mr. Ferrando, a director of Ashland Coal, is a director of Carboex, and to the extent he may be deemed to be a control person of Carboex, he may be deemed to be a beneficial owner of shares owned by Carboex. Mr. Ferrando disclaims beneficial ownership of such shares.

(5) Includes 500 shares owned by Mr. Hall's spouse as to which he disclaims beneficial ownership.

(6) Includes 887 shares held by Mr. Hoops under Ashland Coal's Employee Thrift Plan and 20,000 shares held subject to stock options.

(7) Consists of shares owned by trusts of which Mr. Parker is co-trustee. Mr. Parker is also President and a director of Hunt Coal Corporation, and he may be deemed to share voting and dispositive power with respect to shares of Company Common Stock owned by Hunt Coal Corporation. Mr. Parker disclaims beneficial ownership of all such shares.

(8) Includes 68,835 shares held subject to stock options.

(9) Includes 1,572 shares owned by family members of persons in the group for which such persons disclaim beneficial ownership, 5,865 shares held by executive officers under Ashland Coal's Employee Thrift Plan and 135,335 shares held subject to stock options.

ASHLAND COAL STOCK OPTION PLANS

As provided in the Merger Agreement, Ashland Coal and the Company will take such actions as may be necessary so that, at the Effective Time, there will be substituted for each stock option outstanding (an "Ashland Coal Option") pursuant to Ashland Coal's 1995 Stock Incentive Plan or its 1988 Stock Incentive Plan for Key Employees of Ashland Coal, Inc. and subsidiaries (together the "Ashland Coal Stock Plans") whether or not then exercisable, a fully-vested option issued under the Company Incentive Plan to acquire, on the same terms and conditions (including per share exercise price) as were applicable to such Ashland Coal Option, a number of shares of Company Common Stock equal to the number of shares of Ashland Coal Common Stock subject to such Ashland Coal Option. Such substitute option will be subject to forfeiture under the terms of the Ashland Coal Stock Plans; provided, however, that a participant in the Company Incentive Plan shall be entitled to exercise such substitute option throughout the term of such option if the participant is terminated without cause. As of May 28, 1997, there were outstanding options granted under the Ashland Coal Stock Plans to purchase an aggregate of 689,035 shares of Ashland Coal Common Stock at a weighted average exercise price of $23.66 per share.

The Company has also agreed to reserve for issuance a sufficient number of shares of Company Common Stock for delivery and, as soon as practicable after the Effective Time, it will file a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), with respect to the shares of Company Common Stock issuable upon exercise of such substitute options and use its best efforts to maintain the effectiveness of such registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such substitute options remain outstanding.

ASHLAND COAL DIVIDEND REINVESTMENT PLAN

As provided in the Merger Agreement, Ashland Coal and the Company will take such actions as may be necessary so that, at the Effective Time, each share of Ashland Coal Common Stock converted into Company Common Stock held in the Ashland Coal, Inc. Dividend Reinvestment and Stock Purchase Plan (the "Ashland Coal DRP") will be transferred at the Effective Time to the Arch Coal, Inc. Dividend Reinvestment and Stock Purchase Plan (the "Company DRP"). The Company's Board of Directors authorized the Company DRP on April 1, 1997.

ACCOUNTING TREATMENT

The Merger will be accounted for by the Company as a "purchase," as such term is used under generally accepted accounting principles, of Ashland Coal. Accordingly, from and after the Effective Time, Ashland Coal's consolidated results of operations will be included in the Company's consolidated results of operations. For purposes of preparing the Company's consolidated financial statements, the Company will establish a new accounting basis for Ashland Coal's assets and liabilities based upon the fair values thereof and the Company's purchase price, including the direct costs of the acquisition. A final determination of required purchase price and related accounting adjustments and of the fair value of the assets and liabilities of Ashland Coal has not yet been

made. Accordingly, the purchase accounting adjustments made in connection with the development of the unaudited pro forma financial information appearing elsewhere in this Proxy Statement/Prospectus are preliminary and have been made solely for purposes of developing such pro forma financial information to comply with disclosure requirements of the Commission. Although the final aggregate purchase price and purchase allocation are likely to differ, the pro forma financial information reflects management's best estimate based upon currently available information. See "Unaudited Pro Forma Financial Information."

FEDERAL INCOME TAX CONSEQUENCES

The opinions of counsel as to the material federal income tax consequences of the Merger referred to below are based on current law. Ashland Coal has not requested nor will it request any ruling from the Internal Revenue Service (the "IRS") as to the United States federal income tax consequences of the Merger. Future legislative, judicial or administrative changes or interpretations, which may be retroactive, could alter or modify the statements set forth herein. The scope of such opinions may not apply to certain classes of taxpayers, including, without limitation, insurance companies, tax-exempt organizations, financial institutions, dealers in securities, non-resident aliens, foreign corporations, persons who acquired shares of Ashland Coal Common Stock pursuant to the exercise of employee stock options or rights or otherwise as compensation and persons who hold shares of either Ashland Coal Common Stock or Ashland Coal Preferred Stock in a hedging transaction or as part of a straddle or conversion transaction. Also, the opinions do not address state, local or foreign tax consequences of the Merger. EACH HOLDER OF ASHLAND COAL COMMON STOCK OR ASHLAND COAL PREFERRED STOCK (A "HOLDER") SHOULD CONSULT SUCH HOLDER'S OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO SUCH HOLDER.

Opinions of counsel delivered by Kirkpatrick & Lockhart LLP, counsel to Ashland Coal, and Kelly, Hart & Hallman, P.C., counsel to the Company (collectively, "Counsel"), have been filed as exhibits to the Registration Statement (the "Tax Opinions"). See "Available Information." Counsel are of the opinion that the Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code (a "Reorganization"). Accordingly, for federal income tax purposes, no gain or loss will be recognized by Ashland Coal as a result of the Merger and Holders who exchange shares of Ashland Coal Common Stock or shares of Ashland Coal Preferred Stock for shares of Company Common Stock pursuant to the Merger will generally be treated as follows:

(i) no gain or loss will be recognized by a Holder with respect to the receipt of Company Common Stock;

(ii) the aggregate adjusted tax basis of shares of Company Common Stock received by a Holder will be the same as the aggregate adjusted tax basis of the shares of Ashland Coal Common Stock exchanged therefor;

(iii) the holding period of shares of Company Common Stock received by a Holder will include the holding period of the Ashland Coal Common Stock or Ashland Coal Preferred Stock, as the case may be, exchanged therefor, provided that such shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock are held by the Holder as capital assets at the Effective Time; and

(iv) a Dissenting Stockholder who perfects dissenters' appraisal rights under the DGCL and who receives payment of the fair value of such Dissenting Shares will be treated as having received such payment in redemption of such Dissenting Shares. Such redemption will be subject to the conditions and limitations of Section 302 of the Code. In general, if the Dissenting Shares are held by the Dissenting Stockholder as a capital asset at the Effective Time, such Dissenting Stockholder will recognize capital gain or loss measured by the difference between the amount of cash received by such Dissenting Stockholder and the basis for such Dissenting Shares, and such gain or loss will be long-term capital gain or loss if such shares were held by the holder for more than one year at the Effective Time. However, if such Dissenting Stockholder owns, either actually or constructively under the provisions of Section 318 of the Code, any shares of Ashland Coal Preferred Stock that are exchanged in the Merger for Company Common Stock, the

payment made to such Dissenting Stockholder could be treated as dividend income. In general, under Section 318 of the Code, a Holder may be considered to own stock that is owned, and in some cases constructively owned, by certain related individuals or entities, and stock that such stockholder, or related individuals or entities, have the right to acquire by exercising an option. Each Holder of Ashland Coal Preferred Stock who contemplates exercising dissenters' appraisal rights should consult such Holder's own tax advisor as to the possibility that any payment to such Holder will be treated as dividend income.

No ruling has been or will be obtained from the Internal Revenue Service (the "IRS") in connection with the Merger. Each Holder should be aware that the Tax Opinions do not bind the IRS and the IRS is therefore not precluded from successfully asserting a contrary opinion. The Tax Opinions are subject to certain assumptions, and are subject to the truth and accuracy of certain representations made by Ashland Coal and the Company.

The obligation of Ashland Coal to consummate the Merger is conditioned on the receipt by Ashland Coal of an opinion of its counsel, Kirkpatrick & Lockhart LLP, dated the date on which the Effective Time occurs, substantially to the effect that the Merger will be treated for federal income tax purposes either as a tax-free reorganization within the meaning of Section 368(a) of the Code or as a non-recognition exchange of stock pursuant to Section 351 of the Code. The obligation of the Company to consummate the Merger is conditioned on the receipt by the Company of an opinion of its counsel, Kelly, Hart & Hallman, P.C., dated as of the Effective Time, substantially to the effect that the Merger will be treated for federal income tax purposes either as a reorganization within the meaning of Section 368(a) of the Code or as a non-recognition exchange of stock pursuant to Section 351 of the Code. The opinions of Kirkpatrick & Lockhart LLP and Kelly, Hart & Hallman, P.C. referred to in this paragraph will be based in part upon certain assumptions and representations. Subject to the receipt of such representations, Kirkpatrick & Lockhart LLP and Kelly, Hart & Hallman, P.C. anticipate that they will render such opinions. If such opinions are not received, the Merger will not be consummated unless the conditions requiring their receipt are waived and the approval of the Ashland Coal stockholders is resolicited by means of an updated Proxy Statement/Prospectus. Ashland Coal and the Company currently anticipate that such opinions will be delivered and that neither Ashland Coal nor the Company will waive the conditions requiring receipt of such opinions. Such opinions will not be binding upon the IRS and no assurance can be given that the IRS will not take a contrary position.

REGULATORY APPROVALS

Under the HSR Act and the rules promulgated thereunder, Ashland Inc. and Carboex were required to file pre-merger notifications and reports under the HSR Act with the United States Department of Justice or Federal Trade Commission in connection with the Merger. The required waiting periods under the HSR Act with respect thereto have been terminated. At any time before or after the Effective Time, such governmental agencies or others could take action under the antitrust laws with respect to the Merger, including seeking to enjoin the consummation of the Merger, to rescind the Merger or to require divestiture of substantial assets of the Company or Ashland Coal. There can be no assurance that a challenge to the Merger on antitrust grounds will not be made or that if such a challenge were made that it would not be successful.

Consummation of the Merger is conditioned upon the receipt of all material governmental authorizations, consents, orders and approvals, subject to waiver of such condition in accordance with the terms of the Merger Agreement. The Company and Ashland Coal intend to pursue vigorously all required regulatory approvals. However, there can be no assurance that such approvals will, in fact, be obtained, or, if obtained, as to the timing of their receipt. See "The Merger Agreement--Conditions."

RESALE RESTRICTIONS

All shares of Company Common Stock received by Ashland Coal stockholders in the Merger will be freely transferable, except that shares of Company Common Stock received by persons who are deemed to be "affiliates" (as such term is defined under the Securities Act) of Ashland Coal prior to the Merger may be resold by them only in transactions permitted by the resale provisions of Rule 145 promulgated under the Securities

Act (or Rule 144 in the case of such persons who become affiliates of the Company) or as otherwise permitted under the Securities Act. The Merger Agreement requires Ashland Coal to exercise its best efforts to cause each of its affiliates to execute a written agreement to the effect that such person will not offer or sell, transfer or otherwise dispose of any of the shares of Company Common Stock issued to such person in or pursuant to the Merger unless (a) such sale, transfer or other disposition has been registered under the Securities Act, (b) such sale, transfer or other disposition is made in conformity with Rule 145 under the Securities Act or (c) in the opinion of counsel, such sale, transfer or other disposition is exempt from registration under the Securities Act. Shares of Common Stock owned by stockholders of the Company prior to the Merger, except for shares owned by "affiliates" of the Company, will be freely transferable after the Merger.

APPRAISAL RIGHTS

Ashland Coal Common Stockholders. Pursuant to Section 262 of the DGCL, holders of Ashland Coal Common Stock will not be entitled to dissenters' appraisal rights in connection with the Merger.

Ashland Coal Preferred Stockholders. Section 262 of the DGCL entitles any holder of record of shares of Ashland Coal Preferred Stock (including shares not entitled to vote on the approval and adoption of the Merger Agreement) who makes a written demand prior to the taking of the vote at the Ashland Coal Meeting and who follows the procedures prescribed by Section 262, to an appraisal of the "fair value" of all, but not less than all, of such shares by the Delaware Court of Chancery (the "Court"), and to the payment of such fair value by Ashland Coal, in lieu of receiving the consideration provided under the Merger Agreement.

Set forth below is a summary of the procedures relating to the exercise of appraisal rights as provided in Section 262 of the DGCL. Such summary does not purport to be complete and is qualified in its entirety by reference to the full text of Section 262 attached hereto as Appendix C. Failure to comply with any of the required steps may result in termination of any appraisal rights the Dissenting Stockholder may have under the DGCL.

Dissenting Stockholders who follow the procedures set forth in Section 262 of the DGCL may receive a cash payment from the Company equal to the fair value of their Dissenting Shares, determined exclusive of any element of value arising from the accomplishment or expectation of the Merger. Unless all the procedures set forth in Section 262 are followed by a stockholder who wishes to exercise appraisal rights, such stockholder will be bound by the terms of the Merger. Each stockholder electing to demand the appraisal of his or her shares must (i) deliver to Ashland Coal, prior to the Ashland Coal Meeting, a written demand for appraisal of the stockholder's shares, setting forth the stockholder's intent to demand an appraisal and giving the stockholder's identity and (ii) not vote such stockholder's shares in favor of the approval and adoption of the Merger Agreement. Within 10 days after the Effective Time, Ashland Coal shall notify each stockholder who has complied with these requirements that the Merger has become effective.

Within 120 days after the Effective Time, any Dissenting Stockholder, upon written request, shall be entitled to receive a statement from Ashland Coal, setting forth the aggregate number of shares which were not voted in favor of the Merger and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Ashland Coal shall then mail such written statement to the Dissenting Stockholder as set forth in Section 262 of the DGCL.

Within 120 days after the Effective Time, a Dissenting Stockholder who has perfected rights of appraisal as set forth in Section 262 of the DGCL and who is otherwise entitled to appraisal rights may file a petition in the Court demanding a determination of the value of all of such Dissenting Shares. Upon the filing of any such petition by a Dissenting Stockholder, such Dissenting Stockholder is required to serve a copy thereof upon Ashland Coal. At the hearing on such petition, the Court shall determine the Dissenting Stockholders that have complied with the provisions of Section 262 of the DGCL and have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Delaware Register in Chancery for notation

thereon of the pendency of the appraisal proceedings. Failure to comply with such a demand by the Court could result in dismissal of the proceedings as to such stockholder. The Delaware Register in Chancery, if so ordered, shall give notice of the time and place fixed for the hearing of the petition by registered or certified mail to the Company and to the stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by Ashland Coal. Notice shall also be given by one or more publications at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by Ashland Coal.

After determining the Dissenting Stockholders entitled to an appraisal, the Court shall appraise the Dissenting Shares by determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining fair value, the Court is to take into account all relevant factors. The Delaware Supreme Court has stated that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered in the appraisal proceedings and that "fair price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court has stated that, in making this determination of fair value, the Court must consider "market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of the merger which throw any light on future prospects of the merger corporation." The Delaware Supreme Court has also held that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." The Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal before a final determination of all stockholders entitled to an appraisal.

The Court shall direct the payment of the fair value of the shares, together with interest thereon, if any, by Ashland Coal to the stockholders entitled to payment. Payment shall be made to the holders of Dissenting Shares only upon the surrender to Ashland Coal of the certificates representing such Dissenting Shares. The costs of the proceedings shall be allocated between the parties in the manner that the Court deems equitable in the circumstances. Upon application of a Dissenting Stockholder, the Court may order all or a portion of the expenses incurred in connection with the appraisal proceeding, including reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all of the shares entitled to an appraisal.

From and after the Effective Time, no Dissenting Stockholder shall be entitled to vote or to receive payment of dividends or other distributions on his or her Dissenting Shares (except for dividends or other distributions payable to stockholders of record as of a date prior to the Effective Time).

Any Dissenting Stockholder may, within 60 days after the Effective Time, withdraw such demand and accept the terms of the Merger. No such demand may be withdrawn after the expiration of the 60 day period, however, unless Ashland Coal shall consent thereto. If no petition for an appraisal of such Dissenting Shares by the Court shall have been filed within the time provided in Section 262(e) of the DGCL, or if the Dissenting Stockholder delivers a written withdrawal of his or her demand for an appraisal and an acceptance of the Merger, either within 60 days after the Effective Time or thereafter with the written approval of Ashland Coal, the right of such Dissenting Stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court shall be dismissed as to any Dissenting Stockholder without the approval of the Court, which may be conditioned upon such terms as the Court deems just.

A VOTE AGAINST APPROVAL AND ADOPTION OF THE MERGER AGREEMENT WILL NOT SATISFY THE REQUIREMENT FOR A WRITTEN DEMAND FOR APPRAISAL.

Exercise of the right to an appraisal under the DGCL may result in a judicial determination that the "fair value" of Dissenting Shares is higher or lower than the value of the shares of Company Common Stock to be received in respect thereof pursuant to the Merger Agreement. If Ashland Coal complies with the requirements

of the DGCL, any stockholder who fails to comply with the requirements of the DGCL will be without a statutory remedy for the recovery of the value of his or her shares or for money damages to the stockholder with respect to the Merger.

Reference is made to Appendix C attached hereto for the complete text of the provisions of Section 262 of the DGCL relating to the rights of Dissenting Stockholders. Statements made in this Proxy Statement/Prospectus summarizing those provisions are qualified in their entirety by reference to Appendix C. The provisions are technical in nature and complex. It is suggested that any stockholder who desires to exercise rights to an appraisal of shares of Ashland Coal Preferred Stock consult counsel. Failure to comply strictly with the provisions of the statute may defeat a stockholder's right to an appraisal.

Performance of the Voting Agreements will result in the inability of holders of Ashland Coal Preferred Stock to perfect dissenters' appraisal rights.

THE MERGER AGREEMENT

Following is a summary of the material terms of the Merger Agreement, a copy of which is attached as Appendix A to this Proxy Statement/Prospectus and is incorporated herein by reference. Such summary is qualified in its entirety by reference to the Merger Agreement. Stockholders of Ashland Coal are urged to read the Merger Agreement in its entirety for a more complete description of the Merger.

THE MERGER

The Merger Agreement provides that, following the approval and adoption of the Merger Agreement and the transactions contemplated thereby by the stockholders of Ashland Coal, and the satisfaction or waiver of the other conditions to the Merger, Merger Sub will be merged with and into Ashland Coal, whereupon Ashland Coal will be a subsidiary of the Company.

If all such conditions to the Merger are satisfied or waived, the Merger will become effective upon the filing of a duly executed Certificate of Merger with the Secretary of State of the State of Delaware, or at such time thereafter as is provided in the Certificate of Merger.

At the Effective Time, the Company Certificate and Company Bylaws set forth in Annexes A and B to the Merger Agreement, respectively, will become effective.

CONVERSION OF SECURITIES

Upon consummation of the Merger, pursuant to the Merger Agreement, each issued and outstanding share of Ashland Coal Common Stock (other than shares owned by the Company or any subsidiary of the Company, or shares held in Ashland Coal's treasury immediately prior to the Effective Time, all of which will be canceled) will be converted into the right to receive one share of Company Common Stock, and each share of Ashland Coal Preferred Stock (other than shares owned by the Company or any subsidiary of the Company, or shares held in Ashland Coal's treasury immediately prior to the Effective Time, all of which will be canceled, and other than Dissenting Shares) will be converted into the right to receive 20,500 shares of Company Common Stock.

Promptly after the Effective Time, the Exchange Agent will mail transmittal forms and exchange instructions to each holder of record of Ashland Coal Common Stock and each holder of record of Ashland Coal Preferred Stock to be used to surrender and exchange certificates evidencing shares of Ashland Coal Common Stock and Ashland Coal Preferred Stock for certificates evidencing the shares of Company Common Stock to which such holder has become entitled. After receipt of such transmittal forms, each holder of certificates formerly representing Ashland Coal Common Stock and Ashland Coal Preferred Stock will be able to surrender such certificates to the Exchange Agent, and each such holder will receive in exchange therefor certificates evidencing the number of shares of Company Common Stock to which such holder is entitled. Such transmittal forms will be accompanied by instructions specifying other details of the exchange. ASHLAND COAL STOCKHOLDERS SHOULD NOT SEND IN THEIR CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL FORM.

After the Effective Time, each certificate evidencing Ashland Coal Common Stock or Ashland Coal Preferred Stock, until so surrendered and exchanged, will be deemed, for all purposes, to evidence only the right to receive the number of shares of Company Common Stock which the holder of such certificate is entitled to receive, without interest. The holder of such unexchanged certificate will not be entitled to receive any dividends or other distributions payable by the Company until the certificate has been exchanged. Following such exchange, such dividends or other distributions will be paid to the holder entitled thereto, without interest.

The Company or the Exchange Agent will be entitled to deduct and withhold from the consideration otherwise payable or issuable pursuant to the Merger Agreement to any holder of Ashland Coal Common Stock

or Ashland Coal Preferred Stock such amounts as the Company or the Exchange Agent is required to deduct and withhold with respect to the making of such payment or issuance under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Company or the Exchange Agent, such withheld amounts shall be treated as having been paid to the holder of shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock in respect of which such deduction and withholding was made by the Company or the Exchange Agent.

REPRESENTATIONS AND WARRANTIES

The Merger Agreement contains various customary representations and warranties of the Company and Ashland Coal (which will terminate upon consummation of the Merger) relating to, among other things, (a) the corporate organization and qualification of each of the Company and Ashland Coal and their respective subsidiaries and certain similar corporate matters; (b) the capital structure of each of the Company and Ashland Coal; (c) the authorization, execution, delivery and enforceability of the Merger Agreement and the consummation of the transactions contemplated thereby and related matters; (d) required governmental filings and absence of violations under charters, bylaws, and certain instruments and laws; (e) financial statements of each of the Company and Ashland Coal; (f) the absence of undisclosed liabilities; (g) the absence of certain material adverse changes or events; (h) litigation; (i) taxes, tax returns and audits; (j) employee benefits; (k) environmental matters; (l) brokers and finders; (m) certain tax matters; (n) labor matters; (o) properties; (p) intellectual property; (q) insurance; (r) employment and change of control agreements; (s) certain "related party" transactions; (t) the accuracy of information supplied by each of the Company and Ashland Coal in connection with the Registration Statement and this Proxy Statement/Prospectus; (u) restrictions on business activities; (v) benefit matters; and (w) material agreements.

CERTAIN COVENANTS

Pursuant to the Merger Agreement, each of the Company and Ashland Coal has agreed that, during the period from the date of the Merger Agreement until the earlier of the termination of the Merger Agreement in accordance with its terms or the Effective Time, except as otherwise disclosed to the other in writing in connection with the Merger Agreement or consented to in writing by the other, it and each of its subsidiaries will, with certain exceptions: (a) carry on its business in the ordinary course in substantially the same manner as previously conducted; (b) pay its debts and taxes when due subject to good faith disputes over such debts or taxes, and pay or perform other obligations when due; (c) use reasonable efforts consistent with past practices to preserve intact its present business organization; (d) except in the ordinary course of business, not acquire any stock or other interest in or purchase any assets of any business organization or entity; (e) not sell, lease, assign, transfer or otherwise dispose of any of its assets, nor create any mortgage, security interest or other lien thereon, except in the ordinary course of business; (f) not incur any indebtedness for borrowed money or any obligation under any guarantee except in the ordinary course of business consistent with past practice; (g) not (i) alter, amend or repeal any provision of its Certificate of Incorporation or Bylaws; (ii) change the number of its directors (other than as a result of the death, retirement or resignation of a director); (iii) except in the ordinary course of business, form or acquire any subsidiaries; (iv) except in the ordinary course of business, enter into, modify or terminate any material contract or agreement to which it is a party or agree to do so; (v) modify certain employment agreements; or (vi) incur any obligation for the payment of any bonus, additional salary or compensation or retirement, termination, welfare or severance benefits payable or to become payable to any of its employees or other persons, except in any such case for obligations incurred in the ordinary course of business and consistent with past practice and such matters as are required pursuant to the terms of any existing employment agreement or benefit plan; (h) pay and discharge all material taxes imposed upon it; (i) not declare, set aside, make or pay any dividends or other distributions with respect to its capital stock except for cash dividends not to exceed, in the case of the Company, dividends on Company Common Stock aggregating not more than 108.33% of the aggregate cash dividends paid on Ashland Coal Common Stock and Ashland Coal Preferred Stock after December 31, 1996, or, in the case of Ashland Coal, $0.115 per share of Ashland Coal Common Stock per quarter and regular cash dividends on shares of Ashland Coal Preferred Stock, or purchase

or redeem any shares of its capital stock; (j) not authorize or make any capital expenditure otherwise than in the ordinary course of business; or (k) with certain exceptions, not increase the number of shares authorized or issued and outstanding of its capital stock, nor grant any option, warrant, call, commitment, right or agreement of any character relating to its capital stock, nor issue or sell any shares of its capital stock or securities convertible into such capital stock, or any bonds, promissory notes, debentures or other corporate securities.

INDEMNIFICATION AND INSURANCE

The Merger Agreement provides that Ashland Coal shall, and from and after the Effective Time, the Company shall, indemnify, defend and hold harmless each person who was as of the date of the Merger Agreement an officer or director of Ashland Coal or any of its subsidiaries, as the case may be, against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of the indemnifying party of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on, or arising in whole or in part out of, the fact that such person is or was a director or officer of it or any of its subsidiaries, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after, the Effective Time ("Indemnified Liabilities"), and all Indemnified Liabilities based in whole or in part on, or arising in whole or in part out of, or pertaining to the Merger Agreement or the transactions contemplated thereby, in each case to the full extent that a corporation is permitted under applicable law to indemnify its own directors or officers.

The Merger Agreement provides that, subject to certain limitations, the Company will maintain in effect for a specified period policies of directors' and officers' liability insurance coverage, including coverage with respect to claims arising from acts, omissions or other events which occur prior to or as of the Effective Time.

ASHLAND COAL STOCK PLANS

For a description of the provisions of the Merger Agreement relating to the Ashland Coal Stock Plans and the Ashland Coal Options outstanding thereunder and to the Ashland Coal DRP, see "The Merger--Ashland Coal Stock Option Plans; and "The Merger--Ashland Coal Dividend Reinvestment Plan."

CONDITIONS

The respective obligations of the Company and Ashland Coal to effect the Merger are subject to the following conditions, among others: (a) the approval and adoption of the Merger Agreement and the transactions contemplated thereby by the stockholders of Ashland Coal; (b) the expiration or termination of any waiting period applicable to the consummation of the Merger under the HSR Act; (c) the receipt of all material governmental authorizations, consents, orders or approvals; (d) the effectiveness of the Registration Statement, which shall not be the subject of a stop order or proceedings seeking a stop order; (e) the absence of any temporary restraining order, preliminary or permanent injunction or other order to be in effect that prevents, or seeks to prevent, the consummation of the Merger; (f) no statute, rule, regulation, or order shall be enacted, entered, enforced or deemed applicable to the Merger which makes the consummation of the Merger illegal; (g) the approval and adoption of the Company Certificate and Company Bylaws; (h) receipt by each of the Company and Ashland Coal of an opinion of counsel, dated the date on which the Effective Time occurs, to the effect that the Merger will be treated for federal income tax purposes either as a tax-free reorganization within the meaning of Section 368(a) of the Code or as a non-recognition exchange of stock pursuant to Section 351 of the Code; (i) receipt by the Company of all state securities or "Blue Sky" permits and other authorizations necessary to issue shares of Company Common Stock pursuant to the Merger; (j) the obtaining of material third-party consents required to consummate the Merger; (k) the accuracy in all material respects of the representations and warranties of the other party set forth in the Merger Agreement; and (l) the performance in all material respects of all obligations of the other party required to be performed under the Merger Agreement.

TERMINATION; EXPENSES

The Merger Agreement may be terminated at any time prior to the Effective Time:

(a) by mutual written consent of the Company and Ashland Coal;

(b) by either the Company or Ashland Coal if the Merger shall not have been consummated by September 30, 1997 (provided that the right to terminate the Merger Agreement under this clause shall not be available to any party whose failure to fulfill any material obligation under the Merger Agreement has been a cause of or resulted in the failure of the Merger to occur on or before such date);

(c) by either the Company or Ashland Coal if a court of competent jurisdiction or other Governmental Entity (as defined in the Merger Agreement) shall have issued a nonappealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger;

(d) by either the Company or Ashland Coal, if, at the Ashland Coal Meeting (including any adjournment or postponement), the requisite vote of the stockholders of Ashland Coal in favor of the Merger Agreement and the Merger shall not have been obtained; or

(e) by either the Company or Ashland Coal, if (i) the other party has breached any representation or warranty contained in the Merger Agreement, and such breach shall not have been cured prior to the Effective Time (except where such breach would not have a material adverse effect on the party having made such representation or warranty and its subsidiaries taken as a whole and would not have a material adverse effect upon the Company), or (ii) there has been a material breach of a material covenant or agreement set forth in the Merger Agreement on the part of the other party, which shall not have been cured within two business days following receipt by the breaching party of written notice of such breach from the other party.

In the event of any termination of the Merger Agreement by either the Company or Ashland Coal as provided above, the Merger Agreement will become void and there will be no liability or obligation on the part of the Company, Ashland Coal, or their respective officers, directors, stockholders or affiliates, except as set forth in the Merger Agreement and to the extent that such termination results from the willful breach by a party of any of its representations, warranties, covenants or agreements set forth in the Merger Agreement.

Whether or not the Merger is consummated, all fees, costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby shall be paid by the party incurring such expenses, except that the Company shall bear 52% and Ashland Coal shall bear 48% of all reasonable fees and expenses incurred in relation to the preparation and filing of Pre-Merger Notification and Report forms by stockholders of Ashland Coal under the HSR Act with respect to the Merger, and the printing and filing of this Proxy Statement/Prospectus and the Registration Statement.

AMENDMENT AND WAIVER

The Merger Agreement may be amended at any time by action taken or authorized by the respective Boards of Directors of the Company and Ashland Coal, but after approval by the stockholders of Ashland Coal of the Merger Agreement and the transactions contemplated thereby, no amendment shall be made which by law requires further approval by such stockholders without such further approval. The Company and Ashland Coal, by action taken or authorized by their respective Boards of Directors, may extend the time for performance of the obligations or other acts of the other parties to the Merger Agreement, may waive inaccuracies in the representations or warranties contained in the Merger Agreement and may waive compliance with any agreements or conditions contained in the Merger Agreement.

THE VOTING AGREEMENTS

Following is a summary of the Voting Agreements. Such summary is qualified in its entirety by reference to the full text of the form of Voting Agreement attached to this Proxy Statement/Prospectus as Appendix D.

Pursuant to the Voting Agreements, Ashland Inc. and Carboex (each, a "Stockholder") have each agreed that, until the earlier of (i) the Effective Time or (ii) the date on which the Merger Agreement is terminated in accordance with its terms (the earlier of such time and such date being referred to herein as the "Stockholder Expiration Date"), the Stockholder will vote, or take action by written consent with respect to, all of such Stockholder's shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock, as the case may be, in favor of the adoption and approval of the Merger Agreement and the transactions contemplated thereby, as such Merger Agreement may be modified or amended from time to time (but not to reduce the consideration to be received thereunder).

At the request of the Company, the Stockholder will execute and deliver to the Company an irrevocable proxy and irrevocably appoint the Company or its designee such Stockholder's attorney and proxy to vote or give consent with respect to all of such Stockholder's shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock, as the case may be, for the purposes set forth above. Any such proxy will terminate on the Stockholder Expiration Date.

Each Voting Agreement contains the agreement of the Stockholder that, among other things, until the Stockholder Expiration Date, such Stockholder: (a) will not, and will not agree to, sell, transfer, pledge, hypothecate, encumber, assign, tender or otherwise dispose of any of such Stockholder's shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock (or any interest therein); and (b) other than as expressly contemplated by the Voting Agreement, will not grant any powers of attorney or proxies or consents in respect of any of such Stockholder's shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock, deposit any of such Stockholder's shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock into a voting trust, enter into a voting agreement with respect to any of such Stockholder's shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock or otherwise restrict the ability of the holder of any of such Stockholder's shares of Ashland Coal Common Stock or Ashland Coal Preferred Stock freely to exercise all voting rights with respect thereto.

THE REGISTRATION RIGHTS AGREEMENT

The Company, Ashland Inc., the Hunt Entities and Carboex are parties to the Registration Rights Agreement, which will become effective upon consummation of the Merger. Pursuant to the Registration Rights Agreement, certain of such stockholders will have certain rights to require the Company to register the sale of such stockholder's shares of Company Common Stock under the Securities Act, and, subject to certain limitations, all such stockholders will have certain incidental rights to include shares of Company Common Stock in registration statements filed under the Securities Act with respect to offerings of Company Common Stock by other stockholders or the Company.

THE CARBOEX AGREEMENTS

The following agreements (the "Carboex Agreements") have been entered into to replace and terminate existing agreements between Carboex, its affiliate, Sociedad Espanola de Carbon Exterior, S.A. ("Carboex, S.A.") and Ashland Coal. None of the Carboex Agreements will become effective until the Effective Time.

Coal Off-Take Agreement. The Company and Carboex have entered into a Coal Off-Take Agreement that grants certain priority rights to Carboex with respect to the Company's annual supply of coal that is not otherwise committed. This Coal Off-Take Agreement provides that so long as Carboex owns at least 63% of the Company Common Stock to be acquired by Carboex in the Merger, it will have the right to purchase 10% of the coal produced by the Company in any fiscal year, to the extent not previously committed for sale to third parties.

Carboex will be required to pay prevailing market prices for any coal acquired under the Coal Off-Take Agreement.

Sales Agency Agreement. The Company and Carboex S.A. have entered into a Sales Agency Agreement whereby Carboex S.A. is appointed the exclusive sales agent for the Company and its subsidiaries for selling coal to Spanish and Moroccan "Customers" for consumption in Spain and/or Morocco. Under this agreement, "Customers" include companies that consume coal in Spain and/or Morocco, companies that are owned principally by Spanish and/or Moroccan interests and companies that are part of a business enterprise whose controlling management is headquartered in Spain or Morocco. Carboex S.A. will be entitled to receive a commission equal to 2% of the selling price of the coal FOB the mine, payable only upon delivery of the coal and receipt of payment by the Company. Under this agreement, Carboex S.A. will have no authority to bind the Company or its subsidiaries. The Sales Agency Agreement will be subject to termination in the event Carboex or its affiliates no longer own at least 63% of the Company Common Stock acquired by Carboex in the Merger.

Coal Sales Agency Agreement. Under a Coal Sales Agency Agreement dated December 12, 1991, as amended, Carboex and Saarbergwerke AG ("Saarberg"), a German corporation, together act as Ashland Coal's exclusive agent for the purpose of selling high volatile metallurgical coal PCI product from reserves controlled by Ashland Coal's subsidiaries for use in the steel making process to customers within an area comprised of Europe, several neighboring Mediterranean countries and the former Soviet Union. The Company, Ashland Coal, Carboex and Saarberg have entered into an Assignment, Assumption and Amendment of Coal Sales Agency Agreement (the "Coal Sales Agency Agreement") pursuant to which Ashland Coal has assigned, as of the Effective Time, the Coal Sales Agency Agreement to the Company and the Company has assumed the obligations of Ashland Coal under the Coal Sales Agency Agreement. The Coal Sales Agency Agreement will terminate December 31, 2004. Under the Coal Sales Agency Agreement the Company must make available for sale a minimum of 250,000 tons of high volatile metallurgical coal per year. Carboex and Saarberg have certain options to request PCI product in substitution for high volatile metallurgical coal.

Shareholder Services Contract. Pursuant to a Shareholder Services Contract between the Company and Carboex (the "Services Contract") the Company will provide certain business services to Carboex in connection with Carboex's other coal investments. The fees Carboex is required to pay for such services are calculated by reference to an agreed hourly rate for the Company employee providing the service. The Services Contract will be subject to termination in the event Carboex or its affiliates no longer own at least 63% of the Company Common Stock acquired by Carboex in the Merger.

THE STOCKHOLDERS AGREEMENT

Pursuant to the Stockholders Agreement, the Company has agreed to nominate for election as a director of the Company a person designated by Carboex, and Ashland Inc. has agreed, among other things, to vote its shares of Company Common Stock in a manner sufficient to cause the election of such nominee. In addition, pursuant to the Stockholders Agreement, Ashland Inc. has agreed that if it or any of its affiliates desire to sell or otherwise dispose of (other than pursuant to a public offering or pursuant to the Registration Rights Agreement described above) 50% or more of the shares of Company Common Stock then held by Ashland Inc. and its affiliates to an Industrial Buyer (as defined in the Stockholders Agreement) or 20% or more of the total outstanding shares of Company Common Stock to an Industrial Buyer then, subject to the satisfaction of certain conditions, Carboex will have the right to sell or otherwise dispose of all of the shares of Company Common Stock then held by it in such transaction. The Stockholders Agreement provides that it will terminate if (i) the Company merges or consolidates with any other corporation and the Company is not the surviving corporation of such transaction, or the Company sells all or substantially all of its property, assets and businesses, or (ii) Carboex owns beneficially less than 63% of the shares of Company Common Stock acquired by it in the Merger. In addition, the Stockholders Agreement will terminate as to Ashland Inc. if at any time it and its affiliates become the beneficial owners of less than 10% of outstanding voting stock of the Company.

Carboex, Ashland Inc. and the Company are also parties to an agreement pursuant to which the Company has agreed that Carboex may have a nonvoting observer in attendance at all regular and special meetings of the

Company's Board of Directors or certain Committees of the Board, for so long as Carboex or its affiliates owns at least 63% of the Company Common Stock acquired by Carboex in the Merger. The Agreement further provides that its Board of Directors may nonetheless meet without attendance of the nonvoting observer whenever in the best interest of the Company.

AGREEMENT FOR TERMINATION OF VOTING AGREEMENT AND NOMINATION OF DIRECTORS

In connection with the Merger Agreement, the Company, Ashland Inc. and certain of the Hunt Entities entered into an agreement to terminate an existing agreement among them pertaining to the voting of the Company's shares in the election of directors. As part of that agreement the Company has agreed for so long as the Hunt Entities have the collective voting power to elect, by cumulative voting, one or more persons to serve on the Board of Directors of the Company, to nominate for election as directors of the Company that number of persons designated by certain of the Hunt Entities that could be elected to the Board by exercise of such cumulative voting power.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial statements give effect to the Merger, the issuance of shares of Company Common Stock to the stockholders of Ashland Coal and the substitution of options to purchase Company Common Stock for Ashland Coal Options pursuant to the Company Incentive Plan. The unaudited pro forma balance sheet is based on the respective balance sheets of the Company and Ashland Coal and has been prepared to reflect the Merger as of March 31, 1997. The unaudited pro forma statements of operations are based upon the respective statements of operations of the Company and Ashland Coal and combine the results of operations of the Company and Ashland Coal for the year ended December 31, 1996 and for the three months ended March 31, 1997, as if the Merger had been consummated on January 1, 1996 and January 1, 1997, respectively. The unaudited pro forma financial statements do not reflect any cost savings or other synergies that may result from the Merger. In the opinion of the managements of the Company and Ashland Coal, all adjustments necessary to present pro forma financial statements have been made.

The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements and related notes thereto of the Company included elsewhere herein and of Ashland Coal incorporated herein by reference. The unaudited pro forma financial statements do not purport to be indicative of the results of operations or financial position that would have occurred had the Merger occurred as of the beginning of the period or as of the date indicated or of the financial position or results of operations that may be obtained in the future.

The Merger will be accounted for under the purchase method of accounting. Accordingly, the cost to acquire Ashland Coal will be allocated to the assets acquired and liabilities assumed according to their respective fair values. The final allocation of such cost is dependent upon certain valuations that have not progressed to a stage where there is sufficient information to make a final allocation in the accompanying pro forma financial statements. Accordingly, the cost allocation adjustments are preliminary and have been made solely for the purpose of preparing such pro forma financial statements.

Adjustments to the preliminary allocation likely would result in changes to amounts assigned to coal reserves, plant and equipment and coal supply agreements and accordingly could impact depreciation, depletion and amortization charged to future periods. Although not expected to be material, the likely impact of the final allocation is not reasonably known.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

MARCH 31, 1997
(IN THOUSANDS)

	COMPANY HISTORICAL	ASHLAND COAL HISTORICAL	PURCHASE ACCOUNTING ADJUSTMENTS	PRO FORMA
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 13,660	$ 11,396	$ --	$ 25,056
Trade accounts receivable	82,246	68,676	--	150,922
Other receivables	3,744	6,447	--	10,191
Inventories	37,422	40,366	--	77,788
Prepaid royalties	3,897	16,829	--	20,726
Deferred income taxes	14,500	2,161	--	16,661
Prepaid expenses and other assets	5,581	2,666	--	8,247
Total current assets	161,050	148,541	--	309,591
PROPERTY, PLANT AND EQUIPMENT, NET	552,056	562,749	49,821 (1)	1,164,626
OTHER ASSETS				
Prepaid royalties	3,723	73,393	(59,008)(1)	18,108
Coal supply agreements less accumulated amortization	81,254	26,675	96,325 (1)	204,254
Deferred income taxes	64,639	--	(49,655)(2)	14,984
Receivables and other assets	9,885	13,316	(10,046)(1)	13,155
	159,501	113,384	(22,384)	250,501
Total assets	$872,607	$824,674	$ 27,437	$1,724,718
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 41,728	$ 52,202	$ --	$ 93,930
Accrued expenses	76,309	33,975	4,500 (3)	95,784
Current portion of long-term debt	--	40,762	--	59,762
Total current liabilities	118,037	126,939	4,500	249,476
Long-term debt	190,537	128,609	20,100 (4)	339,246
Accrued postretirement benefits	230,114	83,503	(28,567)(5)	285,050
Accrued reclamation and mine closure	95,552	11,720	--	107,272
Accrued workers' compensation	69,448	22,696	--	92,144
Deferred income taxes	--	15,923	(15,923)(2)	--
Other noncurrent liabilities	27,873	20,790	(933)(6)	47,730
	731,561	410,180	(20,823)	1,120,918
STOCKHOLDERS' EQUITY				
Convertible preferred stock	--	67,841	(67,841)(7)	--
Common stock	209	138	49 (8)	396
Paid-in capital	8,392	109,689	352,878 (9)	470,959
Retained earnings	132,445	242,262	(242,262)(10)	132,445
Less: treasury common stock at cost	--	(5,436)	5,436 (11)	--
Total stockholders' equity	141,046	414,494	48,260	603,800
Total liabilities and stockholders' equity	$872,607	$824,674	$ 27,437	$1,724,718

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

MARCH 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The purchase price of Ashland Coal and allocation of purchase price are as follows:

Ashland Coal Common Stock outstanding at March 31, 1997 (including Ashland Coal preferred stock, as if converted in the Merger)	18,643
Purchase price per share	$ 24.50(12)
Purchase price of Ashland Coal	$456,754
Fair value of options	6,000
Transaction related fees	4,500
Total purchase price	$467,254

Historical net book value of Ashland Coal at March 31, 1997	$414,494
Adjustments for valuing Ashland Coal assets and liabilities:	
Prepaid royalties	(59,008)
Deferred income taxes	(40,254)
Other assets	(10,046)
Coal supply agreements	96,325
Property, plant and equipment	56,343
Long-term debt (current and noncurrent)	(20,100)
Accrued postretirement benefits other than pensions	28,567
Other long-term liabilities	933
Total purchase price	$467,254

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(1) To adjust prepaid royalties, property, plant and equipment, coal supply agreements and other long-term assets, including interest rate swap agreements, to their estimated fair value. A substantial portion of the excess purchase price has been allocated to coal reserves principally because of higher productivities and technological advances that occurred since the acquisition of the coal reserves combined with the expectation of increased values of compliance and low-sulfur coal due to the Clean Air Act Amendments. The value assigned to coal supply agreements is associated with contracts signed in earlier years when spot market prices were higher versus the current spot market prices.

(2) To record deferred income taxes for the book and tax differences of the purchase accounting adjustments, and to reflect the reclassification of deferred income tax liability to deferred income tax asset.

(3) To record transaction related fees.

(4) To adjust long-term debt to estimated fair value based on current interest rates.

(5) To adjust the liability for postretirement benefits other than pensions to equal the accumulated projected benefit obligation.

(6) To eliminate the deferred gain on sale and leaseback of assets ($2,119) and to increase the pension liability ($1,186) to equal the projected benefit obligation in excess of plan assets.

(7) To reflect the conversion of preferred stock to common stock.

(8) To reflect the elimination of $138 of Ashland Coal common stock and the addition of common stock issued by the Company (18,643 shares at $.01 per share).

(9) To reflect the elimination of $109,689 of Ashland Coal paid-in capital and the addition of paid-in capital resulting from the common stock and options issued by the Company totaling $462,567.

(10) To eliminate retained earnings.

(11) To eliminate treasury stock.

(12) Represents the average market price of Ashland Coal common stock for several days before and after March 25, 1997, the date the parties agreed to the purchase price.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	COMPANY HISTORICAL	ASHLAND COAL HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Revenues:				
Coal sales	$750,123	$565,174	$ --	$1,315,297
Other revenues	25,682	12,030	--	37,712
	775,805	577,204	--	1,353,009
Costs and Expenses:				
Cost of coal sales	667,878	508,960	2,346(1)	1,179,184
Selling, general and administrative expenses	20,435	23,078	--	43,513
Amortization of coal supply agreements	12,604	3,786	13,933(2)	30,323
Other expenses	18,776	9,559	--	28,335
Income from operations	56,112	31,821	(16,279)	71,654
Interest Expense, Net:				
Interest expense	(18,783)	(17,905)	4,957(3)	(31,731)
Interest income	1,191	417	--	1,608
Income before income taxes	38,520	14,333	(11,322)	41,531
Provision (benefit) for income taxes	5,500	(2,180)	(4,415)(4)	(1,095)(5)
Net income	33,020	16,513	(6,907)	42,626
Dividends on preferred stock	--	(2,810)	2,810(6)	--
Income applicable to common stock	$ 33,020	$ 13,703	$(4,097)	$ 42,626
Earnings per common share				
Primary	$ 1.58	$ .87		$ 1.07
Fully diluted	$ 1.58	$ .86		$ 1.07
Average shares outstanding	20,948	18,105(7)		39,660(8)

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

(1) To record net charges associated with adjusting the fair value of prepaid royalties, property, plant and equipment, and other assets. Additions to property, plant and equipment, including coal reserves, is assumed to be depreciated or depleted over 15 years.

(2) To record net charges associated with adjusting the fair value of coal supply agreements with an average life of approximately seven years.

(3) To record the reduction in interest expense on $152.9 million of fixed rate long-term debt to reflect current market interest rates (6.75% current rate versus average 9.75% stated rate) and a reduction in amortization of deferred debt issuance cost.

(4) To record the tax effect of 39% of the pro forma adjustments. The tax rate of 39% represents the combined federal and state statutory rates.

(5) The effective tax rate is substantially less than 39% primarily due to benefits derived from percentage depletion. The purchase price adjustments will not affect percentage depletion.

(6) To eliminate dividends related to the Ashland Coal preferred stock.

(7) Assumes conversion of preferred stock at a rate of 18,346 per share.

(8) Shares outstanding include 20,948 of Company shares outstanding as adjusted for the stock split, 18,643 shares issued to acquire Ashland Coal assuming conversion of preferred stock at a rate of 20,500 per share, and 69 shares related to stock options that are dilutive.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	COMPANY HISTORICAL	ASHLAND COAL HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Revenues:				
Coal Sales	$192,328	$163,104	$ --	$355,432
Other revenues	5,091	3,504	--	8,595
	197,419	166,608	--	364,027
Costs and Expenses:				
Cost of coal sales	171,623	136,627	587(1)	308,837
Selling, general and administrative expenses	4,897	2,915	--	7,812
Amortization of coal supply agreements	2,116	1,037	3,483(2)	6,636
Other expenses	2,470	7,303	--	9,773
Income from operations	16,313	18,726	(4,070)	30,969
Interest Expense, Net:				
Interest expense	(3,553)	(4,034)	1,239(3)	(6,348)
Interest income	260	72	--	332
Income before income taxes	13,020	14,764	(2,831)	24,953
Provision for income taxes	2,600	2,480	(1,104)(4)	3,976(5)
Net income	10,420	12,284	(1,727)	20,977
Dividends on preferred stock	--	(699)	699(6)	--
Income applicable to common stock	$ 10,420	$ 11,585	$(1,028)	$ 20,977
Earnings per common share				
Primary	$ .50	$ .67		$ 0.53
Fully diluted	$ .50	$ .65		$ 0.53
Average shares outstanding	20,948	18,105(7)		39,660(8)

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

(1) To record net charges associated with adjusting the fair value of prepaid royalties, property, plant and equipment, and other assets. Additions to property, plant and equipment, including coal reserves, is assumed to be depreciated or depleted over 15 years.

(2) To record net charges associated with adjusting the fair value of coal supply agreements with an average life of approximately seven years.

(3) To record the reduction in interest expense on $152.9 million of fixed rate long-term debt to reflect current market interest rates (6.75% current rate versus average 9.75% stated rate) and a reduction in amortization of deferred debt issuance cost.

(4) To record the tax effect of 39% of the pro forma adjustments. The tax rate of 39% represents the combined federal and state statutory rates.

(5) The effective tax rate is substantially less than 39% primarily due to benefits derived from percentage depletion.

(6) To eliminate dividends related to the Ashland Coal preferred stock.

(7) Assumes conversion of preferred stock at a rate of 18,346 per share.

(8) Shares outstanding include 20,948 of Company shares outstanding as adjusted for the stock split, 18,643 shares issued to acquire Ashland Coal assuming conversion of preferred stock at a rate of 20,500 per share and 69 shares related to stock options that are dilutive.

INFORMATION CONCERNING THE COMPANY

GENERAL

The Company, incorporated in 1969, is a growth-oriented United States coal producer that markets its coal products primarily to domestic electric utilities. During 1996, the Company produced approximately 26.9 million tons of coal from 17 mines located in the Appalachian, Illinois Basin and Wyoming coal fields. Two-thirds of the Company's approximately 1.5 billion tons of reserves are low-sulfur reserves, most of which are located in Central Appalachia. More than half of the Company's reserves are owned in fee, with the balance controlled under lease.

The Company operates principally through its independently managed Apogee Coal Company ("Apogee") and Catenary Coal Holdings, Inc. ("CCHI") mining subsidiaries. In addition, Ark Land Company ("Ark Land") provides land management services, Arch Coal Sales Company, Inc. ("Arch Coal Sales") provides sales, marketing, transportation coordination and brokerage services, and Arch Reclamation Services, Inc. ("Arch Reclamation"), manages post-mining reclamation and idle property disposition. In 1997, Arch Energy Resources, Inc. ("Arch Energy") was formed to explore and develop business opportunities in emission allowance trading and hedging, power marketing, coal futures and cogeneration projects, and to conduct strategic market research. Ark Land, Arch Coal Sales, Arch Reclamation and Arch Energy are all wholly-owned subsidiaries of the Company. Unless otherwise indicated, references to the Company herein include the Company and its subsidiaries.

During the past five years, the Company has completed acquisitions that the Company believes have enabled it to maintain and strengthen its competitive position. These acquisitions, the aggregate cost of which was $145 million, added a total of approximately 209 million tons of reserves located in West Virginia, Kentucky and Wyoming to the Company's low-sulfur reserve base, and long-term coal supply contracts covering approximately 3.5 million tons annually to the Company's long-term contract portfolio. During 1992, the Company acquired the West Virginia mining operations of Valley Camp Coal Company and the operations of two southwest Virginia companies. In 1994, the Company continued its expansion with the acquisitions of Agip Coal Holding USA, Inc. and Agipcoal America, Inc., and 33 million tons of low-sulfur coal reserves from entities associated with Island Creek Corporation. Last year, the Company added to its reserves in southern Wyoming with the acquisition of approximately 58,000 acres containing approximately 107 million tons of low-sulfur reserves in the Carbon Basin reserve area. During this five-year period, the Company also invested approximately $398 million to develop the acquired and existing Company coal reserves and modernize and upgrade the related facilities and equipment.

The Company is committed to the safety of its employees. According to the Mine Safety and Health Administration ("MSHA") Coal Controlling Company Report, the Company ranked first in 1995 and third in 1996 in mine safety, as measured by total accidental injury/fatality incidence rate, among coal controlling entities with both surface and underground mining operations. The Company's 1996 total injury incidence rate was well below the national bituminous coal mining industry average as reported in the most recent MSHA Mine Injuries and Worktime, Quarterly.

The Company believes that its demonstrated dedication to growth and focus on employee safety, together with its diversity of customers, product and reserves, position the Company for success in the highly competitive and rapidly-evolving coal industry.

INDUSTRY OVERVIEW AND COMPETITIVE FACTORS

Although undergoing significant consolidation, the coal industry in the United States remains highly fragmented. Intraregional and interregional competition is keen as producers seek to position themselves as the low-cost producer and supplier of high-demand product to electric power utilities. In recent years, electric utilities have consumed almost 90% of domestic coal production. The continued demand for the Company's coal

by such utilities is the principal factor in determining the Company's future growth and profitability. Demand by electric utilities for coal in turn depends on the level of electric power usage and the relative cost of coal as compared to other competing fuels and energy sources.

Long-term demand for electric power will depend on a variety of economic, regulatory, technological and climatic factors beyond the Company's control. Historically, domestic demand for electric power has generally increased as the U.S. economy has grown. Recently, two important regulatory initiatives, one designed to increase competition among utilities and lower the cost of electricity for consumers, and another to improve air quality by reducing the level of sulfur emitted from coal-burning power generation plants, have had and are expected to continue to have significant effects on the electric utility industry and its coal suppliers.

Utility Deregulation. Since 1935, domestic electric utilities have operated in a regulated environment, where prices and return on investment were determined by state utility and power commissions. In April 1996, however, the Federal Energy Regulatory Commission ("FERC") issued orders establishing rules providing for open access to transmission systems, thereby initiating wholesale power wheeling, and encouraging competition in the generation of electricity. The Company believes that the trend toward deregulation will more closely link coal prices to electricity prices, and may result in coal pricing based on a substantially different set of competitive advantages and disadvantages than is currently the case. Coal producers with diverse high-quality reserves and cost and transportation advantages will likely gain, while competitors without these advantages could be adversely affected.

Clean Air Amendments of 1990. The second major regulatory change affecting the coal industry is Title IV of the Clean Air Act Amendments (the "Amendments") enacted in 1990. The Amendments have had, and will continue to have, a significant effect on the domestic coal industry. In general, Phase I of the Amendments, which became effective in 1995, regulates the level of emissions of sulfur dioxide from power plants and targets the highest sulfur dioxide emitters. Phase II, to be implemented in 2000, will extend the restrictions of the Amendments to all power plants of greater than 75 megawatt capacity. The Amendments do not define allowable emission levels on a per plant basis, but instead allocate emission allowances to the affected plants and allow the emission allowances to be traded so that market participants can fashion more efficient and flexible compliance strategies. The emission allowance allocations for Phase I units were based on 2.5 pounds of sulfur dioxide/MMBtu of the 1985-1987 average plant Btu consumption, and Phase II allocations will be based on 1.2 pounds of sulfur dioxide/MMBtu.

It was generally anticipated that Phase I of the Amendments would increase prices for low-sulfur coal. This effect did not materialize, primarily because of over investment in low-sulfur production capacity and related transportation facilities in the western United States, and to a lesser degree in Central Appalachia, in reaction to the anticipated price increase. When the Amendments were enacted, many plants switched to low-sulfur coal supplied from the Powder River Basin ("PRB"), located predominantly in Wyoming. This compliance strategy generated an unexpectedly large number of emission allowances. Some of these emission allowances were marketed together with higher sulfur coal and sold in competition with Central Appalachian production. The Company believes that these factors reduced or capped the anticipated price increase for Central Appalachian low-sulfur coal in Phase I.

The Company believes that a price premium for low-sulfur coal is more likely to develop in Phase II because additional coal-burning electric power plants--including plants that for technological or transportation reasons cannot efficiently consume PRB coal, but could consume low-sulfur coal from Central Appalachia--will be affected by Phase II. However, this price premium is not expected to develop until well into Phase II, after the large bank of emissions allowances which has developed in connection with Phase I has been reduced and before utilities electing to comply with Phase II by installation of so-called "scrubber" sulfur-reduction technologies are able to implement this compliance strategy. The Company does not believe that compliance strategies utilizing scrubbers will result in significant downward pressure on compliance coal prices during initial

phases of Phase II. However, if the prices of compliance coal and/or emission allowances rise, scrubber compliance strategies may become more competitive. The expected reduction of the existing bank of emission allowances during Phase II should also help to rationalize the market for compliance coal in the long term to the extent utilities are unable to utilize strategies to create a new bank of emission allowances.

Industry Competition. Even assuming that deregulation and the Phase II requirements will strengthen demand for low-sulfur coal, the Company still faces substantial competition from other coal producers with excess supply seeking to satisfy utility demand for coal. The coal industry has historically been prone to oversupply situations as there have been few barriers to entry. On the other hand, profit margins from remaining above-market contracts, coupled with high exit costs in the form of environmental and employee-related liabilities, have encouraged the perpetuation of marginal operations.

To prosper in such an environment, a coal producer must be able to maintain low production costs. A fundamental determinant of the cost of production is the quality of reserves being mined and the producer's ability to replace depleted reserves with reserves that can be economically mined in the then-current price environment. The Company believes that its large and diversified reserve base, coupled with its relatively stable projected mining costs, give it an advantage over many other producers--most particularly in Central Appalachia--as prime reserves (those having relatively low mining costs) deplete and as above-market contracts supporting higher-cost mining operations expire.

Transportation costs are another fundamental factor affecting coal industry competition, particularly interregional competition. Nearly two-thirds of all Central Appalachia coal shipments and over 80% of coal deliveries to utilities are made by rail. Coordination of the many eastern loadouts, the large number of small shipments, terrain and labor issues all combine to make shipments originating in the eastern United States inherently more expensive on a per-mile basis than shipments originating in the western United States. Historically, coal transportation rates from the PRB into Central Appalachian markets limited the use of PRB coal in those markets. More recently, lower rail rates from the PRB to Central Appalachian markets have created major competitive challenges for Central Appalachian producers.

Barge transportation is the lowest-cost method of transporting coal long distances in the eastern United States and the large numbers of eastern producers with river access keep coal prices very competitive for river shipments. The Company believes that many utilities with plants located on the Ohio River system are well positioned for deregulation as competition for river shipments should remain high for Central Appalachian coal. With close proximity to competitively-priced Central Appalachian coal and the ability to receive western coals, the Company believes utilities with plants located on the Ohio River system will become price setters in a deregulated environment. The ability of these utilities to blend western and eastern coals will create a new, dynamic fuel procurement environment that could place western and eastern coals in even greater competition and limit rail price premiums. River transport is an important transportation option not available to PRB producers between Wyoming and midwestern river terminals.

COAL RESERVES

The Company owns or controls approximately 1.5 billion tons of coal reserves of varying qualities in nine states approximately 239 million tons of which are in the 10 year mine plan for its current and proposed mining operations. Its reserves include 1 billion tons of recoverable low-sulfur reserves, 865 million tons of which are located in the Appalachian coal field. Of the Company's total demonstrated low-sulfur reserves, 477.4 million tons contain 1.2 pounds or less of sulfur dioxide/MMBtu, 165.0 million tons of which are in the 10 year mine plan at its current and proposed operations.

Reserve estimates are prepared by the Company's engineers and geologists and reviewed and updated periodically. Reserve estimates will change from time to time, reflecting mining activities, analysis of new

engineering and geological data, acquisitions and dispositions and other factors. The Company engaged Boyd to audit the procedures used by the Company to prepare its internal tonnage reserve estimates by verifying the accuracy of selected property reserve estimates and retabulating priority reserve groups according to standard classifications of reliability. In March 1997, Boyd completed its independent audit and expressed its professional opinion that the Company's estimate of its coal reserves as of December 31, 1996 has been accurately calculated in accordance with its procedures, which Boyd found to be reasonable and in accordance with industry standards. Boyd did not review the Company's classification of its reserve holdings by sulfur content.

The following table summarizes the Company's demonstrated coal reserves by region, as estimated as of December 31, 1996:

		CLASSIFICATION		BY MINING METHOD	
DEMONSTRATED RESERVES BY REGION /1/	TOTAL DEMONSTRATED /1/	PROVEN /1/	PROBABLE /1/	SURFACE	UNDERGROUND
	(IN MILLIONS OF RECOVERABLE PRODUCT TONS)/1/				
APPALACHIAN REGION:					
KENTUCKY/VIRGINIA.....	478.7	296.0	182.7	9.7	469.0
WEST VIRGINIA.....	410.8	323.1	87.7	215.2	195.6
ILLINOIS BASIN REGION:					
ILLINOIS/INDIANA/WESTERN KENTUCKY.....	423.3	320.5	102.8	38.2	385.1
WESTERN REGION:					
WYOMING.....	142.5	129.3	13.2	35.3	107.2
TEXAS.....	28.8	0.0	28.8	28.8	0.0
TOTAL.....	1,484.1	1,068.9	415.2	327.2	1,156.9

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1 See "Glossary of Selected Terms" for definitions of "Demonstrated," "Proven Reserves," "Probable Reserves" and "Recoverable Product Tons."

The extent to which the Company's coal reserves will be mined will depend in part upon factors over which it has no control, such as future economic conditions, the price and demand for coal of the quality and type controlled by the Company, the price and supply of alternative fuels and future mining practices and regulations. The ability of the Company to mine in areas covered by the reserves depends upon the ability of the Company to maintain control of these reserves (other than the 880 million tons owned in fee) through extensions or renewals of the leases or other agreements, or the ability of the Company to obtain new leases or agreements for other reserves.

By tonnage, approximately 59% of the Company's reserves are owned in fee, approximately 40% are leased from private parties, and approximately 1% are leased from the federal government or other public authorities.

The private leases generally have an initial fixed term and allow the Company the right to renew until the exhaustion of mineable and merchantable coal. Royalties are paid to the lessors either as a fixed amount per ton or as a percentage of the sales price. Many leases also require payment of minimum royalties, payable either at the time of the execution of the lease or in periodic installments. In most cases, the minimum royalty payments are applied to reduce future production royalties.

The Company holds a total of 17 federal coal leases which are administered by the United States Department of the Interior pursuant to the Federal Coal Leasing Amendment Act of 1976. Each of these leases continues for an indefinite term, provided there is diligent development of the leased property and continued operation of the related mine or mines. The Company believes it will be able to satisfy the diligent development and continued operation requirements applicable to all federal leases material to its existing mining operations. Failure to comply with the requirements of a federal lease may result in termination of that lease, and unless the

particular lease is terminated or assigned to another party, may restrict the eligibility of the Company or its affiliates to obtain additional federal mineral leases.

Defects in title or boundaries of reserves could adversely affect the Company's control of and right to mine its reserves. Accordingly, the Company usually conducts an investigation of title prior to acquiring coal property through leasing or purchasing. If title to the property is not checked at the time of acquisition, the title to such property is usually verified prior to the time the Company begins mining operations.

Based on historical costs of the Company's coal land and reserves, at March 31, 1997 the net book value of the Company's coal land and reserves was $277.1 million, consisting of $3.9 million of prepaid royalties included in current assets, $3.7 million of prepaid royalties included in other assets and $269.5 million of coal lands and reserves. Of such aggregate book value, approximately $193.2 million is attributable to Central Appalachia, $58.6 million is attributable to the Illinois Basin and $17.7 million is attributable to the western properties.

MINING OPERATIONS

The Company's coal mining operations are conducted through two independent, separately-managed operating subsidiaries: Apogee and CCHI. Apogee is a member of the BCOA, and its classified hourly employees are subject to the terms and conditions of a collective bargaining agreement with the UMWA that expires August 1, 1998. See "Information Concerning the Company--Employees and Labor Relations." CCHI was formed in 1993 and operates through four wholly-owned subsidiaries.

Together, Apogee and CCHI own or operate nine surface mines and eight underground mines in the Appalachian, Illinois Basin and western coal fields. Fifteen of these mines produce low-sulfur coal, and two produce high-sulfur coal. Twelve mines are operated by Apogee or CCHI, and the remaining five mines are operated by independent contractors. In order to reduce the risk of nonperformance by any contractor, the Company limits the amount of coal reserves contracted for mining by a single contractor.

The Company has developed an automated mining system for highwall mining that utilizes a modified continuous miner, followed by a continuous haulage chain conveyor and a loadout vehicle for transferring coal to the mine haulage system. This system, known as the Archveyor(R) mining system, is operated by the Company in Wyoming. The Company is also developing a system utilizing the Archveyor(R) technology in underground applications. While some of the technology used in the Archveyor(R) is licensed by the Company, the Archveyor(R) utilizes many unique features developed by the Company which are the subject of currently pending patent applications. The high degree of automation of the Archveyor(R) allows it to operate without the necessity of positioning employees in front of the entry being mined. The Archveyor(R) has maintained a no lost-time injury record since installation in 1992 at CCHI's Wyoming operations.

The following table summarizes certain information concerning the Company's current coal mining operations by region and by mine:

MINE	TYPE /1/	TONS OF RESERVES WITHIN 10 YEAR MINE PLAN	SULFUR CONTENT OF PRODUCTION /2/	SEAM
APPALACHIAN REGION:		(IN THOUSANDS)		
APOGEE COAL COMPANY				
Arch of Kentucky Division				
Mine No. 37	U	2,812	Low Sulfur	Harlan
Upperlick	S/A-C	1,800	Low Sulfur	Splint /3/, Harlan
Arch of West Virginia Division				
Ruffner	S	14,797	Low Sulfur	5-Block /4/
Wylo	S	3,796	Low Sulfur	Stockton, Coalburg
CATENARY COAL HOLDINGS, INC.				
Catenary Coal Company				
Samples	S	37,057	Low Sulfur	5-, 6-, 7-Block /4/
Campbells Creek No. 3	U-C	1,788	Low Sulfur	Stockton
Campbells Creek No. 4	U-C	4,915	Low Sulfur	Stockton
Cumberland River Coal Co.				
Pardee	S	1,772	Low Sulfur	B-H
Band Mill	U	5,874	Low Sulfur	F
Holden Complex	S-C	9,996	Low Sulfur	Clarion /4/
Coalburg No. 1	U-C	970	Low Sulfur	Coalburg
Lone Mountain Processing				
Huff Creek	U	15,833	Low Sulfur	Kellioka
Darby Fork	U	12,693	Low Sulfur	Darby (C)
ILLINOIS BASIN REGION:				
APOGEE COAL COMPANY				
Arch of Illinois Division				
Captain	S	3,794	High Sulfur	No. 5 and 6
Conant	U	24,150	High Sulfur	No. 6
WESTERN REGION:				
CATENARY COAL HOLDINGS, INC.				
Arch of Wyoming, Inc. /5/				
Medicine Bow	S	6,874	Low Sulfur	Hanna Basin Seams 23-63
Seminoe II	S	3,602	Low Sulfur	78 Seam /6/

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1 Auger (A), Surface (S), Underground (U) or Independent Contractor (C). Unless denoted by (C), mines are operated by one of the Company's subsidiaries.

2 See glossary for definitions of Low-Sulfur Coal and High-Sulfur Coal.

3 Includes Lower, Middle and High Splint seams.

4 Also mines Coalburg and Stockton seams.

5 An additional 3.8 million tons of low-sulfur reserves are assigned to Archveyor(R) production.

6 Also mines Hanna 2 and Hanna 5 seams.

The following table sets forth information concerning the Company's coal production and sales by region for the past five years:

MINE/1/	YEARS ENDED DECEMBER 31, 1996	1995	1994	1993	1992
APPALACHIAN REGION:	(IN THOUSANDS OF TONS)				
ARCH OF KENTUCKY					
Mine No. 37	4,547	3,925	3,934	1,677	2,672
Upperlick	694	579	268	211	813
Other Mines/2/	--	--	272	--	223
Total Arch of Kentucky	5,241	4,504	4,474	1,888	3,708
Inventory Change	167	(106)	(159)	55	(87)
Total Sales	5,408	4,398	4,315	1,943	3,621
ARCH OF WEST VIRGINIA					
Ruffner	2,871	2,326	2,299	1,070	2,673
Wylo	1,737	1,990	1,778	334	978
Other Mines--Contract/3/	--	263	493	381	542
Total Arch of West Virginia	4,608	4,579	4,570	1,785	4,193
Inventory Change	70	205	(283)	655	(251)
Total Sales	4,678	4,784	4,287	2,440	3,942
CATENARY COAL CO.					
Samples	4,468	3,571	2,975	1,551	1,024
Campbells Creek #3	574	510	472	259	--
Campbells Creek #4	353	347	28	--	--
Other Mines--Contract/4/	--	1	1,215	1,229	980
Total Catenary Coal Co	5,395	4,429	4,690	3,039	2,004
Inventory Change	(18)	86	(9)	(6)	(151)
Total Sales	5,377	4,515	4,681	3,033	1,853
CUMBERLAND RIVER					
Ridgeline/3/	470	936	943	748	162
Pardee	747	517	--	--	--
Band Mill	290	--	--	--	--
Holden--Contract	1,876	1,820	2,286	--	--
Pevler--Contract/4/	--	966	1,864	--	--
Other Mines--Contract	--	--	3	52	--
Total Cumberland River	3,383	4,239	5,096	800	162
Inventory Change	19	314	(201)	(84)	(20)
Total Sales	3,402	4,553	4,895	716	142
LONE MOUNTAIN					
Huff Creek	921	868	622	145	--
Darby Fork/5/	634	882	383	127	7
Other Mines--Contract	--	--	--	72	132
Total Lone Mountain	1,555	1,750	1,005	344	139
Inventory Change	3	(87)	7	3	--
Total Sales	1,558	1,663	1,012	347	139

MINE	YEARS ENDED DECEMBER 31, 1996	1995	1994	1993	1992
APPALACHIAN REGION, CONTINUED:	(IN THOUSANDS OF TONS)				
Production from Company-operated mines	16,685	15,015	13,206	5,652	7,739
Production from contractor-operated mines	3,497	4,486	6,629	2,204	2,467
Inventory Change	241	412	(645)	623	(509)
Total Sales	20,423	19,913	19,190	8,479	9,697
ILLINOIS BASIN REGION:					
ARCH OF ILLINOIS					
Captain	3,117	1,835	2,402	2,059	3,236
Conant	1,850	1,762	1,653	1,131	1,075
Kathleen/6/	--	731	1,630	600	1,502
Horse Creek/3/	--	--	107	537	1,287
Other Mines--Contract/3/	--	--	190	--	8
Total Arch of Illinois	4,967	4,328	5,982	4,327	7,108
Inventory Change	(1)	(130)	107	188	(245)
Total Sales	4,966	4,198	6,089	4,515	6,863
WESTERN REGION:					
ARCH OF WYOMING					
Medicine Bow	1,507	1,517	1,566	2,460	2,369
Seminoe II	231	216	--	--	--
Pilot Butte	--	--	--	205	453
Total Arch of Wyoming	1,738	1,733	1,566	2,665	2,822
Inventory Change	277	(338)	(82)	339	(8)
Total Sales	2,015	1,395	1,484	3,004	2,814
ARCH COAL SALES COMPANY					
Total Coal Sales	2,060	1,219	1,190	1,599	1,465
Inventory Change	(21)	17	(55)	(23)	14
Total Sales	2,039	1,236	1,135	1,576	1,479
SUMMARY:					
Production from Company-operated mines	23,390	21,076	20,564	12,644	17,661
Production from contractor-operated mines	3,497	4,486	6,819	2,204	2,475
Broker	2,060	1,219	1,190	1,599	1,465
Inventory Change	496	(39)	(675)	1,127	(748)
Total Sales	29,443	26,742	27,898	17,574	20,853

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1 Production from acquired operations is included only from date of acquisition.

2 Includes production from three Company-operated mines, idled in 1991 and 1992, and one mine with production in 1994 only.

3 These operations were idled upon exhaustion of assigned reserve base.

4 The assets associated with this operation were sold.

5 Includes for 1996 and 1995, 114,000 tons produced in development of a beltline tunnel.

6 This operation was idled upon a determination that market conditions did not support production of its high-sulfur reserves.

The following is a brief description of the significant mining operations of Apogee and CCHI:

Appalachian Region--Apogee:

Arch of Kentucky. Arch of Kentucky has one captive underground mine, Mine No. 37, and one contractor- operated surface/auger mine, the Upperlick mine, as well as a preparation plant and three loadouts on fee property in Harlan County, Kentucky acquired from United States Steel Company (now USX Corporation) ("USX"). From these mines, Arch of Kentucky produces low-sulfur coal which is currently sold under long-term coal supply contracts with Electric Fuels Corporation, Georgia Power Company, and USX as well as to other customers under spot or short-term contracts. Arch of Kentucky's mines are accessible by public roads and Kentucky Utilities Company ("KU") provides their electrical power.

Mine No. 37 utilizes longwall mining machinery and three continuous miner units which are currently used to develop panels for the longwall and mine other reserve areas within the mine. The total cost of plant and equipment for Mine No. 37 at March 31, 1997 was $36.0 million, and the net book value was $2.3 million. Apogee projects depletion of the longwall reserves in August 1997. Two continuous miner units will continue to operate after the longwall reserves are depleted. Production during 1997, 1998 and 1999 will be significantly less than the production achieved by the longwall operation in previous years and is expected to approximate 3.5 million tons in 1997, 1.1 million tons in 1998 and 1.0 million tons in 1999. Arch of Kentucky may develop a new underground mine in the Darby seam to replace, in part, depleting longwall production. The decision as to whether such mining operations will be commenced will depend on a number of factors, including, without limitation, coal price, geologic conditions of the mine and certain levels of operating costs, including labor costs.

The Upperlick mine, a contract contour surface and auger operation, began operation in early 1987. This operation is projected to produce approximately 1.6 million tons through 1999, the projected date for depletion of the reserves.

The Cave Branch Preparation Plant, upgraded in March 1994 at a cost of approximately $9.1 million, is a computerized operation with a 1,400 ton-per-hour capacity. The plant uses a heavy media vessel for coarse cleaning and heavy media cyclones for fine coal cleaning. The upgrade included the installation of an overland conveyor belt which transports coal from Mine No. 37 to the preparation plant. The total cost of the facilities' plant and equipment at March 31, 1997 was $34.5 million, and the net book value was $10.6 million. Coal from the Upperlick mine is transported to the preparation plant by truck. Coal from the plant or the raw coal stockpile is loaded on the CSX railroad at 3,500 tons per hour at the rail siding, which can accommodate a 90-car unit train.

Arch of West Virginia. Arch of West Virginia currently operates two surface mines, a preparation plant and a loadout facility, in Logan County, West Virginia, on properties acquired from Diamond Shamrock Coal Company. One surface mine is located on fee property and the other is on leased property under leases running generally until exhaustion of mineable and merchantable coal. From these mines, Arch of West Virginia produces low-sulfur coal which is currently shipped under the Company's long-term coal supply contracts with American Electric Power Co. Inc. ("AEP"), Baltimore Gas & Electric Company, The Cincinnati Gas & Electric Company ("CG&E"), Consumers Power Company and The Dayton Power & Light Company, ("DP&L") as well as to other customers under spot and short-term contracts. Arch of West Virginia's operations are accessible by public road and they receive electrical power from Appalachian Power Company.

Arch of West Virginia's largest mine, the Ruffner Mine, is a mountaintop-removal operation utilizing a 49-cubic-yard dragline, together with a 43-cubic-yard shovel, a 22-cubic-yard shovel, a 28-cubic-yard loader and a fleet of 200- and 240-ton rock trucks. Apogee expects production at Ruffner during the next five years to vary between approximately 2.6 to 3.3 million tons annually.

Arch of West Virginia's other surface mine, the Wylo Mine, is a truck-shovel operation utilizing a 53-cubic- yard shovel and a 28-cubic-yard loader. Currently, Apogee expects Wylo to remain in production and produce

approximately 3.8 million tons through early 1999. At March 31, 1997 the total cost of the Ruffner Mine and Wylo Mine plant and equipment was $74.2 million and $39.5 million, respectively, and the net book value was $35.6 million and $14.9 million, respectively.

Most of the coal produced by Arch of West Virginia is shipped run-of-mine and does not require processing, but any required processing occurs at the 650 ton-per-hour Ruffner Preparation Plant. The majority of Arch of West Virginia's production is shipped on the CSX railroad from its Fanco loadout. Coal can also be trucked to the Company's Big Sandy Terminal on the Big Sandy River. The loadout facility can handle a 150-car unit train and loads coal at 4,000 tons per hour. As of March 31, 1997 the total cost of these facilities' plant and equipment was $25.7 million and the net book value was $12.6 million.

Appalachian Region--CCHI:

Catenary Coal Company ("Catenary"). Catenary operates one surface operation and has two contract underground mines on properties in Kanawha County, West Virginia acquired from Mr. Lawson W. Hamilton, Jr. in 1989. These properties are controlled under leases with terms running generally until exhaustion of mineable and merchantable coal. The low-sulfur production is currently sold under long-term coal supply contracts with AEP, CG&E, DP&L, KU and Ohio Edison Company, as well as under spot or short-term contracts to other customers. Catenary operations are accessible by public road and they receive their electrical power from Appalachian Power Company.

The Samples Mine, the surface operation, produces approximately 4.0 million tons annually in a mountaintop surface mining operation, utilizing a 110-cubic-yard dragline, together with a 53-cubic-yard shovel, a 23-cubic-yard hydraulic excavator and a 28-cubic-yard loader. Annual production is projected to increase steadily to approximately 5.0 million tons in 2000. The total cost of the plant and equipment of the Samples Mine at March 31, 1997 was $81.9 million and the net book value was $48.5 million. This includes approximately $15.0 million expended in 1993 and 1994 to dismantle, transfer, refurbish and install the dragline which was originally located at Apogee's Arch of Illinois operation.

Most of the coal produced at Samples is shipped run-of-mine and does not require processing. Any processing and loading that is required is handled through the Toms Fork Preparation Plant and loadout, which began operating in 1995. The total cost of these facilities, including an upgrade to a portion of the CSX spur to the loadout, was $24.6 million at March 31, 1997 and net book value was $20.5 million. The plant has an operating capacity of 250 tons per hour. The loadout is a batch weigh unit train facility on the CSX railroad with a capacity of 4,000 tons per hour and a rail siding which can accommodate 150 rail cars.

The two contract underground mines include Campbells Creek No. 3 and Campbells Creek No. 4 operating on leased properties. Both of these operations are currently one-section mines together producing approximately 1.0 million tons per year. Campbells Creek No. 3 is currently projected to complete mining by the end of 1997; Campbells Creek No. 4, with production averaging approximately 650,000 tons per year until depleted in 2002. An additional unit is projected to be put in place at Campbells Creek No. 4 upon depletion of the No. 3 reserves. Run-of-mine coal from these operations is processed at the Campbells Creek Preparation Plant, which is also contractor-operated. The total cost of the Campbells Creek complex plant and equipment at March 31, 1997 was $6.0 million, and the net book value was $3.1 million.

Catenary currently plans to develop two additional underground mines. Campbells Creek No. 5, a one-section mine, is scheduled to begin production in the second half of 1997 as production from Campbells Creek No. 3 nears completion. The Winifred No. 1 Mine, also a one-section operation, is scheduled to begin production in the second half of 1998. Each mine is expected to produce approximately 250,000 tons annually of low-sulfur coal.

Cumberland River Coal Company ("Cumberland River"). Cumberland River operates the Pardee and Holden mining complexes. The Pardee mining complex includes the Pardee surface mine and the Band Mill underground mine, which began production in 1995 and 1996, respectively, on properties acquired from Blue Diamond Coal Company. These mines are accessible by public road and are supplied with electrical power by

Old Dominion Power. The Pardee Mine, located on fee property in Wise County, Virginia, is a mountaintop- removal contour strip operation, utilizing a 28-cubic-yard loader and four 200-ton trucks, along with a small loader and auger operation. The mine is projected to produce approximately 900,000 and 750,000 tons of coal in 1997 and 1998, respectively, when it will deplete its economically recoverable reserves. The total cost of the plant and equipment of the Pardee Mine at March 31, 1997 was $17.0 million, and the net book value was $7.5 million.

The Band Mill Mine is a two-section underground mine initially developed in 1996. The total cost of the property and equipment at March 31, 1997 at the mine was $7.7 million and the net book value was $5.9 million. The second section with a continuous haulage system, became operational in the first quarter of 1997 at a cost of $4.5 million. With the addition of the second unit, the Band Mill Mine is projected to produce approximately 850,000 tons of coal per year.

The majority of the Cumberland River surface coal is shipped on a raw basis while all deep production and some highwall production requires washing. Coal is washed at the Pardee Preparation Plant at a rate of approximately 250 tons per hour. The Pardee loadout, a batch weigh system with an operating capacity of 4,000 tons per hour, loads onto the Norfolk Southern railroad. The total cost of the preparation plant and loadout's plant and equipment at March 31, 1997 was $8.6 million and the net book value was $7.3 million. Coal from these operations is sold under long-term coal supply agreements to Georgia Power Company and Virginia Electric Power Company, as well as to other customers under spot and short-term contracts.

The Holden Mining Complex consists of two contract operations, one surface and one underground, operating on reserves under leases with terms running generally until exhaustion of mineable and merchantable coal. The operations are accessible by public road and electrical power is provided by AEP. The underground operation, the Coalburg No. 1 mine, is scheduled to deplete its assigned reserves in 1998. An additional contract surface operation is scheduled to begin production in 1998. The surface operations will deplete their assigned reserves bases at varying times within the next seven years, and are expected to produce approximately 1.7 million tons annually throughout this period. Coal from these operations is sold under long-term coal supply contracts to Carolina Power & Light Company, CG&E, Cogentrix of Rocky Mount, Inc. and Birchwood Power Partners, LLP as well as to other customers under spot and short-term contracts.

The coal from these operations is loaded onto the Norfolk Southern railroad at the Holden 25 loadout, the CSX railroad at the contractor-owned Holden 22 loadout or trucked to the Company's Big Sandy Terminal on the Big Sandy River and shipped by barge. The Holden 25 loadout has an operating capacity of 3,200 tons per hour. The Holden 25 complex has an idle 650 ton-per-hour preparation plant which may resume operation with the development of the Phoenix reserves, described below. The total cost of the Holden Mining Complex plant and equipment at March 31, 1997 was $6.1 million, and the net book value was $4.0 million.

Cumberland River is scheduled to begin development of a new, large surface mine in coal reserves known as the Phoenix reserves in Logan and Mingo counties, West Virginia. Construction of the mine is anticipated to begin in 1998, with production scheduled to begin in 1999. Cumberland River expects annual production from this new mine to reach approximately 2.0 million tons by 2000 and remain constant at that level until the assigned reserve base of approximately 25 million recoverable tons is exhausted.

Lone Mountain. Lone Mountain's operations consist of two underground mines, the Darby Fork Mine and the Huff Creek Mine, in Harlan County, Kentucky, on properties acquired from Millers Cove Energy Company and Straight Creek Processing. These operations are accessible by public roads and are supplied with electrical power by KU. These mines are currently operating predominantly on fee property. The Darby Fork Mine is currently a two-section mine utilizing battery cars for haulage. A third unit is scheduled to be added in 1998. The Huff Creek Mine currently operates three sections, two with continuous haulage units. The total cost of plant and equipment for these mines at March 31, 1997 was $32.5 million, and the net book value was $18.1 million. Coal produced from these mines has been trucked to the Lone Mountain Processing Plant in Wise County, Virginia. In 1995, Lone Mountain began development, at a cost of $16.8 million, of a beltline system

which moves coal from the mine directly to the processing plant, eliminating the trucking of most of the coal. The net book value of the beltline system at March 31, 1997 was $15.9 million. Coal is washed at the Lone Mountain Preparation Plant, which has an operating capacity of 850 tons per hour. The preparation plant's total cost for the plant and equipment at March 31, 1997 was $15.2 million, and the net book value was $11.1 million. The loadout has dual rail service on either the Norfolk Southern or CSX railroads at a rate of 3,000 tons per hour. The majority of Lone Mountain's production is shipped under contracts to Georgia Power Company.

Lone Mountain is currently projected to start up a new contract underground mine in the Wax seam. This operation would be a two-section continuous haulage mine projected to begin production in the second half of 1998, with projected production of approximately 1.0 million tons annually. Lone Mountain expects production from this mine together with the Darby Fork and Huff Creek mine to produce approximately 16.6 million tons over the next five years. The decision regarding whether such mining operations will be commenced will depend on a number of factors, including without limitation, coal price, geologic conditions of the mine and certain levels of operating costs, including labor costs.

Illinois Basin Region--Apogee:

Arch of Illinois. Arch of Illinois (formerly Southwestern Illinois Coal Corporation) currently operates one surface mine, the Captain Mine, and one underground mine, the Conant Mine, on fee property in Perry County, Illinois, accessible by public road. Illinois Power Company provides Arch of Illinois with its electrical power. The Captain Mine utilizes modern large scale surface mining equipment, including an electric shovel with a 105- cubic-yard bucket and a bucket wheel excavator. The Captain Mine reserves are expected to be exhausted in the second half of 1998, with production of approximately 2.9 million tons in 1997, decreasing to approximately 1.3 million tons in 1998. At March 31, 1997 the total cost of plant and equipment associated with the Captain Mine was $80.5 million, and the net book value was $8.4 million.

The Conant Mine currently operates three continuous miners using battery powered coal haulers. The total cost for plant and equipment at March 31, 1997 was $32.9 million, and the net book value was $12.9 million. Production from Conant is expected to increase from current production rates of approximately 1.7 million tons annually, to approximately 2.4 million tons in 1998, and remain at approximately that level through 2001.

The coal produced from the Captain and Conant Mines is processed through the Captain Preparation Plant and is loaded onto the Illinois Central or Union Pacific railroads at the rate of 3,800 tons per hour. The preparation plant's cost at March 31, 1997 totalled $40.3 million, and its net book value was $5.2 million. Arch of Illinois production is sold under long-term coal supply contracts with Northern Indiana Public Service Company and Illinois Power Company, expiring in May 1998 and December 1999, respectively, and to other customers on spot and short-term orders.

Western Region--CCHI:

Arch of Wyoming, Inc. ("Arch of Wyoming"). Arch of Wyoming operates two surface mines which include a highwall mining operation in the Hanna Basin, producing low-sulfur steam coal on federal and private property. Arch of Wyoming's operations are accessible by public road. Carbon Power provides it with electrical power. The Medicine Bow Mine, a surface mine in Carbon County, Wyoming, has modified its production schedule focusing on mining in lower overburden ratio reserves and increasing the efficiency of reclamation activities. Medicine Bow is expected to produce a total of approximately 6.8 million tons until exhaustion in late 1999. The Medicine Bow Mine utilizes a dragline with a 76-cubic-yard bucket and a dragline with a 64-cubic-yard bucket for overburden removal and reclamation.

The other surface mine, Seminoe II, began production in 1973 and was idled in 1989. It was reactivated in mid-1995 to produce a higher Btu product and will produce up to 500,000 tons per year. It uses a 32-cubic-yard dragline.

In 1992, production was begun utilizing the Archveyor(R) system in highwalls at the Medicine Bow Mine. The Archveyor(R) moved to Seminoe II in late 1996 and will alternate between the two mines over the next five years mining existing highwalls. Approximately 800,000-900,000 tons annually of production is attributable to the Archveyor(R). The total cost of the plant and equipment for Arch of Wyoming at March 31, 1997 was $77.6 million, and its net book value was $7.0 million.

Coal from each of the Medicine Bow and Seminoe II loadouts is loaded out of stockpile areas for unit train shipment at a rate of 4,000 tons per hour on the Union Pacific railroad. Coal is being shipped under long-term coal supply agreements with the Tennessee Valley Authority, Western Fuels--Illinois, Inc. and UtiliCorp United, Inc. ("UtiliCorp"), as well as to other customers under spot or short-term contracts.

In June 1996, the Company acquired approximately 58,000 acres in the Carbon Basin reserve area, approximately 25 miles southeast of the Seminoe II mine, for $14.2 million. This acreage contains approximately 107 million tons of reserves of low-sulfur coal. The Company intends to develop 27 million tons of these reserves as a large surface operation with production currently projected to begin in 2001.

COAL MARKETING AND SALES

The Company sells coal both pursuant to long-term contracts (contracts having a term of greater than 12 months) and on a current market or spot basis. The Company's sales during the last five years are summarized in the following table by type of sale and sulfur content:

	1996	1995	1994	1993	1992
	(IN MILLIONS OF TONS)				
BY TYPE OF SALE:					
Contract Sales/1/	20.9	20.3	19.6	14.4	18.0
Spot Sales	8.5	6.4	8.3	3.2	2.9
Total Sales	29.4	26.7	27.9	17.6	20.9
BY SULFUR CONTENT:					
1.2 lbs/MMBtu or less					
Contract Sales	6.4	5.5	5.4	3.4	3.4
Spot Sales	2.4	2.1	4.0	1.0	1.9
Total	8.8	7.6	9.4	4.4	5.3
Greater than 1.2 to 2.5 lbs/MMBtu					
Contract Sales	8.2	10.7	8.7	6.1	6.7
Spot Sales	4.0	4.2	3.7	2.2	1.1
Total	12.2	14.9	12.4	8.3	7.8
Greater than 2.5 lbs/MMBtu					
Contract Sales	6.4	4.2	5.5	4.9	7.8
Spot Sales	2.0	--	0.6	--	--
Total	8.4	4.2	6.1	4.9	7.8

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/1/Contract sales are sales under contracts with a term of more than one year.

As of March 31, 1997, the Company had a total of 21 long-term contracts which expire at various times through November 30, 2012. Committed low-sulfur tonnage under these contracts totals 55.5 million tons over the period 1997 through 2005. An additional 7.5 million tons of high-sulfur production is committed under long- term contracts during this same period. The following table presents information regarding the contract expiration dates and tonnage levels under those current long-term contracts with annual tonnages remaining, as of January 1, 1997, of 1,000,000 tons or more:

CUSTOMER	CONTRACT EXPIRATION	ESTIMATED TONNAGE PER CONTRACT YEAR /1/ MINIMUM	ESTIMATED TONNAGE PER CONTRACT YEAR /1/ MAXIMUM	ESTIMATED REMAINING TONNAGE AS OF MARCH 31, 1997 /2/	COAL DELIVERED IN 1996	COAL DELIVERED THROUGH MARCH 31, 1997
		(IN MILLIONS OF TONS)				
APPALACHIAN REGION:						
AEP-Appalachian Power..	12/31/00	0.9	1.3	3.4	0.9	.2
AEP-Cardinal Operating.....	11/30/12	1.1	1.5	20.4	1.3	.3
Cincinnati Gas & Electric.....	12/31/04	1.3	1.3	10.0	1.3	.3
Dayton Power & Light...	12/31/99	1.1	1.3	3.1	1.1	.3
Georgia Power ('97 Agreement).....	12/31/00	0.8	1.2	4.2	0.0	.2
Georgia Power (CSX Agreement).....	6/30/99	0.5	1.3	1.7	1.3	.3
Ohio Edison.....	2/28/03	0.8	1.2	6.5	0.8	.1
ILLINOIS BASIN REGION:						
Illinois Power.....	12/31/99	0.8	2.1	5.1	1.3	.4
NIPSCO.....	5/31/98	1.0	2.0	2.4	1.9	.5
WESTERN REGION:						
UtiliCorp.....	3/31/00	0.6	1.1	1.9	0.9	.2

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/1/Estimates based on specific contractual commitments, less actual deliveries. Actual amounts delivered may vary from specified minimums or maximums due to force majeure and other contractual provisions.

/2/Assumes shipment of minimum amounts under all contracts.

The loss of long-term contracts could have a material adverse effect on the Company's operations and business. See "Risk Factors." The Company believes it owns and controls sufficient coal reserves to satisfy its long-term sales commitments. However, in certain cases the Company may acquire additional coal reserves or purchase coal in order to supply certain customers at a lower cost to the Company.

Pricing Provisions in Long-Term Coal Supply Agreements. Typically, long-term contracts contain price adjustment provisions that provide for periodic adjustment of the sales price based upon changes in designated indices, changes in wage rates and other costs of production and other factors and the changes in taxes and royalties resulting from changes in the foregoing. Long-term contracts also typically provide for adjustment of the price to reflect, in whole or in part, the cost of compliance with new governmental legislation that impacts the cost to mine, process or transport coal. Some long-term contracts also contain price reopener provisions that allow for repricing to market at designated intervals or at such time as the contract price varies from current market by more than a fixed-dollar amount or percentage of the current market price. The outcome of future repricing under price reopener provisions contained in the Company's coal supply contracts cannot be predicted at this time.

The operating profit margin achieved by the Company under its coal supply contracts depends on a variety of factors. Margins vary from contract to contract and may fluctuate during the life of a contract depending upon a variety of factors, including the Company's production costs at the supplying mines. Termination of deliveries under a high profit margin contract can have an adverse effect on the Company's earnings and operating cash flow disproportionate to the percentage of production represented by the tonnage delivered under such contract.

Most electric utilities with whom the Company conducts business are stable, well-capitalized entities with favorable credit ratings. Deregulation in the electric utility industry may adversely affect the credit worthiness of some utilities. Generally, credit is extended based on a favorable evaluation of each customer's financial condition, and collateral is not required. Historically, credit losses have consistently been minimal.

Spot Coal Prices. Spot prices fluctuate primarily because of changes in supply and demand. Demand for coal in the short term is primarily driven by weather-related or economy-based changes in demand for electricity in the areas serviced by the utilities purchasing the Company's coal. Spot market supply has historically been most affected by productive capacity in the industry and short-term disruptions to that capacity, which have frequently been labor-related. Spot market prices may from time to time be less than or greater than prices at which the Company is selling similar quality coal under its long term contracts.

OTHER PROPERTIES

Arch Coal Sales operates two transloading facilities, Big Sandy Terminal and Paint Creek Terminal. The Big Sandy Terminal is located on 131 acres of property, the majority of which is held under long-term leases, on the Big Sandy River in Wayne County, West Virginia. It receives coal by truck from Cumberland River's Holden 25 Mining Complex and Apogee's Arch of West Virginia Wylo Mine and by rail from third parties for loading onto barges. Big Sandy has an annual throughput capacity of 6.0 million tons. In addition to coal, Big Sandy also loads magnetite, ammonium nitrate and gravel for third parties. Paint Creek Terminal is located on leased property on the Kanawha River at Crown Hill, West Virginia. The facility transloads approximately 2.5 million tons of coal received by truck from Catenary Coal Company's Samples Mine.

The Company and its subsidiaries own substantially all of the mining equipment used in their mining operations. Four of the Company's preparation plants and related loadout facilities are owned in fee, and the other four are located on leased property. The Company's headquarters are located in approximately 50,000 square feet of leased space at CityPlace One, Suite 300, Creve Coeur, Missouri. Apogee's offices are located at Arch of Illinois on fee property. CCHI's offices are located in approximately 8,500 square feet of leased space in Charleston, West Virginia.

EMPLOYEES AND LABOR RELATIONS

As of March 31, 1997, the Company and its subsidiaries collectively employed 2,141 full-time employees. The Apogee work force includes 941 individuals who are represented by the UMWA and are covered by the terms and conditions of the 1993 NBCWA to which Apogee is a signatory.

The Company and the UMWA entered into a Memorandum of Understanding ("MOU") contemporaneously with Apogee's execution of the 1993 NBCWA to provide job opportunities to active and laid off UMWA employees of Apogee at the Company's non-signatory bituminous coal mining operations. The Company believes that the effects of the 1993 NBCWA and MOU have not and will not significantly increase the production costs of the Company's union mining operations. The 1993 NBCWA will expire on August 1, 1998.

The Coal Industry Retiree Health Benefit Act of 1992 (the "Coal Act") was enacted in October 1992 to provide for the funding of health benefits for certain retirees who were UMWA-represented employees. The Coal Act established a trust fund to which "signatory operators," operators who were signatory to the 1988 NBCWA or prior NBCWAs, and "related persons," including Apogee, are obligated to pay annual premiums for assigned beneficiaries, together with a pro rata share for certain beneficiaries ("unassigned beneficiaries") who never worked for such employers, in amounts to be determined by the Secretary of Health and Human Services on the basis set forth in the Coal Act.

Cumberland River is signatory to a labor agreement with the Scotia Employees' Association ("SEA"). The SEA agreement applies to certain operations and reserves in Virginia and Kentucky. The current agreement was ratified in September 1992, and expires in September 1997. Under the current agreement, the SEA had the option

to reopen the contract in 1995 and 1996 to renegotiate wages. The SEA exercised this option in 1995 and again in 1996. Negotiations under the 1996 reopener are proceeding as of the date of this Proxy Statement/Prospectus.

Cumberland River is signatory to a labor agreement with the Arch on the North Fork Employees' Association ("AONF"). The AONF agreement applies to certain operations in Kentucky. There is currently no mine operating under the AONF agreement. The current agreement was ratified in June 1996 and expires in June 2001.

GOVERNMENTAL REGULATION

Coal mining is subject to regulation by federal, state and local authorities with respect to the environment, limitations on land use, solid and hazardous waste disposal, noise, blasting, health and safety, aesthetic concerns, effects on air, water, vegetation and wildlife and other matters. In addition, as discussed above the utility industry is subject to extensive regulation regarding the environmental impact of its power generation activities which could affect demand for coal. New legislation and/or regulations could be adopted which may have a significant impact on coal mining operations and/or customers' ability to use coal.

Surface Mining Control and Reclamation Act. The federal Surface Mining Control and Reclamation Act of 1977 ("SMCRA") was enacted to regulate the surface mining of coal and the surface effects of underground mining of coal. SMCRA and similar state statutes require, among other things, that mined property be restored in accordance with specified standards and an approved reclamation plan. SMCRA requires a mine operator or permittee to submit a bond or otherwise secure the performance of these reclamation obligations. SMCRA also imposes a maximum abandoned mine lands tax of $0.35 per ton on surface-mined coal and $0.15 per ton on underground-mined coal.

Clean Air Act. The federal Clean Air Act, including the Amendments, and similar state laws which regulate the emissions of materials into the air, affect coal mining operations both directly and indirectly. Coal mining and processing operations may be directly affected by Clean Air Act permitting requirements and/or emissions control requirements relating to particulate matter, i.e., fugitive dust. The coal industry is also affected indirectly by the impact of the Clean Air Act on the air emissions from coal-fueled electric power generating plants.

In addition to controlling emissions of sulfur dioxide, the Amendments also require the EPA to determine if reductions in the emissions of nitrous oxides ("NOX") are necessary to achieve air quality standards. The EPA has proposed new standards which, if adopted, could impose costly new control equipment on electric utilities or other firms using coal to generate electricity. If reductions in NOX emissions are required, every power generating station using fossil fuels will be required to employ new technology. Alternatives to some power plants include abandoning coal as a fuel and substituting natural gas which emits less NOX during combustion.

Clean Water Act. Coal mining operations are also regulated through the restrictions under the federal Clean Water Act on effluent discharge into waters. The issuance, compliance with and renewal of permits governing the discharge of pollutants require coal mine operators to conform with performance standards and with record keeping and reporting requirements.

Resource Conservation Recovery Act. The federal Resource Conservation Recovery Act ("RCRA") and similar state laws affect coal mining operations by imposing requirements for the treatment, storage and disposal of hazardous wastes. Although mining wastes are excluded from the definition of hazardous waste for purposes of RCRA, a study is pending in Congress which could affect this exclusion.

Comprehensive Environmental Response, Compensation and Liability Act. The federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state laws affect coal mining operations by imposing cleanup requirements for threatened or actual releases of hazardous substances

that may endanger public health or welfare or the environment. Joint and several liability may be imposed on waste generators, past and present site owners and operators as well as others regardless of fault or the legality of the disposal activity at the time it was made. Waste substances generated by coal production and processing are generally not considered hazardous substances covered by CERCLA. Products used by coal companies in operations, such as chemicals and petroleum products, and the disposal of such products, however, are governed by the statute.

Federal Land Policy. The United States is the largest owner of coal reserves in the nation. This authority is exercised through several agencies, but exists primarily through the U.S. Department of the Interior, Bureau of Land Management ("BLM"). The majority of these reserves are held in the Western United States. They include lands on which Arch of Wyoming, Inc. has conducted surface coal mining operations since 1972 and will mine in the future.

The BLM exercises an authority over public lands which far exceeds the rights of any private owner of coal. The BLM possesses both those customary property rights of a private owner together with sovereign authority of the management of public lands. Although the statutes and regulations are well established under BLM coal leases, these statutes such as the Mineral Leasing Act of 1920, as amended by the Federal Coal Leasing Amendments Act of 1976, the Federal Land Policy Management Act of 1977 and the federal Surface Mining Control and Reclamation Act of 1977, create a complex and cumbersome process for a lease applicant. The consequence is that an opponent of federal coal leasing has numerous opportunities to delay the issuance of a federal coal lease.

Mine Safety and Health. The federal Coal Mine Safety and Health Act was adopted in 1969. The federal Mine Safety and Health Act of 1977 brought significant expansion to the enforcement of health and safety standards. The federal Mine Safety and Health Administration ("MSHA") monitors compliance with the law's comprehensive regulation of mining operations, including training of mine personnel, mining procedures, blasting, the mining equipment used as well as other matters. Many of the states in which the Company will operate have programs for mine safety and health regulation and enforcement. Together with the federal requirements, these mine safety regulations provide extensive and comprehensive requirements for protection of employee safety and health.

Black Lung. The Black Lung Reform Act of 1977 requires each coal mine operator to secure payment of federal and state black lung benefits to its employees through insurance, bonds, qualified self-insurance or contributions to a state-controlled fund. This Act also establishes a trust fund for the payment of benefits and medical expenses to employees for whom no benefits are obtainable from their employer. The trust fund is financed by a tax on coal sales.

LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to numerous claims and lawsuits with respect to various matters. The Company provides for costs related to these contingencies, including claims for environmental matters, when a loss is probable and the amount is reasonably determinable. The Company estimated, as of March 31, 1997, its probable aggregate loss as a result of such claims was $5.1 million. The Company estimated that its reasonable possible aggregate losses from all currently pending litigation could be as much as $2.5 million, before taxes, in excess of the probable loss previously recognized. In May 1997, the Company agreed to make a payment of $3.3 million to the State of Utah in final settlement of the matter of Trail Mountain Coal Company v. The Utah Division of State Lands and Forestry. The $3.3 million payment was $1.5 million more than the $1.8 million the Company had reserved as the probable loss associated with this lawsuit. To the extent not provided for, the Company believes the ultimate resolution of such claims will not have a material adverse effect on the consolidated financial position, results of operations, or liquidity of the Company.

On October 24, 1996, the failure of the rock strata overlaying an old, abandoned underground mine adjacent to the impoundment used by Lone Mountain for disposing of coal refuse failed, resulting in an accidental

discharge of approximately 6.3 million gallons of water and fine coal slurry into a tributary of the Powell River in Lee County, Virginia. This discharge resulted in the death of approximately 11,500 fish, according to estimates of the Virginia Department of Game and Inland Fisheries. Following the discharge, personnel at Lone Mountain began working with agencies of the Commonwealth of Virginia and the United States to identify the long-term effects, if any, to fish, other organisms and the aquatic habitat of the Powell River system. Small quantities of sediment were removed from stream beds, although the majority of material has been resuspended and carried downstream. Lone Mountain has committed to monitor and evaluate the stream conditions for two years in order to determine accurately the effects of the discharge.

On January 29, 1997, the Department of Mines, Minerals and Energy of the Commonwealth of Virginia filed suit in Lee County Virginia Circuit Court against Lone Mountain alleging violations of effluent limitations and reporting violations under Lone Mountain's NPDES permits. Lone Mountain and the Commonwealth of Virginia have entered into a settlement agreement to resolve all matters arising out of the discharge. Pursuant to the settlement agreement, Lone Mountain will pay the Commonwealth $1.396 million. In return two notices of violation and a show cause order were vacated.

Following publication of the proposed settlement and a public comment period of 30 days, the Commonwealth is expected to sign the settlement agreement. It will then be presented to the Circuit Court for entry as a final order. Upon entry by the court, the settlement will discharge all civil claims alleged in the state's civil action of January 29, 1997.

At the request of the U.S. Environmental Protection Agency and the U.S. Fish & Wildlife Service, the United States Attorney for the Western District of Virginia has undertaken a criminal investigation of the incident. The conclusions of this investigation are not expected until late 1997. On March 19, 1997, Lone Mountain received a subpoena to produce documents and to testify before a federal grand jury. The subpoena seeks the production of documents related to the design and approval of the impoundment.

SELECTED FINANCIAL INFORMATION

The following table presents selected consolidated financial and operating data for the Company as of the dates and for each of the periods indicated. The selected financial and operating data should be read in conjunction with the consolidated financial statements, and notes thereto, of the Company and "Information Concerning The Company--Management's Discussion and Analysis of Financial Conditions and Results of Operations" included herein.

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,				
	1997	1996	1996	1995(1,2)	1994(3)	1993(4)	1992(5,6,7)
	(In thousands, except per share information)						
STATEMENT OF OPERATIONS DATA:							
Coal sales and other revenues	$197,419	$188,489	$775,805	$737,264	$785,287	$487,670	$ 606,361
Costs and expenses:							
Cost of coal sales (8)	171,623	162,416	667,878	657,738	648,091	459,493	492,771
Selling, general and administrative expenses	4,897	4,573	20,435	19,680	21,758	19,070	17,675
Amortization of coal supply agreements	2,116	2,855	12,604	13,374	15,346	7,672	6,688
Write-down of impaired assets	--	--	--	10,241	--	--	6,200
Restructuring expenses	--	--	--	8,250	--	--	--
Other expenses	2,470	3,699	18,776	17,956	35,150	53,990	53,322
Income (loss) from operations	16,313	14,946	56,112	10,025	64,942	(52,555)	29,705
Interest expense, net	3,293	4,749	17,592	22,962	21,582	15,443	11,520
Provision (benefit) for income taxes	2,600	2,600	5,500	(1,900)	8,200	(29,100)	300
Income (loss) before cumulative effect of change in accounting principle	10,420	7,597	33,020	(11,037)	35,160	(38,898)	17,885
Cumulative effect of change in accounting principle	--	-	--	--	--	--	(122,022)
Net income (loss)	$ 10,420	$ 7,597	$ 33,020	$(11,037)	$ 35,160	$(38,898)	$(104,137)
BALANCE SHEET DATA:							
Total assets	$872,607	$920,449	$885,521	$940,768	$993,361	$849,804	$ 874,367
Working capital	43,013	36,902	33,166	40,077	27,512	(3,369)	22,263
Long-term debt	190,537	252,453	212,695	274,314	308,166	223,698	182,273
Other long-term obligations	422,987	429,561	421,754	429,993	413,209	413,427	428,075
Stockholders' equity	141,046	121,288	130,626	113,692	131,426	96,266	143,164
PER COMMON SHARE DATA:							
Income (loss) before cumulative effect of change in accounting principle	$0.50	$0.36	$ 1.58	$ (0.53)	$ 1.68	$ (1.86)	$ 0.85
Cumulative effect of change in accounting principle	$ --	$ --	--	--	--	--	(5.82)
Net income (loss)	$0.50	$0.36	$ 1.58	$ (0.53)	$ 1.68	$ (1.86)	$ (4.97)
OPERATING AND OTHER DATA:							
Tons sold	7,545	7,273	29,443	26,742	27,898	17,574	20,853
Tons produced	7,127	6,698	26,887	25,562	27,383	14,848	20,136
Dividend payments	$ --	$ --	$ 8,000	$ 6,697	$ --	$ 8,000	$ 8,000
EBITDA (9)	44,609	39,571	170,815	110,126	164,373	27,860	117,764
Net cash provided from operating activities	32,931	25,116	131,400	92,526	81,273	54,924	95,353

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(1) Results for the year ended December 31, 1995 reflect total charges of $18.5 million for restructuring and asset write-downs. The Company restructured its selling, general and administrative functions and reduced its salaried workforce by 143 employees. Total restructuring charges of $8.3 million included charges for severance, pension and post-retiree medical benefits. As a result of implementing the Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of," the Company recorded charges of

$10.2 million to writedown certain assets to their fair value. These assets included idled facilities at CCHI's Cumberland River Coal Company and Apogee's Arch of Illinois and Arch of Kentucky operations.

(2) On July 31, 1995, the Company sold its timber rights to approximately 100,000 acres of property in the eastern United States for a gain of $8.4 million, recorded in Other Revenues.

(3) In January 1994, the Company acquired the stock of Agipcoal Holding USA, Inc., and its subsidiaries, simultaneously sold certain of the operations and entered into a sale lease-back agreement for certain coal reserves for net consideration of $65.9 million. Coal mining operations in Kentucky and West Virginia, and certain coal supply agreements, were acquired. The acquisition was accounted for as a purchase and, accordingly, the results of operations are included in the consolidated financial statements of the Company subsequent to that date.

(4) The results of operations for the year ended December 31, 1993 were adversely affected by a seven month strike by the UMWA against all of Apogee's operations as part of a nationwide strike against members of the BCOA. Depreciation and other expenses, including back-to-work bonuses and start-up costs, were expensed in cost of coal sales as incurred.

(5) Effective January 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Post- retirement Benefits Other Than Pensions." The adoption of this standard reduced net income by $122 million ($196.8 million before Income Taxes).

(6) In September 1991, a fire destroyed a major piece of mining equipment at Arch of Illinois. This fire was an insured event under property damage and business interruption insurance policies. The settlement with the insurance carrier resulted in a pre-tax gain on involuntary conversion of $24.4 million in 1992.

(7) During 1992, the Company revalued the assets acquired in the 1990 acquisition of certain mine assets in southeastern Kentucky from Blue Diamond Coal Company (the "Scotia acquisition"). The revaluation occurred as a result of adverse geological conditions which made mining of certain of the acquired coal reserves uneconomic. As a result, the Company adjusted the carrying value of this investment and charged pre-tax earnings of $6.2 million to record the investment at management's estimate of net realizable value.

(8) In 1993, in consultation with actuaries, the Company adjusted the discount rate, the black lung benefit cost escalation rate, rates of disability and other assumptions used in the actuarial determination of pneumoconiosis (black lung) liabilities to reflect more accurately actual experience. The effect of these changes was significant increase in the unrecognized net gain. In accordance with Company policy, this gain was amortized as a credit to cost of coal sales and totaled $10.8 million for each year 1993 through 1996.

(9) EBITDA is defined as income from operations before the effect of changes in accounting principles and extraordinary items, net interest expense, income taxes, depreciation, depletion and amortization. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to incur and service debt. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations or as a measure of a company's profitability, liquidity or performance under generally accepted accounting principles. This measure of EBITDA may not be comparable to similar measures reported by other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The results of the Company's operations reflect the acquisition of the AEP-Cardinal contract in 1992 and AgipCoal Holding USA, Inc. and related companies in 1994. These acquisitions expanded the Company's coal mining operations with resulting increases in revenues and expense categories. Each acquisition was accounted for under purchase accounting principles and, thus, the results of operations reflect the operations of each acquired business from the date of its acquisition.

The Company's financial results for 1992 through 1996 included several events that had a significant impact on revenues, cost of coal sales, income (loss) from operations and cash flows. These events included:

Asset Write-Down. During 1992, the Company revalued the assets acquired in the Scotia acquisition in September 1990. The revaluation occurred as a result of adverse geologic conditions which made mining of certain of the acquired coal reserves uneconomical. As a result, the Company adjusted the carrying value of the assets acquired and charged pre-tax earnings $6.2 million to record the investment at management's estimate of net realizable value.

Insurance Settlement. In September 1991, a fire destroyed a major piece of mining equipment at Arch of Illinois. This fire was an insured event under the Company's property damage and business interruption insurance policies. The settlement with the insurance carrier resulted in a pre-tax gain on involuntary conversion of $24.4 million in 1992.

Adoption of Financial Accounting Standards No. 106. Effective January 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The adoption of this standard reduced net income by $122 million ($196.8 million before Income Taxes).

UMWA Strike. Beginning May 10, 1993, the UMWA staged a 219 day strike against Apogee's operations as part of a nationwide strike against members of the BCOA. During the strike, salaried employees produced coal at three of the affected operations, but at substantially reduced volumes.

Restructuring Charges During 1995. The Company restructured its selling, general and administrative functions and, in connection therewith, reduced its salaried workforce by 143 employees, 52 of whom elected to retire under an enhanced early retirement program. Total restructuring charges of $8.3 million included charges for severance, pension and post-retirement medical benefits. The restructuring reflected the Company's efforts to reduce its costs and improve its competitive position.

Adoption of Financial Accounting Standard No. 121. Effective September 30, 1995, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." As a result, the Company recorded charges of $10.2 million to write down certain assets to their fair value. These assets included idled facilities at CCHI's Cumberland River Coal Company and Apogee's Arch of Illinois and Arch of Kentucky operations.

Related Party Transactions. Effective January 1, 1991, the Company acquired from its stockholders certain Illinois coal reserves for $55.2 million (based on an independent appraisal) which were previously under lease to the Company. This acquisition was valued for accounting purposes at the stockholders' net book value of $22.8 million with the $32.4 million difference between the net book value and fair market value less $12.3 million of deferred income tax benefits being recorded as a reduction to stockholders' equity. In 1996, as part of a settlement with the IRS related to the audit of its 1991 tax return, the Company agreed to adjust the fair market value of the coal properties for tax purposes from the acquisition price of $55.2 million to $33.8 million resulting in a decrease in the deferred tax asset of $8.1 million from $12.3 million to $4.2 million. The decrease in the deferred tax asset was charged directly to stockholders' equity.

Reclamation and Mine Closure. The federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes require that mine property be restored in accordance with specified standards and an approved reclamation plan. The Company accrues for the costs of final mine closure over the estimated useful mining life of the property. These costs relate to reclaiming the pit and support acreage at surface mines and sealing portals at deep mines. Other costs common to both types of mining are related to reclaiming refuse and slurry ponds. The Company accrues for current mine disturbance which will be reclaimed prior to final mine closure. The establishment of the final mine closure reclamation liability and the current disturbance is based upon permit requirements and requires various estimates and assumptions, principally associated with costs and productivities. Annually, the Company reviews its entire environmental liability and makes necessary adjustments, including permit changes and revisions to costs and productivities to reflect current experience. These recosting adjustments are recorded to cost of coal sales. Favorable adjustments total $3.3, $4.5, $5.0 and $6.9 million for the three months ended March 31, 1997 and for the years 1996, 1995 and 1994, respectively. The Company's management believes it is making adequate provisions for all expected reclamation and other costs associated with mine closures.

Certain Factors Affecting Current and Future Operating Results

Actuarial Determination of Pneumoconiosis Liability. In 1993, in consultation with actuaries, the Company changed the discount rate, black lung benefit cost escalation rate, rates of disability and other assumptions used in the actuarial determination of pneumoconiosis (black lung) liabilities to better reflect actual experience. The effect of these changes was a significant increase in the unrecognized net gain of approximately $50 million. This gain is being amortized as a credit to cost of coal sales and totalled $10.8 million ($6.9 million after tax) each year from 1993 through 1996. The gain is expected to be fully amortized in 1997.

Expiration of Georgia Power Contract and Fulfillment of Contract Prior to Expiration. The Company is currently supplying 1.9 million tons of low-sulfur coal per year from its Lone Mountain and Cumberland River operations and from third parties to Georgia Power Company under a long-term coal supply contract which expires in December 1997. The prices for coal shipped under this contract are significantly above the current open market price for such coal. For the year ended December 31, 1996, 8.9% of the Company's revenues and 18.9% of its operating income related to sales under this contract. The expiration of the contract will have an adverse impact on the Company's earnings and operating cash flow, which impact may be disproportionate to the percentage of total production represented by the tonnage delivered under the contract. The production from the underground mines at Lone Mountain supply a significant portion of this contract. If, as a result of the geologic problems at these mines discussed below, Lone Mountain's operations are unable to produce sufficient quantities of coal to supply the contract profitably, the Company has certain rights to ship coal from certain of its other operations and from certain third-party producers under the contract, and the Company has adequate supply available from its other operations to fulfill its remaining commitments under the contract. After expiration of the current Georgia Power contract, the Company expects to continue to supply a significant amount of similar quality coal to Georgia Power at prices more closely approximating current market prices.

Exhaustion of Arch of Kentucky Mine No. 37 Longwall Reserves. The longwall reserve base at Apogee's Arch of Kentucky Mine No. 37 will be exhausted in the third quarter of 1997. For the year ended December 31, 1996, Mine No. 37 produced 4.5 million tons of coal (from both the longwall and continuous miner sections) and accounted for $20.8 million or 37.1% of the Company's operating income, and sales of coal produced from the mine accounted for 16.4% of the revenues of the Company. After exhaustion of the longwall reserves, the decrease in operating profit will be mitigated to some degree by the continued operation of two continuous miner sections and by the potential development of an underground mine in the Darby seam that is in close proximity to the Cave Branch Preparation Plant currently used to process Mine No. 37 coal. At the exhaustion of the longwall reserves, the Company does not expect any impairment of assets used to mine those reserves as the estimated useful life of the related assets expires at the time the reserves are depleted.

Geologic Conditions at the Darby Fork Mine. During 1996, Lone Mountain's Darby Fork Mine, experienced adverse geologic conditions in the form of sandstone intrusions in the coal seam and a new portal

area. These conditions resulted in lower productivity, lower yields and lower productivity levels, and per ton mining cost increased by 56.6% in 1996 compared to 1995. The Company believes that its exploration efforts have accurately identified and located the sandstone intrusions, and that the adverse geologic conditions will continue until the fourth quarter of 1997, at which time the Company expects improvement in productivity, yield, and production levels. Mining costs should also improve from 1996 levels due to the installation of a beltline from the mine to the preparation plant being fully operational in 1997, resulting in the elimination of higher cost truck transportation. However, if these adverse geologic conditions continue longer than expected, or worsen, production from the mine could be reduced or curtailed, productivity and yield could continue to be adversely affected, and mining costs could continue to be high or increase to the point that operation of the mine is uneconomic.

Geologic Conditions at the Huff Creek Mine. In 1996, Lone Mountain's Huff Creek Mine also experienced poor roof conditions. These conditions were caused by overmining in the Darby Fork Mine and adverse geologic areas contiguous to a new portal. As a result of these geologic problems, the operating cost at the Huff Creek Mine increased 26.9% in 1996 compared to 1995. Beginning in the second quarter of 1997, the Company made certain revisions to its mining plan to align mineworks in the Huff Creek Mine to accommodate in-seam stresses and to better coordinate the mine plan with the Darby Fork mine plan. As a result of these changes, the Company expects the roof conditions at the Huff Creek Mine to improve substantially beginning in the third quarter of 1997. As with Darby Fork, mining costs should improve from 1996 levels as a consequence of installation of a beltline from the mine to the preparation plant and the elimination of higher cost truck transportation. However, if the adverse geologic conditions continue longer than expected, or worsen, production from the mine could be reduced or curtailed, productivity and yield could continue to be adversely affected, and cost could continue to be high or increase to the point that operation of the mine is uneconomic.

Lower Overburden Ratios at the Sample Mine. In April 1997, the Company completed an acquisition of certain surface mineable reserves adjacent to its Samples Mine. The acquisition included 9.6 million tons of lower ratio and higher quality surface mineable coal than that coal currently being mined at the Samples Mine. As a result, operating costs are expected to decrease in 1998 compared to 1997.

Lower Mining Ratios at Arch of West Virginia Surface Mines. Overburden ratios and mining costs at Arch of West Virginia's Wylo Mine are expected to significantly improve in 1998 compared to those expected in 1997 and overburden ratios and mining costs at Arch of West Virginia's Ruffner Mine will significantly improve in 1999 compared to those expected in 1997 or 1998.

Increased Archveyor Production at Arch of Wyoming. In 1997, production from the Archveyor mining system at Arch of Wyoming has been adversely affected by a fire and the delay of a new, more technologically advanced continuous miner purchased by the Company. In 1998, the Company believes Archveyor production will significantly increase compared to 1997, and that as a consequence operating income will increase.

Installation of a Second Unit at The Band Mill Underground Mine. A second unit of underground mining equipment was employed at the Band Mill underground mine at the end of March 1997. Production level and costs are expected to improve in 1998 when compared to expected 1997 levels due to a full year's production and increased productivities from deployment of the second equipment section.

Increased Income From Ark Land Company. The Company intends to utilize its real estate holdings to significantly increase income in 1998 by disposing of inactive assets in the ordinary course of business, and increasing third party rents and royalties.

Lower Interest Cost. As a result of lower borrowing costs and reduced debt levels, the Company expects its interest cost in 1998 to decrease from 1997 levels.

Changes in Long-Term Coal Supply Contracts.

The Company sells a substantial portion of its coal production pursuant to long-term coal supply agreements, and as a consequence may experience fluctuations in operating results in the future, both on an annual and quarterly basis, as a result of expiration or termination of, or sales price redeterminations or suspensions of deliveries under, such coal supply agreements. In addition, price adjustment provisions permit a periodic increase or decrease in the contract price to reflect increases and decreases in production costs, changes in specified price indices or items such as taxes or royalties. Price reopener provisions provide for an upward or downward adjustment in the contract price based on market factors. The contracts also typically include stringent minimum and maximum coal quality specifications and penalty or termination provisions for failure to meet such specifications, force majeure provisions allowing suspension of performance or termination by the parties during the duration of certain events beyond the control of the affected party, and some long-term contracts contain provisions that permit the utility to terminate the contract if changes in the law make it illegal or uneconomic for the utility to consume the Company's coal. Imposition of new nitrous oxide emission limits in connection with Phase II of the Clean Air Act in 2000 could result in affected utilities seeking to terminate or modify long-term contracts citing such termination provisions. If the parties to any long-term contracts with the Company were to modify, suspend or terminate those contracts, the Company could be adversely affected to the extent that it is unable to find alternative customers at the same or better level of profitability.

From time to time, disputes with customers may arise under long-term contracts relating to, among other things, coal quality, pricing and quantity. The Company may thus become involved in arbitration and legal proceedings regarding its long-term contracts. There can be no assurance that the Company will be able to resolve such disputes in a satisfactory manner.

Factors Routinely Affecting Coal Mining Operations

Coal production and sales are subject to a variety of operational, geologic, transportation, and weather-related factors that routinely cause production to fluctuate. Operational factors affecting production include anticipated and unanticipated events. For example, in longwall mines, the longwall equipment must be dismantled and moved to a new area of the mine whenever the coal reserves in a segment of the mine--called a panel--are exhausted. The size of a panel varies, and therefore, the frequency of moves can also vary. At large surface mining operations major items of scheduled maintenance occasionally result in down time of stripping or coal loading equipment. Unanticipated events, such as the unavailability of essential equipment because of breakdown or unscheduled maintenance, could adversely affect production.

Permits are sometimes delayed by unanticipated regulatory requests or processing delays. Timely completion of improvement projects and equipment relocations depends to a large degree on availability of labor and equipment, timely issuance of permits, and the weather. Sales can be adversely affected by fluctuations in production and by transportation delays arising from equipment unavailability and weather-related events, such as flooding.

Geologic conditions within mines are not uniform. Overburden ratios and the relative composition of overburden at the surface mines vary, as do roof and floor conditions and seam thickness in underground mines. These variations can be either positive or negative for production. Weather conditions can also have a significant effect on the Company's production, depending on the severity and duration of the condition. For example, extremely cold weather combined with substantial snow and ice accumulations may impede surface operations directly and all operations indirectly by making it difficult for workers and supplies to reach the mine sites.

The results of the third quarter of each year are frequently adversely affected by lower production and resultant higher costs because of scheduled vacation periods at the UMWA-represented mines. In addition, costs are typically somewhat higher during vacation periods because of maintenance activity carried on during those periods. These adverse effects on the third quarter may make the third quarter not comparable to the other quarters and not indicative of results to be expected for the full year.

Any one or a combination of changing demand, fluctuating selling prices, routine operational, geologic, transportation and weather-related factors, unexpected regulatory changes, unexpected results of litigation, or labor disruptions may occur at times or in a manner that causes current and projected results of operations to deviate from projections and expectations. Decreases in production from anticipated levels usually lead to increased mining costs and decreased net income.

Results of Operations for the Quarter Ended March 31, 1997 Compared to the Quarter Ended March 31, 1996

Net income for the first quarter 1997 versus the first quarter 1996 increased $2.8 million or 37.2%, primarily due to increased sales and production offset, in part, by $3.1 million of costs associated with the impoundment discharge at Lone Mountain.

Net coal sales for the first quarter of 1997 of $192.3 million increased $8.4 million or 4.6% as compared to the first quarter of 1996. The increase resulted from a 3.7% increase in tons sold (7.5 million tons in 1997 compared to 7.3 million in 1996) while average selling price per ton increased by less than 1%. The increase in tons sold was attributable to improved market conditions at Apogee's Arch of Illinois operations, increased productivities at Apogee's Arch of Kentucky operations and increased brokered sales. These were partially offset by reduced spot market sales at Apogee's Arch of West Virginia operations and reduced sales from Cumberland River Coal Company's Ridgeline Mine, which was idled in the third quarter of 1996. Cost of coal sales for the first quarter 1997 increased 5.7% to $171.6 million from $162.4 million for first quarter 1996 due primarily to a 6.4% increase in production. On a per-ton basis, the cost of coal sales increased 1.9% primarily due to recording $3.1 million of costs associated with the impoundment discharge at Lone Mountain. See "Information Concerning the Company--Legal Proceedings." The charges associated with the impoundment primarily attributed to a 7.0% lower per ton operating margin for the first quarter 1997 compared to the first quarter 1996 and to lower gross operating margin for the first quarter 1997 of $20.7 compared to the first quarter 1996 of $21.5 million by 3.6%.

Selling, general and administrative expenses for the first quarter 1997 exceeded 1996's first quarter amount by $.3 million, which related to additional legal and outside services costs.

Amortization of coal supply agreements of $2.1 million for the first quarter 1997 decreased $.7 million or 25.9% from the first quarter 1996 due to the DP&L contract becoming fully amortized as of December 1996, and a 100,000 ton reduction in the CG&E contract shipments for the first quarter 1997 versus the first quarter 1996.

Other expenses principally related to transportation, coal transloading and other non-mining activities of $2.5 million for the first quarter 1997 compared to $3.7 million for the first quarter 1996. The 33.2% decrease related primarily to reclamation recosting credits recorded in 1997 resulting from permit revisions granted by the State of Illinois on various idled Illinois properties.

Net interest expense of $3.3 million for the first quarter 1997 decreased 30.7% from $4.7 for the first quarter 1996 due to lower debt levels including lower levels of higher-cost fixed interest rate debt.

Income tax expense for the first quarter 1997 of $2.6 million equaled 1996's first quarter expense despite an increase in the quarterly pre-tax earnings of $2.8 million due to recording the current year provision at 20% versus the prior year's provision which was recorded at 25%. The effective tax rate is sensitive to changes in profitability because of the effect of percentage depletion.

Results of Operations for the Year Ended December 31, 1996 Compared to the Year Ended December 31, 1995

Net income for 1996 of $33.0 million exceeded the 1995 net loss of $11.0 million by $44.0 million. The increase in operating income, coupled with the 1995 restructuring charge of $8.3 million and a write down of impaired assets of $10.2 million, contributed to the increase in net income for 1996 as compared to 1995.

Net coal sales for 1996 of $750.1 million increased $43.3 million or 6.1% from 1995. The increase resulted from a 10.1% increase in tons sold (29.4 million tons in 1996 compared to 26.7 million tons in 1995), which was offset by a decrease in average selling prices of 3.7% due primarily to increased sales of lower realization shipments from the Illinois and Wyoming operations. The increase in tons sold was attributable to productivity improvements, improved geologic conditions at Apogee's Arch of Kentucky Mine No. 37, improved market conditions for Arch of Wyoming and increased brokered sales, offset in part by the disposition of certain Kentucky operations in October 1995. Despite the increase in tons sold, cost of coal sales for 1996 increased only 1.5% to $667.9 from $657.7 million for 1995. On a per-ton basis, the cost of coal sold decreased by 7.8%. The decrease in costs were due to the sale of certain Kentucky operations, closing of higher cost West Virginia operations in 1995, a decrease in net periodic postretirement benefit costs of approximately $4 million, improved productivities at most operations and improved geologic conditions at Apogee's Arch of Kentucky No. 37 mine and favorable reclamation recosting adjustments. These positive variances were partially offset by lower yields and poor geologic conditions at Lone Mountain. Also, the Company reduced the estimated useful lives of certain long-lived assets (primarily relates to life of mine assets including preparation plants and beltlines) for depreciation and amortization purposes. As a result, an additional $11.3 million of depreciation and amortization expense was recorded to cost of coal sales. These changes in estimates were primarily due to increased productivities and reductions in recoverable reserves. These assets were being depreciated on a straight line basis over the estimated life of certain mines. As a result of increased production and adjustments to economically recoverable reserves, the life of the mines were reduced. Therefore, the asset lives were adjusted to conform to the estimated recoverable reserves of the respective mines. The additional sales volume, cost and productivity improvements, partially offset by the lower average selling price, resulted in the per ton operating margin for 1996 exceeding that for 1995 by 52% and gross operating margin of $82.2 million exceeding that for 1995 by $49.1 million, or 67%.

Other revenues consist primarily of transportation, coal transloading, coal and timber royalties and other non-mining activities. The difference in other revenues of $25.7 million in 1996 and $30.4 million in 1995 is due primarily to the gain on sale of timber rights of $8.4 million in 1995.

Selling, general and administrative expenses exceeded 1995 levels due to recording expenses associated with incentive compensation plans as the Company had net income as compared to a net loss in 1995.

Amortization of coal supply agreements of $12.6 million decreased $.8 million from 1995 due to the expiration of the AEP-Central Operating contract in the first quarter of 1996 and the buyout of the Carolina Power & Light ("CP&L") contract on February 28, 1995.

Other expenses principally related to transportation, coal transloading and other non-mining activities of $18.8 million increased $.8 million due to a $1.7 million litigation reserve and a $1.4 million charge for the early redemption of preferred stock of an acquired company, offset, in part, by lower transportation expenses.

Net interest expense of $17.6 million decreased $5.3 million in 1996 due to lower debt levels including lower levels of higher-cost fixed interest rate debt.

Income tax expense increased to $5.5 million from a benefit of $1.9 million principally due to an increase in the Company's profitability. The effective tax rate is sensitive to changes in profitability because of the effect of percentage depletion. The 1995 net tax benefit included a $9.9 million provision for open tax years.

Results of Operations for the Year Ended December 31, 1995
Compared to the Year Ended December 31, 1994

The net loss for 1995 of $11.0 million was below 1994's net income of $35.2 million by $46.2 million. A decrease in operating income, coupled with the termination and buyout of two above market long-term coal supply contracts, a renegotiated coal supply contract, and charges for restructuring and impairment of assets, all contributed to 1995's decrease in net income.

Net coal sales for 1995 of $706.8 million decreased from net sales of $747.5 million for 1994 by 5.4%. The decrease resulted from a 4.3% decrease in tons sold (26.7 million tons in 1995 compared to 27.9 million tons in 1994), with average selling prices reflecting a 1.2% decline from the 1994 level. The decrease in tons sold was primarily attributable to the idling of a deep mine at the Illinois operations due to the expiration of a long-term sales contract and a weak market for high-sulfur Illinois Basin product, and the disposition of certain coal operations in Kentucky in October 1995. These variances were offset, in part, by better geologic conditions at Apogee's Arch of West Virginia operations and increased production capacity at the Lone Mountain operations. The average selling price decreased principally due to the termination of an above market sales contract, the renegotiation of an above market coal supply contract resulting in a lower price in exchange for additional tonnage over an extended term, and the buyout of an above market coal supply contract on February 28, 1995. Despite the lower sales volume, cost of coal sales for 1995 of $657.7 million increased only 1.5% due to increasing both production days and capacity at Arch of West Virginia, realizing a full year's production from the dragline operation implemented during 1994 at Samples Mine, increased production capacity at Lone Mountain and the development of the Pardee surface mine and favorable reclamation recosting adjustments. These items were offset, in part, by the idling of an underground mine in Illinois and the disposition of certain Kentucky operations. On a per-ton basis, the cost of coal sales increased by 6.0% due to the idling of the lower cost Illinois underground operation and the development of the Pardee surface mine, offset in part by a full year's production from the dragline at Samples Mine and the sale and idling of certain high cost Kentucky and West Virginia operations. The net effect of lower sales volume, coupled with the per ton sales and cost variances resulted in a 48.3% decrease in per ton operating margins for 1995 compared to 1994 and a 50.6% decrease in gross operating margin for 1995 of $49.1 million compared to 1994 of $99.4 million.

Other revenues of $30.4 million in 1995 were below 1994's other revenues of $37.8 million due to the sale of substantially all of the assets associated with the Company's mining equipment supply business in January 1995, partially offset by the sale of timber rights on certain Appalachian properties.

In 1995, the Company recorded a $10.2 million charge associated with the impairment of long-term assets and $8.3 million for a restructuring charge resulting from the elimination of 143 salaried positions at the Company and its subsidiaries, 52 of whom elected to retire under an enhanced early retirement program.

Selling, general and administrative expenses decreased $2.1 million from 1994 as no provision for incentive compensation plans was recorded due to the net loss for the year.

Amortization of coal supply contracts in 1995 of $13.4 million decreased $2.0 million from 1994 due principally to the buyout of a CP&L contract on February 28, 1995.

Other expenses decreased $17.2 million from 1995 to 1994 due primarily to the sale of the mining supply business.

Net interest expense of $23.0 million increased $1.4 million despite a decrease in debt levels. The increase is due to higher weighted average debt outstanding for the year and a higher effective interest rate on the Company's revolving credit facility.

Income tax expense decreased from $8.2 million in 1994 to a benefit of $1.9 million in 1995 principally due to a significant reduction in profitability. The benefit for 1995 was reduced by a provision of $9.9 million for tax requirements for open years. As noted previously, the effective tax rate is sensitive to changes in profitability because of the effect of percentage depletion.

Capital Resources and Liquidity

The Company has historically satisfied its working capital requirements, its capital expenditures (excluding major acquisitions) and scheduled debt repayments from its operating cash flow. Cash requirements for the acquisition of new business operations have generally been funded through a combination of cash generated from

operating activities, utilization of the Company's lines of credit and the issuance of long-term obligations. The Company believes that cash generated from operations will continue to be sufficient to meet its working capital requirements, planned or anticipated capital expenditures (excluding major acquisitions) and scheduled debt repayments. As of December 31, 1996, the Company could borrow up to $53.0 million under its revolving credit agreement.

Cash Flow From Operations

Cash flow from operations was $131.4, $92.5 and $81.3 million for the years ended December 31, 1996, 1995 and 1994, respectively. Cash flow from operations in 1996 exceeded that for 1995 due principally to the increase in net income. Despite the significant decrease in net income, 1995 cash flow from operations exceeded 1994 cash flow primarily because 1994 cash flow was hindered by an increase in the levels of accounts receivables and inventories after the seven month UMWA strike that ended in December 1993. In addition, 1995 cash flow was favorably affected by reduced coal inventory levels due to the idling of the Illinois underground mine and certain West Virginia operations and the sale of certain Kentucky operations.

Capital Expenditures

Excluding the acquisition of the Carbon Basin reserves in 1996 and the acquisition of Agipcoal and certain other coal reserves in West Virginia in 1994, capital expenditures were $55.4, $82.3 and $96.3 million in 1996, 1995 and 1994, respectively. The Company expended significant capital in upgrading equipment and capacity at its existing operations and developing new operations. In 1994, the Company expended $5.2 million to complete the upgrade to the preparation plant for the No. 37 mine, $9.1 million to upgrade the truck fleet at the Ruffner Mine, $30.6 million for the expansion of the Samples Mine, $7.3 million for the development of Lone Mountain and $5.4 million for the development of the Pardee Surface Mine. In addition, the Company experienced higher than normal equipment replacements in 1994 as a result of deferring capital expenditures during the seven-month UMWA strike in 1993. In 1995, the Company expended $11.5 million for the development of the Pardee Surface Mine, $9.4 million to complete the dragline operation at Samples Mine including a preparation plant and loadout, $22.9 million for the development and expanded capacity at Lone Mountain and $2.8 million towards the initial construction of an underground Archveyor(R) system for the Conant Mine. The capital expenditures for 1996 include $15.1 million for the final phase of the Lone Mountain development including the installation of a beltline, slopes and an upgrade to the preparation plant, $5.9 million for the development of the Band Mill Mine and $4.8 million for construction of the Archveyor(R) system for the Conant Mine. In addition, on December 19, 1996, the Company bought out a supplemental payment agreement with Quaker State related to the AEP-Cardinal sales contract resulting in an additional investment in the coal sales agreement of $6 million. These expenditures were financed from cash flow provided from operating activities.

Long-Term Obligations

Revolving Credit Agreement. The Company has an unsecured revolving credit agreement (the "1994 Revolving Credit Agreement"), which provides for borrowings of up to $200 million. The agreement expires on January 27, 1999. At December 31, 1996, the Company had $147 million borrowed under the 1994 Revolving Credit Agreement. As of April 1997, the 1994 Revolving Credit Agreement required a commitment fee of 0.10% per annum to be paid quarterly on the average daily unused portion of the lending commitment and a facility fee of 0.15% per annum on the $200 million capacity. The commitment and facility fees fluctuate based on the Company's ratio of debt to equity. Interest on borrowings under the 1994 Revolving Credit Agreement is paid in arrears based on a money market rate determined by a competitive bid process, the PNC Bank base rate or a rate based on LIBOR plus an applicable margin, as the Company may elect. The 1994 Revolving Credit Agreement contains covenants which limit indebtedness, investments, sales of assets, dividends and other actions and also requires maintenance of certain financial ratios.

On May 20, 1997, the Company entered into a preliminary agreement for a new revolving credit agreement to become effective at the Effective Time. The new revolving credit agreement will be for a term of five years and provide for borrowings of up to $500 million. The rate of interest on the borrowings under this agreement will be, at the Company's option, a money market rate determined by a competitive bid process, the PNC Bank

base rate and a rate based on LIBOR. The provisions of the revolving credit agreement will require a facility fee on the amount of the commitment. The rate used to compute the facility fee will be redetermined quarterly based on the Company's ratio of debt to equity and may vary from 0.07% to 0.20% per annum.

Senior Notes. The Company has two senior notes issued under separate note agreements dated June 24, 1987 and January 29, 1993. The note dated June 24, 1987 has a final payment due of $8 million on June 1, 1997. This note has an interest rate of 9.85%. The January 29, 1993 note is due January 31, 2003, with scheduled principal payments of approximately $7.1 million on January 31, 1997 and each January 31 thereafter until final maturity on January 31, 2003. This note has a fixed interest rate of 7.79% and is payable in semi-annual installments. The Company may elect to prepay the debt in increments of $5 million, plus a yield maintenance premium. The yield maintenance premium is equal to the present value of the sum of the difference between the Treasury yield for obligations with a term equal to the average remaining term of the senior notes at the time of prepayment and 7.79%.

The senior note agreements contain various covenants which limit indebtedness, investments, sales of assets, dividends and other actions and also require maintenance of certain financial ratios.

Other Debt Agreements. The Company has other debt agreements entered into in connection with acquisitions of coal properties with fixed interest rates ranging from 7.15% to 9% which are collateralized by acquired properties. The total outstanding balance of such indebtedness as of December 31, 1996 was $7.7 million, including one agreement with an outstanding balance of $7 million. This note has a fixed interest rate of 7.15% and is payable in annual installments (including principal and interest) of approximately $.8 million through June 30, 2009.

On October 4, 1996, the Company made a lump sum payment of $15.3 million in exchange for the early redemption of preferred stock of an acquired company. On December 19, 1996, the Company prepaid indebtedness of $18.3 million and interest of $.5 million. These payments were made from cash flow provided from operating activities.

Effects of Inflation and Changing Prices

Certain of the Company's long-term coal supply contracts include provisions which allow the Company to bill its customers for inflationary cost increases and increases in operating costs resulting from new or revised governmental laws and regulations. For the majority of other sales, in periods of significant inflation, income from operations may be adversely affected if inflationary price increases or governmental related price increases are not recognized by the market in the form of higher selling prices. Due to the capital-intensive nature of the Company's activities, inflation may also have a significant impact on the development or acquisition of mining operations, or the future costs of final mine reclamation and the satisfaction of other long-term liabilities, such as health care or pneumoconiosis (black lung) benefits.

Governmental and Environmental Matters

The Company operates in an industry that is subject to extensive regulation over matters such as employee health and safety, discharge of materials into the environment, permitting and licensing arrangements, mining methods, reclamation and reforestation of areas of disturbance and various other matters. Compliance with these complex rules and regulations is constantly being monitored as part of the Company's ongoing business operations.

Income Tax Matters

The Company's federal income tax returns for the years 1992 through 1994 are currently under review by the Internal Revenue Service ("IRS"). The IRS has completed its examinations of the Company's federal income tax returns for the years ended 1987, 1988 and 1989 and has proposed adjustments which relate principally to business acquisitions, asset dispositions, corporate reorganizations, percentage depletion and investment tax credits during those years. As a result, the IRS has proposed additional taxes aggregating $50

million plus interest to the date of payment. After an analysis of the proposed adjustments by management with tax counsel, the Company paid $8.0 million in 1994 to the IRS and filed a protest with the IRS contesting certain adjustments. Management believes that the Company has adequately provided for any income taxes and related interest which may ultimately be paid on contested issues.

On April 30, 1997, the Company made an additional $8 million deposit to the IRS which the Company's federal income tax returns for the tax years 1987-1989. The payment was charged against a previously established reserve.

During 1996, the IRS completed its examinations of the Company's federal income tax returns for years 1990 and 1991 and the Company and the IRS agreed to a settlement of various tax issues for a payment of $6.5 million, including interest. Part of the settlement related to the acquisition from the Company's stockholders of certain Illinois coal reserves for $55.2 million. Their acquisition was valued for accounting purposes at the stockholders' net book value of $22.8 million with the $32.4 million difference between the net book value and fair market value less $12.3 million of deferred tax benefits being recorded as a reduction to stockholders' equity.

The Company is required to record a valuation allowance when it is "more likely than not" that some portion or all of its deferred tax asset will not be realized. It is management's belief that the Company's net deferred income tax asset will "more likely than not" be realized by generating sufficient taxable income in the future.

EXECUTIVE COMPENSATION

The following table is a summary of compensation information for each of the last three years for the Chief Executive Officer and each of the other four most highly compensated individuals, based upon annual salary and bonus for the fiscal year ended December 31, 1996, who will be executive officers of the Company after the Effective Time.

SUMMARY COMPENSATION TABLE

					LONG-TERM COMPENSATION			
		ANNUAL COMPENSATION			AWARDS		PAYOUTS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS (1) ($)	OTHER ANNUAL COMPENSATION $	RESTRICTED STOCK AWARD(S) (#)	OPTIONS (2) (#)	LTIP PAYOUTS ($)	ALL OTHER COMPEN-SATION (5) ($)
Steven F. Leer	1996	309,731	310,000	-0-	-0-	-0-	-0-	18,600
President & CEO	1995	299,421	-0-	-0-	-0-	-0-	-0-	9,000
	1994	278,136	278,500	-0-	-0-	-0-	-0-	9,000
Robert W. Shanks	1996	175,727	123,200	-0-	-0-	-0-	-0-	10,560
Vice President, Operations	1995	155,168	-0-	-0-	-0-	-0-	-0-	9,000
	1994	139,706	64,212	-0-	-0-	-0-	-0-	8,382
Jeffry N. Quinn	1996	171,656	120,540	-0-	-0-	-0-	-0-	10,332
Sr. Vice President,	1995	151,784	-0-	-0-	-0-	-0-	-0-	9,000
Law & HR, Secretary & General Counsel	1994	143,952	100,800	-0-	-0-	-0-	-0-	8,631
David B. Peugh	1996	145,091	101,885	-0-	-0-	-0-	-0-	8,705
Vice-President--	1995	128,271	-0-	-0-	-0-	-0-	-0-	7,696
Business Development	1994	119,867	60,000	-0-	-0-	-0-	-0-	7,192
Kenneth G. Woodring	1996	237,500	-0-	-0-	-0-	15,000	2,577(3)	6,300
Exec. Vice President--	1995	237,019	86,763	-0-	-0-	7,500	-0-	6,290
Mining Operations	1994	224,423	64,128	-0-	-0-	7,500	56,783(4)	9,426

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(1) For Mr. Woodring, this amount represents the amount of money earned under the Ashland Coal, Inc. Incentive Compensation Program for Key Employees with respect to the subject year and paid in the immediately succeeding year. For Messrs. Leer, Shanks, Quinn and Peugh, these amounts represent amounts awarded under the Company Incentive Compensation Plan with respect to the subject year and paid in the immediately succeeding year.

(2) Represents options granted to Mr. Woodring under the Ashland Coal, Inc. 1995 Stock Incentive Plan.

(3) This amount represents the amount paid to Mr. Woodring in 1997 for the four years of the 1993-1996 plan cycle under the Ashland Coal, Inc. Performance Unit Plan.

(4) This amount represents the amount paid to Mr. Woodring in 1995 for the four years of the 1991-1994 plan cycle under the Ashland Coal, Inc. Performance Unit Plan.

(5) In the case of Mr. Woodring, this amount represents contributions by Ashland Coal to the named executive's account under the Ashland Coal, Inc. Employee Thrift Plan. In the case of Messrs. Leer, Shanks, Quinn and Peugh, these amounts represent contributions by the Company to the named executive's account under the Company Thrift Plan and for 1996 under the Company ERISA Forfeiture Plan.

Company Pension Plan

The Company Pension Plan ("Plan") is a qualified defined benefit plan which covers full-time salaried and full-time non-union hourly employees, including Messrs. Leer, Shanks, Quinn and Peugh. Benefits under the Plan are determined based on years of service, and the average covered remuneration for the five highest consecutive years of service. To the extent that benefits under the Plan exceed certain limits established by the Code, they are payable under a non-qualified pension plan. The following table shows the estimated annual benefits payable to eligible employees under the qualified and non-qualified plans, assuming continued employment until normal retirement age.

PENSION PLAN TABLE

	YEARS OF SERVICE				
REMUNERATION	15	20	25	30	35
$125,000	$ 36,861	$ 49,149	$ 61,436	$ 73,724	$ 86,011
$150,000	45,299	60,399	75,499	90,589	105,699
$175,000	53,737	71,649	89,561	107,474	125,386
$200,000	62,174	82,899	103,624	124,349	145,074
$225,000	70,612	94,149	117,688	141,224	164,761
$250,000	79,049	105,399	131,749	158,099	184,449
$300,000	95,924	127,899	159,874	191,849	223,824
$400,000	129,674	172,899	216,124	259,349	302,574
$450,000	146,549	195,399	244,249	293,099	341,949
$500,000	163,424	217,899	272,374	326,849	381,324

Compensation covered under the Plan includes annual salary, bonuses paid pursuant to the Company Incentive Compensation Plan, if any, and amounts contributed under the Company Thrift Plan. The stated renumeration is the aggregate compensation during the five consecutive plan years preceding and including the plan year which gives rise to the highest aggregate, divided by the employee's years and fractions thereof as an employee during such five year period. Under the plan this calculation is done both on a paid compensation and earned compensation basis and renumeration used for benefit calculation is the lesser of the two. Benefits are computed based on a Life Only annuity basis without deduction for social security or other amounts.

As of December 31, 1996, Messrs. Leer, Shanks, Quinn and Peugh had credited service in the Plan of 5, 20, 11 and 3 years, respectively.

Other Information Concerning Ashland Coal Executive Officers

Mr. Woodring is currently an executive officer of Ashland Coal and at the Effective Time will become an executive officer of the Company. In reliance on Item 18(b) of Form S-4, certain other executive compensation information with respect to Mr. Woodring contained in Ashland Coal's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 is incorporated by reference herein.

Employment Agreements and Other Arrangements

Mr. Leer is President and Chief Executive Officer of the Company. Mr. Leer entered into an employment agreement with the Company dated March 1, 1992. The agreement is automatically renewed from year to year unless terminated sixty days in advance of the end of each year. The agreement provides for an annual base salary of not less than $250,000 and requires the Company to maintain an incentive compensation plan under which Mr. Leer is entitled to receive annual bonuses of up to 100% of his base salary, the amount of the bonus actually received to be determined on the basis of the achievement by the Company of certain return on equity goals as established by the Board of Directors on an annual basis. The agreement also provides that if Mr. Leer's employment is terminated prior to his fully vesting in the Company's Thrift Plan, he shall be paid such additional cash compensation as necessary to compensate him for the economic effect of not vesting. Pursuant to the Merger Agreement, Mr. Leer is to be elected President and Chief Executive Officer of the Company. It is anticipated that his current employment agreement will be terminated by mutual consent after the Effective Time of the Merger and superseded by a new employment agreement.

Mr. Woodring and seventeen Ashland Coal executive officers and other employees have entered Retention/ Severance Agreements with Ashland Coal. Messrs. Shanks, Quinn and Peugh and fifteen executive officers and other employees of the Company have entered similar agreements with the Company. Pursuant to the Retention/Severance Agreements, if the employment of the covered individuals is terminated during the term of the agreements, the covered individuals will receive severance benefits of 24 months base pay, continuation of medical benefits for 24 months, and acceleration of the vesting of other incentives, including stock options. Pursuant to the Merger Agreement, as of the Effective Time the Company has agreed to assume the obligations of Ashland Coal under the Retention/Severance Agreements with its executive officers and other employees.

THE COMPANY INCENTIVE PLAN

On April 1, 1997 and on April 4, 1997, the Company's Board of Directors and the stockholders, respectively, adopted and approved the Company Incentive Plan ("Incentive Plan") to be effective at the Effective Time. The purpose of the Company Incentive Plan is to provide a flexible mechanism to provide incentives to, and to encourage ownership of the Company Common Stock by, officers and other selected key management employees of the Company and its subsidiaries. An aggregate of 6,000,000 shares of Company Common Stock have been reserved for issuance pursuant to the Company Incentive Plan, including 694,035 shares reserved for issuance in substitution for existing Ashland Coal options.

The Board of Directors of the Company believes that the successful implementation of the Company's business strategy will depend upon attracting and retaining able executives, managers and other key employees. The Board also believes that the ability to grant Awards (as hereinafter defined) under the Company Incentive Plan will strengthen the ability of the Company to attract and retain capable personnel. The Company Incentive Plan provides that a committee appointed by the Board of Directors of the Company ("Committee") will have the flexibility to grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock, performance units, merit awards, phantom stock awards and rights to acquire stock through purchase under a stock purchase program (the "Awards").

A copy of the Company Incentive Plan is attached as Annex E to the Merger Agreement, a copy of which is attached to this Prospectus/Proxy Statement as Appendix A. The following summary of the terms of the Company Incentive Plan is qualified in its entirety by reference to all of the provisions thereof.

ADMINISTRATION

The Company Incentive Plan will be administered by the Committee. Subject to the express provisions of the Company Incentive Plan, the Committee will have plenary authority, in its discretion, to interpret the Company Incentive Plan, establish rules and regulations for its operation, select employees of the Company and its subsidiaries to receive Awards and determine the form and amount and other terms and conditions of such Awards.

ELIGIBILITY

Salaried officers of the Company and other employees of the Company and its subsidiaries (the "Employees") are eligible to be selected to participate in the Company Incentive Plan ("Participants"). The selection of participants from among the Employees is within the discretion of the Committee. The Company currently has approximately 2,100 Employees and, at the Effective Time, it is estimated the Company will have approximately 3,656 Employees.

AMENDMENT OF PLAN

The Company's Board of Directors may suspend, terminate, modify or amend the Company Incentive Plan at any time, with or without prior notice; provided, however, that it may not, without stockholder approval, adopt any amendment which would (a) increase the aggregate number of shares of Common Stock which may be issued under the Company Incentive Plan, (b) materially increase the benefits accruing to Participants in the Company Incentive Plan or (c) materially modify the eligibility requirements for participation in the Company Incentive Plan, except for adjustments to reflect stock splits or combinations, reorganizations or other capital adjustments. No suspension, termination, modification or amendment may terminate an outstanding Award or materially adversely affect a Participant's rights under an outstanding Award without the Participant's consent.

AVAILABLE SHARES

Six million shares of Company Common Stock are available for grant under the Company Incentive Plan. Shares of Company Common Stock related to Awards which terminate by expiration, forfeiture, cancellation or

otherwise without the issuance of shares, or are settled in cash in lieu of Company Common Stock, and shares used to pay an option exercise price will thereafter again be available for grant under the Company Incentive Plan.

LIMITATION ON AWARDS

The maximum number of shares of Common Stock with respect to which any Participant may receive Awards of stock options or stock appreciation rights during any calendar year is 300,000; the maximum number of shares of Common Stock with respect to which any Participant may receive Awards of restricted stock during any calendar year is 100,000; the maximum number of shares of Common Stock with respect to which any Participant may receive Merit Awards during any calendar year is 100,000; and the maximum number of shares of Common Stock with respect to which any Participant may receive other Awards during any calendar year is 100,000.

STOCK OPTIONS

Under the Company Incentive Plan, the Committee may grant Awards in the form of incentive and non-qualified stock options to purchase shares of Company Common Stock. The Committee will determine the number of shares subject to each option, the manner and time of the option's exercise and the exercise price per share of stock subject to the option. The exercise price of a stock option may not be less than the fair market value of the Company Common Stock on the date of the grant, except as expressly provided in the Company Incentive Plan with respect to substitution of Awards for similar awards upon the occurrence of transactions like the Merger. Upon exercise, the option price may, at the discretion of the Committee, be paid by a Participant in cash, shares of Company Common Stock, a combination thereof, or such cashless exercise arrangement as the Committee may deem appropriate. Any stock option granted in the form of an incentive stock option must satisfy the applicable requirements of Section 422 of the Code.

STOCK APPRECIATION RIGHTS

The Company Incentive Plan authorizes the Committee to grant Stock Appreciation Rights ("SARs") either in tandem with a stock option or independent of a stock option. A SAR is a right to receive a payment equal to the appreciation in market value of a stated number of shares of Company Common Stock from the SAR's exercise price to the market value on the date of its exercise. The Committee will determine the number of shares subject to the Award, the manner and time of a SAR exercise and the exercise price, which shall not be less than the fair market value of a share of Company Common Stock, except as expressly provided in the Company Incentive Plan with respect to substitution of Awards for similar awards upon the occurrence of transactions like the Merger.

A tandem SAR may be granted either at the time of the grant of the related stock option or at any time thereafter during the term of the stock option. A tandem SAR shall be exercisable to the extent its related stock option is exercisable, and the exercise price of such a SAR shall be the same as the option price under its related stock option. Upon the exercise of a stock option as to some or all of the shares covered by the Award, the related tandem SAR shall be canceled automatically to the extent of the number of shares covered by the stock option exercise.

STOCK AWARDS

The Company Incentive Plan authorizes the Committee to grant Awards in the form of shares of restricted stock or restricted stock units. Such Awards will be subject to such terms, conditions, restrictions or limitations, if any, as the Committee deems appropriate including, but not by way of limitation, restrictions on transferability and continued employment. The Company Incentive Plan gives the Committee the discretion to accelerate the delivery of a stock Award.

PERFORMANCE SHARES

The Company Incentive Plan allows for the grant of "Performance Shares." For purposes of the Company Incentive Plan, Performance Shares are restricted shares of Company Common Stock which are awarded subject to attainment of certain performance goals over a period to be determined by the Committee.

PERFORMANCE UNITS

Awards may also be granted in the form of performance units which are units valued by reference to shares of Company Common Stock. Performance units are similar to performance shares in that they are awarded contingent upon the attainment of certain performance goals over a fixed period. The length of the period, the performance objectives to be achieved during the period, and the measure of whether and to what degree the objectives have been achieved, will be determined by the Committee.

PERFORMANCE GOALS

If the Committee desires payment under an Award (other than under a stock option or SAR granted at 100% or more of the fair market value of the shares of Company Common Stock of the Company as of the date of grant) to qualify as "performance-based compensation" under Section 162(m) of the Code, the performance goals which must be achieved in order for payment to be made shall be based upon one or more of the following business criteria: net income; earnings per share; earnings before interest and taxes (EBIT); earnings before interest, taxes, depreciation, depletion and amortization (EBITDA); debt reduction, safety, return on investment, operating income, operating ratio, cash flow, return on assets, stockholders' return, revenue, return on equity, economic value added ("EVA(R)"), operating costs, sales or compliance with Company policies.

CHANGE IN CONTROL

In the event of a "change in control" (as defined in the Company Incentive Plan), (i) all of the terms, conditions, restrictions and limitations in effect on any of an Employee's outstanding Awards would immediately lapse and (ii) all of the Employee's outstanding Awards would automatically become 100% vested.

The Company Incentive Plan defines a "change in control" as a change in control of the Company of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of a Current Report on Form 8-K, as in effect on the date the Company Incentive Plan is adopted, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended and as in effect on the date the plan was approved by the Company's shareholders ("Exchange Act"); provided, that without limitation, a "change in control" shall be deemed to have occurred (1) upon the approval of the Board of Directors (or if approval of the Board is not required as a matter of law, the shareholders of the Company) of (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Company Common Stock would be converted into cash, securities or other property, other than a merger in which the holders of Company Common Stock immediately prior to the merger will have more than 50% of the ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, or (C) adoption of any plan or proposal for the liquidation or dissolution of the Company, or (2) when any "person" (as defined in Section 13(d) of the Exchange Act), other than a "Significant Stockholder" (defined as any shareholder of the Company who, immediately prior to the Effective Date owned more than 5% of the Company Common Stock) or any subsidiary or employee benefit plan or trust maintained by the Company or any of its subsidiaries, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 20% of the Company Common Stock outstanding at such time, without prior approval of the Board of Directors.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the federal income tax consequences of Awards granted under the Company Incentive Plan, based on current income tax laws, regulations and rulings.

Incentive Stock Options

Subject to the effect of the Alternative Minimum Tax, discussed below, an optionee does not recognize income on the grant of an Incentive Stock Option. If an optionee exercises an Incentive Stock Option in accordance with the terms of the option and does not dispose of the shares acquired within two years from the date of the grant of the option nor within one year from the date of exercise, the optionee will not realize any income by reason of the exercise, and the Company will be allowed no deduction by reason of the grant or exercise. The optionee's basis in the shares acquired upon exercise will be the amount paid upon exercise. (See the discussion below for the tax consequences of the exercise of an option with stock already owned by the optionee.) Provided the optionee holds the shares as a capital asset at the time of sale or other disposition of the shares, the gain or loss, if any, recognized on the sale or other disposition will be capital gain or loss. The amount of the optionee's gain or loss will be the difference between the amount realized on the disposition of the shares and the basis in the shares.

If an optionee disposes of the shares within two years from the date of grant of the option or within one year from the date of exercise ("Early Disposition"), the optionee will realize ordinary income at the time of such Early Disposition which will equal the excess, if any, of the lesser of (i) the amount realized on the Early Disposition, or (ii) the fair market value of the shares on the date of exercise, over the optionee's basis is in the shares. The Company will be entitled to a deduction in an amount equal to such income. The excess, if any, of the amount realized on the Early Disposition of such shares over the fair market value of the shares on the date of exercise will be long-term or short-term capital gain, depending upon the holding period of the shares, provided the optionee holds the shares as a capital asset at the time of Early Disposition. If an optionee disposes of such shares for less than his basis in the shares, the difference between the amount realized and his basis will be a long-term or short-term capital loss, depending upon the holding period of the shares, provided the optionee holds the shares as a capital asset at the time of disposition.

The excess of the fair market value of the shares at the time the Incentive Stock Option is exercised over the exercise price for the shares is an item of adjustment for purposes of the alternative minimum tax ("Stock Option Preference").

Non-Qualified Stock Options

Non-Qualified Stock Options do not qualify for the special tax treatment accorded to Incentive Stock Options under the Code. Although an optionee does not recognize income at the time of the grant of the option, the optionee recognizes ordinary income upon the exercise of a Non-Qualified Option in an amount equal to the difference between the fair market value of the stock on the date of exercise of the option and the amount of cash paid for the stock.

As a result of the optionee's exercise of a Non-Qualified Stock Option, the Company will be entitled to deduct as compensation an amount equal to the amount included in the optionee's gross income. The Company's deduction will be taken in the Company's taxable year in which the option is exercised.

The excess of the fair market value of the stock on the date of exercise of a Non-Qualified Stock Option over the exercise price is not a Stock Option Preference.

Stock Appreciation Rights

Recipients of SARs do not recognize income upon the grant of such rights. When a participant elects to receive payment of a SAR, the participant recognizes ordinary income in an amount equal to the cash and fair market value of shares of Company Common Stock received, and the Company is entitled to a deduction equal to such amount.

Payment in Shares

If the optionee exercises an option and surrenders stock already owned by the optionee ("Old Shares"), the following rules apply:

1. To the extent the number of shares acquired ("New Shares") exceeds the number of Old Shares exchanged, the optionee will recognize ordinary income on the receipt of such additional shares (provided the option is not an Incentive Stock Option) in an amount equal to the fair market value of such additional shares less any cash paid for them and the Company will be entitled to a deduction in an amount equal to such income. The basis of such additional shares will be equal to the fair market value of such shares (or, in the case of an Incentive Stock Option, the cash, if any, paid for the additional shares) on the date of exercise and the holding period for such additional shares will commence on the date the option is exercised.

2. Except as provided below, to the extent the number of New Shares acquired does not exceed the number of Old Shares exchanged, no gain or loss will be recognized on such exchange, the basis of the New Shares received will be equal to the basis of the Old Shares surrendered, and the holding period of the New Shares received will include the holding period of the Old Shares surrendered. However, under proposed regulations promulgated by the U.S. Department of Treasury, if the optionee exercises an Incentive Stock Option by surrendering Old Shares, the holding period for the New Shares will begin on the date the New Shares are transferred to the optionee for purposes of determining whether there is an Early Disposition of the New Shares and, if the optionee makes an Early Disposition of the New Shares, the optionee will be deemed to have disposed of the New Shares with the lowest basis first. If the optionee exercises an Incentive Stock Option by surrendering Old Shares which were acquired through the exercise of an Incentive Stock Option or an option granted under an employee stock purchase plan, and if the surrender occurs prior to the expiration of the holding period applicable to the type of option under which the Old Shares were acquired, the surrender will be deemed to be an Early Disposition of the Old Shares. The federal income tax consequences of an Early Disposition are discussed above.

3. If the Old Shares surrendered were acquired by the optionee by exercise of an Incentive Stock Option, or an option granted under an employee stock purchase plan, then, except as provided in 2 above, the exchange will not constitute an Early Disposition of the Old Shares.

4. Based upon prior rulings of the Internal Revenue Service in analogous areas, it is believed that if an optionee exercises an Incentive Stock Option and surrenders Old Shares and disposes of the New Shares received upon exercise within two years from the date of the grant of the option or within one year from the date of exercise, the following tax consequences would result:

(i) To the extent the number of New Shares received upon exercise do not exceed the number of Old Shares surrendered, the disposition of the New Shares will not constitute an Early Disposition (unless the disposition is a surrender of the New Shares in the exercise of an Incentive Stock Option).

(ii) The disposition of the New Shares will constitute an Early Disposition to the extent the number of New Shares received upon exercise and disposed of exceeds the number of Old Shares surrendered.

Restricted Stock

Grantees of Restricted Stock do not recognize income at the time of the grant of such stock. However, when shares of Restricted Stock become free from any restrictions, grantees recognize ordinary income in an amount equal to the fair market value of the stock on the date all restrictions are satisfied, less, in the case of Restricted Stock, the amount paid for the stock. Alternatively, the grantee of Restricted Stock may elect to recognize income upon the grant of the stock and not at the time the restrictions lapse, in which case the amount of income recognized will be the fair market value of the stock on the date of grant. The Company will be entitled to deduct as compensation the amount includible in the grantee's income in its taxable year in which the grantee recognizes the income.

Taxation of Preference Items

Section 55 of the Code imposes an Alternative Minimum Tax equal to the excess, if any, of (i) 26% of the optionee's "alternative minimum taxable income" up to $175,000 ($87,500 in the case of married taxpayers filing separately) and 28% of "alternative minimum taxable" income in excess of $175,000 ($87,500 in the case of married taxpayers filing separately) over (ii) his or her "regular" federal income tax. Alternative minimum taxable income is determined by adding the optionee's Stock Option Preference and any other items of tax preference to the optionee's adjusted gross income and then subtracting certain allowable deductions and an exemption amount. The exemption amount is $33,750 for single taxpayers, $45,000 for married taxpayers filing jointly and $22,500 for married taxpayers filing separately. However, these exemption amounts are phased out beginning at certain levels of alternative minimum taxable income.

Deductibility of Compensation in Excess of $1 Million Per Year

Section 162(m) of the Code precludes a public corporation from deducting compensation in excess of $1 million per year for its chief executive officer and any of its four other highest paid executive officers. However, subject to approval of the Plan by the Company's stockholders, certain performance-based compensation is exempt from this deduction limit. Stock options and or SAR's will qualify for this exemption. In addition, certain other Awards granted under the Company Incentive Plan will also qualify while others may not.

The foregoing statement is only a summary of the federal income tax consequences of certain Awards which may be granted under the Company Incentive Plan and is based on the Company's understanding of present federal tax laws and regulations.

OTHER TERMS OF AWARDS

Awards may be paid in cash, Company Common Stock, a combination of cash and Company Common Stock or any other form of property, as the Committee shall determine. If an Award is granted in the form of a stock award, stock option, or performance share, or in the form of any other stock-based grant, the Committee may include as part of such Award an entitlement to receive dividends or dividend equivalents. At the discretion of the Committee, payment of a stock award, performance share, performance unit, dividend, or dividend equivalent may be deferred by a Participant.

The Company Incentive Plan provides that if employment is terminated for cause or by the employee without the written consent and approval of the Company, all unvested Awards shall be forfeited and exercisable options shall be forfeited after 90 days from the date of termination if not exercised.

If employment is terminated by reason of death, disability or retirement, all options and stock appreciation rights outstanding immediately prior to the date of termination shall immediately become exercisable and shall be exercisable until one year and thereafter shall be forfeited if not exercised, and all restrictions on any Awards outstanding immediately prior to the date of termination shall immediately lapse.

If employment is terminated for any reason other than cause, or by the employee with the written consent and approval of the Company, the Restricted Period shall lapse on a proportion of any Awards outstanding immediately prior to such termination (except that, to the extent that an Award of restricted stock, restricted stock units, performance units, performance stock and phantom stock is subject to a performance period), such proportion of the Award shall remain subject to the same terms and conditions for vesting as were in effect prior to the date of termination and shall be determined at the end of the performance period. The proportion of an Award upon which the restricted period shall lapse shall be a fraction, the denominator of which is the total number of months of any restricted period applicable to an Award and the numerator of which is the number of months of such restricted period which elapsed prior to the date of termination.

Options and stock appreciation rights which are or become exercisable by reason of employment being terminated by the Company for reasons other than cause or by the employee with the consent and approval of

the Company, shall be exercisable until 120 days from the termination date and shall thereafter be forfeited if not exercised.

Upon the grant of any Award, the Committee may, by way of an Award Agreement or otherwise, establish such other terms, conditions, restrictions and limitations governing the grant of such Award as are not inconsistent with the Company Incentive Plan.

No Awards have been made to date under the Company Incentive Plan. Except as provided in the Merger Agreement, the officers and employees of the Company who may participate in the Company Incentive Plan and the amount of Awards will be determined by the Committee in its discretion, and it is not possible to state the names or positions of, or the number of shares of Common Stock that may be granted to, the Company's officers and key employees. Under the terms of the Merger Agreement, at the Effective Time participants in the Ashland Coal Stock Plans will receive, in substitution for outstanding options under the Ashland Coal Stock Plans, options under the Company Incentive Plan.

COMPARISON OF STOCKHOLDER RIGHTS

Upon consummation of the Merger, the stockholders of Ashland Coal will become stockholders of the Company. Differences between the Ashland Coal Certificate and Ashland Coal Bylaws, and the Company Certificate and the Company Bylaws will result in changes in the rights of the stockholders of Ashland Coal when they become stockholders of the Company. The following is a description of certain of such differences. Descriptions of provisions of the Company Certificate or the Company Bylaws are qualified in their entirety by reference to the full texts thereof attached as Annexes A and B to the Merger Agreement, respectively. A copy of the Merger Agreement is attached hereto as Appendix A.

SUPERMAJORITY VOTING PROVISIONS

Article Fourth of the Ashland Coal Certificate provides that holders of the outstanding shares of Ashland Coal Preferred Stock, voting together as a class, shall have the right to elect one Director of Ashland Coal for every 63 shares of Preferred Stock held by such holders, provided that the maximum number of Directors to be elected by the holders of such Preferred Stock shall be three. The holders of the outstanding shares of Ashland Coal Common Stock, voting as a single class and without the votes of the holders of Ashland Coal Preferred Stock, shall have the right to elect the number of Directors as fixed by the Ashland Coal Board of Directors pursuant to the Ashland Coal Bylaws less the number of Directors which the holders of the Ashland Coal Preferred Stock shall have the right to elect. Article I of the Ashland Coal Bylaws provides that each holder of Ashland Coal Common Stock shall be entitled to one vote for each share of Common Stock having voting power.

The Company Certificate provides that each holder of shares of Company Common Stock shall be entitled to one vote for each share of Common Stock having voting power and beneficially owned by such holder. Article Fourth of the Company Certificate provides that Company Preferred Stock may be issued by the Company Board of Directors, provided that the holders of Preferred Stock will not be entitled to more than the lesser of (a) one vote per $100 of liquidation value or (b) one vote per share, when voting as a class with the holders of shares of other capital stock. Any holders of Preferred Stock will not be entitled to vote on any matter separately as a class, except to the extent required by law or as specified with respect to (x) any amendment or alteration of the Company Certificate that would adversely affect the powers, preferences or special rights of the Preferred Stock or (y) the failure of the Company to pay dividends on any series of Preferred Stock for any six quarterly dividend payment periods, whether or not consecutive.

Article Fifth of the Company Certificate requires the affirmative vote of not less than two-thirds of the members of the entire Board of Directors to change the number of directors of the Company.

Article Sixth of the Ashland Coal Certificate provides that Ashland Coal shall not amend the Ashland Coal Certificate or Ashland Coal Bylaws, nor shall it enter into any merger or consolidation, or sell, lease or transfer all or substantially all of its property and assets, or dissolve and wind up its affairs, except upon the approval of 85% of the outstanding shares of capital stock of Ashland Coal voting thereon, voting as one class. Article Sixth of the Ashland Coal Certificate also prohibits Ashland Coal from amending, altering or repealing the Ashland Coal Certificate as it relates to the election and removal of any directors to be elected by the holders of Ashland Coal Class B Preferred Stock and Ashland Coal Class C Preferred Stock by cumulative voting except upon the approval of the holders of a majority of the outstanding shares of Ashland Coal Class B Preferred Stock and Ashland Coal Class C Preferred Stock voting as separate classes. Article XIII of the Ashland Coal Bylaws requires the vote of not less than 76% of the members of the Board of Directors of Ashland Coal before the Ashland Coal Bylaws may be altered or repealed.

Article Sixth of the Company Certificate requires the affirmative vote of not less than two-thirds of the outstanding shares of Company Common Stock voting thereon before the Company may adopt an agreement or plan of merger or consolidation, authorize the sale, lease or exchange of all or substantially all of the property and assets of the Company, authorize the dissolution of the Company or the distribution of all or

substantially all of the assets of the Company to its stockholders or amend certain provisions of the Company Certificate, including the authorization of capital stock in Article Fourth, the supermajority provisions in Articles Fifth and Sixth and the election not to be governed by Section 203 of the DGCL in Article Eighth. Article II of the Company Bylaws permits the amendment or repeal of the Company Bylaws upon the affirmative vote of not less than two-thirds of the Company's Board of Directors.

The Ashland Coal Bylaws provide that the President be elected by the affirmative vote of not less than 76% of the Board of Directors. The Ashland Coal Bylaws also state that the President is the Chief Executive Officer. Article II of the Company Bylaws requires an affirmative vote of not less than two-thirds of the members of the Board of Directors of the Company to elect the Chief Executive Officer, the President, the Chief Operating Officer (if any) and the Chief Financial Officer (if any) of the Company.

The Ashland Coal Bylaws provide that there be an affirmative vote of not less than 76% of the members of the Board of Directors of Ashland Coal to authorize the issuance of any stock or instrument convertible into or rights or warrants to subscribe for or purchase any stock of Ashland Coal, except for any Ashland Coal Common Stock in an amount not greater than 750,000 shares of Ashland Coal Common Stock issued in connection with any stock option or other plan for the employees or officers of Ashland Coal approved and adopted by the Board of Directors in accordance with the Ashland Coal Bylaws. Article II of the Company Bylaws requires an affirmative vote of not less than two-thirds of the members of the Board of Directors of the Company to authorize the issuance of more than 1,000,000 shares of Company Common Stock or any shares of Preferred Stock of the Company in any one transaction or series of related transactions, to declare a dividend or distribution on any Company stock, to approve the Company's annual budget or operating plan, including any unbudgeted capital expenditure in excess of $10,000,000, to adopt a share purchase plan of a nature commonly referred to as a "poison pill," to repurchase or redeem any capital stock of the Company, to appoint members to or dissolve the Executive Committee or to amend the supermajority provisions of the Company Bylaws.

The Ashland Coal Bylaws provide that the number of Directors shall be fixed, from time to time, by a resolution adopted by a vote of not less than 76% of the whole Board of Directors subject to the provisions of the Ashland Coal Certificate and the laws of the State of Delaware. The Company Certificate provides that the number of directors may be established or changed by the affirmative vote of not less than two-thirds of the members of the Board of Directors but in no event shall the number be less than three.

ELECTION OF DIRECTORS; CUMULATIVE VOTING

The DGCL provides that the certificate of incorporation of any Delaware corporation may provide that at all or at certain elections of directors each holder of stock entitled to vote may vote cumulatively for directors. Article Fourth of the Ashland Coal Certificate provides that holders of Ashland Coal Preferred Stock shall have the right to cumulate their votes in accordance with the DGCL. Article Sixth of the Company Certificate expressly provides that holders of Company Stock will have the right to cumulate their votes in the election of directors. A stockholder of the Company who elects to cumulate votes is entitled to as many votes as equals the number of votes which such holder would be entitled to cast for the election of directors with respect to such holder's shares of stock multiplied by the number of directors to be elected by such holder, and such holder may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them, as such holder may see fit. If less than the entire Board of Directors of the Company is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect the director if then cumulatively voted at an election of the entire Board of Directors.

PROCEDURES TO BRING BUSINESS BEFORE A STOCKHOLDERS MEETING

The Company Bylaws provide that in order for nominations or other business to be properly brought before a stockholders' meeting by a stockholder, the stockholder must give timely notice thereof in writing to the

Secretary. To be timely, a stockholder's notice must be delivered to the Secretary not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that, in the event the date of the annual meeting is advanced by more than 20 days or delayed by more than 70 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such meeting and not later than the later of the 70th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. The notice must set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as appears on the Company's books, and of such beneficial owner and (ii) the class and number of shares of the Company which are owned beneficially and of record by such stockholder and such beneficial owner; and (d) a statement as to whether or not the stockholder will solicit proxies in support of such stockholder's nominee or proposal.

The Ashland Coal Bylaws do not contain provisions addressing nominating procedures or procedures for bringing other business before a stockholders' meeting by a stockholder. In the absence of such provisions, nominating procedures or procedures for bringing other business before a stockholders' meeting are governed by Regulation 14A of the Exchange Act and applicable Delaware law.

STATUTORY PROVISIONS AFFECTING BUSINESS MERGERS AND CONTROL SHARE ACQUISITIONS

Section 203 of the DGCL ("Section 203") provides that any person who acquires 15% or more of a corporation's voting stock (thereby becoming an "interested stockholder") may not engage in a "business combination" with the corporation for a period of three years following the time the person became an interested stockholder, unless (i) the board of directors of the corporation approved, prior to such time, either the business combination or the transaction that resulted in the person becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in that person becoming an interested stockholder, that person owns at least 85% of the corporation's voting stock outstanding at the time the transaction commenced (excluding shares owned by persons who are directors and officers of that corporation and shares owned by employee stock plans in which participants do not have the right to determine confidentially whether shares will be tendered in a tender or exchange offer), or (iii) the business combination is approved by the board of directors and authorized by the affirmative vote (at an annual or special meeting and not by written consent) of at least 66 2/3% of the outstanding shares of voting stock not owned by the interested stockholder.

In determining whether a stockholder is the "owner" of 15% or more of a corporation's voting stock for purposes of Section 203, ownership is defined to include the right, directly or indirectly, to acquire stock or to control the voting or disposition of stock. A "business combination" is defined to include (i) mergers or consolidations of a corporation with an interested stockholder, (ii) sales or other dispositions of ten percent or more of the assets of a corporation with or to an interested stockholder, (iii) certain transactions resulting in the issuance or transfer to an interested stockholder of any stock of a corporation or its subsidiaries, (iv) certain transactions which would result in increasing the proportionate share of the stock of a corporation or its subsidiaries owned by an interested stockholder, and (v) receipt by an interested stockholder of the benefit (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial benefits from, by or to a corporation or any of its majority-owned subsidiaries.

Since neither the Ashland Coal Certificate nor the Ashland Coal Bylaws contains a provision expressly electing not to be governed by Section 203, Ashland Coal is subject to Section 203. Since the Company Certificate will contain a provision expressly electing not to be governed by Section 203, the Company will not be subject to Section 203.

DESCRIPTION OF COMPANY CAPITAL STOCK

The Company Certificate provides that the authorized capital of the Company consists of 100,000,000 shares of Common Stock, par value $.01 per share, and will provide, at the Effective Time, for 10,000,000 shares of Preferred Stock, par value $.01 per share ("Company Preferred Stock").

COMMON STOCK

Each share of Company Common Stock will entitle its holder of record to one vote on all matters to be voted on by the stockholders. The Company Certificate provides that, subject to the rights of holders of Company Preferred Stock, in the election of directors a holder of Company Common Stock who elects to cumulate votes shall be entitled to as many votes as equals the number of votes which (absent this provision as to cumulative voting) such holder would be entitled to cast for the election of directors with respect to such holder's shares of stock multiplied by the number of directors to be elected by such holder, and such holder may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them, as such holder may see fit. Subject to the rights of holders of Company Preferred Stock, holders of Company Common Stock will be entitled to share on a pro rata basis in any distribution to stockholders upon liquidation, dissolution or winding up of the Company. No holder of Company Common Stock will have any preemptive right to subscribe for any stock or other security of the Company.

PREFERRED STOCK

The Board of Directors of the Company, without further action by its stockholders, may, after the Effective Time, authorize the issuance of shares of Company Preferred Stock from time to time in one or more series and, within certain limitations, fix the powers, preferences and rights and the qualifications, limitations or restrictions thereof and the number of shares constituting any series or designations of such series. Satisfaction of any dividend preferences of outstanding Company Preferred Stock would reduce the amount of funds available for the payment of dividends on Company Common Stock. Holders of Company Preferred Stock would normally be entitled to receive a preference payment in the event of any liquidation, dissolution or winding up of Company before any payment is made to the holders of Company Common Stock. In addition, under certain circumstances, the issuance of such Company Preferred Stock may render more difficult or tend to discourage a change in control of the Company. Although the Company currently has no plans to issue shares of Company Preferred Stock, the Board of Directors of the Company, without stockholder approval, may, after the Effective Time, issue Company Preferred Stock with voting and conversion rights which could adversely affect the rights of holders of shares of Company Common Stock.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for Company Common Stock will be First Chicago Trust Company of New York.

LEGAL MATTERS

The validity of the shares of Company Common Stock to be issued in connection with the Merger will be passed upon by Jeffry N. Quinn, Senior Vice President--Law and Human Resources, Secretary and General Counsel of the Company.

STOCKHOLDER PROPOSALS

If the Merger is consummated, the first annual meeting of stockholders of the Company following the Merger (the "1998 Company Annual Meeting") will occur on a date in 1998 that has not yet been determined. With respect to the 1998 Company Annual Meeting, stockholder proposals will be timely, for the purpose of Rule 14a-8 under the Exchange Act, if they are received a reasonable time before the Company begins to solicit proxies with respect to the 1998 Company Annual Meeting. The Company intends to treat any stockholder proposal that is submitted on or before November 21, 1997 as timely (and any stockholder proposal submitted thereafter as untimely), for the purpose of Rule 14a-8, in relation to the 1998 Company Annual Meeting. Stockholder proposals are required to satisfy a number of requirements, in addition to timeliness, in order to be includable in a company's proxy statement under Rule 14a-8.

The Company Bylaws provide that in order for nominations or other business to be properly brought before a stockholders meeting by a stockholder, the stockholder must give timely notice thereof in writing to the Secretary. To be timely, a stockholder's notice must be delivered to the Secretary not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event the date of the annual meeting is advanced by more than 20 days or delayed by more than 70 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such meeting and not later than the later of the 70th day prior to such meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. The notice must set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Company's books, and of such beneficial owner and (ii) the class and number of shares of the Company which are owned beneficially and of record by such stockholder and such beneficial owner; and (d) a statement as to whether or not the stockholder will solicit proxies in support of such stockholder's nominee or proposal.

Auger Mining. Auger mining employs a large auger, which functions much like a carpenter's drill. The auger bores into a coal seam and discharges coal out of the spiral onto conveyor belts. After augering is completed, the openings are filled and reclaimed. This method of mining is usually employed to recover any additional coal left in deep overburden areas that cannot be reached economically by other types of surface mining.

Btu--British Thermal Unit. A measure of the energy required to raise the temperature of one pound of water one degree Fahrenheit.

Coal Seam. A bed or stratum of coal.

Coal Washing. The process of removing impurities, such as ash and sulfur-based compounds, from coal.

Compliance Coal. Coal which, when burned, meets the most stringent federal Clean Air Act requirements for sulfur dioxide emissions without the aid of sulfur reduction technology.

Continuous Mining. One of two major underground mining methods now used in the United States (also see "Longwall Mining"). This process utilizes a machine--a "continuous miner"--that mechanizes the entire coal extraction process. The continuous miner removes or "cuts" the coal from the seam. The loosened coal then falls on a conveyor for removal to a shuttle car or larger conveyor belt system.

Deep Mine. An underground coal mine.

Demonstrated. The sum of coal tonnage classified as proven reserves and probable reserves.

Dragline. A large machine used in the surface mining process to remove the overburden, or layers of earth and rock, covering a coal seam. The dragline has a large bucket suspended from the end of a long boom. The bucket, which is suspended by cables, is able to scoop up great amounts of overburden as it is dragged across the excavation area.

High-Sulfur Coal. Coal which, when burned, emits 2.5 or more pounds of sulfur dioxide per million Btu.

Highwall. Unexcavated face of exposed overburden and coal in a surface mine or in a face or bank on the uphill side of a contour mine excavation.

Incidence Rate. Frequency with which accidents and fatalities occur. Calculated on the basis of 200,000 hours of exposure during work.

Longwall Mining. One of two major underground coal mining methods currently in use. This method employs a rotating drum, which is pulled mechanically back and forth across a face of a coal seam. The loosened coal falls onto a conveyor for removal from the mine. Longwall operations include a hydraulic roof support system that advances as mining proceeds, allowing the roof to fall in a controlled manner in areas already mined.

Low-Sulfur Coal. Coal which, when burned, emits less than 2.5 pounds of sulfur dioxide per million Btu.

Metallurgical or "Met" Coal. The various grades of coal suitable for carbonization to make coke for steel manufacture.

Overburden. Layers of earth and rock covering a coal seam. In surface mining operations, overburden is removed prior to coal extraction.

Overburden Ratio. A measurement indicating the volume of earth and rock, in cubic yards, that must be removed to expose one ton of marketable coal.

Preparation Plant. A preparation plant is a facility for crushing, sizing and washing coal to prepare it for use by a particular customer. The washing process has the added benefit of removing some of the coal's sulfur content.

Probable (Indicated) Reserves. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

Proven (Measured) Reserves. Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, and grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established.

Ranks of Coal. The classification of coal by degree of hardness, moisture and heat content: Anthracite is hard coal, almost pure carbon, used mainly for heating homes. Bituminous Coal is soft, the most common type found in the United States, and is used to generate electricity and to make coke for the steel industry. Subbituminous is a coal with a heating value between bituminous and lignite, and has low fixed carbon and high percentage of volatile matter and moisture. Subbituminous coal is used primarily for generating electricity. Lignite is the softest coal and has the highest moisture content. It is used for generating electricity in certain parts of the country and for conversion into synthetic gas. In terms of Btu or "heating" content, anthracite has the highest value, followed by bituminous, subbituminous and lignite.

Reclamation. The restoration of land and environmental values to a mining site after the coal is extracted. Reclamation operations are usually underway where the coal has already been taken from a mine, even as mining operations are taking place elsewhere at the site. The process commonly includes "recontouring" or reshaping the land to its approximate original appearance, restoring topsoil and planting native grass and ground covers.

Recoverable Product Tons. The tonnage that the Company anticipates will be available for sale after losses associated with processing and preparation.

Reserve. That part of a coal deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Resource. Naturally occurring concentrations or deposits of coal in such form and amount that economic extraction is currently or potentially feasible. Identified resource bodies are determined based on specific geologic evidence and may contain further subdivisions of reserves, marginal reserves and subeconomic resources and may be classified according to varying levels of geologic assurance.

Run-of-Mine Coal. Coal as it comes directly from the mine that is not treated by a preparation plant.

Scrubber. Any of several forms of chemical/physical devices that operate to neutralize sulfur compounds formed during coal combustion. These devices combine the sulfur in gaseous emissions with other chemicals to form inert compounds, such as gypsum, which must then be removed for disposal. Although effective in substantially reducing sulfur from combustion gases, scrubbers require about 6 to 7 percent of a power plant's electrical output and thousands of gallons of water to operate.

Spot Market. Sales of coal pursuant to an agreement for shipments over a period of one year or less.

Steam Coal. Coal used by power plant and industrial steam boilers to produce electricity or process steam. It generally is lower in Btu content and higher in volatile matter than metallurgical coal.

Surface Mine. A mine in which the coal lies near the surface and can be extracted by removing overburden.

Tons. References herein to a "ton" mean a "short" or net ton, which is equal to 2,000 pounds. The short ton is the unit of measure referred to in this document.

Underground Mine. Also known as a "deep" mine. Usually located several hundred feet below the earth's surface, an underground mine's coal is removed mechanically and transferred by shuttle car or conveyor to the surface.

Unit Train. A long train of between 60 and 150 hopper cars, carrying coal between a single mine and a destination. A typical unit train can carry at least 10,000 tons of coal in a single shipment.

INDEX TO COMPANY FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Arch Mineral Corporation:

We have audited the accompanying consolidated balance sheets of Arch Mineral Corporation (a Delaware corporation) and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations and retained earnings and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arch Mineral Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1995 the Company changed its method of accounting for impairments of long-lived assets.

/s/ Arthur Andersen LLP
ARTHUR ANDERSEN LLP

St. Louis, Missouri
January 16, 1997 (except with respect to the matters discussed in Note 13 as to which the date is May 20, 1997)

ARCH MINERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(THOUSANDS OF DOLLARS EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)	(UNAUDITED)			
Revenues:					
Coal sales	$192,328	$183,886	$750,123	$706,845	$747,506
Other revenues	5,091	4,603	25,682	30,419	37,781
	197,419	188,489	775,805	737,264	785,287
Costs and Expenses:					
Cost of coal sales	171,623	162,416	667,878	657,738	648,091
Selling, general and administrative expenses	4,897	4,573	20,435	19,680	21,758
Amortization of coal supply agreements	2,116	2,855	12,604	13,374	15,346
Write-down of impaired assets	--	--	--	10,241	--
Restructuring expenses	--	--	--	8,250	--
Other expenses	2,470	3,699	18,776	17,956	35,150
	181,106	173,543	719,693	727,239	720,345
Income from operations	16,313	14,946	56,112	10,025	64,942
Interest Expense, Net:					
Interest expense	(3,553)	(5,066)	(18,783)	(23,794)	(22,120)
Interest income	260	317	1,191	832	538
	(3,293)	(4,749)	(17,592)	(22,962)	(21,582)
Income (loss) before income taxes	13,020	10,197	38,520	(12,937)	43,360
Provision (Benefit) for Income Taxes	2,600	2,600	5,500	(1,900)	8,200
NET INCOME (LOSS)	10,420	7,597	33,020	(11,037)	35,160
Dividends Paid ($.38 and $.32 per share)	--	--	(8,000)	(6,697)	--
Income Tax Charge Related to Assets Acquired from Related Parties	--	--	(8,086)	--	--
Retained Earnings, Beginning of Period	122,025	105,091	105,091	122,825	87,665
Retained Earnings, End of Period	$132,445	$112,688	$122,025	$105,091	$122,825
Earnings (Loss) Per Common Share	$ .50	$ .36	$ 1.58	$ (.53)	$ 1.68

The accompanying notes are an integral part of the consolidated financial statements.

ARCH MINERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS EXCEPT SHARE DATA)

	MARCH 31, 1997	DECEMBER 31 1996	1995
	(UNAUDITED)		
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 13,660	$ 13,716	$ 17,502
Trade accounts receivable	82,246	75,657	77,893
Other receivables	3,744	5,143	13,764
Coal inventories	24,737	21,866	25,989
Repair parts and supplies inventories	12,685	13,368	13,269
Deferred income taxes	14,500	14,500	7,000
Prepaid expenses and other assets	9,478	9,362	7,429
Total current assets	161,050	153,612	162,846
Property, Plant and Equipment:			
Coal lands and mineral rights	394,724	394,634	378,825
Plant and equipment	691,096	691,834	744,649
Deferred mine development	77,872	76,151	65,433
	1,163,692	1,162,619	1,188,907
Less accumulated depletion, depreciation and amortization	(611,636)	(595,552)	(581,233)
Property, plant and equipment, net	552,056	567,067	607,674
Deferred Income Taxes	64,639	67,207	67,562
Other Assets:			
Coal supply agreements less accumulated amortization	81,254	83,369	88,823
Receivables and other assets	13,608	14,266	13,863
Total assets	$ 872,607	$ 885,521	$ 940,768
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	$ 41,728	$ 42,712	$ 47,697
Accrued expenses	76,309	77,734	75,072
Total current liabilities	118,037	120,446	122,769
Long-Term Debt	190,537	212,695	274,314
Accrued Postretirement Benefits	230,114	228,843	225,377
Accrued Workers' Compensation Benefits	69,448	70,849	69,787
Accrued Reclamation and Mine Closure	95,552	97,595	112,971
Other Noncurrent Liabilities	27,873	24,467	21,858
Total liabilities	731,561	754,895	827,076
Stockholders' Equity:			
Common stock, $.01 par value, authorized 100,000,000 shares, issued and outstanding 20,948,463 shares	209	209	209
Paid-in capital	8,392	8,392	8,392
Retained earnings	132,445	122,025	105,091
Total stockholders' equity	141,046	130,626	113,692
Total liabilities and stockholders' equity	$ 872,607	$ 885,521	$ 940,768

The accompanying notes are an integral part of the consolidated financial statements.

ARCH MINERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(THOUSANDS OF DOLLARS)

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)	(UNAUDITED)			
OPERATING ACTIVITIES					
Net Income (Loss).....	$ 10,420	$ 7,597	$ 33,020	$ (11,037)	$ 35,160
Items to Reconcile Net Income (Loss) to Net Cash Provided From Operating Activities:					
Depreciation, depletion and amortization.....	28,296	24,625	114,703	100,101	99,431
Net gain on disposition of assets.....	(377)	(606)	(7,959)	(8,514)	(419)
Write-down of impaired assets.....	--	--	--	10,241	--
Changes in:					
Trade accounts receivable.....	(6,589)	(7,628)	2,236	1,162	(24,607)
Other receivables....	1,399	4,884	8,621	(2,964)	6,513
Coal inventories.....	(2,872)	1,607	4,123	6,019	(6,270)
Repair parts and supplies inventories.....	684	(455)	(99)	2,114	(533)
Income taxes.....	2,568	710	(1,145)	(2,867)	(10,906)
Accounts payable and accrued expenses....	(1,902)	(5,412)	(7,464)	233	(6,674)
Accrued postretirement benefits.....	1,270	2,077	4,566	8,810	12,698
Accrued workers' compensation benefits.....	(1,908)	(1,998)	(897)	(8,360)	(13,013)
Accrued reclamation and mine closure....	(2,043)	(194)	(10,492)	(6,877)	(9,865)
Other.....	3,985	(91)	(7,813)	4,465	(242)
Net cash provided from operating activities.....	32,931	25,116	131,400	92,526	81,273
INVESTING ACTIVITIES					
Additions to Property, Plant and Equipment...	(11,546)	(13,485)	(48,290)	(80,347)	(96,271)
Additions to Coal Supply Agreements.....	--	(755)	(7,150)	(1,924)	--
Payments for Acquisitions.....	--	--	(14,200)	--	(77,427)
Proceeds From Dispositions of Property, Plant and Equipment.....	717	767	4,073	42,605	2,478
Net cash used in investing activities.....	(10,829)	(13,473)	(65,567)	(39,666)	(171,220)
FINANCING ACTIVITIES					
Proceeds from Borrowings.....	5,000	77,000	251,500	1,270,000	437,000
Payments on Borrowings.....	(27,158)	(98,862)	(313,119)	(1,303,852)	(352,532)
Dividends Paid.....	--	--	(8,000)	(6,697)	--
Net cash provided from (used in) financing activities.....	(22,158)	(21,862)	(69,619)	(40,549)	84,468
Increase (decrease) in cash and cash equivalents.....	(56)	(10,219)	(3,786)	12,311	(5,479)
Cash and Cash Equivalents, Beginning of Year.....	13,716	17,502	17,502	5,191	10,670
Cash and Cash					

Equivalents, End of Year	$ 13,660	$ 7,283	$ 13,716	$ 17,502	$ 5,191
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Interest paid	$ 4,255	$ 7,200	$ 20,294	$ 24,772	$ 18,743
Income taxes paid, net of refunds	$ 32	$ 1,890	$ 14,731	$ 966	$ 11,792

The accompanying notes are an integral part of the consolidated financial statements.

ARCH MINERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

NATURE OF BUSINESS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Arch Mineral Corporation and its subsidiaries (the "Company"). The Company produces steam coal from surface and deep mines in Illinois, Kentucky, West Virginia, Virginia and Wyoming for sale to utility and industrial markets. Some members of the Company's workforce are represented by various labor organizations. Significant intercompany transactions and accounts have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are stated at cost. Cash equivalents consist of highly liquid investments with an original maturity of three months or less.

INVENTORIES

Coal inventories are valued at the lower of average cost or market. Repair parts and supplies inventories are stated at the lower of average cost or net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost. The cost of coal lands and mineral rights is depleted by the units-of-production method over the estimated recoverable reserves. The cost of plant and equipment is depreciated by the straight-line method over the estimated useful lives which range from three to twenty years. Repairs and maintenance are expensed as incurred; major improvements are capitalized; coal exploration costs are expensed as incurred. Mine development costs, which are recoverable, are capitalized and amortized by the units-of-production method over the estimated recoverable reserves.

During 1996, the Company sold an idle processing plant and loadout facilities in Eastern Kentucky for the assumption of the environmental liabilities. As a result, the Company recognized a gain of $4.9 million included in Other Revenues. During 1995, the Company sold its timber rights to approximately 100,000 acres of property in the Eastern United States for a gain of $8.4 million included in Other Revenues.

During 1996, the Company reduced the estimated useful lives of certain long-lived assets (primarily related to life of mine assets including preparation plants and beltlines) for depreciation and amortization purposes. These changes in estimates were primarily due to increased productivities and reductions in recoverable reserves. As a result, an additional $11.3 million (after tax impact of $6.9 million or $.33 per share) of depreciation and amortization expense was recorded in Cost of Coal Sales. The assets included a preparation plant that had an original life of 16 years that was adjusted to 7.5 years, a preparation plant and beltline related to a surface mine that carried an original life of 20 years and that was adjusted to 17 years and deferred development for a surface mine with an original life of 5 years adjusted to 4 years.

OTHER ASSETS

Costs of acquired coal supply agreements are capitalized and amortized over the contract sales tonnage. Accumulated amortization for sales contracts was $42,973 and $48,214 at December 31, 1996 and 1995, respectively. Rights to leased coal lands are often acquired through royalty payments. Royalties are classified as a current asset when the prepayments are recoupable against future production within one year. As mining occurs on these leases, the prepayment is offset against earned royalties and is included in Cost of Coal Sales.

REVENUE RECOGNITION

Coal sales revenues include sales to customers of coal produced at Company operations and purchased from other companies. The Company recognizes revenue from coal sales at the time title passes to the customer.

Revenues other than from coal sales are included in Other Revenues and are recognized as services are performed or otherwise earned.

ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications of prior year amounts were made to conform with the current year presentation with no effect on previously reported net income (loss) or stockholders' equity.

ASSET IMPAIRMENT

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If this review indicates that the value of the asset will not be recoverable, as determined based on projected undiscounted cash flows related to the asset over its remaining life, then the carrying value of the asset is reduced to its estimated fair value.

Effective September 30, 1995, the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long Lived Assets to Be Disposed Of." As a result, the Company recorded charges of $10.2 million to write down certain assets to their fair value. These assets included idled facilities at the Company's Arch of Illinois, Arch of Kentucky, and Cumberland River Coal Company operations. Fair value was based upon management's best estimate of discounted cash flows.

RESTRUCTURING EXPENSES

During 1995, the Company restructured its selling, general and administrative functions and reduced its salaried workforce by 143 employees, 52 of which accepted the Company's early retirement program. Total restructuring charges of $8.3 million included charges for severance, pension and postretiree medical benefits. The restructuring reflected the Company's efforts to reduce its costs and improve its competitive position.

INTERIM FINANCIAL REPORTING

The consolidated financial statements as of March 31, 1997 and for the three months ended March 31, 1997 and 1996 and the notes thereto are unaudited. However, in the opinion of management, all adjustments (consisting only of normal accruals) necessary for a fair presentation of the financial statements have been included.

EARNINGS (LOSS) PER COMMON SHARE

For all periods presented, earnings (loss) per common share was calculated as net income (loss) divided by common shares outstanding as adjusted for the stock split (see Note 13), or 20,948,463 shares.

(2) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	DECEMBER 31	
	1996	1995
Accrued income taxes	$19,000	$13,000
Accrued payroll and related benefits	12,410	13,782
Accrued interest	2,365	4,846
Accrued taxes other than income taxes	14,272	12,980
Accrued postretirement benefits	13,000	11,900
Accrued workers' compensation benefits	10,298	12,257
Other accrued expenses	6,389	6,307
	$77,734	$75,072

(3) TAXES

Significant components of the provision for income tax expense (benefit) are as follows (in thousands):

	DECEMBER 31		
	1996	1995	1994
Current:			
Federal	$ 9,200	$ 200	$ 9,700
State	1,050	--	1,141
Total Current	10,250	200	10,841
Deferred:			
Federal	(4,050)	(800)	(1,800)
State	(700)	(1,300)	(841)
Total Deferred	(4,750)	(2,100)	(2,641)
	$ 5,500	$(1,900)	$ 8,200

A reconciliation of the statutory federal income tax provision (benefit) to the effective income tax benefit (provision) is as follows (in thousands):

	DECEMBER 31		
	1996	1995	1994
Income tax expense (benefit) at statutory rate	$ 13,482	$(4,528)	$ 15,176
Percentage depletion allowance	(10,431)	(6,701)	(12,228)
State taxes	350	(1,281)	347
Non-deductible expenses	1,000	700	2,211
Other, net	1,099	9,910	2,694
	$ 5,500	$(1,900)	$ 8,200

The Other category in the statutory rate reconciliation includes provisions in excess of statutory requirements for open tax years.

The Company's federal income tax returns for the years 1992 through 1994 are currently under review by the Internal Revenue Service (IRS). The IRS has completed its examinations of the Company's federal income tax returns for the years ended 1987, 1988 and 1989 and has proposed adjustments which relate principally to

business acquisitions, asset dispositions, corporate reorganizations, percentage depletion and investment tax credits during those years. As a result, the IRS has proposed additional taxes aggregating $50 million plus interest to the date of payment. After an analysis of the proposed adjustments by management with tax counsel, the Company paid $8 million in 1994 to the IRS and filed a protest with the IRS contesting certain adjustments. Management believes that the Company has adequately provided for any income taxes and related interest which may ultimately be paid on contested issues.

During 1996, the IRS completed its examinations of the Company's federal income tax returns for years 1990 and 1991 and the Company and the IRS agreed to a settlement of various tax issues for a payment of $6.5 million including interest which was charged against previously recorded reserves. Part of the settlement related to the acquisition from the Company's shareholders of certain Illinois coal reserves for $55.2 million. Their acquisition was valued for accounting purposes at the stockholders' net book value of $22.8 million with the $32.4 million difference between the net book value and fair market value less $12.3 million of deferred tax benefits being recorded as a reduction to stockholders' equity. As part of the settlement with the IRS, the Company agreed to adjust the fair market value of the coal properties to $33.8 million for tax purposes resulting in a decrease to the deferred tax asset of $8.1 million from $12.3 million to $4.2 million. The decrease in the deferred tax asset was charged directly to stockholders' equity.

Significant components of the Company's deferred tax assets and liabilities that result from carryforwards and temporary differences between the financial statement basis and tax basis of assets and liabilities are summarized as follows (in thousands):

	DECEMBER 31	
	1996	1995
Deferred tax assets:		
Postretirement benefits, other than pension	$ 89,249	$ 91,777
Workers' compensation benefits	27,631	26,033
Alternative minimum tax credit carryforward	42,503	37,109
Net operating loss carryforwards	7,677	11,599
Other	29,083	26,232
Total deferred tax asset	196,143	192,750
Deferred tax liabilities:		
Coal lands and mineral rights	28,529	15,286
Plant and equipment	50,373	50,637
Deferred mine development	4,469	6,704
Coal supply agreements	8,834	11,769
Other	22,231	33,792
Total deferred tax liability	114,436	118,188
Net deferred tax asset	81,707	74,562
Less current asset	(14,500)	(7,000)
Long-term deferred tax asset	$ 67,207	$ 67,562

If not used, the carryforwards for net operating losses of $19.7 million will expire in the years 2003 through 2010. The alternative minimum tax credit carryforwards have no statutory expiration date.

The Company is required to record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. It is management's belief that the Company's net deferred income tax asset will more likely than not be realized by generating sufficient taxable income in the future.

(4) LONG-TERM DEBT

Long-term debt is comprised of the following (in thousands):

	MARCH 31, 1997	DECEMBER 31 1996	1995
	(UNAUDITED)		
$200 million revolving credit agreement, variable interest rate, payable January 27, 1999 (interest rate at March 31, 1997--6.10%; December 31, 1996--6.12%; December 31, 1995--6.38%)	$132,000	$147,000	$158,000
7.79% senior unsecured notes, payable in seven equal annual installments beginning January 31, 1997	42,860	50,000	50,000
9.85% senior unsecured notes, payable annually through June 1, 1997	8,000	8,000	16,000
9.25% senior unsecured notes, due on August 31, 1996	--	--	10,000
Obligations from acquisitions of coal properties and sales contracts, effective interest rates of 7.5% to 12%, payable through 2013	--	--	32,276
Obligations, interest rates of 7.15% to 9%, payable through 2009, collateralized by underlying properties	7,676	7,695	8,038
	190,536	212,695	274,314
Less--current maturities	--	--	--
	$190,536	$212,695	$274,314

The Company has a revolving credit agreement, which terminates in 1999, with a group of banks providing for borrowings of up to $200 million. The rate of interest on borrowings under this agreement is, at the Company's option, a money-market rate determined by a competitive bid process, the PNC Bank base rate and a rate based on LIBOR. The daily provisions of the revolving credit agreement require a facility fee on the amount of the commitment and a commitment fee on the average daily unused portion of the revolving credit agreement. The rates used for the facility and commitment fees, which are currently 0.20% and 0.125% per annum, respectively, are determined monthly based upon the Company's ratio of debt to equity and may vary from 0.15% to 0.25% and 0.100% to 0.125% for the facility fee and commitment fee, respectively.

Current maturities of long-term debt of $16 million have been reclassified as noncurrent obligations due to the Company's ability and intent to refinance their obligations on a long-term basis with funds obtained from the $200 million revolving credit agreement. Scheduled long-term debt repayments are as follows (in thousands):

1997	$ --
1998	7,517
1999	170,615
2000	7,572
2001	7,602

Certain debt agreements contain covenants requiring current ratio and net worth minimum amounts, as well as covenants restricting new borrowings, mortgages, lease commitments, investments and dividends to stockholders. Retained earnings available for payment of dividends were limited to $8.5 million and $0 as of December 31, 1996 and December 31, 1995, respectively.

(5) FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts approximate fair value.

Debt: The carrying amounts of the Company's borrowings under its revolving credit agreement approximate their fair value. The fair values of the Company's senior notes and other long-term fixed debt are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Company's financial instruments at December 31, 1996 and 1995 are as follows (in thousands):

	1996		1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	$ 13,716	$ 13,716	$ 17,502	$ 17,502
Revolving credit agreement	147,000	147,000	158,000	158,000
Senior notes	58,000	59,510	76,000	79,868
Other debt	7,695	7,695	40,314	45,410

(6) EMPLOYEE BENEFIT PLANS

MAJOR ASSUMPTIONS

Major assumptions used by independent actuaries in determining the liabilities for defined benefit pension plans, postretirement benefits, and black lung benefits were as follows:

	DECEMBER 31		
	1996	1995	1994
Discount rate	7.50%	7.25%	8.0%
Assumed rate of investment return on pension assets	9.0%	9.0%	8.0%
Compensation increase rate	5.0%	5.0%	5.5%
Medical trend rate (declines 1% per year)	7.0-5.0%	8.0-5.0%	10.0-6.0%
Black lung benefit cost escalation rate	4.0%	4.0%	4.0%

Net gains and losses which result from differences between actuarial assumptions and actual experience are amortized over five years.

WORKERS' COMPENSATION

The Company is liable under the Federal Mine Safety and Health Act of 1977, as amended, to provide for pneumoconiosis (black lung) benefits to eligible employees, former employees, and dependents with respect to claims filed by such persons on or after July 1, 1993. The Company is also liable under various states' statutes for black lung benefits. The Company currently provides for federal and state claims principally through a self insurance program. Charges are made to operations, as determined by independent actuaries, at the present value of the actuarially computed present and future liabilities for such benefits over the employees' applicable years of service. In addition, the Company is liable for workers' compensation benefits for traumatic injuries which

are accrued as injuries are incurred. Workers' compensation costs (credits) included the following components (in thousands):

	DECEMBER 31		
	1996	1995	1994
Self-insured black lung benefits:			
Service cost	$ 639	$ 572	$ 715
Interest cost	1,735	1,879	1,692
Net amortization and deferral	(9,766)	(9,691)	(10,014)
	(7,392)	(7,240)	(7,607)
Other workers' compensation benefits	13,350	13,041	6,327
	$ 5,958	$ 5,801	$ (1,280)

In consultation with independent actuaries, the Company changed the discount rate, black lung benefit cost escalation rate, rates of disability and other assumptions used in the actuarial determination of black lung liabilities as of January 1, 1993, to better reflect actual experience. The effect of these changes was a significant increase in the unrecognized net gain. This gain is amortized through 1997 and totalled $10.8 million in each of the years 1996, 1995 and 1994, respectively.

Summarized below is information about the amounts recognized in the consolidated balance sheets for workers' compensation benefits (in thousands):

	DECEMBER 31	
	1996	1995
Actuarial present value for self-insured black lung:		
Benefits contractually recoverable from others	$ (5,665)	$ (4,412)
Benefits for Company employees	(24,842)	(27,296)
Accumulated black lung benefit obligation	(30,507)	(31,708)
Unrecognized net gain	(7,347)	(14,743)
	(37,854)	(46,451)
Traumatic and other workers' compensation	(43,293)	(35,593)
Accrued liabilities for workers' compensation benefits	(81,147)	(82,044)
Less amount included in accrued expenses	10,298	12,257
	$(70,849)	$(69,787)

DEFINED BENEFIT PENSION PLANS

The Company sponsors pension plans which cover substantially all employees, other than union employees covered by multiemployer pension plans under collective bargaining agreements. Benefits under non-contributory defined benefit pension plans are based on the employee's years of service and compensation. It is the Company's policy to fund its pension plans by contributions within allowable limits imposed by the Employee Retirement Income Security Act of 1974 (ERISA) and federal income tax laws. The net pension cost of the plans includes the following components (in thousands):

	DECEMBER 31		
	1996	1995	1994
Defined benefit pension plans:			
Service cost	$ 2,295	$ 2,339	$ 2,331
Interest cost	4,051	3,454	2,922
Investment return on plan assets	(4,159)	(9,052)	1,302
Net amortization and deferral	1,281	5,405	(4,598)
Net periodic pension cost	3,468	2,146	1,957
Provision for restructuring	--	2,125	--
	$ 3,468	$ 4,271	$ 1,957

Summarized below are the funded status of the defined benefit pension plans and amounts recognized in the consolidated balance sheets (in thousands):

	DECEMBER 31	
	1996	1995
Actuarial present value:		
Vested benefits	$(46,195)	$(39,782)
Nonvested benefits	(2,974)	(3,547)
Accumulated benefit obligation	(49,169)	(43,329)
Effect of future salary increases	(7,541)	(9,332)
Projected benefit obligation (PBO)	(56,710)	(52,661)
Plan assets (primarily listed stocks and bonds) at fair value	45,929	43,195
Plan assets less than PBO	(10,781)	(9,466)
Unrecognized net gain	(3,250)	(1,808)
Unrecognized prior service cost	1,017	1,155
Unrecognized transition gain	(1,283)	(1,481)
	$(14,297)	$(11,600)

MULTI-EMPLOYER PENSION AND BENEFIT PLANS

Under the labor contract with the United Mine Workers of America (UMWA), the Company made payments of $1.9 million in each of the years 1996, 1995 and 1994 into a multiemployer defined benefit pension plan trust established for the benefit of UMWA-represented employees. Payments are based on hours worked and are expensed as paid. Under the Multiemployer Pension Plan Amendments Act of 1980, a contributor to a multiemployer pension plan may be liable, under certain circumstances, for its proportionate share of the plan's unfunded vested benefits (withdrawal liability). The Company has estimated its share of such amount to be approximately $26 million at December 31, 1996. The Company is not aware of any circumstances which would require it to reflect its share of unfunded vested pension benefits in its financial statements.

The Coal Industry Retiree Health Benefit Act of 1992 (Benefit Act) provides for the funding of medical and death benefits for certain retired members of the UMWA through premiums to be paid by assigned operators (former employers), transfers of funds in 1993 and 1994 from an overfunded pension trust established for the benefit of retired UMWA members, and transfers from the Abandoned Mine Land Funds (funded by a federal tax on coal production) commencing in 1995. The Company's accounting policy under the Benefit Act is to charge costs as premiums are paid. Premiums paid were $2.8 million in 1996, $2.6 million in 1995 and $2 million in 1994.

OTHER POSTRETIREMENT BENEFIT PLANS

The Company sponsors unfunded health care and life insurance benefit plans which cover substantially all active and certain retired employees. The Company recognizes a liability for the benefits as they are earned up to the employees' full eligibility and its funding policy is to fund the cost of all postretirement health and life insurance benefits as they are paid. The net periodic postretirement benefit cost of these plans includes the following components (in thousands):

	DECEMBER 31		
	1996	1995	1994
Company sponsored plans:			
Service cost	$ 2,246	$ 3,383	$ 3,834
Interest cost	15,648	17,050	14,997
Net amortization and deferral	(1,527)	(108)	3,002
Net periodic postretirement benefit cost	16,367	20,325	21,833
Provision for restructuring	--	175	--
Total postretirement benefit cost	$16,367	$20,500	$21,833

Net periodic postretirement benefit cost decreased approximately $4 million (an increase in net income of $2.4 million) in 1996 due to changes in certain actuarial assumptions, including a decrease in the healthcare cost trend rate and a decrease in the discount rate.

Summarized below is information about the amounts recognized in the consolidated balance sheets for postretirement benefits (in thousands):

	DECEMBER 31	
	1996	1995
Actuarial present value for Company sponsored plans:		
Retiree benefits	$(123,130)	$(116,938)
Active employee benefits	(97,202)	(104,890)
Accumulated postretirement benefit obligation (APBO)	(220,332)	(221,828)
Unrecognized net gain	(20,996)	(14,841)
Unrecognized prior service gain	(515)	(608)
Accrued liabilities for postretirement benefits	(241,843)	(237,277)
Less amount included in accrued expenses	13,000	11,900
	$(228,843)	$(225,377)

If the health care cost trend rate assumptions were increased by 1%, the APBO as of December 31, 1996, would be increased by $35.3 million or 16%. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost for 1996 would be an increase in cost by $3.3 million or 18%.

SAVINGS PLAN

The Company sponsors a defined contribution savings plan to assist eligible employees in providing for retirement or other future financial needs by matching employee contributions up to 6% of their qualified earnings. The Company's contributions to the plan were $3.4 million in 1996, $3.4 million in 1995 and $3.3 million in 1994.

(7) RECLAMATION AND MINE CLOSING COSTS

The Federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes require that mine property be restored in accordance with specified standards and an approved reclamation plan. The Company accrues for the costs of final mine closure over the estimated useful mining life of the property. These costs relate to reclaiming the pit and support acreage at surface mines and sealing portals at deep mines. Other costs common to both types of mining are related to reclaiming refuse and slurry ponds. The Company accrues for current mine disturbance which will be reclaimed prior to final mine closure. The establishment of the final mine closure reclamation liability and the current disturbance is based upon permit requirements and requires various estimates and assumptions, principally associated with costs and productivities. The Company accrued $6.1 million, $6.5 million, and $7.9 million in the years 1996, 1995 and 1994, respectively, for current and final mine closure reclamation. Cash payments for final mine closure reclamation and current disturbances approximated $9.8 million, $12.2 million and $16.7 million for the years 1996, 1995 and 1994, respectively. Annually, the Company reviews its entire environmental liability and makes necessary adjustments, including permit changes and revisions to costs and productivities to reflect current experience. These recosting adjustments are recorded to cost of coal sales. Favorable adjustments total $3.3 million (unaudited), $4.5 million, $5.0 million and $6.9 million for the three months ended March 31, 1997 and for the years 1996, 1995 and 1994, respectively. The Company's management believes it is making adequate provisions for all expected reclamation and other costs associated with mine closures.

(8) RELATED PARTY TRANSACTIONS

In the ordinary course of business, certain fuel, oil and other products are purchased on a competitive basis from subsidiaries of Ashland Inc., a major shareholder of the Company which totalled $3.8 million in 1996, $5 million in 1995 and $4.1 million in 1994.

(9) CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

The Company places its cash equivalents in investment-grade short-term investments and limits the amount of credit exposure to any one commercial issuer.

The Company markets its coal principally to electric utilities in the United States. As of December 31, 1996 and 1995, accounts receivable from electric utilities located in the United States totaled $61.3 million and $62.9 million, respectively. Credit is extended based on an evaluation of the customer's financial condition, and collateral is not generally required. Credit losses are provided for in the financial statements and consistently have been minimal.

The Company is committed under long-term contracts to supply coal that meets certain quality requirements at specified prices. These prices are generally adjusted based on indices. Quantities sold under some of these contracts may vary from year to year within certain limits at the option of the customer. Two customers accounted for 20% and 12% of coal sales in 1996, 18% and 12% of coal sales in 1995, and 17% and 10% of coal sales in 1994.

(10) ACQUISITIONS

In June 1996, the Company acquired approximately 58,000 acres in the Carbon Basin Reserve area consisting of approximately 107 million tons of low sulfur reserves for $14.2 million.

In January 1994, the Company acquired the stock of several related companies, immediately sold certain of the operations and leased back certain coal reserves for a net consideration paid of $65.9 million. Coal mining

operations in Kentucky and West Virginia, including coal supply agreements, were acquired. In October 1994, the Company acquired certain assets and assumed certain liabilities of a West Virginia coal mining operation for $11.5 million. Both acquisitions have been accounted for as purchases. The following is a combined summary of the assets acquired and the liabilities assumed during 1994 (in thousands):

Accounts receivable	$ 18,487
Coal inventories	7,543
Property, plant and equipment	52,538
Coal supply agreements	41,400
Accounts payable and accrued expenses	(15,413)
Deferred income taxes	(20,600)
Accrued postretirement benefits	(800)
Accrued reclamation and mine closure	(9,709)
Other assets and liabilities	3,981
Net consideration paid	$ 77,427

(11) COMMITMENTS AND CONTINGENCIES

The Company has entered into various noncancellable royalty lease agreements for land and mineral reserve interests. Generally these agreements include provisions that allow the Company the right to renew the lease or to maintain the lease in force until the exhaustion of mineable and merchantable coal. The Company has various equipment rental agreements primarily related to coal mining and transportation equipment. Rental expense for equipment operating leases was $8.5 million in 1996, $8.1 million in 1995 and $8.5 million in 1994.

Future minimum annual payments pursuant to royalty and rental agreements for the next five years are as follows (in thousands):

	COAL ROYALTIES	OPERATING LEASES
1997	$7,914	$3,947
1998	6,962	1,391
1999	6,362	766
2000	6,362	223
2001	6,362	227

The Company had outstanding unsecured letters of credit and surety bonds of $289 million as of December 31, 1996, to secure workers' compensation, reclamation and other performance commitments.

The Company is a party to numerous claims and lawsuits with respect to various matters. The Company provides for costs related to contingencies, including environmental matters, when a loss is probable and the amount is reasonably determinable. The Company estimates that its probable aggregate loss as a result of such claims is $2.6 million (included in Other Noncurrent Liabilities) as of December 31, 1996, and $5.1 million (unaudited) as of March 31, 1997. The Company estimates that its reasonably possible aggregate losses from all currently pending litigation could be as much as $1.2 million (before taxes) as of December 31, 1996 and $2.5 million (unaudited) as of March 31, 1997, in excess of the probable loss previously recognized. After conferring with counsel, it is the opinion of management that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on the consolidated financial position, results of operations, or liquidity of the Company.

In May 1997, the Company agreed to make a payment of $3.3 million to the State of Utah in final settlement of the matter of Trail Mountain Coal Company v. The Utah Division of State Lands and Forestry. The $3.3 million payment was $1.5 million more than the $1.8 million the Company had reserved as of December 31, 1996, and March 31, 1997, as the probable loss associated with this lawsuit. The Company will record an expense of $1.5 million in the second quarter of 1997 related to the settlement.

On October 24, 1996, the failure of the rock strata overlaying an old, abandoned underground mine adjacent to the impoundment used by Lone Mountain for disposing of coal refuse failed, resulting in an accidental discharge of approximately 6.3 million gallons of water and fine coal slurry into a tributary of the Powell River in Lee County, Virginia. This discharge resulted in the death of approximately 11,500 fish, according to estimates of the Virginia Department of Game and Inland Fisheries. Following the discharge, personnel at Lone Mountain began working with agencies of the Commonwealth of Virginia and the United States to identify the long-term effects, if any, to fish, other organisms and the aquatic habitat of the Powell River system. Small quantities of sediment were removed from stream beds, although the majority of material has been resuspended and carried downstream. Lone Mountain has committed to monitor and evaluate the stream conditions for two years in order to determine accurately the effects of the discharge.

On January 29, 1997, the Department of Mines, Minerals and Energy of the Commonwealth of Virginia filed suit in Lee County Virginia Circuit Court against Lone Mountain alleging violations of effluent limitations and reporting violations under Lone Mountain's NPDES permits. Lone Mountain and the Commonwealth of Virginia have entered into a settlement agreement to resolve all matters arising out of the discharge. Pursuant to the settlement agreement, Lone Mountain will pay the Commonwealth $1.4 million. In return two notices of violation and a show cause order were vacated.

Following publication of the proposed settlement and a public comment period of 30 days, the Commonwealth is expected to sign the settlement agreement. It will then be presented to the Circuit Court for entry as a final order. Upon entry by the court, the settlement will discharge all civil claims alleged in the state's civil action of January 29, 1997.

At the request of the U.S. Environmental Protection Agency and the U.S. Fish & Wildlife Service, the United States Attorney for the Western District of Virginia has undertaken a criminal investigation of the incident. The conclusions of this investigation are not expected until late 1997. On March 19, 1997, Lone Mountain received a subpoena to produce documents and to testify before a federal grand jury. The subpoena seeks the production of documents related to the design and approval of the impoundment.

During the three months ended March 31, 1997, the Company recorded expenses related to the Lone Mountain impoundment totaling $3.1 million (unaudited), including a provision for the $1.4 million settlement above, and for costs to reconstruct the impoundment.

(12) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial data for 1996 and 1995 is summarized below (in thousands):

	MARCH 31	JUNE 30	SEPT 30	DEC 31
1996:				
Coal sales and other revenues	$188,489	$191,520	$195,441(1)	$200,355
Income from operations	14,946	11,112	16,654	13,400(2)
Net income	7,597	5,235	10,930	9,258(3)
Earnings per common share	.36	.25	.52	.44
1995:				
Coal sales and other revenues	$188,729	$175,228	$186,679(6)	$186,628
Income (loss) from operations	6,501	542(4)(5)	(5,936)(4)(7)(8)	8,918
Net income (loss)	348	(4,590)	(9,950)	3,155
Earnings (loss) per common share	.02	(.22)	(.47)	.15

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(1) During the third quarter of 1996, the Company sold an idle processing plant and loadout facilities in Eastern Kentucky for a gain of $4.9 million included in Other Revenues.

(2) During the fourth quarter of 1996, the Company recorded a $3.8 million reduction in its reclamation and mine closing costs due to permit changes granted by state authorities and revisions to costs associated with removal of structures and productivities to reflect current experience.

(3) During the fourth quarter of 1996, no tax provision was required in order to achieve the effective tax rate.

(4) During 1995, the Company restructured its selling, general and administrative functions and reduced its salaried workforce by 143 employees, 52 of which accepted the Company's early retirement program. Total restructuring charges of $8.3 million ($4.8 million in the second quarter and $3.5 million in the third quarter 1995) included charges for severance, pension and postretiree medical benefits.

(5) During the second quarter of 1995, the Company recorded a $5.1 million reduction in its reclamation and mine closing costs due to increased equipment operating productivities which reduces the cost to perform reclamation.

(6) During the third quarter of 1995, the Company sold its timber rights to approximately 100,000 acres of property in the Eastern United States for a gain of $8.4 million included in Other Revenues.

(7) During the third quarter of 1995, the Company recorded charges totalling $3 million including $1.5 million for the idling of an underground mine at its Illinois operations, $700,000 for the disposition of coal operations in Eastern Kentucky and $800,000 for the write-off of a loader destroyed by fire. The mine idling resulted from changing market conditions and the loss of contractual commitments to supply coal that was subject to annual market reopeners.

(8) Effective September 30, 1995, the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." As a result, the Company recorded charges of $10.2 million to write down certain assets to their fair value.

(13) SUBSEQUENT EVENTS

On April 4, 1997, the Company changed its capital structure whereby the number of authorized shares was increased to 100,000,000 common shares, the par value was changed to $.01 per share, and a common stock split of 338.0857-for-one was effected. All share and per share information have been retroactively restated to reflect the stock split effective April 4, 1997.

On April 30, 1997, the Company made an $8 million deposit to the IRS in connection with the Company's federal income tax returns for the tax years 1987-1989 which are under examination. The payment was charged against a previously established resource recorded as a current liability.

On May 20, 1997, the Company entered into a preliminary agreement for a new revolving credit agreement to become effective at the Effective Time. The new revolving credit agreement will be for a term of five years and provide for borrowings of up to $500 million. The rate of interest on the borrowings under this agreement will be, at the Company's option, a money market rate determined by a competitive bid process, the PNC Bank base rate and a rate based on LIBOR. The provisions of the revolving credit agreement will require a facility fee on the amount of the commitment. The rate used to compute the facility fee will be redetermined quarterly based on the Company's ratio of debt to equity and may vary from 0.07% to 0.20% per annum.

AGREEMENT AND PLAN OF MERGER

DATED AS OF APRIL 4, 1997

AMONG

ARCH MINERAL CORPORATION,

AMC MERGER CORPORATION

AND

ASHLAND COAL, INC.

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER ("AGREEMENT"), dated as of April 4, 1997, by and among Arch Mineral Corporation, a Delaware corporation (the "COMPANY"), AMC Merger Corporation, a Delaware corporation ("MERGER SUB") and wholly owned subsidiary of the Company, and Ashland Coal, Inc., a Delaware corporation ("ACI").

WHEREAS, the Boards of Directors of the parties hereto have approved this Agreement and deem it advisable and in the best interests of their respective corporations and stockholders that the Company and ACI enter into a strategic business combination in order to advance the long-term business interests of the Company and ACI and enhance stockholder value; and

WHEREAS, such strategic business combination of the Company and ACI will be effected pursuant to the terms of this Agreement by means of a transaction in which Merger Sub will merge with and into ACI (the "MERGER"), whereupon ACI will become a wholly owned subsidiary of the Company, and the stockholders of ACI will become stockholders of the Company; and

WHEREAS, prior to the execution and delivery of this Agreement, all corporate action necessary to amend and restate, effective immediately prior to the Effective Time (as herein defined), the Certificate of Incorporation and Bylaws of the Company in their entireties to read as set forth in Annexes A and B attached hereto, respectively (the "COMPANY AMENDED AND RESTATED CHARTER AND BYLAWS"), has been taken by the Board of Directors and the stockholders of the Company; and

WHEREAS, concurrently with the execution and delivery of this Agreement and as a condition and inducement to the Company's willingness to enter into this Agreement, Ashland Inc., a stockholder of ACI, has entered into a Voting Agreement (the "VOTING AGREEMENT") with the Company pursuant to which such stockholder has agreed, among other things, to vote its shares of Common Stock, par value $.01 per share, of ACI ("ACI COMMON STOCK") and Class B Preferred Stock, par value $100 per share, of ACI ("ACI CLASS B PREFERRED STOCK") in favor of this Agreement and otherwise in favor of the Merger; and

WHEREAS, for federal income tax purposes, it is intended that the Merger shall qualify either as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "CODE"), or as a non-recognition exchange of stock under Section 351 of the Code;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth below, the parties agree as follows:

ARTICLE I

THE MERGER

Section 1.1 Effective Time of the Merger. Subject to the provisions of this Agreement, a certificate of merger (the "CERTIFICATE OF MERGER") in such form (including, if required, an agreement of merger) as required in order to effect the Merger under the relevant provisions of the Delaware General Corporation Law (the "DGCL") shall be duly prepared, executed and acknowledged by the appropriate party or parties and thereafter delivered to the Secretary of State of the State of Delaware for filing as provided in the DGCL as soon as practicable on or after the Closing Date. The Merger shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware or at such time thereafter as is provided in the Certificate of Merger (the "EFFECTIVE TIME").

Section 1.2 Closing. The closing of the Merger (the "CLOSING") will take place at a time and on a date to be specified by the Company and ACI, which shall be as soon as practicable after all of the conditions to the Merger set forth in Article V have been satisfied or waived, subject to the rights of termination and abandonment hereinafter set forth (the "CLOSING DATE"), at a location mutually agreeable to the parties.

Section 1.3 Effects of the Merger.

(a) At the Effective Time (i) Merger Sub shall be merged with and into ACI and the separate existence of Merger Sub will cease, (ii) the Certificate of Incorporation and Bylaws of Merger Sub as in effect immediately prior to the Merger shall become the Certificate of Incorporation and Bylaws of ACI as the surviving corporation of the Merger, and (iii) the directors of Merger Sub at the Effective Time shall be the directors of ACI as the surviving corporation of the Merger and hold office as provided in the Bylaws of ACI as in effect beginning at the Effective Time.

(b) The Merger shall otherwise have the effects specified in applicable provisions of the DGCL.

(c) At the Effective Time, the directors of the Company shall be as set forth in Annex C attached hereto.

Section 1.4 Headquarters. The executive staff of the Company will be located in St. Louis, Missouri at least until the earlier of (i) two years from the date of the Effective Time or (ii) such time as various trusts for the benefit of descendants of H.L. and Lyda Hunt, the beneficiaries of those trusts, and various corporations owned by trusts for the benefit of descendants of H.L. and Lyda Hunt (collectively, the "Hunt Entities") own less than 50% of the Company Common Stock that the Hunt Entities owned at the Effective Time. The operational personnel of the Company will initially be located in Huntington, West Virginia. Following the Effective Time, the Board of Directors of the Company will engage a recognized expert in office location to compile and present to the Board of Directors of the Company detailed recommendations regarding the location of the principal executive offices of the Company.

ARTICLE II

CONVERSION OF SECURITIES

Section 2.1 Conversion of Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of the Company, ACI or Merger Sub:

(a) The issued and outstanding shares of the capital stock of Merger Sub shall be converted into and become 1,000 fully paid and nonassessable shares of Common Stock, par value $1.00 per share, of ACI, as the surviving corporation of the Merger.

(b) Each issued and outstanding share of ACI Common Stock other than shares of ACI Common Stock issued and held in the treasury of ACI or owned of record by the Company or any direct or indirect subsidiary of the Company shall be converted into and shall become one share of Common Stock, par value $.01 per share, of the Company ("COMPANY COMMON STOCK").

(c) Each issued and outstanding share of ACI Class B Preferred Stock other than shares of ACI Class B Preferred Stock issued and held in the treasury of ACI or owned of record by the Company or any direct or indirect subsidiary of the Company and other than shares of ACI Class B Preferred Stock held by a holder who has properly exercised and perfected appraisal rights under Section 262 of the DGCL ("ACI CLASS B DISSENTING SHARES") shall be converted into and become 20,500 shares of Company Common Stock.

(d) Each issued and outstanding share of Class C Preferred Stock, par value $100 per share, of ACI ("ACI CLASS C PREFERRED STOCK") other than shares of ACI Class C Preferred Stock issued and held in the treasury of ACI or owned of record by the Company or any direct or indirect subsidiary of the Company and other than shares of ACI Class C Preferred Stock held by a holder who has properly exercised and perfected appraisal rights under Section 262 of the DGCL ("ACI CLASS C DISSENTING SHARES" and, together with ACI Class B Dissenting Shares, "ACI DISSENTING SHARES") shall be converted into and become 20,500 shares of Company Common Stock.

(e) Each share of ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock issued and held in the treasury of ACI or owned of record by the Company or any direct or indirect subsidiary thereof immediately prior to the Effective Time shall automatically be canceled and retired without any conversion thereof, and no consideration shall be exchangeable therefor.

(f) All shares of ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock, when converted into shares of Company Common Stock as provided in this Section 2.1, shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares shall cease to have any rights with respect thereto, except the right to receive the shares of Company Common Stock to be issued in consideration therefor upon the surrender of such certificate in accordance with Section 2.2, without interest.

Section 2.2 Exchange of Certificates.

(a) After the Effective Time, each holder of a certificate formerly evidencing shares of ACI Common Stock which have been converted pursuant to Section 2.1(b), each holder of a certificate formerly evidencing shares of ACI Class B Preferred Stock which have been converted pursuant to Section 2.1(c), each holder of a certificate formerly evidencing shares of ACI Class C Preferred Stock which have been converted pursuant to Section 2.1(d), upon surrender of the same to First Chicago Trust Company of New York or another exchange agent selected by the Company (the "EXCHANGE AGENT") as provided in Section 2.2(b) hereof, shall be entitled to receive in exchange therefor (i) a certificate or certificates representing the number of shares of Company Common Stock into which such shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock shall have been so converted. Until so surrendered, each certificate formerly evidencing shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock which have been so converted will be deemed for all corporate purposes of the Company to evidence ownership of the number of shares of Company Common Stock for which the shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock formerly represented thereby were exchanged; provided, however, that until such certificate is so surrendered, no dividend payable to holders of record of Company Common Stock as of any date subsequent to the Effective Time shall be paid to the holder of such certificate in respect of the shares of Company Common Stock evidenced thereby and such holder shall not be entitled to vote such shares of Company Common Stock. Upon surrender of a certificate formerly evidencing shares of ACI Common Stock , ACI Class B Preferred Stock or ACI Class C Preferred Stock which have been so converted, there shall be paid to the record holder of the certificates of Company Common Stock issued in exchange therefor (i) at the time of such surrender, the amount of dividends and any other distributions theretofore paid with respect to such shares of Company Common Stock as of any date subsequent to the Effective Time to the extent the same has not yet been paid to a public official pursuant to abandoned property, escheat or similar laws and (ii) at the appropriate payment date, the amount of dividends and any other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such shares. No interest shall be payable with respect to the payment of such dividends.

(b) As soon as practicable after the Effective Time, the Exchange Agent shall send a notice and a transmittal form to each holder of certificates formerly evidencing shares of ACI Common Stock, each holder of certificates formerly evidencing shares of ACI Class B Preferred Stock and each holder of certificates formerly evidencing shares of ACI Class C Preferred Stock (other than certificates formerly representing shares to be canceled pursuant to Section 2.1(e) and certificates representing ACI Dissenting Shares) advising such holder of the effectiveness of the Merger and the procedure for surrendering to the Exchange Agent (who may appoint forwarding agents with the approval of the Company) such certificates for exchange into certificates evidencing Company Common Stock. Each holder of certificates theretofore evidencing shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock, upon proper surrender thereof to the Exchange Agent together and in accordance with such transmittal form, shall be entitled to receive in exchange therefor certificates evidencing Company Common Stock deliverable

in respect of the shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock theretofore evidenced by the certificates so surrendered. At any time following one year after the Effective Time, the Company shall be entitled to require the Exchange Agent to deliver to the Company any consideration issuable or payable in the Merger which had been made available to the Exchange Agent by or on behalf of the Company and which has not been provided or disbursed to holders of certificates representing ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock, and thereafter such holders shall be entitled to look to the Company as general creditors thereof with respect to the consideration issuable or payable in the Merger upon the due surrender of their certificates. Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto shall be liable to a holder of certificates theretofore representing shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock for any amount which may be required to be paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

(c) If any certificate evidencing shares of Company Common Stock is to be delivered to a person other than the person in whose name the certificates surrendered in exchange therefor are registered, it shall be a condition to the issuance of such certificate evidencing shares of Company Common Stock that the certificates so surrendered shall be properly endorsed or accompanied by appropriate stock powers and otherwise in proper form for transfer, that such transfer otherwise be proper and that the person requesting such transfer pay to the Exchange Agent any transfer or other taxes payable by reason of the foregoing or establish to the satisfaction of the Exchange Agent that such taxes have been paid or are not required to be paid.

(d) In the event any certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Company will issue in exchange for such lost, stolen or destroyed certificate the certificate evidencing shares of Company Common Stock deliverable in respect thereof, as determined in accordance with this Article II. When authorizing such issue of the certificate for shares of Company Common Stock in exchange therefor, the Company may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

(e) Approval and adoption of this Agreement by the stockholders of ACI shall constitute, as an integral part of the Merger, ratification of the appointment of, and the reappointment of, said Exchange Agent.

Section 2.3 No Further Transfers. After the Effective Time, there shall be no registration of transfers of shares on the stock transfer books of ACI of the shares of ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock that were outstanding immediately prior to the Effective Time.

Section 2.4 Dissenting Shares. Notwithstanding anything in this Agreement to the contrary, no ACI Dissenting Share shall be converted into or be exchangeable for the right to receive the consideration therefor provided in Section 2.1, but the holder thereof shall be entitled to receive such consideration as shall be determined pursuant to Section 262 of the DGCL with respect to such share; provided, however, that if any such holder shall have failed to perfect or shall have effectively withdrawn or otherwise lost such holder's rights to appraisal under the DGCL, such holder's ACI Dissenting Shares shall thereupon be deemed to have been converted into and to have become exchangeable for, as of the Effective Time, the right to receive the consideration therefor provided in Section 2.1 without any interest thereon, and such shares shall no longer be ACI Dissenting Shares.

Section 2.5 Withholding. The Company or the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable or issuable pursuant to this Agreement to any holder of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock such amounts as the Company or the

Exchange Agent is required to deduct and withhold with respect to the making of such payment or issuance under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Company or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock in respect of which such deduction and withholding was made by the Company or the Exchange Agent.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Company and ACI. When used in connection with the Company or any of its respective Subsidiaries (as hereinafter defined) or ACI or any of its respective Subsidiaries, as the case may be, the term "MATERIAL ADVERSE EFFECT" for all purposes of this Agreement means any change or effect that individually or when taken together with all other such changes or effects that have occurred during any relevant time period prior to the date of determination of the occurrence of the Material Adverse Effect, (i) is materially adverse or is reasonably likely to be materially adverse to the business, assets, financial condition or results of operations or prospects of the Company and its respective Subsidiaries or ACI and its respective Subsidiaries, respectively, in each case taken as a whole, or (ii) does materially adversely affect or is reasonably likely to materially adversely affect the ability of, in the case of the Company, the Company and its Subsidiaries taken as a whole, or, in the case of ACI, ACI and its Subsidiaries taken as a whole, as the case may be, to perform its respective obligations under this Agreement or the Ancillary Documents (as hereinafter defined) or to consummate the transactions contemplated hereby or thereby. When used herein, the term "MATERIAL" for all purposes of this Agreement means material to the party referred to and its Subsidiaries taken as a whole. Except as set forth in the disclosure letter (designated as such specifically for purposes of this Agreement) delivered at or prior to the execution hereof to the Company or ACI, as the case may be, by ACI and the Company, respectively (each, a "DISCLOSURE LETTER"), and except (in the case of ACI) as disclosed in reports, proxy statements or information statements filed by ACI with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), the Company (except for paragraphs (c), (n) and (w) below) hereby represents and warrants to ACI, and ACI (except for paragraphs (b) and (z) below), hereby represents and warrants to the Company, that:

(a) Corporate Organization and Qualification. It and each of its Subsidiaries (both domestic and foreign), is an entity duly formed, validly existing and in good standing under the laws of its respective jurisdiction of formation and is in good standing as a foreign entity in each jurisdiction where the properties owned, leased or operated, or the business conducted, by it or its Subsidiaries require such qualification, except for such failure to so qualify or be in such good standing which does not constitute a Material Adverse Effect. As used in this Agreement, the word "SUBSIDIARY" means, with respect to any party, any corporation or other entity or organization, whether incorporated or unincorporated, of which (i) such party or any other Subsidiary of such party is a general partner (excluding partnerships, the general partnership interests of which are held by such party or any Subsidiary of such party that do not have a majority of the voting interest in such partnership) or (ii) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries, or by such party and one or more of its Subsidiaries. It and each of its Subsidiaries has the requisite corporate power and authority to carry on its respective businesses as they are now being conducted. It has made available to the Company (in the case of ACI) and ACI (in the case of the Company) a complete and correct copy of its Certificate of Incorporation and Bylaws, in each case as amended to date. In each case, such Certificate of Incorporation and Bylaws so delivered are in full force and effect.

(b) Authorized Capital of the Company. The authorized capital stock of the Company consists of 100,000,000 shares of Company Common Stock, of which 20,948,463 shares are outstanding. All of the

outstanding shares of Company Common Stock have been duly authorized and are validly issued, fully paid and nonassessable. No Company Common Stock has been reserved for issuance, except for shares of Company Common Stock reserved for issuance pursuant to the Arch Coal, Inc. 1997 Stock Incentive Plan. The Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or are convertible into or exercisable or exchangeable for securities having the right to vote) either alone or with the stockholders of the Company on any matter. Each of the outstanding shares of capital stock of each of the Company's corporate Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and, except for shares held by officers and directors of the Company and its Subsidiaries as nominees and for the benefit of the Company or any of its Subsidiaries, is owned, either directly or indirectly, by the Company free and clear of all liens, pledges, security interests, claims or other encumbrances. Except as set forth above, there are no shares of capital stock of the Company authorized, issued or outstanding, and there are no preemptive rights or any outstanding subscriptions, options, warrants, rights, convertible securities or other agreements or commitments of the Company or any of its Subsidiaries of any character relating to the issued or unissued capital stock or other securities of the Company or any of its Subsidiaries.

(c) Authorized Capital of ACI. The authorized capital stock of ACI consists of 44,000,000 shares of ACI Common Stock, of which 13,518,008 shares were outstanding as of March 31, 1997, 500 shares of convertible Class A Preferred Stock, of which no shares were outstanding on such date, 250 shares of ACI Class B Preferred Stock, of which 150 shares were outstanding on such date, and 250 shares of ACI Class C Preferred Stock, of which 100 shares were outstanding on such date. Since such date, no additional shares of capital stock of ACI have been issued except for shares of ACI Common Stock which have been issued upon conversion of shares of ACI Class B Preferred Stock or ACI Class C Preferred Stock, pursuant to the exercise of options outstanding as of such date under the ACI Stock Plans (as defined below), or pursuant to the ACI Dividend Reinvestment and Stock Purchase Plan (the "DRP"). As of such date, 519,035 shares of ACI Common Stock were issuable upon exercise of outstanding options under the 1988 Stock Incentive Plan for Key Employees of Ashland Coal, Inc. and Subsidiaries and 175,000 shares of ACI Common Stock were issuable upon exercise of outstanding options under the ACI 1995 Stock Incentive Plan (together, the "ACI STOCK PLANS"). All of the outstanding shares of ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock have been duly authorized and are validly issued, fully paid and nonassessable. ACI has no shares of ACI Common Stock, ACI Class B Preferred Stock or ACI Class C Preferred Stock reserved for issuance, except that, as of such date, an aggregate of 1,519,035 shares of ACI Common Stock were reserved for issuance pursuant to the ACI Stock Plans, an aggregate of 5,211,500 shares of ACI Common Stock were reserved for issuance upon conversion of shares of ACI Class B Preferred Stock and ACI Class C Preferred Stock, and an aggregate of 137,812.436 shares of ACI Common Stock were reserved for issuance pursuant to the DRP. ACI has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or are convertible into or exercisable or exchangeable for securities having the right to vote) either alone or with the stockholders of ACI on any matter. Each of the outstanding shares of capital stock of each of ACI's corporate Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and, except for shares held by officers and directors of ACI and its Subsidiaries as nominees and for the benefit of ACI or any of its Subsidiaries, is owned, either directly or indirectly, by ACI free and clear of all liens, pledges, security interests, claims or other encumbrances. Except as set forth above, as of the date hereof there are no shares of capital stock of ACI authorized, issued and outstanding, and there are no preemptive rights or any outstanding subscriptions, options, warrants, rights, convertible securities or other agreements or commitments of ACI or any of its Subsidiaries of any character relating to the issued or unissued capital stock or other securities of ACI or any of its Subsidiaries.

(d) Corporate Authority. Subject (in the case of ACI) only to approval of this Agreement and the Merger by the affirmative vote of the holders of at least 85% of the outstanding shares of capital stock of ACI voting thereon and voting as one class, it has the requisite corporate power and authority and has taken all corporate action necessary in order to execute and deliver this Agreement and any other agreement,

instrument or certificate (collectively, the "ANCILLARY DOCUMENTS") to be executed or delivered by it pursuant hereto, and to consummate the transactions contemplated hereby and thereby. Its Board of Directors, including the Special Committee thereof formed to consider (among other things) the Merger (each a "SPECIAL COMMITTEE"), has approved this Agreement and the Merger and (in the case of the Board of Directors of ACI) has directed that this Agreement and the Merger be submitted to its stockholders for approval and adoption in accordance with applicable law and its Certificate of Incorporation and Bylaws, and, subject to its fiduciary duties under applicable law, has recommended that its stockholders approve this Agreement and the Merger. This Agreement and each Ancillary Document to be executed and delivered by it pursuant hereto is a valid and binding agreement, certificate or instrument, as the case may be, of it enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and to applicable limitations on the availability of equitable remedies, including considerations of public policy.

(e) Governmental Filings; No Violations. (i) Other than the filings provided for in Section 1.1, such filings as may be required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), filings required under the Exchange Act, filings required under the Securities Act of 1933, as amended (the "SECURITIES ACT"), filings required under state securities and "Blue Sky" laws, and any filings required to be made under the laws of any foreign jurisdiction, no notices, reports or other filings are required to be made by it or its Subsidiaries with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by it or its Subsidiaries from, any governmental or regulatory authority, agency, court, commission or other entity, domestic or foreign ("GOVERNMENTAL ENTITY"), in connection with the execution and delivery of this Agreement or any of the Ancillary Documents by it and the consummation by it of the transactions contemplated hereby and thereby, the failure of which to make or obtain would constitute a Material Adverse Effect.

(ii) Neither the execution and delivery of this Agreement or any of the Ancillary Documents by it, nor the consummation by it of any of the transactions contemplated hereby or thereby, or any action required by applicable law as a result thereof, will constitute or result in (A) subject (in the case of ACI only) to receipt of requisite stockholder approval, a breach or violation of, or a default under, its Certificate of Incorporation or Bylaws or the comparable governing instruments of any of its Subsidiaries, (B) a breach or violation of, a default (with or without the giving of notice or the passage of time) under or the triggering of any payment or other obligations, or the right of any third party to require a payment or performance of an obligation not otherwise due, pursuant to, or accelerate vesting under, any existing collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, employee stock ownership, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any current or former directors, officers or employees of it or any of its Subsidiaries ("BENEFIT PLANS") or any grant or award made under any of the foregoing, (C) a breach or violation of, a default under, a change in the rights of any party under, or the acceleration of or the creation of a lien, pledge, security interest or other encumbrance on assets (with or without the giving of notice or the lapse of time) pursuant to, any provision of any note, bond, mortgage, indenture, agreement, lease, contract, instrument, arrangement or other obligation of it or any of its Subsidiaries or (D) a breach or violation of any law, rule, ordinance or regulation or judgment, decree, order, award or governmental or non- governmental permit, license, franchise or other similar right or authorization to which it or any of its Subsidiaries is subject except, in the case of clauses (B), (C) or (D) above, for such breaches, violations, defaults, accelerations or changes that would not constitute a Material Adverse Effect. Its Disclosure Letter sets forth, to its knowledge, a list of any consents, approvals or waivers required under or pursuant to any of the foregoing to be obtained prior to consummation of the transactions contemplated by this Agreement. It will use all reasonable efforts to obtain the consents, approvals or waivers referred to in its Disclosure Letter.

(f) Financial Statements. Each of the Company and ACI has delivered to the other a copy of its consolidated balance sheets at December 31, 1996 and 1995 and its consolidated statements of income, of

stockholders' equity and of cash flows for each of the three years in the period ended December 31, 1996, together with the related notes thereto and the audit report thereon of Arthur Andersen LLP (in the case of the Company) and of Ernst & Young LLP (in the case of ACI). Each of such consolidated balance sheets (including the related notes) fairly presents the consolidated financial position of the delivering party and its Subsidiaries as of its date and each of such consolidated statements of income, of stockholders' equity and of cash flows (including the related notes), fairly presents the results of operations, stockholders' equity and cash flows of the delivering party and its Subsidiaries for the periods covered thereby, in each case in accordance with United States generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein. Each of the Company and ACI will deliver to the other a copy of each of its consolidated balance sheets prepared as of any date subsequent to December 31, 1996 and its consolidated statements of income, of stockholders' equity and of cash flows for any period then ended, together with the related notes thereto, if any. Such consolidated balance sheets will fairly present the consolidated financial portion of the delivering party and its Subsidiaries as of their respective dates and such consolidated statements of income, of stockholders' equity and of cash flows will fairly present the results of operations, stockholders' equity and cash flows of the delivering party and its Subsidiaries for the respective periods covered thereby (subject, in the case of consolidated financial statements for interim periods to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with United States generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein.

(g) Absence of Undisclosed Liabilities. It and its Subsidiaries do not have any liabilities, whether accrued or contingent and whether or not required to be reflected in financial statements in accordance with United States generally accepted accounting principles, that are material to the financial condition of it and its Subsidiaries taken as a whole, other than (i) liabilities (or reserves therefor) reflected in its consolidated balance sheet as of December 31, 1996 and (ii) normal or recurring liabilities incurred since December 31, 1996 in the ordinary course of business consistent with past practices.

(h) Absence of Certain Changes. Since December 31, 1996, except as contemplated by this Agreement, it and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than in, the ordinary and usual course of such businesses and there has not been (i) any change in it or any development or combination of developments which constitutes a Material Adverse Effect; (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock except for, in the case of ACI, regular cash dividends per share of ACI Common Stock of not more than $0.115 per quarter and regular cash dividends on shares of ACI Class B Preferred Stock and ACI Class C Preferred Stock and, in the case of the Company, cash dividends on AMC Common Stock in an aggregate amount not exceeding 108.33% of the aggregate cash dividends paid on ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock for the same period; or (iii) any change by it in accounting principles, practices or methods that is not required by United States generally accepted accounting principles or by Regulation S-X under the Exchange Act. Since December 31, 1996, except as provided for herein and other than in the ordinary course consistent with past practice, there has not been (A) any increase in the compensation payable or which could become payable by it or its Subsidiaries to their officers or key employees, or (B) any amendment of any of its or any of its Subsidiary's Benefit Plans which, when taken together with all other such amendments, would result in an aggregate increase in annual funding liability of more than $250,000.

(i) Litigation. There are no civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to its knowledge, threatened, against it or any of its Subsidiaries that have resulted or are reasonably likely to result in any claims against, or obligations or liabilities of, it or any of its Subsidiaries, that constitute a Material Adverse Effect.

(j) Taxes. All federal, state, local and foreign tax returns required to be filed by or on behalf of it or any of its Subsidiaries have been timely filed or requests for extension have been timely filed and any such

extension shall have been granted and not have expired other than those returns with respect to which the failure to timely file or the failure to request an extension of the time for filing would not have a Material Adverse Effect, and all such filed returns are complete and accurate in all material respects. Except as currently being contested in good faith or with respect to which adequate reserves have been made in its financial statements, all taxes required to be shown on returns or to be paid with respect to returns for which extensions have been filed by it have been paid in full or have been recorded on its consolidated balance sheet and consolidated statement of earnings or income in accordance with United States generally accepted accounting principles. There is no outstanding audit examination, deficiency, or refund litigation with respect to any taxes of it or any of its Subsidiaries that might reasonably be expected to result in a determination that would constitute a Material Adverse Effect, except for any such examination, deficiency or litigation as to which adequate reserves are reflected in its financial statements. All taxes, interest, additions and penalties due with respect to completed and settled examinations or concluded litigation relating to it or any of its Subsidiaries have been paid in full or have been recorded on its balance sheet and consolidated statement of earnings or income (in accordance with United States generally accepted accounting principles). Neither it nor any of its Subsidiaries has executed an extension or waiver of any statute of limitations on the assessment or collection of any tax due that is currently in effect, the failure to pay which would constitute a Material Adverse Effect.

(k) Employee Benefits. (i) True and correct copies of all documents evidencing its Benefit Plans, including any "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), have been delivered to the Company (in the case of ACI) and ACI (in the case of the Company).

(ii) Except for such incidents of actual or possible noncompliance which would not constitute a Material Adverse Effect, (A) all of its Benefit Plans, to the extent subject to ERISA, are in substantial compliance with ERISA, (B) each Benefit Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA ("PENSION PLAN") and which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter covering the Tax Reform Act of 1986 from the Internal Revenue Service or application for such a favorable determination has been made within the applicable remedial amendment period provided by the Code, and it is not aware of any circumstances likely to result in either revocation of any such favorable determination letter or denial of such request, (C) each Benefit Plan which is a group health plan within the meaning of Section 4980B(g)(2) of the Code is in substantial compliance with the requirements of Section 4980B of the Code, and (D) there is no pending or, to its knowledge, threatened litigation, investigation or audit relating to the Benefit Plans other than claims for benefits made in the ordinary course. Neither it nor any Subsidiary has engaged in a transaction with respect to any Benefit Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject it or any of its Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which would constitute a Material Adverse Effect. Neither it nor any of its Subsidiaries has completely or partially withdrawn from a "multiemployer plan" within the meaning of Section 3(37) of ERISA or has suffered a 70% decline in "contribution base units" within the meaning of Section 4205(b)(1)(A) of ERISA in any plan year beginning after 1979.

(iii) No material liability under Subtitle C or D of Title IV of ERISA has been or is expected to be incurred by it or any Subsidiary with respect to any ongoing, frozen or terminated Benefit Plan currently or formerly maintained by any of them, or any Benefit Plan of any entity which is considered one employer with it or any of its Subsidiaries under Section 4001 of ERISA or Section 414 of the Code (an "ERISA AFFILIATE"). No notice of a "reportable event", within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived, has been required to be filed for any Pension Plan or by any ERISA Affiliate within the 12-month period ending on the date hereof.

(iv) All material contributions required to be made by it or any of its Subsidiaries under the terms of any Benefit Plan have been timely made or have been accrued pending full and timely payment. No Benefit Plan of an ERISA Affiliate has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA. None of it, its Subsidiaries or its ERISA Affiliates has provided, or is required to provide, security to any Benefit Plan of an ERISA Affiliate pursuant to Section 401(a)(29) of the Code.

(v) For all Pension Plans that are "defined benefit plans" within the meaning of Section 3(35) of ERISA, there has been no material adverse change in the financial condition of any such Pension Plan since the last day of the most recent plan year.

(vi) Except as set forth in the documents evidencing its Benefit Plans, neither it nor its Subsidiaries have any obligations for retiree health and life benefits.

(vii) The Board of Directors of ACI has taken action to terminate the Ashland Coal, Inc. Salary Continuation Plan.

(l) Environmental Matters. (i) Surface Mining Permits. It and each of its Subsidiaries is in compliance with all of the current permits ("SURFACE MINING PERMITS") held by it or any such Subsidiary issued pursuant to the Surface Mining Control and Reclamation Act of 1977, as amended, or pursuant to an equivalent state regulatory program granted primacy under the provisions of 30 U.S.C. (S) 1253 (collectively, "SURFACE MINING LAWS"), including the mining plans as respects reclamation, coal processing and related activities as submitted to the Office of Surface Mining or any state equivalent agency having jurisdiction over a state program granted primacy under the provisions of 30 U.S.C. (S) 1253 ("SURFACE MINING ENFORCEMENT AGENCY") to obtain the Surface Mining Permits, the failure to be in compliance with which would constitute a Material Adverse Effect. Neither it nor any of its Subsidiaries has been subjected to or is as of the date hereof subject to any bond forfeiture, permit suspension or revocation proceedings instituted by any Surface Mining Enforcement Agency and neither it nor any of its Subsidiaries is presently "permit-blocked" in any state or under the federal Applicant Violator System which would constitute a Material Adverse Effect.

(ii) Use and Condition of Real Property. Except for valid grandfathered nonconforming uses, the operations on, conditions of and use of all of the real property owned, leased, controlled or used by it and each of its Subsidiaries in its business conform to all, and give rise to no liability under, any federal, state and local laws, ordinances, requirements, regulations, licenses, permits, judicial or administrative orders, injunctions, judgements and decrees relating to zoning, land use, mining, health, safety or the environment including, without limitation, those pertaining to Hazardous Materials (as hereinafter defined), subsidence, water drainage, treatment or impoundment, reclamation and all other restrictions and covenants regarding the use of any real property owned, leased, controlled or used by it or any of its Subsidiaries in its business, the failure to conform or to comply with which would constitute a Material Adverse Effect. The term "HAZARDOUS MATERIALS" shall mean (A) "hazardous wastes" as defined in the Resource Conservation and Recovery Act ("RCRA"); (B) "hazardous substances" as defined in the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"); (C) gasoline, petroleum or other hydrocarbon product, by-products, derivatives, additives or fractions (including used or spent products); (D) "chemical substances" as defined in the Toxic Substance Control Act ("TSCA"); (E) asbestos; and (F) any radioactive materials or substances. The real property owned, leased, controlled or used by it and each of its Subsidiaries in its business is free of any waste or debris or Hazardous Materials, except as would not constitute in a Material Adverse Effect.

(iii) Releases of Hazardous Materials. There have been no releases (as "release" is defined under CERCLA or under any applicable state or local law or regulation) of Hazardous Materials (A) by it or any of its Subsidiaries, or (B) by any other person or entity at, on, in, from, under, over or in any way

affecting any real property owned, leased, controlled or used by it or any of its Subsidiaries in its business, an adjacent site or facility, or any other real property which may have been owned, leased, controlled or used in the past by it or any of its Subsidiaries, other than in each case such releases which would not constitute a Material Adverse Effect.

(iv) Production, Storage and Disposal of Hazardous Materials. No real property owned, leased, controlled or used by it or any of its Subsidiaries in its business has been or is being used to produce, manufacture, process, generate, store, treat, dispose of, manage, ship or transport Hazardous Materials other than as would not constitute a Material Adverse Effect.

(v) Safety Matters. It and each of its Subsidiaries have complied with the requirements of the Federal Mine Safety and Health Act of 1977, as amended, and all applicable similar or related statutes of any state and have complied with all applicable federal, state or local laws, ordinances, requirements, rules, regulations, licenses, permits, orders, injunctions, judgments, or decrees pertaining to mine safety and health, the failure to comply with which would constitute a Material Adverse Effect.

(m) Brokers and Finders. Neither it nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated hereby, except that, in the case of ACI, ACI has retained Salomon Brothers Inc as its financial advisor in connection with the transactions contemplated hereby, the arrangements with which have been disclosed in writing to the Company prior to the date hereof.

(n) Takeover Statute. The Board of Directors of ACI has taken all actions so that the restrictions contained in Section 203 of the DGCL applicable to a "business combination" (as defined in Section 203) will not apply to the execution, delivery or performance of this Agreement or the Voting Agreement or the consummation of the Merger or the other transactions contemplated by this Agreement or the Voting Agreement.

(o) Tax Matters. Neither it nor any of its Subsidiaries or affiliates has taken or agreed to take any action that would prevent the Merger from being treated as either a reorganization within the meaning of Section 368(a) of the Code or a non-recognition exchange of stock under Section 351 of the Code.

(p) Labor Matters. It has previously furnished to the Company (in the case of ACI) and ACI (in the case of the Company) true and complete copies of all labor and collective bargaining agreements to which it or its Subsidiaries is a party and that are currently in effect, together with all amendments thereto (if any), other than the National Bituminous Coal Wage Agreement of 1993 and the related Memorandum of Understanding. There are no strikes or other work stoppages involving any employees of it or any of its Subsidiaries and there are no material labor disputes by any labor organization in progress or pending or, to its knowledge, threatened against it or any of its Subsidiaries that would constitute a Material Adverse Effect. To its knowledge, it and its Subsidiaries are in compliance with all applicable laws and regulations in respect of employment and employment practices, terms and conditions of employment, wages and hours, occupational safety, health or welfare conditions relating to premises occupied, and civil rights, non-compliance with which would constitute a Material Adverse Effect. There are no charges of unfair labor practices pending before any governmental authority involving or affecting it or any of its Subsidiaries that would constitute a Material Adverse Effect. It has not been notified that any customer or supplier (including any supplier of transportation services) of it or any Subsidiary is involved in or threatened with or affected by any strike or other labor disturbance or dispute, litigation or administrative proceeding or judgment, order, injunction, decree or award, the consequences of which would constitute a Material Adverse Effect.

(q) Properties. (i) Owned Real Property. It and each of its Subsidiaries has good and marketable title to all real property owned or purported to be owned by it or its Subsidiaries which is used or projected to be used by it or its Subsidiaries or any other person in connection with its mining activities (hereinafter "FEE PROPERTY"). As used herein "good and marketable title" shall mean title which is free from

encumbrances and any reasonable doubt as to its validity excepting only those imperfections of title and encumbrances, if any, which do not constitute a Material Adverse Effect.

(ii) Leased or Licensed Real Property. It and each of its Subsidiaries has good and marketable leasehold title to all the real property leased or licensed by it in connection with its business (hereinafter "LEASED PROPERTY") and the Leased Property is not subject to any restrictions on transfer or use, except as created by the lease or license pursuant to which it or its Subsidiaries holds the Leased Property or as would not constitute a Material Adverse Effect. As used herein "good and marketable leasehold title" shall mean a valid and subsisting leasehold interest which is free from encumbrances and any reasonable doubt as to its validity excepting only those imperfections of title and encumbrances, if any, which do not constitute a Material Adverse Effect.

(iii) Facilities and Improvements. It and each of its Subsidiaries has good and marketable title (as defined in Section 3.1(q)(i)) to loadouts, tipples, docks and other facilities material to its operations ("FACILITIES") owned or purported to be owned by it or its Subsidiaries, and good and marketable leasehold title (as defined in Section 3.1(q)(ii)) to the Facilities which are leased by it or its Subsidiaries. All of the Facilities, and the use presently being made of the Fee Property and the Leased Property, comply with all applicable zoning and building code ordinances and all applicable fire, environmental, occupational safety and health standards and similar requirements established by law or regulation, except as would not constitute a Material Adverse Effect.

(iv) Reserve Information. The coal reserve information furnished by it to the Company (in the case of ACI) and ACI (in the case of the Company), has been prepared in accordance with prudent and accepted engineering practices and it is not aware of any inaccuracies in such information as would constitute a Material Adverse Effect.

(v) Equipment and Other Personalty. It and each of its Subsidiaries has good and marketable title (as defined in Section 3.1(q)(i) to the equipment, machinery, vehicles, rolling stock and other tangible personal property used by it or its Subsidiaries in its business and material to its operations (the "PERSONALTY") which is owned by it and good and marketable leasehold title (as defined in Section 3.1(q)(ii)) to the Personalty used in its business which is leased.

(r) Intellectual Property. It and its Subsidiaries either own, or to its knowledge, have valid, binding and enforceable rights to use all patents, trademarks, trade names, service marks, service names, copyrights, other proprietary intellectual property rights, applications therefor and licenses or other rights in respect thereof ("INTELLECTUAL PROPERTY") used or held for use or necessary in connection with the business of it or its Subsidiaries, without any conflict with the rights of others, except for such conflicts that would not constitute a Material Adverse Effect. Neither it nor any of its Subsidiaries has, as of the date hereof, received any notice from any other person pertaining to or challenging the right of it or its Subsidiaries to use any Intellectual Property or any trade secrets, proprietary information, inventions, know-how, processes and procedures owned or used by or licensed to it or any of its Subsidiaries, except with respect to rights the loss of which, individually or in the aggregate, would not constitute a Material Adverse Effect. To its knowledge, none of its or its Subsidiaries' personnel is in violation of any term of any employment contract, patent disclosure agreement or any other contract or agreement relating to the relationship of any such employee with it or its Subsidiaries or any other party the result of which would constitute a Material Adverse Effect.

(s) Insurance. It and each of its Subsidiaries has in effect valid and effective policies of insurance, issued by companies believed by it to be sound and reputable, insuring it or such Subsidiary (as the case may be) for losses customarily insured against by others engaged in similar lines of business.

(t) Employment and Change in Control Agreements.

(i) Its Disclosure Letter sets forth a true and complete list of all agreements between it or any of its Subsidiaries and any of its (or any of such Subsidiary's) officers, directors or employees providing for the terms of his or her employment with it or any of its Subsidiaries and the terms of his or her severance or other payments upon termination of such employment (the "EMPLOYMENT AGREEMENTS"). It has previously furnished to the Company (in the case of ACI) and ACI (in the case of the Company) true and complete copies of all Employment Agreements, together with all amendments thereto (if any).

(ii) Except as provided for in this Agreement, neither it nor any of its Subsidiaries is a party to any oral or written (i) agreement with any director, officer or employee of it or any of its Subsidiaries (A) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving it of the nature contemplated by this Agreement or (B) providing for compensation payments that would not be deductible by it for federal income tax purposes, or (ii) agreement or Benefit Plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

(u) Certain Transactions. None of the officers or directors of it or of any of its Subsidiaries and, to its knowledge, none of its employees or the employees of any of its Subsidiaries, is a party to any material transaction with it or any of its Subsidiaries (other than for services as an employee, officer or director), including, without limitation, any contract, agreement or other arrangement (i) providing for the furnishing of services to or by, (ii) providing for rental of real or personal property to or from, or (iii) otherwise requiring payments to or from, any such officer, director, affiliate or employee, any member of the family of any such officer, director or employee of any corporation, partnership, trust or other entity in which any such officer, director or employee has a substantial interest (excluding the ownership of not more than two percent (2%) of the capital stock of a publicly traded corporation) or which is an affiliate of such officer, director or employee.

(v) Information in Disclosure Documents and Registration Statement. None of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the registration statement on Form S-4 to be filed with the SEC in connection with the issuance of shares of Company Common Stock in the Merger (the "S-4") will, at the time of the filing of the S-4 and any amendments thereto and at the time the S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, and (ii) the proxy statement/prospectus relating to the meeting of ACI's stockholders to be held in connection with the Merger and the offering of shares of Company Common Stock to the holders of shares of ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock (the "PROXY STATEMENT") will, at the date mailed to the stockholders and at the times of the meeting of ACI stockholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(w) Opinion of Financial Advisor. ACI has received the opinion of its financial advisor referred to in Section 3.1(m), dated the date hereof, to the effect that, as of such date, each of (i) the consideration to be received by holders of ACI Common Stock in the Merger and (ii) the consideration to be received by holders of ACI Preferred Stock in the Merger is fair, from a financial point of view, to the holders of ACI Common Stock other than Ashland Inc., a copy of which opinion has been delivered to the Company.

(x) Restrictions on Business Activities. There is no agreement, judgment, injunction, order or decree binding upon it or any of its Subsidiaries that has or could reasonably be expected to have the effect of

prohibiting or impairing any material business practice of the Company, ACI and their respective Subsidiaries (in each case, taken as a whole), the acquisition of any material property by the Company, ACI and their respective Subsidiaries (in each case, taken as a whole) or the conduct of the business by the Company, ACI and their respective Subsidiaries (in each case, taken as a whole) as such business is currently conducted by the Company and ACI and their respective Subsidiaries.

(y) Material Agreements. All contracts, agreements, commitments or other understandings of arrangements to which it or any of its Subsidiaries is a party or by which it or any of its property is bound or affected, including, but not limited to, contracts for the future purchase of mining supplies, equipment, or any other materials or goods (except for contracts for purchases of materials or goods to meet immediate operating needs), contracts for sales, agency or brokerage services, contracts for future sale of coal or coal products to any customer or person, contract mining agreements or other contracts providing for the operation of facilities or properties, contracts for the washing, tippling or other processing of coal by or for third parties, or contracts for the trucking, transportation or transloading of coal, fire, theft, casualty, liability, Workers' Compensation, black lung and other insurance policies insuring it or any of its Subsidiaries, loan agreements, indentures, mortgages, pledges, conditional sale or title retention agreements, security agreements, equipment obligations, guaranties, leases or lease purchase agreements to which it or any of its Subsidiaries is a party or by which it is bound, the loss of rights of it or its Subsidiaries under any of which would result in a Material Adverse Effect are valid, binding and enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and to applicable limitations on the availability of equitable remedies, including considerations of public policy, are in full force and effect, and there exists no default which, after notice or lapse of time, or both, would result in a right to accelerate or loss of rights of it or its Subsidiaries thereunder.

(z) Certain Company Approvals. The Company and its stockholders have taken all corporate action necessary such that the Company's Amended and Restated Charter and Bylaws will be in effect immediately prior to the Effective Time. The Company, by requisite action of its Board of Directors, and the stockholders of the Company, by requisite vote, have approved and adopted the Arch Coal, Inc. 1997 Stock Incentive Plan in the form attached hereto as Annex E, and the Company has taken all corporate action necessary to reserve for issuance a sufficient number of shares of Company Common Stock for issuance upon exercise of stock options and other rights subject to grant under such Plan. The Company has taken all corporate action necessary such that, at the Effective Time, the Board of Directors of the Company will be comprised only of those persons identified or referred to as directors of the Company in Annex C attached hereto.

ARTICLE IV

COVENANTS

Section 4.1 Stockholder Approval. As promptly as practicable following the execution and delivery of this Agreement, unless this Agreement shall have been previously terminated in accordance with Article VI, ACI shall submit this Agreement and the Merger to its stockholders for approval and adoption at a meeting of its stockholders called for such purpose (the "ACI STOCKHOLDERS MEETING").

Section 4.2 Conduct of Business. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement in accordance with Article VI or the Effective Time, each of the Company and ACI agrees as to itself and its Subsidiaries (except to the extent that the other shall otherwise consent in writing), to carry on its business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, to the end that its goodwill and ongoing business be substantially unimpaired at the Effective Time. Except as expressly contemplated by this Agreement, and not in limitation of the foregoing, during the aforesaid period each of the Company and ACI shall (and shall cause its Subsidiaries to), except as approved in writing by the other:

(a) preserve and maintain its corporate existence and all of its rights, privileges and franchises reasonably necessary or desirable in the normal conduct of its business;

(b) not acquire any stock or other interest in, nor (except in the ordinary course of business) purchase any assets of, any corporation, partnership, association or other business organization or entity or any division thereof (except any stock or assets distributed to it or any of its Subsidiaries as part of any bankruptcy or other creditor settlement or pursuant to a plan of reorganization), nor agree to do any of the foregoing;

(c) not sell, lease, assign, transfer or otherwise dispose of any of its assets (including, without limitation, patents, trade secrets or licenses), nor create any mortgage, security interest or other lien on any of its assets, except as permitted by this Agreement or in the ordinary course of business and except that it and each of its Subsidiaries may sell or otherwise dispose of any assets which are held for disposition as of the date hereof or are obsolete;

(d) not incur any indebtedness for borrowed money or any obligation under any guarantee or "make whole" or capital support agreement or arrangement, other than as a result of borrowings or drawdowns, the issuance of letters of credit for its account and the incurrence of interest, letter of credit reimbursement obligations and other obligations incurred in the ordinary course of business consistent with past practice;

(e) not (i) alter, amend or repeal any provision of its Certificate of Incorporation or Bylaws, (ii) change the number of its directors (other than as a result of the death, retirement or resignation of a director), (iii) except in the ordinary course of its business, form or acquire any Subsidiaries not existing as of the date of this Agreement, (iv) except in the ordinary course of its business or as required to obtain any consent, enter into, modify or terminate any material contracts or agreement to which it is a party or agree to do so, (v) modify any Employment Agreement, or (vi) declare, pay, commit to or incur any obligation of any kind for the payment of any bonus, additional salary or compensation or retirement, termination, welfare or severance benefits payable or to become payable to any of its employees or such other persons, except in any such case for obligations incurred in the ordinary course of business and consistent with past practice and such matters as are required pursuant to the terms of any existing Employment Agreement or Benefit Plan;

(f) maintain its books, accounts and records in the usual, ordinary and regular manner and in material compliance with all applicable laws and with its methods and policies of accounting in effect on the date hereof;

(g) pay and discharge all material federal, state, local and foreign taxes imposed upon it or upon its income or profits, or upon any property belonging to it, prior to the date on which penalties attach thereto, except to the extent that it is currently contesting, in good faith and by proper proceedings, the payment of such taxes and it maintains appropriate reserves with respect thereto;

(h) use all reasonable efforts to meet its obligations under all material contracts, agreements and instruments to which it is a party;

(i) use all reasonable efforts to maintain its business and assets in good repair, order and condition, reasonable wear and tear excepted, and to maintain insurance upon such business and assets at least comparable in amount and kind to that in effect on the date hereof;

(j) use all reasonable efforts to maintain its present relationships and goodwill with suppliers, brokers, manufacturers, representatives, distributors, customers and others having business relations with it (provided that it may pursue overdue accounts and otherwise exercise lawful remedies in its customary fashion);

(k) carry on and operate its business in, and only in, the usual, regular and ordinary course in substantially the same manner as heretofore conducted and use all reasonable efforts to cause its

representations and warranties set forth in this Agreement and in any Ancillary Document to be true and correct, in all respects, on and as of the Effective Time, subject only to changes in the ordinary course of business;

(l) not declare, set aside, make or pay any dividends or other distributions with respect to its capital stock except (in the case of ACI) for regular cash dividends not to exceed $0.115 per share of ACI Common Stock per quarter and regular cash dividends on shares of ACI Class B Preferred Stock and shares of ACI Class C Common Stock and except (in the case of the Company) for cash dividends on Company Common Stock in an aggregate amount not to exceed 108.33% of the aggregate cash dividends paid on ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock after December 31, 1996; or purchase or redeem any shares of its capital stock or agree to take any such action;

(m) not authorize or make any capital expenditure otherwise than in the ordinary course of business;

(n) not increase the number of shares authorized or issued and outstanding of its capital stock, nor grant or make any pledge, option, warrant, call, commitment, right or agreement of any character relating to its capital stock, nor issue or sell any shares of its capital stock or securities convertible into such capital stock, or any bonds, promissory notes, debentures or other corporate securities or become obligated so to sell or issue any such securities or obligations, except, in any case, for the issuance of shares of ACI Common Stock upon conversion of shares of ACI Class B Preferred Stock or ACI Class C Preferred Stock and upon exercise of options outstanding under the ACI Stock Plans.

Section 4.3 Access to Information. Upon reasonable notice, each of the Company and ACI shall (and shall cause its Subsidiaries to) (i) afford to the officers, employees, accountants, counsel and other representatives of the other, access, during normal business hours during the period prior to the earlier of the termination of this Agreement and the Effective Time, to all its properties, books, contracts, commitments, records, officers, employees, accountants, correspondence and affairs, and (ii) cause its and their officers and employees to furnish to the other and its authorized representatives any and all financial, technical and operating data and other information pertaining to its businesses and those of its Subsidiaries as the other shall from time to time reasonably request. Each party will hold any such information subject to the Confidentiality Agreement, dated July 29, 1996, between the Company and ACI (the "CONFIDENTIALITY AGREEMENT") in accordance with and subject to the restrictions contained in the Confidentiality Agreement. No information or knowledge obtained in any investigation pursuant to this Section 4.3 shall affect or be deemed to modify any representation or warranty contained in this Agreement or the conditions to the obligations of the parties to consummate the Merger.

Section 4.4 Legal Conditions to the Merger. Each of the parties hereto will take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on it with respect to the Merger and will promptly cooperate with and furnish information to the other in connection with any such requirements imposed upon any of them or any of their Subsidiaries in connection with the Merger. Each of the parties hereto will, and will cause its Subsidiaries to, take all reasonable actions necessary to obtain (and will cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or other public third party, required to be obtained or made by any of the parties hereto or any of their Subsidiaries in connection with the Merger or the taking of any action contemplated thereby or by this Agreement.

Section 4.5 Public Announcements. Neither the Company nor ACI shall make any press release or other written public statement or publicly deliver any formally prepared oral statement concerning the matters covered by this Agreement without the approval of the other, except as required by law or applicable regulation, and each shall in all events use its best efforts to permit such other parties an opportunity to review and comment upon any such release or statement prior to dissemination.

Section 4.6 Tax-Free Reorganization. The parties hereto shall each use its best efforts to cause the Merger to be treated either as a reorganization within the meaning of Section 368(a) of the Code or as a non- recognition exchange of stock pursuant to Section 351 of the Code.

Section 4.7 Affiliate Agreements. Within two weeks following the date of this Agreement, ACI will provide the Company with a list of those persons who are, in its reasonable judgment after review by its independent counsel, "affiliates" of ACI within the meaning of Rule 145 promulgated under the Securities Act ("RULE 145") (each such person who is an "affiliate" within the meaning of Rule 145 is referred to herein as a "RULE 145 AFFILIATE"). ACI shall provide the Company with such information and documents as the Company shall reasonably request for purposes of reviewing such list and shall notify the Company in writing regarding any change in the identity of its Rule 145 Affiliates prior to the Closing Date. ACI shall use all reasonable efforts to deliver or cause to be delivered to the Company prior to the Effective Time from each of its Rule 145 Affiliates, an executed Affiliate Agreement, in substantially the form attached hereto as Annex D (each an "AFFILIATE AGREEMENT"). The Company shall be entitled to place appropriate legends on the certificates evidencing any Company Common Stock to be received by such Rule 145 Affiliates pursuant to the terms of this Agreement, and to issue appropriate stop transfer instructions to the transfer agent for Company Common Stock, consistent with the terms of the Affiliate Agreements.

Section 4.8 Representations, Covenants and Conditions; Further Assurances.

(a) The parties hereto will each use all reasonable efforts (i) to take, and to cause their respective Subsidiaries to take, all actions necessary to render accurate as of the Effective Time their respective representations and warranties contained herein, (ii) to refrain, and to cause their respective Subsidiaries to refrain, from taking any action which would render any such representation or warranty inaccurate in any material respect as of such time and (iii) to perform or cause to be satisfied, and to cause their respective Subsidiaries to perform or cause to be satisfied, each covenant or condition to be performed or satisfied by them.

(b) In addition to the provisions of Section 4.4 hereof and in furtherance thereof, upon the terms and subject to the conditions hereof, each of the parties hereto shall use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement, to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings, and to otherwise satisfy or cause to be satisfied all conditions precedent to its obligations under this Agreement.

Section 4.9 Certain Benefit Matters.

(a) Prior to the Effective Time, ACI and the Company shall take such actions as may be necessary such that at the Effective Time there shall be substituted for each option (an "ACI OPTION") to purchase a share of ACI Common Stock outstanding pursuant to the ACI Stock Plans, whether or not then exercisable, a fully vested option ("SUBSTITUTE OPTION") issued pursuant to the Arch Coal, Inc. 1997 Stock Incentive Plan (the "COMPANY INCENTIVE PLAN") to purchase on the same terms and conditions (including per share exercise price) a number of shares of Company Common Stock equal to the number of shares of ACI Common Stock subject to such ACI Option; provided that Substitute Options held by employees who accept benefits under the 1997 Enhanced Early Retirement Plan referred to in Section 4.9(e), who receive benefits under the 1997 Enhanced Severance Plan referred to in Section 4.9(f) or who otherwise retire as provided in the ACI Stock Plans shall be exercisable throughout the full term thereof and shall not expire or otherwise become subject to termination or forfeiture. At or prior to the Effective Time, ACI shall make all necessary arrangements with respect to the applicable ACI Stock Plans to permit the substitution of Substitute Options for the unexercised ACI Options by the Company pursuant to this Section 4.9.

(b) Effective at the Effective Time, the Company shall issue a Substitute Option under the Company Incentive Plan in substitution for each ACI Option in accordance with this Section 4.9. At or prior to the Effective Time, the Company shall take all corporate action necessary to reserve for issuance a sufficient number of shares of Company Common Stock for delivery upon exercise of the Substitute Options. As of the Effective Time, the Company shall have filed a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), or another appropriate form with respect to the shares of Company Common Stock subject to such Substitute Options, and shall use all reasonable efforts

to maintain the effectiveness of such registration statement (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such Substitute Options remain outstanding.

(c) Prior to the Effective Time, the Company and ACI shall take such actions as may be necessary such that at the Effective Time the Company shall assume liability for and shall pay when due all benefits accrued under ACI's Deferred Compensation Plan for Directors Fees (the "DIRECTORS DC PLAN") and each phantom stock unit under the Directors DC Plan shall be converted into a phantom stock unit relating to Company Common Stock pursuant to the Arch Coal, Inc. Deferred Compensation Plan for Directors Fees, which Plan shall by its terms provide that each director participating therein shall have a fully nonforfeitable right to such director's entire account balance, if any, thereunder.

(d) Prior to the Effective Time, the Company and ACI shall take such actions as may be necessary such that at the Effective Time each share of ACI Common Stock converted into Company Common Stock pursuant to Section 2.1 that at the time of its conversion is held in safekeeping in the DRP will be transferred at the Effective Time to safekeeping in the Arch Coal, Inc. Dividend Reinvestment and Stock Purchase Plan (the "COMPANY DRP"). As of the Effective Time, the Company shall have filed a registration statement on Form S-3 (or any successor or other appropriate forms) with respect to the Company DRP, and shall use all reasonable efforts to maintain the effectiveness of such registration statement (and maintain the current status of the prospectus or prospectuses contained therein) so long as the Company DRP shall remain in effect.

(e) After the Effective Time, the Company shall cause enhanced early retirement benefits to be offered to (i) the salaried employees at ACI's Huntington office and (ii) as the Company shall deem appropriate, the salaried employees of certain ACI Subsidiaries, in any case under the 1997 Enhanced Early Retirement Plan adopted by the Company's Board of Directors by resolution dated April 1, 1997.

(f) Any salaried employee of ACI or its Subsidiaries who is involuntary terminated without cause during the one-year period following the Effective Time, shall receive severance benefits from the Company pursuant to the 1997 Enhanced Severance Plan adopted by the Company's Board of Directors by resolution dated April 1, 1997. This amount shall not apply to any ACI employees covered under the agreements contemplated by Section 4.9(g) of this Agreement or to employees who elect to participate in the 1997 Enhanced Early Retirement Plan contemplated by Section 4.9(e) of this Agreement.

(g) As soon as practicable following the execution of this Agreement, ACI shall offer, and use all reasonable efforts to enter into, At-Will Employee Retention/Severance Agreements, substantially in the form of agreement approved by the Board of Directors of the Company by resolution dated April 1, 1997, with those current ACI employees as set forth in such resolution. At the Effective Time, the Company shall assume the obligations of ACI under such At-Will Employee Retention/Severance Agreements.

Section 4.10 Indemnification; Insurance.

(a) ACI shall, and from and after the Effective Time the Company shall, indemnify, defend and hold harmless each person who is now, or has been at any time through the date of this Agreement or who becomes prior to the Effective Time, an officer, director or employee of ACI or any of its Subsidiaries (the "ACI INDEMNIFIED PARTIES") against (i) all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of the indemnifying party (which approval shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director, officer or employee of ACI or any of its Subsidiaries or is or was a plan fiduciary serving at the request of ACI or any of its Subsidiaries, whether pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, or at or after the Effective Time ("ACI INDEMNIFIED LIABILITIES") and (ii) all ACI Indemnified Liabilities based in whole or in part on, or arising in whole or in part out of, or pertaining to this Agreement or the transactions contemplated hereby to the full extent a corporation is permitted under the DGCL to indemnify its own directors, officers and employees (and the Company will pay expenses in advance of the final disposition of any such action or

proceeding to each ACI Indemnified Party to the full extent permitted by law upon receipt of any undertaking contemplated by Section 145(e) of the DGCL). Without limiting the foregoing, in the event that any such claim, action, suit, proceeding or investigation is brought against any ACI Indemnified Party (whether arising before or after the Effective Time), (i) the ACI Indemnified Parties may retain counsel satisfactory to them and ACI (or them and the Company after the Effective Time), (ii) ACI (or after the Effective Time, the Company) shall pay all reasonable fees and expenses of such counsel for the ACI Indemnified Parties promptly as statements therefor are received, and (iii) ACI (or after the Effective Time, the Company) will use all reasonable efforts to assist in the vigorous defense of any such matter, provided that neither ACI nor the Company shall be liable for any settlement of any claim effected without its written consent, which consent, however, shall not be unreasonably withheld. Any ACI Indemnified Party wishing to claim indemnification under this Section 4.10(a), upon learning of any such claim, action, suit, proceeding or investigation, shall notify ACI or, after the Effective Time, the Company (but the failure so to notify shall not relieve ACI or the Company from any liability which it may have under this Section 4.10(a) except to the extent such failure prejudices such party), and shall deliver to ACI (or after the Effective Time, the Company) the undertaking contemplated by Section 145(e) of the DGCL. The ACI Indemnified Parties as a group may retain only one law firm to represent them with respect to each such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more ACI Indemnified Parties.

(b) For a period of at least five years after the Effective Time, the Company shall cause to be maintained in effect policies of directors' and officers' liability insurance of the type maintained by ACI as of the date hereof in an aggregate coverage amount not less than $20,000,000 and including coverage with respect to claims arising from facts or events which occurred before the Effective Time to the extent available; provided, that in no event shall the Company be required to expend, in order to maintain or procure insurance coverage pursuant to this Section 4.10(b), any amount per annum in excess of 200% of the annual amount expended by ACI as of the date hereof.

(c) The provisions of this Section 4.10 are intended to be for the benefit of, and shall be enforceable by, each ACI Indemnified Party and his or her heirs and representatives.

Section 4.11 Notification of Certain Matters. Each of the Company and ACI shall give prompt notice to the other, of (i) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be reasonably likely to cause any representation or warranty of it contained in this Agreement to be untrue or inaccurate and (ii) any failure of it to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice and further provided that failure to give such notice shall not be treated as a breach of covenant for the purposes of Section 6.1(e)(ii) unless the failure to give such notice results in material prejudice to the other party.

Section 4.12 NYSE Listing. The Company shall use its best efforts to cause the outstanding shares of Company Common Stock, shares of Company Common Stock issued in the Merger, shares of Company Common Stock issuable upon the exercise of stock options or other rights under the Company Incentive Plan or pursuant to the Company DRP to be approved for listing on the New York Stock Exchange (subject, in the case of then unissued shares to official notice of issuance) not later than the Effective Time.

ARTICLE V

CONDITIONS TO MERGER

Section 5.1 Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of each party to this Agreement to effect the Merger shall be subject to the satisfaction prior to the Closing Date of the following conditions:

(a) Stockholder Approval. This Agreement and the Merger shall have been approved and adopted by the requisite affirmative vote of holders of ACI Common Stock, ACI Class B Preferred Stock and ACI Class C Preferred Stock entitled to vote thereon.

(b) Governmental and Regulatory Consents. Any waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated and, other than the filings provided for in Section 1.1, all filings required to be made prior to the Effective Time by the Company, ACI or any of their respective Subsidiaries with, and all consents, approvals and authorizations required to be obtained prior to the Effective Time by the Company, ACI or any of their respective Subsidiaries from, any Governmental Entity in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby shall have been made or obtained, except failures in the foregoing that do not have a Material Adverse Effect as applied to the Company and its Subsidiaries taken as a whole from and after the Effective Time (a "COMPANY MATERIAL ADVERSE EFFECT").

(c) S-4. The S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

(d) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the Merger or limiting or restricting in any material respect the conduct or operation of the businesses of the Company or ACI after the Merger shall have been issued, nor shall there be any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Merger which makes the consummation of the Merger illegal.

(e) Blue Sky Laws. The Company shall have received all state securities or "Blue Sky" permits and other authorizations, if any, necessary to issue shares of Company Common Stock pursuant to the Merger.

(f) Consents. Each of the Company and ACI shall have obtained all consents required to consummate the transactions contemplated by this Agreement, including the Merger, and all other consents in connection with the Merger and the other transactions contemplated hereby, the failure to obtain which would constitute a Company Material Adverse Effect.

Section 5.2 Additional Conditions to Obligations of ACI. The obligation of ACI to effect the Merger is subject to the satisfaction of each of the following additional conditions, any of which may be waived in writing exclusively by ACI:

(a) Representations and Warranties of the Company. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and (except to the extent such representations and warranties are made as of an earlier date, which representations and warranties shall be true and correct in all material respects at and as of such date) as of the Closing Date as though made on and as of the Closing Date, in each case except for changes contemplated by this Agreement, and ACI shall have received a certificate signed on behalf of the Company by a duly authorized executive officer of the Company to such effect.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and ACI shall have received a certificate signed on behalf of the Company by a duly authorized executive officer of the Company to such effect.

(c) Tax Opinion. ACI shall have received a written opinion from Kirkpatrick & Lockhart LLP, counsel to ACI, to the effect that the Merger will be treated for federal income tax purposes either as a tax-free reorganization within the meaning of Section 368(a) of the Code or as a non-recognition exchange of

stock under Section 351 of the Code. In rendering such opinion, counsel may rely upon representations and certificates of the Company, ACI and Merger Sub.

(d) NYSE Listing. The shares of Company Common Stock to be issued in the Merger, to be issued upon the exercise of Substitute Options and to be issued pursuant to the Company DRP shall have been approved for listing on the New York Stock Exchange upon official notice of issuance.

(e) Company Amended and Restated Charter and Bylaws. The Company Amended and Restated Charter and Bylaws shall be in full force and effect.

(f) Company Board of Directors. The Board of Directors of the Company shall be comprised only of those persons identified or referred to as directors of the Company in Annex C attached hereto.

(g) Material Adverse Change. Since the date of this Agreement, there shall have been no changes, occurrences or circumstances involving the business, results of operations or financial condition or prospects of the Company and any of its Subsidiaries that constitute a Material Adverse Effect.

Section 5.3 Additional Conditions to Obligation of the Company. The obligation of the Company to effect the Merger is subject to the satisfaction of each of the following additional conditions, any of which may be waived, in writing, exclusively by the Company:

(a) Representations and Warranties of ACI. The representations and warranties of ACI set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and (except to the extent such representations and warranties are made as of an earlier date, which representations and warranties shall be true and correct in all material respects at and as of such date) as of the Closing Date as though made on and as of the Closing Date, in each case except for changes contemplated by this Agreement, and the Company shall have received a certificate signed on behalf of ACI by a duly authorized executive officer of ACI to such effect.

(b) Performance Of Obligations of ACI. ACI shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Company shall have received a certificate signed on behalf of ACI by a duly authorized executive officer of ACI to such effect.

(c) Tax Opinion. The Company shall have received the opinion of Kelly, Hart & Hallman, P.C., counsel to the Company, to the effect that the Merger will be treated for federal income tax purposes either as a tax-free reorganization within the meaning of Section 368(a) of the Code or as a non-recognition exchange of stock under Section 351 of the Code. In rendering such opinion, counsel may rely upon representations and certificates of the Company, ACI and Merger Sub.

(d) Material Adverse Change. Since the date of this Agreement, there shall have been no changes, occurrences or circumstances involving the business, results of operations or financial condition or prospects of ACI and any of its Subsidiaries that constitute a Material Adverse Effect.

ARTICLE VI

TERMINATION AND AMENDMENT

Section 6.1 Termination. This Agreement may be terminated (i) by mutual consent of the Company and ACI or (ii) at any time prior to the Effective Time by written notice by the terminating party to the other parties under the circumstances set forth below:

(a) by either the Company or ACI if the Merger shall not have been consummated by September 30, 1997 (provided that the right to terminate this Agreement under this Section 6.1(a) shall not be available to

any party whose failure to fulfill any material obligation under this Agreement has been a cause of or has resulted in the failure of the Merger to occur on or before such date); or

(b) by either the Company or ACI if a court of competent jurisdiction or other Governmental Entity shall have issued a nonappealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger; or

(c) by either the Company or ACI if, at the ACI Stockholders' Meeting (including any adjournment or postponement), the requisite vote of the stockholders of ACI in favor of this Agreement and the Merger shall not have been obtained; or

(d) by the Company or ACI, if (i) the other has breached any representation or warranty contained in this Agreement, and such breach shall not have been cured prior to the Effective Time (except where such breach would not have a Material Adverse Effect on the party having made such representation or warranty and its Subsidiaries taken as a whole and would not constitute a Company Material Adverse Effect after giving effect to the transactions contemplated by this Agreement), or (ii) if there has been a material breach of a material covenant or agreement set forth in this Agreement on the part of the other, which shall not have been cured within two business days following receipt by the breaching party of written notice of such breach from the other party.

Section 6.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 6.1, this Agreement shall immediately become void and there shall be no liability or obligation on the part of any party hereto or its officers, directors, stockholders or affiliates arising from the execution and delivery of this Agreement or its termination.

Section 6.3 Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, whether or not the Merger is consummated; provided, however, that the Company shall bear 52% and ACI shall bear 48% of all reasonable fees and expenses incurred in relation to the preparation and filings of Pre-Merger Notification and Report forms by stockholders of ACI under the HSR Act with respect to the Merger, and the printing and filing of the Proxy Statement (including any related preliminary materials) and the S-4 (including financial statements and exhibits) and any amendments or supplements thereto.

Section 6.4 Amendment. This Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the stockholders of ACI but, after any such approval, no amendment shall be made which by law requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of all of the parties hereto.

Section 6.5 Extension; Waiver. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective Boards of Directors, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto by the other parties hereto and (iii) waive compliance with any of the agreements or conditions contained herein for their benefit. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time.

Except for agreements set forth herein or therein to be performed, in whole or in part, after the Effective Time, no agreements set forth herein or therein shall survive the Effective Time.

Section 7.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or mailed by registered certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to the Company, to:

Arch Mineral Corporation Suite 300 CityPlace One
St. Louis, Missouri 63141

Attention: Chief Executive Officer

with a copy to:

Jeffry N. Quinn, Esquire Arch Mineral Corporation
Suite 300 CityPlace One St. Louis, Missouri 63141

and to:

F. Richard Bernasek, Esquire Kelly, Hart & Hallman, P.C.
Suite 2500 201 Main Street Fort Worth, Texas 76012

(b) if to ACI, to:

Ashland Coal, Inc. 2205 Fifth Street Road Huntington,
West Virginia 25701

Attention: Chief Executive Officer

with a copy to:

Roy F. Layman, Administrative Vice President- Law and Human
Resources and Secretary Ashland Coal, Inc. 2205 Fifth Street
Road Huntington, West Virginia 25701

and to:

Ronald D. West Kirkpatrick & Lockhart LLP 1500 Oliver
Building Pittsburgh, Pennsylvania 15222

Section 7.3 Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "INCLUDE," "INCLUDES" or "INCLUDING" are used in this Agreement they shall be deemed to be followed by the words "without limitation." The phrases "THE DATE OF THIS AGREEMENT," "THE DATE HEREOF," and terms of similar import, unless the context otherwise requires, shall be deemed to refer to April 4, 1997.

Section 7.4 Knowledge. All references in this Agreement or any certificate to knowledge of the Company or ACI shall mean the knowledge of any executive officer or executive officers of such party referred to in the S-4 (but only the executive officer executing any such certificate, in the case of a certificate) and shall reflect reasonable inquiry by such executive officer or executive officers in connection specifically with respect to the statement made to such knowledge.

Section 7.5 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 7.6 Entire Agreement; No Third Party Beneficiaries. This Agreement and the documents and instruments referred to herein, including the Confidentiality Agreement, constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and, except for the provisions of Sections 4.9 and 4.10, are not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

Section 7.7 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware without regard to any applicable conflicts of law.

Section 7.8 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or otherwise transferred in whole or in part by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and permissible assigns and transferees.

Section 7.9 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

Section 7.10 Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective officers, thereunto duly authorized, as of the date first set forth above.

ARCH MINERAL CORPORATION

By: /s/ Steven F. Leer

Title: President and Chief Executive Officer

AMC MERGER CORPORATION

By: /s/ Jeffry N. Quinn

Title: President

ASHLAND COAL, INC.

By: /s/ William C. Payne

Title: President

RESTATED CERTIFICATE OF INCORPORATION OF ARCH COAL, INC.

FIRST: The name of the Corporation is Arch Coal, Inc. (hereinafter referred to as the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, and the name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a Corporation may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is One Hundred Ten Million (110,000,000), which shall be divided into two classes as follows:

A. One Hundred Million (100,000,000) shares of Common Stock, the par value of which shares is One Cent ($.01) per share; and

B. Ten Million (10,000,000) shares of Preferred Stock, the par value of which shares is One Cent ($.01) per share. The Corporation's Board of Directors is hereby expressly authorized to provide by resolution or resolutions from time to time for the issuance of the Preferred Stock in one or more series, the shares of each of which series to have such voting rights and the terms and conditions for the exercise thereof, provided that the holders of shares of Preferred Stock (1) will not be entitled to more than the lesser of (x) one vote per $100 of liquidation value or (y) one vote per share, when voting as a class with the holders of shares of other capital stock, and (2) will not be entitled to vote on any matter separately as a class, except to the extent required by law or as specified with respect to each series with respect to (x) any amendment or alteration of the provisions of this Certificate of Incorporation that would adversely affect the powers, preferences, or special rights of the applicable series of Preferred Stock or (y) the failure of the Corporation to pay dividends on any series of Preferred Stock in full for any six quarterly dividend payment periods, whether or not consecutive, in which event the number of directors may be increased by two and the holders of outstanding shares of Preferred Stock then similarly entitled shall be entitled to elect the two additional directors until full accumulated dividends on all such shares of Preferred Stock shall have been paid; and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be permitted under the General Corporation Law of the State of Delaware and as shall be stated in the resolution or resolutions providing for the issuance of such stock adopted by the Board of Directors pursuant to the authority expressly vested in the Board of Directors in the Bylaws.

FIFTH: The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of such number of directors as is determined from time to time by resolution adopted by the affirmative vote of not less than two-thirds of the members of the entire Board of Directors; provided, however, that in no event shall the number of directors be less than three (3).

SIXTH: Except as otherwise fixed pursuant to the provisions of Article FOURTH hereof relating to the voting rights of the holders of any class or series of Preferred Stock:

1. In the election of directors, a holder of Common Stock who elects to cumulate votes shall be entitled to as many votes as equals the number of votes which (absent this provision as to cumulative voting) such holder would be entitled to cast for the election of directors with respect to such holder's shares of stock multiplied by the number of directors to be elected by such holder in such election, and such holder may

cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them, as such holder may see fit.

2. The affirmative vote of the holders of not less than two-thirds of the shares of Common Stock voting thereon, in the manner and to the extent permitted in the Bylaws, shall be required to:

(i) Adopt an agreement or plan of merger or consolidation;

(ii) Authorize the sale, lease or exchange of all or substantially all of the property and assets of the Corporation;

(iii) Authorize the dissolution of the Corporation or the distribution of all or substantially all of the assets of the Corporation to its stockholders; or

(iv) Amend, alter, supplement, repeal or adopt any provision inconsistent with Article FOURTH, Article FIFTH, this Article SIXTH or Article EIGHTH.

3. On all other matters, the affirmative vote of a majority of the shares of Common Stock voting thereon will be required unless a greater vote is required by law.

4. Voting by the stockholders for the election of directors or on any other matter need not be by written ballot.

SEVENTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the Bylaws of the Corporation as therein provided.

EIGHTH: The Corporation hereby expressly elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

NINTH: No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of such director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which such director derived an improper personal benefit. No repeal of or amendment to this Article NINTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such repeal or amendment. If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as amended.

TENTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner from time to time prescribed herein and by the laws of the State of Delaware. All rights herein conferred are granted subject to this reservation.

ANNEX B

RESTATED AND AMENDED BYLAWS

OF

ARCH COAL, INC.

ADOPTED: , 1997

RESTATED AND AMENDED BYLAWS

OF

ARCH COAL, INC.

TABLE OF CONTENTS

RESTATED AND AMENDED BYLAWS

OF

ARCH COAL, INC.

ARTICLE I--MEETINGS OF STOCKHOLDERS

SECTION 1. ANNUAL MEETING.

The annual meeting of the stockholders of the Corporation shall be held at such date, time and place as shall be designated by the Board of Directors and stated in the notice of the meeting.

SECTION 2. SPECIAL MEETING.

Special meetings of the stockholders may be called at any time by the President, the Chief Executive Officer, any two or more members of the Board of Directors or holders of 10% or more of the outstanding capital stock of the Corporation entitled generally to vote for the election of Directors to be held at such date, time and place within the United States as shall be designated in the notice thereof.

SECTION 3. NOTICE OF MEETINGS.

Written notice of the place, date and time of each meeting of the stockholders shall be given in the manner provided in Article XI, not less than ten nor more than sixty days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the General Corporation Law of Delaware). The notice of any special meeting shall state the purpose or purposes for which the special meeting is called and shall indicate that such notice is being issued upon the request of the person or persons calling the meeting.

Upon the written request of the person or persons calling any special meeting, notice of such meeting shall be given by the Secretary of the Corporation on behalf of such person or persons. Every request to the Secretary of the Corporation for the giving of notice of a special meeting of stockholders shall state the purpose or purposes of such meeting.

If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

SECTION 4. QUORUM.

Subject to the provisions required by law, the Restated Certificate of Incorporation, as amended from time to time (hereafter the "Certificate of Incorporation") and these Bylaws in respect of the vote required for a specified action, at any meeting of the stockholders, the holders of a majority of the outstanding shares of stock entitled to vote, present in person or by proxy, shall constitute a quorum for the transaction of business.

Notwithstanding the foregoing, if a quorum shall fail to attend any meeting, the presiding person of the meeting or the holders of a majority of the stock, present in person or by proxy, may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 5. CONDUCT OF BUSINESS.

The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 6. PROXIES AND VOTING.

Except as may be otherwise provided by law, the Certificate of Incorporation or these Bylaws, (i) each stockholder of record present in person or by proxy shall be entitled, at every stockholders' meeting, to one vote for each share of capital stock having voting power standing in the name of such stockholder on the books of the Corporation, and (ii) the affirmative vote of a majority of the shares voting thereon at a duly organized meeting and entitled to vote on the subject matter shall be the act of the stockholders.

Each stockholder entitled to vote at a meeting of stockholders or to express consent to corporate action in writing without a meeting may authorize another person or persons to act for such person by proxy. Every proxy must be in writing and signed by the stockholder or such stockholder's attorney-in-fact. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable for the period stated therein if the proxy states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power.

SECTION 7. WAIVER OF NOTICE.

Notices of meetings need not be given to any stockholder who submits a written waiver of notice, signed in person or by proxy, whether before or after the meeting. The purpose or purposes of any meeting of stockholders shall be specified in any such waiver of notice. Attendance of a stockholder at a meeting, in person or by proxy, shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 8. CONSENT OF STOCKHOLDERS IN LIEU OF MEETING.

Any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the date the earliest dated consent is delivered to the Corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner prescribed in this Section 8.

SECTION 9. ADJOURNMENTS.

Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 10. RECORD DATE.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty nor less than ten days before the date of any meeting of stockholders, nor more than sixty days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall be not more than ten days after the date upon which the resolution fixing the record date is adopted. If no record date has been fixed by the Board of Directors and no prior action by the Board of Directors is required by law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner prescribed by Article I, Section 8 hereof. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law with respect to the proposed action by written consent of the stockholders, the record date for determining stockholders entitled to consent to corporate action in writing shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

SECTION 11. INSPECTORS OF ELECTION.

The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons

as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

SECTION 12. LIST OF STOCKHOLDERS ENTITLED TO VOTE.

The Secretary of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. Upon the willful neglect or refusal of the Directors to produce such a list at any meeting for the election of Directors, they shall be ineligible for election to any office at such meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to vote in person or by proxy at any meeting of stockholders or to examine the stock ledger, the list of stockholders or the books of the Corporation.

SECTION 13. ADVISORY STOCKHOLDER VOTES.

In order for stockholders to adopt or approve any precatory proposal submitted to them for the purpose of requesting the Board of Directors to take certain actions, the affirmative vote of the holders of shares of capital stock having at least a majority of the vote which could be cast by the holders of all shares of capital stock entitled to vote thereupon, voting as a single class, must be voted in favor of the proposal.

ARTICLE II--BOARD OF DIRECTORS

SECTION 1. POWER OF THE DIRECTORS.

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all the powers of the Corporation and do all lawful acts and things which are not conferred upon or reserved to the stockholders by law or by the Certificate of Incorporation.

SECTION 2. NUMBER AND TERM OF OFFICE; ELECTION.

Subject to the provisions of the Certificate of Incorporation and the restriction that the number of Directors shall not be less than the number required by the laws of the State of Delaware, the number of Directors shall be fixed, from time to time, by a resolution adopted by the affirmative vote of not less than two-thirds of the members of the entire Board of Directors.

Each Director, including any Director elected to fill a vacancy as set forth in Section 5 of this Article II, shall hold office until the earlier of such Director's death, resignation, removal in the manner hereinafter provided, or the election and qualification of such Director's successor.

SECTION 3. NOTICE OF STOCKHOLDER BUSINESS AND NOMINATIONS.

A. Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting delivered pursuant to Section 3 of Article I of these Bylaws, (b) by or at the direction of the Chairman or the Board of Directors, (c) with respect to those persons to be elected by any class or classes of Preferred Stock of the Corporation, by any holder of such class or classes of Preferred Stock, or (d) other than with respect to those persons to be elected by any class or classes of Preferred Stock of the Corporation, by any stockholder of the Corporation who is entitled to vote at the meeting who complied with the procedures set forth in this Section 3 and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (d) of subparagraph (A) (1) of this Section 3, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary of the Corporation at its principal executive offices not less than seventy days nor more than ninety days prior to the first anniversary of the preceding year's Annual Meeting; provided, however, that in the event that the date of the Annual Meeting is advanced by more than twenty days, or delayed by more than seventy days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the ninetieth day prior to such Annual Meeting and not later than the close of business on the later of the seventieth day prior to such Annual Meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner; and (d) a statement as to whether or not the stockholder will solicit proxies in support of such stockholder's nominee or proposal.

(3) Notwithstanding anything in the second sentence of subparagraph (A) (2) of this Section 3 to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least eighty days prior to the first anniversary of the preceding year's Annual Meeting, a stockholder's notice required by this Section 3 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at its principal executive offices not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

B. Special Meetings of Stockholders. Only such business shall be conducted at a Special Meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 3 of Article I of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a Special Meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 3 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. Nominations by stockholders of persons for election to the Board of Directors may be made at such a Special Meeting of stockholders if the stockholder's notice as required by subparagraph (A) (2) of this Section 3 shall be delivered to the Secretary of the Corporation at its principal executive offices not earlier than the ninetieth day prior to such Special Meeting and not later than the close of business on the later of the seventieth day prior to such Special Meeting or the tenth day following the day on which public announcement is first made of the date of the Special Meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

C. General.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 3 shall be eligible to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 3. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 3 and, if any proposed nomination or business is not in compliance with this Section 3, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 3, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 3, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3. Nothing in this Section 3 shall be deemed to affect any rights of stockholders to request inclusion of or the obligation of the Corporation to include proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 4. ELECTION.

Except as otherwise provided in the Certificate of Incorporation, at each meeting of the stockholders for the election of Directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of Directors to be elected, shall be the Directors.

SECTION 5. VACANCIES.

Any vacancy on the Board of Directors (other than a vacancy caused by the death, resignation or removal of any Director elected by the holders of any class or classes of Preferred Stock, voting separately as a class or classes, as the case may be) or newly created directorship shall be filled by a majority of the Directors then in office, though less than a quorum, or by the sole remaining Director.

SECTION 6. RESIGNATION.

Any Director may resign at any time by giving written notice of resignation to the Board of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Any such resignation shall take effect

at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect when accepted by action of the Board of Directors. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 7. REMOVAL.

Any or all of the Directors (other than the Directors elected by the holders of any class or classes of Preferred Stock of the Corporation, voting separately as a class or classes, as the case may be) may be removed by the stockholders, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of Directors, provided that if less than all the Directors are to be removed, no one of the Directors may be removed without cause if the votes cast against such Director's removal would be sufficient to elect such Director if then cumulatively voted at an election of the entire Board.

SECTION 8. REGULAR MEETINGS.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall be established by the Board of Directors and publicized among all Directors.

SECTION 9. SPECIAL MEETINGS.

Special meetings of the Board of Directors may be called by any two of the Directors, the Chairman of the Board, the President or Chief Executive Officer and shall be held at such place within the United States, on such date and at such time as the person or persons calling the meeting shall fix.

SECTION 10. NOTICE OF MEETING.

Notice of the date, place, time and purpose or purposes of each meeting of the Directors shall be given to each Director in the manner provided in Article XI at such Director's usual place of business at least three business days before the day on which the meeting is to be held. Upon written request of the person or persons calling any special meeting, notice of such meeting shall be given by the Secretary of the Corporation on behalf of such person or persons and shall indicate the person or persons calling the meeting.

SECTION 11. QUORUM.

At all meetings of the Board of Directors, the presence of a majority of the whole Board of Directors fixed by or in the manner provided in these Bylaws shall constitute a quorum for the transaction of business.

SECTION 12. MANNER OF ACTING.

A. Except as otherwise provided in subsection B of this Section 12, the vote of a majority of the Directors present at a meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board of Directors.

B. The vote of not less than two-thirds of the entire Board of Directors shall be necessary for the passage of any resolution or act of the Board of Directors in respect of the following:

(i) the declaration of a dividend or distribution on any capital stock of the Corporation not otherwise entitled to such dividend or distribution pursuant to the terms thereof;

(ii) the approval of the Corporation's annual budget or operating plan and any material modification thereof, including any capital expenditure in excess of Ten Million Dollars ($10,000,000) not provided for in the annual budget;

(iii) the election or removal of the Chief Executive Officer, President, Chief Financial Officer (if any) or Chief Operating Officer (if any) of the Corporation;

(iv) except for the issuance of Common Stock pursuant to a compensation plan approved by the Board of Directors, the issuance of more than One Million (1,000,000) shares of Common Stock or any shares of Preferred Stock in any one transaction or a series of related transactions;

(v) the adoption of a share purchase rights plan of a nature commonly referred to as a "poison pill";

(vi) the repurchase or redemption of any capital stock of the Corporation;

(vii) an establishment or change in the number of Directors of the Corporation;

(viii) the appointment of members to or dissolution of the Executive Committee; or

(ix) the amendment of this Section 12 of these Bylaws.

SECTION 13. PARTICIPATION IN MEETINGS BY CONFERENCE TELEPHONE.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other, and such participation shall constitute the presence in person at such meeting.

SECTION 14. ACTION BY CONSENT.

Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, prior notice, or vote if a consent in writing, which writing may be in counterparts which may bear telecommunicated facsimile signatures, setting forth the action so taken, is signed by all members of the Board or committee, and such writing is filed with the minutes of the proceedings of the Board or committee.

SECTION 15. ORGANIZATION.

Meetings of the Board of Directors shall be presided over by the Chairman of the Board or in the Chairman's absence by the Chief Executive Officer, or in their absence by a chairman chosen at the meeting. The Secretary of the Corporation shall act as secretary of the meeting, but in the Secretary's absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 16. EXECUTIVE COMMITTEE.

The Board of Directors may establish an Executive Committee to consist of such Directors as the Board shall from time to time designate. The Executive Committee shall to the extent permitted by law have and may exercise such powers and authority as the Board shall from time to time determine. The Executive Committee shall record minutes of each of its meetings and shall submit the same to the Board at the first meeting of the Board held subsequent to such meeting of the Executive Committee. At all meetings of the Executive Committee, a majority of the total number of the members thereof shall constitute a quorum for the transaction of business. A majority vote of the members of the Executive Committee who are present shall be the act of the Executive Committee.

SECTION 17. AUDIT COMMITTEE.

The Board may by resolution designate an Audit Committee consisting of three or more Directors. Vacancies on the Audit Committee may be filled by the Board at any time and any member of the Audit Committee shall be subject to removal, with or without cause, at any time by resolution passed by the Board.

The Audit Committee shall review with the independent public accountants for the Corporation the scope of their examination, receive copies of the reports of such accountants, meet with representatives of such accountants for the purpose of reviewing and considering questions relating to such accountants' examination and such reports, review, either directly or through such accountants, the internal accounting and auditing procedures of the Corporation, report the results of the foregoing to the Board and act upon such other matters as may be referred to it by the Board.

At each meeting of the Board the Audit Committee shall make a report of all action taken by it since its last report to the Board.

The Audit Committee shall meet as often as may be deemed necessary and expedient at such times and places as shall be determined by the members of the Audit Committee. A majority of the members of the Audit Committee shall constitute a quorum. In the absence of the Chairman of the Audit Committee, the Audit Committee may appoint any member to preside at meetings thereof.

SECTION 18. OTHER COMMITTEES.

The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more other committees, each of which shall consist of one or more Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Each such committee shall have and may exercise such powers and authority of the Board of Directors in the management of the business and affairs of the Corporation as the Board shall provide in the resolution designating such committee, except as otherwise provided by statute.

SECTION 19. WAIVER OF NOTICES.

Notice of a meeting need not be given to any Director who submits a written waiver of notice signed by such Director, including a telecommunicated facsimile waiver, whether before or after the meeting. The purpose or purposes of any meeting of the Directors must be specified in any such waiver of notice. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except when the Director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 20. COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of Directors. The Directors may be paid their expenses, if any, for attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director, or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE III--OFFICERS

SECTION 1. ELECTION AND APPOINTMENT; TERM OF OFFICE.

The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents as determined from time to time by the Board, a Treasurer, a Secretary and a Controller. Subject to Article II, Section 12 of these Bylaws, the Board shall designate either the Chairman of the Board or the President as the Chief Executive Officer of the Corporation. Subject to Article II, Section 12 of these Bylaws, each such officer shall be elected by the Board at its annual meeting to serve at the will and pleasure of the Board and shall hold office until the next annual meeting of the Board and until such officer's successor is elected or until such officer's earlier death, resignation or removal in the manner hereinafter provided. The Board may elect or appoint

such other officers (including one or more Assistant Treasurers and one or more Assistant Secretaries), and subject to the provisions of Article II, Section 12 of these Bylaws, a Chief Financial Officer or Chief Operating Officer, as it deems necessary, who shall have such authority and shall perform such duties as the Board may prescribe. If additional officers are elected or appointed during the year, each of them shall hold office until the next annual meeting of the Board at which officers are regularly elected or appointed and until such officer's successor is elected or appointed or until such officer's earlier death, resignation or removal in the manner hereinafter provided. To the extent the Board shall deem appropriate, more than one of the offices authorized herein may be held by the same person.

SECTION 2. RESIGNATION; REMOVAL; VACANCIES.

A. Any officer may resign at any time by giving written notice to the Chief Executive Officer or the Secretary of the Corporation, and such resignation shall take effect upon receipt unless specified therein to be effective at some other time (subject always to the provisions of Section 2.B). No acceptance of any such resignation shall be necessary to make it effective.

B. Subject to the provisions of Article II, Section 12 of these Bylaws, all officers and agents elected or appointed by the Board shall be subject to removal at any time by the Board with or without cause.

C. A vacancy in any office may be filled for the unexpired portion of the term in the same manner as provided for election or appointment to such office.

SECTION 3. DUTIES AND FUNCTIONS.

A. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the stockholders and directors and shall perform such other duties as the Board may prescribe.

B. Chief Executive Officer. In the case of absence, refusal to serve or incapacity of the Chairman of the Board (if the Chief Executive Officer shall not be designated as such), the Chief Executive Officer shall perform the duties of such office. The Chief Executive Officer may assign such duties to other officers of the Corporation as the Chief Executive Officer deems appropriate.

C. President. In the case of absence, refusal to serve or incapacity of the Chief Executive Officer (if the President shall not be designated as such), the President shall perform the duties of such office. If the President shall not be designated as the Chief Executive Officer by the Board pursuant to Section 1 of this Article III, the President shall act under the control of the Chief Executive Officer.

D. Chief Operating Officer. In the event the President is not designated as Chief Executive Officer pursuant to Section 1, the President may, in the Board's discretion, be designated as the Chief Operating Officer of the Corporation and shall have such powers and duties as the Board, or Chief Executive Officer, may prescribe.

E. Vice Presidents. The Vice Presidents shall have such powers and perform such duties as the Board or the Chief Executive Officer may prescribe. One or more Vice Presidents may be given and shall use as part of the title such other designations, including, without limitation, the designations "Executive Vice President" and "Senior Vice President," as the Board or the Chief Executive Officer may designate from time to time. One of the Vice Presidents may also be given and shall use as part of the title such other designations as may be descriptive of their responsibilities, including, without limitation, designations such as "Chief Financial Officer" or "General Counsel," as the Board or the Chief Executive Officer may designate from time to time. In the case of absence, refusal to serve or incapacity of the Chairman of the Board and the President, the powers and duties of the Chief Executive Officer shall be vested in and performed by such Vice Presidents as have the designation "Executive Vice President," in the order of their seniority or as otherwise established by action of the Board from time to time, or by such other officer as the Board or the Chief Executive Officer shall have most recently designated for that purpose in a writing filed with the Secretary of the Corporation.

F. Treasurer. The Treasurer shall act under the direction of the Chief Financial Officer of the Corporation, or, if none, the Chief Executive Officer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation and the deposit thereof in the name and to the credit of the Corporation in such depositories as may be designated by the Board or by the Treasurer pursuant hereto. The Treasurer shall be authorized at any time, and from time to time, by a writing countersigned by such officer or officers as may be authorized by the Board: (i) to open bank accounts in the name of the Corporation in any bank or trust company for the deposit therein of any funds, drafts, checks or other orders for the payment of money to the Corporation; (ii) to authorize and empower any representative or agent of the Corporation to draw upon or sign for the Corporation either manually or by the use of facsimile signature, any and all checks, drafts or other orders for the payment of money against such bank accounts which any such bank or trust company may pay without further inquiry; and (iii) to sign, in the name of the Corporation, certificates representing the stock of the Corporation.

G. Secretary. The Secretary shall act under the direction and control of the Board. The Secretary shall attend all meetings of the Board, the Executive Committee and the stockholders and record the proceedings in a book to be kept for that purpose and shall perform like duties for committees designated by the Board. The Secretary shall duly give or cause to be given, in accordance with the provisions of these Bylaws or as required by law, notice of all meetings of the stockholders and special meetings of the Board. The Secretary shall be the custodian of the records and the corporate seal or seals of the Corporation and shall cause the corporate seal to be affixed to all documents, the execution of which, on behalf of the Corporation, under its seal, is duly authorized and when so affixed may attest to same. The Secretary may sign, with the Chief Executive Officer, the President or a Vice President, certificates of stock of the Corporation.

H. Controller. The Controller shall act under the direction of the Chief Financial Officer of the Corporation, or, if none, the Chief Executive Officer. Subject to the direction of the Chief Financial Officer of the Corporation or, if none, the Chief Executive Officer, the Controller shall have charge of the accounting records of the Corporation, shall keep full and accurate accounts of all receipts and disbursements in books belonging to the Corporation, shall maintain adequate internal control of the Corporation's accounts, and may perform such other duties as may be prescribed by the Chief Financial Officer of the Corporation or, if none, the Chief Executive Officer, and by the Board.

ARTICLE IV--NOTES, LOAN AGREEMENTS, CHECKS, BANK ACCOUNTS, ETC.

SECTION 1. EXECUTION OF DOCUMENTS.

The Board shall from time to time by resolution authorize the officers, employees and agents of the Corporation to execute and deliver checks and other orders for the payment of money and notes, bonds and other securities, together with mortgages, loan agreements and other instruments securing or relating thereto and other contracts and commitments for and in the name of the Corporation and may authorize such officers, employees and agents to delegate such power (including authority to redelegate) by written instrument to other officers, employees or agents of the Corporation.

SECTION 2. DEPOSITS.

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board or any officer of the Corporation to whom power in that respect shall have been delegated by the Board shall select.

ARTICLE V--INDEMNIFICATION

SECTION 1. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

A. Every person who is or was a Director or officer of the Corporation, or of any other corporation or entity which such person served as such at the request of the Corporation shall in accordance with Section 2 of this Article V be indemnified by the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any claim, action, suit or proceeding (other than any claim, action, suit or proceeding brought by or in the right of the Corporation), civil or criminal, administrative or investigative, or in connection with an appeal relating thereto, in which such person may be involved, as a party or otherwise, by reason of such person being or having been a Director or officer of the Corporation or such other corporation or entity, or by reason of any action taken or not taken in such capacity as such Director or officer, whether or not such person continues to be such at the time such liability or expense shall have been incurred, provided that such person acted, in good faith, and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such conduct was unlawful. The termination of any claim, action, suit or proceeding, civil or criminal, by judgment, order, settlement (whether with or without court approval), conviction or upon a plea of guilty or nolo contendere, or its equivalent shall not create a presumption that a Director or officer did not meet the standards of conduct set forth in this Section l.A.

B. Every person who is or was a Director or officer of the Corporation, or of any other corporation or entity which such person served as such at the request of the Corporation, shall in accordance with Section 2 of Article V be indemnified by the Corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of any claim, action, suit or proceeding brought by or in the right of the Corporation, or in connection with an appeal or otherwise, by reason of such person being or having been a Director or officer of the Corporation or such other corporation or entity, or by reason of any action taken or not taken in such person's capacity as such Director or officer, whether or not such person continues to be such at the time such expense shall have been incurred, provided that such person acted in good faith, and in a manner such person reasonably believed to be in the best interests of the Corporation, and provided further, that no indemnification shall be made in respect of any claim, action, suit or proceeding as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such claim, action, suit or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

SECTION 2. RIGHT TO INDEMNIFICATION.

Every person referred to in Section 1 or Section 2 of this Article V who has been wholly successful, on the merits or otherwise, with respect to any claim, action, suit or proceeding of the character described in said Sections shall be entitled to indemnification as of right. Except as provided in the preceding sentence, any indemnification under Section 1 or Section 2 of this Article V may be made by the Board of Directors, in its discretion, but only if (a) the Board of Directors, acting by a quorum consisting of Directors who are not parties to such claim, action, suit or proceeding, shall have found that the Director or officer has met the applicable standard of conduct set forth in Section 1 or Section 2, as the case may be, of this Article V or (b) there be no such disinterested quorum, independent legal counsel (who may be the regular outside counsel of the Corporation) shall have delivered to the Corporation written advice to the effect that in their judgment such applicable standard has been met, or (c) by the stockholders of the Corporation.

SECTION 3. EXPENSES.

Expenses incurred with respect to any claim, action, suit or proceeding of the character described in Section 1 of this Article V may be paid by the Corporation prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount unless it shall ultimately be determined that such person is entitled to indemnification by the Corporation.

SECTION 4. OTHER RIGHTS.

The rights of indemnification provided in this Article V shall be in addition to any other rights to which a Director or officer of the Corporation or such other corporation or entity may otherwise be entitled by contract, vote of disinterested stockholders or Directors or otherwise or as a matter of law; and in the event of such person's death, such rights shall extend to such person's heirs and legal representatives.

ARTICLE VI--SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES.

The stock of the Corporation shall be represented by certificates signed in the name of the Corporation by (a) the Chief Executive Officer or the President or a Vice President and (b) either the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, or in any act amending, supplementing or substituted for such Section, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Any of or all the signatures on a certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed.

SECTION 2. TRANSFER.

Upon surrender to the Corporation or its transfer agent of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 3. RECORD.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII--THIRD PARTIES

Any party dealing with the Corporation shall be entitled to rely conclusively as to the due authorization of any act of the Corporation upon a certificate provided to it and signed by (a) the President or any Vice President and (b) the Secretary or any Assistant Secretary of the Corporation to the effect that such act was duly authorized by all necessary action of the Corporation.

ARTICLE VIII--SEAL

The Board of Directors may by resolution provide for a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary of the Corporation.

ARTICLE IX--FISCAL YEAR

The fiscal year of the Corporation shall end on the last calendar day of each year.

ARTICLE X--AMENDMENTS

Subject to the provisions of Article II, these Bylaws may be adopted, repealed, altered or amended by the Board of Directors at any regular or special meeting thereof. Except as otherwise fixed pursuant to the provisions of the Certificate of Incorporation hereof relating to the voting rights of the holders of any class or series of Preferred Stock, the stockholders of the Corporation shall have the power to adopt, repeal, alter or amend Article II of these Bylaws by the affirmative vote of not less than two-thirds of the shares of the Common Stock voting thereon.

ARTICLE XI--NOTICES

All notices and other communications hereunder shall be in writing and delivered personally or sent, if in the United States by first class mail return receipt requested, or if outside the United States by air mail, return receipt requested, or in either case by telex, telecopy, or other facsimile telecommunications. Any notice or other communication so transmitted shall be deemed to have been given at the time of delivery, in the case of a communication delivered personally, on the business day following receipt of answer back, telecopy, or facsimile confirmation, in the case of a communication sent by telex, telecopy or other facsimile telecommunication, respectively, or as provided in Section 3 of Article I of these Bylaws in the case of a communication sent by mail.

ARTICLE XII--COMPUTATION OF TIME PERIODS

The words "day" or "days" as used in these Bylaws with respect to the computation of periods of time shall mean calendar days and the words "business day" or "business days" as used in these Bylaws with respect to the computation of periods of time shall mean any day that is not a Saturday, Sunday or other holiday in New York, New York; provided, however, that if the last day of any period of time shall fall on a day other than a business day, such period shall be extended to include the next succeeding business day in each such location. All computations of time shall be based on New York, New York time.

ANNEX C

DIRECTORS OF ARCH COAL, INC.
AS OF THE EFFECTIVE TIME

James R. Boyd
Robert A. Charpie
Paul W. Chellgren
Thomas L. Feazell
Juan Antonio Ferrando
John R. Hall
Robert L. Hintz
Douglas H. Hunt
Steven F. Leer
Thomas Marshall
James L. Parker
J. Marvin Quin
Ronald Eugene Samples

If, prior to the Effective Time, (i) any of Messrs. Boyd, Chellgren, Feazell, Hall and Quin; (ii) any of Messrs. Hunt, Parker and Samples; or (iii) Mr. Ferrando, should die or otherwise be unable or unwilling to serve as a director of the Company, then a substitute for such person shall be designated by (i) Ashland Inc.; (ii) Hunt Coal Corporation, Petro-Hunt Corporation, the Lyda Hunt-Margaret Trusts and the Lyda Hunt-Herbert Trusts; or (iii) Carboex, respectively. If, prior to the Effective Time, any of Messrs. Charpie, Hintz, Leer or Marshall should die or otherwise be unable or unwilling to serve as a director of the Company, then a substitute for such person shall be designated by a majority of the remainder of the persons listed above.

ANNEX D

[FORM OF AFFILIATE AGREEMENT]

, 1997

Arch Coal, Inc.
Suite 300
CityPlace One
Creve Coeur, Missouri 63141

Gentlemen:

The undersigned has been advised that as of the date hereof the undersigned may be deemed to be an "affiliate" of Ashland Coal, Inc., a Delaware corporation ("ACI"), as the term "affiliate" is defined for purposes of paragraphs (c) and (d) of Rule 145 of the Rules and Regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"). Pursuant to the terms of the Agreement and Plan of Merger, dated as of April 4, 1997 (the "Agreement"), among Arch Mineral Corporation, a Delaware corporation (the "Company"), AMC Merger Corporation and ACI, at the Effective Time (as defined in the Agreement) ACI will become a wholly owned subsidiary of the Company.

As a result of the Merger (as defined in the Agreement), the undersigned may receive shares of Common Stock, par value $.01 per share ("Company Common Stock"), of the Company. The undersigned would receive such shares in exchange for shares of Common Stock, par value $.01 per share, of ACI, shares of Class B Preferred Stock, par value $100 per share, of ACI, or shares of Class C Preferred Stock, par value $100 per share, of ACI owned by the undersigned.

The undersigned hereby represents and warrants to, and covenants with, the Company that in the event the undersigned receives any Company Common Stock in the Merger:

(A) The undersigned shall not make any sale, transfer or other disposition of Company Common Stock in violation of the Act or the Rules and Regulations.

(B) The undersigned has carefully read this letter and discussed its requirements and other applicable limitations upon the undersigned's ability to sell, transfer or otherwise dispose of the Company Common Stock, to the extent the undersigned has felt it necessary, with the undersigned's counsel.

(C) The undersigned has been advised that the issuance of shares of Company Common Stock to the undersigned in the Merger has been registered under the Act by a Registration Statement on Form S-4. However, the undersigned has also been advised that because (i) at the time of the submission of the Merger for a vote of the stockholders of ACI the undersigned may be deemed an affiliate of ACI, and (ii) the distribution by the undersigned of the Company Common Stock has not been registered under the Act, the undersigned may not sell, transfer or otherwise dispose of Company Common Stock issued to the undersigned in the Merger unless (a) such sale, transfer or other disposition has been registered under the Act, (b) such sale, transfer or other disposition is made in conformity with the volume and other applicable limitations imposed by Rule 145 under the Act, or (c) in the opinion of counsel reasonably acceptable to the Company delivered in writing to the Company prior to such sale, transfer or other disposition, such sale, transfer or other disposition is otherwise exempt from registration under the Act.

(D) The undersigned understands that, except to the extent set forth in an agreement to which the Company is a party, the Company will be under no obligation to register the sale, transfer or other disposition of the Company Common Stock by the undersigned or on the undersigned's behalf under the Act or to take any other action necessary in order to make compliance with an exemption from such registration available.

(E) The undersigned understands that stop transfer instructions may be given to the Company's transfer agent with respect to the Company Common Stock owned by the undersigned and that there may be placed on the certificates for the Company Common Stock issued to the undersigned, or any substitutions for all or part of such Company Common Stock, a legend stating in substance:

"The shares represented by this certificate were issued in a transaction to which Rule 145 under the Securities Act of 1933 applies. The shares represented by this certificate may only be transferred in accordance with the terms of a letter agreement dated , 1997, a copy of which agreement is on file at the principal offices of Arch Coal, Inc.

(F) The undersigned also understands that unless the transfer by the undersigned of the undersigned's Company Common Stock has been registered under the Act or is a sale made in conformity with the provisions of this letter, the Company reserves the right, in its sole discretion, to place the following legend on the certificates issued to any transferee of shares from the undersigned and to obtain an agreement from the proposed transferee to effect hereof as a condition to issuance of certificates to such transferee:

"The shares represented by this certificate have not been registered under the Securities Act of 1933 and were acquired from a person who received such shares in a transaction to which Rule 145 under the Securities Act of 1933 applies. The shares have been acquired by the holder not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act of 1933 and may not be offered, sold, pledged or otherwise transferred except in accordance with an exemption from the registration requirements of the Securities Act of 1933."

It is understood and agreed that the legend set forth in paragraph E or F above shall be removed by delivery of substitute certificates without such legend if the undersigned shall have delivered to the Company (i) a copy of a letter from the staff of the Commission, or an opinion of counsel, in form and substance reasonably satisfactory to the Company to the effect that such legend is not required for purposes of the Act or (ii) reasonably satisfactory evidence or representations that the shares represented by such certificates are being or have been transferred in a transaction made in conformity with the provisions of Rule 145.

Very truly yours,

ARCH COAL, INC. 1997 STOCK INCENTIVE PLAN

SECTION 1

STATEMENT OF PURPOSE

1.1. The Arch Coal, Inc. 1997 Stock Incentive Plan (the "Plan") has been established by Arch Mineral Corporation, which pursuant to the Agreement and Plan of Merger by and between the Company and Ashland Coal, Inc., et. al, will change its name to Arch Coal, Inc., to become effective at the Effective Time as defined herein in order to:

(a) attract and retain executive, managerial and other salaried employees;

(b) motivate participating employees, by means of appropriate incentives, to achieve long-range goals;

(c) provide incentive compensation opportunities that are competitive with those of other major corporations; and

(d) further identify a Participant's interests with those of the Company's other stockholders through compensation based on the Company's common stock; thereby promoting the long-term financial interest of the Company and its Related Companies, including the growth in value of the Company's equity and enhancement of long-term stockholder return.

SECTION 2

DEFINITIONS

2.1. Unless the context indicates otherwise, the following terms shall have the meaning set forth below:

(a) ACQUIRING CORPORATION. The term "Acquiring Corporation" shall mean the surviving, continuing successor or purchasing corporation in an acquisition or merger with the Company in which the Company is not the surviving corporation.

(b) AWARD. The term "Award" shall mean any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Stock, Performance Units, Merit Awards, Phantom Stock Awards and Stock acquired through purchase under Section 12.

(c) BOARD. The term "Board" shall mean the Board of Directors of the Company acting as such but shall not include the Committee or other committees of the Board acting on behalf of the Board.

(d) CAUSE. The term "Cause" shall mean (a) the continued failure by the Participant to substantially perform his or her duties with the Company (other than any such failure resulting from his or her incapacity due to physical or mental illness), or (b) the engaging by the Participant in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise.

(e) CHANGE IN CONTROL. A "Change in Control" shall mean a change in control of the Company of a nature that would be required to be reported (assuming such event has not been "previously reported") in response to Item 1(a) of a Current Report on Form 8-K pursuant to Section 13 or 15(d) of the Exchange Act as

in effect on the date this Plan is approved by the shareholders of the Company; provided that, without limitation, such a Change in Control shall be deemed to have occurred (1) upon the approval of the Board (or if approval of the Board is not required as a matter of law, the shareholders of the Company) of (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Stock would be converted into cash, securities or other property, other than a merger in which the holders of the Stock immediately prior to the merger will have more than 50% of the ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, or (C) adoption of any plan or proposal for the liquidation or dissolution of the Company, or (2) when any "person" (as defined in Section 13(d) of the Exchange Act), other than a Significant Stockholder, or any subsidiary of the Company or employee benefit plan or trust maintained by the Company or any of its subsidiaries, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 20% of the Stock outstanding at the time, without the prior approval of the Board.

(f) CODE. The term "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(g) COMMITTEE. The term "Committee" means the committee of the Board selected in accordance with the provisions of Subsection 4.2.

(h) COMPANY. The term "Company" means Arch Coal, Inc., a Delaware corporation, which prior to the Effective Date was known as Arch Mineral Corporation.

(i) DATE OF TERMINATION. A Participant's "Date of Termination" shall be the date on which his or her employment with all Employers and Related Companies terminates for any reason; provided that for purposes of this Plan only, a Participant's employment shall not be deemed to be terminated by reason of a transfer of the Participant between the Company and a Related Company (including Employers) or between two Related Companies (including Employers); and further provided that a Participant's employment shall not be considered terminated by reason of the Participant's leave of absence from an Employer or a Related Company that is approved in advance by the Participant's Employer.

(j) DISABILITY. Except as otherwise provided by the Committee, a Participant shall be considered to have a "Disability" during the period in which he or she is unable, by reason of a medically determined physical or mental impairment, to carry out his or her duties with an Employer, which condition, in the discretion of the Committee, shall generally be an event which qualifies as a "long term disability" under applicable long term disability benefit programs of the Company.

(k) EFFECTIVE DATE. The term "Effective Date" shall mean the "Effective Time" of the "Merger" under the Agreement and Plan of Merger dated as of April 4, 1997, among the Company, Ashland Coal, Inc., and AMC Merger Corporation.

(l) EMPLOYEE. The term "Employee" shall mean a person with an employment relationship with an Employer.

(m) EMPLOYER. The Company and each Subsidiary which, with the consent of the Company, participates in the Plan for the benefit of its eligible Employees are referred to collectively as the "Employers" and individually as an "Employer".

(n) EXCHANGE ACT. The term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(o) EXERCISE PRICE. The term "Exercise Price" means, with respect to each share of Stock subject to an Option, the price fixed by the Committee at which such share may be purchased from the Company pursuant to the exercise of such Option, which price at no time may be less than 100% of the Fair Market Value of the Stock on the date the Option is granted, except as permitted and contemplated by Section 21 of the Plan.

(p) FAIR MARKET VALUE. The "Fair Market Value" of the Stock on any given date shall be the last sale price, regular way, or, in case no such sale takes place on such date, the average of the closing bid and asked prices, regular way, of the Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if the Stock is not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Stock is listed or admitted to trading or, if the Stock is not listed or admitted to trading on any national securities exchange, the last quoted sale price on such date or, if not so quoted, the average of the high bid and low asked prices in the over-the- counter market on such date, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other system then in use, or, if on any such date the Stock is not quoted by any such organization, the average of the closing bid and asked prices on such date as furnished by a professional market maker making a market in the Stock. If the Stock is not publicly held or so listed or publicly traded, "Fair Market Value" per share of Stock shall mean the Fair Market Value per share as reasonably determined by the Committee.

(q) IMMEDIATE FAMILY. With respect to a particular Participant, the term "Immediate Family" shall mean, whether through consanguinity or adoptive relationships, the Participant's spouse, children, stepchildren, siblings and grandchildren.

(r) INCENTIVE STOCK OPTION. The term "Incentive Stock Option" shall mean any Incentive Stock Option granted under the Plan.

(s) MERIT AWARD. The term "Merit Award" shall mean any Merit Award granted under the Plan.

(t) NON-EMPLOYEE DIRECTOR. The term "Non-Employee Director" shall mean a person who qualifies as such under Rule 16b-3(b)(3) under the Exchange Act or any successor provision, and who also qualifies as an "outside director" under Section 162(m) of the Code.

(u) NON-QUALIFIED STOCK OPTION. The term "Non-qualified Stock Option" shall mean any Non-Qualified Stock Option granted under the Plan.

(v) NYSE. The term "NYSE" refers to the New York Stock Exchange, Inc.

(w) OPTION. The term "Option" shall mean any Incentive Stock Option or Non-Qualified Stock Option granted under the Plan.

(x) PARTICIPANT. The term "Participant" means an Employee who has been granted an award under the Plan.

(y) PERFORMANCE-BASED COMPENSATION. The term "Performance-Based Compensation" shall have the meaning ascribed to it in Section 162(m)(4)(C) of the Code.

(z) PERFORMANCE GOALS. The term "Performance Goals" means the goals established by the Committee under an Award which, if met, will entitle the Participant to payment under such Award and will qualify such payment as "Performance-Based Compensation" as that term is used in Code Section 162(m)(4)(C). Such goals will be based upon one or more of the following business criteria: net income; earnings per share; earnings before interest and taxes ("EBIT"); earnings before interest, taxes, depreciation, and amortization ("EBITDA"); debt reduction; safety; return on investment; operating income; operating ratio; cash flow; return on assets; stockholders' return; revenue; return on equity; economic value added (EVA(R)); operating costs; sales; or compliance with Company policies.

(aa) PERFORMANCE PERIOD. The term "Performance Period" shall mean the period over which applicable performance is to be measured.

(bb) PERFORMANCE STOCK. The term "Performance Stock" shall have the meaning ascribed to it in Section 10 of the Plan.

(cc) PERFORMANCE UNITS. The term "Performance Units" shall have the meaning ascribed to it in Section 11 of the Plan.

(dd) PHANTOM STOCK AWARD. The term "Phantom Stock Award" shall mean any Phantom Stock Award granted under the Plan.

(ee) PLAN. The term "Plan" shall mean this Arch Coal, Inc. 1997 Stock Incentive Plan as the same may be from time to time amended or revised.

(ff) QUALIFIED RETIREMENT PLAN. The term "Qualified Retirement Plan" means any plan of an Employer or a Related Company that is intended to be qualified under Section 401(a) of the Code.

(gg) RELATED COMPANIES. The term "Related Companies" means any Significant Stockholder and their subsidiaries; and any other company during any period in which it is a Subsidiary or a division of the Company, including any entity acquired by, or merged with or into, the Company or a Subsidiary.

(hh) RESTRICTED PERIOD. The term "Restricted Period" shall mean the period of time for which shares of Restricted Stock or Restricted Stock Units are subject to forfeiture pursuant to the Plan or during which Options and Stock Appreciation Rights are not exercisable.

(ii) RESTRICTED STOCK. The term "Restricted Stock" shall have the meaning ascribed to it in Section 8 of the Plan.

(jj) RESTRICTED STOCK UNITS. The term "Restricted Stock Units" shall have the meaning ascribed to it in Section 9 of the Plan.

(kk) RETIREMENT. "Retirement" of a Participant shall mean the occurrence of a Participant's Date of Termination under circumstances that constitute such Participant's retirement at normal or early retirement age under the terms of the Qualified Retirement Plan of Participant's Employer that is extended to the Participant immediately prior to the Participant's Date of Termination or, if no such plan is extended to the Participant on his or her Date of Termination, under the terms of any applicable retirement policy of the Participant's Employer.

(ll) SEC. "SEC" means the Securities and Exchange Commission.

(mm) SIGNIFICANT STOCKHOLDER. The term "Significant Stockholder" shall mean any shareholder of the Company who, immediately prior to the Effective Date, owned more than 5% of the common stock of the Company.

(nn) STOCK. The term "Stock" shall mean shares of common stock, $.01 par value per share, of the Company.

(oo) STOCK APPRECIATION RIGHTS. The term "Stock Appreciation Rights" shall mean any Stock Appreciation Right granted under the Plan.

(pp) SUBSIDIARY. The term "Subsidiary" shall mean any present or future subsidiary corporation of the Company within the meaning of Code Section 424(f).

(qq) TAX DATE. The term "Tax Date" shall mean the date a withholding tax obligation arises with respect to an Award.

SECTION 3

ELIGIBILITY

3.1. Subject to the discretion of the Committee and the terms and conditions of the Plan, the Committee shall determine and designate from time to time, the Employees or other persons as contemplated by Section 21 of the Plan who will be granted one or more Awards under the Plan.

SECTION 4

OPERATION AND ADMINISTRATION

4.1. The Plan has been adopted by the Board on , 1997, effective as of the Effective Date, subject to the further approval of the shareholders of the Company. In addition, if the Plan is approved by the shareholders, to the extent required pursuant to Section 162(m) of the Code, it or any part thereof shall be resubmitted to shareholders for reapproval at the first shareholders' meeting that occurs during the fifth year following the year of the initial approval and thereafter at five year intervals, in each case, as may be required to qualify any Award hereunder as Performance-Based Compensation. The Plan shall be unlimited in duration and remain in effect until termination by the Board; provided however, that no Incentive Stock Option may be granted under the Plan after , 2007.

4.2. The Plan shall be administered by the Committee which shall consist of two or more members of the Board who are Non-Employee Directors. Plenary authority to manage and control the operation and administration of the Plan shall be vested in the Committee, which authority shall include, but shall not be limited to:

(a) Subject to the provisions of the Plan, the authority and discretion to select Employees to receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the respective Employee, his or her present and potential contribution to the Company's success and such other factors as the Committee deems relevant.

(b) Subject to the provisions of the Plan, the authority and discretion to determine the extent to which Awards under the Plan will be structured to conform to the requirements applicable to Performance-Based Compensation as described in Code Section 162(m), and to take such action, establish such procedures, and impose such restrictions at the time such awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements.

(c) The authority and discretion to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, to make all other determinations that it deems necessary or advisable for the administration of the Plan and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award, in each case, in the manner and to the extent the Committee deems necessary or advisable to carry it into effect.

4.3. Any interpretation of the Plan by the Committee and any decision made by it under the Plan shall be final and binding on all persons. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. Provided, however, that except as otherwise permitted under Treasury Regulation 1.162-27(e)(2)(iii)(C), the Committee may not increase any Award once made if payment under such Award is intended to constitute Performance-Based Compensation.

4.4. The Committee may only act at a meeting by unanimous consent if comprised of two members, and otherwise by a majority of its members. Any determination of the Committee may be made without a meeting

by the unanimous written consent of its members. In addition, the Committee may authorize one or more of its members or any officer of an Employer to execute and deliver documents and perform other administrative acts pursuant to the Plan.

4.5. No member or authorized delegate of the Committee shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his or her own fraud or gross misconduct. The Committee, the individual members thereof, and persons acting as the authorized delegates of the Committee under the Plan, shall be indemnified by the Employers against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Committee or its members or authorized delegates by reason of the performance of any action pursuant to the Plan if the Committee or its members or authorized delegates did not act in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance policy, contract with the indemnitee or the Company's By-laws.

4.6. Notwithstanding any other provision of the Plan to the contrary, but without giving effect to Awards made pursuant to Section 21, the maximum number of shares of Stock with respect to which any Participant may receive any Award of an Option or a Stock Appreciation Right under the Plan during any calendar year is 300,000; the maximum number of shares with respect to which any Participant may receive Awards of Restricted Stock during any calendar year is 100,000; the maximum number of shares with respect to which any Participant may receive Merit Awards during any calendar year is 100,000; and the maximum number of shares with respect to which any Participant may receive other Awards during any calendar year is 100,000.

4.7. To the extent that the Committee determines that it is necessary or desirable to conform any Awards under the Plan with the requirements applicable to "Performance-Based Compensation", as that term is used in Code Section 162(m)(4)(C), it may, at or prior to the time an Award is granted, establish Performance Goals for a particular Performance Period. If the Committee establishes Performance Goals for a Performance Period, it may approve a payment from that particular Performance Period upon attainment of the Performance Goal.

SECTION 5

SHARES AVAILABLE UNDER THE PLAN

5.1. The shares of Stock with respect to which Awards may be made under the Plan shall be shares of currently authorized but unissued or treasury shares acquired by the Company, including shares purchased in the open market or in private transactions. Subject to the provisions of Section 16, the total number of shares of Stock available for grant of Awards shall not exceed six million (6,000,000) shares of Stock. Except as otherwise provided herein, if any Award shall expire or terminate for any reason without having been exercised in full, the unissued shares of Stock subject thereto (whether or not cash or other consideration is paid in respect of such Award) shall again be available for the purposes of the Plan. Any shares of Stock which are used as full or partial payment to the Company upon exercise of an Award shall be available for purposes of the Plan.

SECTION 6

OPTIONS

6.1. The grant of an "Option" under this Section 6 entitles the Participant to purchase shares of Stock at a price fixed at the time the Option is granted, or at a price determined under a method established at the time the Option is granted, subject to the terms of this Section 6. Options granted under this Section 6 may be either Incentive Stock Options or Non-Qualified Stock Options, and subject to Subsection 6.6 and Sections 15 and 20, shall not be exercisable for at least six months from the date of grant, as determined in the discretion of the Committee. An "Incentive Stock Option" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in Section 422(b) of the Code. A "Non-Qualified Option" is an Option that is not intended to be an "incentive stock option" as that term is described in Section 422(b) of the Code.

6.2. The Committee shall designate the Employees to whom Options are to be granted under this Section 6 and shall determine the number of shares of Stock to be subject to each such Option. To the extent that the aggregate Fair Market Value of Stock with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company and all Related Companies) exceeds $100,000, such Options shall be treated as Non-Qualified Stock Options, but only to the extent required by Section 422 of the Code.

6.3. The determination and payment of the purchase price of a share of Stock under each Option granted under this Section shall be subject to the following terms of this Subsection 6.3:

(a) The purchase price shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option is granted; provided, however, that in no event shall the price per share be less than the Fair Market Value per share on the date of the grant except as otherwise permitted by Section 21 of the Plan;

(b) The full purchase price of each share of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise and, as soon as practicable thereafter, a certificate representing the shares so purchased shall be delivered to the person entitled thereto; and

(c) The purchase price shall be paid either in cash, in shares of Stock (valued at Fair Market Value as of the day of exercise), through a combination of cash and Stock (so valued) or through such cashless exercise arrangement as may be approved by the Committee and established by the Company, provided that any shares of Stock used for payment shall have been owned by the Participant for at least six (6) months.

6.4. Except as otherwise expressly provided in the Plan, an Option granted under this Section 6 shall be exercisable in accordance with the following terms of this Subsection 6.4.

(a) The terms and conditions relating to exercise of an Option shall be established by the Committee, and may include, without limitation, conditions relating to completion of a specified period of service, achievement of performance standards prior to exercise of the Option, or achievement of Stock ownership objectives by the Participant. No Option may be exercised by a Participant after the expiration date applicable to that Option.

(b) The exercise of an Option will result in the surrender of the corresponding rights under a tandem Stock Appreciation Right, if any.

6.5. The exercise period of any Option shall be determined by the Committee but the term of any Option shall not extend more than ten years after the date of grant.

SECTION 7

STOCK APPRECIATION RIGHTS

7.1. Subject to the terms of this Section 7, a Stock Appreciation Right granted under the Plan entitles the Participant to receive, in cash or Stock (as determined in accordance with Subsection 7.4), value equal to all or a portion of the excess of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) a specified price which shall not be less than 100% of the Fair Market Value of the Stock at the time the Stock Appreciation Right is granted, or, if granted in tandem with an Option, the exercise price with respect to shares under the tandem Option.

7.2. Subject to the provisions of the Plan, the Committee shall designate the Employees to whom Stock Appreciation Rights are to be granted under the Plan, shall determine the exercise price or a method by which the price shall be established with respect to each such Stock Appreciation Right, and shall determine the number of shares of Stock on which each Stock Appreciation Right is based. A Stock Appreciation Right may be granted in connection with all or any portion of a previously or contemporaneously granted Option or not in connection

with an Option. If a Stock Appreciation Right is granted in connection with an Option then, in the discretion of the Committee, the Stock Appreciation Right may, but need not, be granted in tandem with the Option.

7.3. The exercise of Stock Appreciation Rights shall be subject to the following:

(a) If a Stock Appreciation Right is not in tandem with an Option, then the Stock Appreciation Right shall be exercisable in accordance with the terms established by the Committee in connection with such rights but, subject to Sections 15 and 20, shall not be exercisable for six months from the date of grant and the term of any Stock Appreciation Right shall not extend more than ten years from the date of grant; and may include, without limitation, conditions relating to completion of a specified period of service, achievement of performance standards prior to exercise of the Stock Appreciation Rights, or achievement of objectives relating to Stock ownership by the Participant; and

(b) If a Stock Appreciation Right is in tandem with an Option, then the Stock Appreciation Right shall be exercisable only at the time the tandem Option is exercisable and the exercise of the Stock Appreciation Right will result in the surrender of the corresponding rights under the tandem Option.

7.4. Upon the exercise of a Stock Appreciation Right, the value to be distributed to the Participant, in accordance with Subsection 7.1, shall be distributed in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination of Stock or cash, in the discretion of the Committee.

SECTION 8

RESTRICTED STOCK

8.1. Subject to the terms of this Section 8, Restricted Stock Awards under the Plan are grants of Stock to Participants, the vesting of which is subject to certain conditions established by the Committee, with some or all of those conditions relating to events (such as continued employment or satisfaction of performance criteria) occurring after the date of the grant of the Award, provided, however, that to the extent that vesting of a Restricted Stock Award is contingent on continued employment, the required employment period shall generally (unless otherwise determined by the Committee) not be less than one year following the grant of the Award unless such grant is in substitution for an Award under this Plan or a predecessor plan of the Company or a Related Company. To the extent, if any, required by the General Corporation Law of the State of Delaware, a Participant's receipt of an Award of newly issued shares of Restricted Stock shall be made subject to payment by the Participant of an amount equal to the aggregate par value of such newly issued shares of Stock.

8.2. The Committee shall designate the Employees to whom Restricted Stock is to be granted, and the number of shares of Stock that are subject to each such Award. The Award of shares under this Section 8 may, but need not, be made in conjunction with a cash-based incentive compensation program maintained by the Company, and may, but need not, be in lieu of cash otherwise awardable under such program.

8.3. Shares of Restricted Stock granted to Participants under the Plan shall be subject to the following terms and conditions:

(a) Restricted Stock granted to Participants may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restricted Period;

(b) The Participant as owner of such shares shall have all the rights of a stockholder, including but not limited to the right to vote such shares and, except as otherwise provided by the Committee or as otherwise provided by the Plan, the right to receive all dividends and other distributions paid on such shares;

(c) Each certificate issued in respect of shares of Restricted Stock granted under the Plan shall be registered in the name of the Participant but, at the discretion of the Committee, each such certificate may be deposited with the Company with a stock power endorsed in blank or in a bank designated by the Committee;

(d) The Committee may award Restricted Stock as Performance-Based Compensation, which shall be Restricted Stock that will be earned (or for which earning is accelerated) upon the achievement of Performance Goals established by the Committee and the Committee may specify the number of shares that will be earned upon achievement of different levels of performance; except as otherwise provided by the Committee, achievement of maximum targets during the Performance Period shall result in the Participant's earning of the full amount of Restricted Stock comprising such Performance-Based Compensation and, in the discretion of the Committee, achievement of the minimum target but less than the maximum target, the Committee may result in the Participant's earning of a portion of the Award; and

(e) Except as otherwise provided by the Committee, any Restricted Stock which is not earned by the end of a Restricted Period or Performance Period, as the case may be, shall be forfeited. If a Participant's Date of Termination occurs prior to the end of a Restricted Period or Performance Period, as the case may be, the Committee may determine, in its sole discretion, that the Participant will be entitled to settlement of all or any portion of the Restricted Stock as to which he or she would otherwise be eligible, and may accelerate the determination of the value and settlement of such Restricted Stock or make such other adjustments as the Committee, in its sole discretion, deems desirable. Subject to the limitations of the Plan and the Award of Restricted Stock, upon the vesting of Restricted Stock, such Restricted Stock will be transferred free of all restrictions to the Participant (or his or her legal representative, beneficiary or heir).

SECTION 9

RESTRICTED STOCK UNITS

9.1. Subject to the terms of this Section 9, a Restricted Stock Unit entitles a Participant to receive shares for the units at the end of a Restricted Period to the extent provided by the Award with the vesting of such units to be contingent upon such conditions as may be established by the Committee (such as continued employment or satisfaction of performance criteria) occurring after the date of grant of the Award, provided, however, that to the extent that the vesting of a Restricted Stock Unit is contingent on continued employment, the required employment period shall generally not be less than one year following the date of grant of the Award unless such grant is in substitution for an Award under this Plan or a predecessor plan of the Company or a Related Company. The Award of Restricted Stock Units under this Section 9 may, but need not, be made in conjunction with a cash-based incentive compensation program maintained by the Company, and may, but need not, be in lieu of cash otherwise awardable under such program.

9.2. The Committee shall designate the Employees to whom Restricted Stock Units shall be granted and the number of units that are subject to each such Award. During any period in which Restricted Stock Units are outstanding and have not been settled in Stock, the Participant shall not have the rights of a stockholder, but, in the discretion of the Committee, may be granted the right to receive a payment from the Company in lieu of a dividend in an amount equal to any cash dividends that might be paid during the Restricted Period.

9.3. Except as otherwise provided by the Committee, any Restricted Stock Unit which is not earned by the end of a Restricted Period shall be forfeited. If a Participant's Date of Termination occurs prior to the end of a Restricted Period, the Committee, in its sole discretion, may determine that the Participant will be entitled to settlement of all, any portion, or none of the Restricted Stock Units as to which he or she would otherwise be eligible, and may accelerate the determination of the value and settlement of such Restricted Stock Units or make such other adjustments as the Committee, in its sole discretion, deems desirable.

SECTION 10

PERFORMANCE STOCK

10.1. Subject to the terms of this Section 10, an Award of Performance Stock provides for the distribution of Stock to a Participant upon the achievement of performance objectives, which may include Performance Goals, established by the Committee.

10.2. The Committee shall designate the Employees to whom Awards of Performance Stock are to be granted, and the number of shares of Stock that are subject to each such Award. The Award of shares of Performance Stock under this Section 10 may, but need not, be made in conjunction with a cash-based incentive compensation program maintained by the Company, and may, but need not, be in lieu of cash otherwise awardable under such program.

10.3. Except as otherwise provided by the Committee, any Award of Performance Stock which is not earned by the end of the Performance Period shall be forfeited. If a Participant's Date of Termination occurs prior to the end of a Performance Period, the Committee, in its sole discretion, may determine that the Participant will be entitled to settlement of all, any portion, or none of the Performance Stock as to which he or she would otherwise be eligible, and may accelerate the determination of the value and settlement of such Performance Stock or make such other adjustments as the Committee, in its sole discretion, deems desirable.

SECTION 11

PERFORMANCE UNITS

11.1. Subject to the terms of this Section 11, the Award of Performance Units under the Plan entitles the Participant to receive value for the units at the end of a Performance Period to the extent provided under the Award. The number of Performance Units earned, and value received from them, will be contingent on the degree to which the performance measures established at the time of grant of the Award are met.

11.2. The Committee shall designate the Employees to whom Performance Units are to be granted, and the number of Performance Units to be subject to each such Award.

11.3. For each Participant, the Committee will determine the value of Performance Units, which may be stated either in cash or in units representing shares of Stock; the performance measures used for determining whether the Performance Units are earned; the Performance Period during which the performance measures will apply; the relationship between the level of achievement of the performance measures and the degree to which Performance Units are earned; whether, during or after the Performance Period, any revision to the performance measures or Performance Period should be made to reflect significant events or changes that occur during the Performance Period; and the number of earned Performance Units that will be settled in cash and/or shares of Stock.

11.4. Settlement of Performance Units shall be subject to the following:

(a) The Committee will compare the actual performance to the performance measures established for the Performance Period and determine the number of Performance Units as to which settlement is to be made;

(b) Settlement of Performance Units earned shall be wholly in cash, wholly in Stock or in a combination of the two, to be distributed in a lump sum or installments, as determined by the Committee; and

(c) Shares of Stock distributed in settlement of Performance Units shall be subject to such vesting requirements and other conditions, if any, as the Committee shall determine, including, without limitation, restrictions of the type that may be imposed with respect to Restricted Stock under Section 8.

11.5. Except as otherwise provided by the Committee, any Award of Performance Units which is not earned by the end of the Performance Period shall be forfeited. If a Participant's Date of Termination occurs prior to the end of a Performance Period, the Committee, in its sole discretion, may determine that the Participant will be entitled to settlement of all, any portion, or none of the Performance Units as to which he or she would otherwise be eligible, and may accelerate the determination of the value and settlement of such Performance Units or make such other adjustments as the Committee, in its sole discretion, deems desirable.

SECTION 12

STOCK PURCHASE PROGRAM

12.1. The Committee may, from time to time, establish one or more programs under which Employees will be permitted to purchase shares of Stock under the Plan, and shall designate the Employees eligible to participate under such Stock purchase programs. The purchase price for shares of Stock available under such programs, and other terms and conditions of such programs, shall be established by the Committee. The purchase price may not be less than 75% of the Fair Market Value of the Stock at the time of purchase (or, in the Committee's discretion, the average Stock value over a period determined by the Committee), and further provided that if newly issued shares of Stock are sold, the purchase price may not be less than the aggregate par value of such newly issued shares of Stock.

12.2. The Committee may impose such restrictions with respect to shares purchased under this Section 12, as the Committee, in its sole discretion, determines to be appropriate. Such restrictions may include, without limitation, restrictions of the type that may be imposed with respect to Restricted Stock under Section 8.

SECTION 13

MERIT AWARDS

13.1. The Committee may from time to time make an Award of Stock under the Plan to selected Employees for such reasons and in such amounts as the Committee, in its sole discretion, may determine. The consideration to be paid by an Employee for any such Merit Award, if any, shall be fixed by the Committee from time to time, but, if required by the General Corporation Law of the State of Delaware, it shall not be less than the aggregate par value of the shares of Stock awarded to him or her.

SECTION 14

PHANTOM STOCK AWARDS

14.1. The Committee may make Phantom Stock Awards to selected Employees which may be based solely on the value of the underlying shares of Stock, solely on any earnings or appreciation thereon, or both. Subject to the provisions of the Plan, the Committee shall have the sole and complete authority to determine the number of hypothetical or target shares as to which each such Phantom Stock Award is subject and to determine the terms and conditions of each such Phantom Stock Award. There may be more than one Phantom Stock Award in existence at any one time with respect to a selected Employee, and the terms and conditions of each such Phantom Stock Award may differ from each other.

14.2. The Committee shall establish vesting or performance measures for each Phantom Stock Award on the basis of such criteria and to accomplish such objectives as the Committee may from time to time, in its sole discretion, determine. Such measures may be based on years of service or periods of employment, or the achievement of individual or corporate performance objectives, but shall, in each instance, be based upon one or more of the business criteria as determined pursuant to Section 4.7. The vesting and performance measures determined by the Committee shall be established at the time a Phantom Stock Award is made. Phantom Stock Awards may not be sold, assigned, transferred, pledged, or otherwise encumbered, except as provided in Section 17, during the Performance Period.

14.3. The Committee shall determine, in its sole discretion, the manner of payment, which may include cash or shares of Stock in such proportions as the Committee shall determine.

14.4. Except as otherwise provided by the Committee, any Award of Phantom Stock which is not earned by the end of the Performance Period shall be forfeited. If a Participant's Date of Termination occurs prior to the end of a Performance Period, the Committee, in its sole discretion, may determine that the Participant will be

entitled to settlement of all or a portion of the Phantom Stock for which he or she would otherwise be eligible, and may accelerate the determination of the value and settlement of Phantom Stock or make such other adjustment as the Committee, in its sole discretion, deems desirable.

SECTION 15

TERMINATION OF EMPLOYMENT

15.1. If a Participant's employment is terminated by the Participant's Employer for Cause or if the Participant's employment is terminated by the Participant without the written consent and approval of the Participant's Employer, all of the Participant's unvested Awards, including any unexercised Options, shall be forfeited.

15.2. If a Participant's Date of Termination occurs by reason of death, Disability or Retirement, all Options and Stock Appreciation Rights outstanding immediately prior to the Participant's Date of Termination shall immediately become exercisable and shall be exercisable until one year from the Participant's Date of Termination and thereafter shall be forfeited if not exercised, and all restrictions on any Awards outstanding immediately prior to the Participant's Date of Termination shall immediately lapse. Options and Stock Appreciation Rights which are or become exercisable at the time of a Participant's death may be exercised by the Participant's designated beneficiary or, in the absence of such designation, by the person to whom the Participant's rights will pass by will or the laws of descent and distribution.

15.3. If a Participant's Date of Termination occurs by reason of Participant's employment being terminated by the Participant's Employer for any reason other than Cause, or by the Participant with the written consent and approval of the Participant's Employer, the Restricted Period shall lapse on a proportion of any Awards outstanding immediately prior to the Participant's Date of Termination (except that, to the extent that an Award of Restricted Stock, Restricted Stock Units, Performance Units, Performance Stock and Phantom Stock is subject to a Performance Period), such proportion of the Award shall remain subject to the same terms and conditions for vesting as were in effect prior to the Date of Termination and shall be determined at the end of the Performance Period. The proportion of an Award upon which the Restricted Period shall lapse shall be a fraction, the denominator of which is the total number of months of any Restricted Period applicable to an Award and the numerator of which is the number of months of such Restricted Period which elapsed prior to the Date of Termination.

15.4. Options and Stock Appreciation Rights which are or become exercisable by reason of the Participant's employment being terminated by the Participant's Employer for reasons other than Cause or by the Participant with the consent and approval of the Participant's Employer, shall be exercisable until 60 days from the Participant's Termination Date and shall thereafter be forfeited if not exercised.

15.5. Except to the extent the Company shall otherwise determine, if, as a result of a sale or other transaction (other than a Change in Control), a Participant's Employer ceases to be a Related Company (and the Participant's Employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the Participant's employment being terminated by the Participant's Employer for a reason other than Cause.

15.6. Notwithstanding the foregoing provisions of this Section 15, the Committee may, with respect to any Awards of a Participant (or portion thereof) that are outstanding immediately prior to the Participant's Date of Termination, determine that a Participant's Date of Termination will not result in forfeiture or other termination of the Award, or may extend the period during which any Options or Stock Appreciation Rights may be exercised, but shall not extend such period beyond the expiration date set forth in the Award.

SECTION 16

ADJUSTMENTS TO SHARES

16.1. If the Company shall effect a reorganization, merger, or consolidation, or similar event or effect any subdivision or consolidation of shares of Stock or other capital readjustment, payment of stock dividend, stock split, spin-off, combination of shares or recapitalization or other increase or reduction of the number of shares of Stock outstanding without receiving compensation therefor in money, services or property, then the Committee shall appropriately adjust (i) the number of shares of Stock available under the Plan, (ii) the number of shares of Stock available under any individual or other limitations under the Plan, (iii) the number of shares of Stock subject to outstanding Awards and (iv) the per-share price under any outstanding Award to the extent that the Participant is required to pay a purchase price per share with respect to the Award.

16.2. If the Committee determines that an adjustment in accordance with the provisions of Subsection 16.1 would not be fully consistent with the purposes of the Plan or the purposes of the outstanding Awards under the Plan, the Committee may make such other adjustments, if any, that the Committee reasonably determines are consistent with the purposes of the Plan and/or the affected Awards.

16.3. To the extent that any reorganization, merger, consolidation, or similar event or any subdivision or consolidation of shares of Stock or other capital readjustment, payment of stock dividend, stock split, spin-off, combination of shares or recapitalization or other increase or reduction of the number of shares of Stock hereunder is also accompanied by or related to a Change in Control, the adjustment hereunder shall be made prior to the acceleration contemplated by Section 20.

SECTION 17

TRANSFERABILITY AND DEFERRAL OF AWARDS

17.1. Awards under the Plan are not transferable except by will or by the laws of descent and distribution. To the extent that a Participant who receives an Award under the Plan has the right to exercise such Award, the Award may be exercised during the lifetime of the Participant only by the Participant. Notwithstanding the foregoing provisions of this Section 17, the Committee may, subject to any restrictions under applicable securities laws, permit Awards under the Plan (other than an Incentive Stock Option) to be transferred by a Participant for no consideration to or for the benefit of the Participant's Immediate Family (including, without limitation, to a trust for the benefit of a Participant's Immediate Family or to a Partnership comprised solely of members of the Participant's Immediate Family), subject to such limits as the Committee may establish, provided the transferee shall remain subject to all of the terms and conditions applicable to such Award prior to such transfer.

17.2. The Committee may permit a Participant to elect to defer payment under an Award under such terms and conditions as the Committee, in its sole discretion, may determine; provided that any such deferral election must be made prior to the time the Participant has become entitled to payment under the Award.

SECTION 18

AWARD AGREEMENT

18.1. Each Participant granted an Award pursuant to the Plan shall sign an Award Agreement which signifies the offer of the Award by the Company and the acceptance of the Award by the Participant in accordance with the terms of the Award and the provisions of the Plan. Each Award Agreement shall reflect the terms and conditions of the Award. Participation in the Plan shall confer no rights to continued employment with an Employer nor shall it restrict the right of an Employer to terminate a Participant's employment at any time for any reason, not withstanding the fact that the Participant's rights under this Plan may be negatively affected by such action.

SECTION 19

TAX WITHHOLDING

19.1 All Awards and other payments under the Plan are subject to withholding of all applicable taxes, which withholding obligations shall be satisfied (without regard to whether the Participant has transferred an Award under the Plan) by a cash remittance, or with the consent of the Committee, through the surrender of shares of Stock which the Participant owns or to which the Participant is otherwise entitled under the Plan pursuant to an irrevocable election submitted by the Participant to the Company at the office designated for such purpose. The number of shares of Stock needed to be submitted in payment of the taxes shall be determined using the Fair Market Value as of the applicable tax date rounding down to the nearest whole share.

SECTION 20

CHANGE IN CONTROL

20.1. After giving effect to the provisions of Section 16 (relating to the adjustment of shares of Stock), and except as otherwise provided in the Plan or the Agreement reflecting the applicable Award, upon the occurrence of a Change in Control:

(a) All outstanding Options (regardless of whether in tandem with Stock Appreciation Rights) shall become fully exercisable and may be exercised at any time during the original term of the Option;

(b) All outstanding Stock Appreciation Rights (regardless of whether in tandem with Options) shall become fully exercisable and may be exercised at any time during the original term of the Option;

(c) All shares of Stock subject to Awards shall become fully vested and be distributed to the Participant; and

(d) Performance Units may be paid out in such manner and amounts as may be reasonably determined by the Committee.

SECTION 21

MERGERS/ACQUISITIONS

21.1. In the event of any merger or acquisition involving the Company and/or a Subsidiary of the Company and another entity which results in the Company being the survivor or the surviving direct or indirect parent corporation of the merged or acquired entity, the Committee may grant Awards under the provisions of the Plan in substitution for awards held by employees or former employees of such other entity under any plan of such entity immediately prior to such merger or acquisition upon such terms and conditions as the Committee, in its discretion, shall determine and as otherwise may be required by the Code to ensure such substitution is not treated as the grant of a new Award for tax or accounting purposes.

21.2. In the event of a merger or acquisition involving the Company in which the Company is not the surviving corporation, the Acquiring Corporation shall either assume the Company's rights and obligations under outstanding Awards or substitute awards under the Acquiring Corporation's plans, or if none, securities for such outstanding Awards. In the event the Acquiring Corporation elects not to assume or substitute for such outstanding Awards, and without limiting Section 20, the Board shall provide that any unexercisable and/or unvested portion of the outstanding Awards shall be immediately exercisable and vested as of a date prior to such merger or consolidation, as the Board so determines. The exercise and/or vesting of any Award that was permissible solely by reason of this Section 21.2 shall be conditioned upon the consummation of the merger or consolidation. Unless otherwise provided in the Plan or the Award, any Awards which are neither assumed by the Acquiring Corporation nor exercised on or prior to the date of the transaction shall terminate effective as of the effective date of the transaction.

SECTION 22

TERMINATION AND AMENDMENT

22.1. The Board may suspend, terminate, modify or amend the Plan, provided that any amendment that would (a) increase the aggregate number of shares of Stock which may be issued under the Plan, (b) would change the method of determining the exercise price of Options, other than to change the method of determining Fair Market Value of Stock as set forth in Section 2.1(o) of the Plan, or (c) materially modify the requirements as to eligibility for participation in the Plan, shall be subject to the approval of the Company's stockholders, except that any such increase or modification that may result from adjustments authorized by Section 16 does not require such approval. No suspension, termination, modification or amendment of the Plan may terminate a Participant's existing Award or materially and adversely affect a Participant's rights under such Award without the Participant's consent.

SALOMON BROTHERS INC
Seven World Trade Center
New York, New York 10048

212-783-7000

SALOMON BROTHERS

April 4, 1997

Board of Directors
Ashland Coal, Inc.
2205 Fifth Street Road
Huntington, West Virginia 25701

Members of the Board:

You have requested our opinion as investment bankers as to the fairness, from a financial point of view, to the holders of common stock. $.01 par value ("Common Stock"), of Ashland Coal, Inc. (the "Company") other than Ashland Inc. ("Ashland") and its affiliates of (i) the consideration to be received by holders of Common Stock and (ii) the consideration to be received by holders of the Company's Class B Preferred Stock, $100 par value ("Class B Preferred"), and Class C Preferred Stock, $100 par value ("Class C Preferred" and, collectively with Class B Preferred, "Preferred Stock"), in the proposed combination (the "Proposed Combination") of the Company and Arch Mineral Corporation ("Arch Mineral"). You have advised us that each of the Company and Arch Mineral is majority owned by Ashland. The Proposed Combination is to be effected pursuant to an Agreement and Plan of Merger, dated as of April 4, 1997 (the "Agreement"), by and among Arch Mineral, AMC Merger Corporation and the Company.

As more specifically set forth in the Agreement, in the Proposed Combination the Company will become a wholly owned subsidiary of Arch Mineral, and (i) each share of Common Stock will be converted into the right to receive one share of common stock, par value $.01 per share, of Arch Mineral ("Arch Mineral Common"), (ii) each share of Class B Preferred will be converted into the right to receive 20,500 shares of Arch Mineral Common, and (iii) each share of Class C Preferred will be converted into the right to received 20,500 shares of Arch Mineral Common. We also understand that, prior to execution and delivery of the Agreement, Arch Mineral will have been recapitalized so that each previously outstanding share of its Common Stock will have been converted into 338.0857 shares of Common Stock.

As you are aware, Salomon Brothers Inc has acted as financial advisor to the Special Committee of the Company in connection with the Proposed Combination and will receive a fee for our services. Additionally, Salomon Brothers Inc is currently and has previously acted as agent for Ashland's medium term note program for which we have received compensation. In addition, in the ordinary course of our business, we actively trade the debt and equity securities of Ashland for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

In connection with rendering our opinion, we have reviewed and analyzed, among other things, the following: (i) the Agreement dated as of April 4, 1997, including the Annexes thereto, (ii) certain information, analyses and forecasts prepared by John T. Boyd Company ("Boyd") and Price Waterhouse LLP ("Price Waterhouse"), both of which were retained by the Special Committees of the Company and Arch Mineral to provide advice with respect to the relative valuations of the assets of the two companies; (iii) certain publicly

available business and financial information concerning the Company, (iv) certain internal information, primarily financial in nature, including projections, concerning the business and operations of each of the Company and Arch Mineral, furnished to us by Boyd, Price Waterhouse, the Company and Arch Mineral for purposes of our analysis; (v) certain publicly available information concerning the trading of, and the trading market for, the Common Stock; (vi) certain publicly available information with respect to certain other companies that we believe to be comparable to the Company and Arch Mineral and the trading markets for certain of such other companies' securities; and (vii) certain publicly available information concerning the nature and terms of certain other transactions that we consider relevant to our inquiry. We have also conducted discussions with certain representatives of the Company, Arch Mineral, Boyd and Price Waterhouse to discuss the foregoing, including the past and current business operations, financial condition and prospects of the Company and Arch Mineral as well as other matters we believe relevant to our inquiry. We have also considered such other information, financial studies, analyses, investigations and financial, economic and market criteria that we deemed relevant.

In our review and analysis and in arriving at our opinion, we have assumed that the financial and other information provided us or that was publicly available was accurate and complete and have neither attempted independently to verify nor assumed responsibility for verifying any of such information. We have not conducted a physical inspection of any of the properties or facilities of the Company or Arch Mineral, nor have we made or obtained or assumed any responsibility for making or obtaining any independent evaluations or appraisals of any of such properties or facilities. In addition, you have not requested us to, and accordingly we have not, solicited the interest of third parties to effect a transaction involving the Company. With respect to projections, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of Boyd and the management of the Company and Arch Mineral as to the future financial performance of such companies, and we express no view with respect to such projections or the assumptions on which they were based.

In conducting our analysis and in arriving at our opinion as expressed herein, we have considered such financial and other factors as we have deemed appropriate under the circumstances including, among others, the following: (i) the historical and current financial position and results of operations of each of the Company and Arch Mineral; (ii) the business prospects of each of the Company and Arch Mineral; (iii) the historical and current market for the Common Stock and for the equity securities of certain other companies that we believe to be comparable to the Company and Arch Mineral; (iv) the terms of the Preferred Stock; and (v) the nature and terms of certain other acquisition transactions that we believe to be relevant. We have also taken into account our assessment of general economic, market and financial conditions as well as our experience in connection with similar transactions and securities valuation generally. Our opinion necessarily is based upon conditions as they exist and can be evaluated on the date hereof and we assume no responsibility to update or revise our opinion based upon circumstances or events occurring after the date hereof. Our opinion is, in any event, limited to the fairness, from a financial point of view, of the consideration to be received by the holders of Common Stock and holders of preferred stock of the Company in the Proposed Combination and does not address the Company's underlying business decision to effect the Proposed Combination or constitute a recommendation to any holder of Common Stock as to how such holder should vote with respect to the Proposed Combination.

SALOMON BROTHERS

Based upon and subject to the foregoing, we are of the opinion as investment bankers that each of (i) the consideration to be received by holders of Common Stock in the Proposed Combination and (ii) the consideration to be received by holders of Preferred Stock in the Proposed Combination is fair, from a financial point of view, to the holders of Common Stock other than Ashland.

Very truly yours,

SALOMON BROTHERS INC

SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW

262 APPRAISAL RIGHTS.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to (S)228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of his shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to (S)251 (other than a merger effected pursuant to subsection (g) of Section 251), 252, 254, 257, 258, 263 or 264 of this title:

(1) Provided, however that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the holders of the surviving corporation as provided in subsection (f) of (S)251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to (S)(S)251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under (S)253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsections (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of his shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to (S)228 or (S)253 of this title, each constituent corporation, either before the effective date of the merger or consolidation or within ten days thereafter, shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section; provided that, if the notice is given on or after the effective date of the merger or consolidation, such notice shall be given by the surviving or resulting corporation to all such holders of any class or series of stock of a constituent corporation that are entitled to appraisal rights. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within twenty days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given; provided that, if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw his demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after his written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal of their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determine their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted his certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that he is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded his appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of his demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

VOTING AGREEMENT

THIS VOTING AGREEMENT, dated as of April , 1997, by and between Arch Mineral Corporation, a Delaware corporation ("AMC"), and the stockholder identified on the signature page hereof (the "Stockholder");

WITNESSETH:

WHEREAS, the Stockholder, as of the date hereof, is the owner of or has the sole right to vote the number of shares of Common Stock, par value $.01 per share ("Common Stock"), Class B Preferred Stock, par value $100 per share ("Class B Preferred Stock") and/or Class C Preferred Stock, par value $100 per share ("Class C Preferred Stock" and, together with Common Stock and Class B Preferred Stock, "Capital Stock") of Ashland Coal, Inc., a Delaware corporation (the "Company"), set forth below the name of the Stockholder on the signature page hereof (the "Shares"); and

WHEREAS, in reliance upon the execution and delivery of this Agreement, AMC will enter into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), with the Company and AMC Merger Corporation which provides, among other things, that upon the terms and subject to the conditions thereof the Company will become a wholly owned subsidiary of AMC (the "Merger"); and

WHEREAS, to induce AMC to enter into the Merger Agreement and to incur the obligations set forth therein, the Stockholder is entering into this Agreement pursuant to which the Stockholder agrees to vote in favor of the Merger, and to make certain agreements with respect to the Shares upon the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Voting of Shares; Proxy. (a) The Stockholder agrees that until the earlier of (i) the Effective Time (as defined in the Merger Agreement) or (ii) the date on which the Merger Agreement is terminated (the earliest thereof being hereinafter referred to as the "Expiration Date"), the Stockholder shall vote all Shares owned by the Stockholder at any meeting of the Company's stockholders (whether annual or special and whether or not an adjourned meeting) for adoption and approval of the Merger Agreement and the transactions contemplated thereby, including the Merger as such Merger Agreement may be modified or amended from time to time. Any such vote shall be cast in accordance with such procedures relating thereto as shall ensure that it is duly counted for purposes of determining that a quorum is present and for purposes of recording the results of such vote or consent.

(b) At the request of AMC, the Stockholder, in furtherance of the transactions contemplated hereby and by the Merger Agreement, and in order to secure the performance by the Stockholder of its duties under this Agreement, shall promptly execute, in accordance with the provisions of Section 212(e) of the Delaware General Corporation Law, and deliver to AMC, an irrevocable proxy, substantially in the form of Annex A hereto, and irrevocably appoint AMC or its designees, with full power of substitution, its attorney and proxy to vote all of the Shares owned by the Stockholder in respect of any of the matters set forth in, and in accordance with the provisions of Section 1(a). The Stockholder acknowledges that the proxy executed and delivered by it shall be coupled with an interest, shall constitute, among other things, an inducement for AMC to enter into the Merger Agreement, shall be irrevocable and shall not be terminated by operation of law or upon the occurrence of any event.

Section 2. Covenants of the Stockholder. The Stockholder covenants and agrees for the benefit of AMC that, until the Expiration Date, it will:

(a) not sell, transfer, pledge, hypothecate, encumber, assign, tender or otherwise dispose of, or other than as expressly contemplated by the Merger Agreement, enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, pledge, hypothecation, encumbrance, assignment, tender or other disposition of, any of the Shares owned by it or any interest therein; and

(b) other than as expressly contemplated by this Agreement, not grant any powers of attorney or proxies or consents in respect of any of the Shares owned by it, deposit any of the Shares owned by it into a voting trust, enter into a voting agreement with respect to any of the Shares owned by it or otherwise restrict the ability of the holder of any of the Shares owned by it freely to exercise all voting rights with respect thereto.

Section 3. Covenants of AMC. AMC covenants and agrees for the benefit of the Stockholder that (a) immediately upon execution of this Agreement, it shall enter into the Merger Agreement, and (b) until the Expiration Date, it shall use best efforts to take, or cause to be taken, all action, and do, or cause to be done, all things necessary or advisable in order to consummate and make effective the transactions contemplated by this Agreement and the Merger Agreement, consistent with the terms and conditions of each such Agreement; provided, however, that nothing in this Section 3, Section 12 or any other provision of this Agreement is intended, nor shall it be construed, to limit or in any way restrict AMC's right or ability to exercise any of its rights under the Merger Agreement.

Section 4. Representations and Warranties of the Stockholder. The Stockholder represents and warrants to AMC that: (a) the execution, delivery and performance by the Stockholder of this Agreement will not conflict with, require a consent, waiver or approval under, or result in a breach of or default under, any of the terms of any contract, commitment or other obligation (written or oral) to which the Stockholder is bound; (b) this Agreement has been duly executed and delivered by the Stockholder and constitutes a legal, valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms; (c) the Stockholder is the sole owner of or has the sole right to vote the Shares and the Shares represent all shares of Capital Stock which the Stockholder is the sole owner of or has the sole right to vote at the date hereof, and the Stockholder does not have any right to acquire, nor is it the "beneficial owner" (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of, any other shares of any class of capital stock of the Company or any securities convertible into or exchangeable or exercisable for any shares of any class of capital stock of the Company; (d) the Stockholder has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and (e) the Stockholder owns the Shares free and clear of all liens, claims, pledges, charges, proxies, restrictions, encumbrances, proxies, voting trusts and voting agreements of any nature whatsoever other than as provided by this Agreement and other than the Restated Shareholders Agreement among Ashland Inc., Carboex International, Ltd. and the Company dated December 12, 1991, as amended August 6, 1993. The representations and warranties contained herein shall be made as of the date hereof and as of each day from the date hereof through and including the Effective Time (as defined in the Merger Agreement).

Section 5. Adjustments; Additional Shares. In the event (a) of any stock dividend, stock split, merger (other than the Merger) recapitalization, reclassification, conversion, combination, exchange of shares or the like of any of the Capital Stock of the Company on, of or affecting the Shares or (b) that the Stockholder shall become the beneficial owner of any additional shares of Capital Stock or other securities entitling the holder thereof to vote or give consent with respect to the matters set forth in Section 1, then the terms of this Agreement shall apply to the shares of Capital Stock or other instruments or documents held by the Stockholder immediately following the effectiveness of the events described in clause (a) or the Stockholder becoming the beneficial owner thereof as described in clause (b), as though, in either case, they were Shares hereunder.

Section 6. Specific Performance. The Stockholder acknowledges that the agreements contained in this Agreement are an integral part of the transactions contemplated by the Merger Agreement, and that, without these agreements, AMC would not enter into the Merger Agreement, and acknowledges that damages would be an inadequate remedy for any breach by it of the provisions of this Agreement. Accordingly, the Stockholder and AMC each agree that the obligations of the parties hereunder shall be specifically enforceable and neither party shall take any action to impede the other from seeking to enforce such right of specific performance.

Section 7. Notices. All notices, requests, claims, demands and other communications hereunder shall be effective upon receipt (or refusal of receipt), shall be in writing and shall be delivered in person, by telecopy or telefacsimile, by telegram, by next-day courier service, or by mail (registered or certified mail, postage prepaid, return receipt requested) to the Stockholder at the address listed on the signature page hereof, and to AMC at

Suite 300, CityPlace One, St. Louis, Missouri 63141, Attention: Secretary, telecopy number (314) 994-2734, or to such other address or telecopy number as any party may have furnished to the other in writing in accordance herewith.

Section 8. Binding Effect; Survival. Upon execution and delivery of this Agreement by AMC, this Agreement shall become effective as to the Stockholder at the time the Stockholder executes and delivers this Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

Section 9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such State.

Section 10. Counterparts. This Agreement may be executed in two counterparts, both of which shall be an original and both of which together shall constitute one and the same agreement.

Section 11. Effect of Headings. The Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 12. Additional Agreements; Further Assurance. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement. The Stockholder will provide AMC with all documents which may reasonably be requested by AMC and will take reasonable steps to enable AMC to obtain fully all rights and benefits provided it hereunder.

Section 13. Amendment; Waiver. No amendment or waiver of any provision of this Agreement or consent to departure therefrom shall be effective unless in writing and signed by AMC and the Stockholder, in the case of an amendment, or by the party which is the beneficiary of any such provision, in the case of a waiver or a consent to depart therefrom.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto all as of the day and year first above written.

ARCH MINERAL CORPORATION

By _____

Name: _____

Title: _____

_____
Name of Stockholder

By: _____

Address: _____

_____

_____

Number of Shares:

_____ (Common Stock)

_____ (Class B Preferred Stock)

_____ (Class C Preferred Stock)

[FORM OF PROXY]

IRREVOCABLE PROXY

In order to secure the performance of the duties of the undersigned pursuant to the Voting Agreement, dated as of , 1997 (the "Voting Agreement"), between the undersigned and Arch Mineral Corporation, a Delaware corporation, a copy of such agreement being attached hereto and incorporated by reference herein, the undersigned hereby irrevocably appoints and , and each of them, the attorneys, agents and proxies, with full power of substitution in each of them, for the undersigned and in the name, place and stead of the undersigned, in respect of any of the matters set forth in clauses (i) and (ii) of Section 1 of the Voting Agreement, to vote or, if applicable, to give written consent, in accordance with the provisions of said Section 1 and otherwise act (consistent with the terms of the Voting Agreement) with respect to all shares of Common Stock, par value $.01 per share, Class B Preferred Stock, par value $100 per share, and Class C Preferred Stock, par value $100 per share (the "Shares"), of Ashland Coal, Inc., a Delaware corporation (the "Company"), whether now owned or hereafter acquired, which the undersigned is or may be entitled to vote at any meeting of the Company held after the date hereof, whether annual or special and whether or not an adjourned meeting, or, if applicable, to give written consent with respect thereto. This Proxy is coupled with an interest, shall be irrevocable and binding on any successor in interest of the undersigned and shall not be terminated by operation of law or upon the occurrence of any event. This Proxy shall operate to revoke any prior proxy as to the Shares heretofore granted by the undersigned. This Proxy shall terminate on , 1997. This Proxy has been executed in accordance with Section 212(e) of the Delaware General Corporation Law.

Dated: _____ _____

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ASHLAND COAL, INC.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS
OF ASHLAND COAL, INC.
SPECIAL MEETING OF STOCKHOLDERS TO BE HELD JUNE 30, 1997

The undersigned holder of shares of Common Stock par value $.01 per share ("Ashland Coal Common Stock") of Ashland Coal, Inc., a Delaware corporation ("Ashland Coal") hereby appoints Robert A. Charpie and Thomas Marshall, individually, with full power of substitution in each of them, as proxy or proxies to represent the undersigned and vote all shares of Ashland Coal Common Stock which the undersigned would be entitled to vote if personally present and voting at the Special Meeting of Stockholders of Ashland Coal to be held on Monday, June 30, 1997 at 9:00 a.m., local time, at Ashland Coal's principal executive offices at 2205 Fifth Street Road, Huntington, West Virginia and at any adjournment thereof, in respect of approval and adoption of the Agreement and Plan of Merger dated as of April 4, 1997 among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal and the transactions contemplated thereby, and on all other matters as may properly come before the meeting or any adjournments thereof.

(change of address/comments)

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(If you have written in the above space, please mark the corresponding box on the opposite side of this card)

You are encouraged to specify your choices by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

SEE REVERSE
SIDE

9772

[X] Please mark your votes as in this example.

This proxy when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR approval and adoption of the Merger Agreement. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

The Board of Directors recommends a vote FOR approval and adoption of the Merger Agreement.

	FOR	WITHHELD	ABSTAIN
1. APPROVAL OF MERGER AGREEMENT (see opposite side)	[ ]	[ ]	[ ]

You are encouraged to specify your choice by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

Change of Address/ Comments on opposite side. [ ]

I plan to attend the Annual Meeting. [ ]

SIGNATURE(S) _____ DATE _____

NOTE: Please sign EXACTLY as name appears hereon. When signing as executor, trustee, etc., or as officer of a corporation, give full title as such. For joint accounts, please obtain both signatures.

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ASHLAND COAL, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR
THE SPECIAL MEETING OF STOCKHOLDERS ON JUNE 30, 1997

The person(s) whose signature(s) appear(s) on the opposite side hereof hereby constitute(s) and appoint(s) Robert A. Charpie and Thomas Marshall, and each of them, its true and lawful attorney and proxy with full power of substitution in each, to represent such person(s) at the Special Meeting of Stockholders of Ashland Coal, Inc. ("Ashland Coal") to be held at the Ashland Coal Headquarters Building at 2205 Fifth Street Road, Huntington, West Virginia at 9:00 a.m. on Monday, June 30, 1997, and at any adjournments thereof, and to vote, with all powers such person(s) would possess if present at such meeting all shares of Preferred Stock credited to such person'(s) account(s) as of the record date for the Special Meeting, in respect of the approval and adoption of the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal and the transactions contemplated thereby, and on all other matters properly coming before the meeting or any adjournments thereof.

(change of address/comments)

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(If you have written in the above space, please mark the corresponding box on the opposite side of this card)

You are encouraged to specify your choices by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

SEE REVERSE
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[X] Please mark your votes as in this example.

This proxy when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR approval and adoption of the Merger Agreement. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

The Board of Directors recommends a vote FOR approval and adoption of the Merger Agreement.

	FOR	WITHHELD	ABSTAIN
1. Approval of the Merger Agreement (see opposite side)	[ ]	[ ]	[ ]

You are encouraged to specify your choice by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

Change of Address/ Comments on opposite side. [ ]

I plan to attend the Annual Meeting. [ ]

SIGNATURE(S) _____ DATE _____

NOTE: Please sign EXACTLY as name appears hereon. When signing as executor, trustee, etc., or as officer of a corporation, give full title as such. For joint accounts, please obtain both signatures.

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ASHLAND COAL, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR
THE SPECIAL MEETING OF STOCKHOLDERS ON JUNE 30, 1997

The person whose signature appears on the opposite side hereof, as a participant in the Coal-Mac, Inc. Savings and Retirement Plan ("Plan"), hereby instructs Chase Manhattan Bank, N.A., Trustee, to constitute and appoint Robert A. Charpie and Thomas Marshall, and each of them, the lawful attorney and proxy of said Trustee with full power of substitution in each, to represent the interests of such person in the Common Stock of Ashland Coal, Inc. ("Ashland Coal") held under the terms of the Plan at the Annual Meeting of Stockholders of Ashland Coal to be held at the Ashland Coal Headquarters Building at 2205 Fifth Street Road, Huntington, West Virginia at 9:00 a.m. on Monday, June 30, 1997, and at any adjournments thereof, and to vote, with all powers such person(s) would possess if present at such meeting all shares of Common Stock credited to such person's account under the Plan as of the record date for the Annual Meeting, in respect of the approval and adoption of the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal and the transactions contemplated thereby, and on all other matters as may properly come before the meeting or any adjournments thereof.

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(If you have written in the above space, please mark the corresponding box on the opposite side of this card)

You are encouraged to specify your choices by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

SEE REVERSE
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[X] Please mark your votes as in this example.

This proxy when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR approval and adoption of the Merger Agreement. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

The Board of Directors recommends a vote FOR approval and adoption of the Merger Agreement.

	FOR	WITHHELD	ABSTAIN
1. Approval of the Merger Agreement (see opposite side)	[ ]	[ ]	[ ]

You are encouraged to specify your choice by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

Change of Address/ Comments on opposite side. [ ]

I plan to attend the Annual Meeting. [ ]

SIGNATURE(S) _____ DATE _____

NOTE: Please sign EXACTLY as name appears hereon. When signing as executor, trustee, etc., or as officer of a corporation, give full title as such. For joint accounts, please obtain both signatures.

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ASHLAND COAL, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR
THE SPECIAL MEETING OF STOCKHOLDERS ON JUNE 30, 1997

The person whose signature appears on the opposite side hereof, as a participant in the Ashland Coal, Inc. Employee Thrift Plan ("Plan"), hereby instructs Chase Manhattan Bank, N.A., Trustee, to constitute and appoint Robert A. Charpie and Thomas Marshall, and each of them, the lawful attorney and proxy of said Trustee with full power of substitution in each, to represent the interests of such person in the Common Stock of Ashland Coal, Inc. ("Ashland Coal") held under the terms of the Plan at the Annual Meeting of Stockholders of Ashland Coal to be held at the Ashland Coal Headquarters Building at 2205 Fifth Street Road, Huntington, West Virginia at 9:00 a.m. on Monday, June 30, 1997, and at any adjournments thereof, and to vote, with all powers such person(s) would possess if present at such meeting all shares of Common Stock credited to such person's account under the Plan as of the record date for the Annual Meeting, in respect of the approval and adoption of the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal and the transactions contemplated thereby, and on all other matters properly coming before the meeting or any adjournments thereof.

(change of address/comments)

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(If you have written in the above space, please mark the corresponding box on the opposite side of this card)

You are encouraged to specify your choices by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

SEE REVERSE
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[X] Please mark your votes as in this example.

This proxy when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR approval and adoption of the Merger Agreement. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

The Board of Directors recommends a vote FOR approval and adoption of the Merger Agreement.

	FOR	WITHHELD	ABSTAIN
1. Approval of the Merger Agreement (see opposite side)	[ ]	[ ]	[ ]

You are encouraged to specify your choice by marking the appropriate box, and promptly returning this Proxy in the enclosed envelope, which requires no postage, but you need not mark any box if you wish to vote in accordance with the recommendation of the Board of Directors.

Change of Address/ Comments on opposite side. [ ]

I plan to attend the Annual Meeting. [ ]

SIGNATURE(S) _____ DATE _____

NOTE: Please sign EXACTLY as name appears hereon. When signing as executor, trustee, etc., or as officer of a corporation, give full title as such. For joint accounts, please obtain both signatures.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 102(b)(7) of the DGCL permits a corporation, in its certificate of incorporation, to limit or eliminate, subject to certain statutory limitations, the liability of directors to the corporation or its stockholders for monetary damages for breaches of fiduciary duty, except for liability (a) for any breach of the director's duty of loyalty to the corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL, or (d) for any transaction from which the director derived an improper personal benefit. Article Ninth of the Company Certificate provides, among other things, that the personal liability of directors of the Company is so eliminated.

Under Section 145 of the DGCL, a corporation has the power to indemnify directors and officers under certain prescribed circumstances and subject to certain limitations against certain costs and expenses, including attorneys' fees actually and reasonably incurred in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, to which any of them is a party by reason of his being a director or officer of the corporation if it is determined that he acted in accordance with the applicable standard of conduct set forth in such statutory provision. Article V of the Company Bylaws provides that the Company will indemnify any person who may be involved, as a party or otherwise, in a claim, action, suit or proceeding (other than any claim, action, suit or proceeding brought by or in the right of the Company) by reason of the fact that such person is or was a director or officer of the Company, or is or was serving at the request of the Company as a director or officer of any other corporation or entity, against certain liabilities, costs and expenses. The Company is also authorized to maintain insurance on behalf of any person who is or was a director or officer of the Company, or is or was serving at the request of the Company as a director or officer of any other corporation or entity, against any liability asserted against such person and incurred by such person in any such capacity or arising out of his status as such, whether or not the Company would have the power to indemnify such person against such liability under the DGCL. The Company plans to enter into indemnity agreements between (a) any person who is or was, shall be or shall have been a director and/or officer of the Company, Ashland Coal, Inc. and/or AMC Merger Corporation; or (b) any person who is or was serving, shall serve, or shall have served at the request of the Company as a director, officer, partner, trustee, fiduciary, employee or agent of another foreign or domestic corporation or non-profit corporation, cooperative, partnership, joint venture, trust, employee benefit plan, or other incorporated or unincorporated enterprise.

ITEM 21. EXHIBITS.

The following exhibits are filed as part of this registration statement:

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of April 4, 1997 among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc. (Filed herewith; appears as Appendix A to the Proxy Statement/Prospectus forming part of this registration statement)
2.2	Form of Voting Agreement between Arch Mineral Corporation and each of Ashland Inc. and Carboex International, Ltd. (Filed herewith; appears as Appendix D to the Proxy Statement/Prospectus forming part of this registration statement)
3.1	Restated Certificate of Incorporation of Arch Mineral Corporation (Filed herewith)
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ITEM 22. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(6) That every prospectus (i) that is filed pursuant to paragraph (5) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(8) To supply by means of a post-effective amendment all required information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Creve Coeur, State of Missouri on May 28, 1997.

ARCH MINERAL CORPORATION

By: /s/ Steven F. Leer
Steven F. Leer
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	CAPACITY	DATE
/s/ Steven F. Leer Steven F. Leer	President and Chief Executive Officer (Principal Executive Officer) and a Director	May 28, 1997
/s/ Patrick A. Kriegshauser Patrick A. Kriegshauser	Senior Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)	May 28, 1997
/s/ John W. Lorson John W. Lorson	Controller (Principal Accounting Officer)	May 28, 1997
* John R. Hall	Chairman of the Board	May 28, 1997
* James R. Boyd	Director	May 28, 1997
* Douglas H. Hunt	Director	May 28, 1997
* James L. Parker	Director	May 28, 1997
* Ronald Eugene Samples	Director	May 28, 1997

*By:
/s/ Jeffry N. Quinn
Jeffry N. Quinn
Attorney-in-Fact

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Exhibit 3.1

RESTATED
CERTIFICATE OF INCORPORATION

OF

ARCH MINERAL CORPORATION

*****

FIRST. The name of the Corporation is

ARCH MINERAL CORPORATION

SECOND. The registered office of the Corporation shall be in the City of Wilmington, County of Dover, State of Delaware. The name of its registered agent in charge thereof is The Prentice-Hall Corporation Service, Inc.

THIRD. The nature of the business or purposes to be conducted or promoted is:

To carry on and conduct mining and related operations of any and every kind and character with respect to the recovery and removal of coal, ores, metals, stone, clay, sand, gravel, oil, gas, petroleum, timber and all minerals, mineral substances, combustible substances, products and substances of all types, whether solid, liquid or gaseous.

To mine, extract, remove, recover and sever any or all of said coal, minerals, products, and other substances.

To search for, prospect for, drill for, explore for, said coal, minerals, products, and other substances.

To manufacture, process, smelt, mill, treat, concentrate, refine, prepare for market, and otherwise produce and deal in (both at wholesale and retail) coal, coke, and all said minerals and substances and products, and the by-products and end products thereof, of

every kind and description and by whatsoever process the same can or may now or hereafter be produced.

To purchase, lease, rent, option, or in any way or in any manner acquire or hold title or secure franchises or interests in coal, all substances and minerals, mineral interests, mines, coal and mineral properties, mining claims and licenses, franchises, rights and privileges, in any estate, interest or rights in real property, personal or mixed property, and to develop and improve the foregoing.

To lease, sell, exchange, or in any manner dispose of said interests and properties, and interests therein.

To store, ship, transport, market, buy, sell, export, import, and otherwise deal as principal, agent, or broker in coal, ores, metals, stone, clay, sand, gravel, oil, gas, petroleum, timber, and all minerals, mineral substances, products, and substances of all types, whether solid, liquid or gaseous, including coke and by-products and end products, and to transact such other business and operations as may be advisable or necessary to carry out the foregoing purposes.

To sink shafts, pipes, slopes, drifts, wells, and construct and operate roads and roadways, reservoirs, pipelines, docks, barges, products and material transfer and handling equipment.

To purchase, sell, use, maintain, lease, exchange, acquire, or dispose of in any manner, develop and improve, equip and erect any machinery, equipment, tools, fixtures, supplies, parts, appliances, plants, factories, warehouses, stores, depots, dwellings, mines, coke ovens, oil and gas wells, tipples, buildings, docks, pipelines, and structures of all types and on property real or personal, useful or incidental to the business of the

Corporation.

In general, to possess and exercise all the powers and privileges granted by the General Corporation Law of Delaware or by any other law of Delaware or by this Restated Certificate of Incorporation including, without limitation, the power to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, together with any powers incidental thereto so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the Corporation.

The business and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this Restated Certificate of Incorporation, but the business and purposes specified in each of the foregoing clauses of this article shall be regarded as independent business and purposes.

FOURTH. The total number of shares of stock which the Corporation shall have authority to issue is 100,000,000 shares of Common Stock, par value $0.01 per share.

Each share of common stock of the Corporation with a par value of $1.00 which is issued and outstanding is hereby reclassified and changed into 338.0857 fully paid and nonassessable shares of Common Stock, par value $0.01 of the Corporation, and each certificate held by each holder of record for one or more shares of Common Stock of the Corporation as of the close of business on the date this amendment becomes effective shall, until exchanged, represent 338.0857 shares of Common Stock multiplied by the number of full and fractional shares of Common Stock represented by the certificate of such holder.

Each share of common stock shall be entitled to one vote and, subject to the provisions of the By-laws of the Corporation with respect to the fixing of record dates, each stockholder of record shall have the right at every stockholders' meeting to one vote for each share of Common Stock standing in his name on the share register of the Corporation.

FIFTH. The Corporation is to have perpetual existence.

SIXTH. 1. Election of directors need not be by written ballot unless the By-laws so provide. Any director may be removed from office with or without cause at any time by the affirmative vote of the stockholders of record holding three-fourths of the outstanding shares of the stock of the Corporation entitled to vote.

2. Annual or special meetings of the Corporation may be disposed with upon written consent by the holders of record of the percentage of the outstanding stock which would be required to authorize the action being proposed. Notice of the taking of such action shall be given to the stockholders not more than ten (10) days after the action has been taken.

3. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

(a) To make, alter or repeal the By-laws of the Corporation subject to the right of the stockholders entitled to vote with respect thereto to alter and repeal By-laws made by the board of directors.

(b) To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

(c) To set apart out of any of the funds of the Corporation available for dividends

a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

(d) When and as authorized by the vote of the holders of the required percentage of the issued and outstanding stock having voting power given at a stockholders' meeting duly called upon such notice as is required by statute, or when authorized by the written consent of the holders of the required percentage of the voting stock issued and outstanding, to sell, lease or exchange all or substantially all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property including shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interests of the Corporation.

SEVENTH. Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the

creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

EIGHTH. Meetings of stockholders may be held within or without the State of Delaware, as the By-laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the By-laws of the Corporation.

NINTH. Any action required or permitted to be taken by the stockholders shall be taken only upon the affirmative vote or consent of the holders of not less than three-fourths of the issued and outstanding shares of stock of the Corporation.

TENTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders, directors and officers herein are granted subject to this reservation.

ELEVENTH. No director shall be personally liable to the Corporation or its Stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for breach of the director's duty of loyalty to the Corporation

or its Stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Eleventh shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

Exhibit 3.3

CONFORMED BY-LAWS

OF

ARCH MINERAL CORPORATION
with amendments through July 10, 1996

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Offices

SECTION 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be 32 Loockerman Square, Suite L-100, City of Dover, County of New Castle. The name of the registered agent in charge thereof is The Prentice-Hall Corporation Service, Inc.

SECTION 2. Other Offices. The Corporation may also have offices at other places within or without the State of Delaware.

ARTICLE II

Meetings of Stockholders

SECTION 1. Annual Meetings. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the first Tuesday of April if not a legal holiday, and if a legal holiday then on the next secular day following, at 10:00 A.M., or at such other date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting.

SECTION 2. Special Meeting. A special meeting of the stockholders for any purpose or purposes may be called by any three (3) members of the Board or the

President to be held at such place, date and hour as shall be designated in the notice thereof.

SECTION 3. Notice of Meetings. Except as otherwise expressly required by law, notice of each meeting of the stockholders shall be given not less than 10 nor more than 50 days before the date of the meeting to each stockholder entitled to vote at such meeting by mailing such notice, postage prepaid, directed to such stockholder at his address as it appears on the records of the Corporation. Every such notice shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise expressly required by law, notice of any adjourned meeting of the stockholders need not be given. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy, except when the stockholder, being entitled to vote at such meeting, attends for the express purpose of objecting, at the beginning of such meeting, to the transaction of any business because such meeting is not lawfully called or convened. A written waiver of notice, signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice.

SECTION 4. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each

stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting at the place within the city where the meeting is to be held. Such list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 5. Quorum. At each meeting of the stockholders, except as otherwise expressly required by law or by the Certificate of Incorporation, stockholders holding seventy-five percent (75%) of the shares of stock of the Corporation issued and outstanding, and entitled to be voted,at the meeting, shall be present in person or by proxy to constitute a quorum for the transaction of business. In the absence of a quorum at any such meeting or any adjournment or adjournments thereof, a majority in voting interest of those present in person or by proxy and entitled to vote thereat, or in the absence therefrom of all the stockholders, any officer entitled to

preside at, or to act as secretary of, such meeting may adjourn such meeting from time to time until stockholders holding the amount of stock requisite for a quorum shall be present in person or by proxy. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 6. Organization. At each meeting of the stockholders, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

(a) The Chief Executive Officer;

(b) any other officer of the Corporation designated by the Board or the Executive Committee to act as chairman of such meeting and to preside thereat if the above-named officer shall be absent from such meeting; or

(c) a stockholder of record of the Corporation who shall be chosen chairman of such meeting by a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat.

The Secretary, or, if he shall be presiding over the meeting in accordance with the provisions of this Section or if he shall be absent from such meeting, the person (who shall be an Assistant Secretary, if an Assistant Secretary shall be present thereat) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 7. Order of Business. The order of business of each meeting of the stockholders shall be determined by the chairman of such meeting, but such order of business may be changed by a majority in voting interest of those present in person or by proxy at such meeting and entitled to vote thereat.

SECTION 8. Voting. Each holder of Common Stock shall, at each meeting of the stockholders, be entitled to one vote in person or by proxy for each share of Common Stock of the Corporation held by him and registered in his name on the books of the Corporation:

(a) On the date fixed pursuant to the provisions of Section 5 of Article VIII of these By-laws as the record date for the determination of stockholders who

shall be entitled to receive notice of and to vote at such meeting, or

(b) If no record date shall have been so fixed, then at the close of business on the day next preceding the day on which notice of the meeting shall be given.

Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Corporation, shall neither be entitled to vote nor counted for quorum purposes. Any vote of stock of the Corporation may be given at any meeting of the stockholders by the stockholders entitled thereto in person or by proxy appointed by an instrument in writing delivered to the Secretary or an Assistant Secretary of the Corporation or the secretary of the meeting. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the secretary of the meeting prior to the voting of the proxy. At all meetings of the stockholders all matters unless the question is one upon which by express provision of the statutes or the certificate of incorporation, a different vote is required, shall be decided by the vote of not less than seventy-five percent (75%) of the stockholders entitled to vote, a quorum being present. Except as otherwise expressly required by law, the vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy; if there be such proxy, and shall state the number of shares voted.

SECTION 9. Action by Consent. Any action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Not more than ten (10) days after the taking of such action, notice thereof shall be given to those stockholders, if any, who have not so consented in writing.

ARTICLE III

Board of Directors

SECTION 1. General Powers. The business and affairs of the Corporation shall be managed by the Board.

SECTION 2. Number and Term of Office. The number of directors which shall constitute the whole Board shall be six (6) who shall be elected at the annual meeting by the stockholders, and who shall hold office until the annual meeting next after their election and until such later date as their successors shall be elected and shall qualify.

The Board of Directors shall from time to time be empowered to create the additional positions of Director Emeritus. A Director Emeritus shall be a non-voting advisor to the Board and shall perform such other duties as the Chairman of the Board or the Board may prescribe. A Director Emeritus shall serve at the pleasure of the Board.

SECTION 3. Election. At each meeting of the stockholders for the election of

directors at which a quorum is present the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the directors.

SECTION 4. Resignation, Removal and Vacancies. Any director may resign at any time by giving written notice of his resignation to the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect when accepted by action of the Board. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

A director may be removed, either with or without cause, at any time by a vote of seventy-five percent (75%) of the stockholders.

In case of any vacancy on the Board or any newly created directorship, a director to fill the vacancy or the newly created directorship for the unexpired portion of the term being filled shall be elected by (i) the vote of seventy-five percent (75%) of the stockholders of the Corporation, or (ii) by a vote of seventy-five percent (75%) of the remaining members of the Board.

SECTION 5. Meetings.

(A) Annual Meetings. The first meeting of each newly elected Board of Directors shall be held at such time and place as may be fixed by the vote of the stockholders at the annual meeting. The Board shall meet for the purpose of organization and the transaction of other business.

(B) Regular Meetings. Regular meetings of the Board shall be held at such times and places as the Board shall from time to time determine.

(C) Special Meetings. Special meetings of the Board shall be held whenever called by the President or three (3) directors. Any and all business may be transacted at a special meeting which may be transacted at a regular meeting of the Board.

(D) Place of Meeting. The Board may hold its meetings at such place or places within or without the State of Delaware as the Board may from time to time by resolution determine or as shall be designated in the respective notice or waivers of notice thereof.

(E) Notice of Meetings. Notice of the regular meetings of the Board or of any adjourned meeting need not be given.

Notice of special meetings of the Board, or of any meeting of any committee of the Board, shall be mailed by the Secretary to each director, or member of such committee, addressed to him at his residence or usual place of business, at least two days before the day on which such meeting is to be held, or shall be sent to him by telegraph, cable or other form of recorded communications or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. Such notice shall include the time and place of such meeting. Notice of any such meeting need not be given to any director or member of any committee, however, if waived by him in writing or by telegraph, cable or other form of recorded communications, whether before or after such meeting shall be held, or if he shall be present at such meeting.

(F) Quorum and Manner of Acting. Not less than seventy-five percent (75%) of the directors then in office shall be present in person at any meeting of the Board in

order to constitute a quorum for the transaction of business at such meeting. In the absence of a quorum for any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present. No action shall be taken by the Board except with the approval of not less than seventy-five percent (75%) members of the Board, provided, however, that in the case of any vacancy on the Board or any newly created directorship, a director may be elected to fill the vacancy or the newly created directorship for the unexpired portion of the term being filled by the vote of seventy-five percent (75%) of the remaining members of the Board pursuant to Article III, Section 4, of these By-laws.

(G) Action by Communications Equipment. The directors, or the members of any committee of the Board, may participate in a meeting of the Board, or of such committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

(H) Action by Consent. Any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committees as the case may be, consent thereto in writing, and such writing is filed with the minutes of the proceedings of the Board or committee.

(I) Organization. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence; (a) the President; or (b) any director chosen by a majority of the directors present thereat. The Secretary or, in his absence, any person (who shall be an Assistant

Secretary, if an Assistant Secretary shall be present thereat) whom the chairman shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 6. Compensation. The Board may provide that the Corporation shall reimburse each director or member of a committee for any expenses incurred by him on account of his attendance at any meeting, but directors shall not be entitled to any other compensation for their service as such. Nothing contained in this Section shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

Committees

SECTION 1. Executive Committee.

(A) Designation and Membership. The Board may, by resolution passed by not less than seventy-five percent (75%) of the members of the whole Board, designate an Executive Committee consisting of such number of directors as the Board shall appoint. Vacancies may be filled by the Board at any time and any appointed member of the Executive Committee shall be subject to removal, with or without cause, at any time by the Board.

(B) Functions and Powers. The Executive Committee, to the extent provided in the resolution, shall possess and may exercise, during the intervals between meetings of the Board, the powers of the Board in the management of the business and affairs of the Corporation; provided, however, that the Executive Committee shall not have the power of authority to approve amendments to the Certificate of Incorporation

of the Corporation, adopt agreements of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all the property and assets of the Corporation, recommend to the stockholders the dissolution of the Corporation or the revocation of a dissolution or amend these By-laws. At each meeting of the Board the Executive Committee shall make a report of all action taken by it since its last report to the Board.

(C) Meetings and Quorum. The Executive Committee shall meet as often as may be deemed necessary and expedient at such times and places as shall be determined by the Executive Committee. Any action taken by the Executive Committee must be taken by the unanimous action of all members thereof. The Executive Committee may appoint any member of the Executive Committee to preside at its meetings.

SECTION 2. Other Committees. The Board may, by resolution passed by not less than seventy-five percent (75%) of the members of the whole Board, designate other committees, each committee to consist of two (2) or more Directors, and to have such duties and functions as shall be provided in such resolution.

ARTICLE V

Officers

SECTION 1. Election and Appointment and Term of Office. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents (the number thereof to be determined from time to time by the Board), a Treasurer, a Secretary and a Controller. Each such officer shall be elected by

the Board at its annual meeting and shall hold office until the next annual meeting of the Board and until his successor is elected or until his earlier death or resignation or removal in the manner hereinafter provided.

The Board of Directors shall designate either the Chairman of the Board or the President as the Chief Executive Officer of the Corporation.

The Board may elect or appoint such other officers (including one or more Assistant Treasurers and one or more Assistant Secretaries) as it deems necessary who shall have such authority and shall perform such duties as the Board may prescribe.

If additional officers are elected or appointed during the year, each of them shall hold office until the next annual meeting of the Board at which officers are regularly elected or appointed and until his successor is elected or appointed or until his earlier death or resignation or removal in the manner hereinafter provided.

SECTION 2. Resignation, Removal and Vacancies. Any officer may resign at any time by giving written notice to the Chief Executive Officer or the Secretary of the Corporation, and such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, then it shall take effect when accepted by action of the Board. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

All officers and agents elected or appointed by the Board shall be subject to removal at any time by the Board with or without cause.

A vacancy in any office may be filled for the unexpired portion of the term in the

same manner as provided for election or appointment to such office.

SECTION 3. Duties and Functions.

(A) Chairman of the Board. The Chairman of the Board shall preside at all meetings of the stockholders and directors and shall perform such other duties as the Board of Directors may prescribe.

(B) President. In the absence, refusal or incapacity of the Chairman of the Board, the President shall perform the duties of the Chairman of the Board, except those of presiding at meetings of directors.

(C) Chief Executive Officer. Subject to the direction and control of the Board of Directors, the Chief Executive Officer shall have responsibility for the management and control of the affairs and business of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of the Chief Executive Officer, including the power to enter into commitments, execute and deliver contracts and do and perform all such other acts and things as are necessary and appropriate to accomplish the Corporation's business and operations and to manage the business and affairs of the Corporation. The Chief Executive Officer may assign such duties to other officers of the Corporation as he or she deems appropriate.

(D) Chief Operating Officer. In the event the President is not designated as Chief Executive Officer pursuant to this Article V, the President shall be the Chief Operating Officer of the Corporation and shall have such powers and duties as the Board of Directors, or Chief Executive Officer, may prescribe.

(E) Vice Presidents. The Vice Presidents shall have such powers and perform

such duties as the Board of Directors or the Chief Executive Officer or the President may prescribe. One or more Vice Presidents may be given and shall use as part of his or her title such other designations, including, without limitation, the designations "Executive Vice President" and "Senior Vice President", as the Board of Directors may designate from time to time. In the absence, refusal or incapacity of the Chief Executive Officer and the President, the powers and duties of the President shall be vested in and performed by such Vice Presidents as have the designation "Executive Vice President", in the order of their seniority or as otherwise established by action of the Board of Directors from time to time, or by such other officer as the Board of Directors or the Chief Executive Officer shall have most recently designated for that purpose in a writing filed with the Secretary.

(F) Treasurer. The Treasurer shall act under the direction of the Chief Executive Officer. Subject to the direction of the Chief Executive Officer, the Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation and the deposit thereof in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors or by the Treasurer pursuant hereto. The Treasurer shall be authorized at any time, and from time to time, by a writing countersigned by the Chief Executive Officer, to open bank accounts in the name of the Corporation in any bank or trust company for the deposit therein of any funds, drafts, checks or other orders for the payment of money to the Corporation; and the Treasurer shall be authorized at any time, and from time to time, by a writing countersigned by the Chief Executive Officer, to authorize and empower any

representative or agent of the Corporation to draw upon or sign for the Corporation either manually or by the use of facsimile signature, any and all checks, drafts or other orders for the payment of money against such bank accounts which any such bank or trust company may pay without further inquiry.

(G) Secretary. The Secretary shall act under the direction of the Chief Executive Officer. Subject to the direction of the Chief Executive Officer, the Secretary shall attend all meetings of the Board of Directors and the stockholders and record the proceedings in a book to be kept for that purpose and shall perform like duties for committees designated by the Board of Directors when required. The Secretary shall give or cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors. The Secretary shall affix the seal of the Corporation to all deeds, contracts, bonds or other instruments requiring the corporate seal when the same shall have been signed on behalf of the Corporation by a duly authorized officer. The Secretary shall be the custodian of all contracts, deeds, documents and all other indicia of title to properties owned by the Corporation and of its other corporate records (except accounting records).

(H) Controller. The Controller shall act under the direction of the Chief Financial Officer of the Corporation, or, if none, the Chief Executive Officer. Subject to the direction of the Chief Financial Officer of the Corporation or, if none, the Chief Executive Officer, the Controller shall have charge of the accounting records of the Corporation, shall keep full and accurate accounts of all receipts and disbursements in books belonging to the Corporation, shall maintain adequate internal control of the

Corporation's accounts, and may perform such other duties as may be prescribed by the Chief Financial Officer of the Corporation or, if none, the Chief Executive Officer, and by the Board of Directors.

ARTICLE VI

Contracts, Checks, Notes, Drafts, Bank Accounts, Etc.

SECTION 1. Execution of Documents. The Board shall designate the officers, employees and agents of the Corporation who shall have power to execute and deliver deeds, contracts, mortgages, bonds, debentures, checks, notes, drafts and other orders for the payment of money and other documents for and in the name of the Corporation.

SECTION 2. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board or any officer of the Corporation to whom power in that respect shall have been delegated by the Board shall determine.

ARTICLE VII

Books and Records

The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board may from time to time determine.

ARTICLE VIII

Shares and Their Transfer; Fixing Record Date

SECTION 1. Certificates for Stock. Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number of shares owned by him in the Corporation and designating the class of stock to which such shares belong, which shall otherwise be in such form as the Board shall prescribe. Each such certificate shall be signed by, or in the name of the Corporation by, the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer at the date of issue. In the event the Corporation is advised of any agreement or agreements among stockholders of the Corporation relating to restrictions on the transferability or voting rights of the Corporation's stock, no certificate for such restricted stock will be issued by the Corporation unless first imprinted with a legend referring to such agreement or agreements.

SECTION 2. Record. A record shall be kept of the name of the person owning the stock represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. The person in whose name shares of

stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes.

SECTION 3. Transfer of Stock. Transfers of shares of the stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on the surrender of the certificate or certificates for such shares properly endorsed.

SECTION 4. Lost, Stolen, Destroyed or Mutilated Certificates. The holder of any stock of the Corporation shall immediately notify the Corporation of any loss, theft or mutilation of the certificate therefor. The Corporation may issue a new certificate for stock in the place of any certificate theretofore issued by it and alleged to have been lost, stolen, destroyed or mutilated, and the Board may, in its discretion, require the owner of the lost, stolen, mutilated or destroyed certificate or his legal representative to give the Corporation a bond in such sum, limited or unlimited, in such form and with such surety or sureties as the Board shall in its discretion determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft, mutilation or destruction of any such certificate or the issuance of any such new certificate.

SECTION 5. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any

dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other law action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any such other action.

ARTICLE IX

Seal

The Board shall provide a corporate seal, which shall have inscribed thereon the name of the corporation, the word "seal" and the word "Delaware". The seal may be used by causing it or a facsimile to be impressed or affixed or reproduced or otherwise.

ARTICLE X

Fiscal Year

The fiscal year of the Corporation shall end on the last day of December in each year.

ARTICLE XI

Indemnification

Every person who is or was a director, officer, employee or agent of the Corporation, or of any other corporation or entity which he serves or served as such at the request of the Corporation, may, in accordance with this Article XI but not if prohibited by law, be indemnified by the Corporation against reasonable expense and any liability paid or incurred by him in connection with or resulting from any claim, action, suit or proceeding (whether brought by or in the right of the Corporation or such other corporation or entity

or otherwise), civil, criminal, administrative or investigative, in which he may be involved, as a party or otherwise, by reason of his being or having been a director, officer, employee or agent of the Corporation or such other corporation or entity, whether or not he continues to be such at the time such expense or liability shall have been paid or incurred, provided such person acted, in good faith, in what he reasonably believed to be the best interests of the Corporation, or such other corporation or entity, as the case may be, and in addition in any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. As used in this Article XI, the term "expense" shall mean counsel fees and disbursements and all other expenses (except any liability) relating to any such claim, action, suit or proceeding, and the term "liability" shall mean amounts of judgments, fines or penalties against, and amounts paid in settlement by, a director, officer, employee or agent with respect to any such claim, action, suit or proceeding. Every person referred to in the first paragraph of this Article XI who has been wholly successful, on the merits or otherwise, with respect to any claim, action, suit or proceeding of the character described in such first paragraph shall have a right of indemnification. Except as provided in the preceding sentence, any indemnification under such first paragraph may be made by the Board of Directors, in its discretion, but only if either (i) the Board of Directors, acting by a quorum consisting of directors who are not parties to (or who have been wholly successful with respect to) such claim, action, suit or proceedings, shall have found that the director, officer or employee has met the applicable standard of conduct set forth in such first paragraph or (ii) if there be

no such disinterested quorum, independent legal counsel (who may be the regular outside counsel of the Corporation) shall have delivered to the Corporation written advice to the effect that in their judgment such applicable standard has been met.

Anything herein to the contrary notwithstanding, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Any expense incurred with respect to any claim, action, suit or proceeding of the character described in the first paragraph of this Article XI may be advanced by the Corporation prior to the final disposition thereof upon receipt of an undertaking made by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not to be indemnified under this Article XI.

The rights of indemnification and advancement of expenses provided by or granted pursuant to this Article XI shall be in addition to any rights to which any such director, officer or employee may otherwise be entitled by contract or as a matter of law and, in the event of such person's death, such rights shall extend to his heirs and legal representatives unless otherwise provided when authorized or ratified.

ARTICLE XII

Amendments

These By-laws may be altered or repealed by the vote of (i) seventy-five percent (75%) of the members of the Board of Directors or (ii) the holders of not less than seventy-five percent (75%) of the outstanding stock of the Corporation entitled to vote in respect thereof, by their vote given at an annual meeting or at any special meeting.

* * * * *

Exhibit 4.1

Stockholders Agreement

This Stockholders Agreement, dated as of April 4, 1997, is among Carboex International, Ltd., a company organized under the laws of the Bahamas ("Carboex"), Ashland Inc., a Kentucky corporation ("Ashland"), and Arch Mineral Corporation, a Delaware corporation ("Arch Mineral").

WHEREAS, at the Effective Time, as defined in that certain Agreement and Plan of Merger dated April 4, 1997, among Arch Mineral, Ashland Coal, Inc. and AMC Merger Corporation (the "Merger Agreement"), Ashland and Carboex will each own shares of the common stock, par value $.01 per share, of Arch Mineral ("Common Stock"); and

WHEREAS, Carboex has relied upon this Agreement in consenting to the merger provided for in the Merger Agreement;

WHEREAS, Ashland and Carboex deem it in their best interests and the best interest of Arch Mineral that the voting power of the Common Stock owned by Ashland and Carboex be exercised pursuant to prior agreement to the extent and upon the terms and conditions stated herein; and

WHEREAS, Ashland, Carboex and Arch Mineral desire to enter into certain agreements with respect to the ownership and transfer of shares of Common Stock owned by Ashland and Carboex and with respect to the nomination of persons for election to the Board of Directors of Arch Mineral: and

NOW, THEREFORE, an agreement in respect of the shares of Common Stock owned by Ashland and Carboex is hereby established upon the following terms and conditions to all of which the parties hereto expressly assent and agree:

SECTION 1. Definitions. As used in this Agreement, and unless the context requires a different meaning, the following terms (whether used in the singular or plural) have the meanings indicated:

"Affiliate" means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person in question. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Exchange Act" means the Securities Exchange Act of 1934 as amended from time to time and the rules and regulations of the SEC thereunder.

"Industry Buyer" means a Person engaged primarily in the business of industrial or natural resource production, distribution or sales, as determined by the Board of Directors of Arch Mineral. The term Industry Buyer shall also include financial buyers, financial intermediaries, brokers, dealers, banks, investment banks or merchant banks ("Financial Buyer") only if the sale to such Financial Buyer will result, or is reasonably likely to result at any time during the three-month period immediately following the sale, in at least three individuals who were members of the Board of Directors of Arch Mineral immediately prior to such sale no longer serving as directors by reason of such sale.

"Permitted Transferee" means in the case of a Permitted Transferee of Ashland, the Affiliate or Affiliates of Ashland to whom Ashland has transferred all or part of its Voting Stock, or in the case of a Permitted Transferee of Carboex, the Affiliate or Affiliates of Carboex to whom Carboex has transferred all or part of its Voting Stock.

"Person" means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Public Offering" means a public offering and sale of Common Stock for cash pursuant to (i) an effective registration statement under the Securities Act (other than pursuant to Form S-4 or S-8) and in compliance with all applicable state securities laws, (ii) a private offering to certain qualified institutional buyers in accordance with Rule 144A under the Securities Act or (iii) an offering to non-U.S. persons outside the United States in accordance with Regulation S under the Securities Act.

"Registration Rights Agreement" means that certain registration rights agreement among Arch Mineral, Ashland, Carboex and certain other parties dated the same date as this Agreement.

"SEC" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

"Securities Act" means the Securities Act of 1933 as amended from time to time and the rules and regulations of the SEC thereunder.

"Voting Stock" means capital stock of any class or classes of Arch Mineral, the holders of which are entitled, in the absence of contingencies, to participate generally in the election of the members of Arch Mineral's Board of Directors, and any securities of Arch Mineral convertible into, or exercisable or exchangeable for, any such capital stock of Arch Mineral, including, without limitation, the Common Stock; provided, however, that any capital stock held in the treasury of Arch Mineral or held by any subsidiary of Arch Mineral shall not be Voting Stock.

SECTION 2. Director Nomination and Election. (a) The parties hereto agree
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with the principle that Carboex, at all times during the effectiveness of this Agreement and subject to the terms and conditions of this Agreement, shall be entitled to be represented by one member of the Board of Directors of Arch Mineral. Ashland and Arch Mineral agree they shall take the following steps to cause one representative of Carboex to be elected to the Board of Directors of Arch Mineral:

(i) Arch Mineral shall give at least 10 days' notice to Ashland and Carboex of any meeting of its Board of Directors (or any committee thereof) at which the Board's nominees for election are to be selected. Upon receipt of such notice from Arch Mineral, Carboex shall within 10 days thereafter furnish Arch Mineral with a written designation of one nominee for election to the Board of Directors of Arch Mineral, with a copy thereof to Ashland. Such notice shall be given in the manner set forth in Section 6 of this Agreement. If no written designation of a nominee is received by Arch Mineral within the time frame specified herein, the current director of Arch Mineral designated by Carboex shall be a nominee for the ensuing election.

(ii) So long as this Agreement is in effect, Arch Mineral hereby agrees to take all actions necessary to nominate or cause to be nominated and to solicit proxies (and if properly executed or otherwise valid, to vote all such proxies and other shares which Arch Mineral management is otherwise entitled to vote in accordance with the terms and requirements of this provision) for election as a director at each annual meeting of stockholders (or, if applicable, at any special meeting of stockholders) of Arch Mineral, the representative of Carboex designated by Carboex or in favor of the current director designated by Carboex, as the case may be, pursuant to Section 2(a)(i) above.

(iii) So long as this Agreement is in effect, Ashland in respect of the election of the directors of Arch Mineral, agrees to vote or cause to be voted, in person or by proxy, the number of the shares of Voting Stock now or hereafter held or owned directly or indirectly by it which when combined with the shares of Voting Stock held or owned directly or indirectly by Carboex and its Permitted Transferees and the proxies received by Arch Mineral under Section 2(a)(ii) above, will be sufficient to elect the person Carboex designates in writing pursuant to Section 2(a)(i) above as a director of Arch Mineral.

In addition, so long as this Agreement is in effect, if Ashland or its Permitted Transferees shall be the beneficial owner (as defined in Rule 13d-3(a) under the Exchange Act) of less than 20% but more than 10% of the outstanding Voting Stock, then Ashland shall be entitled to vote the shares of Voting Stock held or owned directly or indirectly by Ashland in such manner as it may, in its sole discretion, deem advisable, to elect the number of directors of Arch Mineral that it would be entitled to elect with cumulative voting for election of directors, and Ashland further agrees to vote any remaining shares of its Voting Stock for election of the Carboex representative as provided above.

Except as specifically set forth in this Section 2(a)(iii), Ashland shall be free to vote its shares of Voting Stock in such manner as it may, in its sole discretion, deem advisable.

(iv) So long as this Agreement is in effect, Carboex may designate a successor to fill any vacancy created by the death, resignation, or incapacity of its designated nominee to the Arch Mineral Board of Directors by giving notice to Arch Mineral in the manner set forth in Section 6 of this Agreement setting forth the name of the new designee. Arch Mineral will recommend to the Board such new designee and Ashland will vote its shares in the election of directors, if required, to cause the Board to appoint Carboex's designee and each of Arch Mineral and Ashland will cause to be taken all steps to assure the continued representation of Carboex on the Arch Mineral Board of Directors contemplated by this Section 2.

(b) Notwithstanding the foregoing Sections 2(a)(i)-(iv), if at any time during the term of this Agreement Arch Mineral adopts a staggered Board of Directors, Arch Mineral and Ashland shall take all steps regarding nomination and election of directors to ensure Carboex continues to be represented by one member of the Board of Directors.

SECTION 3. Tag-Along Right. (a) If at any time Ashland or any of its
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Permitted Transferees desires to sell or otherwise dispose of ("sell") 50% or more of the then outstanding shares of Common Stock held by Ashland or its Permitted Transferees, considered as a group, to an Industry Buyer, or 20% or more of the total outstanding shares of Common Stock of Arch Mineral at such time to an Industry Buyer, then at least 30 days prior to selling such Common Stock to such Industry Buyer, Ashland shall deliver written notice (the "Tag-Along Notice") to Carboex specifying (i) the identity of the Industry Buyer, (ii) the number of shares of Common Stock owned by Ashland and its Permitted Transferees which they propose to sell, (iii) the proposed price per share to be paid to Ashland or its Permitted Transferees by the Industry Buyer, (iv) the form of consideration (e.g., cash or notes) to be paid by such Industry Buyer and (v) any other material terms and conditions of the proposed sale (the "Proposed Sale"). Within 15 days following its receipt of the Tag-Along Notice, Carboex may, if it desires to exercise its Tag-Along Right, deliver a written notice (a "Tag-Along Instruction") to Ashland stating that Carboex desires to participate in the Proposed Sale and setting forth the number of shares of Common Stock then held by Carboex and its Permitted Transferees to be sold in the Proposed Sale (it being expressly agreed that Carboex may not exercise its Tag-Along rights for less than all the Common Stock held by Carboex and its Permitted Transferees). A Tag-Along Instruction delivered pursuant to this Section 3(a) shall be deemed to be an irrevocable commitment by Carboex and its Permitted Transferees to sell pursuant to the Proposed Sale the number of shares of Common Stock held by Carboex and its Permitted Transferees set forth in the Tag-Along Instruction. Failure to provide a Tag-Along Instruction within the 15-day period specified in this Section 3(a) shall constitute a waiver of the right of Carboex and its Permitted Transferees to have any

shares of Common Stock included in the Proposed Sale. Carboex's Tag-Along right provided in this Section 3(a) shall not apply to transfers by Ashland to its Permitted Transferees, to Public Offerings or to sales of Common Stock pursuant to the Registration Rights Agreement.

(b) In the event Carboex timely elects to exercise its Tag-Along rights, Carboex shall deliver to Ashland, at the same time the Tag-Along Instruction is delivered, the certificate or certificates representing the shares of Common Stock to be sold by Carboex and its Permitted Transferees duly endorsed in blank for transfer, free and clear of all liens other than any liens created by action of Ashland, but without any other representation or warranty, other than customary representations and warranties given in transactions of this sort, and with all requisite stock transfer tax stamps attached, together with a limited power-of-attorney authorizing Ashland to sell such shares of Common Stock in accordance with the terms of the Tag-Along Notice. Promptly after the consummation of the Proposed Sale, Ashland shall notify Carboex of such consummation, shall remit to Carboex the net consideration received (less an allocable portion of the transfer taxes and reasonable out-of-pocket expenses) for the shares of Common Stock of Carboex and its Permitted Transferees sold pursuant to the Proposed Sale, and shall furnish such other evidence of the completion and time of completion of the Proposed Sale and the terms thereof as may be reasonably requested in writing by Carboex. If the net consideration received in the Proposed Sale is comprised of cash and non-cash proceeds, Carboex will receive its pro rata portion of each type of net consideration based on the percentage of the total number of shares sold represented by the shares sold by Carboex and its Permitted Transferees. If, at the end of six months from the date of the Tag-Along Notice, Ashland has not completed the Proposed Sale of the Common Stock of Carboex designated by a Tag-Along Instruction to be sold to the Industry Buyer, Ashland shall return to Carboex all certificates representing shares of Common Stock which Carboex delivered pursuant to this Section 3, and all the rights and obligations contained in this Agreement with respect to such shares of Common Stock (other than Common Stock of Ashland being transferred in the Proposed Sale) shall again be in effect and Ashland may not effect another Section 3 Proposed Sale without repeating the foregoing procedures.

(c) Notwithstanding anything contained in this Section 3 and subject to compliance by Ashland and its Permitted Transferees with the provisions of this Section 3, there shall be no liability on the part of Ashland or its Permitted Transferees to Carboex or its Permitted Transferees if the Proposed Sale pursuant to this Section 3 is not consummated for any reason whatsoever. Any decision as to whether to sell in the Proposed Sale shall be at Ashland's sole and absolute discretion.

SECTION 4. Enforceability. Arch Mineral hereby represents that this Agreement is its valid and binding obligation enforceable against it in accordance with its terms, except to the extent that the terms may conflict with the Bylaws of Arch Mineral. If it is determined that due to any such conflict the obligations of any of the parties to this Agreement are not enforceable, then Arch Mineral, Ashland and Carboex agree to use their best efforts to effect an amendment to the Bylaws of Arch Mineral to address the issue (or eliminate the

inconsistency) that created the unenforceability all consistent with the principle that Carboex, at all times during the effectiveness of this Agreement and subject to the terms and conditions of this Agreement, shall be entitled to be represented by one member of the Board of Directors of Arch Mineral. Except in respect of any Arch Mineral obligation that requires it to act in a manner inconsistent with its Bylaws, Arch Mineral represents that its obligations hereunder comply in all respects with the provisions of the Delaware General Corporation Law, including, without limitation, Sections 211 and 223 thereof.

SECTION 5. Termination. This Agreement shall terminate upon the earliest to occur of the following:

(a) In the event that Arch Mineral shall merge or consolidate with any other corporation (Arch Mineral not being the surviving corporation) and, upon consummation of such merger or consolidation, the stockholders of Arch Mineral immediately prior to such merger or consolidation shall not own at least 40% of the outstanding shares of voting stock of the corporation whose securities are exchanged in the merger, or if Arch Mineral shall sell, lease or transfer all or substantially all the property, assets or business of Arch Mineral; or

(b) If at any time Carboex or its Permitted Transferees shall be the beneficial owner (as defined in Rule 13d-3(a) under the Exchange Act) of less than 63% of the shares of Common Stock owned by Carboex at the Effective Time (as that term is defined in the Combination Agreement); provided that Carboex shall be deemed to hold for this purpose any shares of Arch Mineral Common Stock which Carboex has transferred to Arch Mineral or any subsidiary of Arch Mineral in exchange for voting equity securities of approximately equivalent voting power of Arch Mineral or such subsidiary.

In addition, this Agreement shall terminate as to Ashland only but not as to Arch Mineral or Carboex if at any time Ashland or its Permitted Transferees shall cease to be the beneficial owner (as defined in Rule 13d-3 (a) under the Exchange Act) of 10% or more of the outstanding Voting Stock.

SECTION 6. Notices. Any notice or other communication hereunder shall be in writing and shall be duly given (i) on the date of delivery if received in person; (ii) on the third business day after dispatch if sent by documented overnight international delivery service such as Federal Express; (iii) on the date of transmission if sent by facsimile transmission, provided that a confirmation copy thereof is sent no later than the business day following transmission by documented overnight delivery service or certified mail, postage prepaid, return receipt requested. Notices or other communications shall be directed to the following addresses:

(a) Ashland Inc. P.O. Box 391
Ashland, KY 41114
Attention: General Counsel
Fax: (606) 329-3559

(b) Carboex International, Ltd.
c/o Carboex S.A.
Calle Manuel Cortina
No. 2, Madrid, 10, Spain
Attention: Chairman
Fax: 011-341-445-2407

(c) Arch Mineral Corporation
Suite 300
CityPlace One
St. Louis, MO 63141
Attention: General Counsel
Fax: (314) 994-2734

All such notices, except those received in person, shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice shall be deemed not to have been received until the next succeeding business day in the place of receipt.

Any of the parties hereto may, by notice given in accordance with this Section 6, specify a new address for notices under this Agreement.

SECTION 7. Miscellaneous. (a) Remedies: Jurisdiction. Each of the parties hereto acknowledge and agree that in the event of any breach of this Agreement, the nonbreaching party or parties would be irreparably harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties hereto will waive the defense in any action for specific performance that a remedy at law would be adequate and that the parties hereto, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled to compel specific performance of this Agreement. With respect to any suit, action or proceeding relating to this Agreement ("Proceedings"), each party irrevocably:

(i) submits to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court for the District of Delaware;

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have jurisdiction over such party;

(iii) consents and agrees that the service of any and all legal process, summons, notices and documents which may be served in any Proceedings arising hereunder may be made by complying with the provisions set forth in Section 6 hereof, with such service to be effective upon receipt;

(iv) waives posting of a bond or other security; and

(v) waives any right it may have to a trial by jury.

(b) Headings. The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provision hereof.

(c) Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein and there are no restrictions, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof and thereof.

(d) Applicable Law. The validity of this Agreement, or any part hereof, and the interpretation of all provisions hereof, shall be governed by the laws of the State of Delaware.

(e) Severability. The invalidity, illegality or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement or such provision in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

(f) Agreement To Be Bound. Notwithstanding anything to the contrary contained in this Agreement, no shares of Voting Stock may be sold, transferred or otherwise disposed of to any Permitted Transferee unless such Permitted Transferee, prior to such sale, transfer or other disposition, agrees in writing, in form and substance satisfactory to Arch Mineral, to be bound by the terms of this Agreement to the same extent and in the same manner as the transferor of such shares, a copy of which writing shall be maintained on file with the Secretary of Arch Mineral and shall include the address of such Permitted Transferee to which notices hereunder shall be sent.

(g) Successors; Assigns; Transferees. The provisions of this Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective successors and Permitted Transferees. Notwithstanding the foregoing, neither this

Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable (including by pledge or other security interest) by any of the parties hereto without the prior written consent of Ashland and its Permitted Transferees and Carboex and its Permitted Transferees; provided. however, that Ashland or Carboex may assign its or their rights, remedies, obligations and liabilities in connection with a transfer of its or their shares of Voting Stock to a Permitted Transferee in accordance with the terms of this Agreement.

(h) Amendments; Waivers. This Agreement may not be amended, modified or supplemented and no waivers of or consents to departures from the provisions hereof may be given unless consented to in writing by each of the parties hereto.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

(j) Limited Liability. Notwithstanding any other provision of this Agreement, none of the present or future directors, officers, or stockholders of the parties hereto shall have any personal liability for performance of any obligation of such party under this Agreement.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement, all as of the day and year above written.

ASHLAND INC.,

By: /s/ Thomas L. Feazell
Name: Thomas L. Feazell
Title: Senior Vice President,
General Counsel and Secretary

CARBOEX INTERNATIONAL, LTD.,

By: /s/ Juan A. Ferrando
Name: Juan A. Ferrando
Title: Director

ARCH MINERAL CORPORATION

By: /s/ Jeffry N. Quinn
Name: Jeffry N. Quinn
Title: Senior Vice President

Exhibit 4.2

REGISTRATION RIGHTS AGREEMENT, dated as of April 4, 1997 ("Agreement"), among ARCH MINERAL CORPORATION, a Delaware corporation (the "Company"), ASHLAND INC., a Kentucky corporation ("AI"), CARBOEX INTERNATIONAL, LTD., a Bahamian corporation, ("Carboex"), the entities listed on Schedule I hereto (individually, a "Hunt Entity," and collectively, the "Hunt Entities"), and the entities listed on Schedule II hereto (individually, a "Hunt Piggybacker", and collectively, the "Hunt Piggybackers", (AI, Carboex, each Hunt Entity and each Hunt Piggybacker being hereafter referred to as a "Shareholder" and AI, Carboex, the Hunt Entities and the Hunt Piggybackers being hereafter referred to collectively as the "Shareholders").

WHEREAS, AI, Carboex, the Hunt Entities and the Hunt Piggybackers each will own shares of the Company's Common Stock, par value $.01 ("Company Common Stock") as of the Effective Date; and

WHEREAS, on the Effective Date, the Shareholders (other than the Hunt Piggybackers) will be subject to restrictions on the disposition of shares of Company Common Stock under the Securities Act (as hereafter defined); and

WHEREAS, the Company has determined that it would be in its best interests and in the best interest of its public stockholders to provide AI, Carboex and the Hunt Entities with the means to effect the public sale of registered shares of the Company Common Stock on the terms and subject to the conditions provided herein in order to increase the number of shares of Company Common Stock freely tradeable on the public market, the number of holders

thereof, thereby the market liquidity of the Company Common Stock; and

WHEREAS, the Company has determined that it would be in its best interests and the best interest of the public stockholders to provide each of the Hunt Piggybackers registration rights in underwritten offerings with the other Shareholders;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto agree effective as of the Effective Date as follows:

ARTICLE I

CERTAIN DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following capitalized terms shall have the following respective meanings:

"Affiliate" shall mean, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such specified Person.

"Effective Date" shall mean the date the business combination between Ashland Coal, Inc. ("Ashland Coal") and the Company described in that certain Agreement and Plan of Merger dated as of April 4, 1997, among the Company, Ashland Coal, and AMC Merger Corporation becomes effective and the conversion of Ashland Coal securities to Company Common Stock pursuant thereto has occurred.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute then in effect, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such similar federal statute.

"Holder" shall mean (i) each Shareholder or any Affiliate of such Shareholder to whom all the Registrable Securities owned by and all unexercised rights under this Agreement then held by such Shareholder have been transferred or assigned; provided that any such Affiliate shall only accede to the registration rights of the transferring or assigning Shareholder hereunder which have not been exercised by such Shareholder on or prior to the date of such assignment or transfer, or (ii) any transferee or assignee to whom all the Registrable Securities owned by and all unexercised rights under this Agreement held by such Shareholder at the time of the transfer or assignment (the "Transfer Date") are transferred or assigned (any such Affiliate and other transferees and assignees referred to in (i) and (ii) being hereafter referred to as a "Permitted Transferee"), provided that such Permitted Transferee shall only accede to the registration rights of the transferor hereunder which have not been exercised by such transferor on or prior to the Transfer Date, provided further that the registration rights, if any, obtained by such Permitted Transferee shall be subject to termination pursuant to this Agreement, including, without limitation and as applicable, Sections 2.02, 3.02 and 10.02. "Holder" shall not include any Shareholder who has

exercised all its registration rights hereunder, a Permitted Transferee who has exercised all its registration rights hereunder, or a Permitted Transferee who never obtained any registration rights hereunder.

"Hunt Group" shall mean one or more of the Hunt Entities and their Permitted Transferees owning, at the time of determination, more than 50% of all the Registrable Shares then held by all the Hunt Entities and all Permitted Transferees of the Hunt Entities.

"Market Value" shall mean as of any day the closing price of the Company Common Stock on the NYSE (or if such day shall not be a day when Company Common Stock is eligible for trading the last day when a closing price was reported).

"Person" shall mean any individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof.

"Prospectus" means the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments or supplements to the Prospectus, including post-effective amendments, and all material incorporated, or deemed to be incorporated, by reference in such Prospectus.

"Registrable Securities" shall mean any Company Common Stock held by the Shareholders on the Effective Date or securities which may be issued or distributed in respect thereof by way of stock dividend or stock split or other distribution, recapitalization or

reclassification. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) a Registration Statement with respect to the sale of such securities shall have become effective under the Securities Act and Section 2.03, such securities have not been withdrawn from registration under Section 5.04, and:

(A) the Selling Holder of such securities shall have disposed of such securities in accordance with the plan of distribution set forth in such Registration Statement; or

(B) after 10 days in the case of an underwritten offering or 120 days in the case of an offering on a delayed or continuous basis, the Selling Holder of such securities has sold fewer than 40% of the securities so registered by such Selling Holder for any reason (other than the occurrence of a contingency described in Section 2.03(i) or (ii) or withdrawal of securities under Section 5.04), provided in such case
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only the Registrable Securities disposed of plus the number of Registrable Securities equal to the difference between the securities sold by such Selling Holder pursuant to such Registration Statement and 40% of the amount of Registrable Securities originally registered on such Registration Statement by such Selling Holder shall cease to be Registrable Securities,

(ii) such securities shall have been sold to the public pursuant to any statutory or regulatory exemption from registration under the

Securities Act or when the number of shares of Registrable Securities sought to be registered by any Holder (other than by a Hunt Piggybacker) pursuant to this Agreement shall be equal to or less than the number of Registrable Securities eligible for resale by such Holder pursuant to any statutory or regulatory exemption from registration under the Securities Act during the six months next following the date the subject registration is first sought by any Holder (assuming the average weekly trading volume for purposes of any such exemption shall be the same as the average weekly trading volume in the four weeks most recently completed prior to such date), (iii) such securities shall have been otherwise transferred to a Permitted Transferee, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not be subject to registration or qualification of them under the Securities Act or any state securities or blue sky law then in force, or (iv) such securities shall have ceased to be outstanding.

"Registration Expenses" means any and all out-of-pocket expenses of the
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Company incurred at the request of or with the concurrence of the Company incident to performance of or compliance with this Agreement, including, without limitation, (i) all SEC and stock exchange or National Association of Securities Dealers, Inc. registration and filing fees, (ii) all fees and expenses of complying with state securities or blue sky laws (including fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities and

determination of the eligibility of the Registrable Securities for investment under the laws of such jurisdiction as the managing underwriters or Holders of the Registrable Securities being registered may indicate), (iii) all printing, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange pursuant to Section 5.01(o), (v) the fees and disbursements of outside counsel for the Company and of its independent public accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, (vi) any fees and disbursements of underwriters customarily paid by the issuer or seller of securities, and (vii) the reasonable fees and expenses of any special experts retained in connection with the Registration Statement.

"Registration Statement" means any registration statement under the Securities Act which covers any Registrable Securities filed by the Company pursuant to the provisions of this Agreement or otherwise, including the Prospectus contained therein, any amendments and supplements to such Registration Statement, including post-effective amendments, and all exhibits and all material incorporated, or deemed to be incorporated, by reference in such Registration Statement.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute then in effect, and a reference to a particular section thereof shall be deemed to

include a reference to the comparable section, if any, of any such similar federal statute.

"SEC" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

"Selling Holder" shall mean any Holder of Registrable Securities being registered pursuant to this Agreement in connection with a Registration Statement, including any Holder participating in a Hunt Group.

ARTICLE II

DEMAND REGISTRATION

SECTION 2.01. Demands for Registration. (a) To exercise its demand registration rights under Section 2.02, a Holder or, in the case of the exercise of rights hereunder by any Holder that is a Hunt Entity or a Permitted Transferee of a Hunt Entity, the Hunt Group, shall give written notice (a "Demand") requesting that the Company effect the registration under the Securities Act of all or part of the Registrable Securities held by it in an amount not less than the greater of $10,000,000 in Market Value of the Registrable Securities as of the day of the request or 2% of the total issued and outstanding shares of Common Stock on such date (a "Demand Registration"), which demand shall specify the amount of Registrable Securities to be registered, the computation of shares eligible for exempt public resale pursuant to subsection (ii) of the Registrable Securities definition in Section 1.01 and intended method or methods of disposition of such Registrable Securities,

which disposition shall be for cash and may be by means of either an underwritten offering or, after the Company is eligible to use an abbreviated Registration Statement on Form S-3 or any successor Form, offering on a delayed or continuous basis pursuant to or in reliance on Rule 415 of the Securities Act, as amended from time to time after the execution date of this Agreement or any similar or successor provision under the Securities Act. Upon receipt of such Demand, the Company will use its best efforts to effect the registration under the Securities Act of such Registrable Securities for disposition in accordance with the intended method or methods of disposition stated in such Demand, provided that:

(i) if the Company shall have previously effected a registration with respect to Registrable Securities pursuant to this Article II or Article III, the Company shall not be required to commence using its best efforts to effect a registration pursuant to this Article II until a period of 30 days shall have elapsed from the termination of the most recent such previous registration;

(ii) if, in the reasonable judgment of the Company, a registration at the time and on the terms requested would adversely affect any securities offering by the Company or merger, acquisition, disposition or other material transaction involving the Company or any subsidiary of the Company that had been formally proposed by the Company prior to the Company's receipt of the Demand, the

Company shall not be required to commence using its best efforts to effect a registration pursuant to this Section 2.01 until the later of (A) 10 days after the completion or abandonment of such securities offering and related distribution or merger, acquisition, disposition or other material transaction involving the Company or any subsidiary of the Company and (B) the termination of any "black out", hold-out or lock-up period or the like, if any, required by any underwriters in connection with such securities offering or merger, acquisition, disposition or other material transaction involving the Company or any subsidiary of the Company; provided, however, that such delay shall not exceed 120 days; and provided further that the Holder seeking registration will not unreasonably withhold its consent to a request by the Company to extend such period; and provided further that the Company may not invoke against any Holder the suspension of commencement of best efforts to effect a Demand Registration provided for in this subparagraph (ii) by reason of a securities offering more than two times in any 12-month period; and

(iii) if, while a Demand is pending pursuant to this Article II, the Company determines in its reasonable judgment that the filing of a Registration Statement would require the disclosure of material information which the Company has a bona fide business purpose for preserving as

confidential or that the Company would be unable to comply with SEC requirements, the Company shall not be required to commence using its best efforts to effect a registration pursuant to this Article II until the earlier of (A) 10 days after the date upon which such material information is disclosed to the public or ceases to be material or (B) 120 days after the Company makes such good faith determination; provided, however, that the Holder requesting
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registration will not unreasonably withhold its consent to a request by the Company to extend such period.

Within 10 days after receipt of a Demand for which a registration will be effected, the Company shall serve written notice (the "Notice") of such Demand
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to all other Holders entitled to participate therein and shall, subject to the provisions of Section 2.02 hereof, as expeditiously as possible use its best efforts to effect the registration under the Securities Act of all Registrable Securities (A) which the Company has been so requested to register by the initiating Holder or Holders referred to in the preceding sentence and (B) all other Registrable Securities with respect to which the Company received written request by another Holder or Holders for inclusion therein within 15 days after Notice to the applicable Holder or Holders, the registration by such other Holder or Holders being considered "Demand Piggybacking" and each such Holder being deemed a "Demand Piggybacker". A Demand Piggybacker's method of disposition shall be the same method specified by the

initiating Holder of the Demand. In the event any Holder who has received the Company's Notice elects not to participate as a Demand Piggybacker in an underwritten offering, such Holder may not exercise its Demand Registration rights until the underwritten offering described in the Notice is completed.

(b) Except where suspension of effectiveness is required when making an amendment to a Registration Statement, the Company agrees to use its best efforts to keep such Demand Registration continuously effective for the lesser of 120 days following the date on which such Registration Statement pursuant to a Demand Registration is declared effective (plus the number of days of any discontinuance described in Section 5.03) or the period ending on the completion of the distribution.

SECTION 2.02. Number of Demand Registrations, Duration of Right. (a)

Holders are entitled to Demand Registration as follows:

(i) Carboex and its Permitted Transferees together shall be entitled to one (1) Demand Registration which subsequently becomes effective under the Securities Act and Section 2.03;

(ii) the Hunt Entities and Permitted Transferees of the Hunt Entities together and only when acting as a Hunt Group shall be entitled to two Demand Registrations, each of which subsequently becomes effective under the Securities Act and Section 2.03 (it being understood and acknowledged by each Hunt Entity that two Demand Registrations by any Hunt Group, however comprised, shall

constitute the sole entitlement of the Hunt Entities and their Permitted Transferees to Demand Registration, notwithstanding that any particular Hunt Entity or any particular Permitted Transferee of a Hunt Entity has not participated in a Hunt Group of Selling Holders); and

(iii) AI and its Permitted Transferees shall be entitled to three Demand Registrations, each of which subsequently becomes effective under the Securities Act and Section 2.03;

provided, however, that any Demand Registration right obtained by a Permitted Transferee, may only be exercised not later than five (5) years after the Transfer Date; and provided further, that the right to effect a Demand Registration or incidental registration after withdrawal of the securities under Section 5.04 shall be governed by that section. Carboex and its Permitted Transferees together shall be entitled to one (1) piggyback registration upon each Demand Registration pursuant to Section 2.01; the Hunt Entities and Permitted Transferees of a Hunt Entity together and only when acting as a Hunt Group shall be entitled to one (1) piggyback registration upon each Demand Registration pursuant to Section 2.01 (it being understood and acknowledged by each Hunt Entity that one piggyback registration by any Hunt Group, however comprised, shall constitute the sole entitlement of the Hunt Entities and their Permitted Transferees to piggyback registration with respect to any Demand Registration, notwithstanding that any particular Hunt Entity or any particular Permitted Transferee of a Hunt Entity has not participated in a Hunt Group of Selling

Holders); and AI and its Permitted Transferees together shall be entitled to one (1) piggyback registration upon each Demand Registration pursuant to Section 2.01; provided, however, that a piggyback registration upon a Demand Registration pursuant to Section 2.01 obtained by a Permitted Transferee, if any, may only be exercised not later than five (5) years after the Transfer Date.

(b) The registration within the meaning of Section 2.03 of Registrable Securities by a Holder for sale alone or together with another Holder, shall constitute the use of each such Holder's Demand Registration unless such registration is a Demand Piggybacking.

(c) The Registrable Shares of the Hunt Piggybackers and Permitted Transferees of the Hunt Piggybackers shall not be considered when determining whether the Hunt Entities are acting as a Hunt Group under this Section, it being understood that a Hunt Piggybacker or any group of Hunt Piggybackers (except a Hunt Piggybacker that is a Permitted Transferee of a Hunt Entity acting in a Hunt Group, Carboex or AI) or their respective Permitted Transferees (other than a Permitted Transferee of a Hunt Piggybacker who is a Hunt Entity, Carboex or AI) shall not have any right to a Demand Registration, or to piggyback on a Demand Registration except pursuant to Section 2.04.

SECTION 2.03. Effective Registration Statement. A registration requested pursuant to this Article II and pursuant to Article III shall be deemed to have been effected when it has been declared effective by the SEC; provided, however, such registration

statement shall be deemed not to have been effected with respect to any Registrable Securities not already sold if (i) within 90 days after it has become effective, the offering of Registrable Securities pursuant to such registration is interfered with by any stop order, injunction, or other order or requirement of the SEC or any other governmental agency or court (unless such stop order, injunction, or other order or requirement arises as a result of an act or omission of a Selling Holder or the Selling Holders of Registrable Securities, in which case it shall be deemed to have been effected), or (ii) (A) in an underwritten Article II or Article III registration, there has occurred any material adverse change in the financial markets which has been invoked by the underwriters to terminate the underwriting agreement with respect to the Registrable Securities under a "market out" or other similar condition to the underwriters' obligation to close under such underwriting agreement, or (B) in an Article II or Article III registration which is not an underwritten offering, there has occurred, in the opinion of the selling broker acting for the Selling Holders under the Registration Statement, which selling broker shall have been previously approved by the Company, any material adverse change in the financial markets within 90 days of the effective date of the offering under the Securities Act which makes impracticable the sale of the Registrable Securities.

SECTION 2.04. Rights of the Hunt Piggybackers, the Company or Securityholders to Piggyback on Demand Registrations. Subject to the priority provisions of Section 2.05, the Hunt Piggybackers and

their Permitted Transferees shall have the right to include their Registrable Securities, and the Company and any of its other securityholders (other than Holders of Registrable Securities in such capacity), shall have the right to include shares of Company Common Stock or any other Company securities that are of the same class or type as any Registrable Securities, in any Demand Registration pursuant to this Article II. The Hunt Piggybackers, the Company's, and such securityholder's method of disposition shall be the same method specified by the initiating Holder or, in the case of the exercise of rights hereunder by any Holder that is a Hunt Entity, by a representative of the Hunt Group with whom the Holder is participating, in the Demand. The right of the Hunt Piggybackers and any other securityholder of the Company to registration in connection with a Demand Registration under this Section 2.04 shall terminate at such time as the registration rights of AI, Carboex and each Hunt Entity under this Article II shall terminate (including by agreement of AI, Carboex and the Hunt Entities).

SECTION 2.05. Priority in Demand Registrations. In a Registration Statement
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pursuant to Article II initiated by any Holder or Holders other than a Hunt Group, if the managing underwriters of an underwritten offering or the selling broker in an offering on a delayed or continuous basis inform the Holders that the total number of Registrable Securities which the Holders intend to include in such offering is such as to materially and adversely affect the success of such offering, then such offering

shall include (i) first, 100% of the Registrable Securities the initiating Holder or Holders propose to sell, (ii) second, the number of Registrable Securities requested by a Demand Piggybacker or Demand Piggybackers to be included in such registration which, in the good faith judgment of such managing underwriter or underwriters or selling broker, as the case may be, can be sold and not materially and adversely affect the success of the offering, allocated pro rata among all requesting Demand Piggybackers on the basis of the relative number of Registrable Securities sought to be registered by each such Demand Piggybacker, and (iii)

(a) in the case of an underwritten offering only, third, the number of Registrable Securities requested by a Hunt Piggybacker or Hunt Piggybackers to be included in such registration which, in the good faith judgment of such managing underwriter or underwriters can be sold and not materially and adversely affect the success of the offering, allocated pro rata among all requesting Hunt Piggybackers on the basis of the relative number of Registrable Securities sought to be registered by each such Hunt Piggybacker; and fourth, the number of securities of the Company or its securityholders (other than the Shareholders) allocated among them pursuant to any allocation method agreed among them; or

(b) in the case of a nonunderwritten offering only, third, the number of Registrable Securities requested by a Hunt Piggybacker and the number of securities of the Company or its securityholders (other than the Shareholders) allocated among them

pursuant to any allocation method agreed among them with respect to all shares sought to be registered by them.

In a Registration Statement pursuant to Article II initiated by a Hunt Group that is not an underwritten offering, if the selling broker in an offering on a delayed or continuous basis informs the Holders that the total number of Registrable Securities which the Holders intend to include in such offering is such as to materially and adversely affect the success of such offering, then such offering shall include (i) first, 100% of the Registrable Securities the initiating Hunt Group proposes to sell, (ii) second, the number of Registrable Securities requested by any Demand Piggybackers to be included in such registration which, in the good faith judgment of such managing underwriter or underwriters or selling broker, as the case may be, can be sold and not materially and adversely affect the success of the offering, allocated pro rata among all requesting Demand Piggybackers on the basis of the relative number of Registrable Securities sought to be registered by each such Demand Piggybacker, and (iii) third, securities of the Company or securityholders (other than the Demand Piggybackers), including the Registrable Securities of the Hunt Piggybackers, pursuant to any allocation method agreed among them with respect to all shares sought to be registered by the Company or such other securityholders and any Hunt Piggybackers.

In a Registration Statement pursuant to Article II initiated by a Hunt Group that is an underwritten offering, if the managing underwriter informs the Holders that the total number of

Registrable Securities which the Holders intend to include in such offering is such as to materially and adversely affect the success of such offering, then such offering shall include (i) first, 100% of the Registrable Securities of the initiating Hunt Group proposes to sell, (ii) second, the number of Registrable Securities requested by any Demand Piggybackers and any Hunt Piggybackers to be included in such registration which, in the good faith judgment of such managing underwriter or underwriters can be sold and not materially and adversely affect the success of the offering, allocated pro rata among all requesting Demand Piggybackers and Hunt Piggybackers on the basis of the relative number of Registrable Securities sought to be registered by each such Demand Piggybacker and Hunt Piggybacker and (iii) third, the number of securities of the Company or its securityholders (other than the Shareholders) allocated among them pursuant to any allocation method agreed among them.

ARTICLE III

INCIDENTAL REGISTRATION

SECTION 3.01. Right to Include Registrable Securities. If, during the period commencing on and after the Effective Date, the Company proposes to file a registration statement under the Securities Act with respect to an offering by the Company, or by any other Person having the right to require the Company to file such registration statement, of Company Common Stock (other than a registration statement on Form S-4 or S-8 or an S-3 used for a dividend reinvestment plan, or any successor forms), then in the

case of an underwritten offering, the Company shall give written notice of each such proposed filing to the Holders and, in the case of a nonunderwritten offering, the Company shall give written notice of each such proposed filing to the Holders other than the Hunt Piggybackers, in each case at least 20 days before the anticipated filing date, and such notice shall offer such participating Holders or, in the case of the exercise of rights hereunder by any Holder that is a Hunt Entity, a Hunt Group, the opportunity to register such number of Registrable Securities as each such Holder or, in the case of the exercise of rights hereunder by any Holder that is a Hunt Entity, a representative of the Hunt Group with whom the Holder is participating, may request using the method of disposition proposed by the Company. Upon the written request of any participating Holder or, in the case of the exercise of rights hereunder by any Holder that is a Hunt Entity, a representative of the Hunt Group with whom the Holder is participating (such participating Holder and any other Person with registration rights exercisable with respect to the subject registration being deemed "Incidental Piggybackers"), made within 15 days after receipt of any such notice (which request shall specify the Registrable Securities intended to be sold), the Company shall use its best efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register. Subject to the managing underwriter's or selling broker's, as the case may be, Section 3.03 good faith judgment regarding the number of Registrable Securities

to be registered, the Company shall use its best efforts to cause the managing underwriters of any proposed underwritten offering or the selling broker in any proposed offering on a delayed or continuous offering, to include such Registrable Securities requested by Holders of its Registrable Securities pursuant to this Section in such offering on the same terms and conditions as any similar securities of the Company or other Person included therein.

SECTION 3.02. Number of Incidental Registrations, Duration of Right.

Carboex and its Permitted Transferees together shall be entitled to two (2) incidental registrations pursuant to this Article III which subsequently become effective under the Securities Act and Section 2.03; the Hunt Entities and Permitted Transferees of the Hunt Entities together and only when acting in a Hunt Group shall be entitled to two (2) incidental registrations pursuant to this Article III which subsequently become effective under the Securities Act and Section 2.03 (it being understood and acknowledged by each Hunt Entity that two incidental registrations by any Hunt Group, however comprised, shall constitute the sole entitlement of the Hunt Entities and their Permitted Transferees to incidental registration, notwithstanding that any particular Hunt Entity or any particular Permitted Transferee of a Hunt Entity has not participated in a Hunt Group of Selling Holders); AI and its Permitted Transferees together shall be entitled to two (2) incidental registrations pursuant to this Article III which subsequently become effective under the Securities Act and Section 2.03; and, in the case of underwritten offerings only and until

such time as the registration rights of AI, Carboex and each Hunt Entity under this Article III shall terminate (including by agreement of AI, Carboex, and the Hunt Entities), each Hunt Piggybacker and its Permitted Transferee together shall be entitled to two (2) incidental registrations pursuant to this Article III which subsequently become effective under the Securities Act and Section 2.03, provided, however, that an incidental registration right obtained by a
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Permitted Transferee, if any, may only be exercised not later than 10 years after the Transfer Date.

SECTION 3.03. Priority in Incidental Registration. If the managing
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underwriters of an underwritten offering or the selling broker in an offering on a delayed or continuous basis inform the Incidental Piggybacker or Incidental Piggybackers that the total number of Registrable Securities or other securities which the Incidental Piggybacker or Incidental Piggybackers intend to include in such offering is such as to materially and adversely affect the success of such offering, then such offering shall include (i) first, 100% of the securities the Company or other Person initiating such registration proposes to sell, (ii) second, the number of Registrable Securities or other securities requested by AI, Carboex or the Hunt Group to be included in such registration which, in the good faith judgment of such managing underwriter or underwriters or selling broker, as the case may be, can be sold and not materially and adversely affect the success of the offering, allocated pro rata among AI, Carboex or the Hunt Group on the basis of the relative number of Registrable Securities or other

securities then sought to be registered by each of AI, Carboex and the Hunt Group, and (iii) third, in the case of an underwritten offering only, the number of Registrable Securities or other Securities requested by Hunt Piggybacker or Hunt Piggybackers to be included in such registration which, in the good faith judgment of the managing underwriter or underwriters, can be sold and not materially and adversely affect the success of the offering, allocated pro rata among all requesting Hunt Piggybackers on the basis of the relative number of Registrable Securities or other Securities then sought to be registered by each such Hunt Piggybacker.

ARTICLE IV

HOLD-BACK AND COMPLIANCE AGREEMENTS

SECTION 4.01. Restriction on Sales by Holders. Each Holder agrees not to effect any public sale or distribution of Registrable Securities, including a public sale or distribution pursuant to any statutory or regulatory exemption from registration under the Securities Act, (i) if prohibited by applicable law, or otherwise (ii) during the 14 days prior to, and during the 90 day period beginning on, the effective date of any Registration Statement made effective pursuant to Article II or III hereof (except as part of such Registration Statement), in the case of (ii), if and to the extent requested by the Company in the case of a non-underwritten public offering in which the Company has registered securities other than Registrable Securities or if and to the extent requested

by the Company or the managing underwriters in the case of an underwritten public offering.

SECTION 4.02. Restriction on Sales by the Company or Others. The Company agrees (i) not to effect any public sale or distribution of any securities similar to the Registrable Securities (other than similar securities registered on Form S-4 or S-8 or an S-3 used for a dividend reinvestment plan, or any successor form) or any securities convertible into or exchangeable or exercisable for such securities, during the 14 days prior to, and during the 90 day period beginning on, the effective date of any Registration Statement made effective pursuant to Article II hereof.

SECTION 4.03. Restriction on Purchases by the Holders. Each of the Selling Holders agrees that it will observe the provisions of SEC Regulation M, including Rule 102 therein, regulating the timing of purchases of Company Common Stock by Selling Holders and their "affiliated purchasers" (within the meaning of SEC Regulation M) during any "distribution" (within the meaning of SEC Regulation M) of Company Common Stock pursuant to this Agreement.

ARTICLE V

REGISTRATION PROCEDURES

SECTION 5.01. In connection with the Company's Demand Registration obligations pursuant to Article II hereof and in each case subject to the limitations upon such obligations set forth in this Agreement, the Company shall use its best efforts to effect such registrations to permit the sale of such Registrable

Securities in accordance with the intended method or methods of disposition thereof permitted by this Agreement, and, pursuant thereto, the Company shall as expeditiously as possible:

(a) prepare and file with the SEC, within the time period specified in Article II, the Registration Statement relating to the Demand Registration on any appropriate form under the Securities Act, which form shall be available for the disposition of the Registrable Securities by the Holders thereof in accordance with the intended method or methods of distribution thereof, which disposition shall be for cash, and use its best efforts to cause such Registration Statement to become effective; provided, however, that before filing a

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Registration Statement or Prospectus or any amendments or supplements thereto, except for documents incorporated, or deemed to be incorporated, by reference after the initial filing of any Registration Statement, the Company shall furnish to the Selling Holders and to counsel designated by such Selling Holders (or, in the case of any registration by a Hunt Group, to a Hunt Entity and counsel designated by the Hunt Group) copies of all such documents proposed to be filed, which documents shall be subject to the review of such Selling Holders and their counsel (or, in the case of any registration by a Hunt Group, to a Hunt Entity and counsel designated by the Hunt Group), and the Company shall not file any Registration Statement, or

amendment thereto or any Prospectus or any supplement thereto (except for documents incorporated, or deemed to be incorporated, by reference) to which the Selling Holders or the underwriters, if any, shall reasonably object in the light of the requirements of the Securities Act and any other applicable laws and regulations;

(b) prepare and file with the SEC such amendments and post-effective amendments to a Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act; and comply with the provisions of the Securities Act applicable to the Company with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement or Prospectus;

(c) notify counsel for the Selling Holders (or, in the case of any registration by a Hunt Group, to a Hunt Entity and counsel designated by the Hunt Group) and the managing underwriters and selling broker, if any, and (if requested by any such Person) confirm such advice in writing, (1) when a Prospectus or any Prospectus supplement or amendment to a Prospectus has been filed,

and, with respect to a Registration Statement or any post-effective amendment to a Registration Statement, when the same has become effective, (2) of any request by the SEC for amendments or supplements to a Registration Statement or related Prospectus or for additional information or any receipt of SEC comments, (3) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for any such purpose, (4) if at any time the representations and warranties of the Company made as contemplated by Section 5.01(1) cease to be true and correct, (5) of the receipt by the Company of any notification with respect to the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceedings for such purpose, (6) of the happening of any event which requires the making of any changes in a Registration Statement or related Prospectus so that such documents shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (7) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate;

(d) make every reasonable effort to prevent the issuance of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any Prospectus and, if any such order is issued, to obtain the withdrawal of any such order;

(e) if reasonably requested by the managing underwriters, selling broker or any Selling Holder (or, in the case of any registration by a Hunt Group, by a Hunt Entity designated by the Hunt Group) in connection with an offering: (i) incorporate in a Prospectus supplement or post-effective amendment such information as the requesting persons agree should be included therein, including, without limitation, information with respect to the number of Registrable Securities being sold to such underwriters, the purchase price being paid therefor by such underwriters and any other terms of the underwritten (or best efforts underwritten) offering of the Registrable Securities to be sold in such offering; (ii) make all required filings of such Prospectus supplement or post-effective amendment as soon as notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment; and (iii) supplement or make amendments to any Registration Statement;

(f) furnish to each Selling Holder (or, in the case of any registration by a Hunt Group, to a Hunt Entity designated by the Hunt Group) and each managing underwriter or selling broker, as the case may be, without charge, at least one copy of the executed Registration Statement or Statements and any post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(g) deliver to each Selling Holder and to such counsel as designated by the Selling Holder (or, in the case of any registration by a Hunt Group, to a Hunt Entity and counsel designated by the Hunt Group), and to the underwriters or selling broker, if any, without charge, as many copies of the Prospectus or Prospectuses (including each preliminary Prospectus) and any amendment or supplement thereto as such Persons may reasonably request, such delivery to evidence the Company's consent to the use of such Prospectus or any amendment or supplement thereto by each of the Selling Holders (or, in the case of any registration by a Hunt Group, by a Hunt Entity and Counsel designated by the Hunt Group) and the underwriters or selling broker, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto;

(h) prior to any public offering of Registrable Securities, register or qualify or cooperate with the Selling Holders (or, in the case of any registration by a Hunt Group, with a Hunt Entity and Counsel designated by the Hunt Group), the underwriters or selling broker, if any, and their respective counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions as any Selling Holder (or, in the case of any registration by a Hunt Group, as a Hunt Entity and Counsel designated by the Hunt Group) or underwriter or selling broker reasonably requests in writing; keep each such registration or qualification effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the applicable Registration Statement; provided that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(i) cooperate with the Selling Holders (or, in the case of any registration by a Hunt Group, with a Hunt Entity

designated by the Hunt Group) and the managing underwriters or selling broker, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters or selling broker or such Selling Holders (or, in the case of any registration by a Hunt Group, with a Hunt Entity designated by the Hunt Group) may reasonably request;

(j) use its best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriters or selling broker, if any, to consummate the disposition of such Registrable Securities;

(k) upon the occurrence of any event contemplated by Section 5.01(c)(6), prepare a supplement or post-effective amendment to the applicable Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus shall not contain an untrue statement of a

material fact or omit to state any material fact necessary to make the statements therein not misleading;

(l) enter into customary agreements (including an underwriting agreement) and take all such other actions in connection therewith reasonably required in order to expedite or facilitate the disposition of such Registrable Securities and in such connection the Company shall deliver such documents and certificates as may be reasonably requested by the managing underwriters or selling broker, if any, to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company;

(m) subject to customary confidentiality restrictions and applicable law, make available for inspection by a representative of the Selling Holders (or, in the case of any registration by a Hunt Group, of the Hunt Entity designated by the Hunt Group), any underwriter or the selling broker participating in any disposition, and any attorney, accountant or other agent retained by such Selling Holders (or, in the case of any registration by a Hunt Group, by the Hunt Entity designated by the Hunt Group) or underwriter, all financial and other records, pertinent corporate documents and properties of the Company reasonably and customarily subject to a due diligence review, and cause the Company's officers, directors and employees to supply all information

reasonably requested by any such representative, underwriter, attorney, accountant or other agent in connection with such Demand Registration;

(n) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC and, if required by the underwriters or applicable law, make generally available to its securityholders earnings statements satisfying the provisions of Section ll(a) of the Securities Act and the rules and regulations thereunder, no later than 90 days after the end of the 12-month periods (1) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm or best efforts underwriting offering and (2) beginning with the first day of the Company's first fiscal quarter next succeeding each sale of Registrable Securities after the effective date of a Registration Statement, which statements shall cover said 12-month periods; and

(o) use its best efforts to list such Registrable Securities on any national securities exchange on which Company Common Stock is then listed, if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange, and to provide a transfer agent and registrar for such Registrable Securities not later than the effective date of such Registration Statement.

SECTION 5.02. Information from Selling Holders. The Company may require each Selling Holder as to any Registration Statement being effected to furnish to the Company such information regarding such Selling Holder and the distribution of such securities as the Company may from time to time reasonably request in writing. Without limiting the generality of the foregoing, the Selling Holders shall furnish to the Company, or cause any underwriter or selling broker selected by the Selling Holders to furnish to the Company, such written representations as to the number of Registrable Securities held, offered or sold by them from time to time pursuant to the Registration Statement and such other information as the Company or its transfer agent may reasonably require to monitor sales pursuant to the Registration Statement and effect timely settlements of the sales.

SECTION 5.03. Discontinuance of Dispositions. Each of the Selling Holders agrees that, upon receipt of any notice from the Company or otherwise of the happening of any event of the kind described in Section 5.01(c)(2), (3), (5), (6) or (7) hereof, such Selling Holder shall forthwith discontinue disposition of such Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Selling Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5.01(k) hereof, or until it (or in the case of any registration by a Hunt Group, the Hunt Entity designated by the Hunt Group) is advised in writing by the Company that the use of the applicable Prospectus may be resumed, and has received

copies of any additional or supplemental filings which are incorporated, or deemed to be incorporated, by reference in such Prospectus, and, if so directed by the Company, such Selling Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Selling Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the 120 day time period mentioned in Section 2.01 shall be extended by the number of days during the time period from and including the date of the giving of such notice pursuant to Section 5.01(c) hereof to and including the date when each seller of Registrable Securities covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 5.01(k) hereof.

SECTION 5.04. Sharing of Registration Expenses. If the Company, in the exercise of its reasonable judgment, objects to any change requested by a Selling Holder or the Selling Holders or the underwriters, if any, to any Registration Statement or Prospectus or any amendments or supplements thereto (except documents incorporated, to be incorporated, or deemed to be incorporated therein by reference) as provided for in this Article V, the Company shall not be obligated to make any such change and the objecting Selling Holder or objecting Selling Holders, as the case may be, may withdraw their Registrable Securities from such registration. In such event and provided that such Selling Holder

or Selling Holders acted reasonably and in good faith in requesting such change and in withdrawing the Registrable Securities so withdrawn from such registration, (i) (A) if the withdrawal shall occur prior to effectiveness or within 90 days after the effective date of the Registration Statement under the Securities Act, the Company and the objecting Selling Holder or objecting Selling Holders (pro rata based on the number of shares withdrawn) shall share equally all Registration Expenses (including the Company's counsel fees and expenses) not otherwise payable by any nonobjecting Selling Holders under Section 9.01 incurred in connection with such registration statement or amendment thereto or prospectus or supplement thereto, and (B) such registration shall not constitute a Demand Registration or an incidental registration in accordance with Section 2.03, (ii) (A) if the withdrawal shall occur more than 90 days after the effective date of the Registration Statement under the Securities Act, the objecting Selling Holder or objecting Selling Holders (pro rata based on the number of shares withdrawn), as the case may be, shall pay all Registration Expenses (including the Company's counsel fees and expenses) not otherwise payable by any nonobjecting Selling Holder under Section 9.01 incurred in connection with such Registration Statement or amendment thereto or prospectus or supplement thereto, and (B) such registration shall constitute a Demand Registration or incidental registration hereunder by the objecting Selling Holder or each of the objecting Selling Holders.

ARTICLE VI

INDEMNIFICATION

SECTION 6.01. Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each Holder of Registrable Securities, each Affiliate of such Holder, and each of their respective officers, directors, employees and agents from and against all losses, claims, damages, liabilities and expenses (including reasonable counsel fees and expenses) arising out of or relating to any untrue or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or in any preliminary Prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus, in the light of the circumstances under which they were made) not misleading, except insofar as such losses, claims, damages, liabilities and expenses arise out of or relate to any information furnished in writing to the Company by such Holder expressly for use therein.

SECTION 6.02. Indemnification by Selling Holders. (a) Each Selling Holder agrees, severally but not jointly, to indemnify and hold harmless, to the full extent permitted by law, the Company, each Affiliate of the Company (other than an indemnifying Selling Holder) its directors, its officers who sign any Registration Statement, its other officers, employees and agents and each Person

who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) from and against any losses, claims, damages, liabilities and expenses (including reasonable counsel fees and expenses) arising out of or relating to any untrue or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (as amended or supplemented if such Holder shall have furnished any amendments or supplements thereto) or in any preliminary Prospectus or any omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein (in the case of a Prospectus, in the light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in or arises from any information or undertaking so furnished in writing by such Holder to the Company expressly for inclusion in such Registration Statement or Prospectus, or any amendment or supplement thereto, or any preliminary Prospectus.

(b) The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution to the same extent as provided in Section 6.02(a) herein with respect to information~so furnished in writing by such Persons specifically for inclusion in any Registration Statement or Prospectus, or any amendment or supplement thereto, or any preliminary Prospectus.

SECTION 6.03. Delivery of Prospectus. The indemnity provisions in Sections 6.01 and 6.02 above are subject to the condition that, insofar as they relate to any untrue statement (or alleged untrue statement) or omission (or alleged omission) made in a preliminary Prospectus or Prospectus but eliminated or remedied in any amended Prospectus on file with the SEC at the time the registration statement becomes effective or any amended prospectus filed with the SEC pursuant to Rule 424(b) or 424(c) (the "Final Prospectus"), such indemnity provisions shall not inure to the benefit of any Selling Holder if such Selling Holder is not selling Registrable Securities through an underwriter, if the Company has previously delivered copies of such Final Prospectus to an underwriter or Selling Holder and if a copy of the Final Prospectus was not furnished to the Person or entity asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

SECTION 6.04. Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder (the "indemnified party") shall (i) give prompt notice to the Person against whom such indemnity is sought (the "indemnifying party") of any claim with respect to which such indemnification is sought and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that any indemnified party entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the

fees and expenses of such counsel shall be at the expense of such indemnified party unless (a) the indemnifying party has agreed to pay such fees or expenses, (b) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such indemnified party or (c) in the reasonable judgment of the indemnified party and the indemnifying party, based upon advice of their respective counsel, a conflict of interest may exist between such indemnified party and the indemnifying party with respect to such claims (in which case, if the indemnified party notifies the indemnifying party in writing that such indemnified party elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such indemnified party). If such defense is not assumed by the indemnifying party, the indemnifying party shall not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless, in the reasonable judgment of any indemnified party, a conflict of

interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels.

SECTION 6.05. Contribution. (a) If the indemnification provided for in this Article VI from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by or omitted to be supplied by, such indemnifying party and indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to

the limitations set forth in Section 6.04, any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

(b) The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6.05 were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in Section 6.05(a). No Person guilty of fraudulent misrepresentation (within the meaning of Section ll(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

ARTICLE VII

RULE 144 and 145

SECTION 7.01. Rule 144 and 145. The Company shall use its best efforts to take such action as any Holder may reasonably request, all to the extent required from time to time during the term of this Agreement, to enable such Holder to lawfully sell Registrable Securities publicly without registration under the Securities Act, including within the limitation of the regulatory exemption provided by (a) Rules 144 and 145 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC. Each Holder agrees to provide the Company prior written notice and such written information as the Company may reasonably request within 10 days after receipt of such notice, including representations by the Holder in respect of the Holder's holdings, offers and sales of

Company Common Stock and the Holder's compliance with the requirements of any statutory or regulatory exemption from registration, prior to effecting any public offer or sale of Registrable Securities without registration under the Securities Act.

ARTICLE VIII

SELECTION OF UNDERWRITERS, COMPLIANCE WITH REQUIREMENTS

SECTION 8.01. In any Demand Registration, the Holder or Holders requesting the demand pursuant to Section 2.01(a) shall have the right to select the investment banker or bankers and managers or selling broker, as the case may be, to administer the offering; provided, however, that such investment bankers and managers or selling broker, as the case may be, must be reasonably satisfactory to the Company and any Demand Piggybacker.

SECTION 8.02. No Person may participate in any registration hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such arrangements.

ARTICLE IX

EXPENSES

SECTION 9.01. Registration Expenses. The Company shall have no obligation for the out-of-pocket expenses of any Selling Holder in

connection with any registration undertaken pursuant to this Agreement. Except as provided in Section 5.04 and by the next sentence, all Registration Expenses incurred in connection with each Registration Statement pursuant to Article II of this Agreement shall be paid pro rata by the Selling Holders thereunder on the basis of the number of Shares sought to be registered by each such Selling Holder. Except as provided in Section 5.04, all Registration Expenses incurred in connection with one Registration Statement for each Holder making Demand under Article II, and with each Registration Statement pursuant to Article III, shall be paid by the Company or in the case of an Article III offering involving a securityholder (other than a Selling Holder) initiating the registration, by such securityholder. In addition, a Demand or Incidental Piggybacker shall have no obligation for any Registration Expenses where the Company or a securityholder (other than a Selling Holder) is required to pay such expenses by the foregoing provisions. All underwriting discounts and commissions and transfer taxes, if any, incurred in connection with any offering hereunder shall be paid by the sellers thereunder based upon the ratio of the number of shares of Company Common Stock to the total number of shares of Company Common Stock in the offering.

ARTICLE X

GENERAL PROVISIONS

SECTION 10.01. No Inconsistent Agreements. The Company shall not, on or after the date of this Agreement, enter into any agreement with respect to its securities which will prohibit or

materially hinder the Company's performance hereunder; provided, however, that nothing in this provision shall be deemed to prohibit the Company's grant of or any Person's (other than a Holder's) exercise of registration rights.

SECTION 10.02. Duration of Registration Rights, Survival of Other Obligations. In the case of a Holder who is a Shareholder, the registration rights provided for in Article II and Article III shall survive as long as the Shareholder shall hold Registrable Securities. In the case of a Permitted Transferee, the registration rights provided for by this Agreement obtained by such Permitted Transferee, if any, shall terminate five years after the Transfer Date, in the case of a registration pursuant to Article II, and ten years after the Transfer Date, in the case of a registration pursuant to Article III.

SECTION 10.03. Notices, Designation of Hunt Group Representative. All notices and other communications given or made pursuant hereto shall be in writing (including telecopier or facsimile or similar writing) and shall be deemed to have been duly given or made as of the date (a) delivered (if delivered personally), (b) mailed by certified mail (postage prepaid, return receipt requested) if mailed, or (c) the date sent by telecopier to the parties at the following addresses or telecopier numbers (or at such other address or telecopier number for a party as shall be specified by like notice, except that notices of changes of address or telecopier numbers shall be effective only upon receipt):

(a) if to the Company:
Arch Mineral Corporation
Suite 300
CityPlace One
St. Louis, Missouri 63141
Telecopier No.: (314) 994-2734
Attention: General Counsel

(After the Effective Time, notices shall be directed to "Arch Coal, Inc." instead of "Arch Mineral Corporation".)

(b) if to Ashland Inc.:
Ashland Inc.
P.O. Box 391
Ashland, Kentucky 41114
Telecopier No.: (606) 329-3823
Attention: General Counsel

(c) if to Carboex:
Carboex International, Ltd.
Bolan House
P.O. Box N-3010
Nassau, Bahamas
Telecopier No.: _____
Attention: _____

(d) if to the Hunt Entities or the Hunt Piggybackers:
Hunt Coal Corporation
5000 Thanksgiving Tower
1601 Elm Street
Dallas, Texas 75201
Telecopier No.: (214) 922-1060
Attention: James L. Parker, President

with additional notice in the case of notice to the Hunt Entities:

Petro-Hunt Corporation
3800 Thanksgiving Tower
1601 Elm Street
Dallas, Texas 75201
Telecopier No.: (214) 880-7101
Attention: Bruce W. Hunt, President

Whenever acting as a Hunt Group as provided for in this Agreement, and without affecting any other requirements of this Agreement

other than in respect of the timing and content of notices to and from the Hunt Entities comprising such Hunt Group, the Hunt Entities comprising such Hunt Group shall furnish the Company a written designation of the Hunt Entity and counsel representing such Hunt Group, executed by each Hunt Entity comprising said Hunt Group, which designation shall include a representation by each Hunt Entity in said Hunt Group of such Hunt Entity's holdings of Company Common Stock at the time of designation in order to permit the Company to ascertain that the Hunt Entities so acting in fact comprise a Hunt Group. The designation also shall specify an address for notice to said Hunt Group and its counsel during the period such Hunt Group shall be exercising any rights under this Agreement. Once a designation in proper form is received by the Company, the Company shall be relieved of any obligation under this Agreement to communicate separately with the Hunt Entities comprising such Hunt Group, and the Hunt Entities comprising such Hunt Group shall be relieved of any individual obligations under this Agreement to communicate with the Company, in each case until such time as all Hunt Entities initially comprising such Hunt Group have disposed of their Company Common Stock in the subject offering and/or the subject Registration Statement is no longer effective, including by withdrawal thereof. The written designation described herein shall be delivered with the first notice or communication in respect of such Hunt Group's exercise of rights under this Agreement, it being understood that the Company is under no obligation to act and no time periods for acting specified in this

Agreement shall begin to run unless and until the Company has received a written designation meeting the requirements of this Section. The Hunt Piggybackers acknowledge and agree that notice to Hunt Coal Corporation as provided for above shall be sufficient notice to all of them for all purposes under this Agreement, and each of the Company, AI, Carboex and the Hunt Entities is entitled to rely upon any communication, representation or agreement made by said Hunt Coal Corporation expressly on behalf of any Hunt Piggybacker as being the communication, representation or agreement of such Hunt Piggybacker.

SECTION 10.04. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.05. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

SECTION 10.06. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, and except as otherwise expressly provided herein.

SECTION 10.07. Amendment; Waiver. This Agreement may not be amended or modified except by an instrument in writing signed by the Company and each Holder. Waiver of any term or condition of this Agreement shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach or waiver of the same term or condition, or a waiver of any other term or condition of this Agreement.

SECTION 10.08. Successors, Assigns and Transferees. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the parties hereto other than the Company shall also be for the benefit of and enforceable by any Permitted Transferee thereof, subject to the provisions contained herein.

SECTION 10.09. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts executed in and to be performed in that State.

SECTION 10.10. Counterparts; Copies in Electronic Medium. This Agreement may be executed in one or more counterparts, and by the

different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 10.11. Specific Performance. The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that they shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction in the United States or any state thereof, in addition to any other remedy to which they may be entitled at law or equity.

IN WITNESS WHEREOF, the Company and the Shareholders have caused this Agreement to be executed as of the date first written above in their individual capacities or by their respective representatives thereunto duly authorized, as applicable.

ARCH MINERAL CORPORATION

By: /s/ Jeffry N. Quinn
Name: Jeffry N. Quinn
Title: Senior Vice President

ASHLAND INC.

By: /s/ Thomas L. Feazell
Name: Thomas L. Feazell
Title: Senior Vice President, General Counsel and Secretary

CARBOEX INTERNATIONAL, LTD.

By: /s/ Juan A. Ferrando
Name: Juan A. Ferrando
Title: Director

PETRO HUNT CORPORATION

By: /s/ Bruce W. Hunt
Bruce W. Hunt, President

LYDA HUNT-MARGARET TRUST -
AL G. HILL, JR.

By:

Margaret Hunt Hill, Trustee

By: /s/ Tom Hunt, Trustee
Tom Hunt, Trustee

By: /s/ James L. Parker, Trustee
James L. Parker, Trustee

LYDA HUNT-MARGARET TRUST -
ALINDA HUNT HILL

By:

Margaret Hunt Hill, Trustee

By: /s/ Tom Hunt, Trustee
Tom Hunt, Trustee

By: /s/ James L. Parker, Trustee
James L. Parker, Trustee

LYDA HUNT-MARGARET TRUST -
LYDA HILL

By:

Margaret Hunt Hill, Trustee

By: /s/ Tom Hunt, Trustee
Tom Hunt, Trustee

By: /s/ James L. Parker, Trustee
James L. Parker, Trustee

HUNT COAL CORPORATION

By: /s/ James L. Parker
James L. Parker, President

LYDA HUNT-HERBERT TRUST -
DOUGLAS H. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
BARBARA A. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
LYDA B. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
DAVID S. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
BRUCE W. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-CAROLINE TRUST -
JOHN BUNKER SANDS

By: /s/ Don W. Crisp, Trustee
Don W. Crisp, Trustee

By: /s/ Caroline Rose Hunt, Trustee
Caroline Rose Hunt, Trustee

By: /s/ Charles J. Tusa, Trustee
Charles J. Tusa, Trustee

LYDA HUNT-CAROLINE TRUST -
DAVID KEITH SANDS

By: /s/ Don W. Crisp, Trustee
Don W. Crisp, Trustee

By: /s/ Caroline Rose Hunt, Trustee
Caroline Rose Hunt, Trustee

By: /s/ Charles J. Tusa, Trustee
Charles J. Tusa, Trustee

LYDA HUNT-CAROLINE TRUST -
STEPHEN H. SANDS

By: /s/ Don W. Crisp, Trustee
Don W. Crisp, Trustee

By: /s/ Caroline Rose Hunt, Trustee
Caroline Rose Hunt, Trustee

By: /s/ Charles J. Tusa, Trustee
Charles J. Tusa, Trustee

LYDA HUNT-CAROLINE TRUST -
LAURIE SANDS

By: /s/ Don W. Crisp, Trustee
Don W. Crisp, Trustee

By: /s/ Caroline Rose Hunt, Trustee
Caroline Rose Hunt, Trustee

By: /s/ Charles J. Tusa, Trustee
Charles J. Tusa, Trustee

LYDA HUNT-CAROLINE TRUST -
PATRICK BRIAN SANDS

By: /s/ Don W. Crisp, Trustee
Don W. Crisp, Trustee

By: /s/ Caroline Rose Hunt, Trustee
Caroline Rose Hunt, Trustee

By: /s/ David K. Sands, Trustee
David K. Sands, Trustee

ROSEWOOD RESOURCES, INC.

By: /s/ Gary E. Conrad
Gary E. Conrad, President

LYDA HUNT-BUNKER TRUST -
HOUSTON B. HUNT

By: /s/ F. C. Vickers, Trustee
F. C. Vickers, Trustee

By:

C. H. Mercer, Trustee

By: /s/ Paul A. Hope, Trustee
Paul H. Hope, Trustee

LYDA HUNT-BUNKER TRUST -
ELIZABETH B. HUNT

By: /s/ F. C. Vickers, Trustee
F. C. Vickers, Trustee

By:

C. H. Mercer, Trustee

By: /s/ Paul A. Hope, Trustee
Paul H. Hope, Trustee

LYDA HUNT-BUNKER TRUST -
ELLEN F. HUNT

By: /s/ F. C. Vickers, Trustee
F. C. Vickers, Trustee

By:

C. H. Mercer, Trustee

By: /s/ Paul A. Hope, Trustee
Paul H. Hope, Trustee

NELSON BUNKER HUNT TRUST ESTATE

By: /s/ F. C. Vickers, Trustee
F. C. Vickers, Trustee

By:

Samuel R. Miller, Advisory
Board

By: /s/ Robert J. D'Agostino
J. D'Agostino, Advisory
Board

LYDA HUNT-LAMAR TRUST -
LAMAR HUNT

By: /s/ J.R. Holland, Jr.
J. R. Holland, Jr., Trustee

By: /s/ Thomas J. Fowler
Thomas J. Fowler, Trustee

LYDA HUNT-LAMAR TRUST -
LAMAR HUNT, JR.

By: /s/ J. R. Holland, Jr.
J. R. Holland, Jr., Trustee

By: /s/ Thomas J. Fowler
Thomas J. Fowler, Trustee

LYDA HUNT-LAMAR TRUST -
CLARK K. HUNT

By: /s/ J. R. Holland, Jr.
J. R. Holland, Jr., Trustee

By: /s/ Thomas J. Fowler
Thomas J. Fowler, Trustee

LYDA HUNT-LAMAR TRUST -
SHARON L. HUNT

By: /s/ J. R. Holland, Jr.
J. R. Holland, Jr., Trustee

By: /s/ Thomas J. Fowler
Thomas J. Fowler, Trustee

LYDA HUNT-LAMAR TRUST -
DANIEL L. HUNT

By: /s/ J. R. Holland, Jr.
J. R. Holland, Jr., Trustee

By: /s/ Thomas J. Fowler
Thomas J. Fowler, Trustee

LAMAR HUNT TRUST ESTATE

By: /s/ J. R. Holland, Jr.
J. R. Holland, Jr., Trustee

By: /s/ Wayne Henry
Wayne Henry, Advisory Board

Schedule I

Lyda Hunt-Margaret Trust - Douglas H. Hunt
Lyda Hunt-Margaret Trust - Barbara A. Hunt
Lyda Hunt-Margaret Trust - Lyda B. Hunt
Lyda Hunt-Margaret Trust - David S. Hunt
Lyda Hunt-Margaret Trust - Bruce W. Hunt

Petro-Hunt Corporation

Lyda Hunt-Margaret Trust - Al G. Hill, Jr.
Lyda Hunt-Margaret Trust - Lyda Hill
Lyda Hunt-Margaret Trust - Alinda Hunt Hill

Hunt Coal Corporation

Schedule II

Lyda Hunt-Caroline Trust - John Bunker Sands
Lyda Hunt-Caroline Trust - David Keith Sands
Lyda Hunt-Caroline Trust - Stephen H. Sands
Lyda Hunt-Caroline Trust - Laurie Sands
Lyda Hunt-Caroline Trust - Patrick Brian Sands

Rosewood Resources, Inc.

Lyda Hunt-Bunker Trust - Houston B. Hunt
Lyda Hunt-Bunker Trust - Elizabeth B. Hunt
Lyda Hunt-Bunker Trust - Ellen F. Hunt

Nelson Bunker Hunt Trust Estate

Lyda Hunt-Lamar Trust - Lamar Hunt
Lyda Hunt-Lamar Trust - Lamar Hunt, Jr.
Lyda Hunt-Lamar Trust - Clark K. Hunt
Lyda Hunt-Lamar Trust - Sharon L. Hunt
Lyda Hunt-Lamar Trust - Daniel L. Hunt

Lamar Hunt Trust Estate

Exhibit 4.3

AGREEMENT RELATING TO NONVOTING OBSERVER

This Agreement, executed as of April 4, 1997, among Carboex International, Ltd. ("CIL"), Ashland Inc. ("Ashland"), Ashland Coal, Inc. ("ACI") and Arch Mineral Corporation ("Company"), recites and provides as follows:

Recitals. Reference is made to that certain letter agreement, dated February 27, 1982, among Ashland Oil, Inc., legal predecessor to Ashland ("AOI"), Saarberg Coal International GmbH ("SCI"), CIL and ACI, whereby SCI and CIL were granted the right to have a non-voting observer in attendance at all regular and special meetings of the Board of directors of ACI; that certain letter agreement, dated June 6, 1988, among AOI, SCI, CIL and ACI whereby the parties thereto agreed to reclassify the capital stock of ACI (the "Reclassification"); that certain letter agreement dated August 10, 1988, among AOI, SCI, ACI and CIL whereby the parties thereto agreed that CIL would continue to have the right to have a non-voting observer in attendance at all regular and special meetings of the Board of Directors of ACI upon the Reclassification and so long as CIL owned a sufficient number of ACI's Class C Preferred Stock to be entitled to elect one or more directors to the Board of Directors of ACI, and that certain letter agreement dated as of March 9, 1995, between ACI and Saarbergwerke AG (legal successor to SCI) wherein all rights of Saarbergwerke AG under the August 10, 1988 letter agreement were terminated (which letter agreements are together referred to as the "ACI Agreement"). ACI is party to that certain Agreement and Plan of Merger (the "Merger Agreement") dated as of April 4, 1997, among the Company, ACI, and AMC Merger Corporation, providing for a business combination between ACI and AMC and the conversion of ACI's outstanding capital stock to shares of Company common stock as of the Effective Time (as that term is defined in the Merger Agreement). In light of the transactions contemplated in the Merger Agreement, the parties wish to terminate the ACI Agreement and ACI and Ashland Inc. are entering into this Agreement solely for that purpose and CIL and the Company wish to execute this Agreement.

In consideration of the mutual undertakings and agreements set forth herein, we agree as follows:

(a) CIL hereby agrees its rights under the ACI Agreement are terminated and extinguished as of the Effective Time, and

(b) The Company hereby agrees that at the Effective Time and so long thereafter as CIL and its affiliates beneficially own at least 63% of the shares of Company common stock obtained by CIL at the Effective Time in the conversion under the Merger Agreement (provided that CIL shall be deemed to own for this purpose any

shares of the Company which it has transferred to the Company or any subsidiary of it in exchange for voting equity securities of approximately equivalent voting power of the Company or such subsidiary), CIL shall have the right to have a non-voting observer in attendance at all regular and special meetings of the Board of Directors of the Company in which a CIL director has a right to attend, provided that the Company reserves the right of its Board of Directors to meet in executive session at such meetings from time to time as is in the best interest of the Company without the attendance of the non-voting observer.

(c) CIL hereby undertakes to inform its appointed non-voting observer of his obligations under the federal and state securities laws of the United States, and of the terms of this Agreement.

(d) Nothing in this Agreement shall be in derogation of any rights (statutory, contractual or other) of CIL with respect to the Company.

(e) This Agreement may be executed in several counterparts and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument. This Agreement shall be construed in accordance with the substantive laws of the State of Delaware.

Carboex International, Ltd.

By: /s/ Juan A. Ferrando

Its: Director

Arch Mineral Corporation

By: /s/ Steven F. Leer

Its: Pres. & CEO

Ashland Inc.

By: /s/ Thomas L. Feazell

Its: Senior Vice President,
General Counsel and Secretary

Ashland Coal, Inc.

By: /s/ William C. Payne

Its: President

EXHIBIT 4.4

AGREEMENT FOR TERMINATION OF THE ARCH MINERAL CORPORATION VOTING AGREEMENT AND FOR NOMINATION OF DIRECTORS

AGREEMENT FOR TERMINATION OF THE ARCH MINERAL CORPORATION VOTING AGREEMENT AND FOR NOMINATION OF DIRECTORS, dated as of April 4, 1997 (the "Agreement"), by and between Hunt Coal Corporation, a Texas corporation ("Hunt Coal"), Petro-Hunt Corporation, a Delaware corporation ("Petro-Hunt"), each of the trusts listed on Schedule I hereto (the "Hunt Trusts", and together with Hunt Coal and Petro-Hunt, the "Hunt Group"), Ashland Inc., a Kentucky corporation ("Ashland"), and Arch Mineral Corporation, a Delaware corporation (the "Company").

WHEREAS, Hunt Petroleum Corporation ("Hunt Petroleum"), Petro-Hunt, the Hunt Trusts, Ashland and the Company entered into a Voting Agreement dated effective as of September 1, 1993 (the "Voting Agreement");

WHEREAS, Hunt Petroleum subsequently assigned its rights under the Voting Agreement to Hunt Coal and Hunt Coal assumed the obligations of Hunt Petroleum thereunder;

WHEREAS, the Company has entered into an Agreement and Plan of Merger ("Merger Agreement") providing, among other things, for the merger of a wholly-owned subsidiary of the Company with and into Ashland Coal, Inc., a Delaware corporation ("Ashland Coal") for the purpose of effecting a combination of the Company and Ashland Coal;

WHEREAS, the Hunt Group, Ashland and the Company have agreed to terminate their respective rights and obligations under the Voting Agreement as of the Effective Time (as deemed in the Merger Agreement) subject to reinstatement in the event the Merger Agreement is terminated; and

WHEREAS, the Hunt Group and the Company desire to enter into certain agreements with respect to the nomination of persons for election to the Board of Directors of the Company (the "Board").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Termination of Voting Agreement. At the Effective Time (as defined in the Merger Agreement), the Voting Agreement shall be terminated and each party hereto shall be released fully from its respective obligations thereunder.

2. Nomination of Hunt Designee. So long as the Hunt Group, the entities listed on Schedule II hereto and the beneficiaries of any trusts included among the Hunt Group and the listed entities shall have the collective voting power to elect, by cumulative voting, one or more persons to serve on the Board, the Company agrees to take all actions necessary to nominate or cause to be nominated and to solicit proxies (and if properly executed or otherwise valid, to vote all such proxies and other shares which Company management is otherwise entitled to vote in accordance with the terms and requirements of this provision) for election as a director at each

annual meeting of stockholders (or, if applicable, at any special meeting of stockholders) of the Company, the number of persons that could be elected to the Board by exercise of such cumulative voting power. Such person or persons (each a "Hunt Designee") shall be designated in a writing signed by the holders of a majority of the shares held by the Hunt Group, or, in the event that no such Hunt Designee shall be so designated, shall be the Hunt Designee or Hunt Designees then serving on the Board.

3. Appointment of Hunt Designee to Board Committees. The Company agrees to cause, effective as of the Effective Time (as defined in the Merger Agreement), one of the Hunt designees to the Board to be appointed as one of the initial members of each of the following committees of the Board: (a) the Audit Committee (Mr. James L. Parker as Chairman), (b) the Executive Committee, (c) the Nominating Committee and (d) the Compensation Committee.

4. Effect of Termination of the Merger Agreement. Anything herein to the contrary notwithstanding, this Agreement shall immediately become void, and the Voting Agreement shall remain in full force and effect, in the event that the transactions contemplated by the Merger Agreement are terminated or abandoned in accordance with the terms thereof.

5. Entire Agreement. This Agreement contains the entire agreement and supersedes all prior agreements and understandings, written or oral, of the parties hereto with respect to the subject matter hereof.

6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of law provisions thereof.

7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

HUNT COAL CORPORATION

By: /s/ James L. Parker
James L. Parker, President

PETRO-HUNT CORPORATION

By: /s/ Bruce W. Hunt
Bruce W. Hunt, President

LYDA HUNT-MARGARET TRUST -
AL G. HILL, JR.

By: /s/ Margaret Hunt Hill
Margaret Hunt Hill, Trustee

By: /s/ Tom Hunt, Trustee
Tom Hunt, Trustee

By: /s/ James L. Parker, Trustee
James L. Parker, Trustee

LYDA HUNT-MARGARET TRUST -
ALINDA HUNT HILL

By: /s/ Margaret Hunt Hill, Trustee
Margaret Hunt Hill, Trustee

By: /s/ Tom Hunt, Trustee
Tom Hunt, Trustee

By: /s/ James L. Parker, Trustee
James L. Parker, Trustee

LYDA HUNT-MARGARET TRUST -
LYDA HILL

By: /s/ Margaret Hunt Hill, Trustee
Margaret Hunt Hill, Trustee

By: /s/ Tom Hunt, Trustee
Tom Hunt, Trustee

By: /s/ James L. Parker, Trustee
James L. Parker, Trustee

LYDA HUNT-HERBERT TRUST -
DOUGLAS H. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
BARBARA A. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
LYDA B. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
DAVID S. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

LYDA HUNT-HERBERT TRUST -
BRUCE W. HUNT

By: /s/ Walter P. Roach, Trustee
Walter P. Roach, Trustee

By: /s/ Gage A. Prichard, Sr., Trustee
Gage A. Prichard, Sr., Trustee

ASHLAND INC.

By: /s/ Thomas L. Feazell
Name: Thomas L. Feazell
Title: Senior Vice President, General Counsel and Secretary

ARCH MINERAL CORPORATION

By: /s/ Jeffry N. Quinn

SCHEDULE I

Lyda Hunt-Margaret Trust - Al G. Hill, Jr.
Lyda Hunt-Margaret Trust - Alinda Hunt Hill
Lyda Hunt-Margaret Trust - Lyda Hill

Lyda Hunt-Herbert Trust - Douglas H. Hunt
Lyda Hunt-Herbert Trust - Barbara A. Hunt
Lyda Hunt-Herbert Trust - Lyda B. Hunt
Lyda Hunt-Herbert Trust - David S. Hunt
Lyda Hunt-Herbert Trust - Bruce W. Hunt

SCHEDULE II

Rosewood Resources, Inc.

Lyda Hunt - Caroline Trust - John Bunker Sands
Lyda Hunt - Caroline Trust - David Keith Sands
Lyda Hunt - Caroline Trust - Stephen H. Sands
Lyda Hunt - Caroline Trust - Laurie Sands
Lyda Hunt - Caroline Trust - Patrick Brian Sands

Nelson Bunker Hunt Trust Estate

Lyda Hunt - Bunker Trust - Houston B. Hunt
Lyda Hunt - Bunker Trust - Elizabeth B. Hunt
Lyda Hunt - Bunker Trust - Ellen F. Hunt

Lamar Hunt Trust Estate

Lyda Hunt - Lamar Trust - Lamar Hunt
Lyda Hunt - Lamar Trust - Lamar Hunt, Jr.
Lyda Hunt - Lamar Trust - Clark K. Hunt
Lyda Hunt - Lamar Trust - Sharon L. Hunt
Lyda Hunt - Lamar Trust - Daniel L. Hunt

EXHIBIT 5.1

May 28, 1997

Arch Mineral Corporation
CityPlace One, Suite 300
Creve Coeur, Missouri 63141

Re: REGISTRATION STATEMENT ON FORM S-4

Ladies and Gentlemen:

I am Senior Vice President - Law & Human Resources, Secretary and General Counsel of Arch Mineral Corporation, a Delaware corporation (the "Company"), and have acted in such capacity in connection with the Registration Statement on Form S-4 (the "Registration Statement") filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, relating to the issuance by the Company of an aggregate of up to 19,337,043 shares (the "Shares") of the Common Stock, par value $.01 per share, of the Company pursuant to the Agreement and Plan of Merger, dated as of April 4, 1997 (the "Merger Agreement") among the Company, Ashland Coal, Inc., a Delaware corporation, and AMC Merger Corporation, a Delaware corporation and a wholly owned subsidiary of the Company.

I am familiar with the Registration Statement. I have also examined the Merger Agreement, corporate documents and such certificates, instruments and corporate records, and such questions of law, as I have deemed necessary for purposes of expressing an opinion on the matters hereinafter set forth. In all examinations of documents, instruments and other papers, I have assumed the genuineness of all signatures on original and certified documents and the conformity to original and certified documents of all copies submitted to me as conformed, photostatic or other copies.

On the basis of the foregoing, I am of the opinion that the Shares, when issued in accordance with the Merger Agreement, will be validly issued, and fully paid and non-assessable.

I consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to me in the Proxy Statement/Prospectus forming a part thereof under the caption "Legal Matters."

Sincerely,

/s/ Jeffry N. Quinn
Jeffry N. Quinn

Exhibit 8.1

May 29, 1997

Arch Mineral Corporation
CityPlace One
Suite 300
Creve Coeur, MO 63141

Ladies and Gentlemen:

We have acted as counsel for Arch Mineral Corporation, a Delaware corporation ("Arch Mineral"), in connection with the preparation and execution of the Agreement and Plan of Merger dated as of April 4, 1997 (the "Merger Agreement") among Arch Mineral, AMC Merger Corporation, a Delaware corporation which is a newly formed and wholly owned subsidiary of Arch Mineral ("Merger Sub"), and Ashland Coal, Inc., a Delaware corporation ("Ashland Coal"). Pursuant to the Merger Agreement, Merger Sub will merge with and into Ashland Coal (the "Merger"), and Ashland Coal will become a wholly owned subsidiary of Arch Mineral. Unless otherwise defined, capitalized terms referred to herein have the meanings set forth in the Merger Agreement. All Section references, unless otherwise indicated, are to the Internal Revenue Code of 1986, as amended (the "Code").

You have requested our opinion regarding certain United States Federal income tax consequences of the Merger. In delivering this opinion, we have reviewed and relied upon the facts, statements, descriptions and representations set forth in the Registration Statement on Form S-4 filed by Arch Mineral and Ashland Coal with the Securities and Exchange Commission (the "Registration Statement"), the Merger Agreement (including Exhibits) and such other documents pertaining to the Merger as we have deemed necessary or appropriate. We have also relied upon certificates of officers of Arch Mineral and Ashland Coal respectively (the "Officers' Certificates").

In connection with rendering this opinion, we have also assumed (without any independent investigation) that:

1. Original documents (including signatures) are authentic, documents submitted to us as copies conform to the original documents, and there has been (or will be by the Effective Time) due execution and delivery of all documents where due execution and delivery are prerequisites to effectiveness thereof;

2. Any statement made in any of the documents referred to herein, "to the best of the knowledge" of any person or party is correct without such qualification;

3. All statements, descriptions and representations contained in any of the documents referred to herein or otherwise made to us are true and correct in all material respects and no actions have been (or will be) taken which are inconsistent with such representations; and

4. The Merger will be reported by Arch Mineral and Ashland Coal on their respective Federal income tax returns in a manner consistent with the opinion set forth below.

Based on our examination of the foregoing items and subject to the assumptions, exceptions, limitations and qualifications set forth herein, we are of the opinion that, if the Merger is consummated in accordance with the Merger Agreement (and without any waiver, breach or amendment of any of the provisions thereof), the statements set forth in the Officers' Certificates are true and correct as of the date hereof, on the Effective Date of the Registration Statement and at the Effective Time, and the application of the Federal income tax laws to the Merger does not change from the date hereof to the Effective Time, then:

(a) For Federal income tax purposes, the Merger will qualify as a "reorganization" as defined in Section 368(a) of the Code; and

(b) The discussion set forth in the second paragraph under the caption "The Merger--Federal Income Tax Consequences" in the Prospectus constituting a part of the Registration Statement insofar as it relates to the statements of law or legal conclusions constitutes our opinion with respect to such statements of law or legal conclusions.

This opinion represents and is based upon our best judgment regarding the application of Federal income tax laws arising under the Code, existing judicial decisions, administrative regulations and published rulings and procedures. Our opinion is not binding upon the Internal Revenue Service or the courts, and there is no assurance that the Internal Revenue Service will not successfully assert a contrary position. Furthermore, no assurance can be given that future legislative, judicial or administrative changes, on either a prospective or retroactive basis, would not adversely affect the accuracy of the conclusions stated herein. Nevertheless, we undertake no responsibility to advise you of any new developments in the application or interpretation of the Federal income tax laws.

This opinion addresses only the classification of the Merger as a reorganization under Section 368(a) of the Code, and does not address any other Federal, state, local or foreign tax consequences that may result from the Merger or any other transaction (including any transaction undertaken in connection with the Merger). Furthermore, this opinion relates only to the holders of Ashland Coal stock who hold such stock as a capital asset. No opinion is expressed as to the Federal income tax treatment that may be relevant to a particular investor in light of personal circumstances or to certain types of investors subject to special treatment under the Federal income tax laws (for example, life insurance companies, dealers in securities, taxpayers subject to the alternative minimum tax, banks, tax-exempt organizations, non-United States persons, and

stockholders who acquired their shares of Ashland Coal stock pursuant to the exercise of options or otherwise as compensation).

No opinion is expressed as to any transaction other than the Merger as described in the Merger Agreement or to any transaction whatsoever, including the Merger, if all the transactions described in the Merger Agreement are not consummated in accordance with the terms of such Merger Agreement and without waiver or breach of any material provision thereof or if all of the representations, warranties, statements and assumptions upon which we relied are not true and accurate at all relevant times. In the event any one of the statements, representations, warranties or assumptions upon which we have relied to issue this opinion is incorrect, our opinion might be adversely affected and may not be relied upon.

This opinion has been delivered to you for the purposes of being included as an exhibit to the Registration Statement and satisfying the requirements of Section 5.2(c) of the Merger Agreement. It may not be relied upon for any purpose or by any other person or entity, and may not be made available to any other person or entity without our prior written consent. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in connection with the Federal income tax consequences of the Merger under the headings "The Merger--Federal Income Tax Consequences" in the Registration Statement.

Very truly yours,

/s/ KELLY, HART & HALLMAN, P.C.

KELLY, HART & HALLMAN, P.C.

Exhibit 8.2

May 30, 1997

Ashland Coal, Inc.
2205 Fifth Street Road
Huntington, West Virginia 25701

Ladies and Gentlemen:

We have acted as counsel for Ashland Coal, Inc., a Delaware corporation ("Ashland Coal"), in connection with the preparation and execution of the Agreement and Plan of Merger dated as of April 4, 1997 (the "Merger Agreement") among Arch Mineral Corporation, a Delaware corporation ("Arch Mineral"), AMC Merger Corporation, a Delaware corporation which is a newly formed and wholly owned subsidiary of Arch Mineral ("Merger Sub"), and Ashland Coal. Pursuant to the Merger Agreement, Merger Sub will merge with and into Ashland Coal (the "Merger"), and Ashland Coal will become a wholly owned subsidiary of Arch Mineral. Unless otherwise defined, capitalized terms referred to herein have the meanings set forth in the Merger Agreement. All Section references, unless otherwise indicated, are to the Internal Revenue Code of 1986, as amended (the "Code").

You have requested our opinion regarding certain United States Federal income tax consequences of the Merger. In delivering this opinion, we have reviewed and relied upon the facts, statements, descriptions and representations set forth in the Registration Statement on Form S-4 filed by Arch Mineral and Ashland Coal with the Securities and Exchange Commission (the "Registration Statement"), the Merger Agreement (including Exhibits) and such other documents pertaining to the Merger as we have deemed necessary or appropriate. We have also relied upon certificates of officers of Arch Mineral and Ashland Coal respectively (the "Officers' Certificates").

In connection with rendering this opinion, we have also assumed (without any independent investigation) that:

1. Original documents (including signatures) are authentic, documents submitted to us as copies conform to the original documents, and there has been (or will be by the Effective Time) due execution and delivery of all documents where due execution and delivery are prerequisites to effectiveness thereof;

2. Any statement made in any of the documents referred to herein, "to the best of the knowledge" of any person or party is correct without such qualification;

3. All statements, descriptions and representations contained in any of the documents referred to herein or otherwise made to us are true and correct in all material respects and no actions have been (or will be) taken which are inconsistent with such representations; and

4. The Merger will be reported by Arch Mineral and Ashland Coal on their respective Federal income tax returns in a manner consistent with the opinion set forth below.

Based on our examination of the foregoing items and subject to the assumptions, exceptions, limitations and qualifications set forth herein, we are of the opinion that, if the Merger is consummated in accordance with the Merger Agreement (and without any waiver, breach or amendment of any of the provisions thereof), the statements set forth in the Officers' Certificates are true and correct as of the date hereof, on the Effective Date of the Registration Statement and at the Effective Time, and the application of the Federal income tax laws to the Merger does not change from the date hereof to the Effective Time, then:

(a) For Federal income tax purposes, the Merger will qualify as a "reorganization" as defined in Section 368(a) of the Code; and

(b) The discussion set forth in the second paragraph under the caption "The Merger--Federal Income Tax Consequences" in the Prospectus constituting a part of the Registration Statement insofar as it relates to the statements of law or legal conclusions constitutes our opinion with respect to such statements of law or legal conclusions.

This opinion represents and is based upon our best judgment regarding the application of Federal income tax laws arising under the Code, existing judicial decisions, administrative regulations and published rulings and procedures. Our opinion is not binding upon the Internal Revenue Service or the courts, and there is no assurance that the Internal Revenue Service will not successfully assert a contrary position. Furthermore, no assurance can be given that future legislative, judicial or administrative changes, on either a prospective or retroactive basis, would not adversely affect the accuracy of the conclusions stated herein. Nevertheless, we undertake no responsibility to advise you of any new developments in the application or interpretation of the Federal income tax laws.

This opinion addresses only the classification of the Merger as a reorganization under Section 368(a) of the Code, and does not address any other Federal, state, local or foreign tax consequences that may result from the Merger or any other transaction (including any transaction undertaken in connection with the Merger). Furthermore, this opinion relates only to

the holders of Ashland Coal stock who hold such stock as a capital asset. No opinion is expressed as to the Federal income tax treatment that may be relevant to a particular investor in light of personal circumstances or to certain types of investors subject to special treatment under the Federal income tax laws (for example, life insurance companies, dealers in securities, taxpayers subject to the alternative minimum tax, banks, tax-exempt organizations, non-United States persons, and stockholders who acquired their shares of Ashland Coal stock pursuant to the exercise of options or otherwise as compensation).

No opinion is expressed as to any transaction other than the Merger as described in the Merger Agreement or to any transaction whatsoever, including the Merger, if all the transactions described in the Merger Agreement are not consummated in accordance with the terms of such Merger Agreement and without waiver or breach of any material provision thereof or if all of the representations, warranties, statements and assumptions upon which we relied are not true and accurate at all relevant times. In the event any one of the statements, representations, warranties or assumptions upon which we have relied to issue this opinion is incorrect, our opinion might be adversely affected and may not be relied upon.

This opinion has been delivered to you for the purposes of being included as an exhibit to the Registration Statement and satisfying the requirements of Section 5.2(c) of the Merger Agreement. It may not be relied upon for any purpose or by any other person or entity, and may not be made available to any other person or entity without our prior written consent. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in connection with the Federal income tax consequences of the Merger under the headings "The Merger--Federal Income Tax Consequences" in the Registration Statement.

Very truly yours,

/S/ KIRKPATRICK & LOCHHART LLP

KIRKPATRICK & LOCKHART LLP

Exhibit 10.1

COAL OFF-TAKE AGREEMENT

AMONG

ARCH MINERAL CORPORATION

CARBOEX INTERNATIONAL, LTD.

AND

ASHLAND COAL, INC.

EXECUTED APRIL 4, 1997

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THIS COAL OFF-TAKE AGREEMENT, executed April 4, 1997, among ARCH MINERAL CORPORATION, a Delaware corporation ("Company"), CARBOEX INTERNATIONAL, LTD., a Bahamian corporation ("Carboex"); and ASHLAND COAL, INC., a Delaware corporation ("Ashland Coal"); recites and provides as follows:

WITNESSETH:

WHEREAS, Ashland Coal and Saarberg Coal International GmbH ("SCI") entered into an agreement dated May 28, 1981 (the "1981 Coal Off-Take Agreement") relating to the right of certain shareholders of Ashland Coal to purchase coal from Ashland Coal; and

WHEREAS, the 1981 Coal Off-Take Agreement was amended by that certain First Coal Off-Take Agreement Assignment and Amendment dated February 27, 1982 among SCI, Ashland, Sociedad Espanola de Carbon Exterior, S.A. (now called Carboex, S.A. "CSA"), and Ashland Coal (the "First Amendment") and by that certain Second Amendment to Coal Off-Take Agreement among SCI, CSA, and Ashland Coal; and

WHEREAS, by Assignment and Assumption Agreement made as of June 30, 1982, CSA assigned to Carboex all CSA's rights, duties and obligations under certain agreements, including among them the

First Amendment, and Carboex assumed full performance of all of the terms and conditions of the First Amendment; and

WHEREAS, effective September 30, 1988, SCI was merged into Saarbergwerke AG ("Saarberg"), with Saarberg being the surviving corporation; and

WHEREAS, Saarberg, Carboex and Ashland Coal entered into a Restated Coal Off-Take Agreement dated December 12, 1991 (the "Restated Coal Off-Take Agreement") for the purpose of restating the 1981 Coal Off-Take Agreement, as amended, in its entirety to reflect the foregoing amendments and the merger of SCI into Saarberg, and not to otherwise change any of the substantive terms and provisions thereof, a copy of which Restated Coal Offtake Agreement is attached hereto as Exhibit A; and

WHEREAS, Saarberg, Carboex and Ashland Coal entered into a letter agreement (the "1991 Letter Agreement") also dated December 12, 1991, wherein Saarberg and Carboex agreed to certain limitations under the Restated Coal Off-Take Agreement so long as that certain Coal Sales Agency Agreement dated December 12, 1991, among Ashland Coal, Saarberg and Carboex (the "Met Coal Agreement") was in effect, a copy of which 1991 Letter Agreement is attached hereto as Exhibit B; and

WHEREAS, by letter agreement dated as of March 9, 1995, a copy of which is attached hereto as Exhibit C, all of Saarberg's rights and obligations under the Restated Coal Off-Take Agreement were terminated (which Restated Coal Off-Take Agreement, after giving effect to such termination, is hereafter referred to as the "ACI Restated Coal Off-Take Agreement"); and

WHEREAS, by termination of its rights under the Restated Coal Off-Take Agreement, the limitations imposed by the 1991 Letter Agreement were of no force and effect with respect to Saarberg and its interest therein terminated; and

WHEREAS, Ashland Coal is party to that certain Agreement and Plan of Merger (the "Merger Agreement") dated as of April 4, 1997, among the Company, Ashland Coal, and AMC Merger Corporation which provides for a business combination of Ashland Coal and the Company and the conversion of outstanding Ashland Coal capital stock to Company capital stock as of the Effective Time (as that term is defined in the Merger Agreement); and

WHEREAS, in light of the transactions contemplated by the Merger Agreement, Ashland Coal and Carboex desire to terminate the ACI Restated Coal Off-Take Agreement and the 1991 Letter Agreement

and ACI is entering into this Agreement solely for that purpose; and

WHEREAS, Carboex desires to secure certain rights to purchase coal from the Company and its subsidiaries and subject to and conditioned upon the consummation of the transactions contemplated by the Merger Agreement, the Company is willing to enter such an arrangement, upon the terms and conditions hereof;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1.0 DEFINITIONS

For all purposes of this Agreement, the following terms shall have the following meanings:

1.1 "ACI Restated Coal Off-Take Agreement" shall have the meaning given that term in the recitals to this Agreement.

1.2 "Affiliate" shall mean, with respect to any Person, any other Person which, directly or indirectly, controls, is controlled by, or is under common control with, such first Person. For purposes of this definition, "control" means the beneficial ownership, directly, or indirectly through one or more Affiliates,

of more than 50% of the voting shares or equivalent interests or ownership interests in a Person.

1.3 "Annual Operating Plan" shall mean the budgeted plan of coal operations, including the calculations of Saleable Tonnage, Committed Tonnage and a detailed listing of Sales Commitments in the form set forth in Schedule A hereto and calculations based thereon of Off-Take Tonnage and Available Tonnage prepared on an annual basis for each Fiscal Year by the management of Arch and approved by the Board of Directors of the Company pursuant to the Company's By-laws, as in effect from time to time.

1.4 "Arch" shall mean the Company and each Subsidiary of the Company, collectively.

1.5 "Available Tonnage" shall mean, for any Fiscal Year, Saleable Tonnage for such Fiscal Year less Committed Tonnage for such Fiscal Year.

1.6 "Merger Agreement" shall have the meaning given that term in the recitals to this Agreement.

1.7 "Committed Tonnage" shall mean, for any Fiscal Year, that portion of Saleable Tonnage which Arch is committed pursuant to Sales Commitments to sell and deliver to Third Parties and Carboex in such Fiscal Year.

1.8 "Comparable Contract" shall mean a contract (i) whereby Arch sells at least 100,000 tons of coal in any Fiscal Year to or for ultimate delivery to a customer outside of the continental United States and Canada; (ii) which is a Long-Term Contract; (iii) which provides for delivery of coal of comparable quality as the coal sold in the Qualifying Contract; and (iv) which contains similar basic terms, including without limitation, transportation, of the Qualifying Contract.

1.9 "Decommitted Tonnage" shall mean quantities of coal previously considered to be Committed Tonnage in a given Fiscal Year, which quantities of coal Arch is no longer legally, or, in the judgment of Arch, commercially committed to deliver in such Fiscal Year.

1.10 "Effective Time", for purposes of this Agreement, shall have the same meaning given that term in the Merger Agreement.

1.11 "Fiscal Year" shall mean the annual accounting period of the Company beginning after the Effective Time, presently commencing on January 1st and ending on December 31st of each year; provided that in the event of any change in the Company's fiscal year, the date set forth in this Agreement shall be adjusted to new dates corresponding to the new fiscal year.

1.12 "Long-Term Contract" shall mean a contract with firm pricing for a term of longer than one year.

1.13 "Long-Term Plan" shall mean the long-range forecast of coal operations, including calculations of Saleable Tonnage and Committed Tonnage and calculations based thereon of Off-Take Tonnage and Available Tonnage covering each of at least the four (4) Fiscal Years succeeding the Fiscal Year covered by the Annual Operating Plan prepared by the management of Arch and approved by the Board of Directors of the Company pursuant to the Company's By-Laws as in effect from time to time; provided that such long-range forecast shall be updated annually at the same time as the Annual Operating Plan is prepared.

1.14 "Long-Term Sales Commitment" shall mean any Sales Commitment providing for the delivery of coal by Arch in more than one Fiscal Year or in any single Fiscal Year after the next following Fiscal Year.

1.15 "New Saleable Tonnage" shall mean the quantities of coal produced by or for Arch from U.S. domestic operations or purchased from U.S. domestic operations of Third Parties by Arch in addition to Saleable Tonnage set forth in the Annual Operating Plan for a given Fiscal Year; provided, however, that new
--------- -------
Saleable Tonnage

shall not include any quantity of coal involved in coal swaps or back-to-back contracts having a term of two years or less.

1.16 "Off-Take Percentage" shall mean the number 10%.

1.17 "Off-Take Tonnage" shall mean that quantity of coal calculated by multiplying Saleable Tonnage for such Fiscal Year by the Off-Take Percentage.

1.18 "Person" shall mean any corporation, partnership, joint venture, association, trust or other business entity, any individual or any government, governmental agency or public body or authority.

1.19 "Qualifying Contract" shall mean a contract (i) whereby Carboex purchases at least 100,000 tons of coal from Arch, and (ii) which is a "Long-Term Contract".

1.20 "Saleable Tonnage" shall mean, for any Fiscal Year, the total quantity of coal to be produced by or for Arch from U.S. domestic operations or purchased from the U.S. domestic operations of Third Parties for delivery to Arch in such Fiscal Year, as set forth in the then-current Annual Operating Plan or Long-Term Plan; provided, however, that Saleable Tonnage shall not include any quantity of
coal involved in coal swaps or back-to-back contracts having a term of two years or less.

1.21 "Sales Commitment" shall mean any contract or written or oral commitment or any unexpired firm offer by Arch for the sale and delivery of coal by Arch in any Fiscal Year to Carboex or a Third Party, (a) in the case of such a contract or commitment, which is (i) legally binding, or (ii) although not legally binding because of termination rights, unexercised renewal or extension rights (express or implied), price reopener provisions, open delivery dates, open quantities or other open terms of sale, constitutes, in the good faith judgment of Arch, a commercial commitment to sell coal of a specified quality or reasonable range of qualities to a customer for deliveries within a specified Fiscal Year or Years in specified quantities (within 10% plus or minus for any Fiscal Year) that is customarily honored in the coal industry and the honoring of which is in the best interests of Arch, (b) in the case of such a firm offer, which specifies the quantity, quality, price, delivery dates and any other principal terms customarily quoted in the coal trade and the period during which such offer is firm and open for acceptance by the offeree and (c) in either case, which is entered into on or after the Effective Time, in accordance with the provisions of this Agreement, provided that, prior to entering into such contract or commitment, or making

such firm offer, Arch shall have designated such contract, commitment or offer as a Sales Commitment for all purposes of this Agreement by notice to Carboex, specifying the quantity, quality and price of coal committed thereby for each Fiscal Year for which, in the good faith judgment of Arch, such contract, commitment or offer constitutes a Sales Commitment within the meaning of the foregoing.

1.22 "Shares" shall mean any of the issued and outstanding capital stock of the Company.

1.23 "Subsidiary" shall mean, with respect to any corporation, any other corporation more than 50% of whose voting shares or equivalent interests or ownership interests are beneficially owned, directly or indirectly through one or more Subsidiaries, by the former corporation.

1.24 "Third Party" shall mean any Person other than (a) Carboex or any Affiliate of Carboex, or (b) Arch.

1.25 "Unfilled Off-Take" shall mean the Off-Take Tonnage for such Fiscal Year which is not at the time covered by Sales Commitments with Carboex.

2.0 OFF-TAKE RIGHTS

2.1 Priority Rights.

Pursuant to the terms of this Agreement, Carboex shall have a priority right to purchase from Arch for delivery during any given Fiscal Year a quantity of coal equal to the Off-Take Tonnage for such Fiscal Year and certain additional Spot Tonnage pursuant to Section 3 3; provided, however, that, except as provided in Section 3.3 hereof, such priority right shall not entitle Carboex to enter into new Sales Commitments for aggregate quantities of coal for delivery during a given Fiscal Year in excess of Available Tonnage for such Fiscal Year.

2.2 Increases in Tonnage.

Arch shall use reasonable efforts to cause Saleable Tonnage to increase from Fiscal Year to Fiscal Year in order to provide for delivery of the quantity of coal representing the Off-Take Tonnage. In case Arch shall fail to achieve the production levels to have available its Saleable Tonnage, Arch shall use reasonable efforts to reduce Sales Commitments with Third Parties which are not legally binding so that it will have Available Tonnage in each Fiscal Year during the term of this Agreement in a quantity up to the Unfilled Off-Take for such Fiscal Year, for which Carboex shall have offered firmly to enter into comparable Sales Commitments.

2.3 New or Increased Sales Commitments. Arch shall not enter into any new Sales Commitment with a Third Party or increase by more than 10% the quantity of coal to be delivered in any Fiscal Year under any existing Sales Commitment with a Third Party except for short-term Sales Commitments for delivery of coal in any Fiscal Year entered into after October 1 of the preceding Fiscal Year in accordance with Section 3.2, sales of Spot Tonnage in accordance with Section 3.3, and Long-Term Sales Commitments entered into in accordance with Section 3.4. For all purposes of this Agreement, Saleable Tonnage, Off-Take Tonnage and Committed Tonnage for any Fiscal Year beyond the coverage of the then-current Long-Term Plan shall be deemed to be the same as Saleable Tonnage, Off-Take Tonnage and Committed Tonnage for the last Fiscal Year of such Long-Term Plan, adjusted, in the case of Committed Tonnage, to reflect known changes in Long-Term Sales Commitments.

3.0 OFFER PROCEDURE

3.1 Written Estimates. Not later than August lst of each Fiscal Year, Carboex shall provide Arch with its written estimate of those quantities of coal which it wishes to purchase from Arch for delivery during the next Fiscal Year and during each of the succeeding Fiscal Years to be covered by the Long-Term Plan. Such

written estimates shall include reasonable details of qualities and delivery dates for such coal.

3.2 Annual Offers. Not later than October 1st of each Fiscal Year, Arch shall notify Carboex as to the Saleable Tonnage, Committed Tonnage and Available Tonnage, and its Unfilled Off-Take for the next Fiscal Year covered by the Annual Operating Plan and for each succeeding Fiscal Year covered by the Long-Term Plan. If requested by Carboex prior to October 31, Arch will forthwith commence good faith negotiations with Carboex to reach Sales Commitments for delivery of coal in the next Fiscal Year in an aggregate quantity equal to the lesser of (i) the quantity requested by Carboex, (ii) Available Tonnage for such Fiscal Year, or (iii) the Unfilled Off-Take of Carboex for such Fiscal Year. Arch shall be free to enter into Sales Commitments with Third Parties or Carboex covering any Available Tonnage for such next Fiscal Year as to which no negotiations are requested by Carboex prior to August 1st ("Free Tonnage"). Arch shall not be obligated to negotiate Sales Commitments with Carboex pursuant to this Section 3.2 after December 31 of any year with respect to the next immediate succeeding Fiscal Year. Any Available Tonnage which is covered by a request for negotiations with Carboex pursuant to this

Section 3.2 ("Annual Negotiation Tonnage") and which is not covered by a Sales Commitment entered into by Carboex and Arch on or before December 31 of the year in question, shall be deemed free for sale by Arch to Third Parties; provided, however, that, except pursuant to Section 3.3 concerning spot offers and Section 3.4 concerning Long-Term Sales Commitments, prior to entering into a Sales Commitment to sell any Annual Negotiation Tonnage to a Third Party, Arch shall give notice to Carboex, specifying the principal terms and conditions (including prices, quantity, quality and delivery periods) of such proposed Sales Commitment and transmitting a copy or draft thereof, if available, and if such terms and conditions of sale (including prices, quantity, quality and delivery periods) are equivalent to, or less favorable to Arch than, the terms and conditions (including prices, quantity, quality and delivery periods) last offered by Carboex in the negotiations conducted pursuant to this Section 3.2, Carboex shall have the right, exercisable by written notice to Arch within five (5) business days after receipt of such notice from Arch, to enter into a Sales Commitment to purchase all (but not less than all) of the Annual Negotiation Tonnage bid for by such Third Party upon terms and

conditions substantially equivalent to those offered by such Third Party.

3.3 Spot Offers. Arch shall promptly notify Carboex as to the availability of any coal which becomes Free Tonnage, New Saleable Tonnage or Decommitted Tonnage (specifying the Sales Commitment from which such Decommitted Tonnage became available) during the current Fiscal Year and if Arch shall propose to sell such tonnage on a spot or short-term basis (hereinafter "Spot Tonnage"), Arch shall first offer to sell such Spot Tonnage to Carboex by notice specifying the quantity, quality and delivery date(s) thereof and the asking price therefor. Upon receipt Of such offer Carboex shall have the right, exercisable by notice to Arch within five (5) business days (or, with respect to short-term sales, such longer period as may be appropriate in accordance with proposed shipping schedules not to exceed thirty (30) days after the date of such notice but in any event not later than ten (10) days prior to the loading date proposed by Arch), to accept such offer and purchase all or any part of such Spot Tonnage at such asking price and upon such terms or to make a counter-offer (open for such period as may be specified by Carboex) to purchase all or any part of such Spot Tonnages at a bid price and upon other terms

specified in such notice of counter-offer from Carboex. In case Carboex shall reject such offer from Arch, Arch shall be free to sell such Spot Tonnage to a Third Party at any time and upon any terms and conditions and without any further obligations to Carboex hereunder. In case any such Spot Tonnage shall not have been sold by acceptance of such offer and/or counter-offer but Carboex shall have made a counteroffer, Arch may, during the period ending thirty (30) days after Arch's original offer, sell such Spot Tonnage to a Third Party, provided that Arch shall not sell any such Spot Tonnage at a price more than 3% below the bid price or upon other terms and conditions less favorable to Arch than those contained in such counter-offer without first offering to sell Spot Tonnage to Carboex at such lower price and upon such less favorable terms, by notice as provided in the first sentence of this Section 3.3; upon receipt of such notice, Carboex shall have the right, exercisable by notice to Arch within two (2) business days, to accept such offer and purchase all of such Spot Tonnage upon such terms.

3.4 Long-Term Sales Commitments. (a) If requested by Carboex at any time, Arch will forthwith commence good faith negotiations (subject to the rights of Arch pursuant to Section 3.4(b) to propose to sell coal to a Third Party) with Carboex to reach

Long-Term Sales Commitments in an aggregate quantity for any Fiscal Year(s) equal to the lesser of (i) the quantity requested by Carboex for each such Fiscal Year, or (ii) the Unfilled Off-Take for each such Fiscal Year. In the course of these negotiations, Carboex may request from Arch a firm offer, open for a period of at least 60 days, and such request for a firm offer shall not be unreasonably denied by Arch. Arch shall keep Carboex informed concerning any substantial Long-Term Sales Commitment negotiations with Third Parties.

(b) In case Arch shall at any time propose to enter into a Long-Term Sales Commitment to sell coal to a Third Party, Arch shall give notice of such proposed Long-Term Sales Commitment to Carboex, specifying the term, quantities, quality, delivery dates, prices and other terms and conditions thereof and transmitting a copy or draft of such Long-Term Sales Commitment, if available. Upon receipt of such notice, Carboex shall have the right, exercisable by notice to Arch within 30 days after receipt of Arch's notice, to negotiate and enter into a Long-Term Sales Commitment with Arch to purchase coal covered by such notice in quantities in any Fiscal Year up to the Unfilled Off-Take of Carboex for such Fiscal Year and upon terms (including prices and

delivery times) no more favorable to Arch than those specified in such notice. If Carboex shall not elect to negotiate or enter into such Long-Term Sales Commitment, Arch may, within 60 days after the expiration of such 30-day period, enter into a Long-Term Sales Commitment with a Third Party to sell such quantities and quality of coal at such delivery times and at prices and upon other terms and conditions no less favorable to Arch than those specified in such notice. Such 30 or 60-day periods may be extended for a reasonable amount of time upon the prior written consent of the Company and Carboex.

4.0 DELIVERY AND HANDLING OF COAL FOR EXPORT

4.1 Export Qualities. Arch shall use reasonable efforts to offer for sale to Carboex export quality coal. Any Sales Commitment with Carboex shall include customary export terms and conditions.

4.2 Shipment. Arch shall have the responsibility for coordinating the production or purchase of coal with the transportation and transshipment thereof into ocean vessels if so requested by Carboex.

4.3 Overseas Shipments. Coal purchased for export hereunder shall be purchased F.O.B. vessel New Orleans, F.O.B. cars/piers

Hampton Roads or F.O.B. any other ocean port, and Carboex agrees to be responsible for the overseas shipments of coal so delivered. The responsibility for overseas shipments includes the obtaining of import licenses, unloading the coal and the transshipment of coal to the final destinations. Carboex agrees to cooperate in regard to ocean shipping to reduce the costs and delays in the export of coal from the United States.

5.O SALE CONTRACTS

5.1 Terms of Sale. All negotiations hereunder as to the terms and conditions of sale of coal to Carboex shall be conducted by Arch's management on an arm's length basis. Terms and conditions of sale shall be agreed upon by Carboex and Arch separately for each Sales Commitment, provided that Arch and Carboex may separately agree from time to time to general terms and conditions which shall apply with respect to purchases Of Spot Tonnage pursuant to Section 3.3 hereof.

5.2 Determination of Price. Prices negotiated hereunder shall be negotiated on the basis of prevailing market conditions for sales of comparable quantities, qualities and destination, and shall take into account any savings of selling expenses by Arch. Notwithstanding anything herein to the contrary, each Qualifying

Contract will provide that if, during the term thereof, Arch shall enter into one or more Comparable Contracts, and if during any period or periods the price in effect in any of such Comparable Contracts is lower than the price in the Qualifying Contract, then the price in the Qualifying Contract during such period or periods shall be reduced to the lowest price of the prices then in effect in such Comparable Contracts. In determining, for purposes of this paragraph, whether a contract is a Long-Term Contract within the meaning of the Comparable Contract definition, the term shall be deemed to expire at such time as the contract will terminate should the parties fail to reach agreement on price if the contract contains price reopener provisions.

6.0 ADDITIONAL PURCHASES

6.1 Purchasing Agent. Arch agrees to offer its services, at standard brokerage commissions, to Carboex for purchasing coal for the account of Carboex from other United States sources if Arch is not able to supply this coal from Available Tonnage or Spot Tonnage.

6.2 Additional Sales. Nothing in this Agreement shall prevent Carboex from negotiating on an arm's length basis with the management of Arch to purchase, whether on a long-term, annual or

spot basis, quantities of coal in excess of its Off-Take Tonnage for a given Fiscal Year.

7.0 MISCELLANEOUS

7.1 Term. This Agreement shall become effective as of the Effective Time and shall continue in full force and effect until the date Carboex and its Affiliates no longer beneficially own at least 63% of the shares of the Company's capital stock that Carboex obtained at the Effective Time in the conversion under the Merger Agreement, provided, however, that existing Sales Commitments between Arch and Carboex shall continue in full force and effect in accordance with their terms after the termination of this Agreement.

7.2 Computation of Time Periods. The words "day" or "days" as used in this Agreement with respect to the computation of periods of time shall mean calendar days and the words "business day" or "business days" as used in this Agreement with respect to the computation of periods of time shall mean any day that is not a Saturday, Sunday or other holiday in the state of the Company's corporate headquarters or Madrid, Spain; provided, however, that if the last day of any period of time shall fall on a day other than a business day, such period shall be extended to include the next

succeeding business day in each such location. All computations of time shall be based on New York City time.

7.3 Amendments; Waivers. This Agreement may not be amended or modified in any manner, except by an instrument in writing signed by each of the parties hereto. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

7.4 Binding Effect and Assignability. The Company shall cause each of its Subsidiaries to perform and comply with the terms and conditions of this Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their respective successors and assigns; provided that (a) the Company may not assign its rights or obligations hereunder, in whole or in part, without the prior written consent of Carboex, and (b) Carboex may assign or transfer its rights and obligations hereunder, in whole or in part, to any Affiliate (and upon any such assignment and assumption by the Affiliate, Carboex shall, with the written consent of the Company, be released from all further obligations

hereunder to the extent so assigned and assumed). Any Affiliate which is an assignee of Carboex and whose credit rating is not approved by the Company, at any time, for execution of Sales Commitments pursuant to this Agreement shall have its obligations guaranteed by Carboex. In case of any assignment or transfer of rights hereunder pursuant to the foregoing clause (b), a pro rata share of the existing Sales Commitments of Carboex for each Fiscal Year after the assignment or transfer shall be deducted in calculating the Unfilled Off-Take of Carboex for each Fiscal Year.

7.5 Notices. All notices, requests, demands and other communications hereunder shall be in writing and delivered personally or sent by first class airmail, or by telex or telecopy, confirmed by such mail:

1. Arch Mineral Corporation
   Suite 300
   CityPlace One
   St. Louis, Missouri 63141
   Attention: Senior Vice President-Marketing

   (After the Effective Time, notices shall be directed to "Arch Coal, Inc." instead of "Arch Mineral Corporation").

2. Ashland Coal, Inc
   P. O. Box 6300
   Huntington, West Virginia, U.S.A.
   Attention: Senior Vice President-Marketing

3. Carboex International Ltd.
   Calle Manuel Cortina
   No. 2
   Madrid 10
   Spain
   Attention: Assistant to the Chairman

or such other address as may be designated by any party to the other parties hereto. Any notice or other communication so transmitted shall be deemed to have been given at the time of delivery, in the case of a communication delivered personally, on the business day following receipt of answerback or telecopy confirmation, in the case of a communication sent by telex or telecopy, or ten days after mailing, in the case of a communication sent by mail.

7.6 Severability. If any provision of this Agreement should be or become fully or partly invalid or unenforceable for any reason whatsoever or should violate any applicable law, this Agreement is to be considered divisible as to such provision and such provision is to be deemed deleted from this Agreement, and the remainder of this Agreement shall be valid and binding as such provision were not included therein. There shall be substituted for any such provision deemed to be deleted a suitable provision which, as far as is legally possible, comes nearest to what the parties desired or would have desired according to the sense and

purpose of this Agreement, had they considered the point when concluding this agreement.

7.7 Publicity. No party shall release any publicity with respect to this Agreement or any other transactions herein contemplated without the prior written approval of the other party, which approval shall not be unreasonably withheld.

7.8 Counterparts; Headings. This Agreement may be executed in several counterparts and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all such counterparts together shall constitute but one and the same instrument. The headings in this Agreement are for convenience of reference only and shall not affect the construction hereof.

7.9 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of West Virginia.

7.10 Termination of ACI Restated Coal Off-Take Agreement. Ashland Coal and Carboex agree that each of the ACI Restated Coal Off-Take Agreement and the 1991 Letter Agreement is terminated and all rights and obligations of the parties thereto are extinguished, in each case as of the Effective Time. Notwithstanding the

foregoing, any claims and liabilities arising under the ACI Restated Coal Off-Take Agreement and the 1991 Letter Agreement prior to such termination shall survive such termination and the termination of this Agreement, and all Sales Commitments between ACI and Carboex in effect at the Effective Time shall continue in full force and effect in accordance with their terms after the termination of the ACI Restated Coal Off-Take Agreement and 1991 Letter Agreement.

8.0 AGREEMENT TO LIMIT OFF-TAKE

Carboex agrees upon the Effective Time and thereafter so long as the Met Coal Agreement continues in effect, that Carboex may exercise its rights under this Agreement only for the purchase of coal to be consumed (i) in Spain, or (ii) by power plants that may hereafter be constructed outside of Spain in which Carboex or an Affiliate of Carboex holds an equity ownership position.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

ARCH MINERAL CORPORATION	CARBOEX INTERNATIONAL, LTD.
By: /s/ Steven F. Leer	By: /s/ Juan A. Ferrando
Its: Pres. & CEO	Its: Director

ASHLAND COAL, INC.
By: /s/ William C. Payne
Its: President

EXHIBIT A

Restated Coal Off-Take Agreement among Saarbergwerke AG, Carboex International. Ltd. and Ashland Coal, Inc. is incorporated herein by reference (Exhibit 10.1 to Ashland Coal, Inc.'s Form 8-K dated April 6, 1992)

EXHIBIT B

Ashland

ASHLAND COAL, INC.

P O BOX 6300 HUNTINGTON, WV 25771 . (304) 526-3333

December 12, 1991

Saarbergwerke AG
P.O. Box 1030
D 6000 Saarbruecken
Federal Republic of Germany
ATT: Mr. Hans Freymann

Carboex International Ltd.
Calle Manuel Cortina
2-Madrid-28010, Spain
ATT: Mr. Juan Antonio Ferrando

Coal Sales Agency Agreement for
Metallurgical Coal/Restricted Application
of Coal Off-Take Agreement

Dear Sirs:

This letter sets forth an agreement among Ashland Coal, Inc., Saarbergwerke AG ("Saarberg") and Carboex International Ltd. ("Carboex"), with respect to the limitation on the purchasing rights of Saarberg and Carboex under the Coal Off-Take Agreement ("COTA") during the continuation of the Coal Sales Agency Agreement ("CSAA") executed concurrently herewith by our respective companies.

We hereby agree that for such time as the CSAA continues in effect, Saarberg and Carboex may utilize the COTA only for the purchase of coal to be consumed (i) in their respective home countries, or (ii) by power plants that may hereafter be constructed outside their respective home countries in which they hold, respectively, an equity ownership position.

Please confirm your agreement to the foregoing by signing in the space provided below on the original and two copies of this letter, and returning the original and one copy to the undersigned.

Yours very truly,

ASHLAND COAL, INC.

/s/ Henry Besten, Jr.
C. Henry Besten, Jr.
Senior Vice President,
Marketing

Agreement confirmed this 12th
day of December, 1991:

SAARBERGWERKE AG

By: [SIGNATURE APPEARS HERE]
Name:
Title:

Agreement confirmed this 12th
day of December, 1991:

CARBOEX INTERNATIONAL LTD.

By: /s/ Juan Antonio Ferrando
Name: Juan Antonio Ferrando
Title: Director

EXHIBIT C

[LETTERHEAD OF ASHLAND COAL, INC. APPEARS HERE]

ASHLAND COAL, INC.

March 9, 1995

Saarbergwerke AG
P.O. Box 1030
D66111 Saarbruecken
Federal Republic of Germany

Gentlemen:

As a result of the sale by Saarbergwerke AG ("Saarberg") to Ashland Inc. (formerly Ashland Oil, Inc.) of the 150 shares of Class B Preferred Stock of Ashland Coal, Inc. ("Ashland Coal"), a number of miscellaneous matters have arisen which have been or need to be dealt with. In order to clarify that we have addressed each of these matters, would you kindly review the following:

1. Ashland Coal has elected not to terminate the so-called "Met Coal Agreement" (the Coal Sales Agency Agreement dated December 12, 1991, as amended) and a separate letter of understanding among Saarberg, Carboex International Ltd. ("Carboex"), and Ashland Coal will address that matter.

2. The Sales Agency Agreement dated October 4, 1990 concerning the sale of coal in Germany will remain unchanged.

3. I believe we have resolved the matter of the reinvestment by Saarberg in the Dividend Reinvestment and Stock Purchase Plan of the Saarberg portion of the prorated dividends payable in 1995. We may need a letter from Ashland Inc. to First Chicago, but I have talked with Ashland Inc. about that and there should not be a problem.

4. I understand that the Indemnity Agreement dated September 21, 1981, as amended August 6, 1993, between Ashland Inc. and Saarberg has been addressed separately, and no further action is needed.

In addition, we need to confirm that the following agreements have terminated with respect to Saarberg's rights and obligations thereunder:

(a) The Restated Shareholders Agreement dated December 12, 1991, as amended, among Saarberg, Carboex, Ashland Inc., and Ashland Coal;

(b) The Registration Rights Agreement dated August 2, 1993, among Saarberg, Carboex, Ashland Inc., and Ashland Coal;

(c) The Restated Coal Off-Take Agreement dated December 12, 1991, among Saarberg, Carboex, and Ashland Coal;

(d) The Shareholder Services Contract dated October 13, 1981 among Ashland Coal, Saarberg and Carboex; and,

(e) That certain letter agreement dated August 10, 1988 among Ashland Inc., Ashland Coal, Saarberg, and Carboex regarding the attendance at Ashland Coal's Board meetings of non-voting observers.

Would you kindly confirm your agreement with the foregoing, by signing, dating, and returning a copy of this letter to me. Also, if there are any other matters that need to be addressed, please let me know.

Yours very truly,

ASHLAND COAL, INC.

/s/ Roy F. Layman

Roy F. Layman
Administrative Vice President

ACCEPTED AND AGREED TO
THIS 27th DAY OF March
1995.

SAARBERGWERKE, AG.

By:	[SIGNATURE APPEARS HERE]	[SIGNATURE APPEARS HERE]
Its:	Member of the Board of Managing Directors	Executive Vice President and General Counsel

Exhibit 10.2

SALES AGENCY AGREEMENT

AGREEMENT, executed as of April 4, 1997, among ARCH MINERAL CORPORATION, a Delaware corporation ("Arch Mineral"), ASHLAND COAL, INC., a Delaware corporation ("ACI") and CARBOEX S.A. (formerly known as SOCIEDAD ESPANOLA DE CARBON EXTERIOR. S.A.), a company organized under the laws of Spain ("Carboex");

RECITALS. ACI and Carboex are parties to that certain Sales Agency Agreement (the "1982 Agency Agreement") dated as of February 27, 1982, a copy of which is attached hereto as Exhibit A. ACI and Arch Mineral are parties to an Agreement and Plan of Merger (the "Merger Agreement") dated as of April 4, 1997, among ACI, Arch Mineral and AMC Merger Corporation providing for a business combination of ACI and AMC and the conversion of Carboex International Ltd.'s ("CIL") Class C Preferred Stock of ACI to shares of Arch Mineral common stock as of the Effective Time (as that term is defined in the Merger Agreement). CIL is a wholly owned subsidiary of Carboex. In light of the transactions contemplated in the Merger Agreement, ACI and Carboex wish to terminate the 1982 Agency Agreement as of the Effective Time, and ACI is entering into this Agreement for that purpose, and subject to and conditioned upon the consummation of the transactions contemplated by the Merger Agreement, Arch Mineral and Carboex wish to enter into this Sales Agency Agreement effective as of the Effective Time.

AGREEMENT. In consideration of the mutual agreements contained herein, the parties hereto agree as follows:

1. As used in this Agreement, "Customer" shall mean a company or any subsidiaries and affiliates thereof, other than Carboex and its subsidiaries and affiliates, which (i) consumes coal in Spain and/or Morocco, (ii) is owned principally by Spanish and/or Moroccan interests, or (iii) is part of a business enterprise whose controlling management is headquartered in Spain or Morocco.

2. Subject to and without limiting the terms of that certain Coal Sales Agency Agreement dated as of April 4, 1997, among Arch Mineral, Carboex and Saarbergwerke AG ("Saarberg") in respect of sales of metallurgical coal in (among other countries) Morocco (the "Met Coal Agreement"), Arch Mineral hereby appoints Carboex as the exclusive agent of Arch Mineral for the purpose of selling, on behalf of Arch Mineral or its subsidiaries, coal to Customers for consumption in Spain and/or Morocco, as the case may be.

3. Arch Mineral shall pay to Carboex, as compensation for the services of Carboex under this Agreement, a commission (determined as specified in paragraph 4 of this Agreement) upon

each ton of coal which is sold by Arch Mineral or its subsidiary to a Customer for consumption in Spain and/or Morocco, and which is delivered and paid for. No commission shall be paid upon any coal not delivered and paid for, irrespective of the reason for such non-delivery or non-payment. Carboex shall not be entitled to payment for any expenses incurred in connection with its services hereunder, it being understood that payment of the commission will be full compensation to Carboex.

4. The commission payable to Carboex under paragraph 3 hereof shall be two percent of the selling price of the coal FOB the mine, irrespective of whether the actual selling price is on an FOB the mine basis. It is understood that where coal is transported by rail to a barge loading facility, the price of the coal FOB the mine means the price FOB the point of loading into the railcar. It is further understood that where coal is trucked directly from the mine to a barge loading facility, the price of the coal FOB the mine means the price FOB the point of loading into the barge.

5. The commission shall be payable to Carboex within 10 days after the receipt by Arch Mineral of payment for the coal.

6. Carboex shall use its best efforts to promote the sale of Arch Mineral coal in Spain and Morocco to the maximum extent possible, subject, in the case of Spain, to any limitation imposed by the government of Spain as to diversification of sources of supply. Carboex shall keep Arch Mineral informed as to Spanish and Moroccan markets. Except as otherwise agreed and subject to paragraphs 7 and 8 hereof, it is the express understanding of the parties hereto that Carboex, as Arch Mineral's exclusive agent hereunder, will be in charge of all discussions with Customers as to coal for consumption in Spain and/or Morocco.

7. Except as otherwise expressly agreed, neither Carboex nor its affiliates shall have any authority to bind Arch Mineral or its subsidiaries in any respect, to determine price or any other term of sale, to execute sales contracts or to receive payments from the purchaser, including Customer. Such contracts shall be made in the name of Arch Mineral or its subsidiaries.

8. In the event Carboex fails to use its best efforts to sell Arch Mineral coal not otherwise subject to the Met Coal Agreement to Customers located in Spain and/or Morocco, Arch Mineral may give Carboex written notice of such failure, and if such failure is not cured within a period of six months from receipt of such notice, then Arch Mineral shall have the right to use its own sales force to sell to such Customers, but Carboex shall remain entitled to its commission under paragraph 3 of this Agreement and, when and if Carboex resumes best efforts to sell, as

determined by Arch Mineral in its sole discretion, Arch Mineral shall withdraw its sales force.

9. Carboex shall not assign this agreement without the prior written consent of Arch Mineral. Arch Mineral hereby consents to an assignment to a company in which Carboex has no less than a 51% ownership interest.

10. Arch Mineral shall have the right to terminate this Agreement whenever (i) the ownership interest of Carboex in an assignee of this Agreement becomes less than 51%, (ii) CIL and its affiliates no longer beneficially own at least 63% of shares of the capital stock of Arch Mineral obtained by CIL in the conversion under the Merger Agreement at the Effective Time.

Carboex shall have the right to terminate this Agreement at any time upon two years' prior written notice to Arch Mineral.

11. This Agreement shall become effective at the Effective Time as that term is defined in the Merger Agreement.

12. It is the intent of the parties to this Agreement that, so long as Carboex has "Unfilled Off-Take" as defined in that certain Coal Off-Take Agreement dated April 4, 1997, between Arch Mineral and Carboex ("COTA"), all quantities of coal upon which Carboex is entitled to a commission under this Agreement shall be deducted from Carboex's "Off-Take Tonnage" as defined in COTA. However, the parties also recognize that such deduction from Off-Take Tonnage may not always be appropriate. Therefore, in all circumstances, the parties hereto agree to review each contract subject to this paragraph 12 and further agree not to make any such deduction without the prior written consent of each party.

13. Each of ACI and Carboex acknowledge and agree that there are no outstanding obligations of or claims by either of them under the 1982 Agency Agreement as of the execution date of this Agreement, and each agrees that the 1982 Agency Agreement is terminated and that all rights and obligations thereunder are extinguished, in each case as of the Effective Time. Notwithstanding the foregoing, any claims or liabilities arising prior to such termination shall survive such termination and the termination of this Agreement, and all sales commitments entered into by ACI pursuant to the 1982 Agency Agreement in effect at the Effective Time shall continue in full force and effect in accordance with their terms after the termination of this Agreement.

14. This Agreement may be executed in several counterparts and by the different parties hereto in separate counterparts, each

of which shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ARCH MINERAL CORPORATION

By: /s/ Steven F. Leer

Its: President & CEO

ASHLAND COAL, INC.

By: William C. Payne

Its: President

CARBOEX S.A.

By: /s/ Juan A. Ferrando

Its: Senior-Vice President

EXHIBIT A

SALES AGENCY AGREEMENT

Sales Agency Agreement between Ashland Coal, Inc. and Sociedad Espanola De Carbon Exterior, S.A., dated as of February 27, 1982, is incorporated herein by reference(Exhibit 10.28 to Ashland Coal, Inc.'s Form 10-K for the year ended December 31, 1995)

Exhibit 10.3

ASSIGNMENT, ASSUMPTION AND AMENDMENT OF COAL SALES AGENCY AGREEMENT

THIS AGREEMENT is executed this 4th day of April, 1997, by and among ARCH MINERAL CORPORATION, a Delaware corporation ("Arch Mineral"); ASHLAND COAL, INC., a Delaware, corporation ("ACI"); and SAARBERGWERKE AG ("SAG") and CARBOEX INTERNATIONAL, LTD. ("CBX"), companies organized under the laws of the Federal Republic of Germany and the Bahamas, respectively (hereinafter SAG and CBX are together referred to as "Sales Agent").

WITNESSETH:

WHEREAS, ACI and Sales Agent are parties to that certain Coal Sales Agency Agreement dated as of December 12, 1991 as amended by an Amendment No. 1 to Coal Sales Agency Agreement dated January 26, 1993, and a letter agreement dated March 27, 1995, attached hereto as Exhibit A (the "Coal Sales Agency Agreement"); and

WHEREAS, ACI and Arch Mineral are parties to that certain Agreement and Plan of Merger (the "Merger Agreement") dated as of April 4, 1997, among Arch Mineral, ACI, and AMC Merger Corporation, which Merger Agreement provides for a business combination of ACI and Arch Mineral, the changing of the name of Arch Mineral to Arch Coal, Inc. ("Arch Coal") and the conversion of outstanding ACI capital stock to Arch Mineral capital stock as of the Effective Time (as that term is defined in the Merger Agreement); and

WHEREAS, in light of the transactions contemplated by the Merger Agreement, ACI desires to assign and Sales Agent desires ACI

to assign, all ACI's interest under the Coal Sales Agency Agreement to Arch Mineral and ACI is entering into this Agreement solely for that purpose; and

WHEREAS, contingent upon the consummation of the transactions contemplated by the Merger Agreement and beginning at the Effective Time, Arch Mineral desires to utilize exclusively the marketing and technical services of Sales Agent to develop and promote the long-term sale of high vol coking coal and PCI product produced from coal reserves presently and in the future controlled by Arch Mineral and its subsidiaries (the "Products") for use in the steel making process in those countries listed on Schedule 1 attached hereto (the "Area of Responsibility"; and each country therein, an "Area Country") by accepting ACI's assignment and assuming all of ACI's obligations under the Coal Sales Agency Agreement, in each case as of the Effective Time; and

WHEREAS, Sales Agent desires to evidence its consent to such assignment and assumption; and

WHEREAS, concurrently with the effectiveness of the assignment and assumption, Sales Agent and Arch Mineral wish to amend the Coal Sales Agency Agreement as herein provided; and

WHEREAS, for convenience Arch Mineral is hereinafter referred to as Arch Coal.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and the mutual benefit to be derived therefrom, the parties agree as follows:

1. Assignment.

ACI assigns to Arch Coal all of ACI's right, title and interest in and to the Coal Sales Agency Agreement and delegates to Arch Coal all of ACI's duties and obligations thereunder, in each case effective as of the Effective Time, and thereupon ACI shall be released from any liability to Sales Agent arising out of the performance or non-performance of the Coal Sales Agency Agreement at or after the Effective Time, provided, however, that ACI's assignment and Arch Coal's assumption shall not operate as an assignment and assumption of, or otherwise affect, any sales contract or commitment entered into by ACI prior, on, or after the Effective Time, or its rights to payment with respect thereto.

2. Assumption.

Arch Coal hereby accepts assignment from ACI of such right, title and interest in and under the Coal Sales Agency Agreement and agrees to fully assume and perform all of the duties and obligations of ACI thereunder from and after the Effective Time, provided, however, that Arch Coal's acceptance and assumption herein shall not be deemed to obligate Arch Coal in any respect under any sales contract or commitment entered into by ACI on, or after the Effective Time, including with respect to ACI's obligation to supply coal thereunder.

3. Consent.

Sales Agent hereby consents to the assignment of the Coal Sales Agency Agreement by ACI to Arch Coal and Arch Coal's assumption of all the duties and obligations of ACI.

4. Amendments.

Each of Arch Coal and the Sales Agent agree that the Coal Sales Agency Agreement shall be amended as follows from and after the Effective Time:

(a) The first sentence of Section 3 is amended and restated as follows:

"Arch Coal shall make available a minimum of 250,000 tons (2,000 lbs.) of high vol coking coal to the extent produced from its properties (the "Committed Tonnage") per calendar year for sale by Arch Coal in acceptance of customer orders pursuant to this Agreement, provided, however, Sales Agent shall have the right, upon written notice by the preceding October 31 with respect to any calendar year during the term of this Agreement, to require that up to 82,500 tons (2,000 lbs.) of PCI product be available in place of high vol coking coal for sale during the succeeding calendar year."

(b) Paragraph 5 is deleted in its entirety and replaced with the following:

"5. Term. This Agreement shall become effective as of the Effective Time, and the initial term of this Agreement shall expire December 31, 2004. The parties agree to discuss an elective extension of this Agreement at least one year prior to the expiration of this Agreement."

(c) The second sentence of subsection (b) of Section 7 is amended and restated as follows:

"A "Qualifying Disposition" shall mean disposition of all or any portion of Arch Coal stock held by CBX the effect of which is that CBX and its affiliates no longer beneficially own at least 63 per cent of the Arch Coal stock obtained by CBX at the Effective Time in the conversion under the Merger Agreement."

(d) The first sentence of Section 12 is amended and restated as follows:

"This Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia, U.S.A., except for any conflict of laws rules which would require the application of the laws of any other jurisdiction."

(e) The addresses for notices to Arch Coal and CBX in Section 13 is amended and restated as follows:

Arch Mineral Corporation	Carboex International Ltd.
Suite 300	Sasoon Building
CityPlace One	Shirley Street & Victoria Avenue
St. Louis, Missouri 63141	P. O. Box N - 272
Attention: Senior Vice	Nassau, Bahamas
President-Marketing	
Fax: (314) 994-2734	
(After the Effective Time, notices shall be directed instead to "Arch Coal, Inc.".)	

(f) Schedule 1 is amended and restated as set forth in Annex 1 to this Agreement.

(g) Schedule 2 is amended and restated as set forth in Annex 2 to this Agreement.

5. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia, U.S.A., except for any conflict of laws or rules which would require the application of the laws of any other jurisdiction.

6. Entire Agreement.

This Agreement contains the entire agreement between the parties hereto respecting the subject matter hereof, and supersedes all prior oral or written communications, and all contemporaneous oral agreements and understandings. This Agreement may not be modified, supplemented, amended, explained or waived by parole evidence, custom or customary dealings or practices between the parties or in any other way, except in writing signed by the duly authorized representatives of the parties. This Agreement may be executed in several counterparts and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the day and year first above written.

ARCH MINERAL CORPORATION
By: /s/ Steven F. Leer
Its: Pres. & CEO

ASHLAND COAL, INC.
By: /s/ William C. Payne
Its: President

SAARBERGWERKE AG
By: [SIGNATURE APPEARS HERE]
Its: _____

CARBOEX INTERNATIONAL LTD.
By: /s/ Juan Antonio Ferrando
Its: Director

ANNEX 1

SCHEDULE 1

AREA OF RESPONSIBILITY*

Albania	Luxemburg
Algeria	Morocco
Austria	Netherlands
Belgium	Norway
Bulgaria	Poland
countries comprising the former Czechoslovakia	Portugal
Denmark	Romania
Egypt	countries comprising the former Soviet Union
Finland	Sweden
France	Switzerland
Greece	Tunisia
Hungary	Turkey
Ireland	United Kingdom
Italy	Yugoslavia

* Territory presently comprising the listed countries, each herein referred to as an "Area Country".

SCHEDULE 2

CARBOEX INTERNATIONAL LTD. ("CBX") has an existing relationship with Ruhrkohle AG, pursuant to which, on an annually renegotiated basis, CBX supplies coal to meet a portion of the annual requirements of TURKIYE DEMIR VE CELIK ISLETMELERI ("TDCI"). CBX may continue to supply such coal to TDCI, pursuant to the foregoing, without violating Section 8 of the Coal Sales Agency Agreement.

EXHIBIT A

COAL SALES AGENCY AGREEMENT

Coal Sales Agency Agreement between Ashland Coal, Inc., Saarbergwerke AG, and Carboex International Ltd., dated December 12, 1991, is incorporated herein by reference (Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 1991, filed with the SEC on March 4, 1992)

Exhibit 10.4

SHAREHOLDER SERVICES CONTRACT

THIS SHAREHOLDER SERVICES CONTRACT ("Services Contract"), executed as of April 4, 1997, by and among ARCH MINERAL CORPORATION, a Delaware corporation, with a mailing address of Suite 300, CityPlace One, St. Louis, Missouri 63141 ("Arch Mineral"), ASHLAND COAL, INC., a Delaware corporation, with a mailing address of P.O. Box 6300, Huntington, West Virginia 25771 ("Ashland Coal"), CARBOEX INTERNATIONAL, LTD., a Bahamian corporation, with a mailing address of Bolan House, P. O. Box N-3010, Nassau, Bahamas ("Carboex") and ASHLAND INC., a Kentucky corporation, with a mailing address of P.O. Box 391, Ashland, Kentucky 41114 ("Ashland"), recites and provides as follows:

WITNESSETH:

WHEREAS, Ashland Coal, Ashland and Carboex are parties to that certain Shareholders Services Contract dated October 13, 1981, originally among Ashland Coal, Ashland and Saarberg Coal International GmbH ("SCI"), as amended by letter agreement dated August 8, 1988 to add Carboex as a party effective February 7, 1982, and by letter agreement dated March 9, 1995, to remove Saarbergwerke AG, legal successor to SCI, as a party to the Contract, a copy of which Shareholders Services Contract, as amended, is attached as Exhibit A (the "ACI Shareholders Services Contract"); and

WHEREAS, Ashland Coal is party to that certain Agreement and Plan of Merger (the "Merger Agreement") dated as of April 4, 1997,

among Arch Mineral, Ashland Coal, and AMC Merger Corporation providing for a business combination of Ashland Coal and Arch Mineral and the conversion of Ashland Coal's outstanding capital stock into shares of Arch Mineral common stock as of the Effective Time (as that term is defined in the Merger Agreement) and the changing of the name of Arch Mineral to Arch Coal, Inc. ("Arch Coal"); and

WHEREAS, in light of the transactions contemplated in the Merger Agreement, Ashland, Carboex and ACI wish to terminate the ACI Shareholders Services Contract and ACI and Ashland are entering into this Services Contract solely for that purpose; and

WHEREAS, the Carboex may, from time to time, request Arch Mineral to provide to it services not normally rendered to it as a shareholder; and

WHEREAS, Arch Mineral and Carboex desire to evidence the terms and conditions under which such services will be provided; and

WHEREAS, for convenience of reference Arch Mineral is referred to herein as Arch Coal;

NOW THEREFORE, for and in consideration of the foregoing and the mutual benefit to be derived therefrom and the mutual covenants and agreements herein contained, Arch Coal, Ashland Coal, Ashland and Carboex mutually agree as follows:

1. From time to time the Carboex may desire Arch Coal to render services to it in connection with its respective coal business other than with Arch Coal and other than those services Arch Coal is required to perform for Carboex as a shareholder, it

being intended that nothing contained herein shall in any way affect those services or obligations owed by Arch Coal to Carboex as a shareholder. There shall also be excluded from this Services Contract testing services provided by Hobet Mining, Inc. in the ordinary and regular course of its business to Carboex. Whenever services are desired, a representative of Carboex desiring such services (the "Shareholder Representative") shall contact the President, any Senior Vice President, or any Vice President of Arch Coal (the "Arch Coal Representative") describing the nature of the services desired and when such services are desired to be performed. The Arch Coal Representative shall advise Carboex whether or not Arch Coal can perform such services and if they can be timely performed. If the Shareholder Representative and the Arch Coal Representative agree on the nature of the services to be performed and when they shall be performed, Arch Coal shall provide such services upon an "if, as, and when available" basis as determined solely by Arch Coal, but otherwise as provided for in this Services Contract. It is understood that Arch Coal is only agreeing to perform services for Carboex as herein provided and Arch Coal will not be required or authorized to make any managerial decisions on behalf of Carboex and shall have no responsibility for the ultimate use made by Carboex of the services rendered by Arch Coal. The Shareholder Representative will be designated by Carboex promptly after execution of this Services Contract.

2. Services provided by Arch Coal to Carboex will, to the extent possible, be provided through the same or similarly

qualified personnel using the same or similar equipment and facilities which Arch Coal uses for its own services of a similar nature. Arch Coal will give due consideration to the recommendations of Carboex regarding the selection of personnel, equipment and facilities; provided, however, the selection of personnel, equipment and facilities shall always be within the sole discretion of Arch Coal. The services shall at all times be performed expeditiously to the best of Arch Coal's ability.

3. For the services provided by Arch Coal to Carboex hereunder, Carboex agrees to pay Arch Coal for services rendered to it an amount of money calculated by multiplying the number of hours spent by each exempt employee performing such services by the Hourly Rate ("Hourly Rate") for such employee for the category set forth on Exhibit B attached hereto and made a part hereof to which such employee belongs. The Hourly Rate has been determined by (i) taking the average of the salaries of those exempt employees for each category (the "Category Salary") who it is believed will be providing such services and dividing the Category Salary by 1,852 (which approximates each exempt employee's available man hours per year), and adding to the result determined pursuant to (i) above, (a) 35% of such result to cover fringe benefits and payroll taxes, and (b) 42% of such result to cover administrative and overhead expenses. In addition, Carboex shall reimburse Arch Coal for actual direct expenses (except any such expenses included in the Hourly Rate) incurred by Arch Coal in connection with providing services to Carboex. Time spent traveling in connection with

providing such services shall be included as part of the time spent performing such services. As used in this Services Contract, "exempt employee" means an employee of Arch Coal within the meaning of 29 CFR Section 541 et seq. The
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"Executive Officers" category set forth on Exhibit A shall include the President and any Senior Vice President of Arch Coal, and the Presidents of Arch Coal's operating subsidiaries. If an employee who provides services is a member of more than one category set forth on Exhibit B, the highest rate shall apply.

4. On January 1 and July 1 ("Revisions Dates") of each year Arch Coal will recalculate the Category Salary for each category set forth on Exhibit B using the salaries then in effect for the exempt employees in each category and the new Category Salary so calculated shall be used to redetermine the Hourly Rate which redetermined Hourly Rate shall be effective until the next Revision Date. Promptly after each recalculation, Arch Coal shall provide Carboex with the redetermined Hourly Rate for each category set forth on Exhibit B.

5. This Services Contract shall become effective as of the Effective Time as that term is defined in the Merger Agreement and shall continue in full force and effect until the earlier of (1) the date thirty (30) days after a party's receipt of written notice electing to terminate this Services Contract (or such later date specified in such notice), or (2) the date Carboex and its affiliates no longer beneficially own at least 63% of the shares of

Arch Coal's capital stock that Carboex obtained at the Effective Time in the conversion under the Merger Agreement.

6. Arch Coal's employees engaged in providing services under this Services Contract shall maintain a record of the time spent on-such services, accurate to the hour, describing in reasonable detail the services performed. The Arch Coal Representative or the Controller of Arch Coal shall collect such records and Arch Coal's Accounting Department shall submit them to Carboex on or before the tenth (10) day of each calendar month for services performed during the preceding calendar month together with a statement for such services determined by using the Hourly Rate and evidence of any direct expenses incurred in connection with providing such services. The first statement will cover a charge for services rendered from the effective date of this Services Contract through the end of the calendar month in which it is executed. Carboex agrees to pay for such services in full within twenty (20) days after receipt of each statement. The parties agree to use every reasonable effort to have all requests made by the Shareholder Representative to the Arch Coal Representative; however, if any request for services is made by someone other than the Shareholder Representative, or to someone other than the Arch Coal Representative, and Arch Coal performs such services, Arch Coal shall be paid for such services as herein provided.

7. In connection with any use by Carboex of Arch Coal's aircraft, Carboex shall pay Arch Coal at Arch Coal's prevailing rate in effect from time to time. Arch Coal, if requested by

Carboex, shall advise Carboex of the rate prior to use by Carboex of the aircraft.

8. Arch Coal agrees to keep confidential any proprietary information furnished to Arch Coal by Carboex in connection with providing the services requested by Carboex except to the extent that such information (i) has already been disclosed by Carboex or others, (ii) is already public information, or (iii) in the reasonable opinion of Arch Coal is required to be disclosed by a court of competent jurisdiction or by governmental reporting requirements. Any information furnished by Carboex to Arch Coal shall remain the property of Carboex, and any reports, maps or information generated by Arch Coal for Carboex shall become the property of Carboex.

9. Anything herein contained to the contrary notwithstanding, it is understood that Arch Coal has agreed to perform services to Carboex as a convenience, and in this regard, it is understood that the performance of all services shall be at the sole risk of Carboex and Arch Coal shall not be liable to Carboex for any cost, damage, expense or loss incurred by Carboex, including, without limitation, any special, indirect or consequential damages arising from, or alleged to have arisen from, the failure based on imputed knowledge of Arch Coal supervisory personnel to perform or the misperformance of Arch Coal, unless such failure based on imputed knowledge or misperformance results directly from the gross negligence of Arch Coal.

10. In the event that any party hereto is rendered unable, wholly or in part, by force majeure to carry out or fulfill its obligations under this Services Contract, it is agreed that the party claiming force majeure shall give notice and reasonably full particulars of the force majeure cause or causes by telephone or telegraph (and promptly confirmed by letter) to the other party as soon as possible after the occurrence of the force majeure cause or causes and thereupon the obligations of both parties insofar as and to the extent they are affected by such force majeure, shall be suspended during the continuation of the force majeure, but for no longer; provided, however, that such force majeure
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cause or causes shall, insofar as possible, be remedied with all reasonable dispatch, but nothing contained herein shall be construed as requiring a party to settle any labor dispute by acceding to any opposing demands when such course is inadvisable in the discretion of the party having the difficulty. The term "force majeure" as used herein shall mean acts of God, strikes, concerted acts of workmen, acts or omissions of subcontractors or independent contractors, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests or restraints, requisitions and priorities of the government, either federal, state, civil or military, civil disturbances, explosions, future rules, regulations, orders, laws, or proclamations of governmental authorities acting under claim or color of authority, disruption or breakdown in transportation

facilities, and any other cause or causes, whether or not of the type or kind specifically enumerated, which are not reasonably within the control of the party claiming force majeure. Furthermore, the parties agree to render assistance to each other, to the fullest extent possible, to eliminate the condition of force majeure.

11. The parties hereto shall not assign this Services Contract in whole or in part, or assign in whole or in part any of their respective rights hereunder, or delegate all or any part of their respective obligations or duties hereunder, in every case without the prior written consent of the other party; provided, --------
however, that such consent shall not be required for assignment or delegation in - -------
connection with a sale of all or substantially all of the assets of the assigning or delegating party.

12. All notices required pursuant to this Services Contract shall be in writing and shall be sufficient in all respects if delivered in person or sent by first class airmail, or by telex or telecopy confirmed by such mail to:

Arch Mineral Corporation
Suite 300
CityPlace One
St. Louis, Missouri 63141
Attention: General Counsel

(After the Effective Time, notices shall be directed instead to "Arch Coal, Inc..)

Ashland Inc.
P.O. Box 391
Ashland, Kentucky 41101
Attention: General Counsel

Carboex International, Ltd.
Calle Manuel Cortina
No. 2
Madrid 10
Spain
Attention: Assistant to the Chairman

Ashland Coal, Inc.
P.O. Box 6300
Huntington, West Virginia 25771
Attention: President

13. Arch Coal and Carboex are Equal Opportunity Employers. It is, therefore, understood that this Services Contract is subject to the rules and regulations adopted by the Secretary of Labor under Executive Order No. 11246, as amended.

14. No action or failure to act by Carboex or Arch Coal shall constitute a waiver of any right or duty afforded either of them under this Services Contract, nor shall any such action or failure to act constitute an approval of or acquiescence in any breach thereunder, except as may be specifically agreed in writing.

15. Nothing contained in this Services Contract shall create for, or give to, any third party any claim or right of action against the parties hereto which would not arise but for the existence of this Services Contract.

16. This Services Contract shall be construed, and the rights of the parties shall be determined in accordance with the laws of the State of West Virginia.

17. This Services Contract and the attached Exhibit B constitute the complete and final expression of the agreement between Carboex and Arch Coal with respect to the subject matter hereof. This Services Contract supersedes all prior negotiations,

proposals, and agreements, either oral or written, between the parties and shall govern and control all transactions, rights, duties and remedies between the parties related to this Services Contract. The conduct of the parties hereto arising subsequent to the execution and delivery of this Services Contract shall not modify or vary the interpretation of the Services Contract or any of the provisions, unless and to the extent such conduct affirmatively and clearly indicates that all parties hereto place the same interpretation upon it. All communications between the parties which are about or affect the right, duty or remedy of either party to this Services Contract, and any amendments, alterations or modifications thereof, shall be in writing or shall be confirmed promptly in writing and shall be signed by a duly authorized officer of each of the parties hereto. As to any conflict between the Exhibit B attached hereto or documents incorporated by reference and the main text of this Services Contract, the terms and conditions stated in the main text shall govern in all cases. This Agreement may be executed in several counterparts and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument.

18. Whenever in this Services Contract "Arch Coal," "Ashland Coal", "Ashland" or "Carboex" is used, such term shall include any entity of which Arch Coal, Ashland Coal, Ashland or Carboex, respectively, own directly or indirectly through other affiliates

or subsidiaries, more than 50% of the voting shares or equivalent interests; provided, however, "Ashland" shall not be deemed to include Arch Coal or Ashland Coal.

19. Ashland Coal, Ashland and Carboex agree that the ACI Shareholders Services Contract is terminated and that all rights and obligations of the parties thereto are extinguished, in each case as of the Effective Time as that term is defined in the Merger Agreement. Notwithstanding the foregoing, any claims and liabilities arising prior to such termination shall survive such termination and the termination of this Services Contract.

IN WITNESS WHEREOF, Arch Coal, Ashland Coal, Ashland, and Carboex have caused their respective duly authorized officers to sign this Services Contract as of the day and year first above written.

ASHLAND COAL, INC.	ASHLAND INC.
By: /s/ William C. Payne	By: /s/ Thomas L. Feazell
Its: President	Its: Senior Vice President, General Counsel and Secretary
ARCH MINERAL CORPORATION	CARBOEX INTERNATIONAL, LTD.
By: /s/ Steven F. Leer	By: /s/ Juan A. Ferrando
Its: Pres. & CEO	Its: Director

EXHIBIT A

SHAREHOLDERS SERVICES CONTRACT

Shareholders Services Contract by and between Ashland Coal, Inc., Ashland Oil, Inc. and Saarberg Coal International GMBH, dated October 13, 1981 is incorporated herein by reference (Exhibit 10.41 to Ashland Coal, Inc.'s Registration Statement on Form S-1 (Registration No. 33-22425) filed with the SEC on June 9, 1988, as amended)

EXHIBIT B

to

SHAREHOLDERS SERVICES CONTRACT

CATEGORY	HOURLY RATE
Executive Officers	$ ------
Other Officers	------
Department Heads	------
Managers	------
All Others	------

Exhibit 10.5

LEASE

(Holden No.25)

THIS LEASE, Made as of January 31, 1994, between POCAHONTAS LAND CORPORATION, a corporation of Virginia, Lessor, and ARK LAND COMPANY, a corporation of Delaware, Lessee;

W I T N E S S E T H:

IN consideration of the sum of Ten Dollars ($10.00) cash, receipt of which is acknowledged, and the performance and observance of the terms and provisions hereinafter set forth to be performed and observed by Lessee, and reserving as rent the royalties, rentals and all other payments hereinafter provided for, Lessor hereby leases to Lessee, for the period of ten (10) years from the date hereof through January 30, 2004, subject to early termination as hereinafter provided or to extension for additional ten (10) year periods until all the coal which can be economically mined and removed has been mined and removed and the reclamation thereof has been finally approved by the state and/or federal agency or agencies which now have or shall hereafter have jurisdiction or control of such mining operations, and all the bonds therefor have been fully released, all as hereinafter provided in ARTICLE XX hereof, the sole and exclusive right of mining and removing, by any method of mining, various seams of coal upon and within certain parcels or areas of land containing in the aggregate 8,364.18 acres, more or less, being more fully described as follows:

Situated partly in Island Creek Magisterial District of Logan County, West Virginia, on the waters of Right Fork, Littles, Cow and Pine Creeks of Island Creek; partly in Lee Magisterial District of Mingo County, West Virginia, on the waters of Rockhouse Fork, South Branch, Spring and Big South Branches of same, and Middle Fork of Elk Creek; and partly in Magnolia Magisterial District of said Mingo County, West Virginia, on the waters of Pigeon Creek and Grant, Little Laurel and Oldfield Branches of same.

Said 8,364.18 acres, more or less, are more fully shown on colored map attached hereunto and made a part hereof and marked in the lower right-hand corner thereof: "Pocahontas Land Corporation, Bluefield, West Virginia, No. 6088-A, Jan. 21, 1994, G.B.M."

Said 8,364.18 acres, more or less, are made up of different tracts or parcels of land in which Pocahontas Land Corporation owns various seams of coal and which for convenience of designation are as follows (areas given being by estimation only and are not to be construed as a warranty of acreage):

TABLE OF AREA
In Island Creek Magisterial District of Logan County, West Virginia

Tract or Parcel out of which area is taken	Area in Acres (Coal Only)
Pt. united Thacker Tr. No. 103 - William Kronenwett	230.00
Pt. United Thacker Tr. No. 321 - Lewis Curry, et al	164.24
Pt. United Thacker Tr. No. 322 - Lewis Curry, et al	69.80
Pt. United Thacker Tr. No. 381 - Betsy A. Justice	16.66
Total - Island Creek Magisterial District	480.70

TABLE OF AREA
In Lee Magisterial District of Mingo County, West Virginia

Tract or Parcel out of which area is taken	Area in Acres (Coal Only)
Pt. United Thacker Tr. No. 32 - Arthur D. Bright	1,980.17
Pt. United Thacker Tr. No. 35 - Arthur D. Bright	32.50
Pt. United Thacker Tr. No. 89 - William Kronenwett	361.56
Pt. United Thacker Tr. No. 89-2 - William Kronenwett	20.00
Pt. United Thacker Tr. No. 89-3 - William Kronenwett	47.00
Pt. United Thacker Tr. No. 93 - William Kronenwett	273.50
Pt. United Thacker Tr. No. 102 - William Kronenwett	151.00
Pt. United Thacker Tr. No. 103 - William Kronenwett	1,775.56
Pt. United Thacker Tr. No. 179 - S. B. Robertson	133.36
Pt. United Thacker Tr. No. 190 - S. B. Robertson	26.96
Pt. United Thacker Tr. No. 191 - S. B. Robertson	15.57
Pt. United Thacker Tr. No. 207 - Denning B. Browning, et al	79.75
Pt. United Thacker Tr. No. 284 - Island Creek Min. Co.	84.90
Pt. United Thacker Tr. No. 322 - Lewis Curry, et al	13.98
Pt. United Thacker Tr. Nos. 347 & 348 - Red Jacket Coal Co.	792.35
Pt. United Thacker Tr. No. 18 - Egbert Mills (Area of Mine No. 14B)	220.33
Pt. United Thacker Tr. No. 19 - Arthur D. Bright (Area of Mine No. 14B)	139.32

Pt. United Thacker Tr. No. 20 - Arthur D. Bright (Area of Mine No. 14B)	27.55
Pt. United Thacker Tr. No. 21 - Arthur D. Bright (Area of Mine No. 14B)	74.58
Total - Lee Magisterial District	6,249.94

TABLE OF AREA
In Magnolia Magisterial District of Mingo County, West Virginia

Tract or Parcel out of which area is taken	Area in Acres (Coal Only)
Pt. United Thacker Tr. No. 31 - Island Creek Min. Co. - Vicie Varney	96.00
Pt. United Thacker Tr. No. 31 - Island Creek Min. Co. - Tr. 4	48.29
Pt. United Thacker Tr. No. 32 - Arthur D. Bright	904.58
Pt. United Thacker Tr. No. 37 - Egbert Mills	140.89
Pt. United Thacker Tr. No. 41 - R. T. W. Duke	119.78
Pt. United Thacker Tr. No. 42-a - Arthur D. Bright	50.00
Pt. United Thacker Tr. No. 42-b - Arthur D. Bright	42.00
Pt. United Thacker Tr. No. 359 - Island Creek Min. Co.	232.00
Total - Magnolia Magisterial District	1,633.54

RECAPITULATION

Logan County - Island Creek Magisterial District	480.70
Mingo County - Lee Magisterial District	6,249.94
Mingo County - Magnolia Magisterial District	1,633.54
Total area to be included in lease	8,364.18

Said 8,364.18 acres, more or less, are further made up of areas in which various seams of coal are conveyed as follows:

Area No. 1: All seams of coal, except the Lower Cedar Grove Seam, in the 5,572.43 acres, more or less, which are shown in unbordered yellow color at Area No. 1 on said attached whiteprint map.

Area No. 2: All seams of coal, except the Upper Cedar Grove Seam and Lower Cedar Grove Seam in the 820.60 acres, more or less, shown in yellow color with orange border as Area No. 2 on said attached whiteprint map.

Area No. 3: All seams of coal, except the Chilton Seam and the Lower Cedar Grove Seam, in the 957.00 acres, more or less, shown in yellow color with magenta border as Area No. 3 on said attached whiteprint map.

Area No. 4: All seams of coal in the 504.37 acres, more or less, shown in yellow color with blue border as Area No. 4 on said attached whiteprint map.

Area No. 5: All seams of coal, except the Lower Cedar Grove Seam, in the 461.78 acres, more or less, shown in yellow color with green border as Area No. 5 on said attached whiteprint map.

Area No. 6: The Coalburg Seam of coal and seams of coal above the Coalburg Seam in 48.00 acres, more or less, shown in yellow color with brown border as Area No. 6 on said attached whiteprint map.

THE RIGHTS HEREIN LEASED are limited to such as Lessor possesses and has the lawful right to lease and to such as Lessor owns under the deeds covering said properties or said coal and appurtenant rights, and it is agreed that Lessor does not warrant its title to the leased properties or any portion thereof. However, upon the assertion of an adverse claim to any portion of the leased properties, Lessor shall render all assistance possible to Lessee in defense against such adverse claim. It is further agreed that, if a court decree (after exhaustion of appeals) or by agreement of the parties hereto it is determined that the adverse claim is valid and such adverse claim is of such nature that Lessor does not have sufficient title to such portion of said leased properties to permit Lessee's mining of the coal therein, then, to the extent the Lessee has paid royalties to Lessor on coal mined in such portion, such royalties shall be refunded to Lessee.

EXCEPTING AND RESERVING, HOWEVER, from this lease, and to the Lessor all seams of coal other than those herein leased and the entire ownership of the properties herein described, and all of the oil, gas and other minerals and mineral substances, timber, and other products of every kind and description therein and thereon, together with the right to mine, remove and take away the entire amount and body thereof, for all purposes other than those for which this lease is made; PROVIDED, HOWEVER, that exercise of the ownership and rights so excepted and reserved shall not unreasonably interfere with the requirements, convenience and safety of operations of Lessee.

Lessee agrees to conduct all operations hereunder in compliance in all material respects with all applicable laws of the State of West Virginia and the United States of America now existing or hereafter enacted, and all rules and regulations promulgated thereunder.

IT IS UNDERSTOOD, however, that the properties included in this lease are in an area committed to the mining and removal of coal and other minerals and that coal mining operations and other enterprises have been and are now being conducted by a lessee or lessees of Lessor in, upon and under the surface of the properties above described and in the general vicinity thereof. It is the intention hereof that said properties are hereby leased to Lessee, AS IS, IN THEIR PRESENT CONDITION and subject to the rights of others as hereinabove set forth.

THIS LEASE is subject to the following terms and provisions which Lessee covenants with Lessor to perform and observe, viz:

ARTICLE I

COVENANT TO DEVELOP: PERMITTING

Section 1.1. Development. Lessee shall at all times diligently and energetically open, develop and maintain operations within the leased properties in order that so long as Lessee can mine the leased coat at a reasonable profit its capacity for mining, preparing and shipping coal shall be sufficient to meet the demands and requirements of the market to the extent that the same can reasonably be done hereunder; and in the event of any suspension of operation expected to exceed thirty (30) days, Lessee shall report promptly in writing to Lessor any suspension of operations, reasons therefor and expected duration thereof.

Section 1.2. Permitting. Lessee agrees that upon execution of this lease, it or its permitted sublessees will promptly commence the necessary procedures with the appropriate state and/or federal agencies having jurisdiction of such mining operations and obtain and maintain in effect the requisite permit or permits for the conduct of such mining operations. Lessee also agrees that it or its permitted sublessees will continue with subsequent required permitting procedures with said state and/or federal agencies to the end that the mining operations contemplated under this lease can be conducted continuously, insofar as possible under applicable laws, and the regulations promulgated thereunder, until all the coal herein leased, which can be mined and removed by such approved mining methods has been mined and removed. In the event this lease shall be terminated or canceled for any reason prior to completion of operations hereunder and Lessee shall have obtained the requisite permit or permits for the conduct of such mining operations from such agencies, then Lessee hereby covenants and agrees that it shall promptly, upon request of Lessor, assign and/or otherwise

transfer said permit or permits, pursuant to W. Va. Code 22A-3-19 et seq., to such other party or parties as Lessor may designate.

ARTICLE II

PRODUCTION ROYALTY

Section 2.1. Amount of Royalty. Lessee shall pay to Lessor as rent a royalty of One Dollar and Seventy-five Cents ($1.75) per net ton of 2,000 pounds of coal mined hereunder or eight percent (8%) of the average gross selling price per net ton, as hereinafter defined, whichever is greater, for coal mined hereunder, calculated and reported on a monthly basis.

Section 2.2. Reporting of Quantity of Coal Mined. Lessee shall, on or before the twentieth (20th) day of each calendar month, furnish to Lessor a written report, certified as to correctness by such agent as Lessee may designate or such agent of a permitted sublessee having personal knowledge of the facts, showing the quantity of coal mined hereunder during the immediately preceding calendar month, using as a basis railroad weights of all coal shipped by railroad and ascertaining the quantity of all other coal mined hereunder in a manner satisfactory to the General Manager of Lessor, or such person or persons as the General Manager shall designate (hereinafter "General Manager"); and Lessee shall comply with any further rules and regulations for the accurate ascertainment and report of the quantity of coal mined hereunder and the selling price thereof that may reasonably be prescribed by said General Manager.

In the event Lessee shall mix coal produced hereunder with other coal prior to shipment, Lessee shall comply with such reasonable rules and regulations as the General Manager of Lessor shall from time to time prescribe for the purpose of ascertaining with reasonable accuracy the quantity of coal produced hereunder.

Section 2.3. Date of Payment of Royalty: Interest. On or before the twentieth (20th) day of each calendar month, Lessee shall pay Lessor for the coal mined hereunder during the immediately preceding calendar month at the higher rate set forth in Section 2.1 above. Lessee will pay interest to Lessor on any royalty amounts due and not paid by the 30th day of the calendar month at the effective prime interest rate as then charged by Morgan Guaranty Trust Company of New York and calculated daily from the date said amounts are due.

Section 2.4. Calculation of Royalty: Gross Selling Price Defined. For the purpose of calculating the royalty provided for above, the term "gross selling price" as used herein shall mean the actual price paid for coal sold to a bona fide purchaser, assuming the sale occurs, f.o.b. the initial outbound loading point after preparation (provided that "preparation" shall not include merely crushing or sizing of coal), if any, or, if not first transported to a

preparation facility, the actual price paid for the coal, assuming the sale occurs, f.o.b. the outbound loading point on the leasehold, less any sales tax imposed thereon, but without deduction for selling commissions to affiliated companies, advertising, credit losses, or other expenses, but with deduction for discounts or allowances actually allowed to arms-length wholesalers; provided, however, that if Lessor gives notice to Lessee in writing that, in Lessor's reasonable judgment, a particular purchaser is not a bona fide purchaser, Lessor may elect to substitute for the gross selling price paid by that purchaser the prevailing market price of such coal as reasonably determined by Lessor and based upon recent sales by Lessee and others of coal of comparable quality to bona fide purchasers; provided further, that for any coal consumed on or off the leased premises without sale by Lessee the gross selling price for the purpose of computing the royalty shall be the prevailing market price, as determined above, of such coal at the time of shipment from the leased premises or, if used on the leased premises, at the time of use.

The term "bona fide purchaser" as used herein shall mean a purchaser who pays valuable consideration in good faith without intending to take unfair advantage of any third parties, including Lessor, but in no case shall that phrase include persons or parties affiliated with Lessee, either directly or through any joint ownership.

Section 2.5. Unmined or Lost Coal. Tonnage royalty which may be owed by
Lessee for coal in place left unmined or rendered unmineable or that may be lost or destroyed on the leased properties as provided in Section 7.1 hereof shall be based on the prevailing market price, as determined above, of such coal, if properly sized and cleaned, at the time when such coal should have been mined or at the time when such coal is lost or destroyed, as may be appropriate under the terms of this lease.

ARTICLE III

ADVANCE MINIMUM ANNUAL RENTAL

Section 3.1. Amount and Payment: Interest: Lessee shall pay to Lessor, as
advance minimum annual rental on account of coal mined or to be mined hereunder, the sum of One Million Two Hundred Thousand Dollars ($1,200,000.00) for calendar year 1994, payable in equal quarterly installments of Three Hundred Thousand Dollars ($300,000.00), provided that minimum annual rental for 1994 shall be prorated from the date of this lease. For calendar year 1995 and each calendar year thereafter under this lease and extensions thereof, the advance minimum annual rental shall be One Million Two Hundred Thousand Dollars ($1,200,000.00). Payment of advance minimum annual rental shall be made quarterly on or before January 1st, April 1st, July 1st and October 1st of each calendar year, except that advance minimum annual rental for the first quarter of 1994 shall be paid upon execution of this lease.

Lessee will pay interest to Lessor on the amount of any advance minimum annual rental due and not paid within ten (10) days after the date such rental is due at the effective prime interest rate as. then charged by Morgan Guaranty Trust Company of New York and calculated daily from the date said amount is due.

Section 3.2. Recoupment. Each payment of advance minimum annual rental hereunder shall be applied as a credit, until recouped, as follows: (a) first, against production royalties payable for mining performed under this lease during the calendar year for which such payment of minimum annual rental is made; (b) secondly, against production royalties payable for mining performed in that same calendar year under the lease of even date herewith to lessee from Pocahontas Development Corporation, a Kentucky corporation, and wholly-owned subsidiary of Lessor, pertaining to the property in Floyd, Johnson and Martin Counties, Kentucky known as Pevler ("Pevler Reserves") and not otherwise recoupable as a credit against royalties under the terms of that lease; (c) thirdly, against production royalties payable for mining performed under this lease in the two calendar years following the calendar year for which the minimum annual rental is paid and not otherwise recoupable as a credit against production royalties under the terms hereof or under the terms of the aforesaid lease to Lessee of the Pevler Reserves; and (d) lastly, against production royalties payable for mining performed under the aforesaid lease to Lessee of the Pevler Reserves in the two calendar years following the calendar year for which the minimum annual rental is paid and not otherwise recoupable as a credit against production royalties under the terms of that lease or under the terms of this lease. The provisions of this Section 3.2 will not be construed to permit more than one credit for any payment of advance minimum annual rental against any production royalties due Lessor under this lease or under the aforesaid lease to Lessee of the Pevler Reserves.

Section 3.3. Failure to Perform; Excuse. In the event of unavoidable interruption of or delay in its operations in any calendar year of this lease, due to strikes, accidents, inadequate car supply, or causes of like character not within the control of Lessee, at the end of that calendar year Lessee shall be reimbursed that percentage of its payment of advance minimum annual rental which is equal to the percentage of that year in which Lessee's operations are delayed because of any such causes. However, the parties hereto recognize and agree that the potential for depressed markets for the sale of coal or coal products, whether such conditions are regional in nature or more widespread, and increased production costs are business risks contemplated by operators and miners and sellers of coal, and, therefore, neither the existence of a depressed market for the sale of coal or coal products, nor increased or high costs of mining coal experienced by Lessee, nor any combination thereof shall constitute grounds for or be deemed to be interpreted as a basis for release from payment of advance minimum annual rental under Section 3.1 hereof.

Section 3.4. Modification of Minimum Rental. Whenever, in the good faith opinion of the General Manager of Lessor and such agent as Lessee may designate, the quantity of unmined coal remaining which Lessee is or has become obligated to mine has been reduced

or depleted so as to justify a modification, reduction, or suspension of advance minimum annual rental, such advance minimum annual rental may be modified, reduced, or suspended upon the mutual agreement of the General Manager of Lessor and such agent as Lessee may designate, and Lessee shall mine the same at the rate of tonnage royalty provided for in ARTICLE II above.

ARTICLE IV

LESSEE'S RECORDS; INSPECTION

4.1 Lessee shall keep books of account at its corporate headquarters or at such other place as Lessor may approve in writing, to ascertain: the quantity of coal mined; the quantity of coal used at the mines; the quantity of coal shipped; and the selling prices obtained for all coal mined hereunder. Said books shall be open at all reasonable times for inspection by Lessor or its agents for the purpose of comparing and verifying the reports rendered by Lessee under ARTICLE II hereof or for obtaining information as to the quantity of coal mined, the quantity of coal used at the mines, the quantity of coal shipped and the selling prices obtained.

4.2 Upon request, supporting documentation pertaining to said books of account, such as coal sales contracts, purchase contracts, invoices, lessee work papers and any other supporting documentation considered necessary to Lessor's inspection hereunder shall be made available to Lessor in order to confirm the information contained in the books of account described in the preceding Section 4.1. The contents of such documentation shall be treated as confidential information by Lessor and shall not be disclosed to any person or entity not a party to this lease, except as provided by relevant state or federal laws.

ARTICLE V

ENVIRONMENTAL LIABILITIES

Section 5.1. Lessee shall be responsible for any pollution of air, lands or water resulting from coal and coal products, slack, dirt, slate and other waste materials deposited by it on the properties above described, or arising or resulting from Lessee's operations hereunder, and Lessee shall indemnify and save harmless Lessor, its officers, agents and employees, from all claims, demands, prosecutions, fines, and judgments against Lessor, its officers, agents or employees, by reason of any such pollution and shall pay all costs and expenses incurred by Lessor, its officers, agents or employees, in defending any such claims, demands and

prosecutions. Upon request of Lessor, Lessee shall defend Lessor against any and all such claims at Lessee's expense.

ARTICLE VI

LESSEE'S MINING OPERATIONS

Lessee covenants that it will use due care and diligence to protect the properties and coal reserves included herein from waste, injury or damage and to that end Lessee shall conduct its operations hereunder in accordance with the terms of Sections 6.1 and 6.2 hereof.

Section 6.1. Mining Practices and Compliance with Laws. Lessee shall, in accordance with plans of mining and descriptions thereof approved as provided for in Section 6.2 below, but subject to the requirements of the State of West Virginia and federal law pertaining to the conduct of the mining of coal, mine the coal within the leased properties in an effectual, workmanlike and proper manner, and so that said mining shall not unreasonably interfere with the proper exercise of the rights hereinbefore excepted and reserved to Lessor; and, Lessee shall comply in all material respects with the laws of the State of West Virginia and the United States of America now existing or hereafter enacted, and all the rules and regulations promulgated thereunder, relating to the conduct of operations for the mining of coal.

Section 6.2. Approval of Mining Plans. To protect the properties and coal reserves included herein from waste, injury or damage, Lessee shall mine the coal within the leased properties in accordance with plans of mining and reclamation and descriptions thereof which shall be submitted by Lessee to Lessor. Such mining and reclamation shall not be initiated until such plans and descriptions have been approved in writing by the General Manager of Lessor. Upon Lessor's request, Lessee shall furnish Lessor: (i) a copy of Lessee's application for the mining permit, including the reclamation plan required by the State of West Virginia, with the maps and drawings attached thereto, and (ii) a statement of the post mining land use which is proposed to be made of the leased properties following reclamation obligations, for approval by said General Manager, prior to its being filed with the governmental agencies responsible for issuance of such mining permits. Lessor shall use due diligence in reviewing such application and plans of mining and reclamation and descriptions thereof, and Lessor shall not withhold notice of approval or disapproval for an unreasonable length of time. Notwithstanding the foregoing provisions of this Section 6.2, Lessor shall not require a higher post-mining land use and condition than the pre-mining land use and condition, unless otherwise agreed between Lessor and Lessee. No change in any such plans or descriptions so approved by said General Manager shall be made without such change being approved in advance by said General Manager, or except as required by such regulatory agencies. Lessor agrees to consent to any reasonable post-mining land use as requested by Lessee. To facilitate

mining the leased properties, Lessor hereby waives its right to require Lessee to maintain barrier pillars.

ARTICLE VII

LESSEE'S LIABILITY FOR NONCOMPLIANCE

Section 7.1. If at any time Lessee shall not conduct operations as provided in ARTICLE VI hereof and loss of coal which Lessee is obligated to mine or loss of other coal of Lessor may thereby result, the General Manager shall give notice to Lessee of any violations of Article VI and, in the event of a failure of Lessee to cure such violation within ten (10) days of receipt of written notice from Lessor specifying such violation, Lessor may seek arbitration in accordance with the terms of this Lease. Lessee shall pay to Lessor the full amount of royalty, at the rate provided in ARTICLE II hereof, on the tonnage of coal determined to be lost which Lessee is obligated to mine or that may remain unmined by reason of failure of Lessee to conduct operations as required by said ARTICLE VI, in the same manner as if said coal had been mined and removed; and Lessee shall compensate Lessor for the full amount of any other coal of Lessor that is lost by reason of the failure of Lessee to conduct operations as required by said ARTICLE VI.

ARTICLE VIII

ENGINEERING REQUIREMENTS; AUTHORITY OF GENERAL MANAGER OF LESSOR; SURVEY DATA; PRESERVATION OF SURVEY CONTROL (TRIANGULATION) STATIONS

Section 8.1. Engineering Requirements: Authority of General Manager of Lessor. Lessee shall employ a competent engineer to make surveys, determine elevations, prepare plans and maps of the mine workings, and Lessee shall prepare and keep up, on a scale to the approval of the General Manager of Lessor, a map which shall be updated every three (3) months and shall show accurately and completely, the boundaries of the lands included herein, the locations of all railway tracks, rights-of-way, streams, roads, buildings, structures and mine workings on or under said lands, together with elevations on sea level datum on the mine workings, and any additional information that can be practically obtained and that may be necessary to the safe and proper conduct of the mining operations, or that may be reasonably requested by the General Manager of Lessor. The size of said map shall be in accordance with standards to be prescribed by said General Manager and a reproducible tracing of said map, which shall be the property of Lessor, shall be sent to said General Manager on or before the twentieth (20th) day of January, April, July and October of each

year, properly posted in accordance herewith for the three (3) months ending on the last day of the calendar month immediately preceding; and said General Manager shall have the privilege of keeping said tracing a sufficient time to obtain therefrom such information as he may desire before returning the said tracing to Lessee for each subsequent posting; and Lessor and its agents shall at all times have access to the maps, plans and tracings of Lessee, and may take therefrom copies of such portions as may be desired.

Section 8.2. Survey Data: Preservation of Survey Control (Triangulation) Stations. Upon Lessor's request, Lessee shall furnish Lessor's General Manager with a copy of all information, including but not limited to, maps, survey field books and traverse sheets, resulting from surveying performed on behalf of the Lessee within the leased premises. Lessee shall use due care to avoid the destruction of survey control or triangulation stations. However, if in Lessee's operations hereunder, it becomes necessary to destroy one of said survey control or triangulation stations, then Lessor shall be notified as soon as practicable in advance of such destruction. If such destruction does occur without said prior notice thereof being given to Lessor, then Lessee shall promptly reimburse Lessor for the cost of resetting said survey control or triangulation stations.

ARTICLE IX

FAILURE TO FURNISH PLANS OR MAPS

Section 9.1. If Lessee fails to furnish any plan or map as provided for in ARTICLE VIII hereof for thirty (30) days after written demand therefor by the General Manager of Lessor, Lessor may at its option employ a competent engineer to make surveys and to prepare such plan or map, and Lessee shall pay to Lessor the full amount of expenses so incurred.

ARTICLE X

PREVENTION OF FIRES; DUTIES OF LESSEE

Section 10.1. Lessee shall use all reasonable care and precaution to prevent the occurrence of fires in timber or forest growth on the surface overlying the properties included herein and to cause the prompt extinguishment of any such fires, and Lessee shall cooperate with Lessor and its other lessees or agents in extinguishing such fires on (said surface and on) adjoining lands that may be liable to spread to or over said surface overlying the properties included herein. Lessee shall be responsible for all damage caused by fire to timber or forest growth or in any other respect on the surface overlying the properties included herein or adjoining lands that may be due to negligence of Lessee, its employees, agents or contractors.

ARTICLE XI

COAL FROM OTHER LANDS; LAND USE TOLL

Section 11.1. In the event Lessee transports or ships coal from any property not owned by Lessor under or through any of the leased properties, Lessee shall pay to Lessor fifteen cents ($.15) per net ton of that coal, or, one-half of one per cent (1/2%) of the average gross selling price per net ton of that coal, as gross selling price is defined in Section 2.4 above, whichever is greater, as land use toll for such transportation or shipment; provided however that Lessee shall have the right to transport or ship, free of charge, coal mined from the Chilton seam on properties hereafter owned, leased or controlled by Lessee, its sublessees or affiliates (but currently owned by Cole and Crane Real Estate Trust, but currently leased to a subsidiary of A. T. Massey Coal Company, as successor to W-P Coal Company or its affiliates) adjacent to the leased properties through portals located on the leased properties. Lessee shall report and make payment, pursuant to the provisions of Sections 2.2 and 2.3 above, for coal transported or shipped hereunder. The parties understand and acknowledge that the surface ownership is currently vested in a third party and that Lessee shall not be obligated to pay to Lessor any wheelage fees, tolls or other charges related to the use of the surface of the leased properties in connection with mining of this or other properties owned, leased or controlled by Lessee, its sublessees or affiliates.

ARTICLE XII

INDEMNIFICATION

Section 12.1. Lessee shall conduct operations hereunder on its own behalf and not as agent or employee of Lessor and there shall be no privity of contract between Lessor and employees of Lessee. All employees, agents, contractors, subcontractors, and materialmen of Lessee, whether on a wage or profit sharing basis, shall be selected, hired, directed, paid, and discharged only by Lessee. Lessee shall and hereby agrees to indemnify and save harmless Lessor, its officers, agents, and employees, from and against any and all claims, demands, suits, judgments, recoveries and liabilities for injury to or death of any person or persons whomsoever and for loss of or damage to any property whatsoever, arising or in any manner growing out of the operations or activities of Lessee under or in connection with this lease. Lessee hereby further agrees to indemnify and save harmless Lessor, its officers, agents and employees, from and against any and all penalties, fines, prosecutions, statutory recoveries (whether civil or criminal) and governmental actions which arise from or are occasioned by the operations or activities of Lessee under or in connection with this lease.

ARTICLE XIII

TAXES AND ASSESSMENTS; COAL APPRAISAL REPORTS

Section 13.1. Taxes and Assessments. During the term of this lease and any extensions or renewals pursuant to ARTICLE XX hereof, Lessee shall pay and bear and reimburse Lessor for the expense of all taxes and assessments of every kind and character that may be levied or assessed by governmental authority against or upon the properties included herein or Lessor's ownership thereof, including, without limitation: (i) excise, privilege or license taxes based upon the acreage of land owned by Lessor in the State of West Virginia, any exemption of acreage therefrom to be prorated to the acreage included in this lease; (ii) ad valorem taxes; and (iii) taxes levied or assessed on the coal mined hereunder, on the privilege of mining said coal, on the improvements or other property of Lessee in or on properties above described, on the leasehold rights of Lessee, and on the income accruing to Lessee therefrom. Within thirty (30) days of Lessee's receipt of a statement for such taxes and assessments, together with copies of corresponding paid tax tickets therefor, Lessee shall repay to Lessor the amount of any such taxes and assessments as shall be paid by Lessor.

Section 13.2. Coal Appraisal Reports. Lessee shall submit to Lessor, for its review, a copy of annual coal appraisal reports and returns prepared pursuant to W. Va. Code 11-1 A, et seq., or regulations promulgated thereunder, prior to their filing with the West Virginia State Tax Department. It is understood and agreed that the assessments and levies arising and calculated from such reports are based, in part, upon the annual production tonnages of Lessee, and for that reason, Lessee shall pay to Lessor, in the manner provided in Section 13.1 hereof, an amount equal to any increase in such assessments and levies resulting from operations upon the lands herein. Such payments shall continue and survive any termination or cancellation of this lease until such time as said assessments and levies have returned to inactive or non-production status. Lessee will pay interest to Lessor on any amounts due under Section 13.1 hereof and this Section and not paid within thirty (30) days after demand therefor has been made at the effective prime interest rate as then charged by Morgan Guaranty Trust Company of New York and calculated daily from the date said amounts are due. Lessor reserves the right to pay any taxes or assessments due under this ARTICLE XIII without waiving its rights for collection thereof from Lessee as provided in ARTICLES XXII and XXIII of this lease.

ARTICLE XIV

RIGHT TO ASSIGN, SUBLEASE, ETC.

Section 14.1. Lessee shall have the right, without the consent of Lessor, to assign (but under no circumstances, to mortgage) any of its estate, interest or rights hereunder, or any part thereof, to financially responsible and reputable third parties of Lessee's choosing; provided, however, in the event of assignment, Lessee shall, at least fifteen (15) days in advance of any such assignment, submit, in writing, to Lessor for Lessor's information, the name of the proposed assignee. Lessee shall have the right to sublease (but under no circumstances, to mortgage) any of its estate, interest or rights hereunder, or any part thereof, to financially responsible and reputable third parties of Lessee's choosing only upon the written consent of Lessor which consent shall not be unreasonably withheld. Notwithstanding any such sublease or assignment, Lessee shall continue to be obligated to pay Lessor advance minimum annual rentals under Section 3.1 hereof; however, the same credits for Lessee against advance minimum annual rentals, as set forth in Section 3.2 of this lease, shall apply to coal mined and shipped pursuant to such subleases or assignments, and Lessee shall retain all advance minimum annual rentals and wheelage royalty amounts paid by such sublessee or assignee and all production royalty amounts paid by such sublessee or assignee in excess of the said royalty rates provided in Article II, as herein amended. In each such instance, the sublease or assignment shall bind the sublessee or assignee to observe all of the Lessee's obligations, duties and undertakings in this lease pertaining to the properties so subleased or assigned. If the properties are so subleased or assigned by Lessee and the sublessee or assignee expressly assumes the lease obligations of Lessee with respect to said properties, then the Lessee shall thereafter be relieved from its lease obligations with respect to the properties so subleased or assigned, except, that Lessee shall remain liable to Lessor for obligations or liabilities arising prior to the date of such sublease or assignment, including, but not limited to: (i) Lessee's reclamation obligations under Article XX hereof; (ii) all indemnity undertakings contained in Articles V, XII, XVI, XVII and XX of this lease; and (iii) the provisions relating to survival of certain obligations contained in Section 20.2, Section 22.3 and Section 28.1 of this lease.

Section 14.2. In like manner, Lessee shall have the right, without the consent of Lessor, to assign, or with the consent of Lessor to sublease, (but under no circumstances, to mortgage) any of its estate, interest or rights hereunder, or any part thereof, to any other third parties to the same effect, upon the same terms and conditions as provided in Section 14.1, except that the Lessee shall not be discharged from lease obligations to the Lessor, as provided in Section 14.1, and Lessee shall remain liable to the Lessor for that assignee's or sublessee's performance of all of the Lessee's obligations, duties and undertakings under this lease.

Section 14.3. Any disagreement between Lessor and Lessee as to whether a third party sublessee or assignee is financially responsible and reputable may be submitted by either Lessor or Lessee to arbitration, as provided in Article XXIV herein.

Section 14.4. Notwithstanding anything contained herein to the contrary, Lessee shall have the right to assign or sublease this Lease to an affiliated company without consent of Lessor. "Affiliated Company" shall include any direct or indirect parent or subsidiary of Lessee, or any business entity in which the Lessee, its direct or indirect parent or subsidiary owns or controls fifty percent (50%) of the capital stock or other ownership interest.

ARTICLE XV

WORKERS' COMPENSATION; LESSEE'S DUTIES

Section 15.1. Lessee shall subscribe to and operate under the provisions of the West Virginia Workers' Compensation Act, or qualify as a self-insurer in accordance with applicable law and make all necessary payments thereto, and such coverage shall also include drivers of any trucks which may be hired, rented or leased, and upon request furnish to Lessor certificate of such compliance, together with paid premium receipts.

If at any time the subscription to said Workers' Compensation Act shall cease to be in force and effect, then Lessee shall suspend, and Lessor may stop, all operations of Lessee hereunder until such subscription shall be reinstated.

ARTICLE XVI

BLACK LUNG BENEFITS; INDEMNIFICATION; EVIDENCE OF FINANCIAL RESPONSIBILITY

Section 16.1. Lessee hereby guarantees and agrees to indemnify and save harmless Lessor, its officers, agents and employees, from the payment of or any liability for benefits which may be required under the Black Lung Benefits Act (30 U.S.C. 901, et seq.) and under any laws or regulations of the State of West Virginia, arising from any mining operations hereunder, and Lessee agrees that during the primary period and renewals, if any, of this lease, it will furnish annually to Lessor evidence of financial responsibility for such black lung benefits under applicable federal and state laws, as well as regulations issued thereunder. Such evidence of financial responsibility shall consist of the following:

(a) in the event the Workers' Compensation law of the state (State) in which the leased property is located has been included in the list published by the Secretary of Labor of the United States of America under the Black Lung Benefits Act (30 U.S.C. 901, et seq.), such evidence shall consist of a certification from the officers administering the Workers' Compensation program for the State certifying as to Lessee's black lung benefits coverage under those Workers' Compensation laws;

(b) in the event the Workers' Compensation laws of the State are not included in the list published by the Secretary of Labor of the United States of America under the Black Lung Benefits Act (30 U.S.C. 901, et seq.), Lessee shall either:

(1) qualify as a self-insurer in accordance with regulations prescribed by said Secretary of Labor, or

(2) insure and keep insured, with any stock company or mutual company or association, or any other person or fund, including any State fund, which is authorized under the laws of the State to insure Workers' compensation, all black lung benefits payable under applicable federal and state statutes and regulations issued thereunder, and furnish a satisfactory certificate to Lessor evidencing such insurance coverage.

ARTICLE XVII

WAGES AND BENEFITS; INDEMNIFICATION AND BOND

Section 17.1. Lessee hereby guarantees and agrees to indemnify Lessor, its officers, agents and employees, from the payment of or any liability for, or resulting from, wages and benefits which may be due Lessee's employees or contractors, and, to that end, Lessee shall, at Lessor's sole discretion, prior to or at any time after commencing operations hereunder, obtain a surety bond, the amount of which shall be calculated pursuant to W.Va. Code 21-5-14 et seq., irrespective of the length of time Lessee had been doing business in this State, securing Lessor from payment of or any liability for, or resulting from, said wages and benefits.

ARTICLE XVIII

INSURANCE; CESSATION OF OPERATIONS

Section 18.1. Amount of Insurance. As a condition precedent to the commencement of operations hereunder, Lessee shall arrange for the maintenance of public liability insurance

with a good solvent casualty insurance company or companies satisfactory to Lessor, which insurance shall indemnify said Lessor against legal liability for loss by reason of personal injury, death and property damage or loss sustained as a result, or by reason, of the operations hereunder, with a minimum combined single limit of $4,000,000.00 for bodily injury, death and property damage and Lessee shall, upon request of Lessor, furnish to Lessor certificates of such insurance, together with paid premium receipts. This coverage shall also include any trucks or other equipment hired, rented or leased in operations hereunder.

It is understood and agreed, however, that the minimum limits of coverage set forth above are not intended and will in no manner limit the recoveries of Lessor under the indemnity provisions of ARTICLES V, XII, XVI and XVII above of this lease.

Section 18.2. Cessation or Suspension of Operations. If at any time any of these insurance coverages shall cease to be in force and effect, then, upon written demand of Lessor, Lessee shall suspend all operations hereunder until such insurance coverages shall be reinstated.

ARTICLE XIX

LESSOR'S RIGHT TO INSPECT MINING OPERATIONS

Section 19.1. Lessor, and the Lessor's employees, agents and engineers, shall at all times have the right and privilege of entering the works and mines of Lessee in or upon the properties included herein to inspect, examine, survey or measure the same or any part thereof for the purpose of verifying the reports of Lessee as to the amounts of coal mined or removed, or for any other lawful purpose, and for these purposes to use freely the means of access to said works and mines, without hindrance or molestation.

ARTICLE XX

OBLIGATION TO MINE; EXTENSION; DUTY TO RECLAIM; TERMINATION

Section 20.1. Obligation to Mine: Extension. Lessee shall mine and remove all of the coal which can be mined and removed hereunder by modern mining methods and if, at the expiration of the original period hereof, Lessee has not mined and removed all of the coal which it is or may become obligated to mine, then this lease shall be extended for such additional ten (10) year periods as may be necessary, upon the same terms and provisions, but subject to the full payment of all royalties, rentals and other payments due hereunder,

until all of said coal which can be economically mined and removed by approved mining methods has been mined and removed from the leased properties; and whenever during said original period or any extension thereof, as herein provided, Lessee shall have mined and removed all of said coal by such approved mining methods and shall have paid all royalties, rentals and other payments due or accrued hereunder then Lessee's obligation to mine coal and make payment of minimum annual rental hereunder shall terminate.

Section 20.2. Duty to Reclaim: Payment of Amounts Due: Termination. In the event the lease herein shall not be extended at the end of the original period hereof or any extended period thereof, or all of said coal has been mined and removed, then this lease shall continue to be extended for additional one (1) year periods, at a nominal rental mutually agreeable to Lessor and Lessee, until all the reclamation of the lands disturbed by mining operations under this lease has been completed and finally approved by the state and/or federal agency or agencies having jurisdiction of such mining operations and all the bonds for such reclamation have been fully released by such agency or agencies. Upon such release of all of said bonds this lease shall terminate, without, however, releasing Lessee from any obligations or liabilities arising prior to said termination. Further, in the event Lessee has not made payment of all royalties, rentals and other payments due hereunder at the end of the original period hereof or any renewal or extended period thereof, then Lessor, at its option, may extend the term of this lease until all of such payments have been made.

ARTICLE XXI

TERMINATION OF LEASE

Section 21.1. Termination by Lessee. After Lessee's satisfaction of all mining and reclamation obligations contained in ARTICLE XX hereof, Lessee may give Lessor thirty (30) days' notice of its intention to terminate this lease, and, if Lessor shall determine that Lessee has fully performed its obligations under this lease, Lessee's obligations hereunder shall be deemed terminated effective on such thirtieth (30th) day, without, however, releasing Lessee from any obligations or liabilities arising prior to said termination of obligations. Upon termination of this lease, any advance minimum annual rental paid for the calendar year in which the termination occurs which has not been credited against production royalties shall be refunded to Lessee, and Lessee shall not be liable for any further advance minimum annual rentals.

Section 21.2. Removal of Property Following Termination or Expiration. Upon termination or expiration of this lease, Lessee shall have 180 days in which to remove from the properties leased hereby all Lessee's equipment, buildings and other improvements and personal property, and any of the same not so removed shall, at Lessor's option, either

become the property of Lessor without charge therefor or be disposed of by Lessor at Lessee's cost and expense.

ARTICLE XXII

DEFAULT

Section 22.1. Default: Cancellation by Lessor. If any one or more of the following events (herein sometimes called Events of Default) shall occur:

(a) If default shall be made in the due and punctual payment of any rent, royalty or any part thereof, when and as the same may become due and payable, or in the payment of taxes and insurance premiums or any other amounts to be borne by Lessee hereunder, or in the furnishing of receipts and certificates of payment therefor when due, or in the furnishing of any of the books, records or reports by Lessee to be furnished under this lease, and such default shall continue for thirty (30) days after notice by Lessor to Lessee; or,

(b) If default shall be made by Lessee in the performance of or compliance with any of the covenants, agreements, terms or conditions contained in this lease, other than those referred to in the foregoing subsection (a) of this Section 22.1, and such default shall continue for a period of sixty (60) days after written notice thereof from Lessor to Lessee, and Lessee shall not within such period commence with due diligence the curing of such default, or if Lessee shall, within such period, commence with due diligence to cure such default and thereafter shall fail or neglect to prosecute and complete with due diligence and dispatch the curing of such default; or,

(c) If Lessee shall file a voluntary petition in bankruptcy or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of Lessee or of all or any substantial part of the property leased hereby or of any or all the rents, revenues, issues, earnings, profits, or income thereof, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

then and in any such event, Lessor at any time thereafter while such default or condition is continuing, may give written notice to Lessee specifying the occurrence giving rise to such Event of Default, or Events of Default, and stating that the lease shall terminate on the date specified in such notice, which shall be at least ten (10) days after the giving of such notice.

Upon the date specified in such notice, this lease and the estate and interest hereby demised shall terminate and all rights of Lessee under this lease shall cease.

Section 22.2. Repossession, etc., by Lessor. Lessee expressly waives any right to prior notice or any process of law other than the issuance of the warrant of distraint, and Lessee further expressly waives any right to hearing prior to the levy of such warrant and sale thereunder and at any time after such termination of this lease, Lessor, without further notice, may enter and re-enter the premises for all proper purposes and repossess itself by all legal means, including summary proceedings, of its prior and former estate and may remove Lessee and all persons claiming through Lessee from the property leased hereby.

Section 22.3. Survival of Lessee's Obligations: Damages. No termination of this lease or repossession of the property leased hereby, by force, summary proceedings, ejectment or otherwise, shall relieve Lessee of its liability and obligations under this lease, and such liability and obligations, including, without limitation, the indemnity commitments contained in ARTICLES V, XII, XVI and XVII above of this lease, shall survive termination or any repossession. In the event of any such termination or repossession, Lessee shall pay to Lessor the advance minimum annual rentals, production royalties and other charges required to be paid by Lessee up to the time of such termination or repossession.

Section 22.4. No Waiver. etc. by Lessor. No failure by Lessor to insist upon the strict performance of any covenant, agreement, term or condition of this lease or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial performance or payment of royalties during the continuance of any such breach, shall constitute a waiver of or consent to any such breach or of such covenant, agreement, term or condition. No waiver of any breach shall affect or alter this lease, but each and every covenant, agreement, term and condition of this lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 22.5. Injunction Against Breach. In the event of any breach or threatened breach by Lessee of any of the covenants, agreements, terms or conditions of this lease, Lessor shall have the right to invoke any rights, powers and remedies allowed at law, in equity or by statute or otherwise, whether or not specifically provided in this lease.

Section 22.6. Lessor's Remedies Cumulative, etc. Each right, power and remedy of Lessor provided for in this lease shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this lease or now or hereafter existing at law or in equity, by statute or otherwise, and the exercise or beginning of the exercise by Lessor of any one or more of the rights, powers or remedies provided for in this lease or now or hereafter existing at law or in equity, by statute or otherwise shall not preclude the simultaneous or later exercise by Lessor of any or all other rights, powers or remedies provided for in this lease, or by statute or otherwise.

ARTICLE XXIII

CONDEMNATION

Section 23.1. If the coal herein leased, or any portion thereof, shall be taken in, or in any manner affected by, condemnation for any public or quasi-public use under any statute or by right of eminent domain, or by private purchase in lieu of condemnation, by a public body vested with the power of eminent domain, then, and in each and every such event, Lessor shall be free to conduct all negotiations for compensation or damages, including without limitation, participation in viewer's proceedings and the institution of litigation concerning such taking, with the understanding that in the case of each and every condemnation or taking Lessor shall notify Lessee of same, and Lessor and Lessee shall be paid out of any such award or compensation in damages as follows:

(a) If the award for the coal in any such condemnation or taking shall exceed the amount of royalty that would have been due Lessor had the coal been then mined, based upon recent sales by Lessee or, if no such sales exist, based upon recent sales by others of coal of comparable quality, all of such award which is in excess of said royalty amount shall be the property of and be paid to Lessee and the balance of the award shall be the property of and be retained by Lessor; or,

(b) If such award for the coal shall be equal to or less than said royalty amount, then all of such award shall be the property of and be retained by Lessor.

(c) Any specific award for Lessee's buildings, structures or improvements shall be paid to Lessee and any award for surface lands, or interests therein or any other buildings, structure or improvements thereon, shall be the property of Lessor.

Lessee shall cooperate with Lessor in all matters hereunder, including joining in any litigation or settlement if Lessor determines such to be necessary; provided, that any such condemnation or taking shall not otherwise affect Lessee's duties and obligations under this lease, except as provided herein.

In the event that such condemnation or taking materially affects or impairs the ability of Lessee to conduct mining operations in accordance with its approved mining plans, Lessee shall have the right to terminate this Lease, subject to the right of Lessee to reenter the premises to conduct all reclamation required by law.

ARTICLE XXIV

ARBITRATION

Section 24.1. If there should arise any matters in dispute hereunder on which Lessor and Lessee cannot finally agree, such matter or matters shall be referred to a board of arbitrators consisting of three (3) disinterested, competent persons, one selected by Lessor and one by Lessee, as hereinafter provided, and the two thus selected shall select the third, who shall have the power of an umpire and be known as umpire-arbitrator. The decision and award of such arbitrators, or any two of them, or, in case of disagreement among all the arbitrators, of the umpire-arbitrator, shall be conclusive and binding upon Lessor and Lessee and promptly complied with.

The party desiring arbitration shall give written notice to the other party, definitively stating the point or points in dispute and naming the person selected as arbitrator; and it shall be the duty of the other party, within fifteen (15) days after receiving such notice, to name an arbitrator, and these two shall select the umpire-arbitrator; and in event the party notified does not name an arbitrator within said period of fifteen (15) days, the party serving such notice may select a second arbitrator and the two thus selected shall select the umpire-arbitrator.

In the event of failure of the two arbitrators, selected as aforesaid, within thirty (30) days from receipt by both of them of notice of their selection, to agree upon the umpire-arbitrator, then they shall jointly notify, in writing, the parties of their failure to agree upon such umpire-arbitrator. The parties shall then, within fifteen (15) days from the date of such notification, jointly select the umpire-arbitrator. In the event the parties are unable to so select the umpire-arbitrator within said fifteen (15) day period, they shall then jointly select the names of three (3) potential umpire-arbitrators. None of these three (3) potential umpirearbitrators shall represent, or have any affiliation with either party. Once the list of said three (3) potential umpire-arbitrators has been prepared, each party shall then strike the name of one (1) potential umpire-arbitrator from said list. The person remaining on such list after the parties have stricken a name from said list shall be the umpire-arbitrator. Further, in the event the parties fail to select such umpire-arbitrator as aforesaid, either of the parties may apply to the American Arbitration Association (AAA) for the appointment of an umpire-arbitrator pursuant to the rules and procedures of the AAA for the appointment of neutral arbitrators, as revised. The individual then designated will act as such umpire-arbitrator hereunder.

The umpire-arbitrator thus chosen shall give to Lessor and Lessee written notice as to the time and place of hearing, which hearing shall be not less than ten (10) nor more than twenty (20) days after his selection, and, at the time and place appointed he shall proceed with the

hearing unless, for some good cause of which the arbitrators shall be the judge, it shall be postponed until some later date within a reasonable time. Both Lessor and Lessee shall have full opportunity to be heard, orally and in writing, on any question thus submitted. In arriving at a decision and award, the arbitrators shall be bound by any relevant state and federal law applicable to the substantive issue or issues so submitted for arbitration, and they shall make such decision and award in writing, and deliver a copy to both Lessor and Lessee. The arbitration award shall specify by whom the costs of arbitration shall be borne and paid and the amount of such costs, including reasonable compensation for the arbitrators.

ARTICLE XXV

CONTROLLING LAW

Section 25.1. In all coal mining operations and other activities conducted hereunder Lessee shall comply with all the laws of the United States of America and the State of West Virginia now or hereafter enacted, and all rules and regulations promulgated thereunder by any governmental agency, relating to such coal mining operations or other activities. Any disputes as to the meaning and application of any of the provisions of this lease shall be determined under the laws of the State of West Virginia.

ARTICLE XXVI

NOTICE

Section 26.1. The giving of any notice to, or the making of any demand on, Lessee shall be sufficient if in writing, addressed to Lessee and mailed via certified mail, providing for receipt, to Lessee at P.O. Box 4187, Fairview Heights, Illinois 62208; and likewise the giving of any notice to, or the making of any demand on, Lessor shall be sufficient if in writing, addressed to Lessor and similarly mailed via certified mail, providing for receipt, to Lessor at P.O. Box 1517, Bluefield, West Virginia 24701; and ten (10) days shall be considered a reasonable notice or demand period except where a longer notice period is herein prescribed.

ARTICLE XXVII

HEADINGS

Section 27.1. The headings of the ARTICLES in this lease are for convenience only and shall not be used to construe or interpret the scope or intent of this lease or in any way affect the same.

ARTICLE XXVIII

SURVIVAL

Section 28.1. No termination or cancellation of this lease shall relieve either of the parties hereto from any obligations or liabilities incurred by it under this lease as of the time of such termination or cancellation.

ARTICLE XXIX

SEVERABILITY

Section 29.1. If any term or provision of this lease is held to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of any of the other terms or provisions of this lease.

ARTICLE XXX

TERMS BINDING UPON SUCCESSORS AND ASSIGNS

Section 30.1. All of the terms and provisions hereof to be performed and observed by the respective parties hereto shall be binding upon and shall inure to the benefit of their respective successors, and assigns.

WITNESS the following signatures and seals as of the date first above written.
Executed in two (2) counterparts.

POCAHONTAS LAND CORPORATION

By: /s/ Robert L. Raines

Name:
Title: President

Attest:
/s/ Robert N. Stephens
Assistant Corporate Secretary

ARK LAND COMPANY

By: /s/ Michael D. Bauersachs

Name: Michael D. Bauersachs
Title: Vice President

Attest:

Secretary

STATE OF WEST VIRGINIA)
) To-wit:
COUNTY OF KANAWHA)

I, Sally Caraway Gall, a Notary Public of said County, do certify that Robert L. Raines, President, who signed the writing above, dated as of January 31, 1994, for said Pocahontas Development Corporation, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said Corporation.

Given under my hand and official seal this 31 day of January, 1994.

[NOTARY SEAL APPEARS HERE] /s/ Sally Caraway Gall
Notary Public

My commission expires: July 10, 2001 .

STATE OF WEST VIRGINIA)
) To-wit:
COUNTY OF KANAWHA)

I, Sally Caraway Gall, a Notary Public of said County, do certify that Michael D. Bauersachs, its Vice President, who signed the writing above, dated as of January 31, 1994, for said Ark Land Company, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said Corporation.

Given under my hand and official seal this 31 day of January, 1994.

[NOTARY SEAL APPEARS HERE] /s/ Sally Caraway Gall
Notary Public

My commission expires: July 10, 2001 .

This instrument prepared by Stephen M. Hopta, Attorney at Law, Bluefield, West Virginia 24710-1517.

Amendment to Lease
(Holden No. 25)

This Amendment to Lease is made and effective this 2nd day of October, 1995, by and between Pocahontas Land Corporation ("Lessor"), a Virginia corporation and Ark Land Company ("Lessee"), a Delaware corporation.

WITNESSETH:

WHEREAS, by Lease dated January 31, 1994, as amended, ("the Lease"), Lessor leased to Lessee, the sole and exclusive right of mining and removing various seams of coal upon and within certain parcels or areas of land containing in the aggregate 8,364.18 acres, more or less, located in Logan and Mingo Counties, West Virginia; and

WHEREAS, Lessor and Lessee desire to amend the Lease in accordance with the following terms and conditions.

NOW, THEREFORE, the parties agree as follows:

1. The first paragraph of Section 3.1. entitled "Amount and Payment: Interest:" is hereby deleted in its entirety and replaced with the following:

Section 3.1. Amount and Payment: Interest. Lessee shall pay to Lessor, as advance minimum annual rental on account of coal mined or to be mined hereunder, the sum of One Million Two Hundred Thousand Dollars ($1,200,000.00) for calendar years 1994 and 1995, payable in equal quarterly installments of Three Hundred Thousand Dollars ($300,000.00), provided that minimum annual rental for 1994 shall be prorated from the date of this lease. For calendar year 1996 and each calendar year thereafter under this lease and extensions thereof, the advance minimum annual rental shall be Two Million Four Hundred Thousand Dollars ($2,400,000.00). The advance minimum annual rental for the first quarter of 1994 shall be paid upon execution of this lease. Thereafter, payments of advance minimum annual rental shall be made in equal quarterly installments on or before January 1st, April 1st, July 1st and October 1st of each calendar year, provided, however, that if Lessee previously in the current calendar year shall have mined sufficient tonnages at the then current royalty rate to yield production royalty payments to Lessor which equal or exceed the total of the advance minimum rental installments for that calendar year which have been paid and are due at the time of such payment, no such quarterly installment of advance minimum rental shall be made.

2. Section 3.2. entitled "Recoupment." is hereby deleted in its entirety and replaced with the following:

Section 3.2 Recoupment. Each payment of advance minimum annual rental hereunder shall be applied as a credit, until recouped, as follows: (a) first, against production royalties payable for mining performed under this lease during the calendar year for which such payment of minimum annual rental is made; (b) secondly, against production royalties payable for mining performed under this lease in the two calendar years following the calendar year for which the minimum annual rental is paid and not otherwise recoupable as a credit against production royalties under the terms hereof. The provisions of this Section 3.2 will not be construed to permit more than one credit for any payment of advance minimum annual rental against any production royalties due Lessor under this lease.

3. All other terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this amendment on the day and year first above written.

Pocahontas Land Corporation

By: /s/ Robert L. Raines

Title: President

Ark Land Company

By: /s/ David B. Peugh

Title: President

THIS PARTIAL RELEASE AND SURRENDER OF LEASE, made as of February 1, 1996, between ARK LAND COMPANY ("Ark"), a Delaware corporation, and POCAHONTAS LAND CORPORATION ("Pocahontas"), a Virginia a corporation;

W I T N E S S E T H:
- - - - - - - - - -

WHEREAS:

1. By Lease made as of January 31, 1994, as amended (hereinafter called "Original Lease"), Pocahontas leased to Ark for a period of ten (10) years from January 31, 1994, through January 30, 2004, subject to renewal or termination as therein provided, the sole and exclusive right of mining and removing, by any method of mining, various seams of coal upon and within certain parcels of land containing in the aggregate 8,364.18 acres, more or less, situated in Logan and Mingo Counties, West Virginia, as therein described, subject to exceptions and reservations and upon terms and provisions therein contained;

2. By Amendment to Lease dated October 2, 1995, between Pocahontas and Ark, the parties thereto amended the Original Lease with regard to the amount and payment of advance minimum annual rentals and recoupment thereof, upon terms and conditions therein contained; and

3. Pocahontas and Ark have determined and agreed that it is to their mutual benefit that Ark release and surrender to Pocahontas under the terms set forth herein all of Ark's rights under Original Lease, as amended, in and to the Chilton Seam of coal within a certain parcel of land containing 4,423.46 acres, more or less, as hereinafter described.

TABLE OF AREA
In Lee Magisterial District of Mingo County, West Virginia

Tract or Parcel out of which area is taken	Total Acres (Coal Only)
Pt. United Thacker Tr. No. 32 - Arthur D. Bright	1,979.87
Pt. United Thacker Tr. No. 35 - Arthur D. Bright	32.50
Pt. United Thacker Tr. No. 93 - William Kronenwett	63.99
Pt. United Thacker Tr. No. 102 - William Kronenwett	140.98
Pt. United Thacker Tr. No. 103 - William Kronenwett	545.62
Pt. United Thacker Tr. No. 190 - S. B. Robertson	26.96
Total - Lee Magisterial District	2,789.92

TABLE OF AREA
In Magnolia Magisterial District of Mingo County, West Virginia

Tract or Parcel out of which area is taken	Total Acres (Coal Only)
Pt. United Thacker Tr. No. 31-a - Island Creek Min. Co. - Vicie Varney	96.00
Pt. United Thacker Tr. No. 31-b - Island Creek Min. Co. - Tr. 4	48.29
Pt. United Thacker Tr. No. 32 - Arthur D. Bright	904.58
Pt. United Thacker Tr. No. 37 - Egbert Mills	140.89
Pt. United Thacker Tr. No. 41 - R. T. W Duke	119.78
Pt. United Thacker Tr. No. 42-a - Arthur D. Bright	50.00
Pt. United Thacker Tr. No. 42-b - Arthur D. Bright	42.00
Pt. United Thacker Tr. No. 359 - Island Creek Min. Co.	232.00
Total - Magnolia Magisterial District	1,633.54

RECAPITULATION

Mingo County - Lee Magisterial District	2,789.92
Mingo County - Magnolia Magisterial District	1,633.54
Total area included in partial release and surrender of lease	4,423.46

WITNESS the signatures and seals as of the date first above written.

ARK LAND COMPANY
By

/s/ Steven E. McCurdy

Its President

POCAHONTAS LAND CORPORATION
By

/s/ Daniel D. Smith

Daniel D. Smith
President

STATE OF MISSOURI)
) To wit:
COUNTY OF ST. LOUIS)

I, Patricia K. Todaro, a Notary Public of said County, do certify that Steven E. McCurdy, its President, who signed the writing above, dated as of February 1, 1996, for said Ark Land Company, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said Corporation.

Given under my hand and official seal this 13 day of February, 1996.

/s/ Patricia K. Todaro

Notary Public

My commission expires: June 7, 1997.

STATE OF WEST VIRGINIA)
) To-wit:
COUNTY OF MERCER)

I, Cathy J. Buzzo, a Notary Public of said County, do certify that Daniel D. Smith, President, who signed the writing above, dated as of February 1, 1996, for said Pocahontas Land Corporation, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said Corporation.

Given under my hand and official seal this 14th day of February 1996.

[SEAL OF NOTARY PUBLIC APPEARS HERE] /s/ Cathy J. Buzzo

Notary Public

My commission expires: August 16, 1998.

This instrument was prepared by Thomas L. Linkous, Attorney at Law, Bluefield, West Virginia 24701.

C: \Inst\Ark-EnMt. Rel

AMENDMENT TO LEASE
(Holden No. 25)

THIS AMENDMENT TO LEASE (the "Amendment") is made and effective this 21st day of October, 1996 (the "Effective Date"), by and between POCAHONTAS LAND CORPORATION ("Lessor"), a Virginia corporation, and ARK LAND COMPANY ("Lessee"), a Delaware corporation;

W I T N E S E T H:

WHEREAS:

1. By Lease dated January 31, 1994 (the "Lease"), Lessor leased to Lessee, the sole and exclusive right of mining and removing various seams of coal upon and within certain parcels or areas of land containing in the aggregate 8,364.18 acres, more or less, situated in Logan and Mingo Counties, West Virginia;

2. By Amendment to Lease dated October 2, 1995, the minimum annual rental and recoupment provisions of the Lease were modified and amended;

3. Pursuant to Section 3.4 of the Lease, the General Manager of Lessor and Lessee may agree to modify, reduce or suspend the advance minimum annual rental whenever, in the good faith opinion of the General Manager of Lessor and Lessee, the quantity of unmined coal remaining which Lessee is or has become obligated to mine has been reduced or depleted so as to justify such modification, reduction or suspension; and

4. The General Manager of Lessor and Lessee have agreed to reduce the minimum annual and otherwise modify the Lease all as provided herein.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants in the Lease and herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

FIRST: The minimum annual rental provided for in Section 3.1 of the Lease for calendar year 1997 shall be reduced to One Million Eight Hundred Thousand Dollars ($1,800,000.00), payable as follows:

Due Date	Quarterly Payment
On or before January 1, 1997	$600,000.00
On or before April 1, 1997	$600,000.00
On or before July 1, 1997	$300,000.00
On or before October 1, 1997	$300,000.00

SECOND: The minimum annual rental provided for in Section 3.1 of the Lease for calendar year 1998 shall be reduced to Seven Hundred Thousand Dollars ($700,000.00), payable as follows:

Due Date	Quarterly Payment
On or before January 1, 1998	$200,000.00
On or before April 1, 1998	$200,000.00
On or before July 1, 1998	$200,000.00
On or before October 1, 1998	$100,000.00

THIRD: The minimum annual rental provided for in Section 3.1 of the Lease for calendar year 1999 and the remaining term of the Lease shall be reduced to One Hundred Thousand Dollars ($100,000.00), payable on or before January 1st of each calendar year.

FOURTH: Commencing January 1, 1999, each payment of advance minimum annual rental hereunder shall be applied as a credit, until recouped, as follows: (a) first, against production royalties under Section 2.1 and land use tolls under Section 11.1 payable for mining performed under the Lease during the calendar year for which such payment of minimum annual rental is made and the following calendar year; and (b) secondly, during any subsequent year in

which the Lessee shall pay in royalties and/or land use tolls in excess of $200,000.00, said excess amount shall be recoupable against any prior unrecouped balance of minimum annual rentals paid under said Lease.

FIFTH: Except as expressly provided in this Amendment, all other terms and conditions of the Lease shall remain in full force and effect.

WITNESS the following signatures and seals as of the date first above written. Executed in two (2) counterparts.

POCAHONTAS LAND CORPORATION
By

/s/ Daniel D. Smith

Daniel D. Smith
President

ARK LAND COMPANY
By

/s/ Steven E. McCurdy

Its President

STATE OF WEST VIRGINIA)
) To-wit:
COUNTY OF MERCER)

I, Cathy T. Buzzo, a Notary Public of said County, do certify that Daniel D. Smith, President, who signed the writing above, dated as of October 21, 1996, for said Pocahontas Land Corporation, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said Corporation.

Given under my hand and official seal this 25th day of October, 1996.

/s/ Cathy T. Buzzo
[SEAL APPEARS HERE] ----------
Notary Public

My commission expires: August 16, 1998.

STATE OF MISSOURI)
) To-wit:
COUNTY OF ST. LOUIS)

I, Patricia K. Todaro, a Notary Public of said County, do certify that Steven E. McCurdy, its President, who signed the writing above, dated as of October 21, 1996, for said Ark Land Company, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said Corporation.

Given under my hand and official seal this 21 day of Oct., 1996.

/s/ Patricia K. Todaro

Notary Public

My commission expires: June 6, 1997.

This instrument was prepared by Stephen M. Hopta, Attorney at Law, Bluefield, West Virginia 24701.

c:\inst\Ark-PLC.H25

Exhibit 10.6

LEASE CONTRACT

THIS LEASE CONTRACT, made and entered into this the 16th day of November, 1988, by and between WILLIAM C. FRANCIS, Agent, for Sally Bailey Francis Heirs, of Cookeville, Tennessee, Party of the FIRST PART, hereinafter called the LESSOR and MOUNTAIN LAND AND RECLAMATION, INC. by: JOHN BAUGUES, President, Post Office Box 1626, Knoxville, Tennessee, 37901, Party of the SECOND PART, hereinafter called the LESSEE.

W I T N E S S E T H:

THAT for and in consideration of the premises and of the rents and royalties hereinafter reserved and the covenants and agreements hereinafter contained to be observed by the LESSEE, the LESSOR does hereby let, demise, and lease unto LESSEE, all of the Seams of coal underlying the hereinafter described boundaries of land with the exception of the Darby seam of coal previously leased to Karst-Robbins Coal Co., Inc. of Louellen, Kentucky, by lease dated 31st day of August, 1984; for a period of Twenty (20) years from date hereof, or until all of the mineable and merchantable coal in said Seams, hereby leased is exhausted. The LESSEE is to have the exclusive right and privilege to deep mine, strip and auger all the mineable and merchantable coal on the tract of land hereinafter described.

Tract 1: All that tract or parcel of land lying and being in Harlan County, Kentucky, on the waters of Clover Fork of Cumberland River and Bounded and described as follows, to-wit:

All the tract or parcel of land lying and being in Harlan County, Kentucky, on the waters of Clover Fork of Cumberland River and bounded and described as follows, to-wit: Beginning at three small maples on the North bank of said Clover Fork opposite the mouth of Pine Branch; thence with the line of Boyd Kelley N. 37.20 E. 2.79 poles to the Southwest corner of the store building now used as a residence by J. W. Kelley; N. 17.40 E 8.10 poles to a stake

in orchard 11 feet north of corner between Boyd Kelley and Wiley Holmes; Thence with said Holmes line also with fence N. 17.10 E 14.39 poles to a white oak at fence corner; thence with fence and line of Hampton Short N 17.20 E 14.13 poles to a hickory; N. 15.15 E. 11.79 poles; N. 17 E. 4.61 Poles, N. 9.45 E. 3.75 poles N. 3.30 W 6.19 poles; N. 13.35 W 3.47 poles; N. 8.20 W. 4.08 poles to a stake on a point ridge, two small white oaks pointers a corner to the land deeded by J. W. Kelley to James Deering; thence with lines of same around the hillside, N. 46.14 E. 30.92 poles to a beech; N. 15.57 W 17.14 poles to a lynn; thence N. 9 E. 16.79 poles to a stake in a drain a corner to tract conveyed by John Kelley; thence with line of same down the hill S 49.30 E. 33.75 poles to three white walnut sprouts on the West bank of Big Laurel Branch; thence down same with its meanders S. 21.50 W. 4.88 poles; S. 8.45 W. 10.90 poles, S. 54.15 W. 8.70 poles, S. 1.50 W. 19.54 poles; S. 1.20 E. 10.54 poles, S.. 17.20 W. 4.24 poles, S. 51.30 W. 6.29 poles, S. 21.50 W. 10.34 poles, S. 3.35 E 7.80 poles, S. 20 W 5.48 poles, S 30.50 E. 5.47 poles to the County road and continuing the same course in all eight poles to Clover Fork; thence down same S. 50 W 6.50 poles to the line of tract deeded by Wm. Shuler to Asher Coal Mining Company; thence with line of same N. 29 W. 5.35 poles to a cross on a rock on top of a high bank, S 33.50 W. 8.53 poles to a cross on a rock at fence corner; thence with line of land of Wiley Holmes N 71.25 W. 6.04 poles, S. 22.15 W 18.22 poles to a small double maple on North bank of Clover 'fork; thence down same so as to include the bed of river to the lines of tracts deeded by W. F. Hall & Co., to Asher Coal Mining Company and by Jerry Lynn, to T. J. Asher, N 67.10 W 19.94 poles to the beginning, containing 22.60 acres, and being the same land conveyed to Asher Coal Mining Company by deed of John W. Kelly and Lucinda Kelly dated April 24, 1918, and recorded in Harlan County Clerk's Office, in Deed Book 35, page 336.

Tract 2; Beginning at a hickory about 14 inches in diameter standing on
----
East side of Laurel Branch; thence across said branch northwestwardly course with the line of the James Deering land to an ash about 10 inches in diameter standing in a small drain; thence continuing with said Deering line down the hill southwestwardly direction to a stake near the three small dogwoods at northwest corner of the tract of land conveyed to Dr. G. P. Bailey, by Asher Coal Mining Company, known as the John W. Kelly tract; thence down the hill with said Bailey's line a southeastwardly course to a stake on west side of said branch and in line of the lands of said Bailey and said Deering near three small walnuts; thence up the west side of said branch with the line between the lands of said Deering and of the tract hereby conveyed to a stake on west side of said branch and near the same; thence eastwardly crossing said branch with said Deering line to the Beginning.

This deed is to include and does convey all the right, title, interest and claim first party's have or hold reason of Will of Dr G. P. Bailey, in and to all the lands he owned on the head waters of Clover Fork and its tributaries in Harlan County,

Kentucky. Will recorded in Will Book 2, Page 33, January 6, 1927, in Harlan County Court, Harlan, Kentucky.

Tract 3: Being 111.25 acres of land, more or less, lying and being on Clover Fork of Cumberland River, Harlan County, Kentucky, and the same land owned by H. J. Short, at the time of his death, and which desceded to the grantors hereto, by the law of descent, which is shown by Affidavit of Descent duly recorded in Deed Book 66, Page 522, Harlan County Court Clerk's Office, and being the same land conveyed to the said H. J. Short by deed duly recorded in Deed Book_____, at Page _____, Harlan County clerk's office, and bounded and described as follows:

BEGINNING at two black oaks, on the point of the ridge about 400 feet North of James A. Short's house, corner of said short and corner of G. A. Eversole lands; thence up and with the crest of said ridge, and said Eversole's line same being a conditional line made by and between Isaac Kelly and H. J. Short; thence N. 80-00 E. 225 feet; N. 47-00 E. 365 feet; N. 54 30 E. 425 feet; N. 52 30 E. 270 feet; N. 65 30 E. 500 feet; N. 84 30 E. 320 feet; S 87 45 E. 400 feet; S. 89 00 E. 235 feet to a stone marked "U.S." with two chestnut oak pointers; thence down and with the crest of last named ridge, with U.S. painted line leaving Eversole S. 21 30 W. 430 feet; S. 15 00 W. 110 feet; S. 5)) E 400 feet; S. 6 00 W. 187 feet stone marked "U. S."; thence leaving U.S. painted line and with line of Tract three, S. 8-20 E. 67.3 feet; S. 13 35 E. 57.2 feet; S. 3 30 E. 102.1 feet; S. 9 45 W. 194.5 feet; S 17 20 W 233.1 feet to a white oak, in the field at the corner of fence and on top of said ridge; thence leaving the ridge with fence N. 72 00 W 740 feet to a stake, at the Southeast corner of the graveyard lot; N. 41 30 W 115 feet to a stake, at corner of fence, the N.W. corner of the Ballard T. Kelley lands; S 53 00 W. 1345 feet to a stake at corner of fence at a drain, about 115 feet S. 80 E. from the southeast corner of Bascom Huff, Concrete Block House; thence N. 600 00 E. 214 feet to Northeast corner of said Huff's fence; N. 20 00 W. 237 feet to the Northwest corner of the fence; S. 60 30 W. 198 feet to the Southwest corner of said Huff's fence; N 28 30 W. 258 feet a poplar at the Southeast corner of the J. A. Short tract; N. 5 00 E. 70 feet to a stake in a sag; thence N. 21 30 W. 550 feet to the beginning, containing by survey, 111.25 acres, Run on Magnetic Meridian 1930.

ARTICLE I

USE The LESSEE shall have the right to occupy and use so much of the surface of said premises as may be required to conduct its mining operations on the premises and to remove its coal therefrom, but for no other purposes whatsoever.

ARTICLE II

REFUSE The LESSEE shall have the right to deposit refuse from the mine workings of the seams hereby demised upon the surface of the leased premises, but must do so in accordance with the Reclamation Laws of the Federal Government and the State of Kentucky, which may be in force from time to time. Said refuse is to be dumped or deposited on said land so as not to damage the surface any more than is necessary.

ARTICLE III

MINERAL AND TIMBER RESERVATIONS The LESSOR reserves the right to carry on by himself or agents or assigns, in and upon the leased premises such operations as the LESSOR may deem proper or convenient for or in connection with the discovery, extraction, utilization or removal of all natural gas, petroleum, oil, and other minerals, timber reserved, herein and all other products of the leased premises not specifically granted to the LESSEE, none of which are to unreasonably interfere with the rights granted LESSEE herein or any operation of LESSEE conducted in accordance with those rights.

ARTICLE IV

RESERVATIONS It is distinctly understood between the parties hereto that with the exception of the seams and beds of coal hereby demised and the timber and surface right hereby granted, the above described land, with all the rights and appurtenances thereunto belonging, shall be and remain the property of the LESSOR as fully as if this contract and lease had not been made, with full right in the LESSOR and his agents of ingress and egress on the premises for the exercise of said reserved rights, PROVIDED, HOWEVER, that all rights reserved to the LESSOR are to be exercised so as not to unreasonably interfere with the operation which is carried on by the LESSEE hereunder.

ARTICLE V

MINIMUM ROYALTY The LESSEE covenants and agrees to pay to the LESSOR for the use and enjoyment of the premises aforesaid, irrespective of the amount of coal mined, a certain yearly rental of Ten Thousand Dollars ($10,000.00), per annum, beginning six (6) months from date mining permit is approved, or Two (2) years from date of lease, whichever come first, at the office of the LESSOR, to WILLIAM C. FRANCIS, agent for Sally Baiely Francis Heirs, Cookeville, Tennessee, 37901. If LESSEE begins to mine coal from the demised premises before said date, the MINIMUM Royalty from that time is to begin.

ARTICLE VI

ROYALTY The LESSEE does further agree to pay to the LESSOR upon all coal mined from the premises herein described Eight Percent (8%) of the gross sale price of coal, F. 0. B. the tipple or Sales agent or One Dollar and Fifty Cents ($1.50); whichever is greater by the ultimate customer or sales agency, before tax and sales commission has been deducted, same to be payable on the 20th day of each month following the month in which said coal is actually mined, a ton as used herein being equal to 2,000 pounds, however, it is understood and agreed between the parties hereto that the payment of the royalty for coal actually mined, as in this Article provided, shall pay pro tanto and be credited upon the annual Minimum Rents or Royalties hereinbefore provided for in Article V hereof.

ARTICLE VII

STRIKES, RIOTS, ETC. The LESSOR agrees that if any time the said LESSEE shall be prevented from carrying out any or all of the covenants herein, by reasons of riots, strikes, epidemics, fires, failure of railway cars supply, or for any cause beyond the LESSEE's control, then the said Annual Minimum Royalty herein

provided for shall be reduced in proportion to the time lost by said interruptions caused by the said above causes and it is further agreed that the said Annual Minimum Royalty shall be suspended and abated during such times as the LESSEE'S mine on the leased premises shall be closed or out of operation.

ARTICLE VIII

STATEMENTS AND WEIGHTS The LESSEE shall furnish to the LESSOR on or before the 20th day of each month during the term of this lease, a statement showing the quantity or number of tons of coal mined from his property during the preceeding month. The LESSOR shall have the right to check the weighing and measuring of all coal and coal products mined from the premises hereby leased. The LESSOR shall also have the right at all reasonable times during the usual business hours to verify the correctness of the weights so certified to him by the LESSEE.

ARTICLE IX

ACCOUNTS AND RECORDS The LESSEE shall keep complete and accurate books of account and record all coal mined from the leased premises, and either shipped from or used upon said premises, and the said books and records shall at all reasonable times during the usual business hours be open to the inspection of the LESSOR, his authorized officer, agents, or assigns, for the purpose of comparing and verifying the accounts and statements rendered by the LESSEE as aforesaid.

ARTICLE X

REGULATIONS The workings by the LESSEE of the mine on the leased premises shall be governed by the following regulations:

(a) The LESSEE shall work and mine the coal on the leased premises in a diligent, effectual and workmanlike manner, in conformity with approved and suitable methods of current mining, and in conformity also with all laws and all regulations made by authority of law which may

WORKINGS

from time to time be in force in respect of the workings of coal mines and the safety of employees therein, and the LESSEE will hold the LESSOR free from damage to persons or property resulting from the mining operations of the LESSEE hereunder.

WORKINGS

(b) The LESSEE will be responsible for any pollutions of streams which might result from coal and coal products, slack, dirt, slate, sawdust, and other waste materials deposited by the LESSEE on the leased premises; and the LESSEE shall endemnify the LESSOR and hold him harmless from all claims, demands, judgements, and any other damage which might result from the mining of said coal, against him by reason of any such pollution and shall pay all cost and expenses incurred by the LESSOR in defending any such claim.

POLLUTIONS

(c) It is understood and agreed by the parties hereto that the foregoing indemnification provisions are limited to those claims, costs, fines, expenses and damages arising as a proximate result of action or inaction by the LESSEE, its agents or servants in connection with mining upon the leased premises.

CLAIMS

(d) The LESSEE shall at all times keep the workings and works in secure and proper condition, suitable for the immediate continuance of mining and shipping coal therefrom to the full extent of their capacity.

SECURE CONDITION

ARTICLE XI

TIMBER The LESSOR reserves all the timber on the leased premises, except such timber as may be required by the LESSEE for building roads, tipples, and other structures necessary for mining said coal.

ARTICLE XII

CONTROL OF EMPLOYEES The LESSOR shall have no control over the employees of the LESSEE or the operation or other works on the leased premises.

ARTICLE XIII

RECOUP In the event the LESSEE shall fail during any year of the term of this lease to mine a sufficient quantity of coal from the leased premises, which at the royalty rate for coal actually mined, herein provided for, will fully pay the annual Minimum Royalty for such year, as herein set out, then and in such event, it is expressly agreed between the LESSOR and the LESSEE that the LESSEE shall have the privilege during the next suceeding Two (2) years of mining, free from royalties, a sufficient quantity of coal over and above the quantity required to yield the said annual minimum royalty, to reimburse itself for any deficiency that may have occured during said year in which there was such a deficiency.

ARTICLE XIV

WORKMAN'S COMPENSATION LESSEE shall operate under the terms and provisions of the Kentucky Workman's Compensation Act and to that end shall procure and keep in full force and effect Workman's Compensation Insurance.

ARTICLE XV

PUBLIC LIABILITY INSURANCE LESSEE shall procure and keep in full force and effect Public Liability Insurance with coverage limits of not less than One Hundred Thousand Dollars ($100,000.00) for personal injury per person, per accident or occurance and Three Hundred Thousand Dollars ($300,000.00) aggregate for personal injury per accident or occurance and Twenty-Five

Thousand Dollars ($25,000.00) property damage per accident or occurance.

ARTICLE XVI

SURVEYS The LESSEE agrees to make surveys of the developments carried on in the mine or mines on said premises from time to time by competent engineers at their own cost, and to show all of the same with entries, rooms airways, outlets, croplines, and a section of the coal seam with its partings at distances of not more than 300 feet apart, along the tunnels, entries, and at working faces of rooms, on a map and furnish copies of same to LESSOR at Cookeville, Tennessee, at least twice each year, and LESSOR'S agents shall have reasonable access at reasonable times during the usual business hours to all of such maps retained by LESSEE for purposes herein set out.

ARTICLE XVII

INSPECTION The LESSOR, his officers, engineers and agents with their assistances, shall have the right at all reasonable times to enter the leased premises and the mines and all works and buildings of the LESSEE whether upon or under the surface, in order to inspect, examine, survey, or measure the same or any part thereof, or for any lawful purpose; and for these purposes the LESSEE shall furnish without cost reasonable means of access.

ARTICLE XVIII

BEGINNING DATE The LESSEE agrees to begin development of the leased premises upon receipt of mining permit, and to drive the necessary entries, air courses, and passages into the leased premises, such as to make their development of their coal mining operation practical and possible.

ARTICLE XIX

INDEMNIFY LESSOR The LESSEE shall indemnify the LESSOR against and hold him harmless from all loss, damage, claim, or liability caused by the act or default of the LESSEE or of any person claiming through or under the LESSEE which claim arises from LESSEE'S operation on the leased premises.

ARTICLE XX

HAULAGE LESSEE is engaged in the mining and processing of coal from other leaseholds in the vicinity of the subject leasehold, and in carrying out its overall mining plans and development, it may desire to transport refuse from these other nearby leaseholds and from its washing and processing plant on or across the subject leasehold to the refuse area designated on the attached map; in such case, the LESSEE may do so, at no cost to LESSEE. If merchantable coal has been mined and minimum not being paid the wheelage will be Fifteen Cents (l5c) a ton.

ARTICLE XXI

LIEN LESSOR shall have a lien upon all the buildings, improvements, fixtures, machinery, appliances and property of all kinds which is owned by the LESSEE or which is used in mining, handling, and hauling of the coal mined from the leased premises for the payment of all rents, royalties, and other monies which may at anytime become due from the LESSEE to the LESSOR hereunder; which lien shall be prior and superior to any and all other liens on or rights in said buildings, improvements, fixtures, machinery, and other property except as by law provided to the contrary.

ARTICLE XXII

LANDLORD REMEDIES All rents, royalties and other monies which may at any time become due from the LESSEE to the LESSOR hereunder shall be deemed and treated as rents reserved for the use of the leased premises; and the LESSOR shall have in respect thereof all the rights and remedies of a Landlord for the recovering of rents under the law of the State of Kentucky.

ARTICLE XXIII

ADDRESS CHANGE Each of the parties shall keep the other informed of an address to which any notice provided for in this lease may be sent; and any notice shall be deemed effectively given if personally delivered or mailed in a sealed wrapper with postage prepaid to such address.

ARTICLE XXIV

ENGINEERS The words "Engineer of the LESSOR" whenever used herein shall mean any engineer whom the LESSOR shall designate as authorized to act for him in respect of the particular matter referred to; and such designation may be changed from time to time by the LESSOR, and different matters.

ARTICLE XXV

SUCCESSORS All the terms, provisions, conditions, covenants, obligations, reservation, and restriction in this lease contained shall be binding upon and inure to the benefit of the successors, legal representatives and assigns, of the parties hereto respectively.

ARTICLE XXVI

TERMINATION At the termination of this lease the LESSEE has the right to remove all the working tools, instruments used in mining, machinery, steel tipples, coal bins, engines, boilers, fans, pumps, ropes, weighing scales, rails, and all other personal property placed upon the premises by the LESSEE. All other permanent improvements placed upon the premises shall become the property of the LESSOR and the LESSEE does not have the right to remove such appurtenances. The LESSEE shall not remove the property until all rents and royalties and other monies due the LESSOR are paid and the agreements of this lease are fully complied with.

ARTICLE XXVII

TRANSFER The LESSEE shall not have the right to transfer this lease to any person, partnership, firm or corporation without the written consent of the LESSOR having first been obtained. In the event the LESSOR agrees that LESSEE may transfer said lease, he agrees that he will not unreasonably withhold such permission.

ARTICLE XXVII

TAXES The LESSEE further agrees to assess and pay all taxes levied upon the improvements, fixtures, and machinery placed on the property by the LESSEE and the LESSOR is to pay all taxes levied upon or assessed against the real property hereby leased. As long as the lease is in effect the coal is to be considered property of the LESSEE and all Taxes levied against coal are to be paid by LESSEE.

ARTICLE XXIX

INTOXICATING LIQUORS Neither the LESSEE nor the LESSOR shall authorize or knowingly permit the introduction, sale or barter of intoxicating liquors upon the leased premises, or upon any lands adjacent thereto which may be owned or controlled by the LESSEE or by the LESSOR respectively.

ARTICLE XXX

BREACH Should any breach of the provisions of this contract be made by LESSEE and the LESSOR shall not avail himself of the right of the forfeiture herein provided, such failure to do so shall not be held or taken to be a waiver of any other failures, default or defaults thereafter occuring.

ARTICLE XXXI

CANCELLATION This lease shall at the option of the LESSOR be forfeited and become null and void:

(1) If the LESSEE shall make any assignment for the benefit of creditors or voluntarily go into bankruptcy; or shall suffer any judgement or attachment to

be entered or filed against said premises or any of the
BANKRUPTCY property thereon and shall not within Sixty (60) Days
- ---------- thereafter either secure or discharge the same;

or shall by reason of bankruptcy or insolvency or otherwise
INSOLVENCY become incapable of fulfilling any of the terms,
- ---------- conditions, and covenents of this lease.

(2) If the LESSEE does not mine coal from the leased premises
REQUIRED TO for a period of Sixty (60) Days after Beginning Date, unless
- ---------- he is prevented from doing so for the reasons set out in
MINE COAL article VII hereof.
- ---------

ARTICLE XXXII

LESSOR'S OPTION TO CANCEL Should the LESSEE fail for a period of Thirty
---
(30) Days after royalty shall become due and payable to pay said royalty herein provided, or fail to perform any of the covenenants, agreements, or stipulations herein contained, then the LESSOR shall have the right and option to cancel this lease upon giving the LESSEE Thirty (30) Days written notice by Certified Mail of his intention to do so, however, if the covenants, agreements, and stipulations complained of by the LESSOR are corrected by LESSEE within Thirty (30) Days after notice is received, the LESSEE may avoid such forfeiture.

ARTICLE XXXIII

LESSEE'S RESPONSIBILITY LESSEE agrees to be responsible and to hold
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the LESSOR free and harmless from all claims of damage to other property or persons resulting from the mining, deposit or dumping of refuse from the mines or workings upon the surface of said land.

ARTICLE XXXIV

RAILROAD WEIGHTS Railroad weights shall govern all settlements for
---
royalty on coal marketed by rail, except any of same that may be mixed with coal mined from other properties, and in that event such coal shall be weighed on LESSEE'S mine belt or tipple

scales, or by measuring the worked out areas each month by a competent engineer to determine the weight and/or tons of coal removed during the preceeding calendar month, upon which said royalty is to be paid. Said weights are to be certified to the LESSOR by the LESSEE and any such coal otherwise marketed shall be settled for on the same weighed basis as that for which LESSEE received pay.

ARTICLE XXXV

CO-MINGLED It is understood that if coal from the herein leased premises shall be dumped over the same tipple with coal mined from other properties or which may also be owned by or under lease to said LESSEE, thereby mixing same and preventing the royalty accounting for such coal on the basis of railroad weights, that as to such coal so mixed the LESSEE agrees to keep a separate account and use separate and clearly distinct check numbers, car or truck numbers for the coal removed from the herein leased premises from the check, car, or truck numbers of coal removed from other premises and as stated above, settlement for such coal shall be made by weighing the coal over the scales at the headhouse or the tipple.

ARTICLE XXXVI

GENERAL WARRANTY The LESSOR warrants generally his title to the said mineral and does hereby covenant with the LESSEE that he is seized title to said mineral; that he has full power, right and authority to lease or otherwise alien the same; that same is free and clear of any and all liens and encumbrances and that the LESSEE shall have quiet and peaceful possession and enjoyment of the said property for the purposes herein set out.

IN TESTIMONY WHEREOF, the LESSOR has hereunto affixed his signature, and the LESSEE has caused this instrument to be executed by Mountain Land And Reclamation, Inc., this the day and year first hereinabove written.

(Executed in Duplicate)

BY: /s/ William C. Francis AGENT

SALLY BAILEY FRANCIS HEIRS

MOUNTAIN LAND AND RECLAMATION, INC.

/s/ John Baugues

JOHN BAUGUES PRESIDENT

This instrument was prepared
by William C. Francis,
Cookeville, Tennessee.

/s/ William C. Francis
- ---

STATE OF TENNESSEE:

COUNTY OF PUTNAM :

The foregoing Lease Agreement was produced before me in my said county and duly acknowledged by WILLIAM C. FRANCIS, Agent for Sally Bailey Francis Heirs, as LESSOR, therein, on this 16 day of Nov, 1988.

/s/ Betty Brotherton

NOTARY PUBLIC, PUTNAM COUNTY, TENNESSEE

My commission expires:

July 27, 1992
- ---

STATE OF KENTUCKY:

COUNTY OF HARLAN :

The foregoing Lease Agreement was produced before me in my said county and John Baugues, President of Mountain Land Reclamation, Inc., a Tennessee Corporation, duly acknowledged and executed said lease on behalf of the corporation, on this 21st day of November, 1988.

/s/ Joan S. Yeary

NOTARY PUBLIC, HARLAN COUNTY, KENTUCKY

My commission expires:

Jan. 15, 1990
- ---

[MAP APPEARS HERE]

SUPPLEMENTAL LEASE

THIS CONTRACT, made and entered into this the 16th day of May, 1989, by and between WILLIAM C. FRANCIS, Agent, for Sally Bailey Francis Heirs, of Cookeville, Tennessee, Party of the FIRST PART, hereinafter called LESSOR and MOUNTAIN LAND AND RECLAMATION, INC. by: John Baugues, President, Post Office Box 1626, Knoxville, Tennessee 37901, Party of the SECOND PART, hereinafter called LESSEE.

W I T N E S S E T H:

THAT, WHEREAS, the LESSOR heretofore, by a certain writing dated the 16th day of November, 1988, leased to LESSEE, the seams of coal, described in said writing with the privilege to mine said seams of coal therefrom, said writing is hereby referred to and made a part hereof as fully as if the same were copied herein at length.

WHEREAS, the LESSOR owns a tract of land hereinafter described and said LESSOR desires to add to the said leasehold, now held by LESSEE, and LESSEE desires to lease, all the mineable and merchantable coal in, on, and under the hereinafter described tract of land:

> BEGINNING at the intersection of El Gap Branch with the Clover Fork of the Cumberland River; THENCE with the meanders of El Gap Branch to the top of Little Black Mountain, said mountain being the dividing line between the State of Kentucky and the State of Virginia; THENCE in a westerly direction along the crest of said mountain to the intersection with Pine Branch; THENCE with the western ridge defining the watershed boundary of Pine Branch in a northerly direction to the centerline of the Clover Fork of the Cumberland River; THENCE up the centerline of the Clover Fork to the BEGINNING, and containing approximately 337.81 acres more or less.
>
> This boundary is listed as tracts #1, #2, and Wright Short on the attached map.

Except as modified, all terms and conditions of the existing lease dated the 16th day of November, 1988, shall remain in full force and effect.

IN TESTIMONY WHEREOF, the LESSOR and LESSEE have hereunto affixed their signatures. (Executed in duplicate.)

BY: /s/ William C. Francis AGENT

SALLY BAILEY FRANCIS HEIRS

MOUNTAIN LAND AND RECLAMATION, INC.

/s/ John Baugues

JOHN BAUGUES PRESIDENT

This instrument was prepared
by William C. Francis,
Cookeville, Tennessee.

/s/ William C. Francis

STATE OF TENNESSEE:

COUNTY OF PUTNAM :

The foregoing Lease Agreement was produced before me in my said county and duly acknowledged by WILLIAM C. FRANCIS, Agent for Sally Bailey Francis Heirs, as LESSOR, therein, on this 16 day of May, 1989.

/s/ Betty Brotherton

NOTARY PUBLIC, PUTNAM COUNTY, TENNESSEE

My commission expires:
July 27, 1992

STATE OF KENTUCKY:

COUNTY OF HARLAN :

The foregoing lease agreement was produced before me in my said county and John Baugues, President of Mountain Land Reclamation, Inc., a Tennessee Corporation, duly acknowledged and executed said lease on behalf of the corporation, on this 6th day of June 1989.

/s/Paula Skidmore

NOTARY PUBLIC, HARLAN COUNTY, KENTUCKY

My commission expires:
November 28, 1992

[MAP APPEARS HERE]

SUPPLEMENTAL LEASE

This contract made and entered into this the 25th day of August 1991, by and between William C. Francis, Agent, for Sally Bailey Francis Heirs of Cookeville, Tennessee, Party of the First Part; hereinafter called Lessor and Mountain Land & Reclamation, Inc. by John Baugues, President, Post Office Box 50603, Knoxville, Tennessee, 37950, Party of the Second Part, hereinafter called Lessee.

WITNESSETH:

That, whereas, the Lessor heretofore, by a certain writing dated 16th day of November 1988 and Supplemental Lease dated 16th day of May 1989, leased to Lessee, the seams of coal, described in said writing with the privilege to mine said seams of coal therefrom, with the exception of the Darby Seam of coal previously leased to Karst-Robbins Coal Company, Inc. of Louellen, Kentucky by lease dated 31st day of August 1984.

That, whereas, an order was filed in United States Bankruptcy Court by Hon. Joe Lee, Chief Judge U.S. Bankruptcy Court on 13th day of August 1991. It was hereby ordered and adjudged that on the basis of arguments of counsel and the review of the written motion, with exhibits thereto, as set forth above, the above mentioned Lease dated August 31, 1984, was terminated prior to Order for Relief herein, and therefore shall not assumable or assignable, and it is further ordered and adjudged that the property as set forth in the aforementioned Lease are and shall be free of any interest of the Debtor, the Estate of the Debtor and of this proceeding.

Therefore the Darby Seam of coal is hereby added to the lease dated 16th day of November, 1988 and Supplemental Lease dated 16th day of May 1989 and made a part hereof as fully as if the same were copied herein at length.

In Testimony whereof, the Lessor and Lessee have hereunto affixed their signatures.

BY: /s/ William C. Francis Agent

SALLY BAILEY FRANCIS HEIRS

MOUNTAIN LAND & RECLAMATION, INC.

/s/ John Baugues

JOHN BAUGUES PRESIDENT

This instrument was prepared
by William C. Francis,
Cookeville, Tennessee.

/s/ William C. Francis, Agent
- ----------

STATE OF TENNESSEE:

COUNTY OF PUTNAM :

The foregoing Lease Agreement was produced before me in my said county and duly acknowledged by WILLIAM C. FRANCIS, Agent for Sally Bailey Francis Heirs, as LESSOR, therein, on this 27th day of August, 1991.

/s/ Betty Brotherton

NOTARY PUBLIC, PUTNAM COUNTY, TENNESSEE

My commission expires:
July 27, 92
- ----------

STATE OF KENTUCKY:

COUNTY OF HARLAN :

The foregoing lease agreement was produced before me in my said county and John Baugues, President of Mountain Land & Reclamation, Inc., a Tennessee Corporation, duly acknowledged and executed said lease on behalf of the corporation, on this 5th day of September, 1991.

/s/ Paula R. Skidmore

NOTARY PUBLIC, HARLAN COUNTY, KENTUCKY

My commission expires:

11-28-92
- ----------

ASSIGNMENT OF LEASES

THIS ASSIGNMENT OF LEASES (the "Assignment"), made and entered into this the 13 day of September, 1991, by and between Mountain Land & Reclamation Services, Inc. (also known as Mountain Land and Reclamation, Inc.), a Tennessee corporation (hereinafter "Assignor") and Ark Land Company, a Delaware corporation (hereinafter "Assignee").

W I T N E S S E T H:

WHEREAS, by Agreement of Purchase and Sale of Assets dated September 13, 1991 between Assignor, Assignee and Pine Mountain Coal Company (hereinafter "Asset Agreement"), Assignor agreed to assign to Assignee, upon the terms set forth in the Asset Agreement those certain leases identified on Schedule A, copies of which are attached hereto and incorporated herein by reference (the "Leases");

NOW, THEREFORE, for Ten Dollars ($10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor has bargained and sold and does hereby transfer, assign, set over, deliver, release and relinquish unto Assignee, its successors and assigns, all of its right, title and interest in and to the Leases.

TO HAVE AND TO HOLD the Leases and all rights and privileges of Assignor incident thereto or accruing thereunder together with all rights and privileges appurtenant thereto, unto Assignee, its successors and assigns forever.

In consideration of and as an inducement to Assignee to purchase and take assignment of the Leases, Assignor has made

certain representations, warranties and covenants which are contained in the Asset Agreement. In lieu of restating all of said representations, warranties and covenants, Assignor hereby incorporates by reference all of the representations, warranties and covenants on the part of Assignor contained in the Asset Agreement, to the same extent as if said representations, warranties and covenants were specifically set forth herein.

Assignee covenants and agrees with Assignor to assume all of Assignor's rights and obligations under the Leases arising on or after the date hereof, together with such other rights and obligations which Assignee agreed to assume in the Asset Agreement, to the same extent as if said rights and obligations were specifically set forth herein.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date and year first above written.

MOUNTAIN LAND & RECLAMATION SERVICES, INC.

By: /s/ John P. Baugues Jr.

Its: PRESIDENT

ARK LAND COMPANY

By: /s/ Steven E. McCurdy

Its: President

State of Tennessee)
: SS
COUNTY OF Knox)

The foregoing instrument was acknowledged before me this 11th day of September, 1991, by John P. Baugush Jr. of Mountain Land & Reclamation Services, Inc., its President.

My commission expires: 10/17/94.

/s/ [SIGNATURE APPEARS HERE]
NOTARY PUBLIC

COMMONWEALTH OF MISSOURI)
: SS
COUNTY OF ST. CHARLES)

The foregoing instrument was acknowledged before me this 16th day of September, 1991, by Steven E. McCurdy of Ark Land Company, its President.

My commission expires: 3/4/95.

/s/ Shelley J. Mackiewicz
[SEAL OF NOTARY PUBLIC APPEARS HERE]
NOTARY PUBLIC

THIS INSTRUMENT PREPARED BY:

/s/ John R. Rhorer
John R. Rhorer, Jr.
WYATT, TARRANT & COMBS
Lexington Financial Center
250 West Main Street
Lexington, Kentucky 40507
(606) 233-2012

SCHEDULE A

1. Lease Contract dated November 16, 1988 by and between William C. Francis, agent for Sally Bailey Francis heirs, as lessor and Mountain Land and Reclamation, Inc., as lessee.

2. Supplemental Lease dated May 16, 1989 by and between William C. Francis, agent for Sally Bailey Francis heirs, as lessor and Mountain Land and Reclamation, Inc., as lessee, supplementing Lease No. 1 above.

3. Supplemental Lease dated August 25, 1991 by and between William C. Francis, agent for Sally Bailey Francis Heirs, as lessor and Mountain Land & Reclamation, Inc. as lessee, supplementing Lease No. 1 and 2 above.

4. Lease Contract dated November 21, 1988 by and between Virgil Eversole Estate, by Clark Bailey, executor, as lessor and Mountain Land and Reclamation, Inc., as lessee.

AMENDMENT TO LEASE CONTRACT

THIS AMENDMENT is made and entered into this 23rd day of December, 1992, by and between WILLIAM C. FRANCIS, agent for SALLY BAILEY FRANCIS HEIRS ("Lessor"), and ARK LAND COMPANY ("Ark"), a Delaware corporation.

****RECITALS****

By Lease Contract dated November 16, 1988, as amended by a certain Supplemental Lease dated May 16, 1989 and by Supplemental Lease dated August 25, 1991 (the "Lease Contract"), Lessor leased to Mountain Land and Reclamation, Inc., predecessor to Ark, all of the coal underlying certain property located in Harlan County, Kentucky.

Lessor and Ark wish to amend the Lease Contract in accordance with the terms set forth in this Amendment.

For and in consideration of the mutual promises and covenants contained in the Lease Contract and in this Amendment, Lessor and Ark agree as follows:

****

l. Effective November 16, 1992, the certain yerly rental provided for in Article V ("Minimum Royalty") shall be Thirty Thousand Dollars ($30,000.00) per year.

2. Article VI shall be deleted and shall be replaced to read as follows:

> The LESSEE does further agree to pay to the LESSOR as tonnage royalty the greater of six percent (6%) of the gross sale price for each ton (2,000 lbs.) of coal mined from the premises and sold to the ultimate consumer or One Dollar and Fifty Cents ($1.50) per ton. For purposes of calculating tonnage royalties, gross sales price shall be defined

as the actual price at which the coal mined from the leased premises is sold f.o.b. tipple, in an arms-length transaction to the ultimate consumer, less costs for transportation from the mine mouth to the tipple but without deduction for taxes and sales commission. Tonnage royalties shall be calculated on a clean or washed basis and shall be due and payable on or before the 20th day of the month following the month in which the coal is mined and sold from the premises.

3. Article XIII shall be deleted and shall be replaced to read as follows:

Minimum Royalties paid pursuant to Article V shall be fully recoupable during the term of this Lease against tonnage royalties as they become due and payable pursuant to Article VI of the lease.

Lessor and Ark understand and agree that any Minimum Royalties paid and not recouped as of the effective date of this Amendment may be recouped over the entire term of the Lease.

4. Article XXVI shall be amended to include the following language at the end of such Article:

LESSEE shall have the right, without further rent, royalty or charge, to enter on and upon the surface of the leased premises after the expiration or termination of the lease for the limited purpose of conducting, in a timely manner and in accordance with applicable law, all reclamation and related work necessary to secure final reclamation bond release until such time as final bond release is obtained.

5. The first sentence of Article XXVII shall be deleted and replaced to read as follows:

The LESSEE shall not have the right to transfer this lease to any person, firm or corporation without the written consent of

the LESSOR having first been obtained; provided, however, LESSEE may, without the prior written consent of the LESSOR, assign, sublease or transfer this lease or any interest herein to the parent or any affiliate of the LESSEE.

6. This Amendment shall be effective November 16, 1992.

7. The Lessor acknowledges receipt of payment of Minimum Royalties due November 16, 1992 and further acknowledges that no other payments are currently due and owning from LESSEE to LESSOR under the Lease Contract.

8. All terms of the Lease Contract, as amended, shall remain in effect.

The parties have caused this Amendment to be executed the date set forth on page one.

SALLY BAILEY FRANCIS HEIRS

By: /s/ William C. Francis

William C. Francis,
individually and as agent and attorney-in-fact for Phillip M. Francis, Ann Knott, Pearl Seymour, Bailey Francis and Boyd Francis

ARK LAND COMPANY

By: /s/ Michael D. Bauersachs

Title: Vice President

AMENDMENT TO LEASE CONTRACT

THIS AMENDMENT is made and entered into this 1st day of Sept., 1995, by and between WILLIAM C. FRANCIS, agent for SALLY BAILEY FRANCIS HEIRS ("Lessor"), and ARK LAND COMPANY ("Lessee"), a Delaware corporation.

W I T N E S S E T H:

WHEREAS, by Lease Contract dated November 16, 1988, as variously amended, Lessor leased to Mountain Land and Reclamation, Inc., predecessor to Lessee, all of the coal underlying certain property located in Harlan County, Kentucky (the "Premises").

WHEREAS, Lessor and Lessee wish to amend the Lease Contract in accordance with the terms set forth in this Amendment.

For and in consideration of the mutual promises and covenants contained in the Lease Contract and in this Amendment, Lessor and Lessee agree as follows:

1. For each and every ton of coal mined and removed from the Premises, Lessee shall be entitled to deduct from the gross realization upon which tonnage royalty is calculated a total of Two Dollars ($2.00) per ton as transportation costs regardless of the method of transporting the coal from the mine mouth to the tipple and regardless of the actual transportation costs incurred by Lessee, if any, in transporting the coal from the mine mouth to the tipple.

2. All other terms of the Lease Contract, as amended, shall remain in effect.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed the date set forth above.

Sally Bailey Francis Heirs

By: /s/ William C. Francis

William C. Francis, individually and as agent and attorney-in-fact for Phillip M. Francis, Ann Knott, Pearl Seymour, Bailey Francis and Boyd Francis

Ark Land Company

By: /s/ Steven E. McCurdy

Its: EXEC. VICE PRESIDENT

[LETTERHEAD OF ARKLAND COMPANY APPEARS HERE]

March 17, 1997

Mr. Clark Bailey, Jr.
Attorney-in-Fact for
William C. Francis,
Individually and as Agent
Sally Bailey Francis Heirs
P.O. Box 747
Harlan, KY 40831

RE: Lease dated November 16, 1988, as amended (the "Lease") , between Sally Bai1ey Francis Heirs, as lessors, and Ark Land Company, as lessee (KY-7072)

Dear Mr. Bailey:

This letter shall confirm our agreement to increase the comprehensive general liability insurance limit provided for in Article XV of the Lease to the combined single limit of $1,000,000 for personal injury and property damage. All other terms of the Lease shall remain in full force and effect.

Please acknowledge your agreement to the terms of this amendment by signing this letter in duplicate where indicated below.

Very truly yours,

/s/ Steven E. McCurdy

Steven E. McCurdy

AGREED TO AND ACCEPTED THIS 19th DAY OF March, 1997.

SALLY BAILEY FRANCIS HEIRS

By: /s/ Clark Bailey, Jr.

Clark Bailey, Jr.,
Attorney-in-Fact for
William C. Francis, individually,
and as agent for Sally Bailey Francis Heirs

EXHIBIT 10.7

LEASE CONTRACT

THIS LEASE CONTRACT, made and entered into this the 21st day of November, 1988, by and between VIRGIL EVERSOLE ESTATE, BY CLARK BAILEY, EXECUTOR, of Harlan, Harlan County, Kentucky, Party of the FIRST PART, hereinafter called the LESSOR and MOUNTAIN LAND AND RECLAMATION, INC., with JOHN BAUGUES as President, Post Office Box 1626, Knoxville, Tennessee, 37901, Party of the SECOND PART, hereinafter called LESSEE.

W I T N E S S E T H:

THAT for and in consideration of the premises and of the rents and royalties hereinafter reserved and the covenants and agreements hereinafter contained to be observed by the LESSEE, the LESSOR does hereby let, demise, and lease, unto the LESSEE all of the Seams of coal, with the exception of the Highsplint seam of coal previously conveyed to United States Coal & Coke Company, the 17th day of January, 1935. Recorded in Deedbook 73, Page 477; underlying the hereinafter described boundaries of land for a period of Twenty (20) years from date hereof, or until all of the mineable and merchantable coal in said Seams, hereby leased is exhausted. The LESSEE is to have the exclusive right and privilege to deep mine, strip, and auger all the mineable and merchantable coal on the tracts of land hereinafter described.

The below descriptions are intended to include the properties owned by Virgil Eversole Heirs, lying and being at Holmes Mill, in Harlan County, Kentucky, and more particularly described in the following, to-wit:

THE FIRST TRACT lies east of Breeding's Creek of Clover Fork in Harlan County, Kentucky and includes Panther Lick Branch purchased from Moran Kelly, etc., by deed to G. A. Eversole, dated March 4, 1911, and recorded in Deedbook No 22, Page 348.

THE SECOND TRACT deed Moran Kelly, etc., to G. A. Eversole dated June 21, 1911, Deedbook No 19, Page 104. Adjoining the Kelly Tracts on the east, A. H. Kelly etc., to G. A. Eversole by deed, dated October 19, 1917, and recorded in Deedbook No 33, Page 412. The Kelly tract lies on the waters of McLoney Branch and described in said deed as the second tract. Tract No. 1, as described in said deed lies opposite the mouth of Breeding's Creek, in the Little Black Mountain and is known as the home place of A. H. Kelly.

THE THIRD TRACT in the Big Black Mountain adjoining the A. H. Kelly Second Tract was purchased from John B. Lewis and etc., by deed to Virgil Eversole, dated April 25, 1931, recorded in Deedbook 68, Page 598. This deed includes land lying in the head of Laurel Branch of said Clover Fork River.

THE FOURTH TRACT known as the medly Short Land purchased by G. A. Eversole from J. M. Short and wife, March 1, 1906, deed recorded in Book No 7, Page 636, includes land on the east and west side of Med Short Branch of Clover Fork River.

THE FIFTH TRACT, deed from W. H. Short to G. A. Eversole dated March 17, 1906, recorded in Deedbook No 9, Page 122, conveys (2.5) two and five tenths acres owned by said Short lying on Med Short Branch.

THERE is excepted from the SECOND TRACT the Darby or "C" seam of coal that underlies the "Burgantown Subdivision", a plat of which is recorded in Map Book 1, Page 110, Harlan County Court Clerk's Office.

THE above five tracts of land lie contiguous to each other.

THE following are deeds of release and/or conveyances perfecting the title to said combined tracts:

Deed of release, J. B. Lewis and wife to Virgil Eversole dated October 12, 1934, recorded in Deedbook No 73, Page 206. Two small tracts of land lying on the watershed of Med Short Branch and possibly lapping on the watershed of Head's Creek and Laurel Branch. The John B. Lewis' obtained title to the two tracts of land under what is known as Fish and Dodge Patents.

The deed of release from the United States Coal and Coke Company to Virgil Eversole, dated December 15, 1931, and recorded in Deedbook No 70, Page 11 etc., and a deed from Virgil Eversole to United States Coal & Coke Company of the same date. These two conveyances were made as a compromise to settle a law suit pending at the time of G. A. Eversole's death against U. S. Coal & Coke Company.

The deed from J. B. Lewis and wife, J. A. Creech and wife to A. H. Kelly, dated October 15, 1917, recorded in Deedbook No 33, Page 373, quits claims the Fish and Dodge Patents title to the land conveyed to G. A. Eversole on McLoney Branch.

Deed from J. B. Lewis and wife, and J. A. Creech and wife dated October 15, 1917, recorded in Deedbook No 33, Page 388, quits claims the title under Fish and Dodge Patents in Panther Lick Branch.

A parcel of land conveyed LESSOR by B. F. Creech and other, which deed is recorded in the Harlan County Court Clerk's Office in Deedbook 93, Page 360, to which deed reference is made for a more particular description.

The herein described properties were inherited by Virgil Eversole from his father, G. A. Eversole. See affidavit of descent, dated December 20, 1930, recorded in Deedbook 68, Page 147.

THE above references are intended to include Tracts #13 and 14 as shown on the
- ---------
Virgil Eversole inheritance tax return by attached maps.

ARTICLE I

USE The LESSEE shall have the right to occupy and use so much of the surface of said premises as may be required to conduct its mining operations on the premises and to remove its coal therefrom, but for no other purposes whatsoever.

ARTICLE II

REFUSE The LESSEE shall have the right to deposit refuse from the mine workings of the seams hereby demised upon the surface of the leased premises, but must do so in accordance with the Reclamation laws of the Federal Government and the State of Kentucky, which may be in force from time to time. Said refuse is to be dumped or deposited on said land so as not to damage the surface any more than is necessary.

ARTICLE III

MINERAL AND TIMBER RESERVATIONS The LESSOR reserves the right to carry on by himself or agents or assigns, in and upon the leased premises such operations as the LESSOR may deem proper or convenient for or in connection with the discovery, extraction, utilization or removal of all natural gas, petroleum, oil, and other minerals, timber reserved, herein and all other products of the leased premises not specifically granted to the LESSEE, none of which are to unreasonably interfere with the rights granted LESSEE herein or any operation of LESSEE conducted in accordance with those rights.

ARTICLE IV

RESERVATIONS It is distinctly understood between the parties hereto that with the exception of seams and beds of coal hereby demised and the timber and surface rights hereby granted, the above described land, with all the rights and appurtenances thereunto belonging, shall be and remain the property of the LESSOR as fully as if this contract and lease had not been made, with full right in the LESSOR and his agents of ingress

and egress on the premises for the exercise of said reserved rights, PROVIDED, HOWEVER, that all rights reserved to the LESSOR are to be exercised so as not to unreasonable interfere with the operation which is carried on by the LESSEE hereunder.

ARTICLE V

MINIMUM ROYALTY The LESSEE covenants and agrees to pay to the LESSOR for the use and enjoyment of the premises aforesaid, irrespective of the amount of coal mined, a certain yearly rental of Thirty Thousand Dollars ($30,000.00), per annum, beginning six (6) months from date mining permit is approved or two (2) years from said date of lease, whichever come first, at the office of the LESSOR at Post Office Box 747, Harlan, Kentucky, 40831-0747, and if LESSEE begins to mine coal from the demised premises before said date, the Minimum Royalty is to begin.

ARTICLE VI

ROYALTY The LESSEE does further agree to pay to the LESSOR upon all coal mined from the premises herein described Eight (8%) of the gross sales price of coal, F. O. B. the tipple or sales agent or One Dollar and Fifty Cents ($l.50), whichever is greater, by the ultimate customer or the sales agency, before tax and sales commission has been deducted, same to be payable on the 20th day of each month following the month in which said coal is actually mined, a ton as used herein being equal to 2,000 pounds, however, it is understood and agreed between the parties hereto that the payment of the royalty for coal actually mined, as in this Article provided, shall pay protanto and be credited upon the annual Minimum rents or royalties hereinbefore provided for in Article V hereof.

ARTICLE VII

STRIKES, RIOTS, ETC. The LESSOR agrees that if at any time the said LESSEE shall be prevented from carrying out any or all of the covenants herein, by reasons of riots, strikes, epidemics, fires, fallure of rallway car supply, or for any cause beyond the LESSEE'S control, then the said annual Minimum Royalty herein provided for shall be reduced in proportion to the time lost by said interruptions caused by the said above causes and it is further agreed that the said Annual Minimum Royalty shall be suspended and abated during such times as the LESSEE'S mine on the leased premises shall be closed or out of operation.

ARTICLE VIII

STATEMENTS AND WEIGHTS The LESSEE shall furnish to the LESSOR on or before the 20th day of each month during the term of this lease, a statement showing the quantity or number of tons of coal mined from his property during the preceeding month. The LESSOR shall have the right to check the weighing and measuring of all coal and coal products mined from the premises hereby leased. The LESSOR shall also have the right at all reasonable times during the usual business hours to verify the correctness of the weights so certified to him by the LESSEE.

ARTICLE IX

ACCOUNTS AND RECORDS The LESSEE shall keep complete and accurate books of account and record all coal mined from the leased premises, and either shipped from or used upon said premises, and the said books and records shall at all reasonable times during the usual business hours be open to the inspection of the LESSOR, his authorized officer, agents, or assigns, for the purpose of comparing and verifying the accounts and statements rendered by the LESSEE as aforesaid.

ARTICLE X

REGULATIONS The workings by the LESSEE of the mine on the leased premises shall be governed by the following regulations:

WORKINGS

(a) The LESSEE shall work and mine the coal on the leased premises in a diligent, effectual and workmanlike manner, in conformity with approved and suitable methods of current mining, and in conformity also with all laws and all regulations made by authority of law which may from time to time be in force in respect of the workings of coal mines and the safety of employees therein, and the LESSEE will hold the LESSOR free from damage to persons or property resulting from the mining operations of the LESSEE hereunder.

POLLUTIONS

(b) The LESSEE will be responsible for any pollutions of streams which might result from coal and coal products, slack, dirt, slate, sawdust, and other waste materials deposited by the LESSEE on the leased premises; and the LESSEE shall indemnify the LESSOR and hold him harmless from ail claims, demands, judgments, and any other damage which might result from the mining of said coal, against him by reason of any such pollution and shall pay all cost and expenses incurred by the LESSOR in defending any such claim.

CLAIMS

(c) It is understood and agreed by the parties hereto that the foregoing indemnification provisions are limited to those claims, costs, fines, expenses and damages arising as a proximate result of action or inaction by the LESSEE, its agents or servants in connection with mining upon the leased premises.

(d) The LESSEE shall at all times keep the workings and works in secure and proper condition, suitable for the immediate continuance of mining and shipping coal therefrom to the full extent of their capacity.

SECURE CONDITION

ARTICLE XI

TIMBER The LESSOR reserves all the timber on the leased premises, except such timber as may be required by the LESSEE for building roads, tipples, and other structures necessary for mining said coal.

ARTICLE XII

CONTROL OF EMPLOYEES The LESSOR shall have no control over the employees of the LESSEE or the operations or other works on the leased premises.

ARTICLE XIII

RECOUP In the event the LESSEE shall fail during any year of the term of this lease to mine a sufficient quantity of coal from the leased premises, which at the royalty rate for coal actually mined, herein provided for, will fully pay the annual Minimum Royalty for such year, as herein set out, then and in such event, it is expressly agreed between the LESSOR and the LESSEE that the LESSEE shall have the privilege during the next succeeding Two (2) years of mining, free from royalties, a sufficient quantity of coal over and above the quantity required to yield the said annual minimum royalty, to reimburse itself for any deficiency that may have occurred during said year in which there was such a deficiency

ARTICLE XIV

WORKMAN'S COMPENSATION LESSEE shall operate under the terms and provisions of the Kentucky Workman's Compensation Act and to that end shall procure and keep in full force and effect Workman's Compensation Insurance.

ARTICLE XV

PUBLIC LIABILITY INSURANCE LESSEE shall procure and keep in full force and effect Public Liability Insurance with coverage limits of not less than One Hundred Thousand Dollars ($100,000.00) for personal injury per person, per accident or occurance and Three Hundred Thousand Dollars ($300,000.00) aggregate for personal injury per accident or occurance and Twenty-Five Thousand Dollars ($25,000.00) property damage per accident or occurance

ARTICLE XVI

SURVEYS The LESSEE agrees to make surveys of the developments carried on in the mine or mines on said premises from time to time by competent engineers at their own cost, and to show all of the same with entries, rooms, airways, outlets, croplines, and a section of the coal seam with its partings at distances of not more than 300 feet apart, along the tunnels, entries, and at working faces of rooms, on a map and furnish copies of same to LESSOR at Harlan, Kentucky at least twice each year, and LESSOR'S agents shall have reasonable access at reasonable times during the usual business hours to all of such maps retained by LESSEE for purposes herein set out.

ARTICLE XVII

INSPECTION The LESSOR, his 0fficers, engineers and agents with their assistances, shall have the right at all reasonable times to enter the leased premises and the mines and all works and buildings of the LESSEE whether upon or under the surface, in order to inspect, examine, survey, or measure the same or any part thereof, or for any lawful purpose; and for these purposes the LESSEE shall furnish without cost reasonable means of access.

ARTICLE XVIII

BEGINNING DATE The LESSEE agrees to begin development of the leased premises upon receipt of mining permit, and to drive the necessary entries, air courses, and passages in to the leased premises, such as to make their development of their coal mining operation practical and possible.

ARTICLE XIX

INDEMNIFY LESSOR The LESSEE shall indemnify the LESSOR against and hold him harmless from all loss, damage, claim, or liability caused by the act or default of the LESSEE or of any persons claiming through or under the LESSEE which claim arises from LESSEE'S operation on the leased premises.

ARTICLE XX

HAULAGE LESSEE is engaged in the mining and process of coal from other leaseholds in the vicinity of the subject leasehold, and in carrying out its overall mining plans and development, it may desire to transport refuse from these other nearby leaseholds and from its washing and processing plant on or across the subject leasehold to the refuse area designated on the attached map; in such case, the LESSEE may do so, at no cost to LESSEE. If merchantable coal has been mined and minimum not being paid the wheelage will be Fifteen Cents (15 cents) a ton.

ARTICLE XXII

LIEN LESSOR shall have a lien upon all the building, improvements, fixtures, machinery, appliances and property of all kinds which is owned by the LESSEE or which is used in mining, handling, and hauling of the coal mined from the leased premises for the payment of all rents, royalties, and other monies which may at any time become due from the LESSEE to the LESSOR hereunder; which lien shall be prior and superior to any and all other liens on or rights in said buildings, improvements, fixtures,

machinery, and other property except as by law provided to the contrary.

ARTICLE XXII

LANDLORD REMEDIES All rents, royalties and other monies which may at any time become due from the LESSEE to the LESSOR hereunder shall be deemed and treated as rents reserved for the use of the leased premises; and the LESSOR shall have in respect thereof all the rights and remedies of a Landlord for the recovering of rents under the law of the State of Kentucky.

ARTICLE XXIII

ADDRESS CHANGE Each of the parties shall keep the other informed of an address to which any notice shall be deemed effectively given if personally delivered or mailed in a sealed wrapper with postage prepaid to such address.

ARTICLE XXIV

ENGINEERS The words "Engineer of the LESSOR" whenever used herein shall mean any engineer whom the LESSOR shall designate as authorized to act for him in respect of the particular matter referred to; and such designation may be changed from time to time by the lessor, and different engineers may be designated by him in respect of different matter.

ARTICLE XXV

SUCCESSORS All the terms provisions, conditions, covenants, obligations, reservations and restriction in this lease contained shall be binding upon and inure to the benefit of the successors, legal representatives and assigns, of the parties hereto respectively.

ARTICLE XXVI

TERMINATION At the termination of this lease the LESSEE has the right to remove all the working tools, instruments used in mining, machinery, steel tipples, coal bins, engines, boilers, fans, pumps, ropes, weighing scales, railes, and all other personal property places upon the premises by the LESSEE. All other permanent improvements places upon the premises shall become the property of the LESSOR and the LESSEE does not have the right to remove such appurtenances. The LESSEE shall not remove the property until all rents and royalties and other monies due the LESSOR are paid and the agreements of this lease are fully complied with.

ARTICLE XXVII

TRANSFER The LESSEE shall not have the right to transfer this lease to any person, partnership, firm or corporation without the written consent of the LESSOR having first been obtained. In the event the LESSOR agrees that LESSEE may transfer said lease, he agrees that he will not unreasonable withhold such permission.

ARTICLE XXVIII

TAXES The LESSEE further agrees to assess and pay all taxes levied upon the improvements, fixtures, and machinery places on the property by the LESSEE and the LESSOR is to pay all taxes levied upon or assessed against the real property hereby leased. As long as the lease is in effect the coal is to be considered property of the LESSEE and all Taxes levied against coal is to be paid by LESSEE.

ARTICLE XXIX

INTOXICATING LIQUORS Neither the LESSEE nor the LESSOR shall authorize or knowingly permit the introduction, sale or barter of intoxicating liquors upon the leased premises, or upon any lands adjacent thereto which may be owned or controlled

by the LESSEE or by the LESSOR respectively.

ARTICLE XXX

BREACH Should any breach of the provisions of this contract be made by LESSEE and the LESSOR shall not avail himself of the right of the forfeiture herein provided, such failure to do so shall not be held or taken to be a wavier of any other failures, default or defaults thereafter occurring.

ARTICLE XXXI

CANCELLATION This lease shall at the option of the LESSOR be forfeited and become null and void:

BANKRUPTCY - INSOLVENCY - REQUIRED TO MINE COAL

(1) If the LESSEE shall make any assignment for the benefit of creditors or voluntarily go into bankruptcy; or shall suffer any judgment or attachment to be entered or filed against said premises or any of the property thereon and shall not within Sixty (60) Days thereafter either secure or discharge the same; or shall by reason of bankruptcy or insolvency or otherwise become incapable of fulfilling any of the terms, conditions, and covenants of this lease.

(2) If the LESSEE does not mine coal from the leased premises for a period of Sixty (60) after Beginning Date, unless he is prevented from doing so for the reasons set out in Article VII hereof.

ARTICLE XXXII

LESSOR'S OPTION TO CANCEL Should the LESSEE fail for a period of Thirty (30) Days after royalty shall become due and payable to pay said royalty herein provided, or fail to perform any of the covenants, agreements, or stipulations herein contained, then the LESSOR shall have the right and

option to cancel this lease upon giving the LESSEE Thirty (30) Days written notice by Certified Mail of his intention to do so, however, if the covenants, agreements, and stipulations complained of by the LESSOR are corrected by LESSEE within Thirty (30) Days after notice is received, the LESSEE may avoid such forfeiture.

ARTICLE XXXIII

LESSEE'S RESPONSIBILITY LESSEE agrees to be responsible and to hold the LESSOR free and harmless from all claims of damage to other property or persons resulting from the mining, deposit or dumping of refuse from the mines or workings upon the surface of said land.

ARTICLE XXXIV

RAILROAD WEIGHTS Railroad weights shall govern all settlements for royalty on coal marketed by rail, except any of same that may be mixed with coal mined from other properties, and in that event such coal shall be weighed on LESSEE'S mine belt or tipple scales, or by measuring the worked out areas each month by a competent engineer to determine the weight and/or tons of coal removed during the preceding calendar month, upon which said royalty is to be paid. Said weights are to be certified to the LESSOR by the LESSEE and any such coal otherwise marketed shall be settled for on the same weighed basis as that for which LESSEE received pay.

ARTICLE XXXV

CO-MINGLED It is understood that if coal from the herein leased premises shall be dumped over the same tipple with coal mined from other properties or which may also be owned by or under lease to said LESSEE, thereby mixing same and preventing the royalty accounting for such coal on the basis of railroad weights, that as to such coal so mixed the LESSEE agrees to keep a separate account and use separate and clearly

distinct check numbers, car or truck numbers for the coal removed from the herein leased premises from the check, car, or truck number of coal removed from other premises and as stated above, settlement for such coal shall be made by weighing the coal over the scales at the headhouse or the tipple.

ARTICLE XXXVI

GENERAL WARRANTY - The LESSOR warrants generally his title to the said mineral and does hereby covenant with the LESSEE that he is seized in title to said mineral; that he has full power, right and authority to lease or otherwise alien the same; that same is free and clear of any and all liens and encumbrances and that the LESSEE shall have quiet and peaceful possession and enjoyment of the said property for the purposes herein set out.

IN TESTIMONY WHEREOF, the LESSOR has hereunto affixed his signature, and the LESSEE has caused this instrument to be executed by Mountain Land and Reclamation, Inc., this the day and year first hereinabove written.

(Executed in Duplicate)

This investment prepared by:
Clark Bailey
Harlan, Ky. 40831

BY: /s/ Clark Bailey EXECUTOR

VIRGIL EVERSOLE ESTATE LESSOR

MOUNTAIN LAND AND RECLAMATION, INC.

/s/ John Baugues

JOHN BAUGUES PRESIDENT

STATE OF KENTUCKY:

COUNTY OF HARLAN:

I, Joan S. Yeary, Notary Public in and for the State and County aforesaid do hereby certify that the foregoing Lease Contract from VIRGIL EVERSOLE ESTATE, by CLARK BAILEY, EXECUTOR, to MOUNTAIN LAND AND RECLAMATION, INC., was produced to me in my said County and State and was therein before me acknowledged by VIRGIL EVERSOLE ESTATE, by CLARK BAILEY, EXECUTOR, to be his act and deed and by John Baugues, President MOUNTAIN LAND AND RECLAMATION, Inc. to be their act and deed.

GIVEN UNDER MY HAND AND NOTARIAL SEAL, this the 21st day of November, 1988.

/s/ Joan S. Yeary

NOTARY PUBLIC - State at Large, Ky.

My commission expires:
15th day of Jan., 1990.

ASSIGNMENT OF LEASES

THIS ASSIGNMENT OF LEASES (the "Assignment"), made and entered into this the 13th day of September, 1991, by and between Mountain Land & Reclamation Services, Inc. (also known as Mountain Land and Reclamation, Inc.), a Tennessee corporation (hereinafter "Assignor") and Ark Land Company, a Delaware corporation (hereinafter "Assignee").

W I T N E S S E T H:

WHEREAS, by Agreement of Purchase and Sale of Assets dated September 13, 1991 between Assignor, Assignee and Pine Mountain Coal Company (hereinafter "Asset Agreement"), Assignor agreed to assign to Assignee, upon the terms set forth in the Asset Agreement those certain leases identified on Schedule A, copies of which are attached hereto and incorporated herein by reference (the "Leases");

NOW, THEREFORE, for Ten Dollars ($10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor has bargained and sold and does hereby transfer, assign, set over, deliver, release and relinquish unto Assignee, its successors and assigns, all of its right, title and interest in and to the Leases.

TO HAVE AND TO HOLD the Leases and all rights and privileges of Assignor incident thereto or accruing thereunder together with ail rights and privileges appurtenant thereto, unto Assignee, its successors and assigns forever.

In consideration of and as an inducement to Assignee to purchase and take assignment of the Leases, Assignor has made

certain representations, warranties and covenants which are contained in the Asset Agreement. In lieu of restating all of said representations, warranties and covenants, Assignor hereby incorporates by reference all of the representations, warranties and covenants on the part of Assignor contained in the Asset Agreement, to the same extent as if said representations, warranties and covenants were specifically set forth herein.

Assignee covenants and agrees with Assignor to assume all of Assignor's rights and obligations under the Leases arising on or after the date hereof, together with such other rights and obligations which Assignee agreed to assume in the Asset Agreement, to the same extent as if said rights and obligations were specifically set forth herein.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date and year first above written.

MOUNTAIN LAND & RECLAMATION SERVICES, INC.

By: /s/ John P. Baugues

Its: President

ARK LAND COMPANY

By: /s/ Steven E. McCurdy

Its: President

State of Tennessee)
: SS
COUNTY OF KNOX)

The foregoing instrument was acknowledged before me this 11th day of September, 1991, by /s/ John P. Bauguesh of Mountain Land & Reclamation Services, Inc., its President.

My commission expires: 10/17/94.

/s/ John P. Bauguesh

NOTARY PUBLIC

COMMONWEALTH OF MISSOURI)
: SS
COUNTY OF St. Charles)

The foregoing instrument was acknowledged before me this 16th day of September, 1991, by Steven E. McCurdy of Ark Land Company, its President.

My commission expires: 3/4/95.

SHELLEY J. MACKIEWICZ
NOTARY PUBLIC STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXP. March 4, 1995

/s/ Shelly J. Mackiewicz

NOTARY PUBLIC

THIS INSTRUMENT PREPARED BY:

/s/ John R. Rhorer, Jr.

John R. Rhorer, Jr.
WYATT, TARRANT & COMBS
Lexington Financial Center
250 West Main Street
Lexington, Kentucky 40507
(606) 233-2012

SCHEDULE A

1. Lease Contract dated November 16, 1988 by and between William C. Francis, agent for Sally Bailey Francis heirs, as lessor and Mountain Land and Reclamation, Inc., as lessee.

2. Supplemental Lease dated May 16, 1989 by and between William C. Francis, agent for Sally Bailey Francis heirs, as lessor and Mountain Land and Reclamation, Inc., as lessee, supplementing Lease No. 1 above.

3. Supplemental Lease dated August 25, 1991 by and between William C. Francis, agent for Sally Bailey Francis Heirs, as lessor and Mountain Land & Reclamation, Inc. as lessee, supplementing Lease No. 1 and 2 above.

4. Lease Contract dated November 21, 1988 by and between Virgil Eversole Estate, by Clark Bailey, executor, as lessor and Mountain Land and Reclamation, Inc., as lessee.

AMENDMENT TO LEASE CONTRACT

THIS AMENDMENT is made and entered into this 23rd day of December, 1992, by and between THE ESTATE OF VIRGIL EVERSOLE, by and through its duly appointed Executor, Clark Bailey ("Lessor"), and ARK LAND COMPANY ("Ark"), a Delaware corporation.

****RECITALS****

By Lease Contract dated November 21, 1988 (the "Lease Contract"), Lessor leased to Mountain Land and Reclamation, Inc., predecessor to Ark, all of the seams of coal (excluding the Highsplint seam of coal conveyed to United States Coal & Coke Company by deed dated January 17, 1935 recorded in Deed Book 73 at Page 477 in the Harlan County Clerk's Office) underlying certain property located in Harlan County, Kentucky.

Lessor and Ark wish to amend the Lease Contract in accordance with the terms set forth in this Amendment.

For and in consideration of the mutual promises and covenants contained in the Lease Contract and in this Amendment, Lessor and Ark agree as follows:

****

1. Article VI shall be deleted and shall be replaced to read as follows:

   The LESSEE does further agree to pay to the LESSOR as tonnage royalty the greater of six percent (6%) of the gross sale price for each ton (2,000 lbs.) of coal mined from the premises and sold to the ultimate consumer or One Dollar and Fifty Cents ($l.50) per ton. For purposes of calculating tonnage royalties, gross sales price shall be defined as the actual price at which the coal mined from the leased premises is sold f.o.b.

tipple, in an arms-length transaction to the ultimate consumer, less costs for transportation from the mine mouth to the tipple but without deduction for taxes and sales commission. Tonnage royalties shall be calculated on a clean or washed basis and shall be due and payable on or before the 20th day of the month following the month in which the coal is mined and sold from the premises.

2. Article XIII shall be deleted and shall be replaced to read as follows:

Minimum Royalties paid pursuant to Article V shall be fully recoupable during the term of this Lease against tonnage royalties as they become due and payable pursuant to Article VI of the lease.

Lessor and Ark understand and agree that any Minimum Royalties paid and not recouped as of the effective date of this Amendment may be recouped over the entire term of the Lease.

3. Article XXVI shall be amended to include the following language at the end of such Article:

LESSEE shall have the right, without further rent, royalty or charge, to enter on and upon the surface of the leased premises after the expiration or termination of the lease for the limited purpose of conducting, in a timely manner and in accordance with applicable law, all reclamation and related work necessary to secure final reclamation bond release until such time as final bond release is obtained.

4. The first sentence of Article XXVII shall be deleted and replaced to read as follows:

The LESSEE shall not have the right to transfer this lease to any person, firm or corporation without the written consent of the LESSOR having first been obtained; provided, however, LESSEE may, without the

prior written consent of the LESSOR, assign, sublease or transfer this lease or any interest herein to the parent or any affiliate of the LESSEE.

5. This Amendment shall be effective November 16, 1992.

6. The Lessor acknowledges receipt of payment of Minimum Royalties due November 16, 1992 and further acknowledges that no other payments are currently due and owning from LESSEE to LESSOR under the Lease Contract.

7. All terms of the Lease Contract, as amended, shall remain in effect.

The parties have caused this Amendment to be executed the date set forth on page one.

ESTATE OF VIRGIL EVERSOLE

By:/s/ Clark Bailey

CLARK BAILEY, as Executor

ARK LAND COMPANY

By:/s/ Michael D. Bauersachs

Title: Vice President

ARK
LAND
COMPANY

(MAILING ADDRESS)
P.O. BOX 4187
FAIRVIEW HEIGHTS, ILLINOIS
62208
(618) 236-5920
(618) 236-9086 (FAX)

STEVEN E. McCURDY
Executive Vice
President

(SHIPPING ADDRESS)
956 SOUTH 59TH STREET
BELLEVILLE, ILLINOIS
62223

November 11,1994

Mr. Clark Bailey
Executor for the Virgil Eversole Estate
P.O. Box 270
Harlan, KY 40831
PERSONAL AND CONFIDENTIAL

RE: Lease Contract dated November 21, 1988 between the Virgil Eversole Estate, as lessor, and Ark Land Company (predecessor to Mountain Land and Reclamation, Inc.), as lessee (KY-7073)

Dear Clark:

Thank you for your recent phone call regarding minimum royalties due under the above lease. As you indicated, you have agreed on behalf of the Eversole Estate to allow Ark to pay all minimum royalties in arrears for the remainder of the term of the lease. Therefore, minimum royalties for the lease year commencing November 21, 1994 shall be due and payable on or before December 21, 1995. Minimum royalties for each year thereafter shall be due and payable on or before December 21 of the immediately succeeding lease year. Ark shall be allowed to credit tonnage royalties due in any lease year against its minimum royalty obligation for such lease year, and in accordance with the terms of the lease, Ark shall be allowed, after payment of its minimum royalty obligation for any lease year, to recoup any unrecovered balance of minimum royalty over the remaining term of the lease.

Please sign this letter in duplicate where indicated below if you are in agreement with my understanding of this matter and return one original to me. I understand that you will also return the check tendered to you for the minimum royalty due November 21, 1994 along with this letter agreement. Thank you for bringing this matter to my attention.

Very truly yours,

/s/ Steven E. McCurdy

Steven E. McCurdy

AGREED TO THIS 16th DAY OF NOVEMBER, 1994.

/s/ Clark Bailey
- ----------
Clark Bailey, Executor for the
Estate of Virgil Eversole

AMENDMENT TO LEASE CONTRACT

THIS AMENDMENT is made and entered into this 26th day of August, 1995, by and between The Estate of Virgil Eversole, by and through its duly appointed Executor, Clark Bailey ("Lessor"), and ARK LAND COMPANY ("Lessee"), a Delaware corporation.

W I T N E S S E T H:

WHEREAS, by Lease Contract dated November 21, 1988, as variously amended, Lessor leased to Mountain Land and Reclamation, Inc., predecessor to Lessee, all of the coal (excluding the Highsplint seam of coal) underlying certain property located in Harlan County, Kentucky (the "Premises").

WHEREAS, Lessor and Lessee wish to amend the Lease Contract in accordance with the terms set forth in this Amendment.

For and in consideration of the mutual promises and covenants contained in the Lease Contract and in this Amendment, Lessor and Lessee agree as follows:

1. For each and every ton of coal mined and removed from the Premises, Lessee shall be entitled to deduct from the gross realization upon which tonnage royalty is calculated a total of Two Dollars ($2.00) per ton as transportation costs regardless of the method of transporting the coal from the mine mouth to the tipple and regardless of the actual transportation costs incurred by Lessee, if any, in transporting the coal from the mine mouth to the tipple.

2. All other terms of the Lease Contract, as amended, shall remain in effect.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed the date set forth above.

Estate of Virgil Eversole

By: /s/ Clark Bailey

Clark Bailey, Executor

Ark Land Company

By: /s/ Steven E. McCurdy

Its: Exec. Vice President

EXHIBIT 10.8

DEED OF LEASE AND AGREEMENT

JUNE 1, 1962

Between

DINGESS-RUM COAL COMPANY

and

AMHERST COAL COMPANY

THIS DEED OF LEASE AND AGREEMENT, Made this 1st day of June, 1962, by and between DINGESS-RUM COAL COMPANY, a West Virginia corporation, party of the first part, sometimes hereinafter called "Lessor" or "Dingess-Rum", and AMHERST COAL COMPANY, a West Virginia corporation, party of the second part, sometimes hereinafter called "Lessee" or "Amherst";

WHEREAS, Amherst is a coal mining tenant of Dingess-Rum on certain lands situate in Logan and Triadelphia Districts, Logan County, West Virginia, on the waters of Rum Creek and Buffalo Creek, tributaries of the Guyandot River, under two leases generally referred to as the "McGregor Lease" and the "Rum Creek Lease", which said McGregor Lease was first made by Dingess-Rum Coal Company to McGregor Coal Company by Deed of Lease and Agreement dated August 14, 1911, and of record in the Office of the Clerk of the County Court of Logan County, West Virginia, in Deed Book 35 at Page 201, and which Rum Creek Lease was originally made by Dingess-Rum Coal Company to Rum Creek Coal Company by Indenture of Lease dated January 1, 1924, and of record in said Clerk's Office in Deed Book 74 at Page 197, and which leases, as amended and supplemented from time to time, were successively assigned to Logan County Coal Corporation, sometimes herein called "Logan County", and the corporate name of Logan County has been changed to the corporate name "Amherst Coal Company", and said leases, as amended and supplemented prior to their assignments to Logan County by the agreements next hereinafter recited and as further amended and supplemented by agreements between Dingess-Rum and Logan County and/or Amherst next hereinafter recited, constitute the leases under which Amherst is now a coal mining tenant of Dingess-Rum and describe the lands of which Amherst is the coal mining tenant of Dingess-Rum:

Reference is made to:

1. Deed dated October 8, 1926, between Dingess-Rum and Lawson Heirs Incorporated, parties of the first part, Logan County, party of the second part, Altizer Coal Land Company, party of the third part, and Buffalo Eagle Collieries Company, party of the fourth part, recorded in said Clerk's Office in Deed Book 88 at page 384. (Said deed being followed by exchange of all coal in the five tracts described by virtue of the deed dated December 23rd, 1927, between Altizer Coal Land Company and Buffalo Eagle Collieries Company, parties of the first part, and Dingess-Rum and Lawson Heirs Incorporated, as parties of the second part, recorded in said Clerk's Office in Deed Book 88, page 381, and of deed dated December 23rd, 1927, between Dingess-Rum and Lawson Heirs Incorporated, parties of the first part, and Altizer Coal Land Company (party of the second part), recorded in said Clerk's Office in Deed Book 283, at page 143, and also deed from Lawson Heirs Incorporated to Dingess-Rum, dated December 31, 1936, and of record in said Clerk's Office in Deed Book 111, at page 305.)

2. Supplemental Indenture of Lease (relating to McGregor Lease) dated as of January 1, 1937, between Dingess-Rum as Lessor and Logan County as Lessee, recorded in said Clerk's Office in Deed Book 115 at Page 37 et seq., and the instruments and agreements therein mentioned (the deed of October 12, 1914, from Dingess-Rum and McGregor Coal Company to Board of Education, Logan District, mentioned in said Supplemental Indenture, is recorded in said Clerk's Office in Deed Book 43 at Page 299, and the Deed from Lawson Heirs Incorporated conveying two certain

tracts of land to Lessor, also mentioned in said Supplemental Indenture, is dated December 31, 1936, and is recorded in said Clerk's Office in Deed Book 111 at page 305 et seq.). (The terms and conditions of the McGregor Lease are superseded by this lease.)

3. Supplemental Indenture of Lease (relating to Rum Creek Lease) dated as of January 1, 1937, between the same parties, recorded in said Clerk's Office in Deed Book 115 at page 53, et seq., and the instruments and agreements therein mentioned (the deed recited in Item 2 of the Supplemental Indenture between Rum Creek Coal Company, The Pennsylvania Company For Insurances On Lives And Granting Annuities, Trustee, and Dingess-Rum, recorded in said Clerk's Office in Deed Book 94 at page 483, is dated April 11, 1928, instead of April 12, 1928, as recited in said Supplemental Indenture, and the Deed of Assignment from Rum Creek Coal Company to Logan County Coal Corporation mentioned as Item 4 in said Supplemental Indenture is dated May 1, 1930, and is recorded in said Clerk's Office in Deed Book 95 at page 257). (The terms and conditions of the Rum Creek Lease are superseded by this lease.)

4. Agreement dated as of January 1, 1937, between Dingess-Rum as Lessor and Logan County as Lessee and The Pennsylvania Company For Insurances On Lives And Granting Annuities, Trustee, and certain Bondholders owning first mortgage sinking fund gold bonds, Series A, 7%, due 1942 of Logan County and certain Noteholders owning 3-year secured 7% gold notes of Logan County, recorded in said Clerk's Office in Deed Book 115 at page 62 et seq., said Agreement relating to McGregor Lease and to Rum Creek Lease. (Said

bonds and notes have been fully paid and the terms and conditions of said Agreement are superseded by this lease.)

5. Deed between Boone County Coal Corporation, Dingess-Rum, Logan County, West Virginia Gas Corporation and Guaranty Trust Company of New York, dated January 15, 1938, recorded in said Clerk's Office in Deed Book 119 at page 318.

6. Deed and Agreement between Boone County Coal Corporation, Dingess-Rum, Lawson Heirs Incorporated, Altizer Coal Land Company, Logan County, West Virginia Gas Corporation, Guaranty Trust Company of New York and The Pennsylvania Company For Insurances On Lives And Granting Annuities, dated August 31, 1940, and recorded in said Clerk's Office in Deed Book 137, page 265.

7. Supplemental Lease dated November 14, 1952, by Dingess-Rum to Amherst, recorded in said Clerk's Office in Deed Book 223 at page 335.

8. Supplemental Lease dated February 25, 1953, from Dingess-Rum to Amherst, recorded in said Clerk's Office in Deed Book 273 at page 58. (Said Supplemental Lease is no longer effective as to the mining of coal, but is to continue in effect insofar as the right of Amherst to move No.5 Block coal over the leased premises and the premises included in said supplemental lease is concerned.)

9. Deed between Dingess-Rum, Logan County and the Board of Education of the County of Logan, dated May 29, 1941, recorded in said Clerk's Office in Deed Book 143 at page 57.

10. Deed between Dingess-Rum, The Chesapeake and Ohio Railway Company, Logan County and The Pennsylvania Company For Insurance On Lives And Granting Annuities, dated September 2, 1942, recorded in said Clerk's Office in Deed Book 145 at page 319.

11. Deed between Dingess-Rum, Appalachian Electric Power Company and Logan County dated March 12, 1946, recorded in said Clerk's Office in Deed Book 171 at page 431.

12. Deed between Dingess-Rum, The Chesapeake and Ohio Railway Company and Logan County dated October 16, 1948, and recorded in said Clerk's Office in Deed Book 200 at page 221.

13. Agreement between Dingess-Rum, Logan County and Appalachian Electric Power Company dated December 8, 1951, and recorded in said Clerk's Office in Deed Book 27 at page 46.

14. Surrender Agreement between Dingess-Rum and Amherst dated February 25, 1953, and recorded in said Clerk's Office in Deed Book 224 at page 271. (This Agreement remains in effect except as specifically modified by this lease.)

15. Deed of Exchange between Dingess-Rum, The Chesapeake and Ohio Railway Company and Amherst dated September 27, 1961, and recorded in said Clerk's Office in Deed Book 282 at page 379.

16. Memorandum of Agreement dated December 30, 1941, between Dingess-Rum and Logan County, covering payment for

certain areas of unmined Chilton seam of coal, not recorded. (Said agreement is not superseded by this lease.)

17. Letter Agreements between Logan County, Dingess-Rum and The Youngstown Mines Corporation dated June 5, 1942, and June 13, 1942, relating to the use of 2.2 acres of surface land at the mouth and to the north of the second Right Hand Fork of Rum Creek for a refuse dump for Logan County, which Agreements are to continue effective according to their terms.

18. Memorandum of Agreement between Dingess-Rum and Logan County dated January 5, 1944, and not recorded, granting wheelage rights with respect to the No.5 Block seam of coal on the adjoining property of Boone County Coal Corporation and providing for the payment of wheelage as therein set forth. (Said Agreement being fully covered by the provisions of this agreement is hereby declared and agreed to be no longer effective.)

19. Letter Agreement between Dingess-Rum and Logan County dated February 11, 1946, not recorded, granting to Lessee the right to mine about 6 acres of coal on adjoining property of Dingess-Rum formerly leased to Georges Creek Coal Company and also granting to Logan County while mining said area the right to haul coal from adjoining land of Boone County Coal Corporation to Logan County's tipple at Slagle on the leased premises (this Agreement has expired and is no longer effective, the haulage rights with respect to No.5 Block seam of coal from adjoining land of Boone County Coal Corporation being covered by the terms of this agreement).

20. Agreement dated April 9, 1962, not recorded, between Dingess-Rum and Amherst extending the terms of the McGregor and Rum Creek leases for one additional year.

Nothing contained herein is intended to affect or modify such rights as may be vested in Robert M. Lawson et al or their heirs, lessees or assigns under those certain Articles of Agreement dated October 2, 1911, between Dingess-Rum and said Lawson et al, recorded in said Clerk's Office in Deed Book 35 at page 327, with respect to certain transportation rights for coal and timber removed from the 1450 acre Anthony Lawson survey (situated on the divide between the waters of Rum Creek and the waters of Spruce Fork of Coal River and adjoining the lands of Dingess-Rum) over the land of Dingess-Rum to the railroad on Rum Creek (said 1450 acre tract being now leased to Amherst for coal mining purposes); and nothing contained herein is intended to affect or modify such rights as may be vested in Lawson Heirs Incorporated or in Amherst under a certain coal mining lease from Lawson Heirs Incorporated as lessor to Logan County as lessee, to which Dingess-Rum was a party, said lease being dated the 1st day of January 1931 and recorded in said Clerk's Office in Deed Book 263 at page 274; and nothing contained in this paragraph is intended as an impairment of Amherst's obligation herein contained to pay to Dingess-Rum 3c per gross ton on coal from said 1450 acre tract brought by Amherst over Dingess-Rum's premises hereby leased to the railroad on Rum Creek, it being understood that the additional 1c per ton hereinafter provided is being paid by Amherst for other considerations; and

WHEREAS, Amherst and its predecessor lessees have operated said lands for coal mining purposes and Amherst is now so operating the same and has on the property of Dingess-Rum extensive facilities for the mining, transporting, cleaning, grad-

ing, drying and otherwise processing, storing, and loading into railroad cars, of coal, and for the disposal of mine rock, washing and other refuse, including, but not exclusive of others, tipples, washers, driers, and aerial trams, houses, shops, warehouses, stores and other accessory buildings, mine tracks, roads, power lines, sub-stations, and other facilities used in and in connection with its mining operations; and

WHEREAS, said McGregor and Rum-Creek leases, as amended and supplemented, except for the aforesaid agreement between Dingess-Rum and Amherst dated April 9, 1962, extending the terms of said leases for one additional year, would have expired and terminated on the 31st day of December, 1963, and now expire and terminate after one additional year, unless renewed and extended, and under the said McGregor and Rum Creek leases Amherst has the right to renew said leases and to extend the leasehold estates now held by Amherst thereunder, and it is the desire of Amherst to continue its coal mining operations and rights of coke making thereafter on said Dingess-Rum lands and that said leasehold estates be continued and extended, and it is the desire of Dingess-Rum that Amherst continue its operations thereafter and that said leasehold estates be continued and extended, and the parties agree that it is for the best interests of each that the said leases as so amended and supplemented and the leasehold estates existing thereunder be merged and consolidated to the end that the lands comprised by the same shall hereafter constitute a single leasehold to be operated hereafter under a single deed of lease and agreement, and that it is for the best interests of each of the parties that the terms and conditions under which Amherst shall hereafter hold and operate said merged, consolidated, continued, and extended leasehold be embodied in a single and all-comprehensive agreement, and that such single and all-comprehensive agreement merge, consolidate, continue, and extend said

leasehold estates and provide the terms and conditions under which Amherst shall hereafter hold and operate said merged, consolidated, continued, and extended leasehold estate, and fully supersede the terms and conditions under which Amherst has heretofore held and operated the McGregor and the Rum Creek leasehold estates, and fully supersede the said existing McGregor and Rum Creek lease agreements as they have been supplemented and amended from time to time; and the parties have, in consideration of the mutual covenants and provisions herein contained, agreed upon the merger, consolidation, continuation, and extension of said leasehold estates and the terms and conditions upon which the lands embodied in the merged, consolidated, continued, and extended leasehold estate shall be held and operated as herein set forth;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

I.

MERGER OF LEASES AND LEASEHOLD ESTATES

Said McGregor lease and said Rum Creek lease, as each heretofore has been supplemented and amended, and the leasehold estates existing thereunder, are hereby merged and consolidated into one lease and one leasehold estate, and as a merged and consolidated lease and leasehold estate are continued and extended by this Deed of Lease and Agreement, which may be hereinbefore and hereafter referred to as "this lease " or as the "Amherst Lease" or as "this agreement"; and which said leasehold estate so merged, consolidated, continued, and extended may be hereafter referred to as "this leasehold" or the "Amherst Leasehold"; and Amherst shall hold and operate said merged, consolidated, continued, and extended leasehold estate upon the terms and conditions herein set forth, and which terms and con-

ditions shall constitute the full and complete agreement of the parties hereto and shall fully supersede all the terms and conditions heretofore embodied in the said McGregor lease and the said Rum Creek lease, as each has been supplemented and amended heretofore, under which Amherst has heretofore held and operated said McGregor and Rum Creek leasehold estates.

II.

PROPERTY

In consideration of the terms, conditions, and covenants hereinafter set out and to be kept and performed by the said Lessee, the said Lessor does hereby demise, let, and lease unto the said Lessee, for coal mining and the making of coke and other coal products, and including the right and privilege during the term hereof to take, operate, transport, prepare, process, and dispose of, as herein more fully set out, therefrom, all of the coal therein, thereon, and thereunder, and subject to the exceptions, reservations, covenants, and conditions hereinafter contained, all that certain tract of land situate and located on the waters of Rum Creek and Buffalo Creek in Logan and Triadelphia Districts of Logan County, West Virginia, which is bounded and described as follows:

BEGINNING at a point on the left side of Rum Creek approximately 2,000' above the mouth of the Second Right Hand Fork of Rum Creek, thence running up said creek

1. N. 34 degrees 51' E 370.2' to a point; thence

2. N. 71 degrees 45' E 770' to a point; thence

3. N 36 degrees 46' E 836.3' to a point; thence

4. N 35 degrees 05' E 366.27' to a point; then crossing said Rum Creek at right angles and up the North Mud Lick Branch

5. S 50 degrees 39' E 702.32' to a point in said North Mud Lick; thence leaving said North Mud Lick

6. N 2 degrees 40' W 736.84' to a point on the right side of Rum Creek; thence up said Rum Creek

7. N 33 degrees 58' E 1,360' to a point; thence

8. N. 42 degrees 28' E 534.79' to a point; thence

9. N. 61 degrees 58' E 247.65' to a point; thence

10. N 61 degrees 58' E 680.0' to a point; thence

11. N 2 degrees 30' E 247.57' to a point near Rum Creek; thence

12. N 67 degrees 39' E 651.2' to a point; thence

13. N 78 degrees 16' E 273.11' to a point; then crossing Rum Creek

14. N 14 degrees 35' W 194.05' to a point; thence

15. N 89 degrees 58' E 634.6' to a point; thence

16. N 83 degrees 45' E 1,075.9' to a point; thence

17. S 34 degrees 5' E 333.6' to a point near Rum Creek; thence

18. S 74 degrees 35' E 840.55' to a point; thence

19. S 69 degrees 13' E 1,039.' to a point near the mouth of Cub Fork; thence leaving Rum Creek and up the mountain

20. N 40 degrees 27' E 6,972.40' crossing the mountain and through the head of Rock House Branch on Dingess Run to a double black pine corner on the main ridge between Dingess Run and Spruce Fork; then

21. S 30 degrees 21' 6" E 255.7' to a set stone on said ridge; thence leaving said ridge

22. S 54 degrees 9' 31" E 7,172.37' to a set stone in the Right Fork of Garland Fork; thence back up Garland Fork

23. S 77 degrees 0' W 114.05 to a set stone with a double apple tree witness; thence

24. N 78 degrees 17' 25 W 1,934.15' to a small maple with a walnut and gum witness; thence

25. S 47 degrees 11' 20" W 1,214.4' to a chestnut oak on a ridge; thence

26. S 11 degrees 35' W 3,439.18' to a point on the main ridge; thence

27. S 52 degrees 33' E 6,388.2' to a point; thence

28. S 86 degrees 41' E 1,433.2' to a stake; thence

29. S 5 degrees 13' 4" W 1,036.6' to a stake; thence

30. S 31 degrees 45 W 2,530.0' crossing Rum Creek near the head of the hollow and up the mountain to a set "T" rail at a stone pile on a ridge; thence

31. S 43 degrees 8' 36" W 571.63' to a point; thence

32. N 46 degrees 51' W 150.0' to a point; thence

33. S 43 degrees 8' 36" W 4,145.04' to a stake; thence

34. S 79 degrees 10' 49" W 556.45' to a point witnessed on a black oak; thence

35. S 52 degrees 36' 04" W 454.71' to a point by a chestnut oak; thence

36. S 43 degrees 02' 30" W 2695.55' to a stake; thence

37. S 11 degrees 3' E 1,295.05' to a point above the fork of the Right Fork of Hinchman Hollow; thence crossing said Right Fork

38. S 21 degrees 5' W 165.0' to a point in the fork of Right Fork of Hinchman Hollow; thence down the right fork of said hollow

39. S 1 degrees 05' W 825.0' to a point; thence

40. S 39 degrees 47'40" W 2,013.96' and crossing Hinchman Hollow just below the forks to a point on the mountain ridge to a hickory and chestnut oak; thence down the ridge between Rum Creek and Buffalo Creek

41. S 79 degrees 22' W 331.37' to a stake; thence

42. N 71 degrees 0' W 300.0' to a stake; thence

43. N 69 degrees 57' 45" W 2,006.24' to a chestnut oak which is gone; still following the ridge

44. N 83 degrees 15' 18" W 4,372.28' to a 30" chestnut at the ridge fork at the head of Hinchman Hollow and head of First Right Fork of Rum Creek; thence more or less with the main ridge

45. S 68 degrees 38' 22" W 2,842.14' to a stake on the ridge; thence

46. N 82 degrees 57' 31" W 2,227.23' to a point making a common corner between the Amherst and Youngstown Mines leases; thence leaving the main ridge and with the Youngstown lines

47. N 39 degrees 57' E 12,639.65' to a point near the head of the Second Right Fork of Rum Creek; thence down the Second Right Fork of Rum Creek

48. N 25 degrees 15' W 645.0'; thence

49. N 54 degrees 0' W 420.0'; thence

50. S 88 degrees 50' W 80'; thence

51. N 49 degrees 40' W 485'; thence

52. due W 180.0'; thence

53. N 46 degrees 05' W 200.0'; thence

54. N 7 degrees 15' W 280.0'; thence

55. N 24 degrees 0' W 290.0'; thence

56. N 15 degrees 0'E 130.0'; thence

57. N 19 degrees 30' W 220.0'; thence

58. N 3 degrees 40' W 345.0'; thence

59 N 37 degrees 0' W 198.0'; thence

60. N 24 degrees 30' W 400.0'; thence

61. N 45 degrees 0' W 400.0'; thence

62. N 60 degrees 0' W 200.0'; thence

63. N 84 degrees 35' W 380.0'; thence

64. S 68 degrees 10' W 785.0'; thence

65. S 80 degrees 15' W 820.0'; thence

66. N 83 degrees 0' W 740.0' to a point at the mouth of Buck Lick Branch; thence

67. N 76 degrees 49' W 703.26' to a point; thence

68. N 66 degrees 22' W 1,702.5' to a point; thence

69. S 60 degrees 31' W 931.63' to a point; thence leaving the Second Right Fork

70. N 34 degrees 0' E 811.76' to a point on the mountain side; thence

71. S 81 degrees 25' W 765.0' to a point; thence

72. N 10 degrees 23' E 970.0' to a point; thence down the mountain side

73. N 79 degrees 37' W 1,470.0' to a point on the Upper Island Creek outcrop on the right side of Rum Creek at approximately 2,000' above the mouth of the Second Right Fork of Rum Creek; thence with the Upper Island Creek crop down Rum Creek and turning up the Second Right Hand Fork of Rum for a distance of approximately 2750' to a point on the mountain on the left side of the Second Right Fork; thence

74. S 41 degrees 8' W 260.0' to a point near the said Second Right Fork of Rum Creek; thence up said Fork

75. N 72 degrees 13' 34" W 479.63' to a point near said creek; thence crossing said creek

76. N. 13 degrees 40' E 265.0' to a point; thence back down said creek

77. S 62 degrees 20' E 487.0'; thence crossing said creek again

78. S 11 degrees 44' W 179.13' to a point near the creek; thence down said creek

79. N 48 degrees 35' W 932.67' to a point near the said creek; thence

80. N 29 degrees 3' W 805.93' down said creek and crossing Rum Creek to a point approximately 100' above the forks of Second Right Fork; thence up and crossing Rum Creek

81. N 87 degrees 11' E 553.33' to a point; thence up and crossing said Rum Creek again

82. N 40 degrees 44' E 1133.57' to a point on the left side of Rum Creek; thence

83. N 56 degrees 7' E 245.61' to the POINT OF BEGINNING, and containing 6,163.563 acres, more or less.

Said tract of land is shown, bordered in red, as "Amherst Lease" on "MAP SHOWING AMHERST COAL CO. LEASE FROM DINGESS RUM COAL CO. DEED OF LEASE AND AGREEMENT DATED JUNE 1,1962", which map is hereto attached and made a part of this Deed of Lease and Agreement.

Said tract of land, subject to the reservations and exceptions hereinafter set forth, is sometimes hereinafter referred to

as "said lands" or "the leased premises".

Included in said outer boundary are three parcels consisting of Tract No. 3 containing 1.20 acres, Tract No.4 containing 1.81 acres, and Tract No. 5 containing 11.98 acres, in which Lessor owns only the coal with certain mining rights. Said three tracts are described in that certain deed dated December 23, 1927, between Altizer Coal Land Company and Buffalo Eagle Collieries Company, parties of the first part, and Dingess-Rum Coal Company and Lawson Heirs Incorporated, parties of the second part, recorded in said Clerk's office in Deed Book 88 at page 381; and also in that certain deed dated October 8, 1926, between Dingess-Rum Coal Company and Lawson Heirs Incorporated, parties of the first part, Logan County Coal Corporation, party of the second part, Altizer Coal Land Company, party of the third part, and Buffalo Eagle Collieries Company, party of the fourth part, recorded in said Clerk's Office in Deed Book 88 at page 384. In addition to such lands, there is intended to be included in the leased premises Tract No. 1 containing 10.26 acres and Tract No. 2 containing 3.09 acres, both lying adjacent to and outside of said boundary and both described in that certain deed bearing date the 23d day of December, 1927, between Dingess-Rum Coal Company and Lawson Heirs. Incorporated, parties of the first part, and Altizer Coal Land Company, party of the second part, recorded in said Clerk's office in Deed Book 283 at page 143. Said two tracts are also described in the above mentioned deed recorded in said Clerk's Office in Deed Book 88 at page 384. The interests of Lessor in said five tracts are included as part of the leased premises. Said tracts are shown on the aforesaid map outlined by red and blue lines.

Lessor also excepts and reserves to itself, its successors and assigns the minerals under the surface tract added to the Rum Creek lease by Supplemental Lease of April 11, 1928, from Dingess-

Rum to Rum Creek Coal Company, recorded in said Clerk's Office in Deed Book 94 at page 497, which said tract is bounded and described as follows:

BEGINNING at a point approximately 1800' up the Second Right Fork of Rum Creek, said point being near the said Creek and being a corner common to two of the lines of the hereinafter described Orville lease premises; thence up said Creek

1. N 72 degrees 13' 34" w 479.63' to a point near said Creek; thence crossing the Creek
2. N 13 degrees 40' E 265.0' to a point; thence down said Creek
3. S 62 degrees 20' E 487.0' to a point; thence crossing said Creek
4. S 11 degrees 44' W 179.13' to the beginning, containing 2.49 acres, more or less.

Lessor also excepts and reserves to itself, its successors and assigns, the No. 2 Gas or Eagle seam of coal surrendered by Amherst to Dingess-Rum by deed dated February 25, 1953, and recorded in said Clerk's Office in Deed Book 224 at page 271, and all rights and privileges likewise reserved and excepted therein by Dingess-Rum, its successors and assigns (it being agreed between the parties hereto that all such rights excepted and reserved by Dingess-Rum there-in are preserved and are to remain in full force and effect except as such rights are modified by any provisions hereof specifically relating to such rights), said surrendered seam being contained in a tract shown on said map outlined in yellow and being more particularly bounded and described as follows:

BEGINNING at a point approximately 700' up and in North Mud Lick Hollow of Rum Creek thence leaving said North Mud Lick

1. N 2 degrees 40' W 736.84' to a point on the right side of Rum Creek; thence up said Rum Creek

2. N 33 degrees 58' E 1,360' to a point; thence

3. N 42 degrees 28' E 534.79' to a point; thence

4. N 61 degrees 58' E 247.65' to a paint; thence
5. N 61 degrees 58' E 680.0' to a point; thence
6. N 2 degrees 30' E 247.57' to a point near Rum Creek; thence
7. N 67 degrees 39' E 651.2' to a point; thence.
8. N 78 degrees 16' E 273.11' to a point; then crossing Rum Creek
9. N 14 degrees 35' W 194.05' to a point; thence
10. N 89 degrees 58' E 634.6' to a point; thence
11. N 83 degrees 45' E 1,075.9' to a point; thence
12. S 34 degrees 05'E 333.6' to a point near Rum Creek; thence
13. S 74 degrees 35' E 840.55' to a point; thence
14. S 69 degrees 13' E 1,039' to a point near the mouth of Cub Fork; thence leaving Rum Creek and up the mountain
15. N 40 degrees 27' E 6,972.40' crossing the mountain and through the head of Rock House Branch on Dingess Run to a double black pine corner on the main ridge between Dingess Run and Spruce Fork; then
16. S 30 degrees 21' 6" E 255.7' to a set stone on said ridge; thence leaving said ridge
17. S 54 degrees 9' 31" E 7,172.37' to a set stone in the Right Fork of Garland Fork; thence back up Garland Fork
18. S 77 degrees 0' W 114.05' to a set stone with a double apple tree witness; thence
19. N 78 degrees 17' 25" W 1,934.15' to a small maple with a walnut and gum witness; thence
20. S 47 degrees 11' 20" W 1,214.4' to a chestnut oak on a ridge; thence
21. S 11 degrees 35' w 3,439.18' to a point on the main ridge; thence
22. S 52 degrees 33' E 6,388.2' to a point; thence leaving the outside boundary of the Amherst lease but within the Amherst McGregor lease
23. S 85 degrees 42' E 8,115.29' to a point common to the McGregor and Paragon leases thence with a line between said McGregor and

Paragon leases

24. S 39 degrees 57 w 4,170.0' to a point near the head of the Second Right Fork of Rum Creek said point being on the Amherst lease line and with said Amherst line down the Second Right Fork of Rum Creek

25. N 25 degrees 15' W 645.0'; thence
26. N 54 degrees 0' W 420.0'; thence
27. S 88 degrees 50' W 80'; thence
28. N 49 degrees 40' W 485'; thence (28a) due W 180.0'; thence
29. N 46 degrees 05' W 200.0'; thence
30. N 7 degrees 15' W 280.0'; thence
31. N 24 degrees 0' W 290.0'; thence
32. N 15 degrees 0' E 130.0'; thence
33. N 19 degrees 30' W 220.0'; thence
34. N 3 degrees 40' W 345.0'; thence
35. N 37 degrees 0' W 198.0'; thence
36. N 24 degrees 30' W 400.0'; thence
37. N 45 degrees 0' W 400.0'; thence
38. S 55 degrees 45' E 5,2l7.50' to a point; thence
39. S 86 degrees 55' E 285.90' to a point in North Mud Lick Hollow; thence down the said hollow
40. S 59 degrees 52' E 935.51' to the Point of Beginning, containing 2709.877 acres, more or less.

Lessor excepts and reserves to itself, its successors and assigns from the operation of this lease all seams of coal below water level on Rum Creek where it runs along the front of the lands originally leased by Lessor to Orville Coal Company in the following described tract of land originally part of the premises leased by Lessor to Orville Coal Company, said seams below water level having been originally excepted and reserved from the tract leased by Lessor to Orville Coal Company and being likewise excepted and reserved in

said Rum Creek lease, it being agreed that all seams exposed at any point above Rum Creek along the frontage of the original Orville premises on Rum Creek are included as part of the leased premises. Said part of said Orville lease remaining in the leased premises after the surrender of a portion thereof by Rum Creek Coal Company to Dingess-Rum Coal Company by deed of April 11, 1928, and recorded in said Clerk's Office in Deed Book 94, page 483 (said deed being Item 2 referred to in the Supplemental Indenture of Lease from Dingess-Rum to Logan County, dated January 1, 1937, recorded in said Clerk's Office in Deed Dock 115, at page 53, the date of April 12, 1928, referred to being erroneous, the correct date being April 11, 1928), is shown on the map attached hereto outlined in green lines and is bounded and described as follows:

BEGINNING at a large sycamore tree on the bank of Rum Creek about 2,000' above the mouth of 2nd Right Hand Fork, said tree being a corner to what is known as the Cartwright Tract and the J. L. Chambers Tract, also the beginning point of the Amherst lease; thence from said BEGINNING

1. N 34 degrees 51' E 370.2' to a stake corner to said J. L. Chambers Tract; and with the lines of the same and up Rum Creek
2. N 71 degrees 45' E 770.0' to a buckeye; thence
3. N 36 degrees 46' E 836.3' to a blackjack; thence leaving lines of said J. L. Chambers Tract and crossing said tract
4. N 35 degrees O5' E 366.27' to a rock corner to said J. L. Chambers Tract; thence crossing Rum Creek
5. S 50 degrees 39' E 702.32' to a stake corner to paid J. L. Chambers Tract; thence
6. S 59 degrees 52' E 935.51' to a beech, now gone; thence
7. S 86 degrees 55' E 285.9' to a sugar tree; thence
8. S 55 degrees 45' E 5,217.5' to a stake in the second Right Hand Fork of Rum Creek; thence down the Fork with its meanders

9. N 60 degrees 0' W 200'; thence

10. N 84 degrees 3'5 W 380'; thence

11. S 68 degrees 10' W 785'; thence

12. S 80 degrees 15' W 820'; thence

13. N 83 degrees 00 W 740'; thence

14. N 76 degrees 49 W 703.26' to a beech corner to what is known as the L. D. Chambers 19 acre Tract and with the same

15. N 66 degrees 22' W 1702.5' to a beech; thence

16. S 60 degrees 31' W 931.63' to a point in the 2nd Right Hand Fork; thence leaving said fork

17. S 34 degrees 00' E 811.76' to a point on the hillside; thence

18. S 81 degrees 25' W 765.0'; thence

19. N 10 degrees 23' E 970.0'; thence

20. N 79 degrees 37' W 1470.0' to a point on the Upper Island Creek outcrop on the right side of Rum Creek at approximately 2000' above the mouth of the 2nd Right Fork of Rum Creek; thence with the Upper Island Creek crop down Rum Creek and turning up the Right Hand Fork of Rum for a distance of approximately 2750.' to a point on the mountain on the left side of the 2nd Right Fork; thence

21. S 41 degrees 8' W 260' to a point near the said 2nd Right Fork of Rum Creek; thence up said fork

22. N 72 degrees 13' 34" W 479.63' to a point near said creek; thence crossing said creek

23. N 13 degrees 40' E 265' to a point; thence back down said creek

24. S 62 degrees 20' E 487'; thence crossing said creek again

25. S 11 degrees 44' W 179.13' to a point near the creek; thence down said creek

26. N 48 degrees 35' W 932.67' to a point near the said creek; thence

27. N 29 degrees 3' W 805.93' down said creek and crossing Rum Creek to a point approximately 100' above the forks of the 2nd Right

Hand Fork; thence up and crossing Rum Creek

28. N 87 degrees 11' E 553.33' to a point; thence up and crossing said Rum Creek again

29. N. 40 degrees 44' E 1133.57' to a point on the left side of Rum Creek; thence

30. N 56 degrees 7' E 245.61' to the point of BEGINNING and containing 323.529 acres, more or less.

This lease is made subject to the reservation of various rights by Sarah A. Chambers and James L. Chambers, her husband, by that certain deed to Lessor, dated July 29, 1909, recorded in said Clerk's Office in Deed Book No. 32, at page 268, in and to a tract of 93.97 acres, of which a portion, containing 52.97 acres, lies within the Orville lease premises and was described in the Indenture of Lease dated July 14, 1916, between Lessor as lessor and Orvi1le Coal Company as lessee, and recorded in said Clerk's Office in Deed Book No.48 at page 201. Said portion is bounded and described as follows:

BEGINNING at the point of beginning in the foregoing description of the Amherst lease premises, thence with the first, second, third, fourth, and fifth lines of the said Amherst lease premises, thence leaving said fifth line at the far end thereof

l. S 59 degrees 52' E 935.51' to a beech (now gone); thence

2. S 86 degrees 55' E 285.90' to a sugar tree; thence

3. S 4 degrees 6' E 553.21' to a point; thence

4. N 85 degrees 59' W 2465.30' to a point near Rum Creek, thence down said Rum Creek

5. S 59 degrees 20' W 400.94' to a point near said Creek; thence crossing said Creek

6. S 83 degrees 50' W 230.40' to a point; thence leaving said Creek
7. N 85 degrees 23' W 299.14' to the Beginning.

Reservations and Exceptions
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There is excepted and reserved to the Lessor, its successors and assigns:

All of the stone, timber, sand, water, oil, gas, and other minerals, including such coal on the leased premises as is not leased to Amherst the Lessee herein -- but excluding all such coal and products therein and thereof as are leased to Amherst the Lessee herein -- for all purposes except those herein expressly set forth as being demised to said Lessee, including the right and privilege of searching for and mining and removing oil, gas, and any other minerals or products, including, but subject to the provisions hereinafter relating thereto, the right to mine and remove coal from the area of the No.2 Gas or Eagle seam which was released to the Lessor by the Lessee by Surrender Agreement dated the 25th day of February, 1953 (but for so long as this lease shall continue the Lessor will not operate, or permit to be operated by others, for coal in any seam in any other area of the leased premises), and building pipe lines and storage tanks, the right and privilege of draining water, transmitting electrical energy and transporting products, minerals, and goods of all kinds, over, across, or through the lands hereinabove described; the right and privilege of using the stone, timber, sand, and water in and on said lands, and of making excavations and of drilling oil, gas, and water wells, and erecting buildings, structures, machinery, and improvements, and of constructing ditches, transmission lines, railroads and other roads, tramways, tubing, pipe lines, or other means of drainage or transmission over or upon the surface of said lands, and of selecting and granting rights of

way therefor, together with the full power of granting rights of ingress and egress, and such full and free rights as may be necessary or convenient in the proper development of the leased lands, or other lands, or in the proper exercise of the rights and privileges hereby excepted and reserved, and the right to grant and convey from time to time to any railroad or railway company so much of the land herein described as may be required by such railroad or railway company for rights of way, or other railroad or railway purposes, and the right to use or occupy for any lawful purposes, not contrary to any provision hereof, so much of the surface of said lands as of which the exclusive use and occupancy by the Lessee is not necessary or needful to the Lessee in its mining and incidental operations and in the exercise of the rights and privileges of the Lessee hereunder, and any and all said rights and privileges shall inure to the benefit of and may be exercised and enjoyed by the Lessor, its successors and assigns; provided, however, that in the development and operation of any or all of the interests reserved to the Lessor, including, but not excluding others, the oil and gas, timber (subject to the Lessee's rights therein), stone, sand, water, other minerals, and including such coal on the leased premises as is not leased to the Lessee hereby, and in the exercise of all other rights and privileges of the Lessor reserved, the Lessor shall, but subject to the provisions hereinafter set forth relating to the area of the Eagle or No .2 Gas seam of coal surrendered by the Lessee to the Lessor by Agreement dated the 25th day of February, 1953, act with due regard for the rights, requirements, convenience, and safety of the operations of the Lessee hereunder and in such manner as to not unduly interfere with the mining and coking and incidental operations of the Lessee and the structures, buildings, machinery, and equipment of the Lessee; it being understood that the mining of coal by the Lessee is the primary

utilization of the leased premises; and, in the event of any such interference between the operations of the Lessee and the operations in respect of the interests and rights and privileges reserved by the Lessor, the Lessor, its other lessees, or assigns, shall defer to the Lessee.

To the end that interference between the operations of the Lessee ("Lessee" including its successors and assigns) and the operations in respect of the interests, rights, and privileges reserved by the Lessor may be eliminated or reduced to a minimum, it is agreed that before the Lessor ("Lessor" including its successors and assigns) shall drill any oil or gas well on the leased premises, the Lessor will submit to the Lessee the proposed location thereof, and if an oil or gas well at such proposed location will not unreasonably interfere with the existing or prospective operations of the Lessee, the Lessee will agree to such location; or, if it appears that such proposed location will probably interfere with the Lessee's operations, then the Lessee and the Lessor will agree upon another location as near as is practicable to the location proposed by the Lessor; and if and when any such well be drilled and it produce oil or gas in commercial quantities, for so long as said well shall be maintained and operated in accordance with the laws and regulations of the State of West Virginia and of the United States, the Lessee shall have no right to require that said well be plugged, abandoned, or otherwise disposed of, even though its maintenance and operation may interfere with some proper use of such location by the Lessee in its operations hereunder; and before erecting any compressor or pumping station or any lumber mill or establishing any transformer site or station or erecting any other substantial building, structure, or installation, the Lessor will submit in writing to the Lessee the general plans for such building, structure, or installation and the proposed site or location thereof. If the Lessee is at the time making no use of the

proposed site or location and does not reasonably foresee its need to use such site or location in the future, and the proposed use will not unreasonably interfere with the Lessee's operations, the Lessee will give its approval of and consent to the proposed use of such site or location, reserving, however, to the Lessee the right to move any such building, structure, or installation to another site or location on the leased premises at the expense of the Lessee, and without cost to the Lessor, if at any time thereafter the use of such site or location be necessary to the Lessee for its exercise of its mining or incidental operations on the leased premises. If at the time the Lessee is not using such site or location but is of opinion that it will have need therefor in the future, it may withhold its approval and consent or may qualify its approval or consent to the end that, if such building, structure, or installation be placed on such site or location, if and when the use of such location becomes necessary to the operations of the Lessee, the Lessor will, at its own expense and without cost or expense to the Lessee, remove such building, structure, or installation. All installations of the general nature of pipe lines, electric power lines, telephone and telegraph lines, and comparable installations built or installed on the leased premises by the Lessor under any such qualified approval by the Lessee shall be removed or relocated at the sole cost and expense of the Lessor if at any time they or any of them unreasonably interfere with the Lessee's mining and incidental operations. The Lessor, recognizing that the mining of coal by the Lessee is the primary utilization of the leased premises, and the Lessee, recognizing that the Lessor has reserved rights and interests, each, will, to the fullest extent practicable, cooperate with the other in harmonizing their respective uses of the leased premises and in saving the other from unnecessary expense. But nothing in this paragraph shall apply to, or limit, the exercise of any rights in the leased premises presently outstanding in others

under agreements with, or deeds from, Lessor heretofore made, or to facilities and installations now or hereafter installed on the leased premises pursuant to such outstanding rights, but the Lessee shall have the benefit of all exceptions and reservations with respect to such facilities and installations which have been made by or for the Lessor in said agreements or deeds.

It is understood and agreed by and between the parties hereto, however, that by Surrender Agreement dated the 25th day of February, 1953, Lessee surrendered and yielded up to Lessor all of Lessee's rights and privileges to mine and remove coal from the No. 2 Gas seam of coal (sometimes called the Logan Eagle seam) in all of the areas known as the Paragon tract and the Cub Fork tract, and a part of the McGregor lease, as shown, bordered in yellow, on the aforesaid map of the leased premises, and Lessor, its agents and its other lessees (all sometimes hereinafter included within the word "Lessor"), may mine and remove the coal from said No. 2 Gas seam on such released areas whether or not Lessee shall have completed its mining operations in the other seams of coal in said areas, and Lessor may mine and remove the coal from said No. 2 Gas seam in said areas without providing or leaving support for any overlying seam of coal, and Lessee shall not be accountable or responsible to Lessor for any results, acts, or things which may occur to or in said No. 2 Gas seam of coal or to Lessor's operations therein in any areas from, by reason, or because of Lessee's mining operations in any seam or seams of coal overlying the said No. 2 Gas seam. In, and in connection with, the mining operations of said No. 2 Gas seam, the Lessor shall have no right to use the surface of said areas or any of them for any purposes other than such as may be reasonably necessary for power, drainage, ventilation, communications, and escapeways (but no portal, tipple, cleaning plants, supply yards, shops, housing or office facilities, or comparable installations), and if any such in-

stallation or installations be placed on any of said areas it or they shall be so located as not to interfere unreasonably with Lessee's mining and incidental operations in respect of any and all overlying seams of coal.

The Lessee shall have the right to take and use only for mining and incidental operations on the leased premises such timber on the leased premises measuring thirteen inches and under in diameter over the bark two feet from the ground on the upper side of the tree at the time of cutting and now or hereafter during the life of this lease standing upon said land, except poplar and black walnut, but the Lessee shall not have the right to sell any such timber or products thereof. There is reserved to the Lessor all other timber on the demised premises, including all poplar and black walnut of any dimensions, but the Lessor will not take or destroy timber (other than poplar and black walnut) which at the time measures thirteen inches and under as aforesaid except as may be reasonably incidental to the conduct of its timber operations or the exercise of any of its other reserved rights, and will give reasonable advance notice to Lessee of any such proposed taking or destruction by Lessor or by any person claiming under Lessor by agreement hereafter made, and Lessor will not sell any such timber so taken or destroyed unless Lessee shall fail to claim the same. The Lessee shall not be held accountable for any damage to any timber, including poplar and black walnut, on the leased premises which is occasioned by Lessee's mining operations and other activities in connection therewith, including the construction of roads, tramways, power lines, pipe lines, and any and all other facilities of the Lessee used or useful in connection with its mining and incidental operations or for any damage to any such timber by reason of the location of or combustion of any refuse piles or dumps. At any time when the Lessee is about to construct

any road, power line, or other facility which will necessitate the cutting of timber, it will give the Lessor reasonable notice thereof to enable the Lessor to promptly remove such timber to be cut, if the Lessor so desires. Or, if the Lessor does not desire to remove such timber, then at the request of the Lessor, the Lessee, in removing such timber, will leave the logs so that the Lessor may recover the same if it so desires; but the Lessee shall be under no obligation to provide roadways or other facilities by which the Lessor may recover any such logs, though the Lessor may use the Lessee's roadways therefor; provided, the Lessor's use shall not unreasonably interfere with the Lessee's use thereof. The Lessor desires, by following good forestry practices, to develop the property as a timber property insofar as such may be done without limiting or interfering in any way with any of the rights of the Lessee hereunder; and the Lessee is in sympathy with the Lessor's such desire and, to the end of promoting the attainment of the Lessor's desire, the Lessee will cooperate with the Lessor by avoiding injury, as far as is reasonably practicable, to the Lessor's timber interests in the Lessee's exercise of its rights hereunder. This statement of the Lessee's willingness to cooperate with the Lessor is a statement of intent only and is not to be taken as any limitation or restriction on the Lessee's rights to take timber hereunder.

The rights hereby let to the Lessee are subject to all easements, exceptions, reservations, terms, conditions, and covenants now outstanding in other persons, firms, and corporations and binding upon both the Lessor and the Lessee. But, to the extent of the estates and privileges hereby leased to the Lessee, the Lessee is hereby granted, and shall be entitled to exercise, the rights, privileges, and estates, and the benefit of the same excepted or reserved to the Lessor or to which the Lessor may be entitled with respect to such exceptions and reservations.

III.

TERM

The term of this lease shall be for the period of one hundred (100) years from the date hereof or until all of the mineable and marketable coal leased to the Lessee hereby shall have been mined and removed from the leased premises, whichever shall first occur, unless this lease shall be terminated sooner pursuant to other provisions hereof.

Whenever all of the mineable and marketable coal leased to the Lessee hereby shall have been mined and removed from the leased premises pursuant to the provisions of this Agreement, then this lease shall cease and terminate, whether or not the term of years of this lease shall have expired; and at the expiration of one hundred (100) years after the date hereof this lease shall cease and terminate even though all of such mineable and marketable coal shall not have been mined and removed.

If there be disagreement between the Lessor and the Lessee as to whether all of the mineable and marketable coal leased to the Lessee hereby has been mined and removed from the leased premises pursuant to the provisions of this Agreement, such disagreement shall be submitted to arbitration in the manner provided by Article XVI hereof.

For the purposes of this Lease and Agreement, "mineable and marketable coal" means coal which pursuant to a proper plan of development and in accordance with good mining practices can be mined and marketed at a profit by the use of such modern mining and preparation methods and machinery as are reasonably adapted to the practical, efficient, and economical mining of such coal. Except as otherwise

provided in Articles V and VII of this Lease and Agreement, the mineability and marketability of coal in any area of any seam shall be determined when such area is first reached in place pursuant to such plan and practices.

IV.

RIGHTS AND PRIVILEGES OF LESSEE

The Lessor, for the duration of this lease, demises and lets unto the Lessee all such mining rights and privileges in said premises as are vested in or exercisable by the Lessor and which it has the lawful right to demise and let to the Lessee, and, subject to the foregoing and the limitations in this lease set forth (including those applicable to the Eagle or No. 2 Gas seam area surrendered as aforesaid), the Lessee shall have the superior right to use so much of the surface of the leased premises and any stratum thereof and of the stone, the sand and water therein and thereon as may be necessary or convenient in the exercise of the mining rights herein demised, and without limiting the generality of the foregoing:

1. The right to use and occupy so much of the surface as Lessee deems to be necessary or convenient for the erection, maintenance, and operation thereon of plants, tipples, shops, storehouses, merchandise establishments, warehouses, office buildings, dwelling houses for the housing of employees employed in connection with coal mining operations of the Lessee as herein set forth, and all other structures which Lessee may deem to be convenient in Lessee's coal mining or other operations; and the Lessor shall not operate or maintain or permit to be operated or maintained by any person, firm, or corporation, except the Lessee, any merchandising business on the premises which is competitive with any of Lessee's merchandising and

incidental commercial activities. (The selling on the leased premises of coal mined on the leased premises from seams or areas of seams not leased to the Lessee hereby, or of oil, gas, timber, lumber, or other products of or from the lands embodying the leased premises, shall not for the purposes hereof be considered a merchandising business prohibited to Lessor or its other lessees or assigns.) Incidental commercial operations of any of Lessee's facilities installed primarily for its own and/or its employees' use shall be considered to be within such operations permitted to Lessee.

2. The right to have and use the surface for the construction, repair, and maintenance of roads, tramroads, railroads, airways, bucketways, and other transportation facilities necessary or useful in Lessee's mining and incidental operations, with the right to change or have changed the location of any road or transportation facility now or hereafter on the premises. In locating any such road or transportation facility the Lessee will give reasonable consideration to the reserved rights of the Lessor. The Lessee will use its best efforts to preserve the private character of all roads and roadways which otherwise might be used by other persons; but the Lessor will join with the Lessee in granting to any proper public authority such rights of way as may be appropriate for the establishment of any public way which may be of service to the Lessee and others, upon such terms and conditions as in the Judgments of the Lessee and the Lessor may protect their respective interests.

3. The right, to the extent of the Lessor's power to grant the same, to change, increase, diminish, use, or destroy surface and underground waters; to discharge upon the premises waters from its mining operations, and to construct, repair, and maintain drains, drainage-ways, sediment basins, sanitary sewers and disposal

plants as may be needed or useful in Lessee's coal mining and incidental operations.

4. The right to construct, maintain, and operate such pipelines, telephone lines, power lines, tanks, coal washers, and other similar facilities as may be needed or useful in Lessees coal mining and incidental operations.

5. The right to deposit on the surface of the leased premises all refuse and waste materials produced in connection with Lessee's coal mining operations; provided, that before such deposits are made the situs or location thereof shall be subject to the approval of Lessor. In the location and operation of refuse piles or dumps, the Lessee shall take reasonable care that the streams or accumulations of water capable of doing flood damage or causing slides or explosions caused by the impounding of water, are not so obstructed as to create such hazards, and, when reasonably necessary, will use reasonable care to provide appropriate drainage. If the Lessee be of opinion that any drainage is reasonably necessary, the Lessee shall submit to the Lessor plans for such drainage at the same time that the Lessee advises the Lessor of a proposed situs or location of any such pile or dump; and if, when proposing any such situs or location, the Lessee does not present plans for drainage, and the Lessor be of opinion that drainage is required, the Lessor and the Lessee will endeavor to agree upon appropriate drainage. The Lessor shall not unreasonably withhold approval of the situs or location of any such pile or dump, or of the plans for drainage where reasonably necessary; and if the Lessee and the Lessor are unable to agree either in respect of the situs or location of any such pile or dump or of the necessity of drainage facilities or of the plans of such drainage facilities where reasonably necessary, the matter shall be submitted to arbitration as is provided by Article XVI hereof.

The Lessee may use such refuse and waste materials for the purpose of building roads, ramps, or other facilities on the leased premises and on any other properties operated by the Lessee In connection therewith; and the Lessor may use such refuse and waste materials for its own purposes; but neither the Lessee nor the Lessor, without the consent or the other, shall sell such refuse and waste materials to others.

6. In connection with its operations on the leased premises and on other properties operated by the Lessee in connection therewith, and not otherwise (except that any tipple or cleaning plant on the leased premises may be used and the incidental rights herein provided may be had and exercised on a temporary basis for the processing and loading of coal ordinarily processed and loaded at any plant of the Lessee elsewhere maintained and operated by the Lessee in the event of any emergency relating to such other plant or the Lessee), the full and unrestricted right to transport on, over, under, or through the leased premises coal mined by the Lessee on lands not included within the leased premises and mine rock, refuse from cleaning and processing coal, and other refuse, which is produced by the Lessee in and about and incident to its mining operations on such other lands; to wash, clean, dry, and otherwise process, load, and sell such coal produced on other lands at, by, and in facilities of the Lessee on the leased premises, and to store thereon such coal processed at such facilities; and subject to the provisions of paragraph 5 of this Article IV, to dispose of upon the leased premises mine rock and refuse from coal from other lands processed by Lessee on the leased premises, and rock and refuse from other lands which is not discarded at a tipple or cleaning plant located off the leased premises, and to erect on the leased premises and elsewhere any and all such facilities therefor as my be reasonably appropriate; to

haul and move mine supplies and materials and equipment over, across, through, and under the leased premises to and from such other lands; and to transport to and from such other lands over the leased premises, by any and all such means as Lessee may find to be useful and convenient, employees and other persons going to and from such other lands in connection with the Lessee's mining operations thereon; and for all such purposes to use the demised premises and any part thereof in connection with the Lessee's operations on such other lands in like manner as if such other lands were a part of the leased premises. For such uses of the leased premises in connection with the Lessee's mining operations on other lands, the Lessee shall pay to the Lessor the amounts hereinafter provided for by Article VI hereof. The mine rock and refuse from such other lands may be commingled with mine rock and refuse from the leased premises and be disposed of along with mine rock and refuse from the leased premises either on the leased premises or other premises in respect of which the Lessee has such rights.

The Lessee shall have the right to move coal from places where mined on the leased premises over other lands en route to Lessee's tipples and preparation plants on Dingess-Rum land, but no haulage or wheelage charge shall be made by Lessor in respect of any such coal mined on Dingess-Rum land by reason of the fact that following a circuitous route from the place of mining to the place of processing and/or loading on the leased premises said coal shall have moved over lands other than those of the Lessor. Except as is hereinafter provided by Article VII relating to Hinchman Hollow, all coal mined from the leased premises, except such as is used by the Lessee on the leased premises or sold to its employees for their domestic use, shall be processed by and shipped from facilities on the leased premises; provided, however: in the event of any emergency relating

to such facilities on the leased premises, on a temporary basis, coal mined from the leased premises may be processed by and shipped from facilities operated by Lessee elsewhere.

7. The exercise and use of the rights and privileges granted to the Lessee by this Article IV shall not be restricted to exercise and use by the Lessee only in connection with the Lessee's mining and incidental operations on the leased premises, but, subject to the other provisions of this Lease, shall extend to, and not otherwise except the temporary exercise and use in an emergency as hereinabove provided, the exercise and use by the Lessee in connection with Lessee's mining operations on other lands operated by Lessee in connection therewith and without charge to the Lessee by the Lessor, except as is provided by Section 6 of this Article IV and Section 6 or Article VI hereof.

8. All of the uses, rights, and privileges of the Lessee over, in, upon, and under the leased premises, except upon a temporary basis in cases of emergency as herein provided, are only for the mining, hauling, processing, and shipping of coal and coke from the leased premises and other lands operated for such purposes by the Lessee in connection with the leased premises and any and all operations thereof or incidental thereto; and if any disagreement shall arise between the Lessor and the Lessee as to whether any particular use which Lessee makes of the leased premises is permitted under the terms of this lease, such disagreement shall be resolved by arbitration in the manner and with the effect provided by Article XVI hereof.

V.

METHODS, DEVELOPMENT AND WORK, AND RECOVERY OF COAL

1. It is recognized that mining operations have hereto-fore been conducted on the leased premises by Lessee and its predecessor lessees and that Lessee has fully accounted to the Lessor for all such coal mined, lost, or abandoned prior to June 1, 1962.

The worked-out, lost, or abandoned areas in the Chilton seam, the coal from or in which has been fully accounted for by the Lessee to the Lessor, and the areas of coal in said seam heretofore surrendered by Lessee to Lessor, are shown on the map attached hereto and made a part hereof, bearing the legend "Map Showing Workings In The Chilton Seam On Amherst Lease, June 1, 1962."

The areas marked in red on said map and designated by the letters A, B, C, and D have been paid for by the Lessee and are referred to as the surrendered areas. The coal in such areas is excluded from this lease and Lessee has no right hereunder to mine the same; it being contemplated that Lessor and Lessee will enter into a supplemental agreement with respect thereto at a later time, but the effectiveness of this lease is in no way conditioned upon the making of such supplemental agreement. It is agreed that during the period of this lease, Lessor has no right to mine such coal or to grant mining rights with respect to such coal in said four areas to anyone other than Lessee. The other areas shown in red and designated by the letters E, F, G, and H have been paid for by Lessee but are included as coal subject to this lease. Lessee is under no obligation to conduct mining operations in said Areas E, F, G, and H, but if it does mine any coal from any of said areas the Lessee shall account to the

Lessor for the coal mined at the royalty rates applicable under this lease taking credit for the full amount heretofore paid by the Lessee for the coal left in such area and Lessee shall pay the Lessor royalties on coal hereafter mined from each such area which are in excess of the royalties heretofore paid for the coal in each such area; it being agreed that each area shall be treated separately and that all four areas are not to be treated as a group.

Said map also shows colored in green and for the most part marked "pillared" the areas of coal in the Chilton seam in which Lessee has completed its mining operations and fully accounted for the coal therein. Lessee shall have the right if it so desires to mine additional coal therefrom but shall not be obligated so to do; and shall pay royalties at the rates herein provided for such coal as may be hereafter mined from such worked-out areas.

Said map also shows colored in yellow the areas which Lessee and Lessor have agreed do not contain mineable and marketable coal. Lessee shall have the right but not the obligation to mine coal therefrom, and shall pay royalties at the rates herein provided on any coal which it may hereafter mine from any of such areas.

Said map also shows two areas of coal marked "questionable". Whether such areas contain mineable and marketable coal will be determined by prospecting to be done hereafter. Lessee agrees to pay the cost of such prospecting.

A large uncolored area to the southwest on said map may in part or in whole contain mineable and marketable coal and such prospecting as may be required to determine the facts with reference

to the Chilton seam in said area will be done at the joint expense of the parties as elsewhere provided in this lease.

Also attached hereto and made a part hereof is another map showing the workings of Lessee in the Island Creek seam on the leased premises. Said map bears the following legend: "Map Showing Workings In The Island Creek Seam On Amherst Lease, June 1, 1962."

The areas shown on said map colored in green and for the most part marked "pillared" have been worked out and Lessee has accounted for the royalties on the coal mined therefrom. Lessee shall have the right but not the obligation hereafter to mine coal therefrom, and Lessee shall pay Lessor for any such additional coal mined therefrom the royalties herein provided.

Also shown on said map is an area colored in red and designated by the letter A. Such area contains unmined coal as indicated on the map for which Lessee has fully accounted to Lessor for the royalties thereon. Lessee shall have the right but not the obligation hereafter to mine coal from such area and shall account to Lessor therefor at the royalty rates herein provided, but shall be entitled to apply as a credit on such royalties the amount of money heretofore paid by Lessee to Lessor with respect to the coal unmined in such area.

Also shown on said map is an area colored in violet (also shown and so colored on the "Amherst Lease map) which is a barrier pillar 225 feet in width (except for the tapered portion) along the line adjoining the lands of Kelly-Hatfield containing 6.503 acres. It is agreed by the parties hereto that the coal in said barrier pillar is not to be mined by Lessee but is to be left as a protection for main haulage ways on adjoining premises. Lessee has fully accounted to Lessor for the coal in such barrier pillar.

Lessee has also conducted mining operations in the No. 5 Block seam of coal on the leased premises, and there are no areas of coal left unmined therein for which Lessee has heretofore made payment. All the unmined coal contained in said seam on the leased premises on the date of this lease is included in this lease.

This lease applies to all seams of coal and all areas thereof on the leased premises which are not hereinbefore expressly excluded.

The Lessee covenants that it will diligently continue mining operations on the leased premises so as to mine all the mineable and marketable coal thereon, and will conduct all of its operations hereunder in a careful, skilful, and workmanlike manner and in compliance with the present and any future laws of the State of West Virginia or the United States and valid rules and regulations of any subdivision, bureau, or agency thereof, and also according to the rules and practices of good mining, and with due regard to the value of the leased premises as a coal property.

It is fully understood by the Lessor that the Lessee owns or leases and operates other coal properties, both in the vicinity of the leased premises and elsewhere, and the development and working of the premises leased hereunder will be considered to be done in keeping with the terms hereof, provided that, in the mining and selling of coal from Lessee's coal mining operations as a whole, the Lessee shall not discriminate against the leased premises, giving appropriate consideration to the kinds and qualities of coal available on the leased premises as compared with kinds and qualities of coal on other properties and the then current market demands for coals of differing qualities and constituents.

The Lessee shall have the exclusive right to physically sever from the leased premises all of the coal thereon and therein by any and all means and methods heretofore used, now in use, or hereafter developed and put into use, and which at the time constitute good mining practices and will reasonably result in the maximum practical physical recovery of mineable and marketable coal as herein defined. This agreement does not contemplate or permit the underground gasification or methods of removal of coal other than the physical extraction and removal thereof.

The Lessee shall not be required to mine coal which can be mined only by strip, auger, or other outside methods, but such coal lying along and near the outcrop of a seam remaining in place after the completion of underground mining in adjoining areas (underground mining involves the use of men underground) as the Lessee may elect to mine, may be mined by Lessee by any such method of physical extraction as Lessee may elect, upon the payment of the royalty provided for such mining in Article VI hereof.

2. The Lessee shall work and mine the coal, including such coal as the Lessee my elect to mine under the provisions of the last paragraph of Section 1 of this Article V hereof, in accordance with the plan of mining heretofore adopted by it and approved by Lessor and in accordance with such further general and detail maps and plans of mining and projections as may be prepared by the Lessee and submitted by it to the Lessor, and which shall contain such other data and information as may reasonably be required by the Lessor, and approved in writing by the Lessor, and no operation shall be commenced or prosecuted except pursuant to and in conformity with such maps, plans, and projections.

No material change in, modification of, or departure from any plans so approved, shall be made in the development or operation of the mine or mines except as requested in writing by the Lessee and agreed to and approved in writing by the Lessor, such request to be accompanied by plans illustrating such change, modification, or departure and a statement of the reasons therefor. If the Lessor shall not approve or disapprove any plan, change, or modification within fifteen (15) days after the submission of same shall have been made to an officer or engineer of Lessor in person or by mailing to the Lessor at its United States Post Office address provided for by Article XVII hereof, the Lessee may again request approval by sending a telegram to Lessor at its said office address, and which telegram need only call attention to the original request, and if, after the expiration of five (5) days following the date on which such telegram is sent, the Lessor shall not have disapproved the request and shall not have given notice of such disapproval to the Lessee, then such plan, change, or modification shall be deemed approved by the Lessor. The Lessor shall not unreasonably withhold approval of any such plan, change, or modification.

If, as the Lessee's workings progress, the Lessor believes that any change, modification, or departure in, of, or from any plans and projections previously approved should be made, the Lessor may by writing request the Lessee to agree to such change, modification, or departure. The request shall be accompanied by plans illustrating the proposed change, modification, or departure and a statement of the reasons therefor. If the Lessee shall not approve or disapprove of any such change, modification, or departure within fifteen (15) days after the submission of the same shall have been made to an officer or engineer of Lessee in person or by mailing to the Lessee at its United States Post Office address provided for by Article XVII

hereof, the Lessor may again request approval by sending a telegram to Lessee at its said office address, and which telegram need only call attention to the original request, and if, after the expiration or five (5) days following the date on which such telegram is sent, the Lessee shall not have disapproved the request and shall not have given notice of such disapproval to the Lessor, then such change, modification, or departure shall be deemed approved by the Lessee. The Lessee shall not unreasonably withhold approval of any such change, modification, or departure.

3. The Lessor, by and through experienced and competent agents and engineers and at its and their own risk and expense, shall at all reasonable times have the right to enter the leased premises and all mines and works, whether below or on the surface of the ground, for all lawful purposes and to inspect, examine, survey, and measure the leased premises and the mines and any part thereof to determine whether all the terms of this lease are fully complied with; and for those purposes to use freely the means of access and the Lessee's transportation facilities on the leased premises, including the mines and the workings thereof, without hindrance but at such times and in such manner as not unreasonably to interfere with the Lessee's operations of the leased premises. If requested by the Lessee, the Lessor shall give to the Lessee copies of such surveys as may be made by the persons making such inspections, examinations, surveys, and measurements for the Lessor. If the Lessor has any objections to or criticism of Lessee's works or operations, the Lessor shall promptly notify the Lessee thereof, and if it be found and be promptly reported to the Lessee in writing that, in the belief of Lessor, in the progress of Lessee's operations any areas of mineable and marketable coal and/or any pillars which should have been mined at the time of any such inspection, examination, survey, or measurement have, by the Lessee, been passed by, with the result that mineable and marketable coal,

or pillars, which, under the provisions of this agreement should have then been removed, have not been removed, it shall be the obligation of the Lessee to return promptly to any such neglected area or neglected pillars and promptly remove the coal therefrom; or, failing to do so within a reasonable time, Lessee shall account for the mineable and marketable coal, or pillars, contained therein and pay the royalty therefor in like manner as if such mineable and marketable coal, or pillars, had been mined and removed. If the Lessor and Lessee disagree in respect of the coal of any such area or areas or of the conditions relating to the removal of pillars, the differences between Lessor and the Lessee shall be submitted to arbitration in the manner provided by Article XVI hereof.

If at any time hereafter the Lessee shall pay for any coal not mined from a particular area of any seam, and Lessee shall thereafter mine such coal, the Lessee shall account for royalties on the coal so mined at the rates and amounts in effect at time of mining but shall be entitled to credit on such royalties the total amount of royalties previously paid on the coal in such area until such amount so paid in advance is so recouped; and royalties on coal mined from such area in excess of such credit shall be paid by the Lessee to Lessor. Areas of coal on which the royalty has been so paid shall be identified on a map attached to a written agreement to be signed by Lessor and Lessee setting out the quantities of coal involved and the royalties thereon. Lessee shall notify Lessor in writing in advance of its removal of coal from any such area.

4. The obligation of the Lessee to mine and remove the coal from the leased premises shall be to obtain the maximum practical recovery of all of the mineable and marketable coal on the leased premises. But the Lessee shall not be required to develop any portion or area of any seam of coal if, based upon the results of reasonable

prospecting by Lessee or by Lessor, such portion or area appears not to contain a sufficient tonnage of mineable and marketable coal to warrant the development thereof. And if, in the progress of its mining operations hereunder, the Lessee encounters an area or areas of any seam of coal which the Lessee believes to be not mineable and marketable, the Lessee shall promptly notify the Lessor and request an inspection, and the Lessor shall promptly make such inspection if access thereto be available. If the Lessor and the Lessee agree that the coal in any such area or areas is not then mineable and marketable, such area or areas or such portion or portions thereof as it is so agreed need not be mined or paid for by the Lessee unless the mining of said area or of a part thereof is reasonably necessary to protect coal in an area which is mineable and marketable. But if the Lessor so requests promptly, the Lessee shall leave access to such area or areas or such portion or portions which the Lessor agrees or the arbitrators determine need not be mined in the form of entries and air courses protected by adequate barrier pillars, to the end that the coal in any such area or areas may be mined and removed later by the Lessee or by others after the expiration of this lease. The obligation of the Lessee to leave such access to such areas shall be performed and discharged when the Lessee has left therefor such timber and other supports as are then in place and adequate barrier pillars, and the Lessee shall not be obligated to thereafter or otherwise maintain such access. However, if so requested by Lessor, Lessee will at Lessor's cost and expense, without profit to Lessee and without charge for overhead, do such acts and things as Lessor shall direct for the purpose of maintaining and protecting such access entries and any other access entries and pillars left in place at request of Lessor. But Lessee shall not be responsible for the success or failure of such acts and things in maintaining and protecting such access entries if

Lessee adheres to the directions given by Lessor. Lessee's obligation to do such acts and things for Lessor shall end in respect of any mine on the leased premises when the lessee shall have completed its operations in such mine and thereafter, but not before, the Lessor may maintain and protect such access by the use of its own personnel and equipment. The lessee shall not be required to pay for coal left in place in such barrier pillars at the request of the Lessor.

The obligation of the Lessee to mine and remove mineable and marketable coal shall include the obligation to mine and remove pillars, including room, chain, bleeder, and barrier pillars, which are hereafter or have been heretofore created by the mining operations of the Lessee outside the areas fully accounted for and shown on the maps referred to in Section 1 of this Article V, to the extent that such pillars are not by law or lawful regulations, or by accepted safety practices, including the maintenance of safeways, required to be left, and to the extent that such pillars may be removed with reasonable safety and such removal is not prevented or seriously obstructed by the buckling of the mine floor, the fall of the mine roof or ceiling, or other conditions beyond the reasonable control of the Lessee, provided the Lessee has adhered to projections approved by the Lessor and the projections are such as to enable the prompt recovery of pillars and pillar extraction is promptly prosecuted in accordance with such projections; but the Lessee shall not be required to mine or pay for such pillars as are required to be left or which, under the aforesaid conditions, cannot reasonably be mined. If the Lessor and the Lessee shall be unable to agree upon any matter in respect of any such area or the removal of pillars, their differences shall be submitted to arbitration as provided for in Article XVI hereof.

If, at any time prior to the expiration of this lease, the Lessee shall desire to mine the coal from any such unmined area or

areas or pillars (other than pillars left at the request of the Lessor as hereinbefore provided), whether or not the Lessee shall have paid the royalty upon such unmined coal or pillars, the Lessee shall have such right, but, subject to the provision hereinafter made in respect of coal not mineable and marketable when reached but which may become mineable and marketable prior to the termination of this lease, shall not be required, to do so; and if the Lessee shall mine such areas or pillars in respect of which the Lessee shall not have paid the tonnage royalties for coal left in place, the Lessee shall pay such tonnage royalties when such coal is mined and removed but in respect of any such unmined areas or pillars for which the Lessee shall have paid royalties on coal not mined and removed, the Lessee shall account for royalties on the coal so mined at the rates and amounts in effect at the time of the mining but shall be entitled to credit on such royalties the total amount paid on the unmined coal in such area until the full amount thereof is recouped; and royalties on coal mined from such areas in excess of such credit shall be paid by the Lessee to the Lessor; provided, however, if coal left in an area because not mineable and marketable when first reached by the Lessee in the normal course of its mining operations, by reason of developments in mining methods and machinery and other applicable factors, becomes mineable and marketable, as defined in this lease, prior to the termination of this lease, and the ways of access thereto left in the manner herein provided remain usable or at reasonable expense may be restored to a usable condition, or other access may be obtained at reasonable cost, and such coal may be profitably mined and removed by the use of equipment used or usable by the Lessee in its normal course of operations in other areas of the leased premises (or if new or additional equipment is required for the mining of such coal, the Lessee will acquire the requisite new or additional

machinery for the mining of such coal in such area, if the prospective tonnage in the area, considering all other relevant factors, economically justifies the investment in such new or additional machinery), the Lessee shall be obligated to mine and remove such areas of coal as were, when first reached, left because not then mineable and marketable as defined in this lease.

If at any time at the request of the Lessor, the Lessee shall have left pillars to provide access to coal which Lessor and Lessee agree, or which a board of arbitration determines, is not mineable and marketable or are required to be left to support any overlying seam of coal, and thereafter the Lessor shall conclude that it no longer desires that such pillars be left for the purposes aforesaid or for any other purpose and shall so advise the Lessee in writing, then the obligation of the Lessee to mine and remove such pillars shall be determined by the same standards by which the obligation of the Lessee to mine coal which was not mineable and marketable when first reached but thereafter becomes mineable and marketable is determined, all in like manner as is herein provided. If the Lessee mines and removes any such pillars to the extent that the coal in such pillars shall not have theretofore been paid for by the Lessee, the Lessee shall pay the royalty thereon at the rate applicable at the time of the mining of such pillars.

5. The Lessee shall not have the right to mine any coal from any seam within the statutory distance of any outside boundary of the leased premises except where the Lessee owns or leases the coal in the came seam on the other side of said boundary, or has the written consent of all persons in interest in the same seam on the other side of said boundary.

Some properties adjoining the leased premises have heretofore been operated for the mining of coal, some other proper-

ties adjoining the leased premises are now being operated for the mining of coal, and still other properties adjoining the leased premises may be operated for the mining of coal prior to the termination of this lease, and the statutory boundary barriers will not in all such situations be sufficient to protect the leased premises and the Lessee's operations thereon against waters from mine workings on properties adjoining the leased premises. The Lessee may leave in any and all seams of coal on the leased premises sufficient additional barriers along said boundary lines as the Lessee may reasonably believe to be necessary to protect the interests of the Lessor and the Lessee in the leased premises and the Lessee's operations thereon and thereof; but the Lessee shall not leave on the leased premises in any seam a total such barrier exceeding fifty (50) feet in width (including the statutory barrier on the leased premises) without the consent in writing of the Lessor, which consent in writing the Lessor will not unreasonably withhold. If the Lessor and the Lessee do not agree that a barrier exceeding fifty (50) feet in width is reasonably necessary for the purposes aforesaid, then the matter of the necessity of any such additional width and the extent thereof may be submitted to arbitration and determined in the manner provided by Article XVI hereof. For such coal as is left by the Lessee to provide such protective barriers, to the extent agreed to by the Lessor, or in the event of arbitration to the extent determined thereby, the Lessee shall not be required to pay royalty to the Lessor; and if the Lessee desires to leave a barrier of coal exceeding fifty (50) feet in width in any seam along any boundary and exceeding the barrier agreed to by the Lessor or determined by arbitration, then the Lessee may leave such excess barrier but, to the extent of the excess, the Lessee shall pay the Lessor the royalty thereon. This paragraph shall not

apply to that part of the Eagle seam as to which the maintenance or statutory barriers has been waived in Section 1 of Article VII hereof.

At the written request of the Lessor, the Lessee will leave barriers of additional width along such boundary lines of the leased premises in locations at which the Lessor is of opinion that any such extra barrier is necessary to protect the property of the Lessor; and the Lessee shall not be required to pay for any coal left as such barrier at the written request of the Lessor.

6. The Lessee shall so conduct its operations hereunder as not to violate any rights of lateral or subjacent support, or other rights, not belonging to any person, firm, or corporation, other than the Lessor or those claiming an estate hereafter granted by Lessor, who may own the surface of or any other interest in any part of the leased premises, or who may own adjoining lands or be a lessee of adjoining lands for coal mining or other purposes; and if there shall arise any question of damage to any such person, firm, or corporation, or to any highway or railroad on the premises entitled to any such support, or on adjoining lands, or to anyone traveling thereon, caused by operations of Lessee, the Lessee shall end does hereby agree to indemnify and save harmless the Lessor against all claims and actions for such damages and to assume all responsibility without claim upon the Lessor except for cooperation in defense of all mining rights covered by its titles, Lessee bearing all cost and expenses, legal and otherwise, connected therewith.

7. The Lessee shall at all times have employed a competent and experienced mining engineer, and such engineer shall prepare end keep up to date a map, or keep up to date a map heretofore prepared, herein called a "surface map", showing accurately and com-

pletely the boundaries of the leased premises, the locations of all railroad tracks, rights of way, roads, power and pipe lines and similar installations and buildings and improvements on the leased premises. The Lessee shall furnish the Lessor annually a copy of such surface map upon a scale of 400 feet to the inch, and during the year ensuing the last furnishing of a copy of such map, shall furnish the Lessor, in writing, information of any material changes in the surface map a copy of which was last furnished. Such engineer shall also prepare and keep up to date a map, or keep up to date a map heretofore prepared, herein called a "mine map" upon a scale of 200 feet to the inch, for each and every seam or vein of coal on the leased premises being mined by the Lessee, and such mine maps shall show the boundaries of the leased premises and all entries, rooms, working places, shafts, drill holes, the heights of coal, rolls and faults, prospective openings and operations, and such other information as may be necessary for the safe and proper conduct of the Lessee's mining operations hereunder, and such other information as may reasonably be required by Lessor. The Lessee shall furnish the Lessor a copy of each such mine map complete upon a scale of 200 feet to the inch, and upon request of the Lessor, not more frequently than annually, shall furnish the Lessor a such copy of any such mine map complete and brought up to the date of such request, and each and every six months, without request, the Lessee shall furnish to the Lessor "take-up maps", being sections of such mine maps, showing all of the Lessee's coal mining operations and production for the six months' period immediately ensuing the date of the respective mine maps or "take-up maps" last furnished. All of such maps, surface and mine, shall at all reasonable times be subject to inspection by the Lessor by any qualified and authorized agent.

8. In its mining operations, the Lessee shall be required to provide support for unmined overlying seams of coal only as follows:

In mining the Eagle or No. 2 Gas seam, the lessee shall not be required to leave any coal to support any overlying seams of coal.

In mining the Cedar Grove or Island Creek seam, except as otherwise herein provided, support for all of the overlying areas of mineable and marketable coal of the Chilton seam shall be left until such time as the overlying areas of mineable and marketable coal of the Chilton seam are severally and successively mined and removed.

The Lessee, in mining the Cedar Grove or Island Creek seam, need not leave coal to support the four areas of the Chilton seam surrendered by the Lessee to the Lessor by Agreement dated December 30, 1941, and shown on the Chilton seam map as Parcels A, B, C, and D , or the other four areas paid for and shown on said Map as Parcels E, F, G, and H.

As lessee's mining operations in the Cedar Grove or Island Creek seam and in the Chilton seam proceed, the Lessor and the Lessee will endeavor to agree in respect of any other areas of the Chilton seam, if there be any such areas, from which the coal has not been mined and in which the coal is not mineable and marketable, and to that end may prospect the coal in the Chilton seam as is hereinafter provided. In respect of any such other areas of the Chilton seam as the Lessor and the Lessee agree that the Chilton seam does not contain mineable and marketable coal, the Lessee may mine the Cedar Grove or Island Creek seam without providing support for the Chilton seam.

If there are areas of the Chilton seam which, while not mineable and marketable at the time reached by the Lessee's operations in due course, the Lessor believes may become mineable

and marketable in the future, the Lessor may request the Lessee to leave Cedar Grove or Island Creek coal to support the overlying Chilton seam in the area. Upon such request of the Lessor, the Lessee shall, if Lessee agrees to Lessor's request, leave such support of such areas of the Chilton seam; and if and when the Lessee shall leave any Cedar Grove or Island Creek coal to support the Chilton seam at the request of the Lessor, the Lessee shall not be liable to the Lessor for royalty upon such coal of the Cedar Grove or Island Creek seam as may be left to support the Chilton seam, or any part thereof. However, if the Lessee shall not agree to the request of the Lessor that coal of the Cedar Grove or Island Creek seam shall be left to support coal in the Chilton seam, then there shall be submitted to arbitration the question of whether, taking into account other developed areas of the Island Creek seam on the leased premises available for mining by the Lessee and Lessee's market for Island Creek coal, the prospect that the overlying area of Chilton coal may become mineable and marketable at some future time economically justifies the leaving of mineable and marketable coal in the Cedar Grove or Island Creek seam to support the overlying seam of Chilton coal which is then not mineable and marketable. If the arbitrators decide such issue in favor of Lessee, then the Lessee may mine and remove the Cedar Grove or Island Creek coal without leaving support for the overlying Chilton coal. If the arbitrators decide such issue in favor of Lessor, then the Lessee shall leave such support and shall not be required to pay the Lessor for the coal left in place to provide the same.

If the Lessee leaves coal of the Cedar Grove or Island Creek seam to support coal of the overlying Chilton seam which is not mineable and marketable when first reached by the Lessee in the normal course of its mining operations in the Chilton seam, whether such coal in the Cedar Grove or Island Creek seam be left at the request of the Lessor and agreement thereto by the Lessee or be left in compliance

with a decision of arbitrators, and thereafter, by reason of developments in mining methods and machinery and other applicable factors, such Chilton seam coal becomes mineable and marketable, as defined in this lease, prior to the termination of this lease, then the obligation of the Lessee to mine and remove the coal from such area of the Chilton seam and the coal from the Cedar Grove or Island Creek seam which was left to support the Chilton seam shall be determined by the standards provided by Section 4 of this Article V relating to coal not mineable and marketable when first reached and to the mining of pillars left at the request of the Lessor, and the Lessee shall account to the Lessor for the coal mined at the royalty rates applicable at the time of mining, taking credit for the full amount, if any, theretofore paid by the Lessee for coal in such seam or area not mined at the time of payment and pay the Lessor such royalties after the payments for the coal not mined at the time of payment shall have been fully recouped.

In mining the Chilton seam, the Lessee shall not be required to leave any coal to support any overlying seam.

The Lessee shall not be required to leave any coal in any seam to support the No. 5 Block seam, but, in respect of the seams between the Chilton and the No. 5 Block seams, the Lessee's mining operations shall be so conducted as to protect unmined areas of the mineable and marketable coal of overlying seams other than the No. 5 Block seam in like manner as, and to the extent as, is provided in respect of the protection of the Chilton seam in the mining of the Cedar Grove or Island Creek seam.

If, by methods of prospecting for coal other than by core drilling, the Lessor and the Lessee shall be unable to determine and agree upon the areas, if any, of the Chilton seam for which sup-

port by the Cedar Grove or Island Creek seam is to be provided in accordance with the provisions hereof, then whenever it becomes material to determine whether any such support for the Chilton seam or any area thereof is proper, the Lessor and the Lessee, at their joint and equal expense, will do, or cause to be done, such prospecting by core drilling, including such analyses as constitute generally accepted methods of coal seam evaluation and such analyses of coal cores, as reasonably may be required to produce information upon which a determination may be made.

In like manner, whenever it becomes material to determine which seams or areas of seams of coal, if any, between the Chilton seam and the No.5 Block seam contain mineable and marketable coal and whether any such seams or areas of seams require support by or from an underlying seam or underlying seams (other than the Chilton seam in the mining of which the Lessee is not required to leave support for any overlying seam), if the Lessor and the Lessee shall not be satisfied by information developed by methods of prospecting for coal other than by core drilling, the Lessor and the Lessee, at their joint and equal expense, will do, or cause to be done, such prospecting by core drilling, including such analyses as constitute generally accepted methods of coal seam evaluation and such analyses of coal cores, as reasonably may be required to produce information upon which the determination of all such questions in respect of any and all seams of coal between the Chilton and the No.5 Block seams may be made.

If the Lessor and the Lessee shall be unable to agree upon the need, the manner, or extent of any such core drilling, including such analyses as constitute generally accepted methods of coal seam evaluation and such analyses of coal cores, to be done at their joint expense, or the results of prospecting, including such core drilling

as may have been done, then either party, at its own immediate expense, may do or cause to be done such core drilling or such further core drilling as it may consider to be reasonably necessary to produce information upon which to determine whether support of an overlying seam is required under any of the provisions of this lease; and if, after such core drilling or further core drilling be done by one of the parties, the other party declines to reimburse the party causing the core drilling to be done one-half of the expense thereof, then the party causing the core drilling to be done may submit to arbitration the responsibility of the other party for one-half of the expense thereof, and for so much of said core drilling as the arbitrators decide to have been reasonably necessary to obtain such information, the other party shall reimburse the party causing the drilling to be done one-half of the cost thereof; or the party desiring core drilling or further core drilling, as the case may be, may submit to arbitration the need therefor, and such core drilling or further core drilling as the arbitrators decide to be proper to be done to obtain such information, shall be done at the joint and equal expense of the parties.

9. In any case where it becomes material to determine in advance of mining whether any seam of coal or area thereof on the leased premises contains mineable and marketable coal, the prospecting procedures set out in Section 8 of this Article V shall be followed.

10. If the Lessor and the Lessee disagree in respect of any matter arising under this Article V hereof, whether or not arbitration in respect thereof is specially mentioned in connection therewith, the disagreement between the Lessor and the Lessee shall be submitted to arbitration in the manner and with the effect provided for by Article XVI hereof.

VI.

RENTAL, ROYALTIES, AND WHEELAGE AND PROCESSING PAYMENTS

l. The Lessee covenants to pay to the Lessor as rent, without demand, at the Lessor's offices in Huntington, West Virginia, a base tonnage royalty of thirteen cents (l3c) for each and every net ton of two thousand pounds of clean coal mined from any seam of coal on the leased premises, other than the Eagle or No.2 Gas seam, by underground mining methods, and a base tonnage royalty of fifteen cents (l5c) for each and every net ton of two thousand pounds of clean coal mined from the Eagle or No.2 Gas seam on the leased premises by underground mining methods, and twenty-five cents (25c) per such ton of clean coal mined by strip, auger, or comparable outside mining methods. If and when the average selling price at the Lessee's loading plants for coal mined from the leased premises by the Lessee under this Deed of Lease and Agreement shall exceed Five Dollars and Fifty Cents ($5.50) per net ton of clean coal (meaning the selling prices by the Lessee before deducting therefrom any selling expense or agents', brokers', or middlemen's commissions or discounts, or other compensation; provided that discounts to wholesalers, brokers, or middlemen who place the coal on their docks or in their yards for re-sale may be deducted; and provided further that if any coal produced hereunder shall be sold by Lessee to a buyer who or which is controlled by the Lessee, or in which the Lessee owns as much as fifty per cent (50%) of the capital stock or invested shares or which is under common control with the Lessee by reason of ownership by the same person or persons of as much as or more than one-half (1/2) of the voting stock of the Lessee and such buyer, and the selling price is less than the fair market value thereof at the Lessee's loading point at the time of shipment, then the selling price for the purpose of computing the percentage of royalty thereon shall, at the Lessor's

option, be such fair market value thereof), then, in addition to such base tonnage royalties, the Lessee will pay to the Lessor an additional tonnage royalty equal to and in the amount of three per cent (3%) of the average selling price by the Lessee over and above Five Dollars and Fifty Cents ($5.50) per net ton of clean coal. The Lessor will accept as such average selling price by the Lessee, such average price as shall be certified by a certified public accountant selected and paid by the Lessee and acceptable to the Lessor; and the Lessor shall not be entitled to inspect or audit the Lessee's contracts and records relating to the sale of the Lessee's coal except in case of litigation under usual court process. If, pursuant to any provision of this Deed of Lease and Agreement, the Lessee is required to pay the Lessor for any coal not mined by the Lessee payment shall be made upon the basis of the tonnage royalty rate applicable at the time the obligation to pay for such unmined coal arises, whether such tonnage royalty rate be a base rate as above provided or a base rate plus three per cent (3%) of the excess of the average selling price by the Lessee, for coal mined from the leased premises over and above Five Dollars and Fifty Cents ($5.50) per net ton as aforesaid. Such tonnage royalty shall be paid on or before the 25th day of each month for all coal mined from the leased premises during the preceding calendar month, except that payment for coal mined and stored on the premises may be made at the time as hereinafter provided. "Clean coal" shall mean the coal loaded into railroad cars or other facilities for shipment to market and coal used or coked by the Lessee on the premises and coal sold by the Lessee to employees. A ton of coke sold and shipped, used by the Lessee, or cold by the Lessee to employees shall be counted as one and one-half (1-1/2) tons of coal; provided, however, that, if either the Lessor or the Lessee shall prefer, the coal shall be "weighed or otherwise measured before coking,

then the tonnage royalty on coal coked shall be determined by the weight or measure of the coal before coking. For the purpose of computing the percentage royalty hereinabove provided, coal produced hereunder by the Lessee and used by the Lessee on or off the leased premises, or shipped from the leased premises without being sold, shall be accounted for as having been sold by the Lessee at the fair market value thereof at the time of use on the leased premises or of shipment therefrom or from Lessee's processing plant.

2. The Lessee further covenants that on or before the 2Oth day of each calendar month it will furnish to the Lessor a report showing the total quantity of clean coal taken from the demised premises during the preceding calendar month, using the weights furnished by the company over whose railroad the coal is shipped, for all coal so taken and shipped by rail. The quantity of coal taken hereunder and made into coke or other products of coal upon the premises shall be determined as hereinabove provided, and all coal used by the lessee in the operation of its mines and in its operations incidental thereto, and all coal sold by the Lessee to its employees, shall be ascertained in a reasonably accurate manner. As a part of such reports, the Lessee will also show the quantity of such coal brought by the Lessee on the leased premises from other lands operated by the Lessee in connection therewith and the quantities of such coal from such other lands commingled with coal produced by the Lessee from the leased premises.

3. It is fully understood and agreed by and between the Lessor and the Lessee that the Lessee may commingle with coal produced from the leased premises coal produced by the Lessee from other properties; and the Lessee shall keep clear and accurate records of the coal mined from the leased premises and of the coal

mined from other properties and commingled with the coal mined from the leased premises in such manner that the quantity of clean coal mined from the leased premises and the selling price thereof (for examination only by a certified public accountant as provided by Section 1 of this Article VI) may be. ascertained at all times, notwithstanding the commingling of such coal with coal mined from other properties. For the purpose of computing royalty based on selling price, the price per ton of coal mined hereunder and commingled with coal mined from other properties shall be the selling price per ton of the commingled coal.

4. The Lessee shall pay to the Lessor as a minimum annual rental for coal mined on the leased premises the sum of $33,791.00 for each calendar year until such time as such annual rental shall cease as is hereinafter provided. Actual tonnage royalties paid by the Lessee to the Lessor upon coal mined by the Lessee from the leased premises and payments made by the Lessee to the Lessor, pursuant to the provisions hereof, for coal upon the leased premises not mined by the Lessee at the time of such payments, shall be applied as a credit upon or against such minimum annual rental, but payments made by the Lessee to the Lessor in respect of coal mined by the Lessee from lands other than the leased premises shall not be credited against such minimum annual rental.

If the tonnage royalties paid as hereinabove provided in any one calendar year do not amount to as much as such minimum annual rental, then the Lessee shall have the privilege of mining during the next two succeeding years, but not thereafter, free from tonnage royalty, a sufficient amount of coal at the royalties thereon herein provided above the amount necessary to produce the minimum annual rental for such succeeding years to reimburse the Lessee for the deficiency during the next preceding two years; but no payment

of tonnage royalties in excess of the minimum annual rental for any one year shall be credited against a deficiency occurring in any subsequent year.

Payment of the amount necessary to complete the minimum annual rental for any one year shall be made on or before twenty-five (25) days after the end of the year.

Provided, however, that in the event of unavoidable delay in operation due to strikes of Lessee's employees, accidents, inadequate car supply, or other causes not within the control of the Lessee, the Lessee shall be released from the payment of an equitable proportion of the minimum annual rental. Lessee shall not be entitled to release of any portion of the minimum annual rental for strikes of its employees lasting thirty (30) days or less; but for strikes of its employees lasting more than thirty (30) days and causing the complete shutdown of its operations, the Lessee shall be entitled to a reduction equal to one-twelfth (1/12) of the minimum annul rental for that year for every thirty (30) days, and pro rata any fraction thereof, of such strike after the expiration of the first thirty (30) days thereof. The Lessee shall not be entitled to any releases from more than twenty-five per cent (25%) of said minimum annual rental in any one year because of delay in operation due to inadequate car supply, however caused. As a condition to such release of minimum annual rental, the Lessee shall make all reasonable and proper efforts and demands to procure the necessary transportation to convey from the leased premises and to market sufficient coal to pay at least the said minimum annual rental. Lack of market or low coal prices shall not be considered a cause not within the control of the Lessee so far as the minimum annual rental is concerned. In no event shall the Lessee be released in any one year for more than fifty per cent (50%) of said minimum annual rental.

5. Whenever the Lessee's mining operations shall have proceeded to the point of exhaustion of the coal on the leased premises at which the quantity of the mineable and marketable coal remaining unmined upon the leased premises is such that the then rate of mining in keeping with good mining practices is insufficient to produce in any year a total tonnage royalty equal to the stated minimum annual rental, then at that time. such minimum annual rental shall cease, and the Lessee shall be required to pay only the tonnage royalty on such coal as it may thereafter mine and ship, sell or use.

If the Lessor and the Lessee shall be unable to agree upon the time at which such minimum annual rental shall cease, the matter in difference shall be submitted to and determined by arbitration in the manner and with effect as provided by Article XVI hereof.

6. For the right and privilege of transporting coal and refuse produced by the Lessee from lands other than the leased premises, the transportation of equipment, supplies, and persons to and from properties operated by the Lessee in conjunction with the leased premises, and cleaning, drying, processing, storing, loading, and shipping on and from the leased premises coal mined by the Lessee from other properties, and of disposing of refuse from such other properties on lands of the Lessor, and for making all such uses of lands of the Lessor in connection with the Lessee's operations of other lands as provided by Section 6 of Article IV of this Deed of Lease and Agreement, and whether or not specifically mentioned in said section or in this section, any and all uses of every kind and character of the Lessor' s lands in conjunction with the Lessee's mining and incidental operations on other lands operated in connection

with the leased premises, the Lessee shall make to the Lessor payment for any and all such uses and purposes, sometimes herein called "wheelage and processing charges", at the respective rates per ton of clean coal:

Three Cents (3c) per gross ton of all clean coal mined from the Lawson lands;

Ten Cents (10c) per net ton or clean No.5 Block coal mined from properties other than the leased premises and the Lawson lands; and

Five Cents (5c) per net ton of clean coal for any other coal brought on the Lessor's lands from any other property or properties operated by the Lessee.

7. In the event the Lessee shall store on the leased premises any coal mined from the leased premises or mined by the Lessee from other properties, instead of paying the tonnage royalties on coal mined from the leased premises at the time the same is mined, or the wheelage and processing charges on coal mined from other properties at the time or the bringing of such coal on to the leased premises, the Lessee may pay therefor when such stored coal is shipped or used, the tonnage royalty rate to be the tonnage royalty rate applicable at the time the coal is mined and stored; but, in any event, such tonnage royalties and wheelage and processing charges shall be paid within one (1) year after the time when such payments would have been made had such coal not been stored. When coal is stored, it shall be carefully measured in a reasonably accurate manner, and the tonnage royalties and the wheelage and processing charges shall be paid upon the basis of such measurement or upon the tonnage basis when shipped or used, whichever shall be the greater. And if such royalties and charges for such coal be paid prior to the time at which such coal is shipped or used, and when such coal is shipped or used it appears that the payment upon the basis of measurement is less than the payment which would have been due upon the basis

of the tonnage shipped or used, the Lessee shall then pay to the Lessor the difference between the amount paid upon the basis or measurement and the amount payable upon the basis of tonnage shipped or used. In any event, if and when the Lessee shall store coal, the Lessee shall be liable for the tonnage royalties and wheelage and processing charges on all coal which is lost through fire or which is washed away.

8. Unless otherwise expressly required by other provisions of this lease, the Lessee shall not be required to pay for any coal left upon the leased premises for the reason that it is not mineable and marketable at the time it is reached in the course of the Lessee' s mining operations and which does not during the life of this lease become mineable and marketable as elsewhere in this Deed of Lease and Agreement is provided, or for any mineable and marketable coal which is required by law to be left in place unmined, which is left in place unmined at the request of the Lessor, which is left in place for subjacent support where such subjacent support is required, or which is required to be left in place and unmined for any other lawful and proper purpose, including the maintenance of safeways.

9. If at any time hereafter the Lessee shall pay for any coal not mined from a particular area of any seam, and Lessee shall thereafter mine such coal, the Lessee shall account for royalties on the coal so mined at the rates and amounts in effect at time of mining but shall be entitled to credit on such royalties the total sent of royalties previously paid on the coal in such area until such amount is so recouped; and royalties on coal mined from such area in excess of such credit shall be paid by the Lessee to Lessor. Payments for coal not mined may be credited upon minimum annual rental for the year in which paid but shall not be credited upon the

minimum annul rental for the year or years in which such coal thereafter may be mined in whole or in part.

10. The Lessee shall keep books of account of the mining, using, and shipping of coal mined from the leased premises hereunder, and of all coal mined by the Lessee from other properties and brought on the leased premises for any purposes as provided by this Deed of Lease and Agreement, and said books shall be open at all reasonable times for inspection by the Lessor, its agents, and attorneys and other persons in its behalf, for the purpose of verifying the reports and statements rendered by the Lessee to the Lessor under the provisions hereof or for obtaining information as to the mining, using, and shipping of any of such coal during any such period.

11. If at any time the Lessor and the Lessee shall be unable to agree in respect of the minimum annual rental, tonnage royalties, or wheelage and processing charges to be paid and made by the Lessee to the Lessor, the matter in dispute shall be submitted to arbitration in the manner provided by Article XVI hereof.

VII.

HINCHMAN HOLLOW

1. Amherst owns a tract of land adjoining the leased premises on the southern boundary thereof and lying on the waters of Hinchman Hollow Creek between said boundary and Buffalo Creek and beyond. The Eagle, sometimes called the No.2 Gas, seam of coal on the leased premises lies below drainage but outcrops on said tract of land owned by Amherst on Hinchman Hollow. Notwithstanding anything to the contrary in this Deed of Lease and Agreement contained, Amherst shall have the right and privilege of mining

said Eagle seam of coal and any other seam of coal on and in Amherst's said lands on Hinchman Hollow Creek and on and in the leased premises without regard to said boundary, including the right to resolve all of the coal in any seam without leaving any statutory boundary pillar on either side of the boundary line, and including the right to remove and transport coal mined from said Eagle and any other seam in the leased premises by way of said Hinchman Hollow and to move therein and therefrom equipment and supplies and personnel.

Amherst shall have the right to remove coal from the Eagle seam and any other seam on the leased premises by way of said Hinchman Hollow Creek and to process and load the same at a point or points off the leased premises, in which event Amherst shall cause the same to be weighed or measured in a reasonably accurate manner; and Dingess-Rum shall have access to the plant or plants at which such coal is weighed or otherwise measured and processed and the right to inspect and check the facilities by which the coal is processed and measured.

2. Amherst hereby grants to Dingess-Rum, its successors and assigns, a permanent surface easement for the maintenance of a thirty (30) foot private roadway for transporting persons and materials over Amherst' s lands on Hinchman Hollow from the southeasterly boundary line of the leased premises to the public highway along Buffalo Creek, to provide access to and from the lands of Dingess-Rum adjoining said lands of Amherst from and to the public highway along Buffalo Creek. The approximate location of said surface easement is shown on a map or plat attached hereto and made a part hereof bearing the legend, "Map Showing Hinchman Hollow Easements Referred To In Agreement Between Dingess Rum Coal Company And Amherst Coal Company Dated June 1, 1962". If, when said surface

easement is definitely located, it becomes necessary to move any of Amherst's houses, Dingess-Rum, at its own expense, will relocate such houses on Amherst's land if such be practicable; and if relocation be not practicable and it be necessary to raze any of said houses, then Dingess-Rum will pay Amherst the reasonable value thereof. Dingess-Rum may install and maintain on said easement, but within such 30-foot roadway, telephone, telegraph, electric power lines and pipe lines; and, upon the same terms and conditions as Dingess-Rum may use the Hinchman Hollow Outlet Easements for the movement of coal as hereinafter provided, Dingess-Rum may use this roadway as an outlet or a part of an outlet for the movement of coal.

Amherst and its grantees, assigns, and licensees, shall have the right to use said roadway along with Dingess-Rum and to install and maintain on said easement telephone, telegraph, electric power lines and pipe lines, and to grant to other persons, firms, and corporations easements over and under and across said roadway, but such use and easements shall not unduly interfere with the use thereof by Dingess-Rum and its grantees, assignees, and licensees. In the event that Amherst shall exercise such right to use such roadway as aforesaid, it shall bear a reasonable portion of the cost of the construction and maintenance thereof. If at any time hereafter it should become necessary to the reasonable utilization of Amherst's property and its coal mining operations on the leased premises that Amherst occupy said roadway to the exclusion of Dingess-Rum, then Amherst, at its own expense, shall relocate and build and construct a comparable roadway in another location equally convenient for use by Dingess-Rum.

3. Amherst hereby grants to Dingess-Rum, its successors and assigns, as an outlet for the movement of coal, the following easements (sometimes herein called "Hinchman Hollow Outlet Easements") in, over, and through Amherst's said lands on and in the vicinity of Hinchman Hollow, such easements or outlets to be used only at the time, for the term, and for the considerations, all as is hereinafter set forth.

(a) An easement for the movement of coal and for the movement of machinery, equipment, supplies, and personnel, underground from the outcrop of the Eagle seam on Amherst's said land to the boundary line between the lands of Amherst and Dingess-Rum; and this easement shall include the support and protection of such haulage and passageways by the preservation of such pillars and barriers of coal as they shall be established and maintained by Amherst in its own mining operations as provided by Section 1 of this Article VII; provided, however, that such support and protection shall be provided only if and when Amherst be so requested by Dingess-Rum as is hereinafter provided. The location and area at and within which this easement may be used and occupied is shown as Parcel A on the map or plat hereinbefore referred to as "Hinchman Hollow Easements", hereto attached and made a part hereof. To preserve to Dingess-Rum the availability of the easement on Parcel A as shown on said map and the necessary protection and support therefor, Amherst will not mine or remove any coal from the Eagle seam, other than such as has heretofore been mined and removed, from Parcel A, until Amherst shall have completed its mining operations in that part of the Eagle seam on the leased premises which is mineable and removable through Hinchman Hollow, and until Dingess-Rum has indicated to Amherst that Dingess-Rum does not desire that such easement be longer protected. When Amherst is of the opinion that its mining of such part of the Eagle seam on

the leased premises is within one (1) year of completion, Amherst shall so notify Dingess-Rum in writing; and if, within sixty (60) days after the date on which Amherst has given Dingess-Rum such notice, Dingess-Rum shall not have requested in writing that Amherst protect such easement, Amherst shall not be obligated further to protect such easement and may mine and remove all of the coal from said Parcel A; provided, however, that Amherst may at any time mine and remove such coal from the Eagle seam on said Parcel A as is reasonably necessary incidental to Amherst's improvement of its haulageways from the outcrop of the Eagle seam on Amherst's land to and through the property line between the lands of the parties hereto and into the Eagle seam on the leased premises. Before making any such improvement of such haulageways, Amherst shall present the plan therefor to Dingess-Rum, and will not make such improvements necessitating the mining and removal of coal incidental thereto until the plans therefor are approved by Dingess-Rum. Dingess-Rum will not unreasonably withhold approval of such plans as may be presented by Amherst; and if the parties are unable to agree in respect thereof, the matter in difference shall be submitted to and determined by arbitration in the manner and with the effect as is provided by Article XVI hereof.

(b) A surface easement over Parcel A for the movement thereover of coal from any seam overlying the Eagle seam which Dingess-Rum may desire to move over the Hinchman Hollow Outlet Easements and for the movement thereover of persons and materials.

(c) A surface easement for the installation, maintenance, and operation, for all proper purposes incident to the mining of coal, of haulage facilities on and over Parcel B as shown on said map, and for the installation and operation on Parcel B of a tipple

and conveyor or comparable facilities, and including facilities for cleaning, drying, and otherwise preparing coal and for the disposal of mine rock and refuse, loading facilities, railroad tracks, and other facilities incidental to the establishment, operation, and maintenance of such facilities. Mine rock and refuse may be moved over Parcel A and Parcel B and over the roadway provided for by Section 2 of this Article VII, but no mine rock or refuse shall be piled or dumped on any of Amherst's lands.

For so long as this lease shall continue in force and effect, Dingess-Rum shall not use or occupy said Hinchman Hollow Outlet Easements (as set forth in this Section 3 of this Article VII) or any of them; and whether or not Dingess-Rum shall use or occupy said Hinchman Hollow Outlet Easements or any of them, such Hinchman Hollow Outlet Easements and all use of them shall terminate and end, and Dingess-Rum shall have no right to use or occupy the same or any of them after the period of forty (40) years next immediately following the date on which this lease ceases to be in force and effect.

When Dingess-Rum shall use and occupy said parcels of land or any of them, such use and occupancy by Dingess-Rum shall not be exclusive of any such rights of use or occupancy by Amherst as shall not unreasonably interfere with the use and occupancy by Dingess-Rum; and Amherst may grant to other persons, firms, and corporations rights of way and easements over, through, and under said Parcels A and B for the construction, maintenance, and removal of telephone lines, electric power lines and pipe lines, and for any other lawful purpose or purposes, provided such easements and the use thereof do not unduly interfere with Dingess-Rum's use and occupancy of said Hinchman Hollow Outlet Easements, and provided further that no such installations be in or through the No.2 Gas or Eagle seam

of coal on said Parcel A. The lands of Amherst on which said Hinchman Hollow Outlet Easements are located are under lease for the exploration for and production of oil and gas, and one gas well, now producing, is located on Parcel B, and said Hinchman Hollow Outlet Easements are granted subject thereto, but Dingess-Rum may exercise all rights hereby granted to it to the extent that such rights have been reserved to Amherst.

Dingess-Rum may use and occupy said easements, without charge to Dingess-Rum, for the removal of any coal on the leased premises which Amherst has not mined and removed.

If any of the Eagle seam of coal on the leased premises is not mineable and marketable at the time it is first reached by Amherst in its mining operations, and Dingess-Rum believes that it may be mineable and marketable either before or after the expiration or termination of this lease, then Amherst will, at the request of Dingess-Rum, leave upon the leased premises such access, and in such manner, as is provided in Article V hereof, and Amherst shall not be required to pay royalty for the coal left for the preservation of such access at such request of Dingess-Rum. Provided, however, that if the coal to which access has been preserved as herein provided shall become mineable and marketable upon and under the terms and conditions set forth by section 4 of Article V hereof prior to the termination of this lease, Amherst will mine and remove the same in accordance with said provision, and Amherst shall not be required to leave coal to further preserve such access unless Dingess-Rum requests that such access be preserved for use by Dingess-Rum in removing coal from lands of Dingess-Rum other than the leased premises as is hereinafter provided. If Dingess-Rum

requests that such access be left on the leased premises and also requests that Amherst leave such access over and through the Eagle seam on Amherst's land on Hinchman Hollow, Amherst will do so, and Dingess-Rum shall, after this lease shall have ended, have the right to use and occupy the easements granted hereby for the removal of such coal from the Eagle seam on the leased premises without charge to Dingess-Rum; except, however, for such coal on Amherst's own land as is left unmined at the request of Dingess-Rum to provide, preserve, and protect such easement, Dingess-Rum shall pay Amherst tonnage royalty at the same rate that Amherst is paying Dingess-Rum for coal mined by underground methods by Amherst from the Eagle seam of coal on the leased premises; and Dingess-Rum shall have the right, without further charge, to mine and remove from Amherst's land the coal for which Dingess-Rum has so paid.

If, after the expiration or termination of this lease, Dingess-Rum desires to bring out over Amherst's Hinchman Hollow lands coal from the Eagle seam on lands of Dingess-Rum other than the leased premises, then, at the request of Dingess-Rum made a reasonable time prior to the time at which Amherst would otherwise mine and remove the coal necessary to preserve such access, upon the same terms and conditions, Amherst will leave such access, and Dingess-Rum may use and occupy such easements therefor; but, in addition to paying Amherst for the coal left on Amherst's own land at Dingess-Rum's request to provide Dingess-Rum such access and outlet, Dingess-Rum shall pay Amherst wheelage and processing charges at the same rate per ton as is provided to be paid by Amherst to Dingess-Rum in respect of coal of the Eagle seam from lands other than the leased premises (and the Lawson lands) under the provisions of Article VI hereof; and if, after the expiration or termination of this lease,

Dingess-Rum desires to bring out over Amherst's Hinchman Hollow lands coal from any other seam or seams from lands of Dingess-Rum other than the leased premises, Dingess-Rum may use the Hinchman Hollow Outlet Easements thereof or upon payment of wheelage and processing charges at the same rate as Amherst pays Dingess-Rum for coal from the same seam.

In any or all the foregoing circumstances, the obligation of Amherst to leave protection and support for access entries on either the leased premises or Amherst's own lands, shall be fully complied with and performed when Amherst shall have left such barrier pillars and such timber and other supports as are in place at the time Amherst ceases operations in the area; and Amherst shall not be obligated to thereafter or otherwise maintain such access. However, if so requested by Dingess-Rum, Amherst will at Dingess-Rum's cost and expense, without profit to Amherst and without charge for overhead, do such acts and things as Dingess-Rum shall direct for the purpose of maintaining and protecting such access entries and any other access entries and pillars left in place at request of Dingess-Rum. But Amherst shall not be responsible for the success or failure of such acts and things in maintaining and protecting such access entries if Amherst adheres to the directions given by Dingess-Rum. Amherst's obligation to do such acts and things for Dingess-Rum shall end in respect of any mine on the leased premises the coal from which is removed by way of said Hinchman Hollow Creek as is provided by this Article VII when Amherst shall have completed its operations in such mine, and thereafter, but not before, Dingess-Rum may maintain and protect such access by the use of its own personnel and equipment.

Dingess-Rum shall pay all taxes, governmental levies, assessments, and charges assessed or imposed upon or in respect of all buildings, structures, improvements, equipment, and

all other property placed by Dingess-Rum, or left by Amherst for Dingess-Rum's use, on Parcels A and B, or either of them, and Upon such coal as may be produced by Dingess-Rum on said Parcel A; and Amherst, its successors and assigns, shall pay the taxes on the land included within said Parcels A and B and on the land occupied by the thirty (30) foot roadway.

Dingess-Rum shall have the right to remove from the Hinchman Hollow Outlet Easements any and all buildings, installations, machinery, equipment, and supplies which Dingess-Rum shall have placed upon said outlet easements at any time.

VIII.

TAXES

The Lessee shall, during the term hereof, pay all taxes, governmental levies, assessments, and charges levied, assessed and/or imposed upon or in respect of the lands hereby leased, upon the leasehold estate hereby created, upon the buildings, structures, equipment, and other property erected, placed, kept, or used on said land by the Lessee, upon the coal mined and coke or other commodity manufactured or produced on said land, and/or upon any trade, business, or occupation engaged in, conducted, or permitted on said premises by the Lessee. All such taxes, governmental levies, assessments, and charges shall be paid by the Lessee promptly when the same become due and payable, and a duplicate receipt of payment of property taxes shall be furnished to the Lessor within ten (10) days after the same is received by Lessee. If the Lessee at any time believes that any such tax, levy, assessment, or charge is unjust, illegal, or excessive, it shall have the right, and in the name of the Lessor if necessary, but only after notice to the Lessor,

to institute and prosecute such proceedings or take such other steps as it may be advised, at its own cost and expense, to contest or reduce the same, provided it act promptly; and it shall not permit a sale or forfeiture of said premises, of the leasehold estate hereby created, of the improvements and property on said leasehold, or of any part of said premises, leasehold, improvements, or property on account of its failure to pay such tax, levy, assessment, and/or charge. In the event the Lessee does not pay any such tax, levy, assessment, or charge promptly when the same becomes due and payable, or when, if the Lessee takes steps to contest or reduce the same, the final determination is made, the Lessor may pay the same, and all amounts so paid by the Lessor shall be repaid to it by the Lessee forthwith. If the oil and gas, or any other interest, other than coal areas not leased to the Lessee hereby, in the leased premises shall be separately assessed, the Lessee shall not be obligated to pay the taxes on any such interest so separately assessed; or, if, though not separately assessed, the assessed value of the leased premises shall be increased because of such oil and gas or other interest, the Lessee, upon payment of the taxes on the leased premises, shall be reimbursed by or on account of the Lessor for the taxes attributable to such increase of the assessed value of the leased premises; provided, however, that the Lessee shall be under no obligation to pay taxes on any improvements added to the leased premises by the Lessor or by persons other than the Lessee claiming by, through, or under the Lessor, or with respect to any coal mined from the leased premises by the Lessor or any person other than the Lessee claiming by, through, or under the Lessor; provided further, however, that if mining operations shall be conducted by the Lessor or any lessee or licensee of the Lessor, other than the Lessee, on the leased premises for the production of coal not leased hereby to the Lessee, and, as a result thereof, the

leased premises, or any of them, shall be increased in valuation for tax proposes, the Lessee shall be under no obligation to pay such taxes as are attributable to such increase in valuation. The obligation of the Lessee to pay such taxes shall include the taxes for the year in which this Deed of Lease and Agreement is made and for all years prior thereto and subsequent to the year 1936, if any, for which such taxes have not heretofore been paid.

IX.

MAINTENANCE, REPAIR, AND USE OF MINING PLANT AND EQUIPMENT

Lessee covenants that it will at all times during the term of this lease keep all buildings, tipples, structures, machinery, and equipment, as well as its workings underground, in good order and repair and will, from time to time, make such replacements, renewals, and additions as may be reasonably necessary to enable the Lessee at all times to perform its obligations hereunder in an economical manner according to the improvements made from time to time in the art of coal mining and coal preparation. However, the Lessee shall not be required to maintain and repair buildings, tipples, and structures which are no longer needed by the Lessee to carry out its obligations under this Lease and Agreement, and the such as are no longer useful the Lessee may raze and/or remove. Likewise, the Lessee may raze and/or remove to another location on the leased premises any building or structure constituting a part of Lessee's facilities on the leased premises the removal of which is reasonably necessary to enable the Lessee to locate or relocate other facilities reasonably necessary or convenient for the Lessee's operations on the leased premises. And the Lessee shall not be required to keep on the leased premises all machinery or equipment, buildings, or structures which at any

time may be used or erected thereon, it being understood that the Lessee may dispose of any and all machinery and equipment, buildings or structures, and other facilities which are obsolete or which are no longer needed and useful to the Lessee in its performance of its obligations hereunder; may dispose of any and all machinery and equipment which has been replaced by other machinery and equipment calculated to serve the purpose of such machinery and equipment so replaced; and the Lessee may, from time to time, remove machinery and equipment from the leased premises for use, either temporarily or permanently, on other properties owned or leased by the Lessee; provided, that the Lessee shall at all times (except for such temporary periods as may be required for replacement in case of loss or destruction) have and retain on the leased premises all such tipples, cleaning plants, buildings, structures, and stationary machinery and equipment, and on the leased premises and other lands operated by the Lessee in conjunction with the leased premises all such equipment and supplies, including mobile underground machinery and equipment used by the Lessee in mining coal from the leased premises and other lands operated by the Lessee in conjunction with the leased premises, but excluding mobile underground machinery and equipment used by the Lessee exclusively for the mining of No.5 Block coal from lands other than the leased premises, as may reasonably be required to mine and remove from the leased premises and such other lands so operated by the Lessee in conjunction with the leased premises and to prepare for market by sizing, washing, and drying on the leased premises not less than three hundred (300) tons of clean coal per working hour (a working hour as used herein shall mean an hour of the shift during which coal production workers are considered as employed, and not an hour of the time when coal production workers are actually engaged in mining and loading coal); and, provided further that, beginning with the calendar year 1964, in the operation of the tipples and cleaning plants on the

leased premises not less than 60% of the coal supplied to such plants--excluding No. 5 Block coal from lands other than the leased premises -- shall, in any calendar year, come from the leased premises and not more than 40% from other lands operated by the Lessee in conjunction with the leased premises.

The Lessee has no present intention to raze, remove, or reduce the capacity of the tipple, cleaning plant, and other facilities operated in conjunction therewith on Rum Creek, collectively known as the Slagle tipple. However, in the event of the destruction of said tipple or any major part thereof by fire or other catastrophe, and as from time to time parts thereof become unusable because of wear and tear or because outmoded by newer and more efficient facilities performing the same functions, replacements need be only of such capacity as the coal reserves remaining on the leased premises and the general market for coal of the kind and quality on the leased premises make economic the installation thereof; Provided, however, that until such time as the mineable and marketable coal remaining unmined on the leased premises is so limited by exhaustion that it is not practical, by good mining practices, to mine and remove from the leased premises as much as two hundred (200) tons of clean coal per working hour, the replacements shall be of a capacity of not less than three hundred (300) tons per working hour; but the Lessee shall always maintain on the leased premises such tipple or tipples and such cleaning plant or plants and such facilities operated in conjunction therewith as to enable Lessee to fully comply with and perform its obligations under this lease.

For the purposes hereof coal mined from the leased premises and processed and shipped by and from a tipple or tipples of Amherst located elsewhere than upon the leased premises, as provided by Article VII hereof relating to Hinchman Hollow and as authorized upon a temporary and emergency basis in section 6 of Article IV,

shall be taken and considered as coal processed and shipped from facilities located upon the leased premises, and the mobile machinery and equipment used by the Lessee in mining such coal shall be included within such machinery and equipment as is hereinabove provided to be had and maintained by the Lessee upon the leased premises and other lands operated by the Lessee in conjunction therewith.

If, in any calendar year, beginning with the calendar year 1964, less than 60% of the coal supplied to such tipples and cleaning plants on the leased premises, excluding the No. 5 Block coal from lands other than the leased premises but including as coal supplied to such tipples and cleaning plants on the leased premises the coal from the leased premises brought out of Hinchman Hollow and processed and shipped by and from tipples and cleaning plants of Amherst not located on the leased premises, shall have come from the leased premises, then on or before the 25th day of January of the next ensuing year the Lessee will pay to the Lessor, in addition to the minimum rent and tonnage royalty provided to be paid by the Lessee to the Lessor by Article VI hereof, a sum of money in amount equal to the additional amount of tonnage royalties which would have been paid to the Lessor by the Lessee had the Lessee mined from the leased premises such number of tons of clean coal , including the Hinchman Hollow coal, as would have constituted 60% of such coal, excluding No.5 Block coal from lands other than the leased premises, supplied to such tipples and cleaning plants during such calendar year.

The Lessee further agrees that it will not, in any calendar year, beginning with the calendar year 1964, mine and remove from the No.5 Block seam on lands other than the leased premises more than 40% of the total of all coal mined and removed from the leased

premises and other lands operated by the Lessee in conjunction therewith and processed on the leased premises, but including the Hinchman Hollow coal and including all No. 5 Block coal; and if in any calendar year the Lessee shall mine and remove from the No.5 Block seam on lands other than the leased premises more than 40% of such total, then on or before the 25th day of January of the next ensuing year the Lessee will pay to the Lessor, in addition to the minimum rent and tonnage royalty provided to be paid by the Lessee to the Lessor by Article VI hereof and in addition to such payments, if any, as the Lessee is required to pay to the Lessor by reason of the Lessee's failure to mine and remove from the leased premises not less than 60% of the coal supplied to the tipples and cleaning plants as provided in the next preceding paragraph hereof, a sum of money in amount equal to the additional amount of tonnage royalties which would have been paid to the Lessor by the Lessee had the Lessee mined from the leased premises and other lands operated by the Lessee in conjunction therewith 60% of such total. The additional amount of tonnage royalties to be paid to the Lessor by the Lessee as aforesaid shall be the same percentage of the total deficiency that coal mined from the leased premises bears to the coal mined from the leased premises and from lands other than the leased premises operated in conjunction therewith, excluding No.5 Block coal mined from lands other than the leased premises, during the year for which such deficiency existed. If in any year any such deficiency in the production of coal from the leased premises occurs and during such year the Lessee shall have mined from two or more seams of coal for which the tonnage royalties are at different rates, the weighted average royalty on the coal mined from the leased premises during that year shall be the royalty rate by which the deficiency in tonnage shall be converted into the sum of money to be paid.

No such payment for failure to produce from the leased premises 60% of the coal supplied to such tipples and cleaning plants, including Hinchman Hollow coal but excluding the No.5 Block coal from lands other than the leased premises, all as aforesaid, and no such payment for having produced from lands other than the leased premises No.5 Block coal in excess of 40% of the total of all coal mined and removed from the leased premises and other lands operated by the Lessee in conjunction therewith, all as aforesaid, shall be credited to or against the minimum rent or tonnage royalty provided to be paid by the Lessee to the Lessor by Article VI hereof for such calendar year. But at any time within the two calendar years next ensuing the year for which any such payment has been made, if and when the actual tonnage royalties have been sufficient to pay the minimum rent or tonnage royalty for the calendar year and the Lessee has mined free of royalty all coal which it is entitled to mine free of royalty because of the payment of the minimum rent or tonnage royalty when actual tonnage royalties for the year were less than the minimum rent or tonnage royalties provided by Article VI, then to the extent that coal mined from the leased premises shall exceed 60% of the coal supplied to the tipples and cleaning plants on the leased premises -- Hinchman Hollow coal being considered as coal supplied to such tipples and cleaning plants but No.5 Block coal from lands other than the leased premises being excluded -- during the said two-year ensuing period any such payment made for that reason, to the amount thereof, shall be considered as having been an advance payment of tonnage royalty and, likewise, any such payment made for the reason that during any calendar year the Lessee shall have mined and removed from lands other than the leased premises No.5 Block coal in excess of 40% of the total of all coal mined and removed from the leased premises and other lands operated

by the Lessee in conjunction therewith, all as hereinabove provided, shall be considered as having been an advance payment of tonnage royalty; and the Lessee may mine from the leased premises free of royalty so much coal as at the royalty rates then in effect would equal the amount of such advance payments for either or both of such reasons and causes.

When, in the course of Lessee's mining operations, the mineable and marketable coal remaining unmined on the leased premises is so limited by exhaustion that it is not practical, by good mining practices, to mine and remove from the leased premises as much as two hundred (200) tons of clean coal per working hour, the Lessee shall be required to have and retain on the leased premises and other lands operated in connection therewith in the manner above provided only so much mobile equipment as is reasonably required to produce a reasonable output of coal in keeping with the amount of mineable and marketable coal on the leased premises available at the time.

In the event the Lessor and the Lessee shall be unable to agree on any matter arising under the provisions of this Article IX, the matter upon which they fail to agree will be submitted to and determined by arbitration as is provided in Article XVI hereof.

Neither Section 13, Article 4, Chapter 36, nor Section 28, Article 6, chapter 37 of the Code of West Virginia, nor any similar statute or law now in effect or that may be hereafter in effect, shall be applicable to any of the rights and obligations of the parties hereto as such rights and obligations are herein set forth.

x.

IMPROVEMENTS, MACHINERY, AND EQUIPMENT AT TERMINATION

Upon the termination of this lease otherwise than by forfeiture, and upon the payment of all sums due the Lessor or payable to others for the benefit of the Lessor, all machinery, equipment, supplies, tracks, wires, substations, transformers, generator sets, fans, tipples, washers, driers, tramways, belts, and all other property placed upon the leased premises by the Lessee and its predecessors may be removed from the leased premises at any time within six months after the date of termination; provided, however, that all houses and other permanent buildings then upon the leased premises and so much of the water and sewage systems and electrical facilities as serve such houses and permanent buildings shall remain upon the leased premises and be the property of the Lessor.

Notwithstanding the right of the Lessee, otherwise, to remove the aforesaid property from the leased premises after the date of the termination of this lease otherwise than by forfeiture, not less than six (6) months prior to the time when the Lessee contemplates that this lease will be terminated by the mining of all the mineable and marketable coal hereby leased to the Lessee on the leased premises or prior to the expiration of the 100 year term hereof, whichever shall first occur, the Lessee will give notice in writing to the Lessor of such contemplated or actual termination. Within sixty (60) days after the Lessee shall have given the Lessor such notice of either such termination, the Lessor may, in writing, request of the Lessee that all, or any part, of such property then on the leased premises (but not including houses and other permanent buildings, water, sewage, and electrical facilities to be left upon

the leased premises in any event) be appraised by two competent disinterested mining and mechanical engineers, one of whom shall be chosen by each of the parties hereto; and if such request be made, then such appraisal shall be made. If the appraisers so chosen shall be unable to agree, they shall select a third competent disinterested mining and mechanical engineer as umpire. The basis of valuation shall be the value which the property would have if removed from the leased premises to a location twenty-five (25) miles therefrom prior to any re-erection, re-assembling, or re-installation thereof, less the cost of so dismantling the improvements, installations, and steel rail tracks as to make them movable, and less the cost of transporting the same to such new location. And the value of such property as fixed by the two appraisers, or by one of such appraisers and the umpire, upon such basis of value shall be the appraised value of the property. A written report of such appraisal, and a certificate of the costs and fees incident thereto, signed by said two appraisers if they agree, and by one of said appraisers and said umpire if the two appraisers do not agree, shall be promptly returned to each the Lessee and the Lessor; and the Lessor, at any time within thirty (30) days from the date of said report of appraisal, shall have the right and privilege of purchasing said property at the appraised value thereof, with possession to be delivered at the termination of this lease. The Lessor's right and privilege of purchasing said property is to purchase all or so much thereof as it shall specify (but the right of the Lessor to purchase less than all of such property shall not extend to the taking of removable parts of any article or installation); and if purchase is made, payment shall be made at the time possession of the leased premises is delivered to the Lessor by the Lessee, subject to the right of

the Lessee within the time hereinabove provided to remove from the leased premises all such property of the Lessee as is not purchased by the Lessor.

If the Lessor shall not request such appraisal within sixty (60) days after the Lessee shall have given the Lessor notice of the contemplated or actual termination of this lease or shall not have within thirty (30) days from the date of the report of appraisal given the Lessee notice in writing that the Lessor is exercising its right to purchase all or so much of such appraised property as the Lessor shall elect, the Lessee may remove all of said property, or so much thereof as the Lessor shall not have elected to purchase, from the leased premises within six (6) months after the date of termination as is provided by the first paragraph of this Article x.

If this lease is terminated by forfeiture, then all property of the Lessee at the time on the premises which was placed thereon by the Lessee or its predecessors, other than property intended primarily for the personal use of Lessee's officers, agents, and employees (such as, by way of illustration but not exclusive of other property for personal use, automobiles, clothes, bedclothes, tableware, kitchenware, radios, television sets, and property of any and all kinds then belonging to employees), shall become and be the property of the Lessor or its successors or assigns, absolutely and without any obligation of the Lessor to compensate the Lessee therefor.

XI.

ASSIGNMENTS, SUBLETTING, AND MORTGAGING

The Lessee agrees that it will not voluntarily assign this leasehold estate, either in whole or in part, or permit the same to

be assigned by operation of law, or sublet the leased premises or any part thereof, or create, suffer, or permit any lien or encumbrance upon its leasehold estate, or upon any of its rights and privileges hereunder, or give or transfer possession of the leased premises or any portion thereof to any other person, firm, or corporation, except as herein provided, without the consent of the Lessor in writing first had and obtained.

1. Assignments

But the Lessor covenants that it will give such consent to any such assignment; provided, that the assignee be of such financial strength and have such experience in coal mining or in related mining activities as to give reasonable assurances that the premises leased hereby will continue to be successfully operated, and such assignee shall enter into an agreement directly with the Lessor agreeing to be bound by all of the terms and provisions of this lease to the same extent as if it were the original lessee hereunder; and provided, further, that the Lessor need not give such consent until the Lessee shall have first discharged any and all obligations of the Lessee to the Lessor then outstanding. In the event of any such assignment to which the Lessor shall give its written consent, the Lessee shall be released from all liability thereafter accruing to Lessor under this Deed of Lease and Agreement.

2. Mortgage or Merger

Lessee shall not be prohibited, without such consent, from executing mortgages or deeds of trust upon its leasehold estate and upon all rights of Lessee hereunder, subordinate, however, to all

the liens, rights, and estates of Lessor, nor from suffering or permitting sale or foreclosure under such mortgages or deeds of trust, provided that the purchaser at such sale or foreclosure shall possess the same financial and experience qualifications required of an assignee as aforesaid, and shall enter into an agreement directly with the Lessor agreeing to be bound by all of the terms and provisions of this Deed of Lease and Agreement to the same extent as if such purchaser were the original lessee hereunder; nor shall Lessee be prohibited, without such consent, from merging or consolidating with another corporation by statutory merger or by sale and purchase whereby the continuing corporation, if it be not the Lessee, acquires all or substantially all of the Lessee's assets and assumes Lessee's obligations hereunder and if the continuing corporation be qualified in like manner as is hereinabove provided in respect of an assignee. In the event of any such merger or consolidation, if the Lessee be not the continuing corporation, the Lessor will release the Lessee from all of the Lessee's obligations to the Lessor which are assumed by the continuing corporation by an agreement in writing directly with the Lessor.

3. Subletting

The Lessee will not sublet the demised premises or any part thereof or any of its rights or privileges hereunder without the written consent of the Lessor. The Lessee shall not be relieved of any of its responsibilities to the Lessor in respect of the leased premises or any part thereof or any of its rights or privileges hereunder sublet by the Lessee except to the extent provided by such consent of Lessor. The leasing by Lessee of houses to Lessee's employees shall not be considered to be subletting within the meaning of this

provision. The mining of coal by the Lessee through contractors shall not be considered to be subletting by the Lessee within the meaning of this provision, provided any such contractor be bound to mine in like manner as the Lessee is required to mine hereunder and that, so far as the Lessor's rights and interests are concerned, the obligations of the Lessee shall not be modified or diminished.

XII.

RIGHTS-OF-WAY FOR RAILROAD

Lessor covenants and agrees that it will join with Lessee, when requested so to do by Lessee, in conveying to The Chesapeake and Ohio Railway Company, its successors, or such other railroad as may serve the leased premises or any other lands which the Lessee may operate for production of coal in connection with the leased premises, for a nominal consideration, such rights-of-way for such railroad tracks, sidetracks, tail tracks, switches, and facilities as may be reasonably required for the service by any such railroad of the leased premises and other properties operated by the Lessee in connection therewith. Such rights-of-way shall be of such estate or interest as the railroad shall require; provided, however, that the conveyance shall reserve to the Lessor and the Lessee, as their interests appear, all minerals underlying the surface of the land to be occupied by the railroad right-of-way and such appropriate under-ground, surface, and above-ground rights as will not interfere with or jeopardize the railroad operations. The Lessor shall be a party to all trackage agreements with any such railroad, and upon the termination of this lease shall succeed to the Lessee's rights and interests thereunder; but during the continuance of this lease the Lessor shall have no obligation to any such railroad company in respect of any such trackage agreement.

XIII.

INSURANCE AND FIRE CONTROL

1. The Lessee covenants that it will, during the continuance of this lease, keep the following buildings, structures, and improvements situate upon the leased premises insured by solvent fire insurance companies qualified to do business in the State of West Virginia against loss or damage by fire or lightning to the full extent of the insurable value thereof -- except, however, that foundations need not be included or insured -- , with provision that payment for any loss or damage be to and for the benefit of the Lessee and the Lessor as their interests may appear:

All outside or above-ground buildings used or useful for stores, offices, theaters, dwellings, garages, workshops, and used or useful for other purposes incidental to the Lessee's coal mining and incidental operations, and the fixed or attached contents thereof, excluding, however, any such structure having an insurable value of $1,000 or less, and the contents thereof.

All fixed or stationary outside mining, transporting, processing, loading, and refuse handling plants and equipment (including moving parts thereof), including, but not limited to:

All tipples, headhouses, and raw coal bins;

All cleaning plants and the appurtenances thereto, including the washers, the driers, the screening plants, all conveyor galleries and dumps, the coal and refuse silos, and all other facilities physically connected with the cleaning plants;

All substations;

All aerial tramway installations and appurtenant equipment;

All fan houses and all slope hoists and appurtenances.

It is distinctly understood by and between the parties hereto, however, that there is excluded from the property required to be insured as aforesaid, all mobile, unattached, or portable machines, mine cars, mine motors, trucks, automobiles, and other mobile unattached or portable machinery, equipment, tools, and supplies, and all steel rails.

However, it is distinctly understood by and between the parties hereto that, to the extent that any such insurance as is hereby provided to be carried by the Lessee is not offered by as many as three solvent fire insurance companies qualified to do business in the State of West Virginia, at rates not in excess of those approved by the Insurance Commissioner of West Virginia, or by such public officer or agency as hereafter may be constituted to perform comparable functions, the Lessee shall be relieved of its obligation to insure. If, however, the Lessee, though not obligated to do so, does procure insurance covering said property, or any of it, against such risks, or any of them, from any insurer, such insurance shall be for the benefit of the Lessee and the Lessor as their interests may appear.

In case of loss or damage to property as hereinabove provided, the loss or damage shall be adjusted by the Lessee; but when the loss or damage is estimated to be in an amount in excess of $20,000, the Lessee will adjust such loss in consultation with the Lessor.

2. The Lessee covenants that in case of destruction of or damage to any of such insured property which is necessary to enable the Lessee to perform its obligations hereunder, it will cause such destroyed or damaged property to be replaced or repaired;

and the Lessor covenants that if the Lessee be not in default in the payment of any money owing by the Lessee to the Lessor and the Lessor has no reasonable grounds to believe that the Lessee's financial condition is not such as to give reasonable assurance of the Lessees ability to discharge all of its obligations and liabilities to the Lessor, upon assurances in writing by the Lessee that the Lessee will cause such destroyed or damaged property to be replaced or repaired, the Lessor will promptly endorse or assign over to the Lessee all of the Lessor's interest in any proceeds of any such insurance. If any such insured property which is destroyed or damaged is not necessary to enable the Lessee to perform its obligations hereunder, but the Lessee gives the Lessor assurances that the Lessee will use the proceeds of such insurance in otherwise improving the leased premises or the equipment thereon, then upon the same conditions the Lessor will promptly endorse or assign over to the Lessee all of the Lessor's interest in any proceeds of such insurance.

If, in either of the above circumstances, the Lessor has reasonable grounds to believe that the Lessee's financial condition is not such as to give reasonable assurance of the Lessee's ability to discharge all of its obligations and liabilities to the Lessor, then the Lessor may retain with the Lessee joint control of such proceeds of insurance for application to the replacement or repair of such property necessary to enable the Lessee to perform its obligations hereunder which shall have been destroyed or damaged, or for the application of such proceeds of insurance to otherwise improving the leased premises or the equipment thereon, as the case may be.

If the destroyed or damaged property is not necessary to enable the Lessee to perform its obligations hereunder and there

be no need for the use of proceeds of insurance to improve the leased premises or the equipment thereon, then the proceeds of any such insurance shall be divided between and paid out to the Lessee and the Lessor in equal shares.

3. If, at its sole option, the Lessee shall hereafter carry on the property hereinabove specified, or any part thereof, any insurance coverage extended beyond fire and lightning, such as, but not limited to, riot and civil commotion, the Lessor shall be made a co-insured, and in case of destruction of or damage to any such property so insured, the proceeds of such extended insurance coverage shall be used or disposed of in like manner as is hereinabove provided in respect of insurance against loss or damage by fire or lightning. If the Lessee at its sole option shall at any time carry such extended coverage insurance, the Lessee may at any time terminate any and all such extended coverage.

4. The Lessee agrees that if at any time or times it shall fail to procure and keep in force the insurance herein provided for, or to pay the premiums thereon, the Lessor shall have the right to procure such insurance and pay the premiums thereon or to pay the premium upon insurance obtained by the Lessee but not paid for by it, and all amounts so expended by the Lessor shall be repaid to the Lessor by the Lessee upon demand and shall be taken and treated as rent; but nothing herein contained shall be construed as imposing any duty upon the Lessor to obtain or to pay for any such insurance or as making the Lessor responsible for any loss suffered because of failure to obtain adequate insurance.

5. When the Lessee shall have, from time to time, procured the insurance herein provided to be procured by the Lessee, the Lessee shall promptly give the Lessor information of the property insured, either specifically or in general terms, the risks

insured against, and the valuation of the property insured, and, if so requested in writing by the Lessor, copies of the insurance policies; and if the Lessor is not satisfied that the insurance so procured by the Lessee complies with the provisions of this article, the Lessor shall promptly give to the Lessee notice of the respects in which the Lessor believes that such insurance so procured by the Lessee does not comply with the provisions hereof; and if the Lessor shall not promptly designate the matters in respect of which the Lessor contends that the such insurance does not comply with the provisions hereof, the Lessor shall be considered to have accepted the insurance procured by the Lessee as fully complying with all of the provisions of this article. If, thereafter, there shall occur any change of circumstance affecting the compliance of such insurance with the provisions hereof, Lessor may give Lessee written notice specifying the changes which Lessor believes to be required for compliance herewith, and Lessor shall not be considered to have accepted for the future the sufficiency of the insurance theretofore procured in so far as the insufficiencies designated by the Lessor are concerned.

6. The Lessor may, but shall not be required to, waive any and all requirements of such fire and lightning insurance, in respect of all or any of the property hereinabove designated, if at any time the Lessee desires to become a self-insurer in respect thereof.

7. The Lessee agrees that it will install and continuously maintain in good working order on the leased premises and other premises operated by the Lessee in connection therewith, such underground fire fighting equipment as the Lessee reasonably believes to be adequate to control underground mine fires; and that it will cause reasonably adequate personnel to be trained in the use and operation of such equipment.

8. If the Lessor and the Lessee are unable to agree in respect of any question arising under the provisions of this Article XIII, with reference to the property to be insured, the value there-of, the availability of insurance therefor, the maintenance of fire fighting equipment, or the training of personnel, the matters in difference shall be submitted to and determined by arbitration in the manner and with the effect as is provided by Article XVI hereof.

XIV.

LIENS FOR RENTS AND ROYALTIES

All rents and royalties and other payments herein provided to be made by the Lessee to, or for the benefit of, the Lessor shall be treated and considered as rent reserved for the leased premises, and the Lessor shall have a first and prior lien therefor upon the leasehold estate hereby created and upon all improvements and property of the Lessee thereon (merchandise intended for resale and coal loaded into railroad cars or trucks excepted), which lien shall continue in full force, validity, and effect until discharged by payment, irrespective of when such rents, royalties, or other payments accrued and became due to be paid, and shall in no respect be limited to such rents, royalties, or other payments as shall have accrued within one year. Whenever any such rent, royalty, or other payment shall be due to, the Lessor and shall remain unpaid for fifteen (15) days after written notice of default given by Lessor to Lessee, the movable property of the Lessee upon the leased premises may be distrained and sold to pay the same, irrespective of when such rent, royalty, or other payment matured and became due to be paid, or, at the election of the Lessor, said lien, with respect to the leasehold estate and the improvements thereon, including movable property of the Lessee, may be enforced by suit or other proceeding in any

court of competent jurisdiction, without any requirement of delay or notice, other than legal process, irrespective of when such rent, royalty or other payment accrued and became due to be paid; and this remedy of the Lessor shall in no respect be limited to the recovery of such rents, royalties, or other payments as shall have accrued within one (1) year or by reason of the fact that any property of the Lessee on the leased premises be subject to any other lien created after such property has been brought upon the leased premises. At any sale made under this Article XIV, the Lessor may become the purchaser of the property sold, free from any claim or claims of the Lessee. Nothing herein contained shall prevent Lessee, when not in default in the payment of any sums due to Lessor, from disposing of or removing from the leased premises worn or obsolete property, or property not needed in the performance of its obligations hereunder, or from moving from time to time mobile machinery or equipment on and off the leased premises; provided there always shall be had on the leased premises and other lands operated by the Lessee in connection therewith machinery and equipment of the amount and capacity provided for by Article IX hereof.

As of the date hereof, all buildings, machinery, and equipment, including tipple, cleaning plant, steel rails, wiring, and other installations of every kind and character attached to the soil, and including also, with a few exceptions or negligible significance, all mobile and portable machinery and equipment, on the leased premises used or for use by the Lessee in its operations on the leased premises and on other lands operated in connection therewith, are owned outright and fully paid for by the Lessee, free of all liens, claims, and encumbrances in favor of any person, firm, or corporation other than Lessor. The Lessee has no present plan or program contemplating the acquisition of any building, machinery, or equipment on any

other basis, and all such buildings, machinery, and equipment hereafter brought on the leased premises by the Lessee for use in its operations hereunder, and which shall be attached to the soil -- and whether or not of the nature of trade fixtures -- shall be owned outright by the Lessee and free of liens in favor of third persons; but this provision shall not preclude the Lessee's acquisition thereof by contracts pursuant to which payment therefor may be extended over a period of not to exceed five (5) years following the date of acquisition. However, as renewals, replacements, and additions of and to mobile and portable machinery and equipment become necessary, the Lessee may acquire, for use on the leased premises and on other lands operated in connection therewith, mobile and portable machinery and equipment by conditional sale, lease-purchase, simple lease, or other contracts relating to payment and title, with regular suppliers of such mobile and portable machinery and equipment, upon such terms and conditions as to payment and title as are at the time in common use in the bituminous coal mining industry. Provided, that all such contracts between the suppliers of such mobile and portable machinery and equipment and the Lessee shall specify that if at any time the Lessor shall become entitled to take possession of the leasehold estate and of the Lessee's property thereon, and the Lessor does take such possession, the Lessor shall have the right to succeed to the rights and interests of the Lessee in such contracts and in the property to which such contracts relate, and, subject to the rights and interests of the suppliers of such machinery and equipment, the Lessor's lien provided for hereby shall attach to such machinery and equipment pursuant to the provisions of the preceding paragraph of this Article XIV.

XV.

FORFEITURE OF LEASE

1. It is covenanted and agreed and made a condition of this lease that prompt payment or the rent reserved, including therein and as a part thereof royalties and all sums of money provided to be paid by the Lessee for taxes, levies, assessments, insurance premiums, and for any other purpose to or for the benefit of the Lessor, at the time and place and in the manner in this lease provided, is of the essence of this contract; that

If any such rent or royalty or other sum of money to be paid to or for the benefit of Lessor by the Lessee ass aforesaid, or any part thereof, shall be due and unpaid for thirty (30) days after any such payment shall become due and written notice of default has been given to the Lessee by the Lessor; or

If the Lessee shall wilfully conduct its mining operations in such manner as to cause waste to the leased premises of such character as not to be readily remedied by the payment of money and such methods of mining or conduct are continued for sixty (60) days after the Lessor has by writing demanded correction thereof, or if money damages shall be agreed upon by Lessee and Lessor and are not paid by the Lessee within sixty (60) days after the reaching of such agreement; or

If the Lessee shall wilfully fail to give to Lessor such maps, statements, or other information reasonably desired by the Lessor and provided by this lease and agreement to be given by the Lessee to the Lessor, and shall continue in such failure for thirty (30) days after the Lessor in writing has requested the same to be furnished by the Lessee; or

If the Lessee shall assign or sublet this lease or any part thereof or shall suffer the sale thereof under foreclosure or mortgage contrary to the provisions of Article XI hereof; or

If the Lessee shall fail to comply with and perform the requirements of any award or arbitration made pursuant to the provisions of Article XVI hereof in respect of any matter for which this lease and agreement provides for such arbitration within thirty (30) days after such award or determination has become final; or

If in respect of any dispute for which arbitration is provided by this lease and agreement the Lessor shall demand arbitration and the Lessee shall refuse to arbitrate or unreasonably fail to cooperate in bringing arbitration to a conclusion, or if neither the Lessor nor the Lessee shall demand arbitration, or if for any other reason, other than the fault of the Lessor, arbitration shall not be entered into or an award shall not be made, and the Lessor resorts to legal action and obtains a judgment for money or a decree (including a declaration of rights in a declaratory judgment action) against the Lessee requiring the Lessee to do or to refrain from doing any act or thing involved in such dispute or determining the duties of the Lessee involved in such dispute, then if the Lessee shall not pay or discharge the money judgment within thirty (30) days from the time the same becomes appealable or shall not do or refrain from doing the acts and things as ordered or declared by such judgment or decree within sixty (60) days after the same becomes appealable, unless the Lessee shall appeal from such judgment or decree and file a supersedes bond, and in case of any such appeal, unless the Lessee shall do or refrain from doing the acts and things as ordered or declared by the appellate court of last resort within sixty (60) days after the entry by such appellate court of its judgment or decree;

If, in respect of any of the foregoing grounds and conditions other than those calling for the payment of money, full compliance within any time specified shall be impractical, compliance shall mean the prompt beginning and expeditious continuance of performance; or

If the Lessee shall wilfully deny the Lessor or its agents access to the leased premises and operations of the Lessee for the inspection thereof and such denial shall continue for two (2) days after an executive officer of the Lessor shall have made demand, either in writing or confirmed by writing, upon an executive officer of the Lessee, then,

In any such event, the Lessor shall have the right at its option to terminate and end this lease and the term hereby granted, as well as all of the right, title, and interest of the Lessee hereunder, without further notice or demand or legal procedures and to re-enter the leased premises, and the same to have, repossess, and enjoy as of the Lessor's former estate, together with all buildings, equipment, machinery, fixtures, tools, and other property of the Lessee therein and thereon, other than property unrelated to the Lessee's mining operations, anything herein to the contrary notwithstanding, and to terminate this lease -- except as to Lessee's liability for sums of money due and owing to or for the benefit of Lessor -- and all rights of Lessee hereunder, any former indulgences of the Lessee by the Lessor to the contrary notwithstanding. And the Lessor at all times shall have the right of distraint as in Article XIV of this lease provided and the benefit of other proper proceedings in law or in equity and all other remedies as now or hereafter provided by law for collection of rents due and unpaid and for regaining possession of the leased premises. And the Lessee hereby expressly waives any and all right to recover possession of said premises, or to reinstate or to redeem or to avoid a forfeiture of this lease, the rights and privileges herein granted, as permitted or provided under any provision of the law of West Virginia now in effect or hereafter enacted, or by any other law, ordinance, regulation, or court decision now or hereafter in force

and effect. But nothing contained in the preceding parts of this Article, or elsewhere in this lease, shall be construed to abridge or waive the right of the Lessee to resort to appropriate judicial proceedings to test the right of the Lessor to forfeit this lease.

A waiver by Lessor of any particular cause of forfeiture shall not prevent forfeiture for any other cause, or for the same cause occurring at any other time, nor shall the receipt by Lessor from Lessee, or from any other person, after the occurrence of any cause of forfeiture of which notice has been given by Lessor to Lessee, of any royalties, rentals, or other payments theretofore or thereafter accruing to Lessor, or the continued recognition by Lessor of Lessee ass its tenant after the occurrence of any cause of forfeiture of which notice has been given by Lessor to Lessee, be deemed a waiver of Lessor's right to enforce the forfeiture so long as the cause of forfeiture continues to exist.

2. If the Lessee, or any assignee of Lessee, in possession of the leased premises shall be adjudicated a bankrupt, or shall file a voluntary petition in bankruptcy, or shall make a general assignment for creditors, or shall be adjudicated insolvent, or if a receiver shall be appointed for Lessee, or such assignee, and not be discharged within sixty (60) days after the appointment, or if proceedings for reorganization of Lessee or such assignee shall be instituted under the bankruptcy laws of the United States by or against Lessee or such assignee, Lessor may immediately and at once, without notice, declare the term hereof at an end, with the same effect as is hereinabove provided.

XVI.

ARBITRATION

Any dispute, question, or controversy arising under this lease for which arbitration is herein provided say be submitted to

arbitration in the following manner: The party demanding arbitration shall give to the other notice in writing of such demand, naming in such notice a person selected as an arbitrator by the party giving such notice; the other party shall within fifteen (15) days after receipt of such notice give notice in writing to the party demanding such arbitration, naming a person as arbitrator selected by it. If the party served with the original notice as hereinbefore provided shall fail within fifteen (15) days to notify the other party of the arbitrator selected by it, the party giving said original notice may, by notice in writing served upon the other, request the Judge, or any Judge if more than one, of the District Court of the United States for the Southern District of West Virginia, or such tribunal as may at the time be the successor of such Court, to appoint a second arbitrator, and such Judge may appoint such second arbitrator; the two arbitrators selected as aforesaid shall within fifteen (15) days after the appointment of the second arbitrator meet and select a disinterested mining engineer experienced in coal mining in the general area of the leased premises and competent to make such examinations and inspections as may be appropriate, to serve as third arbitrator and fix a time and place for hearing the matter in dispute, which shall be within fifteen (15) days from the time the third arbitrator is selected. If the two arbitrators chosen as aforesaid cannot agree upon the third arbitrator, said Judge may, upon request of the said two arbitrators or of either of them, appoint the third arbitrator, qualified as aforesaid. Failing such appointment, the third arbitrator, qualified as aforesaid, my be appointed, upon the request of the two arbitrators chosen or upon the request of either of them, by the Judge of the Circuit Court in and for Logan County, West Virginia. In case, pending any arbitration' under this lease, any arbitrator,

or successor, or substitute arbitrator, shall die, or for any reason be unable or unwilling to act, his successor shall be appointed as he was appointed, and such successor or substitute arbitrator, as to all matters then pending, shall act the same as if he had been originally appointed as an arbitrator and if he deems it necessary to the proper discharge of his responsibilities he examine or re-examine any witness who may have theretofore been examined. The award of any two of the three arbitrators so chosen shall be final and binding upon both parties. Each party shall bear the expense of preparing and presenting its own case and the expense of its own arbitrator, and shall pay one-half of the expense of the third arbitrator. The Lessor and the Lessee covenant that they will fully cooperate and do all that they reasonably can, respectively to expedite the decision or award of the arbitrators, to the end that, if reasonably possible, such award or decision may be made within sixty (60) days after the appointment of the third arbitrator.

In respect of matters for which arbitration is herein provided, the foregoing provisions for arbitration shall be irrevocable, and arbitration and award hereunder, if demanded by either party, shall be a condition precedent to the right to maintain any action or suit based upon such matter or matters in dispute, question, or controversy, unless arbitration fail because of the inability to obtain a board of arbitration in the manner hereinabove provided, or, having obtained such board, the board fails to reach a decision or award.

XVII.

WARRANTY

The coal rights and interests herein leased are limited to such as the Lessor possesses and has the lawful right to lease, and Lessor's warranties, whether express or implied, are limited to such title ass Lessor owns, and, subject to this limitation and all the rights herein expressly reserved unto the Lessor otherwise, Lessor warrants that neither it nor any of its officers or directors has any knowledge or information of any claim adverse to the coal rights and interests herein leased by the Lessor to the Lessee and that the Lessee, complying with and keeping and performing the terms, conditions, and covenants of the lease, by it to be kept and performed, shall have quiet use, possession, and enjoyment of the said lands for the time and purposes aforesaid; and that all covenant and conditions herein shall run with the land and be and remain, for the term of this lease, binding upon the parties hereto, their successors and assigns. Lessor's liability under this Article shall be limited as hereinafter in this Article set out. If the title of the Lessor to any part of the leased premises, or to any of the rights and privileges hereby leased, shall be lost to the holder of a superior title, by reason whereof any of the coal which Lessee is required or permitted to mine is lost to Lessee, and the same (if contested) is so adjudged by the highest court which will accept jurisdiction to settle the controversy, no royalty shall thereafter be paid to Lessor by Lessee on account of the coal so lost, and in the event royalty on the coal so lost has been paid by Lessee to Lessor, Lessor shall repay to Lessee, without interest, the royalty on the coal so lost to Lessee by reason of such outstanding superior title, and the minimum annual rental shall be

reduced from the beginning of this lease in the proportion which the area of the mineable and marketable coal so lost bears to the total area of mineable and marketable coal on the leased premises at the date hereof, and any payment of unrecouped minimum annual rental required to reflect such reduction shall promptly be made by Lessor to Lessee, and Lessor shall refund to Lessee, with interest at six per cent (6%) per annum, any taxes which Lessee may have paid after the date of this Deed of lease and Agreement on the land containing the coal so lost. Lessor shall have the right, within three (3) months after the final order in such litigation, to purchase the coal in place so lost, and if so purchased by Lessor it shall thereupon become a part of the leased premises with the same effect as if now owned by Lessor in perfect title if, but only if, Lessee has not completed its mining operations in the immediate vicinity thereof to such extent that it would be impracticable to mine the same; but should Lessor elect not to purchase the same or fail within the said three (3) months' period to purchase the same, Lessee shall have the right to purchase such coal and to mine the same free of all royalty and wheelage. If neither party purchases such coal, the Lessor shall indemnify the Lessee against all damages to others for which the Lessee may be answerable for mining operations conducted by the Lessee on the disputed premises prior to Lessee's knowledge of such dispute.

It is further understood and agreed that the Lessor, at its own expense, will defend all suits or proceedings whatever, instituted against the Lessor or Lessee herein, involving the title to the premises hereby leased or any part thereof.

XVIII.

NOTICES

The giving of any notice or the making of any demand on the Lessee under the provisions hereof, shall be sufficient, if in writing, addressed to the Lessee at Port Amherst 1, Charleston, Kanawha County, West Virgina, or such other address as Lessee may hereafter designate in writing, and mailed by postpaid United States mail. The delivery of any maps, plans, or projections to the Lessor, and the giving of any notice to Lessor, the making of any demand on Lessor under the provisions hereof, or the payment of any royalties, rents, or other sums due hereunder, shall be sufficient if made to Lessor and mailed by postpaid United States mail addressed to Lessor at 1111 First Huntington National Bank Building, Huntingtion, West Virginia, or such other address as Lessor may hereafter designate in writing.

XIX.

In this Deed of Lease and Agreement all rights and privileges and responsibilities and liabilities of Dingess-Rum, the Lessor, and of Amherst, the Lessee, respectively, shall inure to the benefit of or be binding upon their respective successors and assigns and any and all others in any manner succeeding to their' respective rights and privileges and responsibilities and liabilities; provided that nothing in this Article XIX shall waive compliance by Lessee, its assignees, mortgagees, or sublessees with the provisions of Article XI hereof relating to assignments, mortgages, mergers, and subletting.

IN WITTINESS WHEREOF, the said DINGESS-RUM COAL COMPANY has caused its corporate name to be signed to two counterpart copies

hereof by ROLLA D. CAMPBELL, its President, and J. L. CALDWELL McFADDIN, its Vice President, and its corporate seal to be affixed thereto by James H. Davis III, its Secretary, all thereunto duly authorized; and the said AMHERST COAL COMPANY has caused its corporate name to be signed to said two counterpart copies by HERBERT E. JONES, JR., its President, and its corporate seal to be affixed thereto by W. F. MILLER, its SECRETARY both thereunto duly authorized; all as of the day and year first hereinabove written.

Dingess Rum Corporate Seal

DINGESS-RUM COAL COMPANY

By /s/ Rolla D. Campbell
Rolla D. Campbell,

Its President, and

Attest: /s/ James H Davis III
Its Secretary

/s/ J. L. Caldwell McFaddin
J. L. Caldwell McFaddin

Its Vice President.

AMHERST COAL COMPANY,

By: /s/ Herbert E. Jones, Jr.,
Herbert E. Jones, Jr.,

Its President.

Amherst Rum Corporate Seal

Attest: W. F. Miller
Its Secretary

STATE OF WEST VIRGINIA

COUNTY OF CABELL To-wit:

I, [SIGNATURE APPEARS HERE] a Notary Public of the said County or Cabell, do certify that ROLLA D. CAMPBELL, who as President signed the writing hereto annexed bearing date the 1st day of June, 1962, for DINGESS-RUM COAL COMPANY, a corporation, has this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

My commission expires July 10, 1972
Given under my hand and official notorial seal this 4th day of September, 1962.

Notary Seal

/s/ [SIGNATURE APPEARS HERE]

Notary Public for Cabell County
West Virginia.

STATE OF TEXAS,
COUNTY OF JEFFERSON, To-wit:

I, Patricia Garlington, a Notary Public of the said County of Jefferson, do certify that J. L. CALDWELL McFADDIN, who as Vice President signed the writing hereto annexed bearing date the 1st day of June, 1962, for DINGESS-RUM COAL COMPANY, a corporation, has this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

My commission expires June 1, 1963.

Given under my hand and official notarial seal this 30th day of August, 1962.

Notary Seal

/s/ Patricia Garlington

Notary Public for Jefferson County,
Texas.

STATE OF WEST VIRGINIA

COUNTY OF Kanawha To-wit:

I, Garnet Crawford a Notary Public of the said County of Kanawha, do certify that HERBERT E. JONES, JR., who as President signed the writing hereto annexed bearing date the 1st day of June, 1962, for AMHERST COAL COMPANY, a corporation, has this day in my said county, before me, acknowledged the said writing to be the act of said corporation.

My commission expires March 31, 1970.

Given under my hand and official notarial seal this 15th day of August, 1962.

Notarial Seal

/s/ Garnet Crawford

Notary Public for Kanawha County,
West Virginia

STATE OF WEST VIRGINIA COUNTY OF LOGAN TO Wit:
IN THE OFFICE OF THE CLERK OF THE COUNTY COURT:

The foregoing paper was this the 5th day of September 1962 at 1:26PM, presented to me in my office, and thereupon, together with a certificate thereunto is admitted to record.

53.75
21.50 Map

Recording Fee $ 75.25 Pd.

Teste LUTHER MOUNT CLERK

By: /s/ Delano Ellis, Deputy

This Supplemental Deed of Lease and Agreement made this first day of January 1968 by and between Dingess-Rum Coal Company, a West Virginia corporation, party of the first part, hereinafter called "D-R", and Amherst Coal Company, a West Virginia corporation, party of the second part, hereinafter called "Amherst ":

Reference is here made to that certain Deed of Lease and Agreement (hereinafter referred to as "said lease") dated June 1, 1962 by and between D-R and Amherst, which is of record in the office of the clerk of the County Court of Logan County, West Virginia in Deed Book 287, at page 404 et seq., whereby certain lands of D-R situate on the waters of Rum Creek and Buffalo Creek in Logan County, West Virginia were leased to Amherst for coal mining purposes for the time and on the terms and provisions therein set out; and

Whereas, Amherst desires to add to the coal deposits leased by it under said lease the Cedar Grove or Island Creek seam (hereinafter called Cedar Grove) of coal in a tract of 527.78 acres more or less (hereinafter called "said tract") on said Rum Creek, binding on premises of D-R leased to Amherst under said lease, and being part of D-R's lands known as its Argyle premises and as its Georges Creek premises; and D-R is willing to lease such coal on the terms and conditions herein set out; and

Whereas, Amherst has conducted mining operations in the Cedar Grove seam held by it under said lease up to the boundary line between said tract and the adjoining lands of D-R held by Amherst under said lease, and Amherst has underground access to the Cedar Grove seam in said tract by extending its said workings or new workings in said seam in the Paragon Lease premises across said boundary line, and will not need to provide access

to the Cedar Grove seam on said tract by means of vertical shafts or slopes on said tract from which coal would be brought to the surface on said tract.

Now, therefore, in consideration of the premises and of the mutual promises herein contained, and of the sum of One Hundred Dollars cash in hand paid by Amherst to D-R, the receipt of which is hereby acknowledged

THIS SUPPLEMENTAL DEED OF LEASE AND AGREEMENT WITNESSETH:

The parties hereto have agreed, and do hereby agree, as follows:

ARTICLE I - Additional Property Lease

D-R does hereby demise, let and lease to Amherst, for the mining of coal from the Cedar Grove seam only, that certain tract of land situate and located on the waters of Rum Creek in Logan County, West Virginia, which is bounded and described as follows:

Beginning at a double black pine corner, said corner common to Amherst Coal Company's Cub Fork lease and the northeast corner of the old Georges Creek lease and being N 30 degrees 21' 06" W 255.70 feet from a set stone, said stone coordinate values are S 8,913.39 and E 20,703.53 and witness by a locust and sassafras; thence from said beginning point

1. N 39 degrees 17' 20" W 1655.00 feet to a 12 inch black oak with two chestnut and a black oak witness;

2. N 68 degrees 17' 40" W 1144.55 feet to a set stone with two chestnut witnesses;

3. N 33 degrees 09' 45" 453.93 feet to a set stone with a hickory and two locust witnesses;

4. S 38 degrees 04' 37" W 8434.96 feet to a point where a beech once stood on the north bank of Rum Creek; thence up said Creek and on left side thereof

5. N 83 degrees 45' E 1075.90 feet to a white oak in a small hollow;

6. S 34 degrees OS' E 333.60 feet to where a pine stood on the north bank of Rum Creek;

7. S 74 degrees 35' E 840.55 feet to a point where a beech once stood on the north bank of said Creek;

8. S 69 degrees 13' E 1039.00 feet to a stake near the mouth of Cub Fork; thence leaving said Rum Creek and up the mountain

9. N 40 degrees 27' E 6972.40 feet to a place of Beginning, and containing 527.78 acres, more or less.

Said tract is shown on a map attached hereto and made a part hereof, bearing the following legend:

Map showing tract of land containing 527.78 acres on Rum Creek, Logan County, West Virginia, the Cedar Grove seam of coal in which is leased by Dingess-Rum Coal Company to Amherst Coal Company

William R. Long, Chief Engineer
December 7, 1967

ARTICLE II - General Provisions of Said Lease Apply

Subject to the special provisions set out in Article III hereof, this Supplemental Deed of Lease and Agreement (hereinafter referred to as "this lease") is subject to all the terms, exceptions, reservations, covenants, conditions, and restrictions set out in said lease to the same extent as if the coal and tract of land described in Article I hereof had been included in said lease. In case any conflict shall arise between the provisions of this lease and those of said lease, the provisions of this lease shall govern.

ARTICLE III - Special Provisions

1. It is mutually agreed that Amherst will mine said Cedar Grove seam in said tract by means of entries and air-

courses now or hereafter existing in said seam on adjoining lands of D-R held by Amherst under said lease and that the coal so mined will be taken to Amherst's tipple or tipples on lands leased by D-R to Amherst under said lease for processing; that Amherst shall not be obligated to pay any wheelage or transportation or dumping charge on such coal; that D-R consents to the crossing in said Cedar Grove seam of the boundary line between said tract and such adjoining lands; that D-R waives the maintenance by Amherst in said seam of any barrier pillar along either side of said boundary line; and that Amherst shall not have the right under this lease to mine coal from any seam in said tract other than the Cedar Grove seam.

2. A persistent parting of slate or bone in said Cedar Grove seam in said tract is known to exist and said parting becomes thicker proceeding in a northwesterly direction from the boundary line between said tract and adjacent lands of D-R leased to Amherst under said lease toward the headwaters of Dingess Run. D-R agrees that Amherst shall not be obligated to mine beyond the line at which said parting measures as much as twelve inches (12 in.) in thickness into areas where said parting exceeds twelve inches (12 in.) in thickness; but if Amherst desires to mine beyond such line into areas where said parting is in excess of twelve inches (12 in.), Amherst shall have the optional right to do so subject to the advance written approval of D-R's Chief Engineer of its projections covering its mining beyond said line, as more fully set out in said lease. But nothing in this paragraph 2 shall require Amherst to mine coal from said seam in said tract which is not mineable and marketable as defined in said lease.

3. Amherst agrees to pay to D-R the same tonnage and percentage royalties on and for each and every ton of coal mined by it from said Cedar Grove seam on said tract as are provided

by Article VI of said lease to be paid by Amherst on and for coal mined from the Eagle or No. 2 Gas seam; but the minimum annual rental provided in paragraph numbered 4 of said Article VI shall remain unchanged because of anything contained in this lease.

4. Taxes on said tract for 1968 (assessed as of July 1, 1967) and for subsequent years during which this lease shall remain in effect shall be paid by Amherst; provided that in the event other seam or seams of coal on said tract shall be leased to a lessee other than Amherst and coal shall be produced from such other seam or seams, then Amherst shall pay such portion of the taxes on the lands common to this lease and such other lease for any year as the production of coal by Amherst in tons during such year bears to the total production of coal in tons from such common lands, such apportionment to be made by D-R's Chief Engineer and certified to Amherst with the data on which it is made.

5. D-R, its lessees, successors, and assigns shall have the right to remove all or part of the coal from seams in said tract which lie above and/or below said Cedar Grove seam without regard to the direct effect thereof on Amherst's mining operations in said Cedar Grove seam and without liability for any damage which may be caused by the extraction of coal from such other seam or seams to Amherst's operations in said seam or to its machinery, equipment or other property on, above, or below the surface of said tract. But if D-R, its lessees, successors, or assigns, shall remove all or any part of the coal from another seam or seams of coal in said tract and such removal causes coal in the Cedar Grove seam in said tract which otherwise would have been mineable and marketable no longer to be mineable and marketable, then Amherst shall not be obligated to mine and remove such coal.

6. Amherst shall not have any right to use the surface of the said tract except for the drilling and maintenance of vertical holes from the surface to the Cedar Grove seam for carrying electric power lines from the surface to its workings in said seam and for removing water from said seam, and except for the maintenance on said surface of necessary electric transmission lines carrying electric power to said holes or hole and telephone lines with poles and transformers and of necessary pumps, pipes, water lines, and power lines or engines serving such pumps, and except for ingress and egress to and from such holes and other installations mentioned in this paragraph; and all such holes and other equipment shall be located only at points having the prior written approval of D-R's Chief Engineer in order to assure that such surface use by Amherst will interfere as little as reasonably possible with other uses which D-R might wish to make of such surface or of the seams of coal thereunder other than the Cedar Grove seam, and when so located, D-R and its lessees shall not thereafter make any use of the surface of said tract which will unreasonably interfere with the use of said holes and other equipment by Amherst.

7. Amherst shall not have the right to cut or remove any timber growing on the surface of said tract except as may be necessary in exercising the surface rights mentioned in paragraph 6 of this Article III; and all timber so cut by Amherst shall be sawed in usual lengths and placed by Amherst in piles at points convenient for removal by D-R, to whom such timber, and the logs therefrom, belong.

8. Amherst shall have the right, prior to the end of the term of said lease, to surrender all of its rights under this lease with respect to said tract and to said Cedar Grove seam of coal therein only when and after it has mined and removed

all of the mineable and marketable coal from said seam (except such coal as Amherst may be excused from mining by paragraphs 2 and 5 of this Article III) and paid all royalties, taxes and other sums due or accrued to D-R with respect thereto and has duly performed all of its other obligations hereunder, and thereafter shall be relieved from paying taxes on said tract which have not been assessed prior to such surrender and shall likewise thereafter be relieved of all of its duties and obligations with respect to said tract and the said Cedar Grove seam therein; provided, however, that within three months after such surrender, but not thereafter, Amherst may remove from said tract and from the Cedar Grove seam therein, all machinery, equipment and other property which it may have brought on or installed on said tract or in said seam therein.

9. This lease is made expressly subject to the pipeline easement across said tract held by Hope Natural Gas Company and to the rights and interests of other persons outstanding on the date of this lease in persons claiming by, through, or under D-R.

Witness the following signatures and seals of the parties hereto affixed by their respective corporate officers thereunto duly authorized, in duplicate originals, this the year and date above set out.

DINGESS-RUM COAL COMPANY

(Dingess-Rum) by /s/ Rolla D. Campbell

(Corporate Seal) Its President

Attest:

/s/ James H. Davis III

Its Secretary

AMHERST COAL COMPANY

(Amherst) by /s/ Herbert E. Jones, Jr.

(Corporate Seal) Its President

Attest:

/s/ [SIGNATURE APPEARS HERE]

Its Secretary

STATE OF FLORIDA

COUNTY OF PALM BEACH, to-wit:

I, Eula N. Chapman, a Notary Public of said County of Palm Beach, do certify that ROLLA D. CAMPBELL, who as President signed the writing hereto annexed bearing date the first day of January, 1968 for DINGESS-RUM COAL COMPANY, a corporation, has this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official notarial seal this 18 day of March, 1968

My commission expires June 5, 1971

(Notarial Seal)

/s/ Eula N. Chapman

Notary Public for Palm Beach County
Florida

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

I, Garnet Crawford, a Notary Public of the said County of Kanawha, do certify that HERBERT E. JONES, JR., who as President signed the writing hereto annexed bearing date the first day of January, 1968 for AMHERST COAL COMPANY, a corporation, has this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official notarial seal this 12th day of March, 1968

My commission expires March 31, 1970

(Notarial Seal)

/s/ Garnet Crawford

Notary Public for Kanawha County,
West Virginia

Map showing tract of land containing 527.78 acres on Rum Creek, Logan County, West Virginia, the Cedar Grove seam of coal in which is leased by Dingess-Rum Coal Company to Amherst Coal Company.

Wm. R. Long, Chief Eng. December 7, 1967

STATE OF WEST VIRGINIA, COUNTY OF LOGAN, TO-WIT:

IN THE OFFICE OF THE CLERK OF COUNTY COURT:

The foregoing paper was this the 1st day of April 1968, at 9:43 AM, presented to me in my office, and thereupon, together with a certificate thereunto annexed is admitted to record.

Recording Fee $ 4.25
1.00 (Map)
$ 5.25 Pd.

Teste: Raymond Chafin, Clerk

By: /s/ Mary H. Bias, Deputy

This supplemental Deed of Lease and Agreement made this first day of June 1973 by and between Dingess-Rum Coal Company, a West Virginia corporation, party or the first part, hereinafter called "D-R", and Amherst Coal Company, a West Virginia corporation, party or the second part, hereinafter called "Amherst".

Reference is here made to that certain Deed of Lease and Agreement (hereinafter referred to as "said lease") dated June 1, 1962 by and between D-R as lessor and Amherst as lessee, which is of record in the office of the Clerk of the County Court of Logan County, West Virginia, in Deed Book 287, at page 404 et seq. whereby certain lands of D-R situate on the waters of Rum Creek and Buffalo Creek in said Logan County were leased to Amherst for coal mining purposes for the time and on the provisions therein set out; and

Whereas, Amherst desires to add to the coal deposits leased by it under said lease the Chilton seam of coal in a tract of 352.85 acres, more or less (hereinafter called "said tract"), on said Rum Creek, binding on premises of D-R leased to Amherst under said lease, and being part of D-R's lands known as its Dehue premises; and D-R is willing to lease such coal on the terms and conditions herein set out; and

Whereas, Amherst has conducted mining operations in said Chilton seam held by it under said lease and desires to extend the same towards Guyandotte River but is unable through old entries to reach the unmined reserves held under said lease and desires to reach the same by entries driven from the outcrop near the head of the Second Right Hand Fork of Rum Creek (hereinafter called "said Fork") through the said seam on said tract, and to mine such unmined reserves along with the Chilton seam coal in said tract,

SCHEDULE OF COAL LEASES

EXHIBIT 3

Now, Therefore, in consideration of the premises and of the mutual promises herein contained and of the sum of One Hundred Dollars cash in hand paid by Amherst to D-R, the receipt of which is hereby acknowledged by D-R,

THIS SUPPLEMENTAL DEED OF LEASE AND AGREEMENT WITNESSETH:

ARTICLE 1. Additional Property Lease

D-R does hereby demise, let and lease to Amherst, for the mining of the Chilton seam of coal only, that certain tract of land situate on the waters of Rum Creek, in said Logan County, which is bounded and described as follows:

Beginning at a stake at the mouth of Buck Lick Hollow on the Second Right Hand Fork of Rum Creek, Logan County, West Virginia, thence up said Second Right Hand Fork with the Amherst Coal Company calls

66. S 83 degrees 00' E 740 feet
65. N 80 degrees 15' E 820 feet
64. N 68 degrees 10' E 785 feet
63. S 84 degrees 35' E 380 feet
62. S 60 degrees 00' E 200 feet
61. S 45 degrees 00' E 400 feet
60. S 24 degrees 30' E 400 feet
59. S 37 degrees 00' E 198 feet
58. S 3 degrees 40' E 345 feet
57. S 19 degrees 30' E 220 feet
56. S 15 degrees 00' E 130 feet
55. S 24 degrees 00' E 290 feet
54. S 7 degrees 15' E 280 feet
53. S 46 degrees 05' E 200 feet
52. Due East 180 feet
51. S 49 degrees 40' E 485 feet
50. N 88 degrees 50' E 80 feet
49. S 54 degrees 00' E 420 feet
48. S 25 degrees 15' E 645 feet to a point near the head of the Second Right Hand Fork thence leaving said Fork and angling up the right side of mountain, looking up the hollow
47A. S 39 57' W 2360 feet to a gap on the top of the ridge between the Second Right Hand Fork and Boardtree Run thence
47B. N 50 degrees 45' W 5037.32 feet up and over the Amherst Coal Company old #39-A 5 Block mine and down Buck Lick thence
47C. N 13 degrees 11' E 1770 feet down the hillside to the place of beginning and containing 352.85 acres, more or less.

Said tract is shown on a map attached hereto and made a part hereof, bearing the following legend:

"Map showing tract of land containing 352.85 acres on Second Right Hand Fork of Rum Creek, Logan County, West Virginia, the Chilton seam of coal in which is leased by Dingess-Rum Coal Company to Amherst Coal Company.

Scale - 1" - 1,0008 File A501-6CO
Date - May 18, 1973 Ser. No. 3055"

ARTICLE II. General Provisions of Said Lease Apply, Except as Noted

Subject to the special provisions set out in Article III hereof, this Supplemental Lease and Agreement (hereinafter referred to as "this lease"), is subject to all of the terms, exceptions, reservations, covenants, conditions and restrictions set out in said lease to the same extent as if the Chilton seam of coal in said tract, and said tract described in Article I hereof, had been included in said lease. In case any conrlict shall arise between the provisions of this lease and those of said lease, the provisions of this lease shall govern.

ARTICLE III. Special Provisions

1. It is mutually agreed that Amherst will mine said Chilton seam of coal in said tract by making entries and haulways from the outcrop or said Chilton seam near the head of said Fork, to reach and mine the coal in said tract as well as to reach and mine the coal in said seam in the premises included in said lease (locally known as the McGregor premises), and the raw coal will be hauled by truck down the Second Right Hand Fork of Rum Creek and thence up Rum Creek to its Slagle tipple and cleaning plant; and, if Amherst can later activate and re-establish the underground haulways in said seam in the McGregor premises it may, at its option, use the same for ingress to and egress from the unmined coal in said seam on the McGregor premises as well as in said seam on said tract. D-R

hereby consents to Amherst's extending its workings across the boundary line between said premises and said tract and hereby waives the maintenance of a barrier pillar on either side of said line, and agrees that Amherst shall not be obligated to pay any wheelage or transportation or dumping charge on coal mined from the Chilton seam in said premises or in said tract and taken to the Slagle tipple either overland by truck or underground by belts or mine cars.

D-R also agrees that Amherst may establish and operate a haulage road down said Second Right Hand Fork far hauling Chilton seam coal to the hard road along Rum Creek subject to the approval of D-R's Chief Engineer as to location, protection and maintenance thereof.

2. Amherst agrees to pay to D-R a tonnage royalty on each and every ton of coal mined by it from said Chilton seam on said tract equal to four percent (4%) of the selling price thereof (but in no event less than thirteen cents (13 cents) per ton). D-R and Amherst agree that except for the rate of percentage royalty, all other provisions of Article VI of said lease relating to tonnage and percentage royalties shall be applicable to the royalties payable under this lease; and that the minimum annual rental provided in paragraph numbered 4 of said Article VI shall remain unchanged because of anything contained in this lease.

3. Taxes on said tract for 1974 (assessed as of July 1, 1973) and for subsequent years during which this lease shall remain in effect shall be paid by Amherst; provided that in the event other seam or seams or coal an said tract shall be under lease to a lessee other than Amherst and coal shall be produced from such other seam or seams in any calendar year, then Amherst shall pay such portion of the taxes on the lands common to this lease and such

other lease or leases for such year as the production of coal by Amherst bears to the total production of coal in tons from such common lands, such apportionment to be made by D-R's Chief Engineer and certified to Amherst with the date on which it is made; provided, that if The Youngstown Mines Corporation or successor shall pay all of the property taxes assessed against said tract, Amherst shall be excused from paying any tax thereon for such year.

4. D-R, its lessee, successors, end assigns shall have the right to remove all or part of the coal from seams in said tract which lie above or below said Chilton seam without regard to the direct effect thereof on Amherst's mining operations in said Chilton seam and without liability for damage which may be caused by the extraction of coal from such other seam or seams to Amherst's operations in said seam or to its machinery, equipment, or other property on, above, or below the surface of said tract. But if D-R, its lessees, successors or assigns shall hereafter remove all or any part of the coal from another seam or seams of coal in said tract and such removal causes coal in the Chilton seam in said tract which otherwise would have been mineable and marketable no longer to be mineable and marketable, then Amherst shall no longer be obligated to mine and remove such coal.

5. Except as provided in paragraph 1 of this Article III with respect to outcrop openings into the Chilton seam, and haulage roads down the said Fork, Amherst shall not have the right to use the surface of said tract except for the drilling and maintenance of vertical holes from the surface to the Chilton seam for carrying electric power lines from the surface to its workings in said seam and for removing water from said seam, and except for the maintenance on said surface of necessary electric transmission lines carrying electric power to said holes or hole and telephone

lines with pole and transformers and of necessary pumps, pipes, water lines, and power lines or engines serving such pumps, and except for ingress and egress to and from such holes and other installations mentioned in this paragraph's and all such holes and other equipment shall be located only at points having the prior written approval of D-R's Chief Engineer in order to assure that such surface use by Amherst will interfere as little as reasonably possible with other uses which D-R or its lessees might wish to make of such surface or of the seams of coal thereunder other than the Chilton seam, and when so located, D-R and its lessees shall not thereafter make any use of the surface of said tract which will unreasonsbly interfere with the use of said holes and other equipment by Amherst.

6. Amherst shall not have the right to cut or remove any timber growing on the surface of said tract except as may be necessary in exercising the surface rights mentioned in paragraphs 1 and 5 of this Article III; and all timber so cut by Amherst shall be sawed in usual lengths and placed by Amherst in piles at points convenient for removal by D-R, to whom such timber, and logs therefrom, belong.

7. Amherst shall have the right, prior to the end of the term of said lease, to surrender all of its rights under this lesse with respect to said tract and to said Chilton Seam of coal therein only when and after it has mined and removed all of the mineable and marketable coal from said seam (except such coal as Amherst may be excused from mining by paragraphs 2 and 5 of this Article III) and paid all royalties, taxes and other sums due or accrued to D-R with respect thereto and has duly performed all of its other obligations hereunder, and thereafter shall be relieved from paying taxes on said tract which have not been assessed prior to such surrender and shall likewise thereafter be relieved of all of its

duties and obligations with respect to said tract and the said Chilton seam therein; provided, however, that within three months after such surrender, but not thereafter, Amherst may remove from said tract and from the Chilton seam therein, all machinery, equipment and other property which it my have brought on or installed on said tract or in said seam therein.

8. This lease is made expressly subject to all rights and interests of other parsons in said tract outstanding on the date of this lease claiming by, through, or under D-R and to the right of D-R hereafter to make similar leases, grants, and agreements with other persons in lieu of or in addition to those now outstanding, to which this lease shall likewise be subject.

9. Witness the following signatures and seals of the parties hereto affixed by their respective corporate officers, thereunto duly authorized, in duplicate originals, this the year and date first above set out.

DINGESS-RUM COAL COMPANY

Attest:

by /s/ Rolla D. Campbell

Its President

/s/ James H. Davis III
- ---
Secretary

AMHERST COAL COMPANY

Attest:

By /s/ H. E. Jones, Jr.

Its President

/s/ [SIGNATURE APPEARS HERE]
- ---
Secretary

STATE OF WEST VIRGINIA

COUNTY OF CABELL, to-wit:

I, Mary K Nash, a Notary Public of said County of Cabell, do certify that Rolla D Campbell who signed the writing hereto annexed bearing date the first day of June l973 for DINGESS-RUM COAL COMPANY, a corporation, has this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official notarial seal this 19 day of November, 1973.

My commision expires June 6 1977.

/s/ Mary K. Nash

Notary Public

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA, to-wit:

I, Doris M. Morris, a Notary Public of said County of Kanawha, do certify that H. E. James. Jr., who signed the writing hereto annexed bearing date the first day of June l973 for AMHERST COAL COMPANY, a corporation, has this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official notarial seal this 8th day of November, 1973.

My commission expires May 29, 1979.

/s/ Doris M. Morris

Notary Public

[MAP APPEARS HERE]

MAP SHOWING TRACT OF LAND CONTAINING 352.85 AC. ON SECOND RIGHT HAND FORK OF RUM CREEK, LOGAN COUNTY, WEST VIRGINIA, THE CHILTON SEAM OF COAL IN WHICH IS LEASED BY DINGESS RUM COAL CO. TO AMHERST COAL CO.

Scale -1"=1,000 File A 501-600
Date 5-18-73 SER NO. 3055

This Supplemental Deed of Lease and Agreement made this first day of July, 1974, by and between DINGESS-RUM COAL COMPANY, a West Virginia corporation, party of the first party, hereinafter called "D-R", and AMHERST COAL COMPANY, a West Virginia corporation, party of the second part, hereinafter called "Amherst".

Reference is here made to that certain deed of lease and agreement (hereinafter referred to as "said lease",) dated June 1, 1962, by and between D-R as lessor and Amherst as lessee, which is of record in the office of the Clerk of the County Court of Logan County, West Virginia in Deed Book 287, at page 404 et seq., whereby certain lands of D-R situate on the waters or Rum Creek and of Buffalo Creek in said Logan County were leased to Amherst for coal mining purposes for the time and on the provisions therein set out, and to various agreements supplementary to said lease; and

Whereas, Amherst has by deed dated June 18, 1974, made by Harry L. Chambers and Geraldine M. Chambers, his wife, to Amherst, which is recorded in said Clerk's office in Deed Book 361, at page 134, purchased the surface of a tract of land containing about 5.4 acres located on said Rum Creek, the coal in which is owned by D.R. and, with certain exceptions, is leased to Amherst under said 1ease; and

Whereas, Amherst desires to add to said lease the Upper Cedar Grove seam of coal under an adjacent tract of 4.515 acres or land owned by D-R, the coal in which is not included in said lease, in order to provide access through said Upper Cedar Grove seam to the outside for its underground workings in said seam, and has agreed to grant to D-R certain easements over the surface of said 5.4 acre tract.

Now, therefore, in consideration of the premises and of the mutual promises and grants herein contained,

This Supplemental Deed of Lease and Agreement witnesseth:

ARTICLE I. Additional Property Leased by D-R to Amherst

D-R does hereby demise, let, and lease to Amherst the coal only in the Upper Cedar Grove seam in that certain tract of land situate on said Rum Creek which is bounded and described as follows:

> Beginning at a rock corner on the north side of Rum Creek about 4050' upstream from the mouth of the Second Right Hand Fork of Rum Creek, said corner being a corner to the J. L. Chambers 93.97 Acre tract;
>
> Thence N. 60 degrees - 17' E, 585.36' to a point on the south side of Rum Creek, said point also being a corner to the Paragon lease;
>
> Thence with the Paragon lease S. 2 degrees - 40' E. 736.84' to a point approximately 700' up in North Mud Lick Hollow;
>
> Thence leaving said Paragon lease and down North Mud Lick Hollow with a line common to the J. L. Chambers 93.97 Acre tract and the Orville lease N. 50 degrees -39' W. 702.32' to the BEGINNING, containing 4.515 Acres.

Said tract outlined in yellow line is shown on a map attached hereto and made a part hereof, bearing the following 1egend:

> "Map showing in yellow lines tract of 4.515 acres of land owned by Dingess-Rum Coal Company, the Upper Cedar Grove seam in which is leased to Amherst Coal Company, and showing in red lines a tract of 5.4 acres of surface land owned by Amherst Coal Company over which certain easement are conveyed by Amherst Coal Company to Dingess-Rum Coal Company, being located on Rum Creek In Logan County, West Virginia.
>
> Scale: 1" = 1000'
> July 1, 1974
>
> William R. Long, Chief Engineer, Dingess Rum Coal Company, Stollings, W. Va."

Subject to the special provisions set out in Article III hereof, this Supplemental Lease and Agreement is made subject to

all the terms, exceptions, reservations, covenants, conditions, and restrictions set out in said lease (but only prospectively) to the same extent as if the aforesaid area to Upper Cedar Grove seam of coal had been originally included in said lease; it being agreed that in case any conflict shall arise between the provisions of this Supplemental Deed of Lease and Agreement and those of said lease, the provisions to this lease shall1 govern.

ARTICLE II. Outstanding Interests

The lease hereby made of said Upper Cedar Grove seam or coal in said tract of 4.515 acres is subject to the rights of the public in the paved highway running along Rum Creek, to the rights of the Chesapeake and Ohio Railway Company in the branch railroad running along Rum Creek, and to all other outstanding rights of others.

ARTICLE III. Easements Granted by Amherst to D-R

In further consideration of the aforesaid lease of the Upper Cedar Grove seam in said tract of 4.515 acres, Amherst does hereby grant and convey to D-R, its successors and assigns, easements for the laying, maintaining, and removal of pipes to carry gas, water and other liquids, and wires carrying telephone, telegraph, and electric power (with supporting po1es or towers) and for roads on and across the aforesaid tract of 5.4 acres at such places as mutually agreed to between the parties; it being understood that such easements shall not materially interfere with Amherst's coal operations on the surface of the aforesaid 5.4 acre tract, which tract is shown on said map in red lines, reference being made to said deed of June 18, 1974, for a metes and bounds description thereof. If, after the location of any such easement and the construction or installation of facilities or improvements thereon, Amherst determines that said easements or any part thereof materially interfere with its prospective coal operations, D-R (or its successors and assigns) shall re-

move and relocate the same at its sole expense to such other 1ocation on said tract as shall not materially interfere with such operations.

IN WITNESS WHEREOF the parties hereto have caused this Supplemental Deed of Lease and Agreement to be signed by its corporate officials thereunto duly authorized and their corporate seals to be attached, in duplicate originals, as of the day and year first above mentioned.

DINGESS-RUM COAL COMPANY

by: /s/ Rolla. D. Campbell

President

[SEAL]

Attest:

/s/ James H. Davis III

Secretary

AMHERST COAL COMPANY

ATTEST:

by /s/ H. E. Jones Jr.

President

/s/ [SIGNATURE APPEARS HERE]

Secretary

[SEAL]

STATE OF WEST VIRGINIA

COUNTY OF CABELL, to-wit:

I, Mary K Nash, a Notary Public of said County, do hereby certify that Rolla. D. Campbell, who signed the writing above, bearing date the first day of July, 1974, for DINGESS-RUM COAL COMPANY, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and notarial seal this 18 day of November, 1974.

My commission expires June 6 1977.

/s/ Mary K. Nash

Notary Public

[SEAL]

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA, to-wit:

I, Doris M. Morris, a Notary Public of said County, do hereby certify that H. E. James Jr., who signed the writing above, bearing date the first day of July, 1974, for AMHERST COAL COMPANY, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and notarial seal this 5th day of November, 1974.

My commission expires May 29, 1979.

/s/ Doris M. Morris

Notary Public

THIS DOCUMENT WAS
PREPARED BY ROLLA D.
CAMPBELL, ATTORNEY AT
LAW

THIS LEASE EXCHANGE AGREEMENT, made this 2nd day of July, 1979, between AMHERST COAL COMPANY, a West Virginia corporation, hereinafter referred to as "Amherst", ELKAY MINING COMPANY, a West Virginia corporation, hereinafter referred to as "Elkay", and DINGESS-RUM COAL COMPANY, a West Virginia corporation hereinafter referred to as "Dingess-Rum".

WHEREAS, under and pursuant to the terms of that certain lease agreement dated June 1, 1962, of record in the office of the Clerk of the County Commission of Logan County, West Virginia, in Deed Book No. 287, at page 404, hereinafter referred to as the "Amherst Lease", Amherst is Lessee and Dingess-Rum is Lessor of the coal in the Coalburg and Stockton seams and in any and all seams of coal situated above said Coalburg and Stockton seams, in that certain outcrop area A designated "Area 2" on that certain map of Elkay entitled "Map Showing Data Pertaining To Proposed Lease Area Exchange Between The Elkay Mining Company And Amherst Coal Company" dated 5-7-79, hereinafter referred to as the "Elkay Map", a copy of which said map is attached hereto as a part of this agreement, and

WHEREAS, under and pursuant to the terms of that certain supplemental lease agreement dated September 17, 1977, of record in said Clerk's Office in Deed Book No. 390, at page 656, and all other lease agreements referred to therein, hereinafter referred to as the "Amended Wade Lease", Elkay is Lessee and Dingess-Rum is Lessor of the coal in the Coalburg and Stockton seams and in any and all seams situated above said Coalburg and Stockton seams in those certain outcrop areas A and B designated "Area 1" on the aforementioned Elkay map, and

WHEREAS, said Area 1 and Area 2 are located on the division line between said Amherst Lease and said amended Wade Lease, and

WHEREAS, Amherst and Elkay have determined that it would be to the best interest of all parties hereto that Amherst and Elkay exchange said Areas 1 and 2, and Dingess-Rum has agreed to consent to such exchange.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH: That for and in consideration of the premises and the rights, benefits and obligations of the parties hereto, the receipt and sufficiency of all of which is hereby acknowledged, the parties hereto agree, subject to the terms and provisions hereof as follows:

1. Elkay and Dingess-Rum agree that the coal in the Coalburg and Stockton seams and in any and all seams of coal located at an elevation above same, in the aforementioned outcrop Area A and B of Area 1 is hereby deleted from the aforementioned amended Wade Lease, and that all coal within said seams of coal in the aforementioned outcrop area A in said Area 2 is hereby included in and as a part of said amended Wade Lease, all as of the date of this agreement to the same extent and effect as if said Area 1 had never been included in said amended Wade Lease and as if said Area 2 had at all times been included in as a part of said amended Wade Lease; and that said amended Wade Lease shall otherwise remain in full force and effect and, as so amended, is hereby in all respects approved, ratified and confirmed.

2. Amherst and Dingess-Rum agree that the coal in the Coalburg and Stockton seams and in any and all seams of coal located at an elevation above same in said outcrop Area A of said Area 2 is hereby deleted from said Amherst Lease and that all coal within said seams in said outcrop Areas A and B of said Area 1 is hereby included in and as a part of said Amherst Lease, all as of the date of this agreement, to the same extent

and effect as if said Area 2 had never been included in said Amherst Lease and as if said Area 1 had at all times been included in and as a part of said Amherst Lease; and that said Amherst Lease shall otherwise remain in full force and effect, and, as so amended, is hereby approved, ratified and confirmed.

IN WITNESS WHEREOF, said parties have hereunto caused their respective corporate names to be signed hereto and their respective corporate seals to be hereunto affixed by their respective officers duly authorized so to do all as of the date first hereinbefore written.

AMHERST COAL COMPANY,
a corporation as aforesaid

BY: /s/ H. E. Jones Jr.

Its: President

ELKAY MINING COMPANY,
a corporation as aforesaid

BY: /s/ [SIGNATURE APPEARS HERE]

Its: Vice President

DINGESS-RUM COAL COMPANY
a corporation as a foresaid

BY: /s/ Rolla D. Campbell

Its: President

[SEAL]

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, TO-WIT:

I, Doris M. Morris, a Notary Public in and for the county and state aforesaid do hereby certify that H. E. Jones, Jr. who signed the writing hereto annexed, bearing date the 2nd day of July, 1979, for AMHERST COAL COMPANY, a corporation, has this day before me in my said county and state acknowledged the said writing to be the act and deed of said corporation.

Given under my hand this 19th day of July, 1979.

My commission expires May 3, 1989.

/s/ Doris M. Morris

Notary Public

STATE OF VIRGINIA,

COUNTY OF RUSSELL, TO-WIT:

I, Helen R. Benton, a Notary Public in and for the county and state aforesaid do hereby certify that [NAME APPEARS HERE] who signed the writing hereto annexed, bearing date the 2nd day of July, 1979, for ELKAY MINING COMPANY, a corporation, has this day before me in my said county, and state acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and NOTARIAL SEAL this 2nd day of July, 1979.

My commission expires Sept. 22, 1980.

/s/ Helen R. Benton

Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF CABELL, TO-WIT:

I, Mary K. Nash, a Notary Public in and for the county and state aforesaid, do hereby certify that Rolla D. Campbell, who signed the writing hereto annexed bearing date the 2nd day of July, 1979, for DINGESS RUM COAL COMPANY, a corporation, has this day before me in my said county and state acknowledged the said writing to be the act and deed of said corporation.

Given under my hand this 20th day of July, 1979.

My commission expires June 6, 1987.

/s/ Mary K. Nash

Notary Public

This instrument prepared by:

JOHN C. VALENTINE, Attorney
Box 840
Logan, West Virginia 25601

CML 0334 AMA RUM AMA
121884 RWC (MSC1)

AMENDMENT OF LEASE

THIS AMENDMENT OF LEASE, effective as of the 1st day of January, 1984, ("Effective Date") and executed on the dates hereinafter set forth is by and between DINGESS-RUM COAL COMPANY, a West Virginia corporation, whose address is Post Office Box 386, Huntington, West Virginia 25708, hereinafter called "Lessor", and AMHERST COAL COMPANY, a West Virginia corporatiqn, whose address is Lundale, West Virginia 25631, hereinafter called "Lessee."

WHEREAS, by an instrument entitled "Deed of Lease and Agreement" dated the 1st day of June, 1962, Lessor and Lessee merged, consolidated and extended what was therein described as the "McGregor Lease" and the "Rum Creek Lease", as each had theretofore been supplemented and amended, and the leasehold estates existing thereunder, which instrument was supplemented by an instrument entitled "Supplemental Deed of Lease and Agreement" dated January 1, 1968, between the same parties, and was further supplemented by an instrument entitled "Supplemental Deed of Lease and Agreement" dated the 1st day of June, 1973, between the same parties, and as supplemented will be hereinafter referred to as the "Amherst Lease."

WITNESSETH:

NOW, THEREFORE, for and in consideration of the premises herein and of the covenants, terms and conditions of the Amherst Lease to be kept and performed by the Lessee and Lessor, the parties hereto do hereby supplement and amend the Amherst Lease as follows:

1. Article II of the Amherst Lease, entitled "Property" is hereby amended by striking the first full paragraph appearing on page 27 and continuing on page 28 in its entirety and substituting therefor the following paragraph:

"The Lessee shall have the right during the term of this lease to take and use only for mining and incidental operations on the leased premises such timber except poplar and black walnut measuring thirteen inches and under in diameter over the bark two feet from the ground on the upper side of the tree at the time of cutting. Lessee shall not have the right to sell any such timber or products thereof. Lessor reserves the right to take or destroy all timber on the demised premises, as may be reasonably incidental to the conduct of its timber operations or the exercise of any of its other reserved rights, and will give reasonable advance notice to Lessee of any such proposed taking or destruction by Lessor or by any person claiming under Lessor. The Lessee shall not be held accountable for any damage to any timber, including poplar and black walnut, on the leased premises which is occasioned by Lessee's mining operations and other activities in connection therewith on the leased premises or on other properties or lands operated in connection therewith,

including the construction of roads, valley fills, drainage facilities, trainways, power lines, pipe lines, and any and all other facilities of the Lessee used or useful in connection with its mining and incidental operations on the leased premises or on other properties or lands operated in connection therewith or for any damage to any such timber by reason of the location of or combustion of any refuse piles or dumps if the notice hereinafter reguired is given to Lessor and such operations and activities are conducted in accordance with good mining practices. At any time when the Lessee is about to conduct any mining operation (surface or deep), construction, or build any structure or facility which will necessitate the cutting of timber, Lessee will give to the Lessor at least six (6) months written notice of major areas where the timber thereon must be removed. If Lessor fails to remove the timber from such areas within six (6) months after such notice is given, the Lessee shall thereafter have the right to cut and burn or remove such timber without being obligated to pay for it. Lessee is under no obligation to provide roadways or other facilities by which the Lessor may recover any such logs, though the Lessor may use the Lessee's roadways therefor. Lessor's use of Lessee's roadways shall not unreasonably interfere with the Lessee's use thereof. The Lessor desires, by following good forestry practices, to develop the property as a timber property insofar as such may be done without unreasonably limiting or interfering with any of the rights of the Lessee hereunder. Lessee is in sympathy with the Lessor's such desire and, to the end of promoting the attainment of the Lessor's desire, the Lessee will cooperate with the Lessor by avoiding injury, as far as is reasonably practicable, to the Lessor's timber interests in the Lessee:s exercise of its rights hereunder. This statement of the Lessee's willingness to cooperate with the Lessor is a statement of intent only and is not to be taken as any limitation or restriction on the Lessee's rights to conduct mining operations (surface or deep) or to take timber hereunder."

2. Article III of the Amherst Lease, entitled "Term" appearing on page 29, is hereby amended by adding to the end of the first paragraph thereof the words, "..., but such termination shall not relieve Lessee of its obligations arising as a result of its operations hereunder."

Furthermore, said Article III is hereby amended by striking the words "...to arbitration..." appearing in the fifth line of the third full paragraph thereof on page 29 of the Amherst Lease and substituting therefor the words "... for resolution..."

3. Article IV of the Amherst Lease, entitled "Rights and Privileges of Lessee" appearing on page 30, is hereby amended by striking the first paragraph thereof in its entirety and substituting therefor the following paragraph:

"The Lessor, for the duration of this lease, demises and lets unto the Lessee all such mining rights and privileges in the leased premises as are vested in or

exercisable by the Lessor and which it has the lawful right to demise and let to the Lessee, and, subject to the foregoing and the limitations in this lease set forth (including those applicable to the Eagle or No. 2 Gas seam area surrendered as aforesaid), the Lessee shall have the superior right to use free of charge so much of the surface of the leased premises (subject to the provisions of Article V, Section 2 and Article VI, Section 6 hereof), the stone, the sand and water therein and thereon as may be necessary or convenient in the exercise of the mining rights herein demised in connection with the Lessee's operations on the leased premises and on other properties or lands operated in connection therewith (in this lease such other properties or lands shall include lands in Logan and Wyoming Counties, West Virginia which the Lessee now owns, leases or controls, or which the Lessee may hereafter own, lease or control through purchase, lease or otherwise) and without limiting the generality of the foregoing:"

4. Section 5 of said Article IV, is hereby amended by striking the words "...to arbitration..." appearing in the last line of the first paragraph of said section on page 32 of the Amherst Lease and substituting therefor the words "...for resolution..."

5. Section 6 of said Article IV, is hereby amended by striking from the first paragraph of said section the following language appearing on page 33 of the Amherst Lease:

"...and not otherwise (except that any tipple or cleaning plant on the leased premises may be used and the incidental rights herein provided may be had and exercised on a temporary basis for the processing and loading of coal ordinarily processed and loaded at any plant of the Lessee elsewhere maintained and operated by the Lessee in the event of any emergency relating to such other plant of the Lessee) ..."

Furthermore, Section 6 of said Article IV is hereby amended by striking the second paragraph appearing on pages 34 and 35 of said section in its entirety and substituting therefor the following paragraph:

"The Lessee shall have the right to move coal from places where mined on the leased premises over other lands en route to Lessee's tipples and preparation plants, but no wheelage and processing charges shall be made by Lessor for any such coal mined on Dingess-Rum lands by reason of the fact that following a circuitous route from the place of mining to the place of processing and/or loading said coal shall have moved over lands other than those of the Lessor.

6. Section 7 of said Article IV, appearing on page 35, is hereby amended by striking said section in its entirety and substituting therefor the following Section 7:

"7. The exercise and use of the rights and privileges granted to the Lessee by this Article IV shall not be restricted to exercise and use by the Lessee only in connection with the Lessee's mining and incidental operations on the leased premises, but (subject to the provisions of this lease) shall extend to the exercise and use by the Lessee in connection with Lessee's mining operations on other lands operated by Lessee in connection therewith and without charge to the Lessee by the Lessor, except as may be provided in this lease."

7. Section 8 of said Article IV, appearing on page 35, is hereby amended by striking from said section beginning on line two thereof the following language:

"... except upon a temporary basis in cases of emergency as herein provided,..."

8. Section 8 of said Article IV is hereby further amended by striking from said section the words "...resolved by arbitration..." appearing in lines 10 and 11 on page 35 of the Amherst Lease and substituting therefor the words "...submitted for resolution... "

9. There is hereby added to the Amherst Lease a Section 9 to Article IV as follows:

"9. Lessee shall have the full and unrestricted right as necessary and convenient for its coal mining operations on the leased premises and other properties operated in connection therewith to enter upon and use the surface of the leased premises to construct and operate drains, drainways, valley fills, silt ponds and to store and place overburden thereon. Any such proposed use of the surface of the leased premises shall become part of Lessee's mining plans, subject to the provisions of Section 2 of Article V of this lease. In disposing of any such refuse or overburden on the leased premises as permitted in this Article IV, Lessee shall comply with all laws, rules and regulations promulgated by any governmental authority, State or Federal, and shall indemnify Lessor from all claims of any third party for damages resulting therefrom and shall, during the term of this lease and at all times thereafter, be fully and completely responsible for the alteration, modification and/or removal of such deposits which shall be required by any governmental agency, including but not limited to, the elimination of any fires, drainage or ecological problems or other environmental hazards."

10. The first paragraph of Section 1 of Article V, entitled "Methods, Development and Work, and Recovery of Coal" appearing on page 36 of the Amherst Lease is hereby stricken in its entirety and there is substituted in lieu thereof the following paragraph:

"It is recognized that mining operations have heretofore been conducted on the leased premises by Lessee and its predecessor lessees and that Lessee has fully accounted to the Lessor for all such coal mined, lost, or abandoned prior to January 1, 1984, (the Effective Date of the Amendment of Lease), except for the coal in Lessee's Paragon Mine about which the parties acknowledge that there is a dispute between them regarding Lessee's obligation to mine the coal remaining therein."

11. Said Section 1 of Article V is hereby further amended by striking in their entirety the third and fourth paragraphs thereof appearing on page 39 and substituting the following paragraphs:

"The Lessee covenants that it will diligently conduct and develop its mining operations so as to mine all of the mineable and marketable coal from the leased premises during the term hereof as is practicable considering Lessee's overall mining plans for the leased premises and other properties operated in connection therewith. Lessee shall conduct all of its mining operations hereunder in a careful, skillful and workmanlike manner according to the rules and practices of good mining and with due regard to the value of the leased premises as a coal property. Lessee in conducting its coal mining operations on the leased premises shall comply with the present and any future laws and regulations of the United States, the State of West Virginia and its political subdivisions. Lessee shall have the right to contest the validity and enforceability of such laws and regulations and any alleged violation thereof without violating the provisions of this lease or forfeiting any rights or privileges it may have hereunder.

With regard to coal mined from the leased premises or other lands operated in connection therewith, Lessee shall have the right to size, process, clean, ship and/or load such coal from points (including points other than on Lessor's property) as Lessee in its sole discretion shall determine as necessary or convenient consistent with its mining plans and marketing opportunities.

Consistent with its mining plans and marketing opportunities, the Lessee covenants that it will employ and maintain in good order and repair such plants, tipples, loading facilities, machinery and equipment in conjunction with its operations on the leased premises and on other lands operated in connection therewith to allow for the proper and full development of the leased premises so as to enable the Lessee to comply with and perform its obligations under this lease. Subject to its obligations set forth in this lease, Lessee may make such replacements, renewals and additions as Lessee may determine and Lessee may, during the term of this lease, erect, place, dismantle or remove any

such plant and equipment on the leased premises or on its other properties operated in connection therewith.

The parties hereto recognize that Lessee may, from time to time, during the term of this lease be mining on the leased premises or on other lands operated in connection therewith and there may be times when the Lessee may not be mining on the leased premises. Lessee shall have the right to plan its mining operations on the leased premises and on other lands operated in connection therewith in such manner as may seem most practical and economical to it consistent with its mining obligations hereunder. Lessee shall determine the order in which it will mine seams of coal on the leased premises and the methods by which such coal will be mined. The parties hereto realize that it is in the best interests of both to obtain from the leased premises the greatest recovery of coal that is consistent with good mining practices and the market opportunities for such coal, and that in order to do so the leased premises should be mined so as not to unreasonably damage or unreasonably make unmineable any seam or part thereof. Accordingly, Lessee covenants and agrees to develop the leased premises and the seams thereunder in such a manner as will produce the highest practicable recovery of coal consistent with economic mining practices and the market for such coal and that each seam underlying the leased premises will be mined and operated so as to avoid all unnecessary or unreasonable damage to other seams of coal thereunder. Lessee shall have the sole discretion to determine from time to time the timing of operations hereunder in the mining and selling of coal from Lessee's coal mining operations on the leased premises and other properties operated in connection therewith. Nothing contained herein however shall permit the Lessee to discriminate against the leased premises in the mining and selling of coal from the leased premises and other properties operated in connection therewith. Lessee shall give appropriate consideration to the kinds and qualities of coal available on the leased premises as compared with kinds and qualities of coal on Lessee's other properties operated in connection therewith and the Lessee's economic, mining and marketing plans. The minimum annual royalties provided in Article VI hereof shall compensate the Lessor for the periods during which no mining is being conducted by the Lessee on the leased premises, provided Lessee is otherwise in compliance with its mining obligations hereunder."

12. Section 1 of Article V, is hereby further amended by striking in its entirety the second full paragraph appearing on page 40 of the Amherst Lease.

13. Section 2 of said Article V is hereby amended by striking the second paragraph thereof appearing on page 41 in its entirety and substituting therefor the following paragraph:

"No material change in, modification of, or departure from any plans so approved, shall be made in the development or operation of any mine (other than changes required in the event of an emergency, of which Lessee shall immediately notify Lessor) except as requested in writing by the Lessee and agreed to and approved in writing by the Lessor, such request to be accompanied by plans illustrating such change, modification, or departure and a statement of the reasons therefor. If the Lessor shall not approve or disapprove any plan, change, or modification within fifteen (15) days after the submission of same shall have been made to an officer or engineer of Lessor in person or by mailing to the Lessor at its United States Post Office address provided for by Article XVIII hereof, the Lessee may again request approval by sending a telegram to Lessor at its said office address, and which telegram need only call attention to the original request, and if, after the expiration of five (5) days following the date on which such telegram is sent, the Lessor shall not have disapproved the request and shall not have given notice of such disapproval to the Lessee, then such plan, change, or modification shall be deemed approved by the Lessor. The Lessor shall not unreasonably withhold approval of any such plan, change, or modification. The approval of Lessee's mining plans shall not impose on Lessor any liability with respect to Lessee's operations pursuant thereto."

14. Section 3 of said Article V is hereby amended by adding after the first sentence of the first paragraph appearing on page 42 of the Amherst Lease, the following language:

"Lessor shall give Lessee reasonable notice of its intent to make such inspection, examination, survey or measurements of the leased premises. Lessee shall have the opportunity to have its agent or engineer accompany Lessor's representatives. Lessor shall assume all responsibilities for any injury, to any of its agents, engineers, or other persons in its behalf who may enter the mines or works of Lessee, or otherwise as a result of its rights under this paragraph, unless such injury is caused by the negligence of Lessee."

15. Section 3 of said Article V is hereby further amended by striking from said section the words "...to arbitration..." appearing on lines 11 and 12 on page 43 of the Amherst Lease and substituting therefor the words "...for resolution..."

16. Section 4 of said Article V is hereby amended as follows:

i) by striking from said section the words "...the arbitrators determine..." appearing in lines 15 and 16 on page 44 of the Amherst Lease and substituting therefor the words "...as may be determined as provided in Article XVI hereof... ";

ii) by striking from said section the words "...to arbitration..." appearing in line 21 of the first full paragraph on page 45 of the Amherst Lease and substituting therefor the words "...for resolution..."; and

iii) by striking from said section the words "...or which a board of arbitration determines... appearing in line 3 of the first full paragraph on page 47 of the Amherst Lease and substituting therefor the words "...or which is determined pursuant to Article XVI hereof..."

17. Section 5 of said Article V is hereby amended as follows:

i) by striking from said section the words "...to arbitration..." appearing in line 20 on page 48 of the Amherst Lease and substituting therefor the words "...for resolution...";

ii) by striking from said section the words "...in the event of arbitration to the extent determined thereby..." appearing in lines 22 and 23 on page 48 of the Amherst Lease and substituting therefor the words "...as may be determined as provided in Article XVI hereof..."; and

iii) by striking from said section the words "...determined by arbitration..." appearing in line 27 on page 48 of the Amherst Lease and substituting therefor the words "...as may be determined as provided in Article XVI hereof...".

18. Section 8 of said Article V is hereby amended as follows:

i) by striking from said section the words "to arbitration... appearing in line 13 on page 52 of the Amherst Lease and substituting therefor the words "...for resolution as provided in Article XVI hereof ...";

ii) by striking from said section the words "...the arbitrators decide such issue..." appearing in lines 20 and 21 on page 52 of the Amherst Lease and substituting therefor the words "...such issue is resolved as provided in Article XVI hereof...";

iii) by striking from said section the words "...the arbitrators decide such issue..." appearing in lines 23 and 24 on page 52 of the Amherst Lease and substituting therefor the words "...such issue is resolved as provided in Article XVI hereof... ";

iv) by striking from said section the words "...of arbitrators..." appearing in line 1 on page 53 of the Amherst Lease and substituting therefor the words "...rendered pursuant to Article XVI hereof, ..."; and

v) by striking from said section lines 9 through 19 appearing on page 55 of the Amherst Lease and substituting therefor the following language:

"...thereof, then the party causing the core drilling to be done may submit for resolution as provided in Article XVI hereof the issue of the responsibility of the other party for one-half of the expenses thereof, and for so much of said core drilling as may be decided pursuant to such resolution process to have been reasonably necessary to obtain such information, the other party shall reimburse the party causing the drilling to be done one-half of the cost thereof; or the party desiring core drilling or further core drilling, as the case may be, may submit for resolution as provided in Article XVI hereof the need therefor, and such core drilling or further core drilling as may be decided pursuant to such resolution process to be proper to be done to obtain such information, shall be done at the joint and equal expense of the parties."

19. Section 10 of said Article V appearing on page 55 of the Amherst Lease is hereby amended by striking said section in its entirety and substituting therefor the following Section 10:

"10. If the Lessor and the Lessee disagree with respect to any matter arising under this Article V hereof, whether or not a resolution process is specifically mentioned in connection therewith, the disagreement between the Lessor and the Lessee shall be submitted for resolution in the manner and with the effect provided for by Article XVI hereof."

20. Section 1 of Article VI, entitled "Rental, Royalties, and Wheelage and Processing Payments" appearing on pages 56, 57, and 58 of the Amherst Lease is hereby stricken in its entirety and there is substituted in lieu thereof the following Section 1:

"1. From and after the Effective Date of the Amendment of Lease, Lessee covenants and agrees to pay to Lessor, without demand, for each ton of 2,000 pounds of coal mined and sold hereunder from the leased premises, a tonnage royalty in an amount equal to,

i) the greater of three and one-half percent (3 1/2%) of the average selling price of such coal or $1.25 per ton of such coal;

ii) commencing January 1, 1985, the greater of four percent (4%) of the average selling price of such coal or $1.25 per ton of such coal;

iii) commencing January 1, 1990, the greater of five percent (5%) of the average selling price of such coal or $1.25 per ton of such coal; and

iv) commencing January 1, 2000 and thereafter, the greater of six percent (6%) of the average selling price of such coal or $1.25 per ton of such coal, so long as this lease remains in effect.

The sum of $1.25 per ton minimum tonnage royalty shall not be adjusted during the term of this lease. The sum of $1.25 regarding minimum annual royalties shall be adjusted as provided in Section 4 of Article VI hereof.

All tonnage royalty shall be based on the actual weight of such coal as shipped and sold. In the event such coal is sized, processed and/or cleaned for market, then the actual weight of such coal shall be the weight of such coal after sizing, processing and/or cleaning for market by Lessee. Such weight is to be determined by any reasonably accurate method by a system selected by the Lessee, subject to inspection by Lessor. Lessee is not obligated or required to size, process and/or clean such coal. Coal sold which is shipped by rail or water transportation shall be paid for by Lessee on the basis of railroad or barge weights as the case may be. The weight of coal sold which is shipped by truck or conveyor or by other than rail or water transportation, or used by Lessee for its own purposes, shall be determined in a manner commonly used in the coal mining industry.

The term "average selling price" shall be the actual dollar amount charged by the Lessee for such coal f.o.b. Lessee's loading points without deduction for selling expense or agents', brokers', or middlemen's commissions or discounts, or other deductions of any kind, but reduced by a sum determined by multiplying the applicable percentage tonnage royalty rate by a fraction, the numerator of which shall be the price per ton charged by Lessee as provided above and the denominator shall be one (1) plus the applicable percentage tonnage royalty rate. For example, assume a tonnage royalty rate of 5% and a price per ton charged by Lessee of $35.00, the average selling price would be $33.33 derived as follows:

$35.00-[0.05[$35.00 divided by (1.00 + 0.05)]] = $33.33

Furthermore, it is specifically understood and agreed, however, that upon any sale by Lessee to a domestic non-user of coal, which domestic non-user does not break bulk or take physical delivery of the coal, the average selling price of such coal shall be increased by an amount equal to five percent (5%) of such average selling price, provided, however, such increase shall not apply to any coal sold by Lessee for export beyond the continental limits of the United States of America.

In case any of the coal mined from the leased premises shall be sold by Lessee at other than arms-length, the average selling price shall be calculated as provided above on the price actually charged by other operator's in arms-length transactions in the area of the leased premises producing and selling coal of similar

quality and quantities under similar circumstances, as determined from the most accurate and reliable information available.

The average selling price per ton for coal mined from the leased premises which is consumed on or off the leased premises by the Lessee in any calendar month shall be the average price per ton of all coal mined from the leased premises and sold during such calendar month calculated by dividing the total dollar sales for all coal sold from the leased premises during such calendar month by the total number of tons of such coal sold during that calendar month, but reduced by a sum as determined above.

The existence of a dispute as to any amount of tonnage royalty due Lessor shall not relieve Lessee from paying when due the amount not in dispute, and the receipt of such amount shall not be treated as a waiver by Lessor of any of its claims with respect to any amounts in dispute.

If, pursuant to any provisions of this lease, Lessee is required to pay Lessor for any coal not mined by Lessee, payment shall be made upon the basis of the tonnage royalty rate applicable during the calendar month the obligation to pay for such unmined coal arises applied against the weighted average of the average selling price in effect for such month. Such average selling price shall be based on the average selling price of coal mined and sold from the leased premises. If coal is not being mined and sold, such average selling price shall be based on coal being sold by other operators, as provided above."

21. Section 2 of said Article VI is hereby stricken in its entirety and there is substituted in lieu thereof the following Section 2:

"2. Lessee shall submit payment to Lessor on or before the 25th day of the month, for tonnage royalties and wheelage and processing charges which accrued during the preceding calendar month. At the time of such payment, Lessee shall provide to Lessor a written statement showing for such month the following information:

a) the quantity and average selling price of the coal sold which had been produced from the leased premises;

b) the amount of tonnage royalty accrued;

c) the amount of minimum annual royalties paid but not yet recouped;

d) the amount of penalty payments recouped;

e) the amount of tonnage royalty payable;

f) the number of tons of coal brought onto the leased premises subject to a wheelage and processing charge;

g) the amount of wheelage and processing charges payable;

h) the number of tons of coal mined from the leased premises which were consumed by the Lessee and the average selling price of such consumed coal;

i) identification of the mine and coal seam from which coal is produced on the leased premises;

j) tons of coal produced from the leased premises;

k) tonnage royalty rate applicable;

l) applicable tonnage royalties per ton;

m) a summary of coal produced from the leased premises categorized by tract identification numbers from tax maps to be supplied by Lessor; and

n) a list of railroad weights and car numbers applicable to coal produced from the leased premises.

Lessee shall keep accurate and correct books and records of such information for no less than five (5) years. Upon reasonable notice the Lessor shall, at reasonable times, have access to such books and records for the purpose of copying and verifying the statements rendered by Lessee to the Lessor under this provision.

22. Section 3 of said Article VI, is hereby amended by striking said section in its entirety and substituting therefor the following Section 3:

"3. In the process of cleaning, preparing, loading, shipping and marketing coal mined from the leased premises, the Lessee shall have the right to mix and commingle coal mined from the leased premises with coal not mined from the leased premises, but in order that the coal mined from the leased premises may be properly accounted for and the tonnage royalty thereon properly paid to the Lessor, the Lessee shall adopt and follow a plan for that purpose which is generally accepted and followed by the coal mining industry in like or similar situations which plan shall be approved in writing by Lessor's chief engineer, which approval shall not be unreasonably withheld. For the purpose of computing tonnage royalty based on the average selling price, the price per ton of coal sold hereunder and commingled with coal sold from other properties shall be the average selling price (as determined above) per ton of the commingled coal. If either party hereto has reason to believe that the price per ton of commingled coal which contains coal from the leased premises is sold at a price significantly greater or less than the true fair market value of the coal from the leased premises which is

commingled, the party having such belief may request the other party to confer with it in good faith in an effort to determine whether or not the tonnage royalty paid on the coal from the leased premises which was commingled was significantly different from the tonnage royalty which would have been paid on the coal from the leased premises commingled had such coal sold at what such party believed to be its true fair market value, viewed in light of the method used to determine such tonnage royalty and Lessee's market opportunities. If the parties hereto determine appropriate, based upon the review described above, an adjustment in the tonnage royalty paid shall be made."

23. The first paragraph of Section 4 of said Article VI, appearing on page 59 of the Amherst Lease, is hereby stricken in its entirety and there is substituted in lieu thereof the following language:

"4. Lessee shall pay to Lessor a minimum annual royalty (or rental) until such time as such minimum annual royalty shall cease as is hereinafter provided, as follows:

i) For each of the calendar years 1984 and 1985, a sum equal to the product of $1.25 per ton multiplied by 320,000 tons.

ii) For the calendar year 1986 and each calendar year thereafter, a sum equal to the product of $1.25 per ton (as such sum of $1.25 per ton may be increased or decreased as provided below) multiplied by 400,000 tons.

Beginning with the calendar year 1987 and for each calendar year thereafter during the term of this lease for the purpose of computing minimum annual royalty, said amount of $1.25 shall be increased or decreased to an amount equal to $1.25 multiplied by a fraction, the numerator of which shall be the "Consumer Price Index, All Urban Consumers, 1967=100", compiled by the Bureau of Labor Statistics, as of December 31 of the preceding year and the denominator of which shall be the CPI-U as of December 31, 1985. If for any reason the CPI-U is discontinued, then the parties hereto shall select an appropriate substitute therefor. Any adjustment made to the said sum of $1.25 under the provisions of this paragraph shall only effect minimum annual royalties and shall not affect the sum of $1.25 per ton minimum tonnage royalty provided in Section 1 of Article VI."

24. The second paragraph of Section 4 of said Article VI, appearing on pages 59 and 60 of the Amherst Lease, is hereby stricken in its entirety and there is substituted in lieu thereof the following paragraph:

"If the tonnage royalties paid as hereinabove provided in any one calendar year do not amount to as much as the

minimum annual royalty for such year, then the Lessee shall have the right of mining during any one or more of the next five succeeding calendar years, but not thereafter, free from tonnage royalty, a sufficient amount of coal at the tonnage royalty rates herein provided above the amount necessary to produce the minimum annual royalty for each of such succeeding years to reimburse the Lessee for the deficiency between the tonnage royalty and the minimum annual royalty paid during that calendar year. No payment of tonnage royalties in excess of the minimum annual royalty for any one year shall be credited against a deficiency occurring in any subsequent year."

25. The fourth paragraph of said Section 4 appearing on page 60 of the Amherst Lease, is hereby stricken in its entirety and there is substituted in lieu thereof the following paragraph:

"During any calendar year that this lease is in effect, if the Lessee is prevented for a period of thirty (30) days or more from carrying on its mining operations upon the leased premises because of an event or occurrence beyond the control of the Lessee such as, without limiting the generality of the foregoing, an act of God, war, insurrection, riot, strike or other labor disturbance, accident to plant and equipment, unavoidable casualty or incident, flood, interruption to transportation, inability to obtain or retain a necessary permit, act or order of civil or military authority, legislation, regulation or administrative ruling, (any such event or events hereinafter referred to as "force majeure", provided, however, that lack of market or low coal prices shall not be considered an event of force majeure), it shall be relieved from the payment of the minimum annual royalty for such calendar year by an amount equal to the minimum annual royalty due for such calendar year multiplied by a fraction the numerator of which is the number of calendar days during which operations are prevented because of force majeure, less thirty (30) days, (provided such force majeure occurred for thirty (30) or more consecutive calendar days) and the denominator of which shall be 365 days, provided, furthermore however, in any event the minimum annual royalty due in any calendar year shall not be reduced by more than fifty percent (50%)."

26. Section 5 of said Article VI appearing on page 61 of the Amherst Lease, is hereby amended by striking said section in its entirety and substituting in lieu thereof the following new Section 5:

"5. Whenever the Lessee's mining operations shall have proceeded to the point of exhaustion of the coal on the leased premises at which the quantity of the mineable and marketable coal remaining unmined upon the leased premises is such that the then rate of mining in keeping with good mining practices is insufficient to produce in any calendar year a total tonnage royalty equal to the minimum annual

royalty, then at that time such minimum annual royalty shall cease, and the Lessee shall be required to pay only the tonnage royalty on such coal as it may thereafter sell or use. Furthermore, whenever the total unrecouped minimum annual royalties and/or penalties shall amount to a sum of money which equals the tonnage royalty on all of the remaining mineable and marketable coal in the leased premises and for which payment has not been made, (such sum computed at the average tonnage royalty rates for the calendar year prior to such determination), Lessee shall not thereafter be required to pay any further minimum annual royalty, but may mine such remaining coal free of tonnage royalty until it shall have mined sufficient coal as will, at the tonnage royalty rates in effect at the time the coal is mined, reimburse it for the sum of such accumulated unrecouped minimum annual royalties and/or penalties as permitted and limited in Section 4 of Article VI and Article XXI respectively of this lease.

If the Lessor and the Lessee shall be unable to agree upon the time at which such minimum annual royalty shall cease, the matter in difference shall be submitted for resolution in the manner and with effect as provided by Article XVI hereof."

27. Section 6 of said Article VI, appearing on page 61 and page 62 of the Amherst Lease is hereby amended by striking from said section the language beginning on the third line on page 62 through the end of said section and substituting therefor the following language:

"..."wheelage and processing charges," for each ton of raw or clean coal shipped which is transported, processed or loaded on the leased premises, at the following respective rates per ton for such coal:

i) three cents (3 cents) per ton of such coal mined from the Lawson lands (i.e. the 1450 acre tract described on page 7 of this lease);

ii) ten cents (10 cents) per ton of such coal mined from the No. 5 Block seam of coal on properties other than the leased premises and the Lawson lands; and

iii) 1/2 of 1% of the average selling price (to be not less than 5 cents per ton nor more than 25 cents per ton) of any such other coal mined or purchased from any property other than the leased premises, provided, however, that no charge shall be made for a) any coal which is mined or purchased from any property owned by the Lessor or b) any coal mined from the property controlled by the Lessee under that certain lease effective January 1, 1984, by and between Kelly-Hatfield Land Company and Lessee, containing approximately 747 acres more or less, which is transported over or under the leased

premises to Buffalo Creek, Logan County, West Virginia, but not processed or loaded on the leased premises."

28. Section 7 of said Article VI, appearing on page 62 and page 63 of the Amherst Lease is hereby amended by striking said section in its entirety and substituting therefore the following Section 7:

"7. In the event the Lessee shall store on the leased premises any coal mined from the leased premises or brought onto the leased premises by the Lessee from other properties, instead of paying the tonnage royalties on such coal mined from the leased premises at the time of storage, or the wheelage and processing charges on coal mined from other properties at the time of the bringing of such coal onto the leased premises, the Lessee may pay therefor when such stored coal is sold or used by the Lessee, the tonnage royalty rate to be the average tonnage royalty rate applicable during the month the coal is stored; but, in any event, such tonnage royalties and wheelage and processing charges shall be paid within six (6) months after the time when such payments would have been made had such coal not been stored, but had been sold. When coal is stored for six (6) months or more, it shall be carefully measured in a reasonably accurate manner, and the tonnage royalties and the wheelage and processing charges shall be paid upon the basis of such measurement. When such coal is sold, adjustments (if necessary) in tonnage royalties therefor paid for such coal shall be made to reflect the true tonnage royalties due on such coal based on its actual weight and the average selling price thereof. Such adjustments shall be applied as appropriate to future rent and royalty payments which may become due and owing. If no such payments are to become due and payable within three (3) months of the last such payment made, any payment or refund which may be due either party hereto shall be promptly paid by the party owing the same."

29. Section 9 of said Article VI, appearing on pages 63 and 64 of the Amherst Lease is hereby amended by striking the same in its entirety and substituting in lieu thereof the following Section 9:

"9. If at any time hereafter the Lessee shall pay for any coal not mined from a particular area of any seam on the leased premises, and Lessee shall thereafter mine such coal, the Lessee shall account for the tonnage royalties on the coal so mined at the tonnage royalty rates in effect at the time such coal is sold but shall be entitled to a full credit on such royalties in the total amount of payment previously made on the coal in such area until such amount is so recoupede Royalties on coal mined from such area in excess of such credit shall be paid by the Lessee to Lessor. Lessee may credit such royalties against minimum annual royalties and penalties as provided in Article VI and

Article XXI of this lease. Payments for coal not mined may be credited upon minimum annual royalties and penalties as provided in Article VI and Article XXI of this lease, but shall not be credited upon the minimum annual royalty for the year or years in which such coal thereafter may be mined in whole or in part."

30. Section 10 of said Article VI, appearing on page 64 of the Amherst Lease is hereby stricken in its entirety.

31. Section 11 of said Article VI, appearing on page 64 of the Amherst Lease is hereby stricken in its entirety.

32. Article VII entitled "Hinchman Hollow", of the Amherst Lease is hereby amended by striking in its entirety Section 1 appearing on pages 64 and 65 thereof.

33. Section 3(a) of said Article VII, is hereby amended by striking from said section the words "...to and determined by arbitration..." appearing in lines 19 and 20 on page 68 of the Amherst Lease and substituting therefor the words "...for resolution..."

34. Article IX, entitled "Maintenance, Repair, and Use of Mining Plant and Equipment", appearing on page 75 through page 81 of the Amherst Lease is hereby stricken in its entirety.

35. Article XIII, entitled "Insurance and Fire Control" appearing on page 88 through page 93 of the Amherst Lease is hereby stricken in its entirety and substituted therefor is a new Article XIII as follows:

"XIII. INSURANCE

Lessee carries and maintains combined public liability and property damage insurance as of January 1, 1984 in an amount equal to at least $20,000,000.00 combined single limit insurance (which is currently subject to a self-insured retention (i.e. deductible) of $1,000,000.00). The limits of such insurance shall not be altered except upon ten (10) days notice to Lessor."

36. Article XIV, entitled "Liens for Rents and Royalties" appearing on pages 93 through 95 is hereby stricken in its entirety and substituted therefor is a new Article XIV as follows:

"XIV. LIENS FOR RENTS AND ROYALTIES

All rents and royalties and other payments herein provided to be made by the Lessee to, or for the benefit of, the Lessor shall be treated and considered as rent reserved for the leased premises, and the Lessor shall have a first and prior lien therefor upon the leasehold estate hereby created, and a lien upon all improvements and property of

the Lessee thereon which lien shall continue in full force, validity, and effect until discharged by payment, irrespective of when such rents, royalties, or other payments accrued and became due to be paid, and shall in no respect be limited to such rents, royalties, or other payments as shall have accrued within one year. Whenever any such rent, royalty, or other payment shall be due to the Lessor and shall remain unpaid for fifteen (15) days after written notice of default given by Lessor to Lessee, the Lessor may institute legal proceedings in any court of competent jurisdiction for the collection of such sums by a sale of the movable property of the Lessee on the leased premises, without any requirement of delay or notice, other than legal process, irrespective of when such rent, royalty or other payment accrued and became due to be paid. This remedy of the Lessor shall in no respect be limited to the recovery of such rents, royalties, or other payments as shall have accrued within one (1) year or by reason of the fact that any property of the Lessee on the leased premises be subject to any other lien created after such property has been brought upon the leased premises. At any sale made under this Article XIV, the Lessor may become the purchaser of the property sold, free from any claim or claims of the Lessee. Nothing herein contained shall prevent Lessee from disposing of or removing from the leased premises any of its property."

37. Section 1 of Article XV, entitled "Forfeiture of Lease" appearing on page 96 through page 99 of the Amherst Lease is hereby stricken in its entirety and substituted therefor is a new Section 1 as follows:

"1. It is covenated and agreed and made a condition of this lease that prompt payment of the royalties and other sums of money to be paid by the Lessee on behalf of the Lessor in the manner provided herein is of the essence to this lease.

If any such royalties or other sums of money to be paid to or for the benefit of the Lessor by the Lessee as provided in this lease shall be due and unpaid for thirty (30) days after any such payment shall become due and written notice of default has been received by the Lessee; or

If the Lessee shall willfully conduct its mining operations in such manner as to cause waste to the leased premises of such character as not to be readily remedied by the payment of money and such methods of mining or conduct are continued for sixty (60) days after the Lessee has received written demand regarding correction thereof, or if money damages shall be agreed upon by Lessee and Lessor and are not paid by the Lessee within sixty (60) days after the reaching of such agreement; or

If the Lessee shall willfully fail to give to Lessor maps, statements, or other information as may be provided herein to be given by the Lessee to the Lessor, and shall continue in such failure for thirty (30) days after the Lessee has received a written request for the same from the Lessor; or

If the Lessee shall assign or sublet this lease or any part thereof or shall suffer the sale thereof under foreclosure or mortgage contrary to the provisions of Article XI hereof; or

If, in respect of any of the foregoing grounds and conditions other than those calling for the payment of money, full compliance within any time specified shall be impractical, compliance shall mean the prompt beginning and expeditious continuance of performance; then

In any such event, the Lessor shall have the right to terminate this lease and the interest of the Lessee hereunder, without further notice or demand or legal procedures, together with the right to re-enter the leased premises, and repossess and enjoy the Lessor's former estate, together with all improvements owned by the Lessee and located thereon, anything herein to the contrary notwithstanding except as to Lessee's liability for sums of money due and owing to or for the benefit of Lessor, any former indulgences of the Lessee by the Lessor to the contrary notwithstanding. And the Lessor at all times shall have the right of distraint as provided in Article XIV hereof and the benefit of other proper proceedings in law or in equity and all other remedies as now or hereafter provided by law for collection of rents due and unpaid and for regaining possession of the leased premises. And the Lessee hereby expressly waives any and all right to recover possession of the leased premises, or to reinstate or to redeem or to avoid a forfeiture of this lease, the rights and privileges herein granted, as permitted or provided under any provision of the law of West Virginia now in effect or hereafter enacted, or by any other law, ordinance, regulation, or court decision now or hereafter in force and effect. But nothing contained in the preceding parts of this Article XV, or elsewhere in this lease, shall be construed to abridge or waive the right of the Lessee to resort to appropriate judicial proceedings to test the right of the Lessor to forfeit this lease.

A waiver by Lessor of any particular cause of forfeiture shall not prevent forfeiture for any other cause, or for the same cause occurring at any other time, nor shall the receipt by Lessor from Lessee, or from any other person, after the occurrence of any cause of forfeiture of which notice has been given by Lessor to Lessee, of any royalties, rentals, or other payments theretofore or thereafter accruing to Lessor, or the continued recognition by Lessor

of Lessee as its tenant after the occurrence of any cause of forfeiture of which notice has been given by Lessor to Lessee, be deemed a waiver of Lessor's right to enforce the forfeiture so long as the cause of forfeiture continues to exist."

38. Article XVI, entitled "Arbitration" appearing on pages 99 through 101 of the Amherst Lease is hereby stricken in its entirety. It is the agreement and intention of the parties hereto to strike all references to the arbitration process contained in the Amherst Lease. The parties have attempted to delete all such references in this Amendment of Lease. Furthermore, there is hereby substituted for said Article XVI the following new Article XVI to be entitled "Resolution of Selected Disputes" which shall read as follows:

"If a dispute arises between the parties regarding the Lessee's mining and engineering practices, mine plans, requirement to mine any area of coal or any other issue identified in this lease which is to be resolved under this Article XVI, then the parties shall submit such dispute for resolution to an independent mining engineering consulting firm acceptable to each party which is well recognized and established in the Appalachian Coal Fields within thirty (30) days after either of them so requests. Notice given of such disputes shall state in reasonable detail the issues in dispute. The cost of employing such engineering firm shall be borne equally by Lessor and Lessee. If the parties hereto are unable to agree on such an engineering firm, either party may proceed with the matter in dispute before a court of competent jurisdiction.

Such engineering firm shall make any inspections and examinations of the leased premises it determines appropriate. The parties shall cooperate with said engineering firm in its investigation and shall supply such information and data as it may reasonably request. Said engineering firm shall, within thirty (30) days of completing its investigation, submit to the parties its written recommendations and opinions with regard to the matter in dispute. The parties shall follow such recommendations and opinions without delay, unless they should agree otherwise."

39. Article XVIII, entitled "Notices" appearing on page 104 of the Amherst Lease is hereby amended by striking said article in its entirety and substituting in lieu thereof a new Article XVIII to also be entitled "Notices", which shall read as follows:

"All requests, statements, notices and demands to Lessee under this lease shall be deemed to be sufficiently given and served if sent by certified mail, return receipt requested, to Lessee at Amherst Coal Company, Lundale, West Virginia 25631, with a copy sent by certified mail, return receipt requested, to Lessee at 1200 First Security Plaza,

Lexington, Kentucky 40507, or at such other address(es) as Lessee from time to time shall designate in a written notice to Lessor.

The delivery of any maps, plans, or projections to the Lessor, and the giving of any requests, statements, notices, and demands to Lessor under the provisions hereof, or the payment of any royalties, rents, or other sums due hereunder, shall be sufficient if made to Lessor by post-paid United States mail addressed to Lessor at Post Office Box 386, Huntington, West Virginia 25708, or such other address(es) as Lessor from time to time shall designate in a written notice to Lessee."

40. There is hereby added to the Amherst Lease an article to be known as Article XX entitled "Black Lung-Workmen's Compensation" which shall read as follows:

"XX BLACK LUNG-WORKMEN'S COMPENSATION

"Lessee agrees that it will at all times comply with the provisions of state and federal laws, rules and regulations thereunder providing black lung benefits to its existing, past or future employees and their respective dependents or members of their respective families or households or descendants or other persons who may have a claim for such benefits arising out of an employee's employment with Lessee, including, but not limited to, the terms and provisions of the Federal Coal Mine Health and Safety Act of 1969 (30 U.S. Code Section 901, et seq.), as now or hereafter from time to time amended, said Act as so amended being hereinafter referred to as "the Act,"

As between Lessor and Lessee, Lessee shall be the operator of all coal mines located on or in the Leased Premises and be considered the "responsible operator" with respect to any claim for black lung benefits ("benefits") filed by or on account of any one of its employees or former employees under the Act, provided, however, that the agreement contained in this sentence is not for the benefit of, and shall not create any rights, in, any such employees or any persons or entities not parties to this lease. Lessor acknowledges that Lessee may, from time to time, employ contract mine operators to develop this lease and mine the coal thereunder and Lessee shall require said contract miners to abide by all federal, state and local laws pertaining to the mining of coal. Lessee shall secure or shall require any other person or entity who operates, controls or supervises a coal mine or performs services or construction at any time on the Leased Premises or who otherwise may be liable for the payment of benefits to secure the payment of benefits to or on account of employees or former employees under the Act in accordance with applicable laws and regulations and shall provide Lessor upon request, with appropriate certification that Lessee and each of such other persons or entities has provided security in compliance with the Act for the payment of benefits. Lessee

shall notify Lessor immediately in writing of any change or alteration in the Lessee's status of any such security.

Lessee hereby agrees to indemnify and save harmless Lessor from any loss, claims or damage, including reasonable attorney's fees and expenses, which Lessor may suffer, directly or indirectly, as a result of failure of Lessee or others who are required to secure the payment of such benefits as required by this Article to make any payments of benefits, medical benefits and attorneys' fees under the provisions of the Act.

Lessee, upon the request of Lessor, shall furnish to Lessor, within a reasonable time, certifications establishing Lessee's compliance with the terms and provisions of the Act and the Black Lung Benefits Reform Act of 1977 ("Benefits Act"), as from time to time amended.

Lessee shall pay, when due, all lawful federal excise taxes assessed against Lessee under the provisions of the Black Lung Benefits Revenue Act of 1981, (26 U.S. Code, Section 4121), as from time to time amended.

The parties hereto acknowledge that Lessor has reserved certain rights and has imposed certain requirements with respect to the method of mining of coal under the terms of this lease solely for the purpose of assuring that all mineable and merchantable coal is recovered in a lawful and workmanlike manner. Notwithstanding such reservations and restrictions, it is agreed that, unless the conduct of Lessee, its agents or employees constitutes a breach of the terms and conditions of this lease, Lessor shall have no right to operate, control or supervise the actual extraction and preparation of coal from the leased premises by Lessee, its agents and/or employees, and Lessor shall have no right to operate, control or supervise any independent contractor of Lessee performing services or construction for Lessee upon the leased premises.

Nothing contained herein shall be construed to shift the liability for any claim for black lung benefits of Lessor's officers, agents or employees from the Lessor to the Lessee."

41. There is hereby added to the Amherst Lease an Article XXI, entitled "Recoupment of Penalties", which shall read as follows:

"XXI RECOUPMENT OF PENALTIES

Lessee paid to Lessor penalties in the amount of $422,071.00 for the years 1982 and 1983, and $269,242.00 for the years 1980 and 1981, under the provisions of Article IX which were deleted from this lease by the Amendment of Lease. It is the desire of the parties hereto to provide for the recoupment of such penalties. Accordingly, Lessee shall have the right, in any calendar year to fully recoup without interest, through calendar year 1994, such sum of $422,071.00 against tonnage royalties,

i) in an amount equal to fifty percent (50%) of the tonnage royalties due in such calendar year in excess of an amount which is equal to the minimum annual royalty due for such year, provided, however,

ii) in the calendar year 1985 only, Lessee shall not be entitled to any recoupment in respect to said sum of $422,071.00 on tonnage royalties in such year in excess of $500,000, but less than $550,001.00.

Likewise, Lessee shall have the right, in any calendar year which it mines 1,000,000 tons of coal or more from the leased premises, to fully recoup without interest, through calendar year 1994, such sum of $269,242.00 against any tonnage royalty thereafter becoming due in any such year in an amount equal to fifty percent (50%) of such tonnage royalties."

42. There is hereby added to the Amherst Lease an Article XXII, entitled "Monuments", which shall read as follows:

"XXII. MONUMENTS

In connection with its mining operations, Lessee may destroy survey markers, naturally occurring physical features showing survey lines and other monuments. Lessee agrees to place temporary markers identifying the property lines during its mining operations and upon completion of reclamation in each area to replace all such markers, physical features and monuments with permanent markers."

43. There is hereby added to the Amherst Lease an Article XXIII, entitled "Contract Miners", which shall read as follows:

"XXIII. CONTRACT MINERS
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Lessor recognizes the right of Lessee to employ contract miners in connection with its mining operations under this lease. Lessee covenants and agrees that it will ensure the operations of such contract miners to the end that such contract miners will comply with all the terms and provisions of this lease. Lessee shall ensure that any such contract miner will mine only in accordance with approved plans and projections, and not deviate therefrom without the written approval of Lessor's chief engineer. Prior to any such contract miner obtaining any environmental (including reclamation) permit relating to its operation on the leased premises, the Lessee shall discuss with Lessor's chief engineer the idea of Lessee obtaining such permits in the Lessee's name. Lessee is not obligated or required to obtain such permits in its name, and may require any such contractor to obtain such permits. If any such contractor is allowed to obtain any permit in its own name, the Lessee, in any contract between the Lessee and such contractor, will use its best efforts to have inserted in such contract a provision requiring such contractor to transfer or

relinquish such permits to Lessee, upon request, at the termination of the contract.

Lessee shall furnish Lessor with a copy of all contracts in respect to all contract miners, such contracts to be subject to a confidentiality agreement between the parties. Lessor shall have the right at all reasonable times to inspect the books and records of all contract miners in the same manner and for the same purposes that the Lessor has the right to inspect Lessee's books and records as provided in Section 2 of Article VI of this lease."

44. There is hereby added to the Amherst Lease an Article XXIV, entitled "Indemnity", which shall read as follows:

"XXIV. INDEMNITY

Lessee shall fully protect, indemnify and save harmless Lessor and its directors, officers, agents and employees, from any and all claims, demands, damages, liabilities, penalties, fines, costs and expenses (including reasonable attorney fees) arising out of or in connection with any act or omission relating to the operations or other activities of the Lessee hereunder, its agents, employees, contractors, sublessees or such sublessees' agents, employees or contractors. This indemnity shall not be extended to cover any act or omission to act required by Lessor under this lease, unless such act or omission to act is the result of the negligence of Lessee or a breach by Lessee of the provisions hereunder. This indemnity shall survive the termination of this lease."

45. A controversy has heretofore developed between Lessee and Lessor concerning the payment of tonnage royalties in prior years. The parties have and do hereby settle such controversy and Lessee will, upon the execution of this Amendment of Lease, pay to Lessor the sum of $15,000 and Lessor does hereby release any claims which it may have for unpaid royalties and rents for any year prior to the Effective Date hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused its corporate name to be affixed by an officer duly authorized, all in duplicate, on the date set out below, effective as of the day and year first above written.

ATTEST:

/s/ James H. Davis III
Secretary

DINGESS-RUM COAL COMPANY

By: /s/ Rolla D. Campbell

Title: President

Date: Dec 28, 1984

ATTEST
/s/ [SIGNATURE APPEARS HERE]
Assistant Secretary

AMHERST COAL COMPANY

By: Braxton Mullins

Title: Vice President

Date: December 18, 1984

STATE OF FLORIDA)
COUNTY of PALM BEACH)

The foregoing instrument was acknowledged before me this 28th day of December, 1984, by Rolla D. Campbell, as President of Dingess-Rum Coal Company, a West Virginia corporation, on behalf of the corporation.

/s/ [SIGNATURE APPEARS HERE]
Notary Public

My Commission Expires: [NOTARY STAMP APPEARS HERE]

STATE OF Kentucky)

COUNTY OF Fayette)

The foregoing instrument was acknowledged before me this 18th day of December, 1984, by Braxton Mullins, as Vice President of Amherst Coal Company, a West Virginia corporation, on behalf of the corporation.

/s/ [SIGNATURE APPEARS HERE]
Notary Public, State of Ky at Large

My Commission Expires: 8 June 1988

This instrument prepared by:
Richard W. Clonch
Attorney at Law
1200 First Security Plaza
Lexington, Kentucky 40507

THIS 1987 SUPPLEMENTAL LEASE AGREEMENT, made as of the 12th day of November, 1987, by and between DINGESS-RUM COAL COMPANY, a West Virginia corporation, (herein referred to as "Dingess-Rum"), Lessor, and ARCH OF WEST VIRGINIA, INC., a West Virginia Corporation, (herein referred to as "Arch").

RECITALS

Arch (formerly Amherst Coal Company) is the Lessee of certain coal reserves (hereinafter referred to as the "Arch Reserves") in Logan County, West Virginia pursuant to certain agreements with Dingess-Rum. These agreements consist of: (1) "Deed of Lease Agreement" dated June 1, 1962, (2) "Supplemental Deed of Lease and Agreement" dated January 1, 1968, (3) "Amendment" dated June 1, 1973, (4) "Amendment" dated June 1, 1974, and (5) "Amendment of Lease" dated January 1, 1984. By Amended Certificate of Authority for Name Change issued by the Secretary of State of the State of West Virginia on June 2, 1987, the name of Amherst Coal Company was changed to Arch of West Virginia, Inc.

Arch wishes to surrender to Dingess-Rum such portions of the Arch Reserves as are specified on the map attached hereto and entitled "Map showing coal in Lower Coalburg seam and all seams above within area outlined in red which is to be added to the Amended Wade Lease and deleted from the Arch Reserves" so that the same will be available for lease by Dingess-Rum to Elkay Mining Company. Arch desires to add to the Arch Reserves under the above-referenced Agreements certain coal reserves previously

held by Elkay Mining Company under a lease with Dingess-Rum, such reserves having been surrendered by Elkay Mining Company by a Supplemental Lease Agreement of even date herewith.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. The parties agree that the coal reserves described on the map entitled "Map showing coal in Lower Coalburg seam and all seams above within area outlined in red which is to be added to the Amended Wade Lease and deleted from the Arch Reserves," attached hereto and made a part of this Agreement, are hereby deleted from the Arch Reserves and that the coal reserves identified on the map entitled "Map showing coal in Upper Cedar Grove Seam outlined in red which is to be deleted from the Amended Lyburn Lease and added to the Arch Reserve," attached hereto and made a part of this Agreement, are hereby added to and included in and as a part of the Arch Reserves and said Deed of Lease Agreement dated June 1, 1962, as amended by the agreements heretofore recited, all as of the date of this Agreement to the same extent and effect as if the coal identified on the map entitled "Map showing coal in Lower Coalburg seam and all seams above within area outlined in red which is to be added to the Amended Wade Lease and deleted from the Arch Reserves," had never been included in the Arch Reserves and as if the coal identified on the map entitled "Map showing coal in Upper Cedar

Grove Seam outlined in red which is to be deleted from the Amended Lyburn Lease and added to the Arch Reserve," had at all times been included in and as a part of the Arch Reserves and said Deed of Lease Agreement dated June 1, 1962, as amended by the agreements heretofore recited.

2. The aforementioned Agreements by which the Arch Reserves are leased to Arch, as so amended by this instrument, are validly existing and shall otherwise remain in full force and effect and are hereby in all respects approved, ratified and confirmed.

3. In the negotiation and preparation of this document, the parties have been represented by qualified engineers and legal counsel.

WITNESS the signatures of the parties hereto by their respective corporate officers or representatives thereto duly authorized, as of the day and year first above written in triplicate originals.

DINGESS-RUM COAL COMPANY

By: /s/ James H. Davis III

Its: President

ARCH OF WEST VIRGINIA, INC.

By: /s/ Robert W. Shanks

Its: President

STATE OF WEST VIRGINIA,

COUNTY OF Kanawha, to-wit:

The foregoing instrument was acknowledged before me this 30th day of November, 1987, by James H. Davis, III, the President of Dingess-Rum Coal Company, corporation, on behalf of the corporation

[NOTARY SEAL]

My commission expires 5-7-96.

/s/ Terri L. Colebank

Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF Kanawha, to-wit:

The foregoing instrument was acknowledged before me this 12th day of November, 1987, by Robert W. Shanks, the President of Arch of West Virginia, Inc., a corporation, on behalf of the corporation

My commission expires July 8, 1992.

/s/ Cynthia R. Midkiff

Notary Public

This document was prepared by Robert D. Fluharty, Robinson & McElwee, Post Office Box 1791, Charleston, West Virginia 25326.

[MAP APPEARS HERE]

Map showing coal in Lower Coalburg Seam and all seams above within area outlined in red which is to be added to the Amended Wade Lease and deleted from the Arch Reserves

[MAP APPEARS HERE]

Map showing coal in Upper Cedar Grove Seam outlined in red which is to be deleted from the Amended Lyburn Lease and added to the Arch Reserves

THIS PARTIAL RELEASE AND SURRENDER OF LEASE, executed in duplicate originals and effective this 6th day of May, 1988, by and between ARCH OF WEST VIRGINIA, INC., a West Virginia corporation, (herein referred to as "Arch"), as Lessee, and DINGESS-RUM COAL COMPANY, a West Virginia corporation, (herein referred to as "Dingess-Rum"), as Lessor:

RECITALS

Arch (formerly Amherst Coal Company) is the Lessee of certain coal reserves (herein referred to as the "Arch Reserves") in Logan County, West Virginia, pursuant to certain agreements with Dingess-Rum. The agreements consist of: (1) "Deed of Lease Agreement" dated June 1, 1962, (2) "supplemental Deed of Lease and Agreement" dated January 1, 1968, (3) "Amendment" dated June 1, 1973, (4) "Amendment" dated June 1, 1974, and (5) "Amendment of Lease" dated January 1, 1964 (all of which are collectively referred to as the "Dingess-Rum Lease Agreements"). By Amended Certificate of Authority for Name Change issued by the Secretary of State of the State of West Virginia on June 2, 1987, the name of Amherst Coal Company was changed to Arch of West Virginia, Inc.

Arch wishes to surrender to Dinqess-Rum only such portion of the Arch Reserve as is identified on the map attached hereto and entitled "Map Showing Coal In Chilton Seam Which Is To Be Deleted From The Arch Reserves" so that the same will be available for leasing to other parties by Dinqess-Rum.

Dingess-Rum wishes to accept Arch's surrender of its Chilton seam coal reserves in the area identified on the map attached hereto.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows :

1. The parties agree that the Chilton Seam of coal identified on the map entitled "Map Showing Coal In Chilton Seam Which Is To Be Deleted From The Arch Reserves," attached hereto and made a part of this Agreement, is hereby deleted from the Arch Reserves effective as of the date hereof.

2. Dingess-Rum hereby releases Arch from any and all continuing obligations, covenants, conditions and liabilities arising by reason of the Dingess-Rum Lease Agreements, insofar only as the same pertain to the area of the Chilton seam identified on the map attached hereto.

3. Dingess-Rum Lease Agreements, as so amended by this instrument, are validly existing and shall otherwise remain in full force and effect and are hereby in all respects approved, ratified and confirmed.

4. All rights and privileges of Arch derived from the Dingess-Rum Lease Agreements as so amended by this instrument, are and shall remain dominant and superior to the right of Dingess-Rum or any assignee, lessee or successor in interest to Dingess-Rum, to mine or remove coal in the Chilton seam in the

area identified on the map attached hereto. Arch reserves the right to concurrently use the surface and roads on the surrendered area in connection with the operations of Arch elsewhere on the Arch Reserves. Arch agrees to exercise its rights in the Arch Reserves and its concurrent rights in the surrendered area so as not to unreasonably interfere with any existing or future operation of Dingess-Rum or its assigns, lessees or successors in interest in the Chilton seam in the area identified on the map attached hereto. Dingess-Rum hereby agree that, in the event it should sublease all or any part of the Chilton seam identified on the map attached hereto to any third party, such lease or other instrument conveying such rights to such third party (and any recording memorandum of such lease or instrument) shall be expressly subject and servient to all rights and privileges of Arch derived form the Dingess-Rum Lease Agreements, as amended by this instrument or any subsequent instrument or agreement.

5. Any recovery of coal from the Chilton seam in the surrendered area by Dingess-Rum or its assigns, lessees or successors shall be done in such manner and sequence as to maintain support (if necessary, in the sole opinion of the Dingess-Rum chief engineer) and to allow the greatest possible recovery of coal from the Arch Reserves adjacent to and overlying the Chilton seam area hereby surrendered.

6. As consideration for Arch's surrender of the Chilton seam of coal in the area identified on the map attached hereto, Dingess-Rum agrees to pay to Arch an overriding royalty of two

percent (2%) of the gross sales price for each ton (2,000 lbs.) of coal mined from the Chilton seam in the area so surrendered by any third party leasing said area from Dingess-Rum within one year from the date hereof. The overriding royalty to be paid to Arch by Dingess-Rum shall be calculated in the same manner as the royalty to be paid to Dingess-Rum by said third party lessee.

7. In the negotiation and preparation of this document, the parties have been represented by qualified engineers and legal counsel.

WITNESS the signatures of the parties hereto by their respective corporate officers of representatives thereto duly authorized, as of the day and year first above written.

ARCH OF WEST VIRGINIA, INC.

By: /s/ Robert W. Shanks

Its President

DINGESS-RUM COAL COMPANY

By: /s/ James H. Davis III

Its President

STATE OF WEST VIRGINIA,

COUNTY OF Logan, to-wit:

The foregoing instrument was acknowledged before me this 26 day of May, 1988, by Robert W. Shanks, the authorized President of ARCH OF WEST VIRGINIA, INC., on behalf of the corporation.

My commission expires January 5, 1994.

/s/ Charlene Necessary

Notary Public

[SEAL]

STATE OF WEST VIRGINIA,

COUNTY OF Cabell, to-wit:

The foregoing instrument was acknowledged before me this 27 day of May, 1988, by James H. Davis, III, the Authorized President OF DINGESS-RUM COAL COMPANY, on behalf of the corporation.

My commission expires April 26,1992.

/s/ Dave Cox

Notary Public

[SEAL]

THIS CORRECTIVE PARTIAL RELEASE AND SURRENDER OF LEASE, effective this 6th day of May, 1988, by and between ARCH OF WEST VIRGINIA, INC., a West Virginia corporation, (herein referred to as "Arch"), as Lessee, and DINGESS-RUM COAL COMPANY, a West Virginia corporation, (herein referred to as "Dingess-Rum"), as Lessor:

RECITALS

Arch (formerly Amherst Coal Company) is the Lessee of certain coal reserves (herein referred to as the "Arch Reserves") in Logan County, West Virginia, pursuant to certain agreements with Dingess-Rum. The agreements consist of: (1) "Deed of Lease and Agreement" dated June 1, 1962, of record in Logan County Deed Book 287, at page 404, (2) "Supplemental Deed of Lease and Agreement" dated January 1 1968, of record in Logan County Deed Book 319, at page 233, (3) "Supplemental Deed of Lease and Agreement" dated June 1, 1973, of record in Logan County Deed Book 414, at page 561, (4) "Supplemental Deed of Lease and Agreement" dated July 1, 1974, of record in Logan County Deed Book 365, at page 569, and (5) the non-recorded "Amendment of Lease" dated January 1, 1984 (all of which are collectively referred to as the "Dingess-Rum Lease Agreements") . By Amended Certificate of Authority for Name Change issued by the Secretary of State of the State of West Virginia on June 2, 1987, the name of Amherst Coal Company was changed to Arch of West Virginia, Inc.

Arch wishes to surrender to Dingess-Rum only such portion of the Arch Reserve as is identified on the map attached

hereto and entitled "Map Showing Coal In Chilton Seam Which Is To Be Deleted From The Arch Reserves" so that the same will be available for leasing to other parties by Dingess-Rum.

Dingess-Rum desires to accept Arch's surrender of its Chilton seam coal reserves in the area identified on the map attached hereto.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. The parties agree that the Chilton Seam of coal identified on the map entitled "Map Showing Coal In Chilton Seam Which Is To Be Deleted From The Arch Reserves," attached hereto and made a part of this Agreement, is hereby deleted from the Arch Reserves as of the effective date hereof.

2. Dingess-Rum hereby releases Arch from any and all continuing obligations, covenants, conditions or liabilities arising by reason of the Dingess-Rum Lease Agreements, insofar only as the same pertain to the area of the Chilton seam identified on the map attached hereto.

3. Dingess-Rum Lease Agreements, as so amended by this instrument, are validly existing and shall otherwise remain in full force and effect and are hereby in all respects approved, ratified and confirmed.

4. All rights and privileges of Arch derived from the Dingess-Rum Lease Agreements as so amended by this instrument,

are and shall remain dominant and superior to the right of Dingess-Rum or any assignee, lessee or successor in interest to Dingess-Rum, to mine or remove coal in the Chilton seam in the area identified on the map attached hereto. Arch reserves the right to concurrently use the surface and roads on the surrendered area in connection with the operations of Arch elsewhere on the Arch Reserves. Arch agrees to exercise its rights in the Arch Reserves and its concurrent rights in the surrendered area so as not to unreasonably interfere with any existing or future operations of Dingess-Rum or its assigns, lessees or successors in interest in the Chilton seam in the area identified on the map attached hereto. Dingess-Rum hereby agrees that, in the event it should sublease all or any part of the Chilton seam identified on the map attached hereto to any third party, such lease or other instrument conveying such rights to such third party (and any recording memorandum of such lease or instrument) shall be expressly subject and servient to all rights and privileges of Arch derived from the Dingess-Rum Lease Agreements, as amended by this instrument or any subsequent instrument or agreement.

5. Any recovery of coal from the Chilton seam in the surrendered area by Dingess-Rum or its assigns, lessees or successors shall be done in such manner and sequence as to maintain support (if necessary, in the sole opinion of the Dingess-Rum chief engineer) and to allow the greatest possible recovery of coal from the Arch Reserves adjacent to and overlying the Chilton seam area hereby surrendered.

6. As consideration for Arch's surrender of the Chilton seam of coal in the area identified on the map attached hereto, Dingess-Rum agrees to pay to Arch an overriding royalty of two percent (2%) of the gross sales price for each ton (2,000 lbs.) of coal mined from the Chilton seam in the area so surrendered by any third party leasing said area from Dingess-Rum within one year from the date hereof. The overriding royalty to be paid to Arch by Dingess-Rum shall be calculated in the same manner as the royalty to be paid to Dingess-Rum by said third party lessee.

7. In the negotiation and preparation of this document, the parties have been represented by qualified engineers and legal counsel.

WITNESS the signatures of the parties hereto by their respective corporate officers or representatives thereto duly authorized.

ARCH OF WEST VIRGINIA, INC.

By: /s/ Ben H. Daud

Its President

DINGESS-RUM COAL COMPANY

By: /s/ James H. Davis III

Its President

STATE OF WEST VIRGINIA,

COUNTY OF Logan, to-wit:

The foregoing instrument was acknowledged before me this 18th day of October, 1988, by Ben H. Daud, the authorized President of ARCH OF WEST VIRGINIA, INC., on behalf of the corporation.

My commission expires Jan 5, 1993.

[OFFICIAL SEAL APPEARS HERE] /s/ Ruth Browning

Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF Kanawha, to-wit:

The foregoing instrument was acknowledged before me this 25th day of October, 1988, by James H. Davis, III, the authorized President of DINGESS-RUM COAL COMPANY, on behalf of the corporation.

My commission expires 5-7-96

[OFFICIAL SEAL APPEARS HERE] /s/ Terri L. Colebank

Notary Public

ASSIGNMENT OF LEASE

THIS ASSIGNMENT is made and entered into this 15th day of March, 1990 and is effective the 16th day of March, 1990, by and between ARCH OF WEST VIRGINIA, INC. ("AOWV"), a West Virginia Corporation, with its address being P.O. Box 149, Lundale, West Virginia 25631, and PINE CREEK LAND COMPANY ("Pine Creek"), a Delaware Corporation, with its principal place of business being CityPlace One, St. Louis, Missouri 63141.

WHEREAS, by Deed of Lease and Agreement dated June 1, 1962, as amended ("Coal Lease"), Dingess-Rum Coal Company, as Lessor, leased to Amherst Coal Company, predecessor in interest to AOWV, the coal and certain mining rights pertaining to a certain tract of land located in Logan County, West Virginia (the "Leased Property); and

WHEREAS, AOWV is willing to assign to Pine Creek the right to mine the Lower Five Block (Clarion) seam of coal and all seams lying above said seam underlying a small portion of the Leased Property contained in the Coal Lease, which portion to be assigned is depicted on the map attached hereto as Exhibit A.

NON THEREFORE, for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, AOWV does hereby assign, transfer and set over unto Pine Creek all of its right, title, interest and obligations, except as otherwise stated herein, in, to and under the above-referenced Coal Lease, as to the right to mine the Lower Five Block (Clarion) seam of coal and all seams lying above said seam underlying that tract of land depicted on Exhibit A hereto. Pine Creek hereby accepts this assignment, agrees to be bound by all of the terms and conditions of the Coal Lease, and any amendments thereto and, except as to payment of minimum royalties, assumes and undertakes to perform all obligations of AOWV under said Coal Lease which arise on or after the effective date of this assignment.

This assignment is subject to and contingent upon the consent of the lessors under the Coal Lease. In the event such consent is not obtained, this assignment shall have no binding effect on either party hereto.

IN WITNESS WHEREOF the parties hereto have executed this assignment as of the day and year first above written.

ATTEST: ARCH OF WEST VIRGINIA, INC.

/s/ W. H. Rose — By: /s/John E. Walton

W. H. Rose, Assistant Secretary — John E. Walton, Vice President

ATTEST: PINE CREEK LAND COMPANY

/s/Roger L. Nicholson — By:/s/Steven E. McCurdy

Roger L. Nicholson, Secretary — Steven E. McCurdy, President

STATE OF MISSOURI)
) SS.
COUNTY OF ST. LOUIS)

I, the undersigned, a Notary Public, in and for said State and County aforesaid, do hereby certify that John E. Walton and W. H. Rose, personally known to me to be the same persons whose names are, respectively, as Vice President and* Secretary of Arch of West Virginia, Inc., a West Virginia corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth. *Assistant

Given under my hand and notarial seal this 15th day of March, 1990.

CLARA SUE COLE
NOTARY PUBLIC STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXP. JAN 28, 1994

/s/ Clara Sue Cole
NOTARY PUBLIC

My Commission Expires: Jan. 28, 1994

STATE OF MISSOURI)
) SS.
COUNTY OF ST. LOUIS)

I, the undersigned, a Notary Public, in and for said State and County aforesaid, do hereby certify that Steven E. McCurdy and Roger L. Nicholson, personally known to me to be the same persons whose names are, respectively, as President and Secretary of Pine Creek Land Company, a Delaware corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 15th day of March, 1990.

CLARA SUE COLE
NOTARY PUBLIC STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXP. JAN. 28, 1994

/s/Clara Sue Cole

NOTARY PUBLIC

My Commission Expires: Jan. 28, 1994

THIS DOCUMENT PREPARED BY:

/s/Roger L. Nicholson
- ---
Roger L. Nicholson, Counsel
Pine Creek Land Company
CityPlace One
St. Louis, Missouri 63141
(314) 994-2700

id:LND/702

CONSENT

THIS CONSENT AGREEMENT, dated this 27th day of March, 1990, between ARCH OF WEST VIRGINIA, INC. ("AOWV"), a West Virginia corporation; PINE CREEK LAND COMPANY ("Pine Creek"), a Delaware corporation; and DINGESS-RUM COAL COMPANY ("Dingess-Rum"), a West Virginia corporation.

WHEREAS, by Deed of Lease and Agreement dated June 1, 1962, as amended (the "Coal Lease"), by and between Dingess-Rum, as Lessor, and Amherst Coal Company, predecessor in interest to AOWV, as Lessee, Dingess-Rum has leased to AOWV the right to mine on certain real property located in Logan County, West Virginia (the "Leased Property"); and,

WHEREAS, the Coal Lease requires that Lessor's consent is required prior to assigning or subleasing the Coal Lease or Leased Property; and,

WHEREAS, AOWV desires to assign its rights to mine the Lower Five Block (Clarion) seam of coal and all seams lying above said seam underlying a small portion of the Leased Property contained in such Coal Lease to Pine Creek, which portion of the Leased Property to be assigned is shown on the map attached as Exhibit A hereto; and,

WHEREAS, upon assignment, Pine Creek desires to sublease its rights to mine the Lower Five Block (Clarion) seam of coal and all seams above said seam underlying the assigned portion of the Leased Property to M & D Mining, Inc. ("M & D").

NOW, THEREFORE, for and in consideration of the agreements contained herein:

1. Subject to the conditions hereinafter stated Dingess-Rum consents to the assignment of the Coal Lease, insofar as it assigns the right to mine the Lower Five Block (Clarion) seam of coal and all seams lying above said seam underlying the portion of the Leased Property shown on the map attached hereto as Exhibit A, to Pine Creek, and Dingess-Rum further consents to the sublease from Pine Creek to M & D.

2. The consent of Dingess-Rum as set forth in Paragraph 1 hereof is specifically conditioned upon:

(a) AOWV, notwithstanding such assignment, shall not be released of its obligation to perform all of the terms and conditions of the Coal Lease, including that portion assigned to Pine Creek as hereinabove described; and,

(b) The granting of such consent shall not relieve AOWV and Pine Creek from their obligation to obtain the consent of Dingess-Rum to any further or other assignments or subletting.

3. Pine Creek covenants and agrees with Dingess-Rum and AOWV that it will perform all of the obligations required of the Lessee in the Coal Lease with respect to the assigned property, except that AOWV will continue to pay in full all minimum royalties required under the Coal Lease.

IN WITNESS WHEREOF, the corporate parties hereto have caused their corporate names to be hereunto signed by their proper officers thereunto duly authorized, this day and date first above written.

ARCH OF WEST VIRGINIA, INC.

By: /s/ J. E. Walton

Its: Vice President

PINE CREEK LAND COMPANY

By: /s/ Steve E. McCurdy

Its: President

DINGESS-RUM COAL COMPANY

By: /s/ James H. Davis III

Its: President

ASSIGNMENT OF LEASES AND INTERESTS IN REAL PROPERTY

THIS ASSIGNMENT is made and entered into this 5th day of October, 1990 and is effective the 1st day of July, 1990 by and between ARCH OF WEST VIRGINIA, INC., a West Virginia corporation ("Assignor"), and PINE CREEK LAND COMPANY, a Delaware corporation ("Assignee").

W I T N E S S E T H :

For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor does hereby assign, transfer and set over unto Assignee all of Assignor's right, title, interest and obligations in, to and under the Leases (as hereinafter defined) described on Exhibit A attached hereto and made a part hereof. Assignor does hereby further assign, transfer and set over unto Assignee all of Assignor's right, title, interest and obligations in, to and under any and all easements, licenses and other contractual interests affecting or relating to real property located In Logan and Wyoming Counties, West Virginia. Assignee hereby accepts this assignment, agrees to be bound by all of the terms and conditions of the Leases, easement agreements, licenses and other contractual agreements and assumes and undertakes to perform all obligations of Assignor under said Leases and other contractual agreements which arise on or after the effective date of this Assignment.

In the event said leasehold and other contractual interests held by Assignor are not assignable without the consent of third parties, such interests are excepted from this Assignment; provided, however, each such interest shall be included and become a part of this Assignment effective the date when such consent is obtained.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the day and year first above written.

ATTEST

/s/Blair M. Gardner
Blair M. Gardner, Assistant Secretary

ARCH OF WEST VIRGINIA, INC.

By:/s/J. E. Walton
J. E. Walton, Vice President

ATTEST

/s/Roger L. Nicholson
Roger L. Nicholson, Secretary

PINE CREEK LAND COMPANY

By:/s/Steven E. McCurdy
Steven E. McCurdy, President

STATE OF MISSOURI)
) SS.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me on this the 5th day of October, 1990 by J.E. Walton, as Vice President of Arch of West Virginia, Inc., a West Virginia corporation, on behalf of the corporation.

/s/Ruth A. Olney
Notary Public

Ruth A. Olney
NOTARY PUBLIC STATE OF Missouri
ST. LOUIS COUNTY
MY COMMISSION EXP. FEB 15, 1993

My Commission Expires: 2/15/93

STATE OF MISSOURI)
) SS.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me on this the 5th day of October, 1990 by Steven E. McCurdy as President of Pine Creek Land Company, a Delaware corporation, on behalf of the corporation.

/s/Ruth A. Olney

Notary Public
RUTH A. OLNEY
NOTARY PUBLIC STATE OF MISSOURI
ST. LOUIS COUNTY

My Commission Expires: 2/15/93

MY COMMISSION EXPIRES FEB. 15, 1993

THIS INSTRUMENT PREPARED BY:

/s/Roger L. Nicholson

Roger L. Nicholson, Counsel
Pine Creek Land Company
CityPlace One
St. Louis, Missouri 63141
(314) 994-2700

JNQ/420

EXHIBIT A

1. Deed of Lease dated January 1, 1931, as amended, between Lawson Heirs, Inc. and Arch of West Virginia, Inc. (successor in interest to Logan County Coal Corporation).

2. Deed of Lease and Agreement dated June 1, 1962, as amended, between Arch of West Virginia, Inc. and Dingess-Rum coal Company.

3. Sublease Agreement effective November 12, 1987 between Elkay Mining Company, Dingess-Rum Coal Company and Arch of West Virginia, Inc.

4. Deed of Lease dated August 20, 1948 between S.E. McDonald, et al. (Millard McDonald Estate) and Arch of West Virginia, Inc.

5. Lease dated June 1, 1983 between the Bruce McDonald Holding Company, et al. and Arch of West Virginia, Inc.

6. Lease dated March 1, 1978 between Virgie Cook Brown Blankenship, et al. (Ed Cook Heirs) and Arch of West Virginia, Inc.

7. Articles of Agreement dated May 1, 1914, as amended, between Pardee Land Company, a Limited Partnership, and Arch of West Virginia, Inc.

8. Lease dated January 1, 1979 between Ann Wittenberg Cooke, et al. (Wittenberg Heirs) and Arch of West Virginia, Inc.

9. Lease effective January 1, 1984 between Kelly-Hatfield Land Company and Arch of West Virginia, Inc.

STATE OF WEST VIRGINIA, COUNTY OF LOGAN, TO-WIT:
IN THE OFFICE OF THE CLERK OF THE COUNTY COMMISSION:
The foregoing paper was this the 19 day of October 1990
at 4:01 P.M presented to me in my office, and thereupon,
together with a certificate thereunto annexed is admitted to
record. Recording fee $4.00 PD. Teste: GLEN D. ADKINS,
County Clerk

BY /s/ Vickie Dingess Deputy

Book 9, page 321

OFFICE OF THE CLERK OF THE COUNTY COMMISSION Clerk
WYOMING COUNTY, W. VA. JANUARY 24, 1991 SS-
p.m. 1:00 /s/ D. Michael Forde

The foregoing writing, together with the certificate
of acknowledgment thereof thereto annexed, was this
day admitted to record.
By /s/ Brenda Deon Deputy

THIS AMENDMENT OF PARTIAL RELEASE AND SURRENDER OF LEASE is made and entered into on this 7th day of January, 1993, by and between DINGESS-RUM COAL COMPANY, a West Virginia corporation, whose address is P.O. Box 386, Huntington, West Virginia, 25708, hereinafter called "Lessor", and ARK LAND COMPANY, a Delaware corporation, whose address is P.O. Box 4187, Fairview Heights, Illinois 62208, hereinafter called "ARK";

WITNESSETH:

WHEREAS, by an instrument entitled "Partial Release and Surrender of Lease" dated the 6th day of May, 1988, by and between the parties hereto or their predecessors in interest, Ark surrendered to Lessor from a certain Lease dated June 1, 1962, and amended and supplemented as therein described, which by means assignments had been assigned to Ark, a certain portion of the Chilton seam of coal more specifically therein described and reference is being made hereby to such description (hereinafter "Surrendered Area"); and,

WHEREAS, in Paragraph 6 of said instrument of May 6, 1988, Ark retained an overriding royalty of 2% of the gross sales price for all of such coal mined from the Surrendered Area; and,

WHEREAS, the Surrendered Area has been returned to Ark by an assignment to Ark from Rum Creek Coal Sales, Inc. ("Rum Creek"), of a coal lease dated the 6th day of May, 1988 between Lessor and Rum Creek covering such Surrendered Area; and

WHEREAS, it is appropriate to eliminate said 2% overriding royalty by reason of the reacquisition of such Surrendered Area by Ark.

NOW, THEREFORE, WITNESSETH that, for and in consideration of the premises, which are not mere recitations but which form an integral part of this document and also in consideration of the mutual terms, covenants and agreements hereinafter set forth to be kept and performed by Ark under the terms of the Lease, the parties hereto do hereby cancel and terminate the provisions of Article 6, of said Partial Release and Surrender of Lease.

Except as herein amended, the parties hereto do hereby ratify and confirm said Partial Release and Surrender of Lease.

IN WITNESS WHEREOF, the corporate parties hereto have caused their corporate names to be hereunto signed and their corporate seals to be hereunto affixed by their proper officers thereunto duly authorized as of the day and year first above written.

DINGESS-RUM COAL COMPANY

By: /s/ James H. Davis III

Title: President

ARK LAND COMPANY

By: /s/ Steven E. McCurdy

Title: President

STATE OF WEST VIRGINIA,

COUNTY OF Kanawha, TO WIT:

The foregoing instrument was acknowledged before me this 7th day of January, 1993, by James H. Davis, III, of DINGESS-

RUM COAL COMPANY, a West Virginia corporation, on behalf of said corporation.

My Commission expires January 15, 2002.

[Notarial Seal] /s/ Nancy J. Miller

Notary Public

STATE OF West Virginia,

COUNTY OF Kanawha, TO WIT:

The foregoing instrument was acknowledged before me this 7th day of January, 1993, by Steven E. McCurdy, of ARK LAND COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires January 15, 2002.

[Notarial Seal] /s/ Nancy J. Miller

Notary Public

This instrument prepared by:

C. F. Bagley, Esquire
Campbell, Woods, Bagley, Emerson, McNeer & Herndon
Suite 1400, Coal Exchange Building
P.O. Box 1835
Huntington, West Virginia 25719

ARK
LAND
COMPANY

(Mailing Address)
P.O. Box 4187
Fairview Heights, Illinois 62208
(618) 236-9033
(618) 236-9086 (Fax)

February 24, 1993

Dingess-Rum Coal Company
P.O. Box 189
McConnell, WV 25633

Attn: Gregory F. Wooten, Vice President

Re: Deed of Lease and Agreement dated June 1, 1962, as amended (the "Lease"), between Dingess-Rum Coal Company ("Dingess-Rum") and Ark Land Company ("Ark"), successor to Amherst Coal Company

Gentlemen:

Dingess-Rum and Ark agree that Ark's sublessee, Arch of West Virginia ("AOWV"), under the above Lease, has mined and removed a portion of the mineable and merchantable coal by conventional mining methods from the Central Ridge Mine located on the leased premises. The parties believe that additional coal may potentially be recovered by pillar extraction methods from the Central Ridge Mine utilizing an Alpine Breaker Line Support System ("ABLS"). To enhance the economic feasibility of such mining, Dingess-Rum and Ark agree to amend the Lease as provided herein:

1. During the term of the Lease, and in the event that AOWV procures one or more ABLS systems for pillar extraction, Ark agrees to pay and Dingess-Rum shall accept as tonnage royalty only in respect to the pillaring in the Central Ridge Mine an amount equal to Seventy-Five cents ($.75) for each and every ton of coal mined by pillar extraction methods; such payments shall be due as provided in the Lease. In the event AOWV mines less than 100,000 pillared tons of coal from the Central Ridge Mine by such mining methods, then Ark shall pay in accordance with paragraph 2 an additional royalty of Twenty-Five cents ($.25) to Dingess-Rum for each and every ton of coal so mined ("Additional Royalty").

2. Ark shall make a determination, in its sole discretion, when it has extracted all such coal extractable from the Central Ridge Mine utilizing the ABLS system and, in the event that it

has extracted less than 100,000 pillared tons, it shall pay the Additional Royalty due under paragraph 1 within thirty (30) days of making such determination.

3. Nothing in this letter agreement shall require Ark to mine the pillars in the Central Ridge Mine or to pay for coal left in place in such pillars at the Central Ridge Mine.

4. Except as provided herein, this letter agreement shall be governed by the terms of the Lease, and all terms of the Lease, as amended, shall remain in effect.

Please indicate your acceptance to the terms of this letter agreement by signing this letter in duplicate where indicated below. Please return one fully executed original to me at the above address.

Very truly yours,

/s/ Michael D. Bauersachs
Michael D. Bauersachs
Vice President

AGREED TO AND ACCEPTED THIS 25th DAY
OF February, 1993

DINGESS-RUM COAL COMPANY

By: /s/ Gregory F. Wooten

Title: VICE PRESIDENT

[logo]

DINGESS-RUM PROPERTIES, INC.
POST OFFICE Box 189

McCONNELL, WV 25646-0189
TELEPHONE (304) 752-1484
FAX (304) 752-4349 GREGORY F. WOOTEN

VICE PRESIDENT AND CHIEF ENGINEER

September 16, 1996

Mr. Steven E. McCurdy, President
Ark Land Company
Cityplace One
St. Louis, Missouri 63141-7056

RE: COAL SALES AGREEMENTS: CARDINAL OPERATING COMPANY, DECEMBER 21, 1992, AND CINCINNATI GAS AND ELECTRIC, DATED JANUARY 1, 1995

Dear Steve:

Reference is made to that certain Lease dated June 1, 1962, by and between Dingess-Rum Coal Company, now Dingess-Rum Properties, Inc., ("Dingess-Rum") and Amherst Coal Company, predecessor to Ark Land Company ("Ark"), as amended, (the "Lease") by which Dingess-Rum leased certain coal properties located in Logan County, West Virginia to Ark. Ark currently subleases such property to its affiliate, Apogee Coal Company, dba Arch of West Virginia ("Arch"). Ark's parent, Arch Mineral Company, and its wholly-owned subsidiary, Arch Coal Sales, entered into a coal sales agreement (the "Cardinal Agreement") with Cardinal Operating Company, on December 21, 1992, and a coal sales agreement (the "CG&E Agreement") with Cincinnati Gas and Electric, dated January 1, 1995.

We have recently had discussions concerning the sourcing of the coal to be sold under the Cardinal Agreement and the CG&E Agreement from property demised by the Lease. In order to induce Ark, and its associated companies, to source the Cardinal Agreement and the CG&E Agreement from such property, Dingess-Rum is willing to make the following concessions for the period beginning October 1, 1996 through December 31, 1997:

1. Notwithstanding the provisions of Section 10, Article V of the Lease, as amended by the Amendment of Lease dated January 1, 1984, in computing the "average selling price" as determined

monthly for the purpose of payment of the tonnage royalty, the realization received for coal sold under the Cardinal Agreement and the CG&E Agreement will not be considered, but such average selling price will be determined using all other coal sold from the property contained in the Lease' during each such month. Attached is a spreadsheet illustrating such computation.

2. The savings to Ark in royalty payments under the computation set forth in (1) above, shall be determined monthly and Ark shall pay, at the same time as the monthly royalty payments are made, to D-R an additional royalty equal to one-half of such savings.

3. It is specifically understood that in no event shall the royalty be less than the $1.25 per ton minimum tonnage royalty provided for in the Lease.

4. The terms and conditions of this letter agreement shall supercede the terms and conditions contained in that certain letter agreement dated August 16,1996, related to the Cardinal Operating Company (the "Cardinal Agreement").

5. It is specifically understood that in the event the combined tonnage from the Cardinal Agreement and the CG&E Agreement that is sourced from the demised premises is less than 450,000 tons, for the period beginning October 1, 1996 and ending December 31, 1997, then the terms and conditions contained in this agreement shall not apply and Ark will immediately pay the applicable tonnage royalty due had this agreement not been in place.

If the above correctly sets forth our mutual understanding and agreement, please sign this letter on behalf of Ark and have it signed on behalf of Arch Mineral Company.

Yours very truly,

/s/ Gregory F. Wooten

Gregory F. Wooten
Vice President and Chief Engineer

GFW:mms

Agreed and Accepted:

Ark Land Company

By: /s/ Steven E. McCurdy

Its: PRESIDENT

Arch Mineral Company

By: /s/ David B. Peugh

Its: VICE PRESIDENT

ARK LAND COMPANY
Dingess-Rum Royalty Reduction
June, 1996

	Normal Calculation	Excl. C,G&E & Cardinal	C,G&E & Cardinal	Total	Change	1/2 Change
Gross Realization	$ 6,513,656.34	$ 3,674,733.87	$ 2,838,922.47	$ 6,513,656.34		
Tons Sold	237,160.29	157,073.94	80,086.35	237,160.29		
Average Selling Price	$ 27.4652	$ 23.3949				
Less: Percentage Reduction	$ (1.3079)	$ (1.1140)				
Royalty ASP	$ 26.1573	$ 22.2809				
Royalty/Ton @ 5.0% *	$ 1.3079	$ 1.2500			$ 0.0579	$ 0.0290
Tons Sold						237,160.29
AEP CARDINAL / CG&E REDUCTION						$ 6,865.79

* $1.25 minimum royalty applies.

Cumulative Information

	Cardinal & C,G&E Tons	Reduction $	
1996			
October			
November			
December			
	-	-	
Subtotal			
1997			
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
	-	-	
Subtotal			
Totals	-	-	Minimum tons of 450,000 guaranteed

ARK
LAND
COMPANY

CityPlace One
ST. LOUIS, MISSOURI 63141-7058
(314) 994-2700

STEVEN E. McCURDY
PRESIDENT

December 4, 1996

Mr. Gregory F. Wooten
DINGESS-RUM COAL COMPANY
P.O Box 189
McConnell, West Virginia 25633

RE: LETTER AGREEMENT DATED DECEMBER 14, 1992, AS AMENDED, BY AND BETWEEN PINE CREEK LAND COMPANY, PREDECESSOR TO ARK LAND COMPANY ("ARK") AND DINGESS-RUM COAL COMPANY ("DINGESS-RUM") (AMA-334)

Dear Greg:

This letter is to request an extension of the term of the minimum royalty reduction for "rash" coal as set forth in the above-referred letter agreement. Ark hereby requests an extension of the royalty concession for an additional one (1) year term from December 14, 1996 through and including December 13, 1997.

If you agree with the terms of the foregoing, please signify your agreement by executing this letter agreement in duplicate and returning one fully executed original to me.

Very truly yours,

/s/ Steven E. McCurdy
Steven E. McCurdy

SEM/sp

cc: James H. Davis, II

AGREED AND ACKNOWLEDGED THIS 18TH DAY OF DECEMBER, 1996.

DINGESS-RUM COAL COMPANY

BY: /s/ Gregory F. Wooten

ITS: VICE PRESIDENT

Exhibit 10.9

AGREEMENT OF LEASE

AGREEMENT OF LEASE made this 8th day of February, 1983, by and between SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership ("Lessor"), and LAWSON W. HAMILTON, JR., ("Lessee").

WHEREAS, Lessor owns all of the coal underlying and in the property described in Schedule A and proposes to lease same or that portion of same as hereinafter described:

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

1. For and in consideration of the rents and royalties reserved and to be paid to Lessor by Lessee, and on the terms, conditions, covenants and agreements set forth herein, Lessor does hereby demise and lease to Lessee for the purposes hereinafter set forth the land and property mentioned and generally described in Schedule A attached hereto (including the map attached as a part of Schedule A). The land generally described in Schedule A is referred to as "Leased Premises" and the coal therein as "Leased Coal".

SURFACE RIGHTS

2. With respect to that portion of the Leased Premises where Lessor owns the surface and the minerals (other than oil and gas), Lessor grants to Lessee, for the purpose of mining, removing, gathering, storing, preparing for market, transporting and shipping coal from the Leased premises and any other lands whatsoever, such mining rights, auxiliary privileges and easements as may be necessary and convenient to the Lessee. Said grant of easements shall be non-exclusive and shared with Lessor's

other Lessees whether existing or created hereafter.

Without limiting the generality of this grant of rights incidental and auxiliary to mining said coal, it is understood that the grant herein of said coal is made together with the right to mine only the deep mining and punch mining methods, and, where Lessor has the necessary surface rights, by strip mining, all the coal without liability for depriving the surface or any strata of the Leased Premises of lateral or subjacent support; the right to haul through, over and under the Leased Premises coal produced from the Leased Premises and from any other lands whatsoever as provided hereinafter and to store refuse from any coal in the workings and passageways in the Leased Premises; the right to use so much of the surface of the Leased Premises (where Lessor owns the surface) and all roadways, power lines, etc., presently located thereon as Lessee may desire for the creation, maintenance and operation of mining structures, buildings, cleaning and preparation plants with appurtenant facilities including, but not limited to tipples, railroad sidings, loading facilities, shops and offices, and power lines, tracks, tramways and equipment, and for drainage, ventilation, haulage, refuse dumps and other purposes in connection with the mining and removal of the Leased Coal and of coal produced from lands other than the Leased Premises. And the right to use, in connection with mining operations of the

Lessee on, in or under the Leased Premises, sand, rock, water and other substances found on, in or under the Leased Premises the removal of which will facilitate orderly mining and carrying away of the Leased Coal, all insofar as the Lessor has the right to release without liability for injury or damage that may result to springs, wells or watercourses in, on or under the Leased Premises. Lessee covenants that he will at all times during the term of this lease keep all buildings, tipples, structures, machinery and equipment used in his operations as well as his workings underground in good order and repair and will from time to time make such replacements, renewals and additions as may be reasonably necessary to enable Lessee at all times to perform his obligations hereunder according to improvements made from time to time in the art of coal mining and coal preparation.

With respect to that portion of the Leased Premises where Lessor does not at the date of this Lease own the surface, or owns the surface subject to existing easements, public or private, Lessor grants to Lessee the same mining rights, privileges and easements as Lessor possesses or has the right to utilize and that this leasehold is subject to all out conveyances of record that may hereintofore have been made by the Lessor or by its predecessors in title; to any and all easements of record or apparent on the ground; to such property rights. if any, as may have been acquired by other parties by adverse possession; to the rights of parties in possession; to any existing oil and gas lease or leases made by the Lessor it being understood that in

no instance does the Lessor intend or purport to grant to Lessee any right not possessed by Lessor.

There is specifically excluded by Lessor the right of Lessee to mine by what is commonly known as the auger method without the written consent of Lessor, however, the thin seam mining method or any method similar to the thin seam mining method is not to be considered auger mining.

EXCEPTING AND RESERVING, NEVERTHELESS, to the Lessor, its successors and assigns, all rights not specifically granted herein including, but not limited to:

(a) all oil and gas within or underlying the demised premises, together with the right to drill and bore for and sink shafts for the purpose of testing and exploring for and removing oil and gas, and the right to market and remove oil and gas when found and to lay pipe lines and erect and install such other structures, machinery or appliances on demised premises as may be necessary for the removal of oil and gas.

(b) the non-exclusive use of existing roads and the right to construct and maintain other roads.

(c) all the dwellings and trailer lots which are situate on the demised premises.

(d) Lessee shall not cut or remove any timber growing on the Leased Premises except with the written consent of Lessor. All timber which shall be cut or removed shall be cut in lengths designated by Lessor. Title to all timber, including that cut with permission of Lessor, is reserved to Lessor.

(e) the surface of said land not required by Lessee for its operations, subject, however, to the Lessee's rights given hereunder.

The reserved rights shall be exercised in such a way as not to interfere unreasonably with the operations, rights and privileges of the Lessee herein granted.

EXCHANGE OF LANDS

3. This Lease is made subject to the right of the Lessor with the approval of Lessee to make exchanges of small parts or portions of any of the Leased Premises or of all or any of the veins or seams of coal hereby leased with the owners of adjoining property or the owners of any seam adjoining the exterior boundary lines of the Leased Premises for the purpose of consolidating some of the holdings. If any such exchanges are made, coal acquired by the Lessor in such exchange shall automatically be included in and become a part of this Lease and the coal embraced herein exchanged by the Lessor shall automatically be released and excluded from this Lease. Lessor hereby grants to the Lessee the right to penetrate any and all seams to the boundary lines of adjoining properties in which the Lessee has the right to mine coal, but not to remove coal of adjoining property owners not under lease by Lessee.

TERM

4. The initial term of this Lease shall expire February 8, 1988, except that Lessee shall have the right to terminate this Lease as of the last day of the sixth calendar

month after notice of such termination in writing to the Lessor not less than 30 days prior to such date. Such termination by the Lessee shall relieve Lessee of the requirements for making any payments which fall due following the termination, other than tonnage royalty payments for coal mined prior to the termination date and any other payments then due. Lessee shall have options to renew or extend this Lease, on the same terms and conditions, except as to term and royalties for three (3) successive five (5) year periods after February 8, 1988 and for additional five (5) year terms commencing with February 8, 2003 as provided for in paragraph 6 herein, provided Lessee has fully performed his covenants hereunder, and gives Lessor written notice of his intent to renew not less than one hundred twenty (120) days before the expiration of each, preceding term.

IN CONSIDERATION WHEREOF, the Lessee does hereby covenant, promise and agree to and with the Lessor as follows:

TONNAGE ROYALTIES

5. The Lessee shall pay to the Lessor during each year of the initial term and each year of any renewal term exercised by Lessee under this Lease as tonnage royalty for each and every ton of two thousand (2,000) pounds of coal mined and removed from the Leased Premises and for coal used on the premises, except such coal as is used by the Lessee in the processing and preparation of coal for market, the following percentages of the gross sale price, as such term is hereinafter defined, for each net ton mined and removed from the Leased Premises during the Lease Year:

(a) Eleven and three fourths Percent (11 3/4%) of the first one hundred thousand (100,000) tons mined each Lease Year.

Ten and three fourths Percent (10 3/4%} of the second one hundred thousand (100,000) tons mined each Lease Year.

Nine and three fourths Percent (9 3/4%) of the third one hundred thousand (100,000) tons mined each Lease Year.

Eight and three fourths Percent (8 3/4%) of the fourth one hundred thousand (100,000) tons mined each Lease Year.

Seven and three fourths Percent (7 3/4%) of the fifth one hundred thousand (100,000) tons mined each Lease Year.

Six and three fourths Percent (6 3/4%) of the sixth one hundred thousand (100,000) tons mined each Lease Year.

Five and three fourths Percent (5 3/4%) of all coal mined in any Lease Year in excess of six hundred thousand (600,000) tons.

(b) As used herein "gross sale price" shall mean the bona fide sales price receivable by Lessee for the coal without deduction for selling expenses or commissions less "Allowable Transportation Cost." The term Allowable Transportation Cost shall mean either:

(i) the actual transportation costs incurred by Lessee for transportation of the coal outside of the Leased Premises, if such transportation is done by unaffiliated third parties or

(ii) if Lessee transports the coal off the Leased Premises, the sum which an unaffiliated third party would charge for transportation outside of the Leased Premises.

(c) if any coal is sold but not at arm's length the royalty shall be computed at its fair market value as determined by Lessor's Engineer.

The tonnage royalty shall be paid on the 25th day of each month covering production of the preceding month. In addition to the foregoing tonnage royalties and in the event Lessee shall acquire the right to use the coal processing facility presently located on the Leased Premises or shall erect a coal processing facility, Lessee shall pay to Lessor a royalty of 1/2 of 1% of the gross sales price for each ton of foreign coal (coal not mined on the Leased Premises) processed through the Bethlehem Steel Corporation coal processing facility or any other coal processing facility erected on the Leased Premises, such payment to be made con-

currently with tonnage royalty payments heretofore specified. Lessee shall not be required to process coal through said facility or to make such 1/2 of 1% royalty payment if Lessee, for any reason, does not process coal through said facility. Lessee shall have the right to move coal from other lands onto or across the Leased Premises provided, however, that Lessor shall receive a wheelage fee for such coal equal to 1/2 of 1% of the gross sale price of said coal. If foreign coal is processed through Bethlehem's or any other coal processing facility on the Leased Premises then the payment to Lessor shall be a total of 1% of the gross sale price being 1/2% of 1% for wheelage and 1/2% of 1% for processing foreign coal. It is understood that either through the process now or heretofore employed in the obtaining of coal mined or by other cleaning plant or plants later erected thereon, there has already accumulated and will be produced in the future, certain slate, red dog, refuse and like by-products of mining and that some commercial salvage or use may be made or obtained from said accumulations, present and future, and Lessee is granted the right to sell or dispose of such products. It is agreed that the Lessee shall pay to Lessor a sum equal to 10% of the gross selling price for all such product from all sources F.O.B. the mine. Anything contained in the preceding sentence to the contrary notwithstanding, any coal produced from all sources by using refuse and like by-products from the Leased Premises shall be paid for in the same manner and at the same royalty

rate as coal mined and produced and shipped from the Leased Premises .

MINIMUM ROYALTIES

6. The Lessee shall pay to Lessor in respect to each 12-month period (the "Lease Year"} a minimum annual royalty payable in full on the dates specified and in the amounts set forth as follows:

Lease Year	Royalty Amount	Date Payable
No. 1	$150,000	February 8, 1983
No. 1	$ 50,000	August 8, 1983
No. 2	$ 75,000	February 8, 1984
No. 2	$ 75,000	May 8, 1984
No. 2	$ 75,000	August 8, 1984
No. 2	$ 75,000	November 8, 1984
No. 3	$100,000	February 8, 1985
No. 3	$100,000	May 8, 1985
No. 3	$100,000	August 8, 1985
No. 3	$100,000	November 8, 1985
No. 4	$125,000	February 8, 1986
No. 4	$125,000	May 8, 1986
No. 4	$125,000	August 8, 1986
No. 4	$125,000	November 8, 1986
No. 5	$l50,000	February 8, 1987
No. 5	$150,000	May 8, 1987
No. 5	$150,000	August 8, 1987
No. 5	$150,000	November 8, 1987

The minimum annual royalty for the first Lease Year shall be due and payable in two (2} installments, the first of which shall be delivered upon the execution of this lease in the amount of $150,000 and the second in the amount of $50,000 shall become due and payable on the 8th day of August, 1983 (the "Second Payment Date"). Failure to make this payment or any other payment required to be made by Lessee under the provisions of this lease shall constitute grounds for forfeiture of this lease and subject to the provisions of paragraph 17.

On the Lease Year beginning February 8, 1984 and for each Lease Year thereafter during the initial five (5) year term the minimum annual royalty shall be paid in equal quarterly installments, in advance, on the 8th day of February, May, August and November of each year in the amounts set forth hereinabove.

In the event Lessee shall exercise his right to renew or extend this lease at the expiration of the initial term or at expiration of a renewal term, the Lessee shall pay to Lessor for each and every year during each Lease Year of the first three (3) renewal terms a minimum annual royalty of Seven Hundred Thousand Dollars ($700,000). Said minimum annual royalty shall be payable in advance in equal quarterly payments of One Hundred Seventy-Five Thousand Dollars ($175,000) on the 8th day of each February, May, August and November of each Lease Year commencing February 8, 1988.

Commencing with February 8, 2003, if this lease is then in existence, Lessee shall have the option to renew or extend this lease for successive terms of five (5) years each upon the same terms and conditions except the minimum annual royalty for each and every year during each Lease Year of any renewal term shall be the sum of One Million Fifty Thousand Dollars ($1,050,000.00) payable in advance in equal quarterly payments of Two Hundred Sixty-Two Thousand Five Hundred Dollars ($262,500) on the 8th day of February, May, August and November of each Lease Year, but after February 8, 2003 this lease shall terminate when all of the

mineable and merchantable coal in the seams in the demised premises shall have been mined and removed therefrom, and when Lessee shall no longer have need of the demised premises or any part thereof for the mining or transporting or processing or handling of coal from other lands or leaseholds. "Mineable and merchantable coal" as used herein means coal which can be mined and marketed at a reasonable profit to Lessee at the time such coal is reached in the course of Lessee's mining operations by the use of practical and efficient machinery, facilities, methods and management.

Such minimum annual royalty may be used as a credit against any amounts to be paid as tonnage royalties in respect of coal mined during the Lease Year. Tonnage royalties shall not include any payments made by Lessee for wheelage or processing costs provided for in paragraph 5. If the Lessee in any Lease Year shall fail to mine sufficient coal to equal the minimum royalty at the then current rate of tonnage royalty, Lessee shall have the right during succeeding Lease Years of mining free from tonnage royalty such an amount of coal as at the current tonnage royalty will reimburse Lessee for the deficiency without interest. Lessee shall not be entitled to any credit on the minimum annual royalty for any succeeding year for tonnage royalties paid in any year in excess of the minimum annual royalty therefor and no coal shall be mined free of tonnage royalties in any Lease Year until a sufficient quantity of coal shall

have been mined in such Lease Year to amount at the then current tonnage royalty rate to the minimum royalty for the Lease Year.

If in any Lease Year the Lessee is prevented for any period of thirty (30) consecutive days from operating its mines by reason of any strike, at the mine or elsewhere, or by riot, fire, explosion, flood, invasion, act of God or the public enemy, unavoidable accident, legally enforceable closure orders, railcar or truck shortage or other causes beyond its control, the obligation on the part of the Lessee to pay minimum annual royalty shall be suspended for that portion of said Lease Year except for the first 30 days during which such conditions shall exist, and not to exceed six (6) months in any one Lease Year, and payment of minimum annual royalty shall be prorated accordingly. Low prices of coal or the absence of a market therefor shall not be an excuse for the nonpayment of the minimum annual rental.

It is agreed that in the event Lessor enters into a lease agreement with Fletcher Mining Company ("Fletcher") on a tract of land which is continguous with the Lease Premises and further, in the event, Lessee does not terminate this Lease during the first six (6) months of the initial term, then all royalty payments made by Fletcher pursuant to said lease agreement shall be credited against any minimum annual royalty which may be due by Lessee to Lessor in any Lease Year and for which Lessee has failed to mine sufficient coal to equal the minimum annual royalty for said Lease Year.

In the event the lease, if any, with Fletcher is terminated at any time while this lease is in effect, then the acreage leased to Fletcher shall automatically be transferred and become a part of the Leased Premises and subject to all of the terms and provisions of this Lease except that Lessee's obligation to pay taxes as provided in paragraph 8 shall be increased from ninety percent (90%) to one hundred percent (100%) per annum.

WEIGHTS

7. As to the coal mined on the premises and transported and shipped by railroad cars, which is not commingled with coal mined from other premises, the quantity of coal upon which the Lessee shall pay royalty shall be determined by railroad weights; and, as to the coal mined from the premises and transported by other means of transportation, and as to coal sold locally, and coal used on the premises (except that used in processing and preparing coal for market) the quantity of coal upon which the Lessee shall pay royalty shall be determined by standardized weight scales to be provided by the Lessee, and according to the scale books and accounts of the Lessee, or according to any further rule or regulation which may be prescribed by the Lessor and accepted by the Lessee for the correct ascertainment and report of the quantity of such coal.

As to coal mined from the Leased Premises and which shall be commingled at the tipple or loaded with coal from other premises, payment of royalty shall be based on railroad weights, but shall be prorated according to the computed tonnage shown to

have been mined by various mining techniques from the Leased Premises and other premises, respectively, during said period or periods, such proration to be based on mine car weights or on weightometers, if belt conveyors are used, and/or by engineers' measurements and computations which shall be made according to usual, customary, modern and accurate methods, or by any other scientifically reliable and accurate appliance or method if belt conveyers are not used. Any method used shall be subject to the approval of Lessor.

In the event that a variance in weights of coal shall occur between Lessee and the purchaser of the coal sold by Lessee, then the purchaser's weight shall control if Lessee is ultimately paid on the basis of the purchaser's weights.

TAXES

8. Commencing with the taxes for the year 1983 (i.e., those levied as of July 1, 1982) the Lessee shall pay ninety percent (90%) of all taxes, levies, assessments and other charges imposed by the United States, the State of West Virginia or any political subdivision thereof, or by any municipal corporation upon the entire estate of the Lessor in the lands included within the Leased Premises (except the oil and gas estate hereinafter mentioned) as well as upon the leasehold estate hereby created, and upon coal mined and produced therefrom so that the Lessor shall be entirely relieved from such charges. The Lessee shall

also pay all taxes, levies, assessments and other charges, imposed by the United States, the State of West Virginia, or any political subdivision thereof, or by any municipal corporation, upon the Lessee, and upon all real estate, plant, equipment and improvements of the Lessee and upon the mining or severance of the coal by Lessee in the Leased Premises. If any payment on account of any or all of the above shall be made in the first instance by the Lessor, the same shall be repaid by the Lessee to the Lessor upon statement and demand. It is not intended that the Lessee shall pay nor be required to pay any presently existing or subsequently incurred Business and Occupation Tax or corporation income tax or Federal income tax assessed against Lessor, and it is not intended that Lessee shall pay any taxes attributable to the oil and gas estate.

If Lessee elects to terminate this Lease after the first six (6) months of the initial term or provided for in paragraph 4 hereof, the Lessee shall be relieved of liability for the taxes due for the second half of 1983.

Taxes for the year 1983 shall be pro-rated with Lessee paying eleven twelfths (11/12) of ninety percent (9O%) of said taxes.

RECORDS OF COAL MINED

9. Lessee shall keep accurate records of all coal mined and removed from the Leased Premises and such records shall be subject at all reasonable times to the inspection of Lessor. Lessee shall keep said records in such manner as to segregate the

tonnage of coal mined and removed from the Leased Premises separate and distinct from the tonnage of coal mined and removed from other portions of Lessee's mining operations. Lessee shall only be obligated to keep the records required in this paragraph for a period of four (4) years at which time Lessee may transfer any records that it desires to dispose of by delivering said records to Lessor.

Lessee shall furnish to Lessor on or before the 25th day of each calendar month during the term of this Agreement of Lease, a report showing the quantity of coal mined and removed from the Leased Premises during the preceding calendar month together with a separate report showing the quantity of coal used in the processing and preparation of coal for market. Such monthly reports shall, if required by Lessor, be accompanied by the railway company's certificate of weights, or the returns of the shipping department or sales agent of Lessee as to weights. Lessee hereby grants to Lessor, its engineer or agent, the right to obtain from any railroad on which coal mined hereunder shall be shipped, or from any barge line, or any person who weighs coal which Lessee may ship, manifests and other information as to the quantity of coal mined hereunder and shipped over such railroad or by river, at such time or times as Lessor may desire such information; and this provision shall constitute full authority to such railroad, barge line or person to give such information to Lessor, its engineer or agent.

OPERATION

10. Lessee further covenants that he will conduct any mining operation on the Leased Premises in a skillful, efficient

and workmanlike manner, and in conformity with the present and future laws of the State of West Virginia, the United States, and the valid regulations of the various agencies of both now in force or which may hereafter be adopted; employ machinery and methods that are modern, adequate and efficient; and develop the property on a sound and accepted engineering plan and according to an approved system of mining and with due regard to the future value of the Leased Premises as coal property. Before commencement of operations in any seam Lessee shall submit to Lessor a plan of operation in the seam showing in reasonable detail the method and system under which operations will be conducted in that seam. Lessor shall within thirty (30) days after the plan of mining has been submitted to it either approve or disapprove the plan and if no objections are made within said thirty (30) days, the plan shall be considered approved. If the Lessor shall object to the plan submitted by the Lessee, the engineers for the parties shall attempt to agree upon a satisfactory method and system of mining and if they fail to agree within thirty (30) days after the objections by Lessor, the question of a proper plan shall be submitted to arbitration, as provided herein, but the Lessee shall have the right to commence mining under his plan of operation and shall be liable to Lessor for any damages which may be found by the arbitrators to have been suffered by Lessor by reason of an improper plan of mining. After a plan has been settled by agreement or arbitration, the Lessee shall not materially depart therefrom without a modification established as the original plan was established

and so long as Lessee shall mine according to such plan he shall not be liable for any injury to the surface or other strata owned by Lessor or for leaving unmined any coal which the plan shows will be left. It is recognized by the parties that the covenant contained in the preceding sentence and anything herein contained shall not impose any obligation on the part of the Lessee to proceed with diligence to operate any vein or seam of coal.

SURVEYS AND MAP

11. The Lessee shall have a survey of the mine workings made by a competent registered mining engineer as the work progresses, and shall keep an accurate and complete map of the Leased Premises and mine workings on an appropriate scale which shall be in conformity in all respects with the requirements of the mining laws of the State of West Virginia, and shall show all property lines, surface improvements and such natural topography as may require protection against liability for damages to persons or property. Such map shall at all times be accessible to the Lessor, its agents or representatives for inspection; and a true, complete and correct copy of the same, in duplicate, shall be furnished to the Lessor, without demand, within thirty (30) days after the first day of January and July of each year.

The Lessee shall also keep, for each seam, an accurate and complete map of the Leased Premises and mine workings on a scale of four hundred (400) feet to the inch, or other appropriate

scales showing in addition to the above-mentioned information, the projection of the mine development and a true, complete and correct copy of the same shall be furnished to the Lessor, without demand, within thirty (30) days after the first day of January and July of each year. The aforesaid maps or copies thereof, together with the surveys, notebooks and calculations, as well as all engineering records and data, relative to the Leased Premises and mine workings, shall be delivered to and become the property of Lessor at the termination of this Lease or any renewal or extension thereof for any cause whatsoever.

INSPECTION

12. Lessor, its agents, engineers or other person in its behalf, with their assistants, shall have the right to enter at all reasonable times the said mines or works of the Lessee, in order to inspect, examine, select samples of coal, survey or measure the seam or any part thereof, for the purpose of ascertaining the condition of the mines, the methods practiced, as well as the amount of coal removed, or for any other lawful purpose. Lessor shall give Lessee due notice of its intent to make inspections, and opportunity to have Lessee's agent or engineer accompany the representative of Lessor. Lessor alone shall be responsible for any injury to any agents, engineers or other persons in its behalf who may enter said mines or works of Lessee, unless such injury is caused by the negligence of Lessee.

INDEMNITY

13. Lessee specifically agrees that all of his operations on the demised premises and the transportation of coal over the same will be so conducted and carried on that Lessor will not be subject to liability for damages because of pollution or discoloration of the streams on or near the demised premises or because of interference with the present beds of such streams or their natural flow; and further agrees that he will protect, indemnify and save Lessor harmless from any and all damages and expenses of litigation in respect thereto.

Lessee shall pay and be solely responsible for any reclamation fee which may be required to be paid with respect to his coal under (S) 402 of the Surface Mining Control and Reclamation Act of 1977, any tax which may be imposed with respect to his coal for black lung benefits under (S) 2 of the Black Lung Benefits Reform Act of 1977, and all hourly base payments and tonnage base royalty payments relating to his coal or his employees required to be made to the UMW Health and Retirement Funds as provided under the National Bituminous Coal Wage Agreement of 1978 or similar funds provided for under subsequent labor agreements. Lessee shall furnish to Lessor satisfactory evidence that all such payments have been timely and properly made and will carry any insurance or bonds which are necessary to protect Lessor hereunder.

ASSIGNMENTS

14. Lessee shall not mortgage, assign, convey, Lease, sublet or transfer the Leased Premises, or any part thereof, or any of his estate therein or rights hereunder, to any person or persons whomsoever or any corporation whatsoever, without the consent in writing of Lessor first had an obtained, nor shall the benefit of this lease or the rights or estate created thereby, pass by operation of law without such written consent, which written consent shall not be unreasonably withheld; but in case of assignment, subletting or transfer with the written consent of Lessor, the transferee shall assume in writing all the obligations of Lessee herein in a form satisfactory to Lessor.

Lessor hereby gives its consent to any assignment of this lease to any company which Lessee owns Fifty-One Percent (51%) or more of its outstanding and issued capital stock or to Hansford Coal Company or to which substantially all of the assets of Lessee shall have been conveyed, provided, nevertheless, that Lessee, and such company, shall in each such case remain liable for and assume the obligations of Lessee hereunder. It is expressly provided, however, that Lessee shall have the right to contract with third parties for the mining and removal of coal from the demised premises, but in such event Lessee shall remain responsible for compliance with all terms and conditions of this lease.

INSOLVENCY, BANKRUPTCY, ETC.

15. Lessee shall not permit this Lease or the estate hereby created, or any interest therein, to be sold under any execution or other legal proceeding or process whatsoever. The

assignment or transfer of this Lease, or of the estate and rights created, or any of them, under judicial process or under judgment or decree or adjudication of Lessee as a bankrupt, or the discharge of Lessee by any court as an insolvent debtor, without the written consent of Lessor, may, at the option of Lessor, be considered and held as an absolute forfeiture of this Lease, and thereupon all the rights of Lessee hereunder shall at once cease and determine, and Lessor, in addition to all its other rights and remedies, may at its option, at once resume possession of the premises, either by legal process or by summary proceedings without legal process.

INSURANCE

16. Lessee agrees to become and remain a subscriber to the Workmen's Compensation Fund of the State of West Virginia and to conform to all rules and regulations relating thereto; to indemnify and save Lessor harmless against all claims for damages to persons (including death) or to property, arising out of any act or omission by or on behalf of Lessee occurring on the leased premises and continuously and at Lessee's expense to carry public liability insurance in the amount of not less than One Million Dollars ($1,000,000.00) for personal injury or death for one and not less than Two Million Five Hundred Thousand Dollars ($2,500,000.00) for personal injury or death of two or more persons involved in each occurrence, and property damage insurance in the amount of not less than Five Hundred Thousand Dollars ($500,000.00), with both Lessor and Lessee named as insureds therein, but without restriction on the Lessor

as claimant thereunder for any damage done to its property. Copies of all insurance policies in this lease required shall be furnished to Lessor promptly upon receipt thereof by Lessee.

DEFAULT PROVISIONS

17. If (i) Lessee shall fail or default in the payment of any sums required to be paid by him hereunder, when and as the same shall become due and payable and any such default shall continue for a period of fifteen (15) days after written demand by Lessor for such payment; or (ii) default shall be made by Lessee in the performance of any other covenant or condition herein contained to be performed by him and any such default shall continue for a period of sixty (60) days after written demand by Lessor for the performance thereof (or, if any default shall not be curable within 60 days, then Lessee shall have commenced to cure such default as promptly as possible); or (iii) Lessee shall file a petition in bankruptcy, or make an assignment for the benefit of his creditors, or consent to the appointment of a receiver of himself or of the whole or any substantial part of his property, or shall be adjudicated a bankrupt, or an order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of such appointment, or any such stay shall be set aside, then Lessor, at its option, may avail itself of all or any of the following remedies:

(a) declare a forfeiture of all the right, title and interest of Lessee to all the property forming the subject matter of this Lease;

(b) re-enter and take Possession of the Leased

Premises forming the subject matter of this Lease, including all improvements and personal property theretofore placed by Lessee in or upon the Leased Premises, to complete exclusion of Lessee. Neither any such re-entry, taking possession, nor termination of the sublease shall in any wise impair the right of Lessor rents royalties or other payments accrued to the time of the termination of the lease, or limit any of the remedies for the recovery thereof which Lessor otherwise would have had;

(c) obtain in any court judgment in favor of Lessor and against Lessee for the amount of all indebtedness of Lessee to Lessor, including, but not limited to, all unpaid payments provided for in this Lease regardless of whether the same be matured or unmatured payments;

(d) the parties acknowledge that they are familiar with the laws of the State of West Virginia relating to forfeiture of a lease as set forth by the West Virginia Supreme Court of Appeals and the parties agree that failure of Lessee to make any payment required under this Lease or any violation of the covenants and conditions contained in this Lease by Lessee shall be ground: for forfeiture of the Lease if Lessee shall fail to cure said default within the time periods specified in this paragraph 17 notwithstanding that Lessor may have an adequate remedy at law for monetary damages for certain defaults specified herein.

REMEDIES

18. All rents, royalties and other payments hereinbefore provided to be paid to Lessor by Lessee shall be deemed, treated and considered as rent reserved under the contract for the demised premises and Lessor shall have for the collection thereof all rights and remedies which landlords may have for the collection of rent reserved upon contract under the present or any future laws of the State of West Virginia.

All of the remedies granted to Lessor herein shall be deemed to be cumulative and the exercise of any remedy shall not be considered as an election by Lessor of remedies or as a waiver of any other remedy specified in this article. Moreover, the specification of remedies in this article 18 shall not be deemed to exclude Lessor from any other legal or equitable remedy or remedies which it may have under the laws of the State of West Virginia. Failure on the part of Lessor to enforce any of the rights herein granted to it on default for any period or periods shall not operate as an estoppel or as a waiver against Lessor, or prevent it at any subsequent time from electing to exercise all or any of such rights for any subsequent default. In case any provision hereof shall be unenforceable or enforceable only to a limited extent, the inclusion herein of such provision shall not affect the validity of any other provision hereof, and any such provision which is enforceable only to a limited extent may be enforced to such extent with the same effect as if such provision had expressly provided in the alternative for the enforcement thereof to the extent to which such provision may be enforceable.

REMOVAL OF LESSEE'S PROPERTY

19. No property placed on the premises by Lessee shall be removed by him during the existence of the Lease, except in the ordinary course of business. At the termination of the lease, and provided Lessee is not in default as to, or in violation of, any requirement of the lease, Lessee may remove within the following twelve (12) months any of the property of whatsoever kind or character, theretofore placed on the Leased Premises by Lessee. If Lessee elects to remove part of his property then he shall be obligated to remove the part of said property removed in its entirety from the Leased Premises. Otherwise than as stated in the immediately preceding sentence all property placed on the Leased Premises by Lessee shall remain thereon at the termination of the lease, and shall be and become the property of the Lessor.

ARBITRATION

20. Lessor and Lessee mutually covenant and agree that in case of any disagreement or dispute between the parties hereto as to any of the covenants and agreements or conditions of this Lease, or as to the performance or non-performance thereof, all such disagreements and disputes, including any obligation to pay rent or royalty, shall be submitted to arbitration pursuant to the provisions of Section 1 of Article 10 of Chapter 55 of the West Virginia code, it being specifically hereby agreed that a judgment may be entered in any court of competent jurisdiction on any arbitration award, and that the arbitration proceeding shall be

the exclusive remedy. Any such arbitration shall be conducted as follows: one arbitrator shall be chosen by Lessor and one by Lessee within ten (10) days after notice in writing from either party to the other, and the two so chosen shall select a third arbitrator within five (5) days after their selection. In the case of the failure of either party to select an arbitrator within said period of ten (10) days such arbitrator may be selected by the chief judge of the District Court of the United States for the Southern District of West Virginia upon the application of the party not so failing. In case the two so chosen are unable to agree upon a third arbitrator within five (5) days after their own selection, the third arbitrator shall be appointed by said chief judge upon the application of either or both of the parties. The award of the arbitrators shall be made in writing within thirty (30) days from the final submission of the controversy to the arbitrators, and one copy thereof shall be furnished to each of the parties hereto. Such award, if concurred in by all or a majority of said arbitrators, shall be final and conclusive on the parties as to the controversy submitted to arbitration. The arbitrators shall determine the costs of the arbitration, including reasonable compensation to the arbitrators, and by whom such costs shall be paid. Such costs may be assessed against either the Lessor or the Lessee, or against both. Pending an award by the arbitrators as to any disagreement or dispute submitted to arbitration, no action shall be taken by either Lessor

or Lessee as to the matter is disagreement or dispute which will in any way tend to interfere with compliance with the arbitration award; but except as may have been hereinbefore specifically provided to the contrary, this provision shall not restrict Lessee's right to continue mining during the pendency of the arbitration proceedings.

NOTICES

21. All requests, statements, notices and demands to Lessor under this Lease shall be deemed to be sufficiently given and served for all purposes if sent by certified mail to it at P. O. Box 969, Charleston, West Virginia, 25324, or at such other address as Lessor from time to time by written notice to Lessee may prescribe.

All requests, statements, notices and demands to Lessee under this Lease shall be deemed to be sufficiently given and served for all purposes if sent by certified mail to Lessee at P.O. Box 175, Hansford, WV 25103, or at such other address as Lessee from time to time by written notice to Lessor may prescribe.

SUCCESSORS AND ASSIGNS

22. This Lease shall be binding upon and inure to the benefit of the parties hereto and, subject to the provisions contained in Article 14 hereof, upon and to their respective successors and assigns.

HEADINGS

23. The headings to the various sections hereof are not intended as part of the text hereof, as an indication of the

contents of any section, or as an indication that the subject matter indicated by the heading will not also be part of another section. They are only inserted for the sake of convenience.

IN WITNESS WHEREOF, Lessor has caused this Lease to be signed in its limited partnership name by its Managing General Partner and Lessee has caused this Lease to be signed all as of the day and year first above written.

LESSOR:

SHONK LAND COMPANY LIMITED PARTNERSHIP

By /s/ J. S. Stevens III

Managing General Partner

LESSEE:

By /s/ Lawson W. Hamilton, Jr.
Lawson W. Hamilton, Jr.

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 10th day of February, 1983, by Jay S. Stevens, III, Managing General Partner of Shonk Land Company Limited Partnership, on behalf of the limited partnership.

/s/ Barbara Dawn Hagan

Notary Public

My commission expires June 6, 1988.

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 10th day of February, 1983, by Lawson W. Hamilton, Jr.

/s/ Barbara Dawn Hagan

Notary Public

My commission expires June 6, 1988.

LAWSON W. HAMILTON, JR.
P. 0. BOX 175
HANSFORD, WEST VIRGINIA 25103

TELEPHONE; (304) 949-5118

October 7, 1987

Mr. Jay Stevens
Shonk Limited Land Company Limited Partnership
P.0. Box 969
Charleston, West Virginia 25326

Dear Jay:

In compliance with the terms of our Agreement of February 8, 1983, I wish to inform you of my desire to renew and/or extend the Agreement for an additional five (5) year term commencing with February 8, 1988.

Best regards,

/s/ Lawson

LWH,Jr/nls

AMENDMENT OF AGREEMENT OF LEASE

THIS AMENDMENT TO AGREEMENT OF LEASE entered into this 9th day of March, 1989, by and between SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership, hereinafter referred to as "Lessor", and LAWSON W. HAMILTON, JR., hereinafter referred to as "Lessee";

W I T N E S S E T H:

WHEREAS, Shonk Land Company Limited Partnership and Lawson W.Hamilton, Jr. entered into a certain Agreement of Lease on the 8th day of February, 1983, whereby Shonk Land Company leased certain real estate and the rights to mine coal therefrom to Lawson W. Hamilton, Jr., a copy of which Agreement of Lease is attached hereto as Exhibit "A" and hereby incorporated by reference; and

WHEREAS, Shonk Land Company Limited Partnership and Lawson W. Hamilton, Jr. are desirous of amending said Agreement of Lease to provide for a separate tonnage royalty for all coal sold by Lawson W. Hamilton, Jr. for an "actual sale price", as defined herein, of less than Thirty Dollars ($30.00) per ton and to provide for the renewal thereof;

NOW, THEREFORE, in consideration of the above, the parties hereto hereby amend said Agreement of Lease as follows:

1. The last sentence of the Section 4 is hereby amended to read as follows:

"Lessee shall have options to renew or extend this Lease, on the same terms and conditions, except as to term and royalties, for four (4) successive five (5) year periods after February 8, 1988 and for additional five (5) year terms commencing on February 8, 2008 as provided for in the Section 6 herein, provided Lessee has fully performed his covenants hereunder, and gives Lessor written notice of his intent to renew not less than one hundred and twenty (120) days before the expiration of each preceding term."

2. Section 5, Paragraph 1 is hereby amended by striking "gross sales price, as such term is hereafter defined" as it appears on page 6 of the Agreement of Lease and inserting "gross sale price or actual sale price, as the case may be, as such terms are hereinafter defined."

3. Section 5, Subparagraph (a) is hereby amended by inserting the following after the subparagraph heading (a) and before the first word thereof: "The following percentages are based upon the gross sale price of tons of coal as such term is hereafter defined:"

4. Section 5, subparagraph (b) is hereby amended by inserting the following before the first sentence thereof:

"As used herein, 'actual sales price' shall mean the bona fide sale price receivable by Lessee for the coal without deduction for selling expenses, commissions, transportation costs

and any other costs and expenses."

5. Section 5 is hereby amended by inserting the following after Subparagraph (c) thereof as an additional Subparagraph (d):

"(d) In the event the actual sale price for the above-described coal is less than Thirty Dollars ($30.00) per ton, Lessee shall pay to Lessor an alternative tonnage royalty in lieu of the tonnage royalties set forth in Subparagraph (a) hereinabove in the amount of six percent (6%) of the actual sale price, as such term is defined hereinabove, for each net ton of such coal. Any additional royalties set forth hereinafter in Section 5 for wheelage, processing fees or other royalties and fees shall be determined by reference to the gross sales price of such coal and not be referenced to the actual sales price thereof.

6. The fourth paragraph of Section 6 (also being the second paragraph on page 11) is hereby amended to read as follows:

"In the event Lessee shall exercise his right to renew or extend this Lease at the expiration of the initial term or after the expiration of a renewal term, the Lessee shall pay to Lessor for each and every year during each Lease Year of the first three renewal terms a minimum annual royalty of Seven Hundred Thousand Dollars ($700,000.00), said minimum annual royalty being paid in advance in equal quarterly payments of One Hundred and Seventy-Five Thousand

Dollars ($175,000.00) on the 8th day of each February, May, August and November of each Lease Year thereof, and the Lessee shall pay to Lessor for each and every year during each Lease Year of the fourth renewal term a minimum annual royalty of One Million Fifty Thousand Dollars ($1,050,000.00), which minimum annual royalties shall be payable in advance in equal quarterly payments of Two Hundred Sixty-Two Thousand and Five Hundred Dollars ($262,500.00) on the eighth day of each February, May, August and November of each Lease Year thereof.

7. The fifth paragraph of Section 6 (also identified as the third paragraph on page 11) is hereby amended to change the date "February 8, 2003" wherever appearing therein to "February 8, 2008".

8. The parties hereto acknowledge that Lessee has renewed the Agreement of Lease until February 8, 1993 and Lessee hereby agrees to renew said Agreement of Lease for an additional five (5) year term commencing February 8, 1993, and hereby notifies Lessor of such intent pursuant to Section 5 of the Agreement of Lease.

9. In the event that said Agreement of Lease and this Amendment of Agreement of Lease between the parties hereto shall be assigned, conveyed, leased, sublet or otherwise transferred, Lessor and Lessee agree that this Amendment of Agreement of Lease

to the extent it may provide for royalties to be reduced to six percent (6%) shall be null and void with respect to any such transferee but that in all other respects the Agreement of Lease and this Amendment of Agreement of Lease shall remain in full force and effect.

10. The parties hereto expressly understand and agree that the royalties set forth in the above amendments to Sections 5 and 6 of the Agreement of Lease regarding tonnage royalties and minimum annual royalties shall be credited in the manner set forth in Section 6, Subparagraph 7 (also being the second paragraph on page 12) of the Agreement of Lease.

11. The parties hereto covenant and agree that the entire understanding between the parties hereto shall be represented by that certain Agreement of Lease dated the 8th day of February, 1983, as amended by this Amendment of Agreement of Lease, which Amendment shall be effective as of the 1st day of July, 1988, and which Agreement of Lease shall remain in full force and effect except to the extent said Agreement of Lease is amended hereby. In the event that the terms and conditions of this Amendment of Agreement of Lease are held to be in conflict with the terms and conditions of the Agreement of Lease, the terms and conditions of the Agreement of Lease shall control.

IN WITNESS WHEREOF, the Lessor has caused its names to be signed hereto by its Senior Managing General Partner, and the Lessee has executed this instrument and affixed its hand and seal

thereto, all in duplicate, on this the _____ day of _____, 1989.

SHONK LAND COMPANY LIMITED PARTNERSHIP

By: /s/ J.S. Stevens, III

Its Senior Managing
General Partner

/s/ Lawson W. Hamilton, Jr.

LAWSON W. HAMILTON, JR.

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 9th day of March, 1989, by J.S. Stevens, III, Senior Managing General Partner of Shonk Land Company Limited Partnership.

My commission expires 10-23-94.

[NOTARY PUBLIC SEAL APPEARS HERE]

/s/ Barbara Blake

Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this ___ day of _____, 1988, by Lawson W. Hamilton, Jr..

My commission expires _____.

Notary Public

SECOND AMENDMENT OF LEASE

This Second Amendment of Lease, is made and entered into this 1st day of April 1992 by and between SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership, hereinafter referred to as "Lessor" and ARK LAND COMPANY, hereinafter referred to as "Lessee":

WITNESSETH

The following recitals are herein agreed:

1. Lessor and Lessee, entered into a certain Agreement of Lease, dated December 20, 1989, hereinafter the "Lease" or the "Ark Lease", wherein Lessor leased certain property and the right to mine coal therefrom to Lessee.

2. The initial term of the Lease expires on December 31, 1992 subject to Lessee's rights to renew.

3. Lessor and Lawson W. Hamilton, Jr., entered into an Agreement of Lease on the 8th day of February, 1983, wherein Lessor leased certain other property and right to mine coal therefrom to Lawson W. Hamilton, Jr., (hereinafter referred to as the "Hamilton Lease").

4. On July 30, 1989, Lessee acquired the Hamilton Lease, as amended, by assignment from said Lawson W. Hamilton, Jr., with the consent of Lessor.

5. On the 1st day of September, 1989, the Lessee herein subleased a portion of the Hamilton Lease, as amended, to Red Warrior Coal Company ("Red Warrior") conditioned upon the consent of Lessor, which was obtained on December 11, 1989.

6. On the 19th day of September, 1990, the Lessee herein subleased a portion of the Hamilton Lease, as amended, to Catenary Coal Company ("Catenary"), conditioned upon the consent of Lessor, which was obtained on February 6, 1991.

7. The Ark Lease presently provides in Section 4.2 that Guaranteed Minimum Royalty ("GMR") paid by Ark may be used, subject to certain limitations described therein, as a credit against amounts paid by Ark as production royalties for coal mined from the property leased in the Ark Lease or the Hamilton Lease. Ark desires to amend the Hamilton Lease in certain respects related to such cross-recoupment.

8. The amendment of the Hamilton Lease is of benefit to Ark.

9. Therefore, the parties desire to modify and amend the Hamilton Lease.

10. The Lessor, in exchange for such renewal of the Ark Lease by Ark contemporaneously herewith, is willing to modify and amend the Hamilton Lease.

NOW THEREFORE, based on the foregoing recitals the mutual covenants and conditions herein contained the parties agree that the Hamilton Lease be and is amended as follows:

1. In the event Ark does not hereafter renew the Ark Lease for a term commencing after December 31, 1998, to the extent there is any GMR (as defined in the Ark Lease) which has not been recouped by December 31, 1998, then in such event, Ark, after December 31, 1998, may recoup against production royalty due under the Hamilton Lease such previously un-recouped GMR from the Ark Lease. Such right of recoupment shall be subject to the following restrictions:

a. Such right of recoupment against production royalties on the Hamilton Lease shall exist only after minimum royalties have been paid under the Hamilton Lease. Such right of recoupment shall not be applicable against royalties due for wheelage, processing or for other reasons.

b. The aforesaid right of recoupment applies only in the event Ark does not hereafter renew the Ark Lease for a term commencing after December 31, 1998. If Ark renews the Ark Lease beyond December 31, 1998, then upon expiration of such subsequent term, Ark shall have no right to use such unrecouped GMR, unless Shonk subsequently agrees to the same by written Amendment to the Hamilton Lease.

c. Such right of recoupment shall be and remain subject to the five-year period of recoupment as described in Section 4.2 of the Ark Lease.

d. The amendment herein set forth is restricted to Ark and its permitted Sublessees, and in the event this Lease if further assigned, subleased or transferred in any way, whether by operation of law or by Sublessee of Ark, this provision shall be void unless specifically agreed to by Lessor at the time of such transfer.

IN WITNESS WHEREOF, The Lessor has caused its name to be signed hereto by its Managing General Partner and Ark has executed this instrument by a corporate officer, thereunto duly authorized, all in duplicate, the day and year first above written.

LESSOR:

SHONK LAND COMPANY LIMITED PARTNERSHIP

By: /s/ J. S. Stevens, III

J.S. Stevens, III
Its Managing General Partner

LESSEE:

ARK LAND COMPANY

By: /s/ Michael D. Bauersachs

Its: Vice President

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, To-Wit:

The foregoing instrument was acknowledged before me this 2nd day of April, 1992, by J. S. Stevens, III, Managing General Partner of SHONK LAND COMPANY LIMITED PARTNERSHIP.

/s/ Barbara Blake

NOTARY PUBLIC

My Commission Expires: 10-23-94

[NOTARY PUBLIC SEAL APPEARS HERE]

STATE OF MISSOURI,

COUNTY OF ST. CHARLES, To-Wit:

The foregoing instrument was acknowledged before me this 1st day of April, 1992, by Michael D. Bauersachs, as Vice President of ARK LAND COMPANY.

/s/ Shelley J. Mackiewicz

NOTARY PUBLIC

My Commission Expires: 3/4/95

AMENDMENT OF LEASE

This Amendment of Lease, is made and entered into this 31 day of October, 1992, by and between SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership ("Lessor"), and ARK LAND COMPANY, a Delaware corporation ("Lessee" or "Ark"):

WITNESSETH

The following recitals are herein agreed:

1. Lessor and Lawson W. Hamilton, Jr., entered into an Agreement of Lease dated February 8, 1983 (the "Hamilton Lease"), wherein Lessor leased certain property and the right to mine coal therefrom to Lawson W. Hamilton, Jr.

2. On July 30, 1989, Ark acquired the Hamilton Lease, as amended, by assignment from Lawson W. Hamilton, Jr., with the consent of Lessor.

3. Lessor and Ark entered into a certain Agreement of Lease, dated December 20, 1989 (the "Ark Lease"), wherein Lessor leased certain other property and the right to mine coal therefrom to Ark.

4. On September 1, 1989 Ark subleased a portion of the Hamilton Lease, as amended, to Red Warrior Coal Company ("Red Warrior") conditioned upon the consent of Lessor, which was obtained on December 11, 1989.

5. On September 19, 1990 Ark subleased a portion of the Hamilton Lease, as amended, to Catenary Coal Company ("Catenary"), conditioned upon the consent of Lessor, which was obtained on February 6, 1991.

6. The Ark Lease was amended to extend the term by that certain First Amendment to Lease, dated March 1, 1992.

7. The Hamilton Lease was amended by that certain Second Amendment to Lease dated March 1, 1992.

8. The Hamilton Lease and Ark Lease, as both have been amended, are sometimes referred to collectively as the "Leases."

9. Ark is considering constructing and operating a dragline upon either or both of the Leases.

10. Ark, or its parent or affiliates, is considering purchasing a contract (or contracts) from a coal producer to baseload the proposed dragline operation.

11. To enhance the economic feasibility of mining the property leased by Ark under both the Leases, the parties have agreed to modify the production royalty obligations of Ark, subject to the terms and conditions contained herein.

NOW THEREFORE, based on the foregoing recitals, and the mutual covenants and conditions contained in the Ark Lease and the Hamilton Lease, the parties agree as follows:

Section 1. Beginning on the execution of this Amendment, Ark will receive the following reduction in production royalties payable pursuant to Section 5 of the Hamilton Lease, as amended, and pursuant to Section 5 of the Ark Lease, as amended.

For all tons mined under the Leases, after calculation of the production royalty required under the Ark Lease or the Hamilton Lease, as both have been amended both previously and herein, Ark will receive a reduction in the production royalty in the amount of $.20 per ton. This reduction shall continue until such reductions total Five Million Dollars ($5,000,000) or is sooner terminated as herein provided.

Lessor will have the right to recoup all of, or a portion of, the $5,000,000 royalty concession in the following described manner; provided

however that Ark shall not be required to refund any amounts in excess of the royalty reductions actually taken. The parties agree that Thirty Million (30,000,000) tons of coal (the "Excess Amount") are likely to be recoverable by the dragline method in excess of conventional mining methods (which are estimated to recover Ten Million (10,000,000) tons) for a total of Forty Million (40,000,000) tons. If, by the dragline operation, Ark mines the Excess Amount, then Ark shall not be required to refund any of the $5,000,000 royalty concession to Lessor. If Ark does not mine the entire Excess Amount, then in accordance with the terms below, Lessor shall receive a refund in the proportion that the amount that Ark has not mined bears to such Excess Amount. An example of the above calculation is attached as Exhibit 1. The tonnages stated in this Section 1 are not to be construed as stipulations or representations as to the actual recoverable tonnage and are for the sole and limited purpose of determining whether Lessor is entitled to a refund as stated above and to establish a method or formula to determine the extent of such refund.

If Ark places a dragline operation on the Hamilton Lease or Ark Lease, but closes its dragline operation without mining the Excess Amount, Ark shall then either (i) open another mine or mines on the property leased under either of the Leases, or (ii) refund the proportionate amount of the unrecovered $5,000,000 as described above. Ark shall have 90 days after closing (i.e. permanently ceasing to operate) the dragline to determine whether it desires to open a new mine or mines. If Ark does not give notice of such intention during the said 90 days, and Ark does not open such mine within one year after closing the dragline, then Ark shall forthwith refund the remaining proportionate amount.

If Ark opens such additional mine or mines after closing the dragline operation, then for coal mined from such new mines, in addition to production royalty, Ark shall pay to Lessor an additional royalty of $.25 per ton until such time as the proportionate amount of $5,000,000 which must be refunded as described above, has in fact been refunded to Lessor. If after opening such mine or mines, mining terminates without Lessor having recovered the proportionate part of the $5,000,000 due it, then upon cessation of all mining, Ark shall forthwith pay the balance in a lump sum.

Notwithstanding any of the foregoing provisions if: (i) Ark takes any of said $.20 per ton reductions after execution hereof and on or before February 28, 1993, the Board of Directors of Ark's sublessee and of Arch Mineral Corporation have failed to approve the construction of a dragline on either of the Leases; or (ii) if such approval for the construction is obtained but Ark does not place an operating dragline on the Lessor's property within three (3) years from the Effective Date (such date three (3) years after the Effective Date being hereinafter referred to as the Termination Date), then upon the first to occur of such events, Ark shall fully and immediately refund in lump sum the total of the $.20 per ton reductions previously and actually taken by Ark.

Section 2. The Leases contain certain rights for Ark to extend the respective lease terms of each Lease. Upon the approval of the Board of Directors of Ark's Sublessee and the Board of Directors of Arch Mineral Corporation for the construction of a dragline on either of the Leases, which approval must be obtained, if at all, on or before February 28, 1993, Ark will forthwith in writing extend the Hamilton Lease for twenty (20) additional lease years from the date of the Board approval obtained pursuant to this

Section 2 or until the exhaustion of all mineable and merchantable surface mineable coal leased by the Hamilton Lease, whichever is shorter. (Ark will have the right, but not the obligation to extend the Ark Lease as provided in the Ark Lease.) Ark will have the right to obtain further extensions as provided for in the Hamilton Lease after such extended term expires. Any and all such extended terms shall expire upon exhaustion of all mineable and merchantable coal leased by the Hamilton Lease.

Section 3. (a) In the event Ark, its parent or affiliates, on or before February 28, 1993, acquires from a non-affiliated coal producing third party a contract to supply coal to a domestic utility (excluding metallurgical or export sales), or enters into a new contract to supply such coal which amends or replaces an existing contract supplied by a non-affiliated coal producing third party and Ark, its parent or affiliates, have paid good and valuable consideration to such non-affiliated coal producing third party (collectively the "Purchased Contract"), Ark will have an additional royalty adjustment as described below subject to the following conditions: (i) the Purchased Contract described above is acquired by Ark, its parent or affiliates after the date of the execution of this Amendment, and (ii) within 90 days of acquiring such Purchased Contract, Ark specifically identifies such Purchased Contract for the purpose of taking such deduction. As used herein, "specifically identifies" shall mean written notice stating that Ark elects to treat the contract as a Purchased Contract; identifies the parties thereto, and the term and tonnages to be supplied thereunder. If not prohibited by such Purchased Contract, Ark will provide Lessor a true copy thereof.

If the above conditions are met, then for coal mined from either of the Leases and sold pursuant to any such Purchased Contract, Ark will pay

to Lessor, in lieu of the Production Royalty provided in the applicable Lease, Production Royalty based on a Base Gross Selling Price defined as Twenty-Five Dollars ($25.00) subject to the deductions contained in the applicable Lease, and subject to premium and penalty adjustments paid or incurred under the Purchased Contract. Each quarter the Base Gross Selling Price shall be adjusted upward or downward in the same percentage that the price paid pursuant to such Purchased Contract has been adjusted during the immediately preceding adjustment period under the Purchased Contract. After Five (5) years from the identification of such Purchased Contract in accordance with the preceding paragraph, the then existing Base Gross Selling Price shall increase by One Dollar ($1.00) and shall be adjusted quarterly as set forth above. After Seven (7) additional years, the then existing Base Gross Selling Price shall increase by another One Dollar ($1.00) and shall be adjusted quarterly as set forth above.

(b) Ark, its parent or affiliates, may acquire other Purchased Contracts in like manner as in 3(a) within two (2) years of the Effective Date, provided however that the Base Gross Selling Price shall be and remain, during the term of such other Purchased Contract, Twenty Seven Dollars ($27.00) subject to the deductions contained in the applicable Lease, and subject to premium and penalty adjustments in such other Purchased Contract. Beginning with the Effective Date, each quarter the Base Gross Selling Price shall be adjusted upward or downward in the same manner (on a dollar for dollar basis) that the price paid pursuant to the first Purchased Contract acquired by Ark, its parent or affiliates has been adjusted during the immediately preceding adjustment period under such first purchased Contract. Upon acquisition of such other Purchased Contract the Base Gross Selling price

thereunder shall be $27.00 plus the adjustments incurred in the Base Gross Selling Price from the Effective Date under the first Purchased Contract acquired pursuant to Section 3(a). After so establishing the Base Gross Selling price under such other Purchased Contract it shall thereafter be adjusted quarterly in accordance with the changes in price pursuant to the terms of such other Purchased Contract, provided that such other Purchased Contract shall not be adjusted by One Dollar ($1.00) after Five (5) years and the subsequent Seven (7) years respectively as contained in Section 3(a).

(c) If Ark pays the Production Royalty reduced as set forth in this Section 3, and if the current Cincinnati Gas & Electric contract is displaced by such Purchased Contract, then notwithstanding the foregoing, through December 1995, the first 350,000 tons per year mined from the Leases shall be deemed sold to Cincinnati Gas & Electric, and such tons shall bear the production royalty contained in the applicable Lease prior to this Amendment, provided however that Ark shall be entitled to the deduction of $.20 per ton in accordance with Section 1 above.

(d) If Ark, its parent or affiliates, acquire or seek to acquire another Purchased Contract or Contracts after two (2) years from the Effective Date then the parties shall negotiate in good faith for a royalty reduction consistent with the purpose of this Section 3.

Section 4. If after three (3) years from the Effective Date, Ark has not constructed a dragline on Lessor's property, and Ark has taken royalty adjustments as described in Section 3 for Purchased Contracts, then Ark shall immediately refund the difference between the production royalty payable under the Leases and the Production Royalty paid pursuant to the terms of Section 3 herein.

Section 5. If after three (3) years from the identification of such Purchased Contract, the coal mined from the Leases does not supply all of the tonnages actually shipped under such Purchased Contract, and if coal is shipped under the Purchased Contract from a source other than the Leases, then Ark will pay production royalty calculated pursuant to Section 3 hereof (on all tons actually mined from the Leases only to the extent that tons mined by Ark or its lessees supply the Purchased Contract from a source other than the Leases), based upon the average weighted actual gross selling price received by Ark (subject to deductions allowable under the applicable Lease and herein) of coal mined and sold from the Leases. It is understood that this Section 5 does not apply to all tons mined from the Leases, but only to the difference between those tons which are actually shipped under the Purchased Contract and those tons which are shipped on the Purchased Contract from the Leases. This obligation shall continue during the term of the Hamilton Lease or such Purchased Contract, whichever is shorter.

Section 6. Nothing contained in this Amendment shall require Ark to place a dragline upon the properties leased by the Leases.

Section 7. This Amendment shall expire unless on or before February 28, 1993, the Board of Directors of Ark's sublessee and its parent, Arch Mineral Corporation, shall have approved the expenditure of capital for the construction of a dragline on the property leased by the Hamilton Lease or Ark Lease. Ark shall immediately notify Lessor in writing of such Board of Director approval and deliver the Lease extension described in Section 2 hereof.

Section 8. This Amendment is conditioned upon and shall not be effective until this Amendment is approved by both the General Partners of

Lessor and the Board of Directors of Ark. Notwithstanding the foregoing, the terms contained in Section 1 hereof are effective immediately, Ark and Lessor will use their best efforts to obtain such approvals on or before February 28, 1993 and within ten (10) days respectively. Upon such approval, each party shall immediately provide the other party with a certificate signed by an officer or general partner of such entity reflecting such requisite approval. The date on which both parties have both received such Board and Partnership approvals shall be the "Effective Date."

Section 9. This Amendment is binding upon each of the parties, their respective permitted successors and assigns.

Section 10. Except as amended hereby, all other terms of the Leases, as amended, remain in effect.

SHONK LAND COMPANY LIMITED PARTNERSHIP

By: /s/ J. S. Stevens, III

Its: Managing General Partner

ARK LAND COMPANY

By: /s/ Steven E. McCurdy

Its: President
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id:003101

EXHIBIT 1

EXAMPLE 1
- ---------

Assuming, for example, that Ark mines 22,000,000 tons of coal by the dragline method, then:

1. Ark has mined 12,000,000 tons in excess of the amount mineable by conventional mining methods determined by subtracting the conventional method amounts (10,000,000) from the amount actually mined.

   22,000,000 - 10,000,000 = 12,000,000

2. Subtract the 12,000,000 tons in excess of the amount mineable by conventional methods from 30,000,000 tons (Excess Amount).

   30,000,000 - 12,000,000 = 18,000,000

3. If Ark does not open a new mine (which would increase the 22,000,000 tons actually recovered) then the proportion of excess coal not mined (in excess of conventional methods) bears to the Excess Amount of 30,000,000 is determined.

   18,000,000 = .60

   30,000,000

4. Multiply the proportion determined in 3 above by $5,000,000 to determine the amount which Ark is required to refund.

   .60 x $5,000,000 = $3,000,000

EXAMPLE 2
- ---------

Assuming, for example, that Ark mines 50,000,000 tons, it will owe no refund to Lessor because it mined the entire Excess Amount.

EXAMPLE 3
- ---------

Assuming, for example, that Ark mines 5,000,000 tons, it will owe $1,000,000 because it failed to mine any of the Excess Amount and took the reduction of $.20 per ton

AMENDMENT OF LEASE

This Amendment of Lease, is made and entered into this 5th day of December, 1992, by and between SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership ("Lessor"), and ARK LAND COMPANY, a Delaware corporation ("Lessee" or "Ark"):

WITNESSETH

The following recitals are herein agreed:

1. Lessor and Lawson W. Hamilton, Jr., entered into an Agreement of Lease dated February 8, 1983 (the "Hamilton Lease"), wherein Lessor leased certain property and the right to mine coal therefrom to Lawson W. Hamilton, Jr.

2. On July 30, 1989, Ark acquired the Hamilton Lease, as amended, by assignment from Lawson W. Hamilton, Jr., with the consent of Lessor.

3. Lessor and Ark entered into a certain Agreement of Lease, dated December 20, 1989 (the "Ark Lease"), wherein Lessor leased certain other property and the right to mine coal therefrom to Ark.

4. On September 1, 1989 Ark subleased a portion of the Hamilton Lease, as amended, to Red Warrior Coal Company ("Red Warrior") conditioned upon the consent of Lessor, which was obtained on December 11, 1989.

5. On September 19, 1990 Ark subleased a portion of the Hamilton Lease, as amended, to Catenary Coal Company ("Catenary"), conditioned upon the consent of Lessor, which was obtained on February 6, 1991.

6. The Ark Lease was amended to extend the term by that certain First Amendment to Lease, dated March 1, 1992.

7. The Hamilton Lease was amended by that certain Second Amendment to Lease dated March 1, 1992.

8. The Hamilton Lease and Ark Lease, as both have been amended, are sometimes referred to collectively as the "Leases."

9. Ark is considering constructing and operating a dragline upon either or both of the Leases.

10. Ark, or its parent or affiliates, is considering purchasing a contract (or contracts) from a coal producer to baseload the proposed dragline operation.

11. To enhance the economic feasibility of mining the property leased by Ark under both the Leases, the parties have agreed to modify the production royalty obligations of Ark, subject to the terms and conditions contained herein.

NOW THEREFORE, based on the foregoing recitals, and the mutual covenants and conditions contained in the Ark Lease and the Hamilton Lease, the parties agree as follows:

Section 1. Beginning on the execution of this Amendment, Ark will receive the following reduction in production royalties payable pursuant to Section 5 of the Hamilton Lease, as amended, and pursuant to Section 5 of the Ark Lease, as amended.

For all tons mined under the Leases, after calculation of the production royalty required under the Ark Lease or the Hamilton Lease, as both have been amended both previously and herein, Ark will receive a reduction in the production royalty in the amount of $.20 per ton. This reduction shall continue until such reductions total Five Million Dollars ($5,000,000) or is sooner terminated as herein provided.

Lessor will have the right to recoup all of, or a portion of, the $5,000,000 royalty concession in the following described manner; provided however that Ark shall not be required to refund any amounts in excess of the royalty reductions actually taken. The parties agree that Thirty Million (30,000,000) tons of coal (the "Excess Amount") are likely to be recoverable

by the dragline method in excess of conventional mining methods (which are estimated to recover Ten Million (10,000,000) tons) for a total of Forty Million (40,000,000) tons. If, by the dragline operation, Ark mines the Excess Amount, then Ark shall not be required to refund any of the $5,000,000 royalty concession to Lessor. If Ark does not mine the entire Excess Amount, then in accordance with the terms below, Lessor shall receive a refund in the proportion that the amount that Ark has not mined bears to such Excess Amount. An example of the above calculation is attached as Exhibit 1. The tonnages stated in this Section 1 are not to be construed as stipulations or representations as to the actual recoverable tonnage and are for the sole and limited purpose of determining whether Lessor is entitled to a refund as stated above and to establish a method or formula to determine the extent of such refund.

If Ark places a dragline operation on the Hamilton Lease or Ark Lease, but closes its dragline operation without mining the Excess Amount, Ark shall then either (i) open another mine or mines on the property leased under either of the Leases, or (ii) refund the proportionate amount of the unrecovered $5,000,000 as described above. Ark shall have 90 days after closing (i.e. permanently ceasing to operate) the dragline to determine whether it desires to open a new mine or mines. If Ark does not give notice of such intention during the said 90 days, and Ark does not open such mine within one year after closing the dragline, then Ark shall forthwith refund the remaining proportionate amount.

If Ark opens such additional mine or mines after closing the dragline operation, then for coal mined from such new mines, in addition to production royalty, Ark shall pay to Lessor an additional royalty of $.25 per ton until such time as the proportionate amount of $5,000,000 which must be

refunded as described above, has in fact been refunded to Lessor. If after opening such mine or mines, mining terminates without Lessor having recovered the proportionate part of the $5,000,000 due it, then upon cessation of all mining, Ark shall forthwith pay the balance in a lump sum.

Notwithstanding any of the foregoing provisions if: (i) Ark takes any of said $.20 per ton reductions after execution hereof and on or before February 28, 1993, the Board of Directors of Ark's sublessee and of Arch Mineral Corporation have failed to approve the construction of a dragline on either of the Leases; or (ii) if such approval for the construction is obtained but Ark does not place an operating dragline on the Lessor's property within three (3) years from the Effective Date (such date three (3) years after the Effective Date being hereinafter referred to as the Termination Date), then upon the first to occur of such events, Ark shall fully and immediately refund in lump sum the total of the $.20 per ton reductions previously and actually taken by Ark.

Section 2. The Leases contain certain rights for Ark to extend the respective lease terms of each Lease. Upon the approval of the Board of Directors of Ark's Sublessee and the Board of Directors of Arch Mineral Corporation for the construction of a dragline on either of the Leases, which approval must be obtained, if at all, on or before February 28, 1993, Ark will forthwith in writing extend the Hamilton Lease for twenty (20) additional lease years from the date of the Board approval obtained pursuant to this Section 2 or until the exhaustion of all mineable and merchantable surface mineable coal leased by the Hamilton Lease, whichever is shorter. (Ark will have the right, but not the obligation to extend the Ark Lease as

provided in the Ark Lease.) Ark will have the right to obtain further extensions as provided for in the Hamilton Lease after such extended term expires. Any and all such extended terms shall expire upon exhaustion of all mineable and merchantable coal leased by the Hamilton Lease.

Section 3. (a) In the event Ark, its parent or affiliates, on or before February 28, 1993, acquires from a non-affiliated coal producing third party a contract to supply coal to a domestic utility (excluding metallurgical or export sales), or enters into a new contract to supply such coal which amends or replaces an existing contract supplied by a non-affiliated coal producing third party and Ark, its parent or affiliates, have paid good and valuable consideration to such non-affiliated coal producing third party (collectively the "Purchased Contract"), Ark will have an additional royalty adjustment as described below subject to the following conditions: (i) the Purchased Contract described above is acquired by Ark, its parent or affiliates after the date of the execution of this Amendment, and (ii) within 90 days of acquiring such Purchased Contract, Ark specifically identifies such Purchased Contract for the purpose of taking such deduction. As used herein, "specifically identifies" shall mean written notice stating that Ark elects to treat the contract as a Purchased Contract; identifies the parties thereto, and the term and tonnages to be supplied thereunder. If not prohibited by such Purchased Contract, Ark will provide Lessor a true copy thereof.

If the above conditions are met, then for coal mined from either of the Leases and sold pursuant to any such Purchased Contract, Ark will pay to Lessor, in lieu of the Production Royalty provided in the applicable Lease, Production Royalty based on a Base Gross Selling Price defined as Twenty-Five Dollars ($25.00) subject to the deductions contained in the applicable Lease, and subject to premium and penalty adjustments paid or incurred under the

Purchased Contract. Each quarter the Base Gross Selling Price shall be adjusted upward or downward in the same percentage that the price paid pursuant to such Purchased Contract has been adjusted during the immediately preceding adjustment period under the Purchased Contract. After Five (5) years from the identification of such Purchased Contract in accordance with the preceding paragraph, the then existing Base Gross Selling Price shall increase by One Dollar ($1.00) and shall be adjusted quarterly as set forth above. After Seven (7) additional years, the then existing Base Gross Selling Price shall increase by another One Dollar ($1.00) and shall be adjusted quarterly as set forth above.

(b) Ark, its parent or affiliates, may acquire other Purchased Contracts in like manner as in 3(a) within two (2) years of the Effective Date, provided however that the Base Gross Selling Price shall be and remain, during the term of such other Purchased Contract, Twenty Seven Dollars ($27.00) subject to the deductions contained in the applicable Lease, and subject to premium and penalty adjustments in such other Purchased Contract. Beginning with the Effective Date, each quarter the Base Gross Selling Price shall be adjusted upward or downward in the same manner (on a dollar for dollar basis) that the price paid pursuant to the first Purchased Contract acquired by Ark, its parent or affiliates has been adjusted during the immediately preceding adjustment period under such first purchased Contract. Upon acquisition of such other Purchased Contract the Base Gross Selling price thereunder shall be $27.00 plus the adjustments incurred in the Base Gross Selling Price from the Effective Date under the first Purchased Contract acquired pursuant to Section 3(a). After so establishing the Base Gross Selling price under such other Purchased Contract it shall thereafter be adjusted quarterly in accordance with the changes in price pursuant to the

terms of such other Purchased Contract, provided that such other Purchased Contract shall not be adjusted by One Dollar ($1.00) after Five (5) years and the subsequent Seven (7) years respectively as contained in Section 3(a).

(c) If Ark pays the Production Royalty reduced as set forth in this Section 3, and if the current Cincinnati Gas & Electric contract is displaced by such Purchased Contract, then notwithstanding the foregoing, through December 1995, the first 350,000 tons per year mined from the Leases shall be deemed sold to Cincinnati Gas & Electric, and such tons shall bear the production royalty contained in the applicable Lease prior to this Amendment, provided however that Ark shall be entitled to the deduction of $.20 per ton in accordance with Section 1 above.

(d) If Ark, its parent or affiliates, acquire or seek to acquire another Purchased Contract or Contracts after two (2) years from the Effective Date then the parties shall negotiate in good faith for a royalty reduction consistent with the purpose of this Section 3.

Section 4. If after three (3) years from the Effective Date, Ark has not constructed a dragline on Lessor's property, and Ark has taken royalty adjustments as described in Section 3 for Purchased Contracts, then Ark shall immediately refund the difference between the production royalty payable under the Leases and the Production Royalty paid pursuant to the terms of Section 3 herein.

Section 5. If after three (3) years from the identification of such Purchased Contract, the coal mined from the Leases does not supply all of the tonnages actually shipped under such Purchased Contract, and if coal is shipped under the Purchased Contract from a source other than the Leases, then

Ark will pay, on a number of tons actually mined and sold from the Leases equivalent to the number of tons supplied under the Purchased Contract by Ark or its Lessees from sources other than the Leases, subject to deductions allowable under the applicable Lease and herein, production royalty calculated pursuant to Section 3 hereof, or production royalty based upon the average gross selling price of all tons of coal mined and sold from the dragline mine on either of the Leases for that month pursuant to sales on the spot market, whichever is greater. "Sales on the spot market" shall mean sales made under purchase orders or agreements of less than one year of duration.

Section 6. Nothing contained in this Amendment shall require Ark to place a dragline upon the properties leased by the Leases.

Section 7. Ark and its lesses shall have the right, without further rent, royalty or charge, to enter on and upon the surface of the premises covered by the Ark Lease and/or the Hamilton Lease after the expiration or termination of such leases for the limited purpose of conducting, in a timely manner and in accordance with applicable law, all reclamation and related work necessary to secure final reclamation bond release until such time as final bond release is obtained. Notwithstanding the foregoing, after the expiration or termination of such Leases, Ark shall give reasonable notice to lessor prior to any entry upon the premises, shall not interfere with any then existing lessee and shall continue to be bound by Sections 10 (to the extent applicable), 13 and 16 of the Hamilton Lease and Sections 9 (to the extent applicable), 12 and 15 of the Ark Lease despite the expiration or termination of said Leases in other respects.

Section 8. This Amendment shall expire unless on or before February 28, 1993, the Board of Directors of Ark's sublessee and its parent,

Arch Mineral Corporation, shall have approved the expenditure of capital for the construction of a dragline on the property leased by the Hamilton Lease or Ark Lease. Ark shall immediately notify Lessor in writing of such Board of Director approval and deliver the Lease extension described in Section 2 hereof.

Section 9. This Amendment is conditioned upon and shall not be effective until this Amendment is approved by both the General Partners of Lessor and the Board of Directors of Ark. Notwithstanding the foregoing, the terms contained in Section 1 hereof are effective immediately, Ark and Lessor will use their best efforts to obtain such approvals on or before February 28, 1993 and within ten (10) days respectively. Upon such approval, each party shall immediately provide the other party with a certificate signed by an officer or general partner of such entity reflecting such requisite approval. The date on which both parties have both received such Board and Partnership approvals shall be the "Effective Date."

Section 10. This Amendment is binding upon each of the parties, their respective permitted successors and assigns.

Section 11. Except as amended hereby, all other terms of the Leases, as amended, remain in effect.

SHONK LAND COMPANY LIMITED PARTNERSHIP

By: /s/ J. S. Stevens, III

Its: Managing General Partner

ARK LAND COMPANY

By: [SIGNATURE APPEARS HERE]

Its: President

EXHIBIT 1

EXAMPLE 1
- ---------

Assuming, for example, that Ark mines 22,000,000 tons of coal by the dragline method, then:

1. Ark has mined 12,000,000 tons in excess of the amount mineable by conventional mining methods determined by subtracting the conventional method amounts (10,000,000) from the amount actually mined.

   22,000,000 - 10,000,000 = 12,000,000

2. Subtract the 12,000,000 tons in excess of the amount mineable by conventional methods from 30,000,000 tons (Excess Amount).

   30,000,000 - 12,000,000 = 18,000,000

3. If Ark does not open a new mine (which would increase the 22,000,000 tons actually recovered) then the proportion of excess coal not mined (in excess of conventional methods) bears to the Excess Amount of 30,000,000 is determined.

$$\frac{18{,}000{,}000}{30{,}000{,}000} = .60$$

4. Multiply the proportion determined in 3 above by $5,000,000 to determine the amount which Ark is required to refund.

   .60 x $5,000,000 = $3,000,000

EXAMPLE 2
- ---------

Assuming, for example, that Ark mines 50,000,000 tons, it will owe no refund to Lessor because it mined the entire Excess Amount.

EXAMPLE 3
- ---------

Assuming, for example, that Ark mines 5,000,000 tons, it will owe $1,000,000 because it failed to mine any of the Excess Amount and took the reduction of $.20 per ton

LEASE EXTENSION

THIS LEASE EXTENSION ("Agreement") is made and entered into this 16 day of February, 1993 between SHONK LAND COMPANY LIMITED PARTNERSHIP ("Shonk") a West Virginia limited partnership, and ARK LAND COMPANY ("Ark"), a Delaware corporation.

******RECITALS******

Shonk and Lawson W. Hamilton, Jr. entered into an Agreement of Lease dated February 8, 1983, as amended (the "Lease"), wherein Shonk leased certain property and the right to mine coal therefrom to Lawson W. Hamilton, Jr.

On July 30, 1989, Ark acquired the Lease by assignment from Lawson W. Hamilton, Jr. with the consent of Shonk.

Shonk and Ark desire to extend the term of the Lease as provided herein.

******

NOW, THEREFORE, the parties agree as follows:

1. The term of the Lease shall be extended for a term of twenty (20) additional lease years from the date of approval of the dragline capital expenditure by the Board of Directors of Ark's Sublessee and the Board of Directors of Arch Mineral Corporation or until exhaustion of all mineable and merchantable surface mineable coal from the property covered by the Lease, whichever is shorter. Ark will have the right to obtain further extensions as provided for in the Hamilton Lease after such extended term expires. Any and all such extended terms shall expire upon exhaustion of all mineable and merchantable coal leased by the Hamilton Lease.

2. All terms of the Lease, as amended, shall remain in effect.

The parties have caused this Aqreement to be executed the day and year set forth above.

SHONK LAND COMPANY LIMITED PARTNERSHIP

By: /s/ J. S. Stevens, III

Title: Managing General Partner

ARK LAND COMPANY

By: [SIGNATURE APPEARS HERE]

Title: Vice President

STATE OF WEST VIRGINIA)
) SS.
COUNTY OF KANAWHA)

I, the undersigned, a Notary Public, in and for said State and County aforesaid, do hereby certify that J. S. Stevens, III, personally known to me to be the same person whose name is as Managing General Partner of SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership, subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he, being thereunto duly authorized, signed, sealed with the seal of said corporation and delivered the said instrument as the free and voluntary act of said corporation and as his own free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 16th day of February, 1993.

/s/ Barbara Blake

Notary Public

My Commission Expires: 10-23-94

[SEAL OF NOTARY PUBLIC APPEARS HERE]

STATE OF ILLINOIS)
) SS.
COUNTY OF ST. CLAIR)

I, the undersigned, a Notary Public, in and for said State and County aforesaid, do hereby certify that Michael D. Bauersachs, personally known to me to be the same person whose name is as Vice President of ARK LAND COMPANY, a Delaware corporation, subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he, being thereunto duly authorized, signed, sealed with the seal of said corporation and delivered the said instrument as the free and voluntary act of said corporation and as his own free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and notarial seal this 15th day of February, 1993.

/s/ Johnna Huggins
Notary Public

My Commission Expires: [SEAL OF NOTARY PUBLIC APPEARS HERE]

THIS DOCUMENT PREPARED BY:

/s/ Miriam Rogers Singer
Miriam Rogers Singer, Counsel
Ark Land Company
P.O. Box 4187
Fairview Heights, IL 62208
(618) 236-9033

MODIFICATION OF AMENDMENT OF LEASES

THIS MODIFICATION OF AMENDMENT OF LEASES (the "Amendment"), is made and entered into this the 4th day of August, 1994, by and between SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership ("Lessor") and ARK LAND COMPANY, a Delaware corporation ("Lessee" or "Ark").

W I T N E S S E T H:

WHEREAS, Lessor and Lawson W. Hamilton, Jr. entered into an Agreement of Lease dated February 8, 1983 (the "Hamilton Lease"), wherein Lessor leased certain property and the right to mine coal therefrom to Lawson W. Hamilton, Jr.; and

WHEREAS, on July 30, 1989, Ark acquired the Hamilton Lease, as amended, by assignment from Lawson W. Hamilton, Jr., with the consent of Lessor; and

WHEREAS, Lessor and Ark entered into a certain Agreement of Lease, dated December 20, 1989 (the "Ark Lease"), wherein Lessor leased certain other property and the right to mine coal therefrom to Ark; and

WHEREAS, The Hamilton Lease and Ark Lease, as both have been variously amended from time to time, are sometimes referred to collectively as the "Leases" and the property leased under the Hamilton Lease and the Ark Lease is sometimes referred to as the "Premises"; and

WHEREAS, Ark subleased the Premises to Catenary Coal Company ("Catenary"), with the consent of Lessor; and

WHEREAS, Catenary is considering constructing and operating a coal preparation facility on the premises (the "Preparation Plant"); and

WHEREAS, To enhance the economic feasibility of constructing and operating the Preparation Plant, the parties have agreed to modify the production royalty obligation of Ark,

subject to the terms and conditions contained herein.

NOW, THEREFORE, based on the foregoing recitals, and the mutual covenants and conditions contained in the Ark Lease and the Hamilton Lease, the parties agree as follows:

SECTION 1

1.1 A new Lease Year under the Hamilton Lease shall begin effective January 1, 1995.Each Lease Year thereafter shall commence on January 1 and terminate on December 31 of each calendar year.

1.2 The minimum annual royalty payable under the Hamilton Lease shall be prorated to account for the shortened Lease Year as follows: On November 8, 1994, Ark shall pay to Lessor the sum of One Hundred One Thousand Nine Hundred Twenty-Three Dollars and Eight Cents ($101,923.08) as minimum annual royalty for the remainder of the current Lease Year. Commencing January 1 1995, Ark shall pay to Lessor the sum of Seven Hundred Thousand Dollars ($700,000.00), payable in advance, in equal quarterly payments of One Hundred Seventy-Five Thousand Dollars ($175,000.00) on the first day of January, April, July and October of each Lease Year. Commencing January 1, 2008, Ark shall pay to Lessor the sum of One Million Fifty Thousand Dollars ($1,050,000.00), payable in advance, in equal quarterly payments of Two Hundred Sixty-Two Thousand Five Hundred Dollars ($262,500.00) on the First day of January, April, July and October of each Lease Year.

SECTION 2

2.1 Ark shall be entitled to a royalty deduction as follows:

2.1.1 Commencing January 1,1995, and continuing thereafter through December 31, 1995, Ark shall be entitled to deduct $.50 per ton for all tons of coal mined and removed

under the Leases, or either of them, and processed through the Preparation Plant after calculation of the production royalty required under the Ark Lease or the Hamilton Lease, as both have been amended previously and herein amended.

2.1.2 For the purposes of this Agreement, "Preparation Plant" as referred to herein shall mean a modern and efficient coal processing facility designed, constructed or expanded so as to permit the eventual capacity to wash coal mined and removed from both surface and underground operations as contemplated by this Agreement.

2.1.3 Commencing January 1,1996, and continuing thereafter through December 31, 1999, Ark shall be entitled to deduct $.40 per ton for all tons of coal mined and removed under the Leases, or either of them, and processed through the Preparation Plant after calculation of the production royalty required under the Ark Lease or the Hamilton Lease, as both have been amended previously and herein amended.

2.1.4 Commencing January 1, 2000, and continuing thereafter through December 31, 2002, Ark shall be entitled to deduct $.30 per ton for all tons of coal mined and removed under the Leases, or either of them, and processed through the Preparation Plant after calculation of the production royalty required under the Ark Lease or the Hamilton Lease, as both have been amended previously and herein amended.

2.1.5 Commencing January 1, 2003, and continuing thereafter through December 31, 2004, Ark shall be entitled to deduct $.20 per ton for all tons of coal mined and removed under the Leases, or either of them, and processed through the Preparation Plant after calculation of the production royalty required under the Ark Lease or the Hamilton Lease, as both have been amended previously and herein amended.

2.1.6 Commencing January 1, 2005, and continuing thereafter through December 31, 2005, Ark shall be entitled to deduct $.10 per ton for all tons of coal mined and removed under the Leases, or either of them, and processed through the Preparation Plant after calculation of the production royalty required under the Ark Lease or the Hamilton Lease, as both have been amended previously and herein amended.

2.2 Notwithstanding anything herein to the contrary, if during any Lease Year the total royalty reduction taken under Section 2.1 shall equal the sum of Six Hundred Thousand Dollars ($600,000.00), then all further royalty reductions pursuant to Section 2.1 shall abate for the remainder of the Lease Year, provided, however, that the royalty reduction provided for in Section 2.1 shall recommence in the next succeeding Lease Year.

2.3 Notwithstanding anything herein to the contrary, if the total royalty reductions taken under Section 2.1 shall equal the sum of Three Million Dollars ($3,000,000.00), then all further royalty reductions pursuant to Section 2.1 shall immediately cease and terminate.

2.4 Notwithstanding anything herein to the contrary, if on or before December 31, 2000, Ark shall not have in operation a deep mine on either the Hamilton Lease or the Ark Lease (the "Additional Mines"), then all further royalty reductions pursuant to Section 2.1 shall immediately cease and terminate.

SECTION 3

3.1 Commencing January 1, 2001, and continuing through December 31, 2001, and for each calendar year thereafter, Ark shall mine and remove no less than Three Hundred Sixty Thousand (360,000) clean tons of coal from the Additional Mines, or either or them. This requirement shall hereinafter be referred to as the "Minimum Tonnage Requirement."

3.2 If Ark fails to mine and remove the Minimum Tonnage Requirement in any lease year as set forth in Section 3.1, then Ark shall not, in any succeeding Lease Year, be entitled to take the royalty reduction provided for in Section 2.1 and Section 2.1 shall become null and void and to have no effect in any subsequent Lease Year regardless of the amount of coal mined and removed from either of the Leased Properties.

3.3 The Minimum Tonnage Requirement provided for in this Section 3 shall not be deemed to be cumulative.

SECTION 4

4.1 Effective on the date on which coal is first processed through the Processing Plant, Ark shall pay to Lessor the sum of five and three-quarters percent (5.75%) of the gross sales price, as defined by the Leases, as amended, for all Rash Coal, as hereinafter defined, mined, not cleaned, and sold pursuant to the terms of the Leases.

4.2 For purposes of calculating the royalty due Lessor under this Section 4, the term "Rash Coal" shall mean any coal mined and sold pursuant to the terms of the Leases having an average gross selling price per ton of less than Fifteen Dollars ($15.00), as defined pursuant to the terms of the Leases.

4.3 All royalty deductions and adjustments provided for in the Leases, as previously amended and as amended herein, shall apply to royalties payable on Rash Coal.

4.4 All coal sold pursuant to Sections 4.1 and 4.2 will not be included as part of the tonnage requirement schedules provided for in Section 5 of the Hamilton Lease.

SECTION 5

This Amendment shall be binding upon each of the parties and their respective permitted

successors and assigns.

SECTION 6

Except as amended hereby, all other terms of the Leases, as amended, remain in effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year set forth above.

SHONK LAND COMPANY LIMITED PARTNERSHIP

By: [SIGNATURE ILLEGIBLE]
Its: Managing General Partner

ARK LAND COMPANY

By: [SIGNATURE ILLEGIBLE]
Its: Exec. Vice President

LETTER AGREEMENT

This binding Letter Agreement effective the 1st day of October, 1995, by and between SHONK LAND COMPANY LIMITED PARTNERSHIP ("Shonk") and ARK LAND COMPANY ("Ark").

WHEREAS, Shonk leases to Ark coal properties in Boone and Kanawha County, West Virginia through lease documents commonly known by the parties as Shonk I (Hamilton Lease); and

WHEREAS, the parties are currently involved in binding arbitration to resolve several issues in dispute and desire to settle these issues amicably outside the current litigation. These issues relating to arbitration are described in various documents exchanged by the parties since September, 1994; and

WHEREAS, the purpose of this Letter Agreement is to establish and bind the parties to a settlement of the arbitration issues and all leases, amendments and agreements heretofore entered into by the parties shall remain in full force and effect, except as herein specifically modified.

THEREFORE, in consideration of the above recitals and the mutual promises and covenants contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Ark and Shonk agree as follows:

1. Ark shall keep and not be required to repay the disputed $933,243.65.

2. Ark shall continue to receive credit for the Dragline Deduction and Preparation Plant Deduction as a direct deduction from production royalty under the Shonk I and Shonk II Leases. The parties agree that the deductions for the dragline and

preparation plant shall be applied in a manner identical to that set forth in the September 25, 1995 Ark Royalty Report.

3. Effective October 1, 1995 Ark shall not be entitled to include transloading fees as Allowable Transportation Cost for coal which is trucked, transloaded and sold F.O.B. barge. As to any other coal trucked, transloaded, and sold F.O.B., any other destinations Ark shall be entitled to deduct transloading as an allowable transportation cost if such transloading is incurred after the loading of the coal on the initial barge. Shonk will not be required to pay any alleged past due amount to Ark associated with and for any claimed transloading expenses.

4. Ark shall be entitled to deduct all Allowable Transportation Cost outside the leased premises, except as specifically set forth herein.

5. Ark shall, upon execution of this document, deliver to Shonk $200,000.00 as payment for all disputed past royalty amounts claimed by Shonk in the arbitration.

6. Effective October 1,1995 the Shonk I Lease shall be deemed to be amended to create three (3) different categories of royalty calculations based on the "gross sales price" as defined therein, which are as follows:

A. Gross sales price equal to or less than $15/per ton (rash coal).

Fixed royalty rate of 5.75%.

"Allowable Transportation Cost" as defined in the Shonk 1 Lease agreement may be deducted before calculating the royalty.

The $15/ton coal (rash coal) shall not be included in the amount of tonnage used for the graduated tonnage rate designated in the Shonk I Lease.

B. Gross sales price greater than $15/ton but equal to or less than $30/ton.

Fixed rate royalty of 6%.

No deductions except the Dragline Deduction and Preparation Plant Deduction where applicable.

Coal sold for a gross sales price greater than $15.00 but equal to or less than $30.00 per ton shall not be included in the amount of tonnage used for the graduated tonnage rate designated in the Shonk I Lease.

C. Gross Sales price greater than $30/ton.

Included in graduated royalty rates described in Shonk I Lease.

Allowable Transportation Cost as defined in the Shonk I Lease may be deducted before calculating the royalty.

The parties also agree that for the purposes of this Section gross sales price shall be determined on a monthly weighted average by customer by order.

7. The parties agree that effective October 1,1995 production royalties under the Shonk I and Shonk II Leases shall be paid and deductions taken on "sold" tons. The parties also agree that royalty adjustments due to increases or decreases in gross sales price as a result of quality premiums or penalties shall be made at the royalty rate in effect at the time the coal was sold. Ark agrees to make a good faith estimate of any premium/penalty for the month coal is sold and pay royalties at the rate then in effect on the gross sales price adjusted for the estimated premium or penalty.

8. The allocation of transportation expenses between in-lease and outside of lease is inherently one of a factual nature. Therefore, the parties hereto agree that the allocation of said expenses and the corresponding amount per ton to be added back to

gross sales before the royalty calculation will be calculated on a yearly basis based upon the actual transportation contract entered by Ark's sublessee for transportation of the coal from the lease. This determination will be made prior to the first royalty report of each year. Ark agrees to provide sufficient information and documentation to enable Shonk to verify such rate. However, the parties hereto agree that the amount to be added back to gross sales per ton in-lease transportation for the remainder of 1995 will be $0.80 per ton and shall remain at such rate until such time as the transportation contract is amended.

9. The parties agree that for the purposes of the quarterly adjustments of the Base Gross Selling price under the AEP/Cardinal Contract identified pursuant to the December 5,1992 Amendment of Leases any changes in price under the AEP/Cardinal Contract shall be determined on an F.O.B. Barge basis regardless of the actual point of delivery.

10. This Letter Agreement shall be effective as of October 1, 1995 and all payments and calculations made with respect to coal sold after said date shall incorporate the provisions of this Agreement. Except as provided herein, the parties agree that all amounts due to Shonk and/or Ark on the disputed arbitrable issues have been fully paid through October 1,1995 and that all issues raised pursuant to the Simpson & Osborne Audit dated August 31,1994 shall be deemed to be resolved. The parties also hereby agree that as of the date hereof the Shonk I Lease is in full force and effect and there exist

under the lease no known default, or known event, which with the passage of time or giving of notice, or both, may constitute a default, and all notices of default heretofore given are withdrawn.

ARK LAND COMPANY

By: [SIGNATURE ILLEGIBLE]
Title: President

SHONK LAND COMPANY LIMITED PARTNERSHIP

By: [SIGNATURE ILLEGIBLE]

Title: Managing Senior Partner

[NOTARY SEAL APPEARS HERE]

STATE OF MISSOURI ,

COUNTY OF ST. LOUIS , to wit:

The foregoing instrument was acknowledged before me this 1st day of October, 1995, on behalf of ARK LAND COMPANY, by David Peugh, its President.

My commission expires 9-1-96.

[SIGNATURE ILLEGIBLE]
Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to wit:

The foregoing instrument was acknowledged before me this 27th day of October, 1995, on behalf of SHONK LAND COMPANY LIMITED PARTNERSHIP, by J.S. Stevens III, its Managing General Partner.

My commission expires 10-23-04.

/s/ Barbara Blake
Notary Public

[NOTARY SEAL APPEARS HERE]

AGREEMENT

THIS AGREEMENT made this 27th day of November, 1996 by and between ARK LAND COMPANY, a Delaware corporation. and SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership.

WHEREAS, Ark is the Lessee on certain tracts of land owned by Shonk pursuant to a Lease dated February 8. 1983, known as the Hamilton or Shonk I Lease. and a Lease dated December 20. 1989 known as the Shonk II or Ark Lease:

WHEREAS, Ark is desirous of obtaining certain concessions pertaining to the above-mentioned leases; and

WHEREAS, Shonk is willing to grant said concessions if Shonk is also granted certain concessions as to said Leases: and

WHEREAS, the parties wish to memorialize their agreement and the various concessions:

NOW, THEREFORE, WITNESSETH, the following Agreement:

1. The parties agree to enter into an amendment of the Shonk II Lease which is attached hereto as Exhibit AA and incorporated herein by this reference and agree to abide by the terms and conditions contained therein.

2. Shonk agrees to allow Ark (and its lessee) and American Electric Power to relocate the 138 KV power line presently located on Shonk's property to a the new location and according to the terms of that certain Memorandum of Understanding attached hereto as Exhibit BB and incorporated herein by this reference and the attached map. Shonk will have no obligation as to any cost or expense of this relocation, and Ark agrees to indemnify Shonk for

any such cost or expense of said relocation.

3. Shonk will allow Ark (or its lessee Catenary Coal) to dispose of used tires on Shonk's property according to the terms of that certain Consent and Indemnification Agreement attached hereto as Exhibit CC which includes the attendant attorney's opinion. surface owner s consent and regulatory consent letter.

4. The above-mentioned Leases and any other agreements between the parties other than as amended above shall remain in full force and effect.

5. The individuals executing this Agreement verify that they have full corporate authority in the case of Ark, and full partnership authority in the case of Shonk, to execute and enter into this Agreement.

6. The parties agree to execute the attached agreements which constitute exhibits to this Agreement simultaneous with its execution of this Agreement.

IN WITNESS WHEREOF. Shonk has caused this Agreement to be signed in its partnership name by its Managing General Partner and Ark has caused this Agreement to be signed by a duly authorized person, all of the day and year first above written.

SHONK LAND COMPANY LIMITED
PARTNERSHIP, a West Virginia
limited partnership

By: /s/ J. S. Stevens, III

Its: Managing General Partner

ARK LAND COMPANY, a Delaware corporation

By: [SIGNATURE APPEARS HERE]

Its: President

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 13th day of December 1996, by J. S. Stevens, III, Managing General Partner of Shonk Land Company Limited Partnership, a limited partnership.

My commission expires April 8, 2002.

/s/ Dena Ann Belisle

NOTARY PUBLIC

[OFFICIAL SEAL OF NOTARY PUBLIC APPEARS HERE]

STATE OF MISSOURI,

COUNTY OF ST. LOUIS, to-wit:

The foregoing instrument was acknowledged before me this 27th day of November, 1996, by Steven E. McCurdy, President of Ark Land Company, a Delaware corporation.

My commission expires 5/14/2000

/s/ Johnna Huggins

NOTARY PUBLIC

[OFFICIAL SEAL OF NOTARY PUBLIC APPEARS HERE]

EXHIBIT AA

LEASE AMENDMENT

THIS LEASE AMENDMENT, made and entered into this ____ day of _____, 1996, by and between SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership ("Lessor") and ARK LAND COMPANY, a Delaware corporation ("Lessee" or "Ark").

WHEREAS, Lessor and Ark entered into an Agreement of Lease dated December 20, 1989 (known as the Shonk II Lease and/or the Ark Lease), wherein Lessor leased certain property and the right to mine coal therefrom to Ark; and

WHEREAS, the Shonk II Lease has been amended on previous occasions of which the lease and its amendments are collectively referred to as the "Lease"; and

WHEREAS, the Lessor and Ark desire to once again amend the Shonk II Lease; and

WHEREAS, the parties wish to memorialize said amendment subject to the terms and conditions contained herein.

NOW, THEREFORE, based on the foregoing recitals and mutual covenants and the conditions contained in the Shonk II Lease and this Amendment, the parties agree as follows:

l. Effective January 1, 1997, Paragraph 4.1 of the Shonk II Lease shall be amended to and the minimum royalty shall be amended as follows:

4.1 Lessee agrees to pay the Lessor as a guaranteed minimum royalty (GMR) the sum of One Million Twenty Thousand Dollars ($1,020,000.00) for each and every lease year during the term of this Lease. As used herein, a lease year shall mean from January 1st to December 31st of each year. The GMR for each and every lease year shall be due and payable in equal monthly installments of Eighty-Five Thousand Dollars ($85,000.00) payable on the 25th day of each month during the term of this Lease.

2. Effective upon the date of this Amendment, Ark hereby releases to Lessor, and Lessor hereby accepts from Ark, all of the coal in all seams below the Coalburg Seam of coal in Tract One (1) of the Shonk II Lease. Tract One (1) of the Shonk II Lease is more particularly shown on the map attached hereto as Exhibit A. The result of this release is that the Shonk II Lease will have no applicability or effect as to the above-mentioned coal.

3. All other terms and conditions of the Shonk II Lease and its amendments shall remain in full force and effect.

4. This Amendment is binding upon each of the parties, their respective successors and assigns.

5. The individuals executing this Agreement verify that they have full corporate authority in the case of Ark, and full partnership authority in the case of Shonk, to execute and enter into this Amendment.

LESSOR:

SHONK LAND COMPANY LIMITED PARTNERSHIP, a West Virginia limited partnership

By:_____

Its:_____

LESSEE:

ARK LAND COMPANY, a West Virginia corporation

By:_____

Its:_____

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this _____ day of _____, 1996, by J. S. Stevens, III, Managing General Partner of Shonk Land Company Limited Partnership, a limited partnership.

My commission expires _____.

_____
NOTARY PUBLIC

STATE OF _____,

COUNTY OF_____, to-wit:

The foregoing instrument was acknowledged before me this ____ day of _____, 1996, by _____, _____, of Ark Land Company, a West Virginia corporation.

My commission expires _____.

_____
NOTARY PUBLIC

EXHIBIT BB

MEMORANDUM OF UNDERSTANDING

THIS AGREEMENT, made this ___ day of _____, 1996, between SHONK LAND COMPANY LIMITED PARTNERSHIP, ARK LAND COMPANY, CATENARY COAL COMPANY AND APPALACHIAN POWER COMPANY (hereinafter called "Appalachian"), will serve as the agreement whereby the parties hereto have agreed to the terms by which Appalachian will relocate a section of its Baileysville-Kanawha electric transmission line in order to accommodate mining plans of Catenary Coal Company.

Whereas, Shonk Land Company and its lessees, through Agreement dated January 19, 1953, of record in the Boone County, West Virginia Clerk's office in Deed Book 76 at page 53 and in the Kanawha County, West Virginia Clerk's office in Deed Book 1038 at page 357 and through Agreement dated December 1, 1953, of record in the Boone County, West Virginia Clerk's Office in Contract Book 26, at page 1, granted Appalachian Electric Power Company (predecessor in title to Appalachian Power Company) an easement to construct, erect, operate and maintain a line or lines for the purpose of transmitting electric or other power in, on, along, over, through or across their lands; and,

Whereas, Catenary Coal Company, sublessee of Shonk Land Company, has requested that Appalachian relocate a portion of its Baileysville-Kanawha electric transmission line covered by the above two referenced Agreements to accommodate the mining of coal; and,

Whereas, Catenary Coal Company has agreed the total cost of said relocation shall be borne by Catenary Coal Company; and,

Whereas, Appalachian has agreed to relocate its said facilities to accommodate said mining of coal as shown on Exhibit "A" attached hereto:

It is agreed between the parties hereto that:

l. Appalachian will relocate its Baileysville-Kanawha electric transmission line as shown on Exhibit "A" no later than _____ to accommodate the mining of Catenary Coal Company, and Shonk Land Company agrees to the new location on its lands as shown on Exhibit "A".

2. Subsequent to the completion of the physical relocation of said electric transmission line, the parties hereto agree that the existing two Agreements cited above will be amended in so far as the centerline of the easement is concerned but otherwise the terms and conditions of said two Agreements shall remain in full force and effect. Appalachian shall prepare a supplemental right of way Agreement to accomplish the amendment which shall be executed by the parties hereto and recorded in the Clerk's Offices.

3. The total cost of said relocation shall be borne by Catenary Coal Company.

IN TESTIMONY WHEREOF, the parties hereto have executed this Memorandum of Understanding as of the day and year first above written

SHONK LAND COMPANY LIMITED PARTNERSHIP

By:_____

Its:_____

ARK LAND COMPANY

By:_____

Its:_____

CATENARY COAL COMPANY

By:_____

Its:_____

APPALACHIAN POWER COMPANY

By:_____
Vice-President

EXHIBIT A
Memorandum of Understanding

[MAP APPEARS HERE]

EXHIBIT CC

Consent and Indemnification Agreement

THIS CONSENT AND INDEMNIFICATION AGREEMENT (the "Agreement") is made and effective this the 31st day of July, 1996, by and between Arch Mineral Corporation, a Delaware corporation ("Arch"), Ark Land Company, a Delaware Corporation ("Ark") and Catenary Coal Company, a Delaware corporation ("Catenary") and Shonk Land Company Limited Partnership, a West Virginia Limited Partnership ("Shonk").

WHEREAS, Shonk has leased certain coal and mining rights located in Kanawha County, West Virginia to Ark, and, with the consent of Shonk, Ark has subleased such coal and mining rights to Catenary; and

WHEREAS, such coal and mining rights are hereinafter referred to as the "Premises"; and

WHEREAS, Ark is a wholly owned subsidiaries of Arch; and

WHEREAS, Catenary is a wholly owned subsidiary of Catenary Coal Holdings, Inc., and Catenary Coal Holdings, Inc. is a wholly owned subsidiary of Arch; and

WHEREAS, Catenary desires to dispose of waste tires used in conjunction with its mining operations on the Premises; and

WHEREAS, Shonk has agreed to consent to such disposal on the express condition that Arch and Ark indemnify and save Shonk harmless from and against any and all liabilities, losses, claims, damages or demands which arise out of or are attributable to the disposal by Catenary of waste tires on the Premises.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Upon execution of this Agreement, Shonk shall execute the Surface Owner's Consent, in the form of Exhibit 1, attached hereto and made a part hereof.

2. Arch, Ark and Catenary shall indemnify and hold harmless Shonk from and against any losses or damages (a) arising out of or attributable to Catenary's failure to dispose of waste tires in full and strict compliance with all statutes, rules, regulations and

requirements of any federal, state or local governmental authority or agency governing the disposal of waste tires on the Premises, including, but not limited to, that certain Memorandum of Understanding dated November 10, 1994, by and between the Office of Waste Management of the West Virginia Division of Environmental Protection, and the Office of Mining and Reclamation of the West Virginia Division of Environmental Protection and (b) arising out of or related to any future remedial actions with respect to the existence of any such waste tires placed on or under the Premises by Catenary and required to be taken by any federal, state or local governmental authority or agency pursuant to any future statutes, rules, and regulations governing the disposal of waste tires on the Premises, regardless of whether Catenary shall have complied with all statutes, rules, and regulations of any federal, state or local governmental authority or agency governing the disposal of waste tires on the Premises now existing or existing at the time of any such disposal.

4. Upon execution of this Agreement, Arch shall deliver to Shonk the Opinion of Jeffry N. Quinn, Esq., in the form of Exhibit 2, attached hereto and made a part hereof.

5. This Agreement and the exhibits attached hereto constitute the entire agreement and understanding of the parties in respect to the transaction contemplated hereby. All prior agreements, arrangements and understandings of the parties relating to the subject matter hereof are hereby superseded, and this Agreement shall not be modified, supplemented or changed in whole or in part other than by an agreement in writing signed by all parties hereto or their respective successors or assigns.

6. This Agreement shall be binding and shall inure to the benefit of the parties hereto, their successors and assigns.

7. This Agreement may be executed in one or more counterparts, each of which shall be deemed a original and all of which together shall constitute one agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day first above written.

Arch Mineral Corporation

By:_____

Its:_____

Ark Land Company

By:_____

Its:_____

Catenary Coal Company

By:_____

Its:_____

Shonk Land Company Limited Partnership

By:_____

Its:_____

Exhibit 1

Surface Owner's Consent

Shonk Land Company Limited Partnership, a West Virginia Limited Partnership hereby certifies that Catenary Coal Company shall be allowed to place waste tires, as defined by that certain Memorandum of Understanding dated November 10, 1994, by and between the Office of Waste Management of the West Virginia Division of Environmental Protection, and the Office of Mining and Reclamation of the West Virginia Division of Environmental Protection, on that certain property owned by Shonk Land Company and encompassed by West Virginia Surface Mining Permit No.3024-90 and 3004-95.

Shonk Land Company Limited Partnership

By: _____

Its: _____

STATE OF _____)
) SS.
COUNTY OF _____)

Sworn to and subscribed before me this ___ day of July, 1996 by _____ as _____ of Shonk Land Company Limited Partnership, a West Virginia limited partnership, on behalf of said limited partnership.

_____
Notary Public
My Commission Expires:

Exhibit 2

July 31, 1996

Shonk Land Company Limited Partnership
P.O. Box 969
Charleston, WV 25324

Gentlemen:

I have acted as counsel to Arch Mineral Corporation, a Delaware corporation ("Arch"), Ark Land Company, a Delaware Corporation, and Catenary Coal Company ("Catenary"), a Delaware corporation, in connection with the Consent and Indemnification Agreement, dated July 31, 1996 (the "Agreement"), by and between Arch, Catenary and Shonk Land Company Limited Partnership ("Shonk").

This opinion is being delivered pursuant to Section 4 of the Agreement. Unless otherwise defined herein, capitalized terms used herein are defined as set forth in the Agreement.

I have participated in the preparation of, and have reviewed executed copies of the Agreement, have reviewed the Exhibits attached thereto, and have familiarized myself with Catenary's plan for disposal of waste tires on the Premises. As to questions of fact material to the opinions expressed herein, I have, when relevant facts were not independently established by me examined and relied upon the representations of the officers or other representatives of Arch, Catenary, Ark Land Company, or of public officials. Having regard for the foregoing considerations and such other considerations as I deem relevant, I am of the opinion that, upon Shonk's consent to Catenary's disposal of waste tires on the Premises and after all necessary revisions to Catenary's permit, Catenary's plan for disposal of waste tires on the Premises conforms to all requirements of any federal, state or local governmental authority or agency governing the disposal of waste tires on the Premises, including but not limited to, that certain Memorandum of Understanding dated November 10, 1994, by and between the Office of Waste Management of the West Virginia Division of Environmental Protection, and the Office of Mining and Reclamation of the West Virginia Division of Environmental Protection.

The opinions set forth herein are rendered only to you and are solely for your benefit in connection with the Agreement. The opinions set forth herein may not be relied upon by you for any other purpose or relied upon by any other person for any purpose without our prior written consent.

This opinion letter is governed by, and shall be interpreted in accordance with, the legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, and this Opinion Letter should be read in conjunction therewith.

Very truly yours,

Jeffry N. Quinn

Consent and Indemnification Agreement

THIS CONSENT AND INDEMNIFICATION AGREEMENT (the "Agreement") is made and effective this the 31st day of July, 1996, by and between Arch Mineral Corporation, a Delaware corporation ("Arch"), Ark Land Company a Delaware Corporation ("Ark") and Catenary Coal Company, a Delaware corporation ("Catenary") and Shonk Land Company Limited Partnership, a West Virginia Limited Partnership ("Shonk").

WHEREAS, Shonk has leased certain coal and mining rights located in Kanawha County, West Virginia to Ark, and, with the consent of Shonk Ark has subleased such coal and mining rights to Catenary; and

WHEREAS, such coal and mining rights are hereinafter referred to as the "Premises"; and

WHEREAS, Ark is a wholly owned subsidiaries of Arch; and

WHEREAS, Catenary is a wholly owned subsidiary of Catenary Coal Holdings, Inc., and Catenary Coal Holdings Inc. is a wholly owned subsidiary of Arch; and

WHEREAS, Catenary desires to dispose of waste tires used in conjunction with its mining operations on the Premises, and

WHEREAS, Shonk has agreed to consent to such disposal on the express condition that Arch and Ark indemnify and save Shonk harmless from and against any and all liabilities, losses, claims, damages or demands which arise out of or are attributable to the disposal by Catenary of waste tires on the Premises.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Upon execution of this Agreement, Shonk shall execute the Surface Owner's Consent, in the form of Exhibit 1, attached hereto and made a part hereof.

2. Arch, Ark and Catenary shall indemnify and hold harmless Shonk from and against any losses or damages (a) arising out of or attributable to Catenary's failure to dispose of waste tires in full and strict compliance with all statutes, rules, regulations and

requirements of any federal, state or local governmental authority or agency governing the disposal of waste tires on the Premises, including, but not limited to, that certain Memorandum of Understanding dated November 10,1994, by and between the Office of Waste Management of the West Virginia Division of Environmental Protection, and the Office of Mining and Reclamation of the West Virginia Division of Environmental Protection and (b) arising out of or related to any future remedial actions with respect to the existence of any such waste tires placed on or under the Premises by Catenary and required to be taken by any federal, state or local governmental authority or agency pursuant to any future statutes, rules, and regulations governing the disposal of waste tires on the Premises, regardless of whether Catenary shall have complied with all statutes, rules, and regulations of any federal, state or local governmental authority or agency governing the disposal of waste tires on the Premises now existing or existing at the time of any such disposal.

4. Upon execution of this Agreement, Arch shall deliver to Shonk the Opinion of Jeffry N. Quinn, Esq., in the form of Exhibit 2, attached hereto and made a part hereof.

5. This Agreement and the exhibits attached hereto constitute the entire agreement and understanding of the parties in respect to the transaction contemplated hereby. All prior agreements, arrangements and understandings of the parties relating to the subject matter hereof are hereby superseded, and this Agreement shall not be modified, supplemented or changed in whole or in part other than by an agreement in writing signed by all parties hereto or their respective successors or assigns.

6. This Agreement shall be binding and shall inure to the benefit of the parties hereto, their successors and assigns.

7. This Agreement may be executed in one or more counterparts, each of which shall be deemed a original and all of which together shall constitute one agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day first above written.

Arch Mineral Corporation

By: [SIGNATURE ILLEGIBLE]

Its: Vice President

Ark Land Company

By: [SIGNATURE ILLEGIBLE]

Its: President

Catenary Coal Company

By: [SIGNATURE ILLEGIBLE]

Its: Vice President

Shonk Land Company Limited Partnership

By: J. S. Stevens, III

Its: Managing General Partner

Exhibit 1

Surface Owner's Consent

Shonk Land Company Limited Partnership, a West Virginia Limited Partnership hereby certifies that Catenary Coal Company shall be allowed to place waste tires, as defined by that certain Memorandum of Understanding dated November 10, 1994, by and between the Office of Waste Management of the West Virginia Division of Environmental Protection, and the Office of Mining and Reclamation of the West Virginia Division of Environmental Protection, on that certain property owned by Shonk Land Company and encompassed by West Virginia Surface Mining Permit No.3024-90 and 3004-95.

Shonk Land Company Limited Partnership

By: _____

Its: _____

STATE OF West Virginia)
) SS.
COUNTY OF _____)

Sworn to and subscribed before me this ___ day of July, 1996 by _____ as _____ of Shonk Land Company Limited Partnership, a West Virginia limited partnership, on behalf of said limited partnership.

_____
Notary Public
My Commission Expires:

Exhibit 2

July 31, 1996

Shonk Land Company Limited Partnership
P.O. Box 969
Charleston, WV 25324

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The opinions set forth herein are rendered only to you and are solely for your benefit in connection with the Agreement. The opinions set forth herein may not be relied upon by you for any other purpose or relied upon by any other person for any purpose without our prior written consent.

This opinion letter is governed by, and shall be interpreted in accordance with, the legal opinion Accord (the "Accord") of the ABA Section of Business Law (1991). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, and this Opinion Letter should be read in conjunction therewith.

Very truly yours,

Jeffry N. Quinn

EXHIBIT 10.10

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SERIAL NUMBER
W-72989

COAL LEASE

This lease, is entered into on August 10, 1981, by the United States of America, the lessor, through the Bureau of Land Management, and

Medicine Bow Coal Company
500 North Broadway.
St. Louis, Missouri 63102

the lessee, and shall become effective on September l, 1981.

Sec. 1. STATUTES AND REGULATIONS This lease is issued pursuant and subject to the terms and provisions of the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sections 181-287, hereafter referred to as the Act, and of the Surface Mining Control and Reclamation Act of 1977, 30 U.S.C. Section 1201 et seq., the Federal Coal Leasing Amendments Act of 1976, as amended, 90 Stat. 1083-1092, and in the case of acquired lands, the Mineral Leasing Act for Acquired Lands of September 7, 1947, as amended, 30 U.S.C. 351-359 et seq. This lease is also subject to all regulations of the Secretary of the Interior (including, but not limited to, 30 CFR Part 211 and Chapter VII and 43 CFR Group 3400), and to all regulations of the Secretary of Energy promulgated pursuant to Section 302 of the Department of Energy Organization Act of 1977, 42 U.S.C. Section 7152, which are now in force or (except as expressly limited herein) hereafter in force, and all of such regulations are made a part hereof.

WITNESSETH:

Sec. 2. RIGHTS OF LESSEE The lessor, in consideration of any bonus paid (or to be paid if deferred), rents and royalties and other conditions hereinafter set forth, hereby grants and leases to the lessee the exclusive right and privilege to mine and dispose of all surface minable coal in the following described tracts (leased lands) situated in the State of Wyoming, County of Carbon:

6th Principal Meridian, Wyoming

T. 23 N., R. 83 W.,
sec. 4, lots 1 to 4, inclusive, S 1/2N 1/2, and S 1/2 (All);
sec. 6, lots 1 to 7, inclusive, S 1/2NE 1/4, SE 1/4NW 1/4, E 1/2SW 1/4, and SE 1/4 (All);
sec. 18, lots 1 to 4, inclusive, E 1/2, and E 1/2W 1/2 (All);
sec. 30, lots 3 and 4, E 1/2, and E 1/2SW 1/4.

T. 24 N., R. 83 W.,
sec. 30, lots 2, 3, and 4, S 1/2NE 1/4, SE 1/4NW 1/4, E 1/2SW 1/4, and SE 1/4;
sec. 32, All.

T. 23 N., R. 84 W.,
sec. 12, All;
sec. 24, E 1/2NE 1/4NE 1/4.

T. 24 N., R. 84 W.,
sec. 36, NE 1/4, E 1/2NW 1/4, and E 1/2SE 1/4.

containing 4,442.66 acres, more or less and, subject to the conditions, limitations, and prohibitions provided in this lease and in applicable acts and regulations, the right to construct on the leased lands all works, buildings, structures, equipment, and appliances which may be necessary and convenient for the mining and preparation of the coal for market, and subject to the conditions herein, provided, to use so much of the surface as may reasonably by required in the exercise of the rights and privileges herein granted for a period of 20 years and so long thereafter as the condition of continued operation is met.

Sec. 3. DILIGENT DEVELOPMENT AND CONTINUED OPERATION - The lessee shall engage in the diligent development of the coal resources subject to the lease. After diligent development is achieved, the lessee shall maintain continued operation of the mine or mines on the leased lands. The terms "diligent development" and "continued operation" are defined in the applicable regulations in Titles 10, 30 and 43 of the Code of Federal Regulations.

Sec. 4. BOND - The lessee shall file with the appropriate Bureau of Land Management office a lease bond in the amount of $25,000.00, for the use and benefit of the United States, to insure payment of deferred bonus payments, rentals, and royalties and to insure compliance with all other items of this lease, the regulations and the Act (except for reclamation within the area covered by a surface mining permit issued under the permanent regulatory program by the regulatory authority) and, if appropriate, for the protection of the interests of the surface owners on the leased lands. An increase in the amount of the lease bond may be required by the lessor at any time during the life of the lease to reflect changed conditions.

Sec. 5. RENTAL - An annual rental of $3.00 for each acre or fraction thereof shall be paid in advance on or before the anniversary date of this lease. This section shall not be subject to revision except in the course of lease readjustment.

Sec. 6. PRODUCTION ROYALTY - The lessee shall pay a production royalty of 12.5 percent of the value of coal produced by strip or auger mining methods. The value of coal shall be determined as set forth in the regulations in 30 CFR 211. Production royalties paid for a calendar month shall be reduced by the amount of any advance royalties paid under this lease to the extent that such advance royalties have not been used to reduce production royalties in a previous month. However, production royalties payable after the 20th year of the lease shall not be reduced by advance royalties paid during the first 20 years of the lease. Production royalties shall be payable the final day of the month succeeding the calendar month in which the coal is sold, unless otherwise specified in 30 CFR 211. The royalty rates provided in this section shall not be subject to revision except in the course of lease readjustment.

Sec. 7. ADVANCE ROYALTY - Upon request by the lessee the District Mining Supervisor may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of the condition of continued operation consistent with the regulations in 43 CFR 3473 and 30 CFR 211. The advance royalty shall be based on a percent of the value of a minimum number of tons which shall be determined in the manner established by the regulations in 43 CFR 3473.

Sec. 8. METHOD OF PAYMENTS - The lessee shall make rental payments to the appropriate Bureau of Land Management (BLM) office until production royalties become payable. Thereafter, all rentals, production royalties and advance royalties shall be paid to the appropriate office of the United States Geological Survey.

Sec. 9. EXPLORATION PLAN - The lessee shall not commence any exploration, except casual use, on the leased lands without an approved exploration plan. Exploration plans for leased lands covered by an approved mining permit shall be submitted to the Regional Director of the Office of Surface Mining in accordance with the regulations in 30 CFR Chapter VII. Exploration plans for leased lands not covered by an approved mining permit shall be submitted to the District Mining Supervisor in accordance with the regulations in 30 CFR 211.

Sec. 10. MINING PLAN - In accordance with the regulations in 30 CFR 211 and Chapter VII, the lessee shall submit a mining and reclamation plan not more than three years after the effective date of this lease. Mining operations shall not commence until after the mining and reclamation plan is approved. The mining and reclamation shall be conducted in accordance with the approved mining and reclamation plan. Exploration activities which were not included in the approved mining and reclamation plan require submittal of exploration plans in accordance with Section 9 of this lease.

Sec. 11. LOGICAL MINING UNIT (LMU) - This lease is automatically considered to be an LMU. This LMU may be enlarged, adjusted or diminished in accordance with the applicable regulations in Titles 10, 30 and 43 of the Code of Federal Regulations. The mining plan for the LMU shall require that the reserves of the LMU will be mined within a period of 40 years in accordance with 30 CFR 211 and 43 CFR 3400.0-5. The definition of LMU and LMU reserves

and other applicable conditions are set forth in the regulations in 43 CFR 3400.0-5 and 3475, 30 CFR 211, and Title 10 of the Code of Federal Regulations.

Sec. 12. OPERATIONS ON LEASED LANDS - (a) In accordance with conditions of this lease, the exploration and mining and reclamation plans, the permit issued pursuant to 30 CFR Chapter VII, and all applicable acts and regulations, the lessee shall exercise reasonable diligence, skill, and care in all operations on leased lands. (b) The lessee shall minimize to the maximum extent possible wasting of the coal deposits and other mineral and nonmineral resources, including, but not limited to, surface resources which may be found in, upon, or under such lands.

Sec. 13. SPECIAL STATUTES - The lessee shall comply with the provisions of the Federal . Water Pollution Control Act (33 U.S.C. 1151-1175) and the Clean Air Act (42 U.S.C. 7401 et seq.).

Sec. 14. AUTHORIZATION OF OTHER USES AND DISPOSITION OF LEASED LANDS - (a) The lessor reserves the right to authorize other uses of the leased lands by regulation or by issuing, in addition to this lease, leases, licenses, permits, easements, or rights-of-way, including leases for the development of minerals other than coal under the Act. The lessor may authorize any other uses of the leased lands that do not unreasonably interfere with the exploration and mining operations of the lessee, and the lessee shall make all reasonable efforts to avoid interference with such authorized uses. (b) The lessor reserves the right: (i) to sell or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the coal therein, or (ii) to dispose of any resource in such lands if such disposal will not unreasonably interfere with the exploration and mining operations of the lessee. (c) If the leased lands have been or shall hereafter be disposed of under laws reserving to the United States the deposits of coal therein, the lessee shall comply with all conditions as are or may hereafter be provided by the laws and regulations reserving such coal.

Sec. 15. EQUAL OPPORTUNITY CLAUSE - The lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations and relevant orders of the Secretary of Labor.

Sec. 16. CERTIFICATION OF NONSEGREGATED FACILITIES - By entering into this lease, the lessee certifies that he does not and will not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not and will not permit his employees to perform their services at any location under his control where segregated facilities are maintained. The lessee agrees that a breach of this certification is a violation of the Equal Opportunity clause of this lease. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. Lessee further agrees that (except where lessee has obtained identical certifications from proposed contractors and subcontractors for specific time periods) lessee will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity clause; that lessee will retain such certifications in lessee's files; and that lessee will forward the following notice to such proposed contractors and subcontractors (except where proposed contractor or subcontractor has submitted identical certifications for specific time periods). Notice to Prospective Contractors and Subcontractors of Requirement for Certification of Nonsegregated Facilities. A Certification of Nonsegregated Facilities, as required by the May 9, 1967, order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity clause. Certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

Sec. 17. EMPLOYMENT PRACTICES - The lessee shall pay all wages due persons employed on the leased lands at least twice each month in lawful money of the United States. The lessee shall grant all miners and other employees complete freedom to purchase goods and services of their own choice. The lessee shall restrict the work-day to not more than 8 hours in any one day for underground workers, except in case of emergency. The lessee shall employ no person under the age of 16 years in any mine below the surface. If the laws of the State in which the mine is situated require the employment, in a

mine below the surface, of persons of an age greater than 16 years, the lessee shall comply with those laws.

Sec. 18. MONOPOLY AND FAIR PRACTICES - The lessor reserves full authority to promulgate and enforce orders and regulations under the provisions of Sections 30 and 32 of the Act (30 U.S.C. Section 187 and 189) necessary to insure that any sale of the production from the leased lands to the United States or to the public is at reasonable prices, to prevent monopoly, and to safeguard the public welfare, and such orders and regulations shall upon promulgation be binding upon the lessee.

Sec. 19. TRANSFERS -

X This lease may be transferred in whole or in part to any person, association or corporation qualified under 43 CFR 3472.1-1 to hold a lease.

___ This lease may only be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of and for the use of the public body, or to a person for the limited purpose of creating a security interest in favor of a lender who agrees to be obligated to mine the coal on behalf of the public body. The transferee must be qualified under 43 CFR 3472.

___ This lease may only be transferred in whole or in part to other small businesses qualifying under 13 CFR 121 and 43 CFR 3472.2-2(c).

Any transfer of this lease in whole or in part is subject to the procedures and requirements for approval in the relevant regulations in 43 CFR 3400. A transfer will become effective on the first day of the month following its approval by the authorized officer, or, if the transferee requests, the first day of the month of the approval.

Sec. 20. RELINQUISHMENT OF LEASE - The lessee may file a relinquishment of the entire lease, a legal subdivision or aliquot part thereof, but not less than 10 acres, or any bed of the coal deposits therein. The relinquishment shall be filed in triplicate with the authorized officer. Upon the determination by the authorized officer that the public interest shall not be impaired, that all accrued rentals and royalties have been paid and that all of the obligations of the lessee under the regulations and the lease terms have been met, the relinquishment shall be accepted effective the date filed.

Sec. 21. NONCOMPLIANCE - Any failure to comply with the conditions of this lease, the approved exploration and mining and reclamation plans, the regulations, or applicable acts shall be dealt with in accordance with the procedures set forth in the regulations.

Sec. 22. WAIVER OF CONDITIONS - The lessor reserves the right to waive any breach of the conditions contained in this lease, except the breach of such conditions as are required by the Act, but any such waiver shall extend only to the particular breach so waived and shall not limit the rights of the lessor with respect to any future breach; nor shall the waiver of a particular breach prevent cancellation of this lease for any other cause, or for the same cause occurring at another time.

Sec. 23. READJUSTMENT OF TERMS AND CONDITIONS - (a) The lease is subject to readjustment on the 20th year after the effective date and on each 10th year thereafter. In order that the lease may be readjusted as close as possible to the dates when it becomes subject to readjustment, the lessor may propose the terms of readjustment of any conditions of this lease, including rental and royalty rates, before the 20th year after the effective date and before each 10-year interval thereafter. The authorized officer shall notify the lessee whether he intends to readjust the terms and conditions of the lease and, if he intends to readjust, the nature of the readjustments in accordance with the regulations in 43 CFR 3451. Unless the lessee, within 60 days after receipt of the proposed readjusted terms, files with the lessor an objection to the proposed readjusted conditions or relinquishes the lease as of the effective date of the readjustment, the lessee shall be deemed conclusive to have agreed to such conditions.

(b) If the lessee files objections to the proposed readjusted conditions, the existing conditions shall remain in effect until there has been an agreement between the lessor and the lessee on the new conditions to be incorporated in the lease, or until the lessee has exhausted his rights of appeal under Section 31 of this lease, or until the lease is relinquished, except that the authorized officer may provide in the notice of readjusted lease terms that the readjustment or any part thereof is effective pending the outcome of the appeal. If the readjusted royalty provisions are subsequently rescinded or amended, the lessee shall be permitted to credit any excess royalty payments against royalties subsequently due to the lessor.

Sec. 24. DELIVERY OF PREMISES - Upon termination of this lease for any reason or relinquishment of a part of this lease, the lessee shall deliver to the lessor in good order and condition all or the appropriate part of leased lands. Delivery of the leased lands shall include underground timbering and such other supports and structures as are necessary for the preservation of the mine or deposit, and shall be in accordance with all other applicable provisions of the regulations including 30 CFR 211 and Chapter VII, for the completion of operations and abandonment.

Sec. 25. PROPRIETARY INFORMATION - Geological and geophysical data and information, including maps, trade secrets, and commercial and financial information which the lessor obtains from the lessee shall be treated in accordance with 43 CFR Part 2, 30 CFR 211.5 and other applicable regulations. Total lease reserve figures developed from this information will not be confidential.

Sec. 26 LESSEE'S LIABILITY TO LESSOR - (a) The lessee shall be liable to the United States for any damage suffered by the United States in any way arising from or connected with the lessee's activities and operations under this lease, except where damage is caused by employees of the United States acting within the scope of their authority. (b) The lessee shall indemnify and hold harmless the United States from any and all claims arising from or connected with the lessee's activities and operations under this lease. (c) In any case where liability without fault is imposed on the lessee pursuant to this section, and the damages involved were caused by the action of a third party, the rules of subrogation shall apply in accordance with the law of the jurisdiction where the damages occurred.

Sec. 27. INSPECTIONS AND INVESTIGATIONS - (a) All books and records maintained by the lessee showing information required by this lease or regulations must be kept current and in such manner that the books and records can be readily checked at the mine, upon request, by the Regional Director or District Mining Supervisor or their representative. (b) The lessee shall permit any duly authorized officer or representative of the lessor at any reasonable time (1) to inspect or investigate the leased lands, the exploration and mining and reclamation operations, and all surface and underground improvements, works, machinery, and equipment, and all books and records pertaining to the lessee's obligations to the lessor under this lease and regulations; and (2) to copy, and make extracts from any such books and records.

Sec. 28. UNLAWFUL INTEREST - No member of, or Delegate to, Congress, or Resident Commissioner after his election or appointment, either before or after he has qualified and during his continuance in office, and no officer or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(3), shall hold any share or part in this lease or derive any benefit therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 43 U.S.C. Section 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. Sections 431-433, relating to contracts, enter into and form a part of this lease insofar as they may be applicable.

Sec. 29. APPEALS - The lessee shall have the right to appeal (a) under 43 CFR 3000.4 from an action or decision of any official of the Bureau of Land Management, (b) under 30 CFR 290 from an action, order, or decision of any official of the United States Geological Survey, or (c) under applicable regulations from any action or decision of any other official of the Department of the Interior arising in connection with this lease, including any action or decision pursuant to Section 23 of this lease with respect to the readjustment of conditions.

Sec. 30. DEFERRED BONUS - This lease is issued subject to the payment of $184,828.80 by the lessee as a deferred bonus. Payment of the deferred bonus by the lessee shall be made on a schedule specified in Section 31 (Special Stipulations) of this lease.

Sec. 31. SPECIAL STIPULATIONS - In addition to observing the general obligations and standards of performance set out in the current regulations, the Lessee shall comply with and be bound by the following special stipulations. These stipulations are also imposed upon the Lessee's agents and employees. The failure or refusal of any of these persons to comply with these stipulations shall be deemed a failure of the Lessee to comply with the terms of this lease. The Lessee shall require his agents, contractors and subcontractors involved in activities concerning this lease to include these stipulations in the contracts between and among them. These stipulations may be revised or amended, in writing, by the mutual consent of the Lessor and the Lessee at any time to adjust to changed conditions or to correct an oversight. The Lessor may amend these stipulations at any time without the consent of the Lessee in order to make them consistent with any new federal or state statutes and the regulations promulgated under authority or new statutes.

(a) The Lessee shall return the surface of the leased lands to native range for livestock grazing, wildlife habitat and public recreation. Reclaimed areas will be fenced to exclude livestock and big game

animals until new vegetation is established to the satisfaction of the Authorized Officer.

(b) As determined by the Authorized Officer, the lessee will develop new, reliable water facilities to replace existing water facilities on public lands disturbed or destroyed by mining.

(c) Range improvements on the leased lands will not be disturbed without prior written permission of the Authorized Officer. As determined by the Authorized, Officer, range improvements which are disturbed by the Lessee will be restored as soon as practicable.

(d) The Lessee will protect all survey monuments, witness corners, reference monuments, and bearing trees against destruction, obliteration, or damage during operations on the lease area. If any monuments, corners, or accessories are destroyed, obliterated, or damaged by this operation, the Lessee will hire an appropriate county surveyor or registered land surveyor to reestablish or restore the monuments, corners, or accessories, at the same location, using surveying procedures in accordance with the "Manual of Surveying Instructions for the Survey of the Public Lands of the United States," and will record the survey in the appropriate county records, with a copy sent to the Authorized Officer.

(e) The Lessee will be responsible for identification of alluvial valley floors (AVFs) consistent with Office of Surface Mining (OSM) definitions and will design the mine and reclamation plan to provide protection of the identified AVFs as required by OSM. All stipulations concerning compliance with the requirements of The Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.) will be included in the document approving the mine plan.

(f) CULTURAL RESOURCES - (1) Before undertaking any activities that may disturb the surface of the leased lands, the lessee shall conduct a cultural resource intensive field inventory in a manner specified, by the authorized officer of the BLM or of the surface managing agency (if different) on portions of the mine plan area and adjacent areas, or exploration plan area, that may be adversely affected by lease-related activities and which were not previously inventoried at such a level of intensity. The inventory shall be conducted by a qualified professional cultural resource specialist (i.e., archeologist, historian or historical architect, as appropriate), approved by the authorized officer of the surface managing agency (BLM if the surface is privately owned), and a report of the inventory and recommendations for protecting any cultural resources identified shall be submitted to the Regional Director of the Office of Surface Mining (or the District Mining Supervisor if activities are associated with coal exploration outside an approved mining permit area) and the authorized officer of the BLM or the surface managing agency (if different). The lessee shall undertake measures, in accordance with instructions from the Regional Director (or the District Mining Supervisor if activities are associated with coal exploration outside an approved mining permit area), to protect cultural resources on the leased land. The lessee shall not commence the surface disturbing activities until permission to proceed is given by the Regional Director (or the District Mining Supervisor if activities are associated with coal exploration outside an approved mining permit area).

(2) The lessee shall protect all cultural resource properties within the lease area from lease-related activities until the cultural resource mitigation measures can be implemented as part of an approved mining and reclamation plan or exploration plan.

(3) The cost of conducting the inventory, preparing reports, and carrying out mitigation measures shall be borne by the lessee.

(4) If cultural resources are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the Regional Director (or the District Mining Supervisor if activities are associated with coal exploration outside an approved mining permit area), or the authorized officer of the surface managing agency if the Regional Director, or District Mining Supervisor, as appropriate, is not available. The lessee shall not disturb such resources except as may be subsequently authorized by the Regional Director (or the District Mining Supervisor if activities are associated with coal exploration outside an approved mining permit area). Within two (2) working days of notification, the Regional Director (or the District Mining Supervisor if activities are associated with coal exploration outside an approved mining permit area) will evaluate or have evaluated any cultural resources discovered and will determine if any action may be required to protect or preserve such discoveries. The cost of data recovery for cultural resources discovered during lease operations shall be borne by the surface managing agency unless otherwise specified by the authorized officer of the BLM or of the surface managing agency (if different).

(5) All cultural resources shall remain under the jurisdiction of the United States until ownership is determined under applicable law.

(g) PALEONTOLOGICAL RESOURCES - (1) Before undertaking any activities that may disturb the surface of the leased lands, the lessee shall contact the Bureau of Land Management to determine whether the authorized officer will require the lessee to conduct a paleontological appraisal of the mine plan and adjacent areas, or exploration plan areas, that may be adversely affected by lease-related activities. If the authorized officer determines that one is necessary, the paleontological appraisal shall be conducted by a qualified paleontologist approved by the authorized officer of the surface managing agency (BLM if the surface is privately owned), using the published literature and, where appropriate, field appraisals for determining the possible existence of larger and more conspicuous fossils of scientific significance. A report of the appraisal and recommendations for protecting any larger and more conspicuous fossils of significant scientific interest on the leased lands so identified shall be submitted to the authorized officer of the surface managing agency (BLM if the surface is privately owned). When necessary to protect and collect the larger and more conspicuous fossils of significant scientific interest on the leased lands, the lessee shall undertake the measures provided in the approval of the mining and reclamation plan or exploration plan.

(2) The lessee shall not knowingly disturb, alter, destroy or take any larger and more conspicuous fossils of significant scientific interest, and shall protect all such fossils in conformance with the measures included in the approval of the mining and reclamation plan or exploration plan.

(3) The lessee shall immediately bring any such fossils that might be altered or destroyed by his operation to the attention of the Regional Director or the District Mining Supervisor, as appropriate. Operations may continue as long as the fossil specimen or specimens would not be seriously damaged or destroyed by the activity. The Regional Director or the District Mining Supervisor, as appropriate, shall evaluate or have evaluated such discoveries brought to his attention and, within five (5) working days, shall notify the lessee what action shall be taken with respect to such discoveries.

(4) All such fossils of significant scientific interest shall remain under the jurisdiction of the United States until ownership is determined under applicable law. Copies of all paleontological resource data generated as a result of the lease term requirements will be provided to the Regional Director or the District Mining Supervisor, as appropriate.

(5) The cost of any required salvage of such fossils shall be borne by the United States.

(6) These conditions apply to all such fossils of significant scientific interest discovered within the lease area whether discovered in the overburden, interburden, or coal seam or seams.

(h) In order to protect existing raptor nests, no surface occupancy will be allowed on the lands described below. Any exceptions for support facilities such as telephone lines, powerlines, etc. may be allowed only with prior written permission of the Authorized Officer.

T. 23 N., R. 83 W., 6th P.M.

sec. 30, S1/2S1/2NE1/4, N1/2SE1/4, N1/2S1/2SE1/4.

(i) The lessee shall comply with all valid and applicable laws and regulations of Federal, State, and local governmental authority.

DEFERRED BONUS PAYMENT SCHEDULE:

Total amount of bid $231,036.00

1/5 in the amount of $46,207.20 was submitted on date of sale. (Balance is due and payable in equal installments on the first four anniversary dates of the lease).

1/5 in the amount of $46,207.20 due on September 1, 1982

1/5 in the amount: of $46,207.20 due on September 1, 1983

1/5 in the amount of $46,207.20 due on September 1, 1984

1/5 in the amount of $46,207.20 due on September 1, 1984

THE UNITED STATES OF AMERICA

By [SIGNATURE APPEARS HERE]
Signing Officer

Associate State Director
(Title)

WITNESS TO SIGNATURE OF LESSEE
[SIGNATURE APPEARS HERE]

August 10, 1981
MEDICINE BOW COAL COMPANY BLM, pc
By: Dana Coal Company, Managing Venturer
By: [SIGNATURE APPEARS HERE]
(President: (Signature of Lessee)

(Signature of Lessee)

Exhibit 10.11

AMENDED AND RESTATED MINING LEASE

THIS AMENDED AND RESTATED MINING LEASE, made and entered into effective as of the 13th day of December, 1988, by and between ROCK SPRINGS ROYALTY COMPANY, a Utah corporation (hereinafter called "Lessor"), and ARK LAND COMPANY, a Delaware corporation (hereinafter called "Lessee"),

WITNESSETH:

RECITALS:

A. Lessor and Lessee are parties to the certain Lease Agreement dated August 12, 1974, as amended (the "Ark Lease Agreement"), granting Lessee the exclusive right and privilege to mine and dispose of strip coal from the following described lands in Carbon County, Wyoming:

Township 22 North, Range 81 West, 6th P.M.

Section 5: All

Township 23 North, Range 81 West, 6th P.M.

Section 17: All
Section 19: All
Section 29: All
Section 31: All
Section 33: Wl/2SW1/4, SWl/4NW1/4.

B. By the certain Addendum to Lease Agreement dated June 1, 1983 (the "Ark Amendment"), Lessor and Lessee amended the Ark Lease Agreement to include, in addition to the above lands described in the Ark Lease Agreement, the following described lands in Carbon County, Wyoming:

Township 22 North, Range 81 West, 6th P.M.

Township 23 North, Range 81 West, 6th P.M.

Section 9: That portion of the Nl/2NW1/4 lying to the North and West of the Union Pacific Railroad tracks, and only insofar as mining operations do not interfere with the railroad's right-of-way.
Section 17: NWl/4, Wl/2NEl/4

Township 23 North, Range 81 West, 6th P.M.

Section 33: NWl/4NW1/4, Wl/2E1/2W1/2

Township 22 North, Range 82 West, 6th P.M.

Section 13: All
Section 24: NEl/4NW1/4, Nl/2NE1/4

Township 23 North, Range 82 West, 6th P.M.

Section 25: All,

said lands described in the Ark Lease Agreement and the Ark Amendment being hereinafter referred to as "Tract 1 of the Leased Premises."

C. Lessor and Hanna Basin Coal Company, a Utah corporation ("Hanna") entered into the certain Lease Agreement dated April 1, 1974, as amended (the "Hanna Lease Agreement"), granting Hanna the exclusive right and privilege of mining and disposing of the strip coal from the following described lands in Carbon County, Wyoming:

Township 24 North, Range 83 West. 6th P.M.

Section 29:	NWl/4NW1/4, S1/2N1/2, N1/2SW1/4, NW1/4SE1/4, Sl/2S1/2
Section 31:	Lots 1-4, El/2W1/2, E1/2
Section 33:	All

Township 23 North, Range 84 West, 6th P.M.

Section 1:	Lot 1, SEl/4NE1/4, SE1/4
Section 11:	El/2NEl/4, SW1/4NEl/4, SEl/4
Section 13:	El/2, NWl/4, E1/2SW1/4, NW1/4SW1/4
Section 25:	Sl/2, Sl/2NW1/4
Section 35:	E1/2, SW1/4, SWl/4NW1/4.

Township 23 North, Range 83 West, 6th P.M.

Section 5:	Lots 1-4, S1/2N1/2, Sl/2
Section 7:	Lots 1-4, E1/2W1/2, E1/2
Section 9:	All
Section 17:	All
Section 19:	Lots 1-4, El/2W1/2, E1/2
Section 29:	All
Section 31:	Lots 1-4, El/2W1/2, E1/2
Section 33:	All

Township 24 North, Range 84 West, 6th P.M.

Section 25:	SEl/4, S1/2NEl/4, E1/25W1/4, NW1/4SW1/4, S1/2NW1/4, NW1/4NW1/4.

D. By the certain Assignment of Lease dated April 1, 1974, Hanna assigned its interest in the Hanna Lease Agreement to Medicine Bow Coal Company ("Medicine Bow"), a joint venture between Hanna and Dana Coal Company, a Delaware corporation and wholly-owned subsidiary of Lessee ("Dana").

E. By the certain Addendum to Lease Agreement dated June 1, 1975 (the "Hanna Amendment") , Lessor and Medicine Bow amended the Hanna Lease Agreement to include, in addition to the above lands described in the Hanna Lease Agreement, the following described lands in Carbon County, Wyoming:

Township 23 North, Range 83 West, 6th P.M.

Section 3:	All
Section 15:	All
Section 21:	All,

said lands described in the Hanna Lease Agreement and the Hanna Amendment being hereinafter referred to as "Tract 2 of the Leased Premises" and Tract 1 of the Leased Premises and Tract 2 of the Leased Premises being hereinafter sometimes collectively referred to as the "Leased Premises".

F. By Assignment and Relinquishment of Joint Venture Interest of even date herewith, Hanna has assigned and relinquished to Medicine Bow all of its interest in Medicine Bow.

G. Lessor and Lessee have agreed to restate and amend the Ark Lease Agreement and the Hanna Lease Agreement, each as amended (collectively, the "Prior Leases") , and to combine the Prior Leases into a single agreement containing certain modified and amended terms, but in doing so the original effective dates of the Prior Leases shall remain, so that this Amended and restated Mining Lease shall henceforth be the effective lease of the Leased Premises between the parties hereto, effective as of August 12, 1974 as to Tract 1 of the Leased Premises and as of April 1, 1974 as to Tract 2 of the Leased Premises.

NOW, THEREFORE, it is agreed as follows:

AGREEMENT:

SECTION 1: RIGHTS GRANTED TO LESSEE:

1.1(a) Lessor, for and in consideration of the sum of $10.00, cash in hand paid, the receipt and sufficiency of which are hereby acknowledged, and of the payments to be made and the covenants to be performed by Lessee as hereinafter provided and upon the terms and conditions hereinafter set forth, hereby grants to Lessee the exclusive right and privilege of mining and disposing of the strip coal from Tract 1 of the Leased Premises; provided, however, that nothing herein contained shall give Lessee any right to mine or remove any coal other than the coal which can profitably be removed by strip mining methods and which lies between the surface and 150 feet vertically below the surface of Tract 1 of the Leased Premises, and provided further that the locations in which said strip mining shall be done shall be approved by an authorized representative of Lessor

before any mining is commenced with the view of preventing interference with or damage to any pole and wire line or any structures whatsoever existing upon Tract 1 of the Leased Premises .

(b) It is recognized that instances may exist from time to time during the term hereof when Lessee may determine that it is economically feasible for Lessee to remove coal below the 150-foot level; therefore, Lessor hereby grants Lessee the exclusive right and privilege of mining and disposing of the strip coal in Tract 1 of the Leased Premises below the 150-foot level, to and including the 200-foot level; provided, however, that nothing contained herein shall give Lessee any right to mine and remove coal below the 200-foot level; provided further, that Lessee shall use good surface mining practices in mining below the 150-foot level so as not to impair the ability of Lessor to conduct future underground mining operations at appropriate levels below the 200-foot level; and, provided further, that Lessor's judgment regarding impairment of its ability to mine below the 200-foot level shall govern, but approval by Lessor of Lessee's intended mining operations may not be unreasonably withheld.

Notwithstanding the foregoing, Lessee shall have the right to mine by the strip mining method below the 200-foot level, to and including the 300-foot level, and mine by the auger mining method above and below the 200-foot level, to and including the 300-foot level, in the W 1/2 W 1/2 and the W 1/2 E 1/2 W 1/2 of Section 33, Township 23 North, Range 81 West, 6th P.M. Lessee agrees to pay to Lessor royalty and other payments on auger coal as provided for in SECTION 4 herein. In administering auger coal payments, the term "strip coal" - --------- shall be considered to be synonymous with the term "auger coal".

(c) Lessor hereby grants to Lessee the exclusive right and privilege of mining by any method now known or which may hereafter be developed and disposing of any and all coal which may be found in Tract 2 of the Leased Premises.

1.2 It is agreed that the Lessor and its affiliates and their respective lessees, licensees, successors and assigns may use the leased premises for all purposes not inconsistent with the rights granted hereunder, including, among other things, the right to prospect for, drill for, mine and remove from the leased premises all minerals (other than strip coal in Tract 1 of the Leased Premises and all coal in Tract 2 of the Leased Premises) including, but not limited to, oil, gas, and coal recoverable by mining operations below the depths herein specified in Tract 1 of the Leased Premises, together with all rights of ingress and egress, and Lessee shall so conduct its operations hereunder as not to interfere unreasonably with such use; provided, however, that such use of the leased premises by Lessor and its affiliates and their respective lessees, licensees, successors and assigns, shall not unreasonably interfere with the mining operations of Lessee.

1.3 It is further agreed that all valuable products other than coal which are produced from the leased premises by Lessee in the performance of its mining operations hereunder shall be and remain the property of Lessor and its affiliates.

1.4 The aforesaid rights are granted without covenants of title or to give possession or for quiet enjoyment and are subject to all outstanding rights and easements respecting the use of the leased premises and the right of Lessor or its affiliates to renew and extend the term of such rights and easements; provided, however, that Lessor hereby specially warrants the title to the interests herein granted in Tract 1 of the Leased Premises against defects caused or suffered by Lessor subsequent to August 12, 1974 and hereby specially warrants the title to the interests herein granted in Tract 2 of the Leased Premises against defects caused or suffered by Lessor subsequent to April 1, 1984, and warrants that it is the sole holder of the title to the interests herein granted, except as stated herein, and that its subsidiaries, affiliates, parents or related companies do not have any ownership interest in the interests herein granted of any nature whatsoever.

SECTION 2: SURFACE OF LEASED PREMISES:

2.1 (a) Lessor, Lessee, their respective predecessors in interest, and various other parties owning rights to mine coal from the Leased Premises have entered into certain Surface Owner's Agreements, Right of way Easements, and other agreements with Palm Livestock Company, a Wyoming corporation ("Palm"), and other parties owning portions of the surface of the Leased premises, including but not limited to the agreements listed on Exhibit A attached hereto (all of which agreements, whether or not listed on Exhibit A, being hereinafter referred to as the "Prior Surface Agreements").

(b) Lessee and Palm are parties to the certain Surface Use and Damage Agreement dated March 6, 1986 (the "Ark-Palm Surface Agreement").

(c) Lessor and Lessee recognize and confirm that the Ark-Palm Surface Agreement supersedes the Prior Surface Agreements and that neither Lessor nor Lessee has any outstanding obligations to Palm under the Prior Surface Agreements.

2.2 Lessee agrees that at no time will it commence operations of any nature on any portions of the leased premises not then subject to the Ark-Palm Surface Agreement unless Lessee has acquired, in forms acceptable to Lessee and Lessor (Lessor's acceptance not to be unreasonably withheld), such agreements or consents of the respective surface owner or owners, other than Lessor and its affiliates, as are necessary to enable strip mining operations to proceed. Lessor agrees, at Lessor's

expense, to cooperate with Lessee in securing such surface owner agreements or consents.

SECTION 3: EFFECTIVE DATE - TERM:

This lease shall take effect on the date which it bears and, unless sooner terminated as herein provided, shall remain in full force and effect for a term of five (5) years and so long thereafter as merchantable coal is being mined and removed from the leased premises in paying quantities. Notwithstanding any provision hereof to the contrary, Lessee shall have the right to enter the Leased Premises for the purpose of conducting reclamation until all reclamation work required by Lessee's permits has been completed.

SECTION 4: ROYALTY AND OTHER PAYMENTS:

4.1 Lessee shall make payments of advance royalty in the amount of $64,576.75 per month to Lessor each month from the date hereof to August 12, 1989. The total amount of such payments from the date hereof to August 12, 1989 shall be $516,614.00. Following payment of such total amount, Lessee's obligation to pay advance royalty shall terminate.

4.2 (a) All amounts paid Lessor by Lessee pursuant to subsection 4.1 hereof and all amounts heretofore paid Lessor pursuant to subsections 4.l through 4.6, inclusive, of the Lease Agreement dated August 12, 1974 between Lessor and Ark Land Company, as advance royalty, without interest, shall be credited against any production royalty which may accrue to Lessor pursuant to the provisions hereof on account of (1) coal mined from Tract 1 of the Leased Premises and (ii) coal mined from Tract 2 of the Leased Premises to satisfy "Existing Contracts." Existing Contracts are defined as the certain contracts dated effective January 1, 1988 between Arch Mineral Corporation and Kansas Power & Light Company, and the contract dated effective February 1, 1983 between EDCO and Iowa Public Service Company. The tonnages remaining to be produced and sold under the Existing Contracts on the effective date hereof will be considered Existing Contract tonnages for purposes of this Section 4.2 if the time periods for producing such tonnages are extended and stretched-out.

(b) Notwithstanding the provisions of Section 3, if merchantable coal is not mined and removed from the Leased Premises in paying quantities during any lease year commencing with the fifth anniversary of the effective date hereof and ending on the 15th anniversary of the effective date hereof, this lease shall not terminate if Lessee pays to Lessor, as minimum royalty, the sum of $100,000.00 on or before 15 days after the end of the lease year during which mining in paying quantities did not occur. All amounts paid as minimum royalty shall be credited, without interest, against production royalty payable for coal mined thereafter during the term of this lease.

4.3 Payments of advance royalty and minimum royalty shall be forwarded by Lessee to the following lock-box address:

Rock Springs Royalty Company
Department 310
Denver, CO 80281-0310

4.4 If, because of force majeure, Lessee is unable to conduct mining operations at their mines or to sell coal therefrom, and if Lessee promptly gives to Lessor written notice of such force majeure, then the obligations of Lessee to mine coal or to pay advance royalty hereunder shall be suspended during the continuance of such force majeure; provided, however, that the effect of such force majeure is eliminated insofar as possible with all reasonable dispatch. The term "force majeure" as used herein shall mean any causes beyond the control and without fault or negligence of Lessee, such as acts of God, acts of public enemy, insurrections, riots, civil commotions, strikes, labor disputes, labor or material shortages, fires, explosions, flood, breakdowns of or damage to plants, equipment or facilities, interruptions to transportation, embargoes, orders or acts of the civil or military authority, or other causes of a similar or dissimilar nature which wholly or partly prevent the mining, loading and/or sale of coal by Lessee.

4.5 Subject to credits as provided in Section 4.2 hereof, on or before the fifteenth day of each calendar month during the term hereof, Lessee shall pay to Lessor a production royalty on coal mined from the leased premises during the preceding calendar month. The amount of such royalty shall be as follows:

(a) In respect of coal mined from either Tract 1 of the Leased Premises or Tract 2 of the Leased Premises to satisfy the Existing Contracts (as hereinabove defined) , an amount per ton of coal mined from the leased premises during the preceding calendar month equal to 12.5% of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month.

(b) In respect of coal mined from Tract 2 of the Leased Premises to satisfy "spot sale" and "test burn" commitments to which Lessee is contractually obligated on the effective date hereof, the sum of $0.47 per ton for each ton of 2,000 pounds of coal mined from Tract 2 of the Leased Premises during the preceding calendar month.

(c) In respect of coal mined from either Tract 1 of the Leased Premises or Tract 2 of the Leased Premises during the period of two (2) years from the effective date hereof to satisfy "New Contracts" (as hereinafter defined) the sum of $0.47 per ton for each ton at 2,000 pounds of coal mined during the preceding calendar month.

(d) In respect of coal mined from either Tract 1 of the Leased Premises or Tract 2 of the Leased Premises from and after the second anniversary of the effective date hereof to satisfy "New Contracts" (as hereinafter defined) , an amount per ton of coal mined from the Leased Premises during the preceding calendar month equal to 10% of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month.

(e) "New Contracts" are defined as coal sales agreements, whether for long-term sales or spot sales, made and entered into by Lessee after the effective date hereof and extensions and renewals of Existing Contracts (as hereinabove defined) after their respective current termination dates (March 1989 for the Kansas Power & Light contract and January 1993 for the Iowa Public Service Company Contract) , provided that tonnages remaining to be produced and sold under the Existing Contracts on the effective date hereof will be considered Existing Contract tonnage for purposes of this Section 4.5 if the time periods for producing such tonnages are extended and stretched-out.

4.8 All payments to Lessor of production royalty hereunder shall be forwarded by Lessee to the following lock-box address:

Rock Springs Royalty Company
Department 310
Denver, Colorado 80281-0310

Each payment shall be accompanied by a statement of the total amount of coal mined during the month for which payment of royalty is made, such statement to be certified to by the proper officer of Lessee and to show in detail the weights making up such total amount in accordance with Section 6.

SECTION 5: LESSEE TO PAY TAXES AND ASSESSMENTS:
- --------- ----------

Lessee, in addition to paying the royalty and other compensation herein stipulated, shall pay before delinquent all taxes and assessments levied or assessed on or after the effective date hereof, upon the minerals in place or mineral rights which are the subject of this lease, and Lessee shall, commencing with the effective date of this agreement, pay before delinquent any production, severance, license, or similar taxes assessed upon or on account of the mining of strip coal from Tract 1 of the Leased Premises and coal from Tract 2 of the Leased Premises, and all taxes levied or assessed upon all structures, improvements, equipment, and other property erected, constructed, installed and/or used by Lessee in connection with the exercise of rights herein granted. Lessee, upon payment of such taxes and assessments, shall promptly furnish Lessor with satisfactory evidence of such payment.

SECTION 6: BASIS FOR DETERMINING AMOUNT OF COAL MINED:

The amount of coal mined from the leased premises shall be the sum of the following weights:

(a) The carload weights of all said coal loaded into railroad cars for shipment;

(b) The weight of all said coal sold and transported from the mines or tipple by truck or other conveyance; and

(c) The weight of all said coal used in the conduct of mining operations and as camp, house or other building fuel.

SECTION 7: INSPECTION AND SURVEY OF MINE:

Lessor, through its authorized representatives, shall at all times have the right to enter and inspect any mine on the leased premises, whether a strip pit or underground workings, and to make, at its own expense, any survey that it may deem necessary, either for the purpose of checking the amount of coal mined (as provided below) or for an examination of reclamation procedures and the physical condition of the property. Lessee will furnish, free of expense to Lessor, a competent engineer to assist in the work of making any such survey. In the event any question arises as to the accuracy of Lessee's records of the amount of coal removed during a particular month from the leased premises, Lessor may make a survey of any mine or portion thereof from which coal shall have been removed hereunder during said month, within one (1) year after the end of said month, and twenty-seven (27) cubic feet of space (which amount is understood and agreed to be net of mining losses) shall be deemed to be the space from which one (1) ton of 2,000 pounds of coal has been removed, and the amount of coal removed from such portion, as determined by such survey adjusted to take into account "partings" removed and wasted, shall, at the option of Lessor, be considered the true amount removed during said month notwithstanding any former statements or payments of royalty, and thereupon, if such option be exercised, the accounts relating to royalty accruing to Lessor for said month under this lease shall be adjusted in accordance with the tonnage so determined .

SECTION 8: CONDUCT OF MINING OPERATIONS:

8.1 In the conduct of Lessee's mining operations on the leased premises, Lessee shall fully conform and comply with presently effective statutes, regulations or local ordinances covering reclamation and restoration of the leased premises. Lessee shall be obligated to modify such reclamation and restoration procedures from time to time to comply with statutes, ordinances or regulations, becoming effective after the date hereof, or to the extent modifications are required by the enactment of such new statutes, ordinances, the development

of new regulations, or new interpretations of presently effective statutes, regulations or ordinances. Lessee shall promptly furnish to Lessor a copy of all maps, mining plans or plans for the restoration of the leased premises or the lands covered by such leases which Lessee is required to file from time to time with any competent governmental authority.

8.2 The installation, development and working of any mine on the leased premises shall be of such a nature as will admit of moving through the mine openings of all workable coal in the leased premises, and no portion of the coal in said premises shall be abandoned until Lessee shall have given to Lessor an opportunity to make an examination of the proposed abandonment and of passing upon the same before operations are suspended by Lessee and Lessee will comply with any reasonable request made by Lessor as to further mining of coal proposed to be abandoned provided, however, that Lessee's determination to abandon, if based upon sound engineering and mining practices, as demonstrated to Lessor, is to be conclusive.

8.3 Lessee shall use waste material excavated from Tract 1 of the Leased Premises in refilling the excavations caused by its strip mining operations. Such refilling shall be done, so far as practical, as the operations progress. Upon terminating strip mining in each section of Tract 1 of the Leased Premises from which it would be possible to make an entry for underground mining of coal, Lessee, to the extent permitted by applicable governmental regulations, shall leave exposed not less than 700 lineal feet of the coal seam along the high wall so as to permit access to coal seams for underground mining purposes.

8.4 Lessee agrees to replace any private or public roads across the leased premises which have been detoured due to mining operations. The foregoing obligations of Lessee shall be performed in accordance with directions of authorized representatives of Lessor.

8.5 Lessee will furnish free to Lessor, at least once during each six (6) month period during the term of this lease, and at more frequent intervals at the reasonable request of Lessor, a map showing the extent of all workings as of the date of issue and indicating the boundaries of the leased premises.

8.6 Lessee shall furnish Lessor with copies of drill logs of all test holes made, together with maps showing the location of such test holes and copies of analyses of all coal found, and shall permit representatives of Lessor to be present when such test holes are made, and to examine the samples removed therefrom.

SECTION 9: ACCESS TO BOOKS AND ACCOUNTS:

Authorized representatives of Lessor shall have free and full access to those accounts, books and records of Lessee that

reflect the actual tons of coal mined, removed, sold and used from the leased premises. Lessee shall furnish to Lessor's representatives all reasonable assistance they may require in the examination of said accounts, books and records, and shall also furnish all other reasonable assistance and all statements of coal mined from the leased premises or to check the physical condition of the property.

SECTION 10: DISPOSAL OF WASTE, SLACK, REFUSE AND MINE WATER:

Lessee shall make such provision for the disposal of waste, slack, refuse and mine water from any mine on the leased premises that the same shall not be a nuisance to or injure the lands of Lessor or of others, nor obstruct any stream, right of way or other means of transportation or travel on the lands of Lessor or others, and Lessee shall indemnify and hold harmless Lessor from and against any and all liability, loss, damage, claims, demands, costs and expenses resulting from the disposal of such waste, slack, refuse and mine water.

SECTION 11: LIENS:

Lessee shall fully pay for all machinery, equipment and materials joined or affixed to the leased premises and shall pay in full all persons who perform labor upon said premises and shall not permit or suffer any liens of any kind or nature to be enforced against said premises for any work done or machinery, equipment or materials furnished at the request or on behalf of Lessee; and Lessee shall indemnify and hold harmless Lessor and any owners of the surface or portions of the leased premises from and against any and all liens, claims, demands, costs and expenses in any way connected with or growing out of such work done, or machinery, equipment or materials furnished.

SECTION 12: EMPLOYER'S LIABILITY AND WORKMEN'S COMPENSATION LAWS -- INDEMNITY:

12.1 Lessee, in the operation and development of the leased premises, shall comply with applicable Federal and State laws regarding Employer's Liability, Workmen's Compensation and Workmen's Insurance, and Lessee shall indemnify and hold harmless Lessor from and against the payment of any and all damages, claims, costs and expenses resulting from the requirements of such laws and from and against any and all claims, costs and expenses under any claim of subrogation provided for by said laws or otherwise.

12.2 Lessee agrees, at its sole cost and expense, to take out and keep in effect during the term of this agreement insurance of such kind and amount as will enable it to carry out all of the provisions of this agreement and shall, upon request of Lessor, submit the policies of insurance to Lessor for inspection. Lessee may maintain a program of self insurance in lieu of all or a portion of the foregoing coverage. Upon the

settlement of any suits or claims arising hereunder, Lessee shall secure a release of Lessor from all liability in connection therewith.

SECTION 13: ASSUMPTION OF RISK -- INDEMNITY:

13.1 Lessee assumes all risk of loss of or damage to buildings or contents on the leased premises, and of or to other property brought thereon by Lessee or by any other person with the knowledge or consent of Lessee, and of or to property in proximity to the lease premises when connected with or incidental to the occupation thereof, and any incidental loss or injury to the business of Lessee, where such loss, damage, destruction or injury is caused by, or results from, operations of Lessor, whether such loss or injury be the result of negligence on the part of Lessor or negligence or misconduct on the part of any officer, servant or employee of lessor, or otherwise.

13.2 Lessee agrees to hold Lessor and its officers, agents, employees, lessees, licensees, and invitees harmless from and to indemnify them and each of them against any and all loss, damage, claims, demands, and causes of action, including all costs and expenses incident thereto, for injury to or death of persons whomsoever, or loss of or damage to property whatsoever, including claims, demands, and causes of action to which any insurer may be subrogated, arising out of, resulting from, or in any way connected with operations conducted under this lease, the condition of the leased premises (except any condition caused by any operations of the Lessor on the leased premises), or arising by failure of the Lessee to perform any covenant herein contained.

SECTION 14: LESSOR TO BE GIVEN NOTICE OF LITIGATION:

Lessee shall promptly notify Lessor in writing of the institution of any litigation involving the rights granted by this lease, and, in the event Lessor, in its judgment, is interested therein in any way, it may, at its option, enter into the conduct of such litigation of the extent of its interest.

SECTION 15: DEFAULT BY LESSEE:

15.1 If Lessee shall breach or be in default as to any of the covenants in this Agreement, Lessor shall notify Lessee of such breach or default by a writing addressed to Lessee at 200 North Broadway, St. Louis, Missouri 63102 or at such other addresses as Lessee may from time to time designate in writing. If Lessee shall fail or neglect within sixty (60) days after giving of such notice to commence promptly and in good faith to correct the breach or default complained of, and thereafter to continue diligently its efforts to correct such default, Lessor, at its option, may declare this lease forfeited and terminated without waiver of any claim for damages arising out of or resulting from said breach or default.

15.2 A waiver by lessor of a particular breach of covenant or covenants shall not be deemed or held to be a waiver of or to affect any subsequent breach or to impair its right resulting therefrom.

SECTION 16: SURRENDER OF PROPERTY:

Upon termination of this lease for any cause, Lessee shall immediately quit and surrender possession of the leased premises without delay or hindrance subject to the provisions of Section 17 hereof, and Lessor shall have the right immediately upon such termination to enter upon the leased premises and to take immediate possession thereof without declaration of forfeiture, act of re-entry or process of law.

SECTION 17: REMOVAL OF LESSEE'S PROPERTY:

Upon termination of this lease and for a period not exceeding one hundred eighty (180) days thereafter, Lessee shall have the right to remove from the leased premises all tools, machinery or other equipment which Lessee may own and shall, within said period, upon notice from Lessor, remove the same and leave the leased premises in good order and condition, except that Lessee shall not remove or impair any supports, mine props, or mine timbers which may be necessary for the protection of any openings at such mine or mines. No tools, machinery or other equipment belonging to Lessee shall be removed from the leased premises so long as Lessee shall be indebted in any manner to Lessor under any obligation arising under this lease.

SECTION 18: ASSIGNMENT:

Lessee may assign its entire interest in this lease to any corporations to which it, at the same time, transfers all or substantially all of its corporate properties, or to an affiliate (meaning a corporation which controls, is controlled by, or is under common control with the corporation making the assignment); provided, however, that each such assignment shall be evidenced by execution of an instrument of assignment, an executed counterpart of which shall be delivered to Lessor, under which the assignee shall expressly assume and agree to perform each and all of the obligations and covenants of Lessee proposed to be assigned thereunder and provided, further, that no such assignment shall in any way affect or modify the obligations and covenants of Lessee hereunder, it being understood and agreed that, notwithstanding any such assignment, or any subsequent assignment pursuant to this section, all obligations of Lessee to the Lessor hereunder shall be and remain enforceable by the Lessor, its successors and assigns, against Lessee. Lessee may not otherwise assign any part of its interest in this lease or sublet the leased premises in whole or in part, except to a trustee, insurance company, bank or similar financial institution to secure a bona fide loan or other

indebtedness of Lessee, without the prior written consent of Lessor, which consent may not be unreasonably withheld. Any transfer or assignment of this lease or a subletting of any part of the leased premises not authorized by this section, whether voluntary, by operation of law or otherwise, without the consent in writing of the Lessor, shall be absolutely void and, at the option of the Lessor, shall terminate this lease.

SECTION 19: SUCCESSORS AND ASSIGNS:

Without waiver of the provisions of Section 18 hereof, this lease shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

SECTION 20: MEMORANDUM FOR RECORDING:

The parties contemplate and agree that they will execute for recording purposes a brief memorandum of this lease in order to avoid the necessity for either party to file for record a complete copy of this entire agreement between the parties.

SECTION 22: NOTICES:

All notices or communications directed to Lessor hereunder shall be addressed to:

Rock Springs Royalty Company
P.O. BOX 1257
Englewood, Colorado 80150-1257

All notices or communications directed to Lessee hereunder shall be addressed to:

Ark Land Company
200 North Broadway
St. Louis, Missouri 63102

Either party may at any time by written notice to the other party change the address to which notices, communications, or payments shall be sent.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in duplicate the day and year first above written.

ROCK SPRINGS ROYALTY COMPANY

(SEAL)

By: /s/ Eugene A Lang
President

ATTEST:

/s/ Kenneth R. Oldham
Secretary

ARK LAND COMPANY

(SEAL)

By: /s/ Steve E. McCurdy

President

ATTEST:

/s/ David Onuscheck

Secretary

EXHIBIT A

Prior Agreements

1. Surface Owner's Agreement dated March 5, 1971 between Palm Livestock Co. ("Palm"), Union Pacific Railroad Company, and others, filed for recording on April 12, 1971 and recorded in Book 558 at Page 353 of the records of the County Clerk, Carbon County, Wyoming; as amended by Amendment to Surface Owner's Agreement dated August 18, 1978 between Palm and Rocky Mountain Energy Company ("RME"); and as amended by Amendment to Surface Owner's Agreements dated October 15, 1982 between Palm and Rock Springs Royalty Company ("RSRC").

2. Surface Owner's Agreement dated August 17, 1978 between Palm and RME, as amended by Amendment to Surface Owner's Agreements dated October 15, 1982 between Palm and RSRC.

3. Surface Owner's Agreement dated September 28, 1982 between Palm and Medicine Bow Coal Company.

4. Right-of-Way Easement dated February 28, 1970 between Palm and Arkel Land Company; as assigned to Ark Land Company ("Ark") by Agreement of Assignment dated July 28, 1970, filed for recording on January 28, 1972 and recorded in Book 572 at Page 158 of the records of the County Clerk, Carbon County, Wyoming.

5. Easement and Option dated August 25, 1970 between Palm and Energy Development Co., filed for recording on September 18, 1970 and recorded in Book 551 at Page 226 of the records of the County Clerk, Carbon County, Wyoming.

6. Agreement dated March 19, 1971 between Palm Livestock Co. and Arch Mineral Corporation ("Arch") and Addendum thereto dated June 23, 1971 between Palm and Ark, both as referred to in the Notice of Execution of Agreement filed for recording on August 7, 1972 and recorded in Book 577 at Page 258 of the records of the County Clerk, Carbon County, Wyoming.

7. Right-of-Way Easement dated July 12, 1971 between Palm and Ark, as referred to in the Notice of Execution of Agreement filed for recording on August 7, 1972 and record in Book 577 at Page 258 of the records of the County Clerk, Carbon County, Wyoming.

8. Lease dated August 6, 1971 between Palm and Arch and Addendum thereto dated September 28, 1971, both as referred to in the Notice of Execution of Agreement filed for

recording on August 7, 1972 and recorded in Book 577 at Page 258 of the records of the County Clerk, Carbon County, Wyoming; as amended by Addendum to Lease dated February 3, 1975 between Palm and Arch.

9. Easement dated August 20, 1971 between Palm and Arch, as referred to in the Notice of Execution of Agreement filed for recording on November 19, 1971 and recorded in Book 569 at Page 273 of the records of the County Clerk, Carbon County, Wyoming.

10. Right of Way Easement dated September 18, 1974 between Palm and Arch, filed for recording on October 21, 1974 and recorded in Book 611 at Page 452 of the records of the County Clerk, Carbon County, Wyoming.

11. Right of Way Easement dated June 10, 1974 between Palm and Ark.

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 13th day of December, 1988, by Eugene A. Lang and Kenneth R. Oldham, as President and Secretary, respectively, of Rock Springs Royalty Company, a Utah corporation, on behalf of such corporation.

Witness my hand and official seal.

/s/ Aideen H. Karger,

Aideen H. Karger,
Notary Public

My commission expires June 22, 1992

(SEAL)

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 13th day of December, 1988, by Steven E. McCurdy and David Onuscheck, as President and Secretary, respectively, of Ark Land Company, a Delaware corporation, on behalf of such corporation.

Witness my hand and official seal.

/s/ Aideen H. Karger,

Aideen H. Karger,
Notary Public

My commission expires June 22, 1992

(SEAL)

[LETTERHEAD OF ARK LAND COMPANY]

June 23, 1994

VIA UPS EXPRESS
- ---------------

Mr. Robert See
Union Pacific Resources
P.O. Box 7
Fort Worth, TX 76101-0007

RE: LEASE DATED DECEMBER 13, 1988 BY AND BETWEEN ROCK SPRINGS ROYALTY COMPANY AND ARK LAND COMPANY (M-37)

Dear Mr. See:

This Letter Amendment shall confirm the agreement between Rock Springs Royalty Company and Ark Land Company to amend and modify that certain Amended and Restated Mining Lease dated December 13, 1988, by and between Rock Springs Royalty Company and Ark Land Company (the "Lease"). The following property, together with all appurtenant mining rights pertaining to Tract 1 of the Lease, is hereby added to the Lease:

> The Northwest Quarter (NW 1/4) of Southwest Quarter (SW 1/4) of the Northwest Quarter (NW 1/4) of Township 22 North, Range 81 West, Section 9, Sixth Principal Meridian, Carbon County, Wyoming.

All other terms and conditions of the Lease shall remain in full force and effect.

Please signify your agreement to the terms of the Letter Amendment by executing both originals of this Letter Amendment. Return one original to me in the enclosed, self-addressed envelop and keep the other original for your files.

Sincerely,

/s/ Steve McCurdy
Steve McCurdy
Executive Vice President

AGREED AND ACCEPTED TO THIS 29th DAY OF JUNE, 1994.

ROCK SPRINGS ROYALTY COMPANY

By: /s/ [SIGNATURE APPEARS HERE]

Its:VICE PRESIDENT

[MAP DEDICTING AREA ADDED TO ARK COAL LEASE APPEARS HERE]

AMENDMENT AND AGREEMENT

This Amendment and Agreement is made and effective this the 1st day of January, 1996 (the "Effective Date"), by and between ARK LAND COMPANY, a Delaware corporation ("Ark" or "Lessee") and ROCK SPRINGS ROYALTY COMPANY, a Utah corporation ("Rock Springs" or "Lessor").

W I T N E S S E T H:

WHEREAS, by Coal Lease Agreement dated May 3, 1991, by and between Rock Springs and Ark, Rock Springs leased to Ark the exclusive right and privilege of exploring for, mining, removing and selling certain coal which may be found in and underlying certain property in Carbon County, Wyoming ("H-64"); and

WHEREAS, by Amended and Restated Mining Lease dated December 13, 1988, by and between Rock Springs and Ark, Rock Springs leased to Ark the exclusive right and privilege of mining and disposing of certain coal which may be found in and underlying certain property in Carbon County, Wyoming ("M-37"); and

WHEREAS, Ark desires to obtain a reduction in production royalties to be payable to Rock Springs pursuant to H-64 and M-37 for a six (6) year period commencing January 1, 1996, and Rock Springs is willing to grant such temporary royalty reduction, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained herein and in H-64 and M-37, respectively, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties, the parties, intending to be legally bound, agree as follows:

1. Section 2 of H-64 entitled EFFECTIVE DATE - TERM - OPTION is hereby deleted in its entirety and replaced with the following:

"Section 2. EFFECTIVE DATE - TERM - OPTION

This Lease shall take effect on the date which it bears and, unless sooner terminated as herein provided, shall remain in full force and effect for a primary term of three (3) years, and so long thereafter as coal is being continuously mined and removed from the Leased Premises in commercial quantities.

In the event continuous mining has not commenced by the end of the three (3) year primary term, then Lessee is also granted the right at its sole option to extend the term of this lease for a term of two (2) years, and so long thereafter as coal is being continuously mined and removed from the Leased Premises in commercial quantities. Lessee may exercise such right by notifying Lessor in writing on or before the third anniversary date of this Lease of its election to extend the term of said Lease for two (2) years, and so long thereafter as coal is being continuously mined and removed from the Leased Premises in commercial quantities, and forwarding with such written notice bonus consideration in the amount of Eleven Cents ($0.11) per ton for all recoverable strip coal tons in and underlying the Leased Premises as hereinafter defined. If Lessee fails to exercise its option to extend the term of this Lease in a timely manner, then the option granted to Lessee shall automatically terminate without notice to Lessee; and all rights of Lessee arising out of this Lease shall terminate.

Upon termination of this Lease for any reason, Lessee shall have the right to enter the Leased Premises to conduct reclamation until final release of all reclamation bonds affecting the Leased Premises."

2. Section 4 of H-64 entitled PRODUCTION ROYALTY is hereby deleted in its
entirety and replaced with the following:

"SECTION 4. PRODUCTION ROYALTY

Lessee shall pay to Lessor for all coal mined and removed from the Leased Premises a production royalty calculated as follows:

(i) On all coal mined and removed by strip mining and Archveyor(TM) or other highwall mining methods and sold from the Leased Premises during the primary term of three years, a production royalty equal to Twelve and One-Half Percent (12.5%) of the Gross Sales Price FOB mine per ton (of 2,000 pounds);

(ii) On all coal mined and removed by strip mining and Archveyor(TM) or other highwall mining methods and sold from the Leased Premises from May 3, 1994, through December 31, 1995, a production royalty equal to Ten Percent (10%) of the Gross Sales Price FOB mine per ton (of 2,000 pounds);

(iii) On all coal mined and removed by strip mining methods and sold from the Leased Premises from January 1, 1996 through December 31, 2001, a production royalty equal to Eight Percent (8%) of the Gross Sales Price FOB mine per ton (of 2,000 pounds);

(iv) On all coal mined and removed by the Archveyor or other highwall mining methods and sold from the Leased Premises from January 1, 1996 through December 31, 2001, a production royalty equal to Ten Percent (10%) of the Gross Sales Price FOB mine per ton (of 2,000 pounds);

(v) On all coal mined and removed by strip mining and Archveyor(TM) or other highwall mining methods and sold from the Leased Premises from January 1, 2002 and so long thereafter as coal is being continuously mined, a production royalty equal to Ten Percent (10%) of the Gross Sales Price FOB mine per ton (of 2,000 pounds);

(vi) Gross Sales Price is defined to mean the actual price received by Lessee for the sale of coal FOB the mine."

3. Section 4.5(d) of M-37 is hereby deleted in its entirety and replaced with the following:

"(d)(1) In respect of coal mined from either Tract 1 of the Leased Premises or Tract 2 of the Leased Premises from and after the second anniversary of the effective date hereto until December 31, 1995 to satisfy "New Contracts" (as hereinafter defined), (i) an amount per ton of coal mined from the Leased Premises during the preceding calendar month equal to ten percent (10%) of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month for all coal mined and removed by strip mining methods; and (ii) an amount per ton of coal mined from the Leased Premises during the preceding calendar month equal to ten percent (10%) of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month for all coal mined and removed by the Archveyor(TM) or other highwall mining method.

(d)(2) In respect of coal mined from either Tract 1 of the Leased Premises or Tract 2 of the Leased Premises from and after January 1, 1996 through December 31, 2001 to satisfy "New Contracts" (as hereinafter defined), (i) an amount per ton of coal mined from the Leased Premises during the preceding calendar month equal to eight percent (8%) of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month for all coal mined and removed by strip mining methods; and (ii) an amount per ton of coal mined from the Leased Premises during the preceding calendar month equal to ten percent (10%) of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month for all coal mined and removed by the Archveyor(TM) or other highwall mining method, to satisfy "New Contracts" (as hereinafter defined).

(d)(3) In respect of coal mined from either Tract 1 of the Leased Premises or Tract 2 of the Leased Premises from and after January 1, 2002 to satisfy "New Contracts" (as hereinafter defined), (i) an amount per ton of coal mined from the Leased Premises during the preceding calendar month equal to ten percent (10%) of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month for all coal mined and removed by strip mining methods; and (ii) an amount per ton of coal mined form the Leased Premises during the preceding calendar month equal to ten percent (10%) of the average gross sales price per ton of coal received by Lessee f.o.b. cars at point of shipment during the preceding calendar month for all coal mined and removed by the Archveyor(TM) or other highwall mining method."

4. The parties acknowledge that Rock Spring's affiliate, Union Pacific Resources Company, shall be entitled to apply a portion of the amount by which any production royalty payment is reduced by virtue of Section 2 or Section 3 of this Amendment and Agreement to all sums due and owing Ark's parent, Arch Mineral Corporation, under that certain Services Agreement of even date herewith by and between Arch Mineral Corporation and Union Pacific Resources Company to the extent and as specifically set forth in such Services Agreement. In the event Arch Mineral Corporation is in default as to compliance with the terms of the aforesaid Services Agreement and, after receiving notice of such default from Union Pacific Resources Company fails to cure said default within thirty (30) days thereafter, the production royalty reduction provided for in Section 3 or Section 5 of the is Amendment and Agreement shall be of no further force and effect and the royalties payable under H-64 and M-37 shall be as provided for under said leases on the date immediately preceding the Effective Date.

5. It is the intent of the parties that the use of the Archveyor(TM) or other highwall mining methods shall not prevent Rock Springs from subsequent highwall access to the lands described in H-64 and M-37 for the purpose of mining additional reserves from such lands by underground mining methods. Accordingly, to the extent permitted by applicable governmental regulations, Ark shall leave solid coal barriers of not less than 400 lineal feet along the highwall faces so as to permit access to the coal seams for underground mining operations. Ark and Rock Springs shall agree on the number of such solid coal barriers

that will be left in the highwall faces prior to Ark commencing or continuing Archveyor(TM) mining operations or other highwall mining activities.

6. The following provision is added to H-64 and the last sentence of Section 8.3 of M-37 is deleted in its entirety and replaced with the following provision:

> "Upon terminating strip mining in each section of the Leased Premises from which it would be possible to make an entry for underground mining of coal, Lessee shall, at the election of Lessor and to the extent permitted by applicable governmental regulations and Lessee's permit requirements, leave exposed not less than 700 lineal feet of the coal seam along the highwall so as to permit access to coal seams for underground mining purposes."

7. All other terms and provisions of H-64 and M-37, respectively, remain unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written above.

ARK LAND COMPANY

By: /s/ Steven E. McCurdy

Its: President

ROCK SPRINGS ROYALTY COMPANY

By: /s/ [SIGNATURE APPEARS HERE]

Its: Vice President

ROCK SPRINGS ROYALTY COMPANY, P.O. BOX 7, FORT WORTH, TEXAS 76101-0007

February 20, 1996

Mr. Steven E. McCurdy
Ark Land Company
CityPlace One
Creve Coeur, Missouri 63141

RE: RIGHT TO USE ARCHVEYOR (TM) OR OTHER HIGHWALL MINING METHODS UNDER COAL LEASE AGREEMENT DATED MAY 3, 1991, BY AND BETWEEN ROCK SPRINGS ROYALTY COMPANY ("RSRC") AND ARK LAND COMPANY ("ARK") ("H-64") AND AMENDED AND RESTATED MINING LEASE DATED DECEMBER 13, 1988, BY AND BETWEEN RSRC AND ARK ("M-37" AND TOGETHER WITH H-64 THE "LEASES").

Dear Mr. McCurdy:

By Amendment and Agreement made and effective January 1, 1996, by and between RSRC and Ark, RSRC and Ark modified and amended the Leases to provide for, among other things, a reduction in the production royalties payable under each of the Leases for coal mined by strip mining methods under each of the Leases for a term of six (6) years commencing on January 1, 1996. In drafting the Amendment and Agreement, a distinction was made in the royalty provisions of both of the Leases between strip coal and coal that can be removed by Archveyor (TM) or other highwall mining methods. You have pointed out that this distinction may create an ambiguity as to Ark's continued right to mine and remove coal under the Leases by the Archveyor (TM) method.

This is to acknowledge that by execution of the Amendment and Agreement, RSRC did not and does not intend in any way to limit the existing right of Ark to mine and remove coal under the Leases by Archveyor (TM) or other highwall mining methods, which rights have always been deemed to be encompassed by the right to mine by strip mining or other surface mining methods. RSRC acknowledges and agrees that, notwithstanding anything in the Leases to the contrary, for purposes of Ark's right to mine and remove coal pursuant to the Leases (but not for purposes of payment of production royalty thereon) the term "strip coal" shall be deemed to include coal that can be mined and removed by Archveyor (TM) or other highwall mining methods; that Ark shall have the full and complete right to mine and remove coal pursuant to the Leases by Archveyor (TM) or other highwall mining methods to the extent, including any depths specified in the Leases, applicable therein to strip coal; and that RSRC shall not exercise any rights reserved under the Leases in such a manner as to unreasonably interfere with Ark's right to mine and remove any coal leased to Ark under the Leases by Archveyor (TM) or other highwall mining methods.

RSRC further agrees that it will negotiate in good faith for an amendment or amendments to the Leases granting Ark the right to mine and remove coal by Archveyor (TM) or other highwall mining methods at additional depths not inconsistent with any prior rights granted to third parties, upon mutually acceptable terms.

ROCK SPRINGS ROYALTY COMPANY

By: /s/ [SIGNATURE APPEARS HERE]

Its: Vice President

AGREED TO AND ACCEPTED THIS THE 20TH DAY OF FEBRUARY, 1996.

ARK LAND COMPANY

By: /s/ STEVEN E. McCURDY

Its: President

EXHIBIT 10.12

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made and effective as of the 1st day of March, 1992, between ARCH MINERAL CORPORATION, a Delaware corporation ("Employer"), and STEVEN F. LEER ("Employee"),

WITNESSETH THAT:

WHEREAS, Employer is engaged in the business of mining and selling coal; and

WHEREAS, Employee is an experienced executive and has been appointed President and Chief Executive Officer of the Employer.

NOW, THEREFORE, the parties hereto do agree as follows:

1. Employment: Term: Duties. Employer hereby employs Employee and Employee hereby agrees to be employed by Employer for a period commencing March 1, 1992 and ending December 31, 1994. Thereafter this Agreement shall be renewed automatically from year to year unless at least sixty (60) days prior to the end of the initial term or any renewal term either party shall notify the other in writing that this Agreement shall terminate as of the end of such initial or renewal term. Employee shall serve as President and Chief Executive Officer or such other executive position as may be mutually agreed upon by Employer and Employee during the term of this Agreement. Employee shall be responsible for the management of Employer's business, and Employee shall be privy to all executive decisions affecting the business and operations of Employer. Employee shall be elected as a director of Employer, and Employee will perform his management responsibilities subject to the superintending control of the Board of Directors. Employee will devote his entire business time and attention to the performance of his duties as an executive employee of Employer.

Notwithstanding the foregoing provisions hereof, Employer shall have the right to assign Employee, with his consent, to other executive duties or offices with

Employer or, without his consent, to the office of consultant of Employer; provided, however, that no such assignment shall affect Employee's right to receive the compensation and all other benefits provided to him under the terms of this Agreement.

2. Compensation. In consideration for his services and subject to the due performance thereof, Employer will pay to Employee a base annual salary at the rate of Two Hundred Fifty Thousand Dollars ($250,000) per year. This salary rate is the minimum rate that shall be paid and will be subject to annual review and to such increases, if any, as the Board of Directors may from time to time determine. In addition, Employee shall receive fringe benefits as provided in Section 3.

3. Fringes. Employee shall participate in all fringe benefit programs of Employer, now existing or hereafter established during the term hereof, on the same basis as other executive employees of Employer, including the Arch Mineral Corporation 1991 Incentive Compensation Plan. Employer shall cause the Arch Mineral Corporation 1991 Incentive Compensation Plan to be maintained in a manner so that Employee shall be entitled to receive an annual bonus up to an amount equal to 100% of his base salary. The amount of bonus actually received by Employee shall depend upon the achievement by the Company of certain return on equity goals to be established by the Board of Directors on an annual basis. In the event Employee's bonus calculated pursuant to the terms of the Arch Mineral Corporation 1991 Incentive Compensation Plan shall be less than $50,000 for any year during the original term of this Agreement, Employee shall nonetheless receive a minimum bonus of $50,000 for such year.

Pursuant to the terms of Employer's Thrift Plan, an employee does not become fully vested until participating in the Plan for five years. If for any reason Employee's employment shall be terminated prior to the time he is fully vested in

Employer's Thrift Plan, Employer shall pay to Employee such additional cash compensation as necessary to compensate Employee for the economic effect of not fully vesting on an after tax basis.

4. Termination for Cause. No termination of Employee's employment hereunder shall be deemed to be for cause unless such termination is on account of (a) any material and uncorrected breach by Employee of the terms of this Agreement; (b) any willful fraud or dishonesty of Employee involving the property or business of Employer; (c) a deliberate or willful refusal or failure of Employee to comply with any major corporate policy of Employer which is communicated to Employee in writing; or (d) Employee's conviction of any felony if such conviction shall result in his imprisonment.

No termination of this Agreement by Employee shall constitute a voluntary termination of Employee if it shall be on account of any prior material (and uncorrected) breach of this Agreement by Employer.

5. Death or Disability. In the event of the death of Employee while employed hereunder, all benefits accrued or payable to the date of his death shall be paid to his estate or in accordance with Employee's written beneficiary designation last filed with the Employer by the Employee. If Employee by reason of physical or mental illness shall be unable to perform his employment duties hereunder, on a continuing basis and for a period in excess of one year, his employment shall be terminated and he shall be entitled to receive all benefits then accrued or payable hereunder. No termination on account of death or disability shall be deemed to be a voluntary termination or a termination for cause.

6. Confidential Information. Employee, both during the term hereof and thereafter, will not, directly or indirectly, use for himself or use for, or disclose to, any party other than Employer, or any subsidiary of Employer, any secret or confidential information or data regarding the business of Employer or its subsidiaries or any secret or confidential information or data regarding the business or property of Employer or its subsidiaries or regarding any secret or confidential apparatus,

process, system, or other method at any time use, developed or investigated by or for Employer or its subsidiaries, whether or not developed, acquired, discovered or investigated by Employee. At the termination of Employee's employment or at any other time Employer or any of its subsidiaries may request, Employee shall promptly deliver to Employer all memoranda, notes, records, plats, sketches, plans or other documents made by, compiled by, delivered to, or otherwise acquired by Employee concerning the business or properties of Employer or its subsidiaries or any secret or confidential product, apparatus or process used, developed, acquired or investigated by Employer or its subsidiaries.

7. Non-Waiver of Rights. The failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of either party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

8. Invalidity of Provisions. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

9. Assignment. This Agreement shall be freely assignable by Employer and shall inure to the benefit of and be binding upon, Employer, its successors and assigns; but, being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by Employee.

10. Governing Law. This Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri.

11. Amendments. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically refering hereto and signed by the parties hereto.

12. Notices. Any notice to be given by either party hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed, certified or registered mail, postage prepaid, as follows:

TO ARCH: Arch Mineral Corporation
Suite 300, CityPlace One
St. Louis, Missouri 63141
Attention: General Counsel

and to Employee at his address as it appears on the payroll records of Employer, or to such other address as may have been furnished to the other party by written notice.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written in the City of St. Louis, State of Missouri.

ARCH MINERAL CORPORATION
("Employer")

By: /s/ Michael O. McKown
Michael O. McKown
Vice President-Human Resources

/s/ Steven F. Leer
Steven F. Leer ("Employee")

Exhibit 10.13

CONSULTING AGREEMENT

This Consulting Agreement is effective as of September 1, 1992 between ARCH MINERAL CORPORATION, a Delaware Corporation, CityPlace One, Suite 300, St. Louis, Missouri 63141 (Arch) and RONALD E. SAMPLES, 5 Dogwood Lane, Ladue, Missouri 63124 (CONSULTANT).

Arch is in the business of mining and selling coal.

CONSULTANT is an experienced person in the mining industry and has retired from Arch.

Arch desires to utilize CONSULTANT's services, and CONSULTANT desires to provide such services.

IN CONSIDERATION of the mutual promises and conditions contained herein, the parties hereto agree as follows:

SECTION 1. SCOPE OF SERVICES

1.1 CONSULTANT agrees to provide services as designated by Arch and Arch agrees to accept and pay for those services as set forth in this Agreement. "Services" shall mean CONSULTANT's advising, counseling, recommending and assisting Arch in any aspect of coal mining or in exploring for, developing, preparing, storing, loading, unloading, transporting, selling, using or otherwise handling or dealing in coal or in any matter relating thereto in which CONSULTANT has knowledge, experience or expertise. "Services" shall be provided in any state in which Arch may now or hereafter elect to acquire coal reserves or conduct coal mining operations or have business of any manner.

1.2 CONSULTANT shall also serve as Chairman of the Board of Directors of Arch and shall serve ln that capacity in a non-executive capacity with such authority as designated by the Chief Executive Officer (CEO) of Arch.

CONSULTANT shall make Services available to Arch for a minimum of one hundred (100) days per Contract Year, when and as requested by Arch. CONSULTANT shall not be required to provide Services (but may consent to provide same hereunder) to the extent that same are requested by Arch on the basis of a request made less than 48 hours before the time of the need for same. CONSULTANT shall not be required to render Services during vacation periods. As an independent Contractor, CONSULTANT shall have no established work schedule nor will it be necessary for CONSULTANT to obtain permission from Arch to be absent from Arch's office location.

Arch agrees to provide CONSULTANT adequate facilities and support services for the performance of CONSULTANT's obligations.

1.3 Nothing herein shall be construed to require Arch to request or utilize the Services. However, regardless of whether Arch uses CONSULTANT's Services, Arch shall pay CONSULTANT the minimum retainer fee set forth below so long as this Agreement is in effect.

SECTION 2. TERM

This Agreement shall be in effect for one year commencing September 1, 1992 and ending August 31, 1993, unless otherwise amended or extended.

CONSULTANT or Arch may terminate this Agreement at any time if CONSULTANT becomes unable to provide the services because of physical or mental disability or death. A Contract Year is defined as twelve (12) consecutive calendar months beginning on September 1.

SECTION 3. COMPENSATION

As full payment for all Services under this Agreement, Arch shall pay to CONSULTANT the following:

(a) an annual retainer fee of One Hundred Twenty-five Thousand Dollars ($125,000) to be paid on September 15 of any Contract Year. It is understood that the retainer fee shall be paid in equal monthly installments beginning on September 15, 1992. Arch shall be obligated to pay this fee regardless of whether Services are requested by Arch. If the Agreement is terminated because of the death of the CONSULTANT, or if the CONSULTANT becomes physically or mentally disabled as determined by a physician appointed by Arch and Arch terminates the Agreement after September 1, but before September 15, Arch shall pay the CONSULTANT (or his estate if deceased) the annual Retainer due for that Contract Year, but shall not be obligated for any further payments.

(b) if CONSULTANT renders Services in excess of one hundred (100) days per year then Arch shall pay CONSULTANT One Thousand Two Hundred Fifty Dollars ($1,250) per day for each day of Services performed for the remainder of any Contract Year.

(c) an amount equal to all of the CONSULTANT's reasonable out-of-pocket expenses paid in providing the Services. It is understood that those expenses to be reimbursed by Arch shall be those which are authorized by Arch's agent and which are permitted under the terms of Arch's Corporate Policy regarding such expenses.

Arch shall remit payments to CONSULTANT for all amounts due under this Agreement upon the basis of invoices sent by CONSULTANT to Arch within the first ten (10) days of each calendar month following the calendar month for which same are due. Such invoice shall set forth the number of days of Services provided by CONSULTANT for the month and for the Contract Year

to date through the end of the month. CONSULTANT shall support invoices for out-of-pocket expenses with receipts and other documentation reasonably required by Arch. Payments by Arch shall be made within twenty (20) days after Arch receives CONSULTANT's expense report and any attached invoices related thereto.

SECTION 4. TAXES AND INSURANCE

4.1 Arch shall not withhold any taxes for CONSULTANT. CONSULTANT shall be responsible for the payment of any taxes which might be owed as the result of the services provided under this Agreement.

4.2 Except for those benefits derived from CONSULTANT's Employee Benefit Plan as a retiree of Arch, CONSULTANT shall be responsible for his own insurance, workers compensation and other benefits.

4.3 Nothing herein shall be construed to limit or diminish any of CONSULTANT's rights, privileges or duties under any employee benefit plan of Arch pursuant to which CONSULTANT may be entitled.

SECTION 5. INDEMNIFICATION

CONSULTANT agrees to indemnify and defend Arch from all liability and claims of liability to third parties resulting from, or in connection with, the providing of Services by CONSULTANT under the terms of this Agreement.

SECTION 6. INDEPENDENT CONTRACTOR

It is the intention of the parties that CONSULTANT shall perform all Services in the capacity of an independent contractor and nothing contained herein is to be construed to be inconsistent therewith. CONSULTANT shall not be considered an employee of Arch but shall always act in the

capacity of an independent contractor, and as such, Arch shall not exercise control as to the manner or method by which CONSULTANT shall perform Services under this Agreement. The Services shall be performed in such place or places as Arch may, from time to time, designate.

SECTION 7. AGENT OF ARCH FOR PURPOSE OF THIS AGREEMENT

The CEO of Arch or any person designated by him shall be the agent of Arch for the purpose of this Agreement (Arch's Agent). Arch shall have the right to designate another person instead of the CEO as Arch's Agent upon written notice to CONSULTANT. Arch's Agent shall administer this Agreement on behalf of Arch including, but not limited to, requests for Services, approval of invoices, and oversight of the covenant not to compete in this Agreement. CONSULTANT acknowledges that he has no actual authority to bind Arch without the prior written authorization of the CEO or his designee as set forth herein, and that notwithstanding the fact that he may continue to serve as Chairman of Arch's Board of Directors that he is not an executive officer of Arch. In all cases, in dealing with third parties, CONSULTANT shall disclose the fact that he has no actual or apparent authority to bind Arch especially where it may otherwise appear to such third parties.

SECTION 8. COVENANT NOT TO COMPETE

During the term of this Agreement, CONSULTANT shall not knowingly, directly or indirectly participate in activity, including the sale of coal, which is in competition with Arch or any of its subsidiaries or affiliates, or otherwise attempt to obtain business Arch has or is attempting to negotiate. CONSULTANT also agrees not to render Services to any competitor of Arch or to provide information to any other company engaged in litigation in which Arch is involved or in which Arch takes an interest in the outcome thereof. Before undertaking any work or other activities which might violate the provisions of this section, CONSULTANT shall fully disclose to Arch's Agent the

circumstances of such work or other activity.

SECTION 9. CONFIDENTIALITY

CONSULTANT shall hold confidential any activities performed for Arch under this Agreement.

SECTION 10. NON-ASSIGNABILITY

The performance of the Services under this Agreement is personal to CONSULTANT and shall not be assigned.

SECTION 11. NOTICES

Any notice or communication provided for in this Agreement shall be in writing and given by either delivering the notice in person or by registered or certified mail, postage prepaid, or by fax to the address listed below:

If to Arch:

Arch Mineral Corporation
CityPlace One
Suite 300
St. Louis, Missouri 63141
Attention: CEO
PHONE: (314) 994-2900
FAX: (314) 994-2919

If to CONSULTANT:

Ronald E. Samples
5 Dogwood Lane
Ladue, Missouri 63124
PHONE: (314) 993-3631

Each party may designate in writing a new mailing address for notices. Notice by mail is deemed given as of the time of the postmark on the envelope.

SECTION 12. GOVERNING LAW

This Agreement is deemed to be made under the laws of the State of Missouri, and for all purposes, including interpretation, performance and enforcement, shall be construed in accordance with the laws of that state, without giving effect to the principles of conflict of laws.

SECTION 13. SECTION HEADINGS

Section headings have been inserted in this Agreement for convenience of reference only and do not in any way affect the meaning of any provision hereof.

SECTION 14. SURVIVAL OF OBLIGATIONS

All remedial, indemnification, and other obligations provided in this Agreement shall survive the termination, cancellation, or expiration of this Agreement.

SECTION 15. ENTIRE AGREEMENT

This Agreement represents the entire agreement between the parties, and there are no other covenants, promises, agreements, conditions or understanding either oral or written between them. Neither party may modify this Agreement except by written agreement.

The parties have signed this Agreement as of the date entered on page one.

ARCH MINERAL CORPORATION	CONSULTANT
By /s/ Michael O. McKown	By /s/ Ronald E. Samples
Title VP-HR	Ronald E. Samples
	5 Dogwood Lane
	Ladue, Missouri 63124

October 6, 1992

Ronald E. Samples
5 Dogwood Lane
Ladue, Missouri 63124

Re: Letter Amendment No. 1 to the September 1, 1992 Consulting Agreement
---
between Arch Mineral Corporation ("Arch") and Ronald E. Samples ("Consultant") ("Agreement")

In consideration of the mutual terms and conditions contained in the Agreement, the parties agree that Section 5 entitled "Indemnification" as set forth on page four of the Agreement is deleted in its entirety.

All other terms and conditions of the Agreement remain in effect.

ARCH MINERAL CORPORATION	CONSULTANT
By /s/ Michael O. McKown	/s/ Ronald E. Samples
Michael O. McKown, Vice President-Human Resources	Ronald E. Samples

Ronald E. Samples
5 Dogwood Lane
Ladue, Missouri 63124

Re: Letter Amendment No. 2 to the September 1, 1992 Consulting Agreement
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between Arch Mineral Corporation ("Arch") and Ronald E. Samples ("Consultant") ("Agreement")

In consideration of the mutual terms and conditions contained in the Agreement, the parties agree to amend the Agreement as follows:

1. The term of the Agreement is extended for one (1) year beginning September 1, 1993 and ending August 31, 1994.

2. All references to the minimum number of 100 days per Contract Year for services are reduced from 100 days to 80 days per Contract Year.

3. The annual retainer fee of $125,000 per Contract Year set forth in Section 3(a) is reduced to $100,000 per Contract Year.

4. All references to $1,250 per day for those services in excess of the minimum number of days per year is reduced to $1,000 per day for each day of services performed in excess of 80 days per Contract Year.

5. This Letter Amendment No. 2 is effective September 1, 1993.

6. All other terms and conditions of the Agreement remain in effect.

ARCH MINERAL CORPORATION	CONSULTANT
/s/ Michael O. McKown	/s/ Ronald E. Samples
Michael O. McKown	Ronald E. Samples
Vice President-Human Resources	

July 27, 1994

Ronald E. Samples
5 Dogwood Lane
Ladue, Missouri 63124

Re: Letter Amendment No. 3 to the September 1, 1992 Consulting Agreement
between Arch Mineral Corporation ("Arch") and Ronald E. Samples
("Consultant") ("Agreement")

In consideration of the mutual terms and conditions contained in the Agreement, the parties agree to amend the Agreement as follows:

1. The term of the Agreement is extended for one (1) year beginning September 1, 1994 and ending August 31, 1995.

2. All references to the minimum number of 80 days per Contract Year for services are reduced to 60 days per Contract Year.

3. The annual retainer fee shall be $75,000 per Contract Year.

4. Section 3(b) of the Agreement is further amended to provide that Arch shall continue to pay Consultant $1,000 per day for each day of services performed in excess of 60 days per Contract Year.

5. This Letter Amendment No. 3 is effective September 1, 1994.

6. All other terms and conditions of the Agreement remain in effect.

ARCH MINERAL CORPORATION	CONSULTANT
By /s/ Michael O. McKown	/s/ Ronald E. Samples
Michael O. McKown	Ronald E. Samples
Vice President-Human Resources	

August 7, 1995

Ronald E. Samples
The Landings on Skid Way Island
24 Dame Kathryn Drive
Savannah, Georgia 31411

Re: Letter Amendment No. 4 to the September 1, 1992 Consulting Agreement
between Arch Mineral Corporation ("Arch") and Ronald E. Samples
("Consultant") ("Agreement")

In consideration of the mutual terms and conditions contained in the Agreement, the parties agree to amend the Agreement as follows:

1. The term of the Agreement is extended for one (1) year beginning September 1, 1995 and ending August 31, 1996.

2. All references to the minimum number of days per Contract Year for services are reduced to 40 days per Contract Year.

3. The annual retainer fee shall be $50,000 per Contract Year.

4. Section 3(b) of the Agreement is further amended to provide that Arch shall continue to pay Consultant $1,000 per day for each day of services performed in excess of 40 days per Contract Year.

5. This Letter Amendment is effective September 1, 1995.

6. All other terms and conditions of the Agreement remain in effect.

ARCH MINERAL CORPORATION	CONSULTANT
By /s/ Michael O. McKown	/s/ Ronald E. Samples
Michael O. McKown	Ronald E. Samples
Vice President-Human Resources	

September 5, 1996

Ronald E. Samples
The Landings on Skid Way Island
24 Dame Kathryn Drive
Savannah, Georgia 31411

Re: Letter Amendment No. 5 to the September 1, 1992 Consulting Agreement
between Arch Mineral Corporation ("Arch") and Ronald E. Samples
("Consultant") ("Agreement")

In consideration of the mutual terms and conditions contained in the Agreement and other good and valuable consideration, the parties hereby agree to the following:

1. Subject to the termination provisions in the Agreement, the term of the Agreement is extended until 11:59 p.m. on March 30, 1997.

2. This Letter Amendment is effective as of August 31, 1996.

3. All other terms and conditions of the Agreement, as amended, remain in full force and effect.

ARCH MINERAL CORPORATION	CONSULTANT
By /s/ Jeffry N. Quinn	/s/ Ronald E. Samples
Jeffry N. Quinn	Ronald E. Samples

March 30, 1997

Ronald E. Samples
#2 Kertrel Lane
Savannah, Georgia 31411

Re: Letter Amendment No. 6 to the September 1, 1992 Consulting Agreement between Arch Mineral Corporation ("Arch") and Ronald E. Samples ("Consultant") ("Agreement")

In consideration of the mutual terms and conditions contained in the Agreement and other good and valuable consideration, the parties hereby agree to the following:

1. Subject to the termination provisions in the Agreement, the term of the Agreement is extended until 11:59 p.m. on June 30, 1997.

2. The retainer fee for the period March 31, 1997 through June 30, 1997 shall be $7,000.

3. This Letter Amendment is effective as of March 31, 1997.

4. All other terms and conditions of the Agreement, as amended, remain in full force and effect.

ARCH MINERAL CORPORATION	CONSULTANT
By /s/ Jeffry N. Quinn	/s/ Ronald E. Samples
Jeffry N. Quinn	Ronald E. Samples

Exhibit 10.14

FORM OF
AT WILL EMPLOYEE
RETENTION / SEVERANCE AGREEMENT

AGREEMENT by and between Arch Mineral Corporation ("The Company"), and _____ (the "Executive"), dated as of the 4th day of April, 1997.

The Company wishes to assure that it will have the continued dedication of the Executive, notwithstanding any uncertainties regarding Executive's status as a result of the Merger of Arch Mineral Corporation ("Arch") and Ashland Coal, Inc. ("Ashland Coal") pursuant to the Agreement and Plan of Merger dated as of April 4, 1997 (the "Merger"). The Board of Directors of the Company (the "Board") believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by the Merger, to encourage the Executive's full attention and dedication to the Company and to a successful transition, and to provide the Executive with compensation arrangements in the event of a termination of Executive's employment by the Company without "Cause" (as defined herein) or by Executive for "Good Reason" (as defined herein), at any time during the term hereof, which provide the Executive with individual financial security and which are competitive with those of other corporations and, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall be the effective date of the Merger, provided, however, that if the Executive's employment is terminated by the Company without "Cause" or if Executive is assigned by the Company to a new job assignment which is not a Comparable Position prior to the date on which the Merger occurs, and the Executive can demonstrate that such termination or reassignment by the Company was in contemplation of the Merger, then for all purposes of this Agreement the ''Effective Date" shall mean the date immediately prior to the date of such termination or reassignment, as the case may be.

(b) "Cause" means (i) the failure by Executive substantially to perform Executive's duties with the Company in Executive's current position or a Comparable Position, (ii) the willful misconduct or gross negligence of Executive, or (iii) the failure by Executive substantially to perform Executive's duties under this Agreement.

(c) "Comparable Position" means employment of Executive by the Company in a new job assignment which is consistent with Executive's abilities, in the Company's sole discretion, which has a salary midpoint at least equal to 85% of the salary midpoint of Executive's current job assignment.

(d) "Company" as used in Section 1(c) shall mean Arch, Ashland Coal, the company surviving the Merger, Ashland Inc. and any of their respective subsidiaries and divisions and, subject to Section 10(b) hereof, their respective successors.

(e) "Good Reason" means (i) any purported termination by the Company of Executive's employment for Cause which is finally determined by an independent arbiter or judicial finding not to be for Cause, (ii) the assignment of Executive, without Executive's specific written consent, to a new job assignment which is not a Comparable Position, (iii) any failure by the Company to comply with and satisfy the requirements of Section 3 or Section 12(b) of this Agreement, or (iv) any other reason which the Company and Executive shall agree in writing shall constitute Good Reason.

2. Agreement Period. The Company hereby agrees to provide to Executive the benefits and protections described herein, in consideration of the services provided to the Company by Executive after the date of this Agreement and of the agreements of Executive herein, for the period commencing on the Effective Date and ending on the earlier to occur of (a) the first anniversary of the Effective Date, or (b) the first day of the month coinciding with or next following Executive's retirement in accordance with any retirement plan or program of the Company (the "Agreement Period").

3. Terms of Employment.

(a) Position and Duties. During the Agreement Period, the Company agrees to employ Executive in Executive's position immediately preceding the Effective Date or in a Comparable Position and, excluding any periods of vacation and/or sick leave to which Executive is eligible, Executive agrees to devote Executive's full business time and attention to the business and affairs of the Company, to discharge the responsibilities assigned to Executive hereunder, to use Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities, and to assist in a smooth and successful transition after the Merger.

(b) Compensation.

(i) Base Salary and Benefits. During the Agreement Period, Executive shall receive a base salary ("Base Salary") at a monthly rate at least equal to the highest monthly base salary paid to Executive by the Company during the 90-day period immediately preceding the Effective Date and shall participate in the Company's salaried employee benefit plans in accordance with Company practices.

(ii) Relocation. If Executive agrees to be based more than fifty (50) miles from Executive's current location, Executive shall be entitled to relocation benefits under the Company's relocation plan, which shall include provision for gross-up for taxes on relocation payments and a relocation bonus in an amount equal to 15% of Executive's Base Salary, payable within 30 business days after the Executive's actual relocation. This relocation bonus is in lieu of the relocation bonus under the Company's relocation plan.

4. Termination.

(a) Termination. Executive's employment may be terminated at any time during the Agreement Period by the Company for Cause or any other reason, by the Executive for Good Reason or any other reason, or upon the occurrence of any of the following events:

(i) Death. This Agreement shall terminate automatically upon Executive's death.

(ii) Disability. The Company may terminate this Agreement after having established Executive's Disability (pursuant to the definition of "Disability" set forth below), by giving to Executive written notice of its intention to terminate Executive's employment. In such a case, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice (the "Disability Effective Date"), if, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" means disability which qualifies as a long term disability under the applicable long term disability policy of the Company which, at least 26 continuous weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers.

(b) Notice of Termination. Any termination by the Company for Cause or by Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date.

(c) Date of Termination. If the Executive's employment is terminated by the Company other than for Cause, Death or Disability or by Executive for Good Reason, the Date of Termination shall be 30 days after delivery of the Notice of Termination. If Executive's employment is terminated by reason of Death or Disability, the Date of Termination shall be Executive's date of death or Disability Effective Date, as the case may be. If Executive's employment is terminated by the Company for Cause or by Executive for other than Good Reason, the Date of Termination means the date of receipt of the Notice of Termination or any later date that may be specified therein.

5. Obligations of the Company upon Termination.

(a) Death. If, during the Agreement Period, Executive's employment is terminated by reason of Executive's death, this Agreement shall terminate without further obligations to Executive's legal representatives under this Agreement, other than those obligations accrued or earned by Executive hereunder as of the Date of Termination, including, for this purpose: (i) Executive's full Base Salary through the Date of Termination at the rate in effect on the Date of Termination, (ii) any accrued vacation pay not yet paid by the Company, and (iii) any other amounts or benefits owing to Executive under the then applicable benefit plans or policies of the Company (such amounts and

benefits specified in clauses (i), (ii) and (iii) are hereinafter referred to as "Accrued Obligations"). The Company shall pay the amounts specified in clauses (i) and (ii) within 10 days after the Date of Termination (and in no case later than 30 days after the Date of Termination) and shall pay the amounts and benefits in clause (iii) within 10 days when due.

(b) Disability. If, during the Agreement Period, Executive's employment is terminated by reason of Executive's Disability, this Agreement shall terminate without further obligations to Executive, other than the Accrued Obligations, on Executive's Disability Effective Date. Anything in this Agreement to the contrary notwithstanding, Executive shall be entitled after the Disability Effective Date to receive disability and other benefits at least equal to those provided by the Company to disabled employees and/or their families in accordance with such plans, programs and policies relating to Disability, if any, applicable to Executive at any time during the 90-day period immediately preceding the Effective Date.

(c) Termination by the Company for Cause; Termination by Executive for other than Good Reason. If, during the Agreement Period, Executive's employment shall be terminated by the Company for Cause or by Executive other than for Good Reason, this Agreement shall terminate without further obligations to Executive, other than the Accrued Obligations, on the Date of Termination.

(d) Termination by Executive for Good Reason; Termination by the Company Other Than for Cause, Death or Disability. If, during the Agreement Period, the Company shall terminate Executive's employment other than for Cause, Death or Disability, or the employment of Executive shall be terminated by Executive for Good Reason, upon the delivery by Executive to the Company of the release and waiver described in Section 5(f) hereof, Executive shall be entitled to the following payments and benefits:

(i) the Company shall pay all Accrued Obligations (including a pro rata portion of Executive's Annual Bonus) to Executive;

(ii) the Company shall pay Executive a severance benefit in an amount equal to twenty-four (24) times the monthly Base Salary being paid to Executive immediately prior to the Date of Termination, which severance benefit shall be paid either in one lump sum payment or, if requested by Executive and agreed to by the Company, in two lump sum payments on such date or dates following the Date of Termination as may be specified by Executive;

(iii) the Company will offer Executive the right to extend the medical, dental and life insurance benefits in which Executive is participating immediately prior to the Date of Termination, at regular employee rates, for a continuous period of up to twenty-four (24) months thereafter or until Executive secures substantially similar coverages under the plans of a new employer, whichever is sooner, which extension period shall run concurrently with the extension period under the Consolidated Omnibus Budget Reconciliation Act of 1985;

(iv) all of Executive's stock options and incentives will be fully vested and shall

be immediately exercisable for the remainder of the original option term;

(v) the Company will provide outplacement services to Executive through a third party provider in accordance with the Company's historic policies and procedures for comparably situated executive personnel; and

(vi) all benefits other than those specified above shall cease on the Date of Termination, including participation in the Company's 401(k) plan and pension plan.

(e) Termination by Executive by Electing to Retire Under Enhanced Early Retirement Program. If, during the Agreement Period, the employment of Executive is terminated by Executive electing to retire pursuant to an enhanced early retirement program offered by the Company, this Agreement shall terminate without further obligations to Executive, other than the Accrued Obligations, on the Date of Termination.

(f) Release and Waiver. To be eligible for any benefits or payments under this Agreement, Executive must sign and deliver to the Company a Separation and Release Agreement, under which Executive agrees to release the Company, its directors, officers and employees, anyone claiming through the Company, and its shareholders, from any and all claims, charges, and causes of action whatsoever which Executive may have by reason of Executive's employment with and termination by the Company. Said claims or causes of action include, but are not limited to, suits for employment discrimination under Title VII of the Civil Rights Act of 1964, 42 U.S.C. (S) 1981, the Civil Rights Act of 1991, and any and all relevant state and/or municipal statutes; claims or causes of action for public policy violation, civil actions relating to negligence, age discrimination under the Age Discrimination in Employment Act of 1967, and any and all relevant state and/or municipal statutes; claims or causes of action for discrimination under the Americans with Disabilities Act of 1990, and any and all relevant state and/or municipal statutes; claims or causes of action for discrimination under the Rehabilitations Act of 1973; claims or causes of action under the Family and Medical Leave Act of 1993, and any and all relevant state and/or municipal statutes; claims or causes of action for wrongful discharge, and claims or causes of action for breach of any alleged employment contract, both written and oral, arising out of Executive's employment with the Company; claims or causes of action for defamation or intentional infliction of emotional distress, interference with contract or prospective business relationship, and for breach of any covenant of good faith and fair dealing.

6. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any benefit, bonus incentive or other plan or program provided by the Company or any of its affiliated companies and for which Executive may qualify, nor shall anything herein limit or otherwise affect such rights that Executive may have under any stock option or other agreements with the Company. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan or program of the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

7. No Setoff; Cooperation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any setoff, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. Notwithstanding anything to the contrary contained herein, payment of severance benefits pursuant to Section 5 hereof is conditional upon Executive's cooperating fully with the Company in connection with all matters relating to Executive's employment with the Company and upon Executive doing or saying nothing derogatory about the Company or its businesses or personnel.

8. Confidential Information and Non-Solicitation.

(a) Confidential Information. Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its businesses, which shall have been obtained by Executive during Executive's employment by the Company and which shall not be public knowledge (other than by acts by Executive in violation of this Agreement). After termination of the Executive's employment with the Company, Executive shall not, without the prior written consent of the Company, communicate or divulge any such secret or confidential information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement.

(b) Non-Solicitation. Executive agrees that, during the Agreement Period and for a period of two years after the termination of their employment with the Company pursuant to Section 5 hereof, Executive will not:

(i) solicit, raid, entice or induce any present or prospective employee of the Company to be employed by any competitor of the Company;

(ii) solicit business for any competitor from, or transact business for any competitor with, any person, firm or corporation which was, at any time during Executive's employment hereunder, a customer of the Company; or

(iii) assist a competitor in taking such action.

(c) Remedies. Executive agrees that any breach or threatened breach or alleged breach or alleged threatened breach by Executive of any provision of this Section 8 will entitle the Company, in addition to any other legal remedies available to it, to apply to any court of competent jurisdiction to enjoin the breach or threatened breach or alleged breach or alleged threatened breach, it being acknowledged and agreed that any such material breach will cause irreparable injury to the Company and that any damages will not provide adequate remedies to the Company. The parties understand and intend that each restriction agreed to by Executive will be construed as separable and divisible from every other restriction, and that the unenforceability, in whole or in part, of any restriction will not affect the enforceability of the remaining restrictions and that one or more or all

of such restrictions may be enforced in whole or in part as the circumstances warrant. No waiver of any one breach of the restrictions contained herein will be deemed a waiver of any future breach. In no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement. Executive agrees that upon any breach by Executive of any provision of this Section 8, the Company shall be entitled to liquated damages in an amount equal to the severance benefit paid to Executive under this Agreement. This agreement to pay liquated damages does not restrict or limit, in any way whatsoever, the Company from obtaining any other legal remedies available to it.

9. Exclusive Remedy. Executive's rights to severance benefits pursuant to Section 5 hereof shall be Executive's sole and exclusive remedy for any termination of Executive's employment by the Company without Cause or by Executive for Good Reason. The payments, severance benefits and severance protections provided to Executive pursuant to this Agreement are provided in lieu of any severance payments, severance benefits and severance protections provided in any other plan or policy of the Company, except as may be expressly provided in writing under the terms of any plan or policy of the Company, or in a written agreement between the Company and Executive entered into after the date of this Agreement. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or others of the validity or enforceability of, or liability under, any provision of this Agreement.

10. Statement of Intention. It is the intention of the parties hereto that, prior to the Effective Date, this Agreement shall not create any rights or obligations in the Executive or the Company, or require any payments by the Company to Executive, except as expressly provided herein.

11. Successors.

(a) Executive. This Agreement is personal to Executive and, without the prior written consent of the Company, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) The Company. This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall include any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) Interpretation. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed to Executive at Executive's address on the payroll records of the Company and to the Company as follows:

Arch Mineral Corporation
CityPlace One, Suite 300
St. Louis, MO 63141

Att: Senior Vice President - Law & Human Resources

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) No Waiver. The failure of Executive or the Company to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision or any other provision thereof.

(f) Entire Agreement. This Agreement contains the entire understanding of the Company and Executive with respect to the subject matter hereof. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(g) At Will Employment. Executive and the Company acknowledge that the employment of Executive by the Company is "at will" and may be terminated by either Executive or the Company at any time, for any reason or for no reason whatsoever.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the day and year first above written.

Executive:

_____

_____(Name)

Arch Mineral Corporation:

_____
Senior Vice President - Law & Human Resources

Exhibit 10.15

FORM OF INDEMNITY AGREEMENT

INDEMNITY AGREEMENT, dated as of _____, 1997, by and among Arch Coal Inc., a Delaware corporation (the "Company" or the "Indemnitor"), which was formerly known as Arch Mineral Corporation ("AMC"), and _____ (the "Indemnitee").

R E C I T A L S

The Indemnitee is a director and/or officer of the Company and/or an Affiliate Indemnitee (as hereinafter defined). Indemnitor and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers in today's environment.

The Bylaws of the Company require the Company to indemnify its directors and officers as currently provided therein, and the Indemnitee is willing to serve as a director and/or officer of the Company in part in reliance on such provisions. The Bylaws of the Indemnitor permit Indemnitor to purchase and maintain insurance or to furnish similar protection or make other arrangements (any such insurance, protection or arrangement, an "Indemnification Arrangement") on behalf of the Indemnitee against personal liability (including, but not limited to, providing for Advanced Amounts as hereinafter defined) asserted against the Indemnitee or incurred by or on behalf of the Indemnitee in such capacity as a director or officer of such Indemnitor or as an Affiliate Indemnitee, or arising out of the Indemnitee's status as such, whether or not Indemnitor would have the power to indemnify the Indemnitee against such liability under the provisions of this Agreement or under the Delaware General Corporation Law (the "DGCL"), as it may then be in effect.

In part to provide the Indemnitee with specific contractual assurance of substantial protection against personal liability (regardless of, among other things, any amendment to or revocation of the aforementioned provisions of any of the Indemnitor's Bylaws or any change in the composition of the Indemnitor's Board of Director or control of such Indemnitor), the Indemnitor desires to enter into this Agreement. DGCL Section 145(f) expressly recognizes that the indemnification provisions of the DGCL are not exclusive of any other rights to which a person seeking indemnification may be entitled under the Certificate of Incorporation or Bylaws of the Indemnitor, or an agreement providing for indemnification, or a resolution of stockholders or directors, or otherwise, and the Bylaws of the Indemnitor expressly recognize that the indemnification provisions of such Bylaws shall not be deemed exclusive of, and shall not affect, any other rights to which a person seeking indemnification may be entitled under any agreement, and this Agreement is being entered into pursuant to the Bylaws of the Indemnitor, as permitted by the DGCL.

In order to induce the Indemnitee to serve as a director and/or officer of the Company and in consideration of the Indemnitee's so serving, the Indemnitor desires to hold harmless and indemnify the Indemnitee and to make arrangements pursuant to which the Indemnitee may be advanced or reimbursed expenses incurred by the Indemnitee in certain proceedings, in every case to the fullest extent authorized or permitted by the DGCL, or any other applicable law, or by any amendment thereof or other statutory provisions authorizing or permitting such indemnification which are adopted after the date hereof (but, in the case of any such amendment, only to the extent that such amendment permits the Indemnitor to provide broader indemnification rights than the DGCL, or other applicable law, permitted Indemnitor to provide prior to such amendment).

NOW, THEREFORE, in consideration of the foregoing recitals and of the Indemnitee's continuing to serve the Company as a director and/or officer, the parties hereby agree as follows:

1. Indemnification. To the fullest extent allowed by law, the Indemnitor shall hold harmless and indemnify the Indemnitee, the Indemnitee's executors, administrators or assigns against any and all expenses, liabilities and losses (including, without limitation, investigation expenses, expert witnesses' and attorneys' fees and expenses, judgments, penalties, fines, amounts paid or to be paid in settlement, any interest, assessments, or other charges imposed thereon and any federal, state, local or foreign taxes imposed as a result of actual or deemed receipt of any payment hereunder) actually incurred by the Indemnitee (net of any related insurance proceeds or other amounts received by the Indemnitee or paid by or on behalf of Indemnitor on the Indemnitee's behalf in compensation of such expenses, liabilities or losses) in connection with any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative or in arbitration, to which the Indemnitee is a party or participant or is threatened to be made a party or participant ("Proceeding"), as a plaintiff, defendant, respondent, witness or otherwise, based upon, arising from, relating to or by reason of the fact that the Indemnitee: (a) is, was, shall be or shall have been a director and/or officer of the Company, or (b) is or was serving, shall serve, or shall have served at the request of the Company as a director, officer, partner, trustee, fiduciary, employee or agent ("Affiliate Indemnitee") of another foreign or domestic corporation or non-profit corporation, cooperative, partnership, joint venture, trust, employee benefit plan, or other incorporated or unincorporated enterprise or (c) is, was, shall be or shall have been a director and/or officer of Ashland Coal, Inc., a Delaware corporation ("ACI"), or AMC, during the period from and after the date on which Indemnitee became an officer and/or director of ACI or AMC through and until the Effective Time of the merger of AMC Merger Corporation with and into ACI, pursuant to which ACI became a wholly owned subsidiary of AMC and AMC's name was changed to Arch Coal, Inc.; or in any way arising from, relating to or connected with any action or omission to act taken by the Indemnitee in any of the foregoing capacities; provided, however, that, except as provided in Section 9(b) hereof, Indemnitor shall indemnify the Indemnitee in connection with a Proceeding initiated by the Indemnitee only if such Proceeding (or part thereof) was authorized by a two-thirds vote of the Board of Directors of Indemnitor.

The Indemnitee shall be presumed to be entitled to such indemnification under this Agreement upon submission of a written claim pursuant to Section 4 hereof. Thereafter, the Indemnitor shall have the burden of proof to overcome the presumption that the Indemnitee is so entitled. Such presumption shall only be overcome by a judgment or other final adjudication, after all appeals and all time for appeals has expired ("Final Determination"), which is adverse to the Indemnitee and which establishes (i) that the Indemnitee's acts were committed in bad faith, or were the result of active and deliberate dishonesty, and were material to the cause of action so adjudicated and (ii) that the Indemnitee in fact personally gained a financial profit or other advantage to which he was not legally entitled. If the Indemnitee is not wholly successful in any Proceeding but is successful on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Indemnitor agrees to indemnify the Indemnitee to the maximum extent permitted by law against all losses and expenses incurred by the Indemnitee in connection with each successfully resolved claim, issue or matter. Neither the failure of the Indemnitor (including its Board of Directors, legal counsel or stockholders) to have made a determination prior to the commencement of such Proceeding that indemnification of the Indemnitee is proper in the circumstances because such person has met the applicable standard of

conduct set forth in the DGCL, nor an actual determination by Indemnitor (including its Board of Directors, its legal counsel or its stockholders) that the Indemnitee has not met the applicable standard of conduct, shall be a defense to any action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The purchase, establishment or maintenance of any Indemnification Arrangement shall not in any way diminish, restrict, limit or adversely affect the rights and obligations of the Indemnitor or of the Indemnitee under this Agreement, except as expressly provided herein, and the execution and delivery of this Agreement by the Indemnitor and the Indemnitee shall not in any way diminish, restrict, limit or adversely affect the Indemnitee's right to indemnification from the Indemnitor or any other party or parties under any other Indemnification Arrangement, the Certificate of Incorporation or Bylaws of the Indemnitor, or the DGCL.

2. Period of Limitations. No legal action shall be brought and no
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cause of action shall be asserted by or on behalf of Indemnitor or any affiliate of Indemnitor against the Indemnitee, Indemnitee's spouse, heirs, executors, or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, or such longer period as may be required by applicable law under the circumstances. Any claims or cause of action of the Indemnitor or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action the shorter period shall govern.

3. Insurance. Subject only to the provisions of this Section 3, as
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long as the Indemnitee shall continue to serve as a director and/or officer of Indemnitor (or shall continue at the request of Indemnitor to serve as an Affiliate Indemnitee) and, thereafter, as long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was a director and/or officer of the Company and/or AMC and/or ACI (or served in any of said other capacities), the Indemnitor shall, unless no such policies are available in any market, purchase and maintain in effect for the benefit of the Indemnitee, one or more valid, binding and enforceable policies (the "Insurance Policies") of directors' and officers' liability insurance ("D&O Insurance") providing adequate liability coverage for the Indemnitee's acts as a director and/or officer of the Indemnitor or as an Affiliate Indemnitee. Indemnitor shall promptly notify the Indemnitee of any lapse, amendment or failure to renew said policy or policies or any provision thereof relating to the extent or nature of coverage provided thereunder. In the event the Indemnitor does not purchase and maintain in effect said policy or policies of D&O Insurance pursuant to the provisions of this Section 3, Indemnitor shall, in addition to and not in limitation of the other rights granted the Indemnitee under this Agreement, hold harmless and indemnify the Indemnitee to the full extent of coverage which would otherwise have been provided for the benefit of the Indemnitee pursuant to the Insurance Policies.

4. Claims for Payment. The Indemnitee shall have the right to
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receive from the Indemnitor on demand or, at the Indemnitee's option, to have the Indemnitor pay promptly on the Indemnitee's behalf, in advance of a Final Determination of a Proceeding, all amounts payable by the Indemnitor pursuant to the terms of this Agreement as corresponding amounts are expended or incurred by the Indemnitee in connection with any Proceeding or otherwise (such amounts so expended or incurred being referred to as "Advanced Amounts"). In making any claim for payment by the Indemnitor of any amount, including any Advanced Amount, pursuant to this Agreement, the Indemnitee shall submit to the Indemnitor a written request for payment (a "Claim") which includes a schedule setting forth in reasonable detail the dollar amount expended

(or incurred or expected to be expended or incurred). Each item on such schedule shall be supported by the bill, agreement, or other documentation relating thereto, a copy of which shall be appended to the schedule as an exhibit.

Where the Indemnitee is requesting Advanced Amounts, the Indemnitee must also provide an undertaking to repay such Advanced Amounts if a Final Determination is made that the Indemnitee is not entitled to indemnification hereunder.

5. Section 16(b) Liability. Indemnitor shall not be liable under this Agreement to make any payment in connection with any claim made against the Indemnitee for an accounting of profits made from the purchase or sale by the Indemnitee of securities of Indemnitor within the meaning of Section 16(b) of the Securities Exchange Act of 1934, and amendments thereto, or similar provisions of any state statutory law or common law.

6. Continuation of Indemnity. All agreements and obligations of the Indemnitor contained herein shall continue during the period the Indemnitee is a director and/or officer of Indemnitor (or is serving at the request of Indemnitor as an Affiliate Indemnitee) and shall continue thereafter so long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was a director or officer of Indemnitor or served as such an Affiliate Indemnitee.

7. Successors; Binding Agreement. This Agreement shall be binding on, and shall inure to the benefit of and be enforceable by, the Indemnitor's successors and assigns and by the Indemnitee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. Indemnitor shall require any successor or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Indemnitor, by written agreement in form and substance reasonably satisfactory to Indemnitor and to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Indemnitor would be required to perform if no such succession or assignment had taken place.

8. Notification and Defense of Claims. Promptly after receipt by the Indemnitee of notice of the commencement of any Proceeding, the Indemnitee shall, if a claim in respect thereof is to be made against Indemnitor under this Agreement, notify Indemnitor of the commencement thereof, but the failure to so notify Indemnitor will not relieve the Indemnitor from any liability that it may have to the Indemnitee. With respect to any such Proceeding:

(a) Indemnitor shall be entitled to participate therein at its own expense;

(b) Except with prior written consent of the Indemnitee, the Indemnitor shall not be entitled to assume the defense of any Proceeding; and

(c) Indemnitor shall not settle any Proceeding in any manner that would impose any penalty or limitation on, or in any way be adverse to, the Indemnitee without the Indemnitee's prior written consent.

The Indemnitee shall not settle any Proceeding with respect to which the Indemnitee has received indemnified amounts or Advanced Amounts without the Indemnitor's prior written consent, nor will the Indemnitee unreasonably withhold consent to any proposed settlement.

9. Enforcement. (a) Indemnitor has entered into this Agreement and assumed the obligations imposed on Indemnitor hereby in order to induce the Indemnitee to act as a director and/or officer of the Company or as an Affiliate Indemnitee and acknowledges that the Indemnitee is relying upon this Agreement in continuing in such capacity.

(b) All expenses incurred by the Indemnitee in connection with the preparation and submission of the Indemnitee's request for indemnification hereunder shall be borne by the Indemnitor. In the event the Indemnitee has requested payment of any amount under this Agreement and has not received payment thereof within thirty (30) days of such request, the Indemnitee may bring any action to enforce rights or collect moneys due under this Agreement, and, if the Indemnitee is successful in such action, the Indemnitor shall reimburse the Indemnitee for all of the Indemnitee's fees and expenses in bringing and pursuing such action. If it is determined that the Indemnitee is entitled to indemnification for part (but not all) of the indemnification so requested, expenses incurred in seeking enforcement of such partial indemnification shall be reasonably prorated among the claims, issues or matters for which the Indemnitee is entitled to indemnification and the claims, issues or matters for which the Indemnitee is not so entitled. The Indemnitee shall be entitled to the advancement of such amounts to the full extent contemplated by Section 4 hereof in connection with such Proceeding.

10. Separability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any sections or subsections of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of any section or subsections of this Agreement containing any such provisions held to be invalid, illegal or unenforceable shall be construed so as to give effect to the intent of the parties that the Indemnitors (or any of them) provide protection to the Indemnitee to the fullest extent enforceable.

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing signed by the Indemnitee and an officer of the Indemnitor designated by the Board of Directors of Indemnitor. No waiver by either party at any time of any breach by the other party of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, without giving effect to the principles of conflicts of law thereof. The Indemnitee may bring an action seeking resolution of disputes or controversies arising under, or in any way related to, this Agreement in the state or federal court jurisdiction in which the Indemnitee resides or in which the Indemnitee's place of business is located and in any related appellate courts, and the Indemnitor hereby consents to the jurisdiction of such courts and to such venue.

12. Notices. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, as follows:

If to the Indemnitee:

If to the Company: Arch Coal, Inc.
Suite 300
CityPlace One
St. Louis, Missouri 63141

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

14. Effectiveness; Termination. This Agreement shall be effective as of the "Effective Time," as defined in that certain Agreement and Plan of Merger (the "Merger Agreement") dated as of April 4, 1997 by and among ACI, AMC and AMC Merger Corporation. If the Merger Agreement is terminated prior to the Effective Time, this Agreement shall not become effective and shall be void and of no force or effect.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the day and year first above written.

ARCH COAL, INC.

By: _____

Name: _____

Title: _____

INDEMNITEE

_____

EXHIBIT 10.16

1993 INCENTIVE COMPENSATION PLAN
PLAN DOCUMENT

ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN

1. PURPOSE OF THE PLAN

The purpose of the Plan is to provide an opportunity for key employees of the Company to earn annual cash compensation awards through achievement of performance goals.

2. DEFINITIONS

A. "AVERAGE BUDGETED COSTS" are the Company budgeted costs for the plan year and subsequent four plan years as approved by the Board.

B. "AWARD" or "INCENTIVE COMPENSATION AWARD" means that amount of Award earned by a Participant for a Plan Year in accordance with Section 5.

C. "BASE SALARY" means all cash pay earned by a Participant from the Company for his or her personal services while a Participant during a Plan Year, plus any amount contributed by the Participant under a salary reduction arrangement pursuant to the Arch Mineral Corporation Employee Thrift Plan for such year, but less any Award or bonus earned or received during such year.

D. "BUDGETED COSTS" are the Company budgeted costs for the Plan Year as approved by the Board.

E. "BOARD" means the Board of Directors of the Company.

F. "CEO" means Chief Executive Officer of the Company.

G. "COMPANY" means Arch Mineral Corporation.

H. "CORPORATE PARTICIPANT" means a Participant employed at Arch Mineral Corporation or a non-coal producing subsidiary or division thereof.

I. "DIVISION" means a coal producing division or Subsidiary of a Unit Subsidiary.

J. "DIVISION PARTICIPANT" means a participant employed at a coal producing division or subsidiary of a coal producing Unit Subsidiary.

K. "INDIVIDUAL PERFORMANCE AWARD" is the portion of the maximum potential award which is based on the individual performance of the Participant.

L. "LOST TIME ACCIDENT RATE" is the rate defined under Part 50 of Title 30 of the Code of Federal Regulations. Participants responsible for multiple mines will be rated using a weighted average Lost Time Accident Rate.

M. "QUANTITATIVE AWARD" is the portion of the maximum potential award which is based on the achievement of various measurable goals. Aggregate award limitations for the Plan Year may also limit the quantitative award.

N. "MAXIMUM POTENTIAL AWARD" shall mean the maximum award to which a Participant may be entitled to receive in a Plan Year under the Plan. The Maximum Potential Award shall consist of two parts: (i) the Individual Performance Award; and (ii) the Quantitative Award.

O. "NET INCOME" shall mean the net income of the Company (without reduction for dividends, if any, or other distributions, if any, to shareholders) as determined by its independent accountants in accordance with generally accepted accounting principles consistently applied and as reported in the Company financial statements for the Plan Year. Adjustments to net income may be approved by the Board in its sole discretion for items not deemed by the Board to be under management control or to add or eliminate items or events which distort the actual results for a Plan Year.

P. "PARTICIPANT" means an employee who has been nominated by the CEO and approved by the Board to participate in the Plan.

Q. "PLAN" means the Arch Mineral Corporation 1993 Incentive Compensation Plan.

R. "PLAN YEAR" means the calendar year.

S. "RETURN ON EQUITY" means a percentage determined by dividing the Company's net income (as reported on its audited financial statements) by the average of the Shareholder Common Equity at the beginning and at the end of the Plan Year (as reported on its audited financial statements) and multiplying by 100. Adjustments, if any, may be approved by the Board in its sole discretion for items not deemed by the Board to be under management control.

T. "TOTAL COST PER TON" is the total cash and non-cash budgeted cost per ton per mine as approved by the Board prior to the beginning of a Plan Year. Total Cost includes all cash and non-cash costs except contract amortization, operating taxes, royalties and non-controllable transportation cost. Direct administration is also included but Corporate/ACS administration is not. The Total Cost Per Ton amount will not be modified for budget adjustments made during a Plan Year. Participants responsible for multiple mines will be rated using a weighted average Total Cost Per Ton.

U. "TOTAL TONS SOLD" is the Total Tons Sold per mine as approved by the Board prior to the beginning of a Plan Year. If a Division has not budgeted total tons sold for each of its mines, the total tons sold per mine shall be the ratio of the budgeted total tons produced for the mine as compared to the budgeted total tons produced for all of the mines in the Division. Total Tons Sold will not be modified for budget adjustments made during a Plan Year. Participants responsible for multiple mines will be rated using a weighted average Total

Tons Sold.

V. "UNIT SUBSIDIARY" means a large coal producing Subsidiary of the Company that consists of two or more coal producing Divisions.

W. "UNIT SUBSIDIARY PARTICIPANT" means a participant who is employed at a coal producing Unit Subsidiary of the Company.

3. ELIGIBILITY

Five levels of participation in the Plan are hereby established. Levels may be modified, added or subtracted from time to time by the Board.

A. New Participants may only enter the Plan with prior approval from the Board. Maximum Potential Awards will be prorated using the ratio of days the Participant is in the Plan compared to the total days in a Plan Year.

B. Participants will cease to be participants in the Plan effective the date they no longer hold a position which has been approved by the Board as a participating position.

The following levels are initially set in the Plan as stated in Attachment A.

Prior to the beginning of each Plan Year, the Board shall approve the employees of the Company who shall participate in the Plan for such Plan Year.

4. MAXIMUM POTENTIAL AWARD

The Maximum Potential Award is a percentage of the base salary of the participant and is different for each level of participation in the Plan. The Maximum Potential Award may be modified from time to time by the Board. Any modifications shall be made prior to the beginning of the Plan Year.

The Maximum Potential Award base salary percentage for each level of participation is as follows:

Level	Maximum Potential Award As Percentage of Base Salary
I	100%
II	70%
III	50%
IV	35%
V	15%

A participant's Maximum Potential Award is subject to the following:

A. If a participant's Individual Performance Rating Percentage (see Section 5A) is less than 70, the Participant is not eligible to receive any award for the Plan Year.

B. The aggregate of Awards earned in any Plan Year under this Plan shall not exceed 7.5% of the Net Income of the Company (without reduction for dividends, if any, or other distributions, if any, to shareholders), as determined by its independent accountants in accordance with generally accepted accounting principles consistently applied and as reported in the Company financial statements for the Plan Year. Awards shall be reduced pro-rata among all Participants receiving awards based upon the ratio of the Participant's award before the 7.5% of net income limitation to the aggregate of all awards before the 7.5% of net income limitation.

5. AMOUNT OF AWARD

A Participant's Award under this Plan shall be the sum of two parts; an Individual Performance Award calculated pursuant to Section 5(A) and a Quantitative Award calculated pursuant to Section 5(B). Provided however, the aggregate of all awards for any Plan Year will not exceed the net income limitations provided by Section 4(B).

A Participant's level of participation in the Plan will determine how much of his/her annual award will be based on Individual Performance Criteria (5A) and how much will be based on Quantitative criteria (5B). The chart below shows the allocation by Plan Level. These percentages may be modified from time to time by the Board. Any modifications shall be made prior to the beginning of the Plan Year.

Level	Individual Performance Criteria	Quantitative Measurement Criteria
Level I	0%	100%
Level II	0%	100%
Level III	20%	80%
Level IV	25%	75%
Level V	25%	75%

Attachment A reflects these percentages as the maximum percentage of base pay a Participant can receive under each part.

A. Part 1 of the Award shall be an Individual Performance Award. At the beginning of each Plan Year the Company President and Chief Executive Officer or the Participant's immediate supervisor will meet with each participant to set Individual Performance Goals for such year. The goals established will be documented on a 1993 Incentive Compensation Plan Goals form for the year. This document must be signed by the Participant as acknowledgment of what is expected and approved by the Participant's immediate supervisor, the Company Vice President-HR and the Company President and Chief Executive Officer.

The performance of the Participant for such Plan Year will be evaluated with respect to the performance goals established at the beginning of the Plan Year. A performance rating for each Participant will be determined. The Individual Performance Award, if any, earned by the Participant will be based

on the rating. The evaluation of a Participant's performance in achieving his/her goals will be subjective and the Performance Rating Percentage, as determined by the President/CEO of the Company and approved by the Board, shall be conclusive. The percentage of the Individual Performance Award earned will be based on the following chart. These percentages may be modified from time to time by the Board. Any modifications shall be made prior to the beginning of the Plan Year.

Performance Rating Percentage	Percentage of Individual Performance Award Earned
Less than 70	-0-
70-74	30%
75-79	44%
80-84	58%
85-89	72%
90-94	86%
95-and above	100%

A minimum Performance Rating Percentage of 70% will be required for any award to be earned for a Plan Year.

B. Part 2 of the Award shall be a Quantitative Award. Quantitative Awards will be determined upon the achievement of various measurable goals. These goals will be established prior to the beginning of each Plan Year. Participant's awards will be based upon the achievement of different goals, depending on whether the Participant is a Corporate Participant, Subsidiary Participant or a Divisional Participant and the position held. The following chart shows the weighting each goal has in the determination of each Participant's potential Quantitative Award. These weightings may be modified from time to time by the Board. Any modification shall be made prior to the beginning of the Plan Year.

	GOALS				
Participant	Return On Equity	Total Cost Per Ton Sold	Total Tons Sold	Lost Time Accidents	Total
Corporate Participant	100%				100%
Unit Subsidiary President	80%	10%	6%	4%	100%
Other Unit Subsidiary Participants	50%	25%	15%	10%	100%
Division President	50%	25%	10%	15%	100%
Other Division Participants	25%	50%	10%	15%	100%

Attachment B reflects these percentages as the maximum percentage of Base Pay a Participant can receive for each goal.

1. RETURN ON EQUITY GOAL

Prior to the beginning of each Plan Year, the Board shall set a Hurdle and Target level for Return On Equity to be achieved by the Company. The portion of a Participant's award determined by Return On Equity will be multiplied by the product of the following formula. The result will equal the portion of award based upon Return On Equity.

Formula = 20% + [(A-H)/(T-H) * 80%]
Where:
A = Actual Return on Equity
H = Return on Equity Hurdle Rate
T = Return on Equity Target Rate

The Actual Return on Equity must equal or exceed the Hurdle Return on Equity before an award will be earned under this section.

The average of the beginning of the year equity and the end of the year equity will be used in determining the actual return on equity.

2. TOTAL COST PER TON SOLD GOAL

Prior to the beginning of the Plan Year, the Board shall set a Total Cost per Ton Sold goal for each captive and contract mine. The Total Cost Per Ton Sold Goal will equal the amount approved by the Board in the final Budget for the Plan Year unless otherwise directed by the Board. The portion of a Participant's award based upon Total Cost Per Ton Sold Goal will be determined by the following formula.

Actual Cost Per Ton	Percentage of Goal Earned
If A = B	50%
If A less than B	The Lesser of: .50+(50* (1 - A/B))or 110%
If A greater than B	.50-(25* (A/B-1)) but no less than zero

Where:
A = Actual Total Cost Per Ton
B = Budgeted Total Cost Per Ton

Formulas will be reviewed annually before the beginning of the Plan Year to determine the appropriateness for the Plan Year.

3. TOTAL TONS SOLD GOAL

Prior to the beginning of the Plan Year, the Board shall set a Total Tons Sold Goal for each captive and contract mine. The Total Tons Sold amount will equal the amount approved by the Board in the final Budget for the Plan Year unless otherwise directed by the Board. The portion of a participant's award based upon Total Tons Sold Goal will be determined by the following formula.

Actual Cost Per Ton	Percentage of Award
If A = B	50%
If A greater than B	The Lesser of: .50+(5*(A/B-1)) or 110%
If A less than B	.50-(2.5*(1-A/B)) but no less than zero

Formulas will be reviewed annually before the beginning of the Plan Year to determine the appropriateness for the Plan Year.

4. LOST TIME ACCIDENT RATE GOAL

Prior to the beginning of the Plan Year, the Board shall set a Target Lost Time Accident Rate Goal for each captive mine. The portion of a Participant's award based upon the Lost Time Accident Rate Goal will be determined by the following chart:

Lost Time Accident Rate	Percentage of Goal Earned
Better Than Targeted Rate	100%
Better Than Targeted Rate by 10% or more	110%
Lags Targeted Rate by less than 10%	75%
Lags Targeted Rate by more than 10%	0%

The Targeted Lost Time Accident Rate must be better than the prior Plan Year incident rate by at least 10% (if possible) and must at least equal the most recently published National Average Incident Rate for similar operations.

No awards will be earned under this section for any participant of a Division, if the Division incurs a fatality during the Plan Year.

C. ADDITIONAL RULES

1. In no event can the awards determined by the attainment of the goals established in Sections 5(B)2, 5(B)3 and 5(B)4 exceed 100% of the Maximum Potential Award achievable under Sections 5(B)2, 5(B)3 and 5(B)4.

2. The goals established in Sections 5(B)2, 5(B)3 and 5(B)4 for Participants who possess responsibility for multiple mines will equal the weighted average composite goal of the mines they are responsible for. The goals for Unit Subsidiary Participants shall equal the weighted average composite goal of all Divisions of the Unit Subsidiary.

3. If a person ceases to be a Participant prior to receiving an award for a Plan Year (other than for death or disability) the Board shall determine in its discretion to what extent, if any, an Award shall be payable under the Plan.

4. The Board shall approve any and all payments under this Plan and reserves the discretionary right to adjust, modify or eliminate any awards which would otherwise be payable under the Plan.

5. Awards determined under this section will only be earned if:
   A. They are approved by the Board.
   B. The participant continues to be employed by the Company or one of its subsidiaries through the day the approved awards are actually paid.

Any rights a participant may have to receive an award will be forfeited if the participant's full-time employment is terminated prior to the actual date of payment.

6. Any misrepresentations or manipulations of the numbers used in the determination of a Quantitative Award by a Plan participant will jeopardize 100% of that individual's award for the Plan Year and, at the Board's discretion, the Subsequent Plan Year. The Board reserves the right to modify any calculations that have been found to be manipulated to arrive at equitably quantified results.

6. PAYMENT OF AWARD

The Incentive Compensation Award, if any, earned in accordance with Section 5 shall be paid in cash by the Company to the Participant within 30 days after approval by the Board.

7. DEFERRAL OF AWARD

Prior to the beginning of a Plan Year, a Participant may elect in writing to defer all or a portion of his/her award earned during the Plan Year. The election must include:

1. The amount or portion of the award to be deferred.
2. How long the award should be deferred.

Once the election is made, it shall be binding until the expiration of the elected deferral period. Deferred awards will become general obligations of the Company and will accrue simple interest using the monthly Wall Street Journal prime rate. Deferred amounts plus accrued interest will be paid to the participant in a lump sum within 30 days of the expiration of the elected deferral period.

8. DEATH OR DISABILITY

In the event of a Participant's or Prior Participant's death or permanent and total disability prior to receiving his Award, such Award shall be paid to the Participant or Prior Participant or the Participant's or Prior Participants designated beneficiary (or to his estate in the event the Participant or Prior Participant dies without previously having designated in writing to the Company a beneficiary), as soon as practicable after the end of the fiscal year in which such event occurs.

9. AMENDMENT OR TERMINATION OF THE PLAN

The Board reserves the right to terminate or amend the Plan, in whole or in part, at any time and from time to time, provided that no amendment or termination shall adversely affect any previously earned Award.

10. TERMINATION OF THE PLAN

The Plan shall remain in effect and Awards hereunder may be earned on and after January 1, 1993, until the Plan shall be terminated by the Board.

IN WITNESS WHEREOF, the Company has executed this Plan this 25th day of May, 1993.

ARCH MINERAL CORPORATION

By: /s/ Michael O. McKown

ATTEST:

/s/ Jeffry N. Quinn

ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN
ATTACHMENT A

INITIAL PLAN LEVELS

LEVEL 1

1. Company President and CEO.

LEVEL 2

1. Direct reports to the Company President and CEO.

   a. The Direct report must hold a position at the Vice President level or above.

2. Unit Subsidiary Presidents of Apogee Coal Company and Catenary Coal Holdings Company.

LEVEL 3

1. Division Presidents of Apogee Coal Company and Catenary Coal Holdings Company.

   a. This would include Arch of Illinois, Arch of West Virginia, Arch of Kentucky, Arch of Wyoming and Catenary Coal Company.

2. Subsidiary Presidents of Arch Coal Sales Company and Arkland and Geology.

3. Company full VPs not in Level 2.

LEVEL 4

1. Coal Producing Divisional VPs and Mine Managers directly responsible for five year Average Budgeted Costs exceeding $20MM per year.

2. Apogee Coal Company's and Catenary Coal Holdings Company's VP of Operations, VP of Accounting and Finance, and VP of Engineering (if applicable).

3. Subsidiary Presidents of R&H Service and Supply and Arch Transportation Company.

4. Certain Subsidiary VPs, Corporate VPs, AVPs and Directors (see Attachment C).

ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN
ATTACHMENT B 1 OF 2

CRITERIA	PERCENTAGE OF AWARD BASED ON EACH CRITERIA LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
CORPORATE					
PARTICIPANT:					
INDIVIDUAL PERFORMANCE	0.00%	0.00%	20.00%	25.00%	25.00%
RETURN ON EQUITY	100.00%	100.00%	80.00%	75.00%	75.00%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%
SUBSIDIARY					
PARTICIPANT:					
INDIVIDUAL PERFORMANCE		0.00%	20.00%	25.00%	25.00%
RETURN ON EQUITY		80.00%	40.00%	37.50%	37.50%
TOTAL COST PER TON SOLD		10.00%	20.00%	18.75%	18.75%
TOTAL TONS SOLD		6.00%	12.00%	11.25%	11.25%
LOST TIME ACCIDENT RATE		4.00%	8.00%	7.50%	7.50%
TOTAL	N/A	100.00%	100.00%	100.00%	100.00%
DIVISIONAL					
PARTICIPANT:					
INDIVIDUAL PERFORMANCE			20.00%	25.00%	25.00%
RETURN ON EQUITY			50.00%	18.75%	18.75%
TOTAL COST PER TON SOLD			20.00%	37.50%	37.50%
TOTAL TONS SOLD			4.00%	7.50%	7.50%
LOST TIME ACCIDENT RATE			6.00%	11.25%	11.25%
TOTAL	N/A	N/A	100.00%	100.00%	100.00%

ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN
ATTACHMENT B 2 OF 2

MAXIMUM % OF BASE PAY EARNED BY CRITERIA

CRITERIA	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
MAXIMUM AWARD AS A % OF BASE PAY	100.00%	70.00%	50.00%	35.00%	25.00%
CORPORATE					
PARTICIPANT:					
INDIVIDUAL PERFORMANCE	0.00%	0.00%	10.00%	8.75%	6.25%
RETURN ON EQUITY	100.00%	70.00%	40.00%	26.25%	18.75%
TOTAL	100.00%	70.00%	50.00%	35.00%	25.00%
SUBSIDIARY					
PARTICIPANT:					
INDIVIDUAL PERFORMANCE		0.00%	10.00%	8.75%	6.25%
RETURN ON EQUITY		56.00%	20.00%	13.13%	9.38%
TOTAL COST PER TON SOLD		7.00%	10.00%	6.56%	4.69%
TOTAL TONS SOLD		4.20%	6.00%	3.94%	2.81%
LOST TIME ACCIDENT RATE		2.80%	4.00%	2.62%	1.87%
TOTAL	N/A	70.00%	50.00%	35.00%	25.00%
DIVISIONAL					
PARTICIPANT:					
INDIVIDUAL PERFORMANCE			10.00%	8.75%	6.25%
RETURN ON EQUITY			25.00%	6.56%	4.69%
TOTAL COST PER TON SOLD			10.00%	13.13%	9.38%
TOTAL TONS SOLD			2.00%	2.62%	1.87%
LOST TIME ACCIDENT RATE			3.00%	3.94%	2.81%
TOTAL	N/A	N/A	50.00%	35.00%	25.00%

ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN
ATTACHMENT C

CRITERIA FOR CORPORATE AVP AND DIRECTOR'S PLACEMENT BETWEEN LEVEL 4 AND LEVEL 5.

1. External Equity

   Comparison between Position Grade midpoint to External Total Pay at the 75th percentile.

2. Internal Equity

   If the position is unique to the Company and accurate external comparisons can not be made, the position will be slotted in the level where other equivalent positions in the Company have been placed.

3. Organizational Reporting Tier

   Tier meaning CEO is Tier 1; Direct reports Tier 2 and so on.

   Must be at least Tier 4 to be placed in ICP Level 4 and at least Tier 5 to be placed in ICP Level 5.

4. Level 4 should include only those individuals who have a discrete functional area of responsibility.

5. Level 4 should include only those individuals who potentially have responsibility for at least $20MM in annual expenditures.

Employees in positions not meeting criteria for participation in the plan could be selected for participation if the following conditions are met:

   A. The employee's current position is at least Grade 12 and a manager title.

   B. The employee has been identified as a high potential individual.

   C. Employee's performance rating for the most current rating period was commendable or higher.

LEVEL 5

1. Coal Producing Division VPs and Mine Managers directly responsible for five year Average Budgeted Costs less than $20MM per year.

2. Divisional VPs and Managers of Contract Operations with Average Budgeted Costs exceeding $20MM per year.

3. Apogee Coal Company's and Catenary Coal Holdings Company's Top Employee Relations position.

4. Other Company AVPs and Directors not in Level 4.

5. Other employee's who meet certain additional criteria (See Attachment C).

AMENDMENT NO. 1 TO ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN

1. The chart set forth at the end of the second paragraph of Section 5 is hereby deleted in its entirety and replaced by the following chart:

Level	Individual Performance Criteria	Quantitative Measurement Criteria
Level I	10%	90%
Level II	20%	80%
Level III	20%	80%
Level IV	25%	75%
Level V	25%	75%

2. Attachment B to the 1993 Incentive Compensation Plan is hereby deleted in its entirety and the material attached hereto and labeled "Arch Mineral Corporation, 1993 Incentive Compensation Plan, Revised Attachment B" is hereby adopted and incorporated into the 1993 Incentive Compensation Plan.

3. As amended the Arch Mineral Corporation 1993 Incentive Compensation Plan shall remain in full force and effect in all respects.

ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN
ATTACHMENT B 1 OF 2

PERCENTAGE OF AWARD BASED ON EACH CRITERIA

CRITERIA	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
CORPORATE PARTICIPANT:					
INDIVIDUAL PERFORMANCE	10.00%	20.00%	20.00%	25.00%	25.00%
RETURN ON EQUITY	90.00%	80.00%	80.00%	75.00%	75.00%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%
SUBSIDIARY PARTICIPANT:					
INDIVIDUAL PERFORMANCE		20.00%	20.00%	25.00%	25.00%
RETURN ON EQUITY		60.00%	40.00%	37.50%	37.50%
TOTAL COST PER TON SOLD		10.00%	20.00%	18.75%	18.75%
TOTAL TONS SOLD		6.00%	12.00%	11.25%	11.25%
LOST TIME ACCIDENT RATE		4.00%	8.00%	7.50%	7.50%
TOTAL	N/A	100.00%	100.00%	100.00%	100.00%
DIVISIONAL PARTICIPANT:					
INDIVIDUAL PERFORMANCE			20.00%	25.00%	25.00%
RETURN ON EQUITY			50.00%	18.75%	18.75%
TOTAL COST PER TON SOLD			20.00%	37.50%	37.50%
TOTAL TONS SOLD			4.00%	7.50%	7.50%
LOST TIME ACCIDENT RATE			6.00%	11.25%	11.25%
TOTAL	N/A	N/A	100.00%	100.00%	100.00%

ARCH MINERAL CORPORATION
1993 INCENTIVE COMPENSATION PLAN
ATTACHMENT B 2 OF 2

MAXIMUM % BASE PAY EARNED BY CRITERIA

CRITERIA	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
MAXIMUM AWARD AS A % OF BASE PAY	100.00%	70.00%	50.00%	35.00%	25.00%
CORPORATE PARTICIPANT:					
INDIVIDUAL PERFORMANCE	10.00%	14.00%	10.00%	8.75%	6.25%
RETURN ON EQUITY	90.00%	56.00%	40.00%	26.25%	18.75%
TOTAL	100.00%	70.00%	50.00%	35.00%	25.00%
SUBSIDIARY PARTICIPANT:					
INDIVIDUAL PERFORMANCE		14.00%	10.00%	8.75%	6.25%
RETURN ON EQUITY		42.00%	20.00%	13.13%	9.38%
TOTAL COST PER TON SOLD		7.00%	10.00%	6.56%	4.69%
TOTAL TONS SOLD		4.20%	6.00%	3.94%	2.81%
LOST TIME ACCIDENT RATE		2.80%	4.00%	2.62%	1.87%
TOTAL	N/A	70.00%	50.00%	35.00%	25.00%
DIVISIONAL PARTICIPANT:					
INDIVIDUAL PERFORMANCE			10.00%	8.75%	6.25%
RETURN ON EQUITY			25.00%	6.56%	4.69%
TOTAL COST PER TON SOLD			10.00%	13.13%	9.38%
TOTAL TONS SOLD			2.00%	2.62%	1.87%
LOST TIME ACCIDENT RATE			3.00%	3.94%	2.81%
TOTAL	N/A	N/A	50.00%	35.00%	25.00%

EXHIBIT 10.17

ARCH MINERAL CORPORATION
DEFERRED COMPENSATION PLAN

WHEREAS, Arch Mineral Corporation ("Company") previously adopted the Arch Mineral Corporation Employee Thrift Plan (the "Thrift Plan"); and

WHEREAS, the Company desires to supplement the benefits payable under the Thrift Plan to certain of its key employees through the adoption of an unfunded plan;

NOW, THEREFORE, this Arch Mineral Corporation Deferred Compensation Plan ("Plan") is hereby adopted to read as follows:

1. DEFINITION OF TERMS. Certain words and phrases are defined when first used in later paragraphs of this Agreement. In addition, the following words and phrases when used herein, unless the context clearly requires otherwise, shall have the following respective meanings:

(a) CODE: The Internal Revenue Code of 1986, as amended or as it may be amended from time to time.

(b) COMPANY: Arch Mineral Corporation.

(c) COMPENSATION: Compensation, as defined in Section 2.6 (or any successor provision) of the Thrift Plan.

(d) EFFECTIVE DATE: The date of the execution of this Plan.

(e) ELECTION OF DEFERRAL: A written notice filed by each Participant with the Company specifying the amount of deferral.

(f) EMPLOYEE: A person employed by the Company.

(g) PLAN YEAR: The calendar year.

(i) PARTICIPANT: An Employee who has satisfied the eligibility requirements of Section 2.

(j) RETIREMENT ACCOUNT: Book entries maintained by the Company on behalf of each Participant, reflecting Deferred Amounts and Additions thereon; provided, however, that the existence of such book entries and the Retirement Account shall not create and shall not be deemed to create a trust of any kind, or a fiduciary relationship between the Company and the Participants or their beneficiaries.

(k) THRIFT PLAN: The Arch Mineral Corporation Employee Thrift Plan.

2. ELIGIBILITY. On and after the Effective Date, the Company may, in its sole discretion, by notice in writing designate any highly paid key employee who is a participant in the Thrift Plan as a Participant in this Plan.

3. DEFERRED COMPENSATION. Commencing on the Effective Date, and continuing through such date as a Participant's participation in the Thrift Plan ends, each Participant hereunder shall be entitled to elect to defer into his Retirement Account any amounts which he would otherwise be entitled to defer in accordance with Sections 4.1 and 4.2 of the Thrift Plan if the Participant's Compensation was not limited in accordance with the limitation on compensation set forth in Code Section 401(a)(17). Further, a Participant's Retirement Account shall be credited with an amount equal to the Company matching contributions which would have been made under Section 4.4 of the Thrift Plan if the Participant's deferrals into his Retirement Account had been contributed to the Thrift Plan and the limitations under Code Section 401(a)(17) had not applied to Company matching contributions.

The amount selected for deferral by the Participant pursuant to an Election of Deferral is the "Annual Deferral Sum." The amounts of Compensation and Company matching contributions which are actually deferred are hereinafter collectively referred to as "Deferred Amounts." The Deferred Amounts shall be credited to the Participant's Retirement Account as of the date contributions under Sections 4.1, 4.2 and 4.4 (or any successor provisions) of the Thrift Plan are credited to the Participant's account in the Thrift Plan.

4. ADDITIONS TO DEFERRED AMOUNTS. The Company hereby agrees that it will credit Deferred Amounts in the Employee's Retirement Account with additions thereon ("Additions") from and after the dated Deferred Amounts are credited to the Retirement Account. Additions to Deferred Amounts shall accrue commencing on the date the Retirement Account first has a positive balance and shall continue up to the date the entire balance in the Retirement Account has been distributed. Additions shall be calculated:

[OPTION 1 - HYPOTHETICAL INVESTMENT]

at a rate computed as if Deferred Amounts had been invested in the same investment funds which the Participant's accounts under the Thrift Plan are invested.

[OPTION 2 - FLUCTUATING RATE]

at a rate per annum equivalent to the prime rate, as of the date the first Deferred Amount is credited to the Participant's Retirement Account (or first business day thereafter). The prime rate shall initially be established at the rate quoted in the Wall Street Journal or, in the absence of quotation therein, as quoted in a similar publication. The prime rate shall be

determined by the same means and shall be adjusted on the first business day after each January 1 thereafter. Additions shall be compounded annually at the end of each Plan Year.

5. ELECTION TO DEFER COMPENSATION. The Participant may elect an Annual Deferral Sum hereunder by filing an Election of Deferral, at the same time and in the same manner as deferrals are elected in the Thrift Plan. Such deferrals may also be changed or suspended in accordance with the rules in Section 4.6 of the Thrift Plan for changes in and suspensions of Thrift Plan contributions.

6. DISTRIBUTIONS. The Company will distribute benefits under this Plan to a Participant (or his beneficiaries under the Thrift Plan) as soon as practicable after such Participant's termination of employment with the Company.

7. OFFSET FOR OBLIGATIONS TO COMPANY. If, at such time as a Participant becomes entitled to benefit payments hereunder, the Participant has any debt, obligation or other liability representing an amount owing to the Company, and if such debt, obligation, or other liability is due and owing at the time benefit payments are payable hereunder, the Company may offset the amount owing it against the amount of benefits otherwise distributable hereunder.

8. NO TRUST CREATED. Nothing contained in this Plan, and no action taken pursuant to its provisions shall create, or be construed to create, a trust of any kind, or a fiduciary relationship between the Company and the Participants, or any other persons.

9. BENEFITS PAYABLE ONLY FROM GENERAL CORPORATE ASSETS; UNSECURED GENERAL CREDITOR STATUS OF PARTICIPANT.

a. The payments to the Participant or any beneficiary hereunder shall be made from assets which shall continue, for all purposes, to be a part of the general, unrestricted assets of the Company; no person shall have any interest in any such assets by virtue of the provisions of this Plan. The Company's obligations hereunder shall be an unfunded and unsecured promise to pay money in the future. To the extent that any person acquires a right to receive payments from the Company under the provisions hereof, such right shall be no greater than the right of any unsecured general creditor of the Company; no such person shall have nor acquire any legal or equitable right, interest or claim in or to any property or assets of the Company.

b. In the event that, in its discretion, the Company purchases an insurance policy or policies insuring the lives of the Participants (or any other property), to allow the Company to recover the cost of providing benefits, in whole or in part, hereunder, neither the Participants, nor their beneficiaries have any rights whatsoever therein or in the proceeds therefrom. The Company shall be the sole owner and beneficiary of any such insurance policy and shall possess and may exercise all incidents of ownership therein. No such policy, policies or other property shall be held in any trust for the Participants or any other person nor as collateral security for any obligation of the Company hereunder.

10. NO CONTRACT OF EMPLOYMENT. Nothing contained herein shall be construed to be a contract of employment for any term of years, nor as conferring upon the Participant the right to continue to be employed by the Company in his present capacity, or in any capacity. It is expressly understood by the parties hereto that is Plan relates to the

payment of deferred compensation for the Participant's services, and is not intended to be an employment contract.

11. BENEFITS NOT TRANSFERABLE. Neither the Participants, nor their beneficiaries shall have any power or right to transfer, assign, anticipate, hypothecate or otherwise encumber any part or all of the amounts payable hereunder. No such amounts shall be subject to seizure by any creditor of any such beneficiary, by a proceeding at law or in equity, nor shall such amounts be transferable by operation of law in the event of bankruptcy, insolvency or death of the Participants, or their beneficiaries. Any such attempted assignment or transfer shall be void.

12. CLAIMS. A person who believes that he is being denied a benefit to which he is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit under the procedures set forth in Section 15 of the Thrift Plan. The claim shall be processed under such procedures.

13. AMENDMENT. The Company reserves the right to amend or terminate the Plan at any time, by action of its board of directors.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed and effective as of January 1, 1996.

ARCH MINERAL CORPORATION

By:_____

Title:_____

EXHIBIT 10.18

ARCH COAL, INC.
DEFERRED COMPENSATION PLAN FOR DIRECTORS' FEES

1. PURPOSE.

The purpose of this Deferred Compensation Plan For Directors' Fees (effective as of the Effective Date, the "Plan") is to provide each Director of Arch Coal, Inc. with an opportunity to defer some or all the director's retainer and meeting fees, as well as any per diem compensation for special assignments, which may be payable to the Director for future services to be performed by him or her as a member of any committee thereof, as a means of saving for retirement or other purposes.

2. DEFINITIONS.

The following definitions shall be applicable for purposes of the Plan:

(a) "Accounting Date" means each December 31, March 31, June 30, and September 30.

(b) "Beneficiary" means the person, persons, entity, entities or the estate of a Participant (or Beneficiary) which the Participant (or, where applicable a surviving Beneficiary) designates on Participant's Notice of Election Form (Exhibit A) to receive the undistributed portion of a Participant's Compensation Account, if any, upon the Participant's (or Beneficiary's) death or such person or entity as becomes entitled to such benefits pursuant to the terms of this Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Compensation Account" means the account to which the Director's Deferred Compensation is credited, together with income accrued thereunder, and which is established pursuant to Section 5.

(e) "Common Stock" means the common stock, $0.01 par value, of the Company.

(f) "Company" means Arch Coal, Inc.

(g) "Deferred Compensation" means the annual retainer and meeting fees, as well as any per diem compensation for special assignments, earned by a Director for his or her service as a member of the Board during a calendar year or portion thereof which is deferred pursuant to an Election.

(h) "Director" means any director of the Company who is not an employee of

the Company or one of its subsidiaries and who is separately compensated for his or her services on the Board, or any committee thereof.

(i) "Disability" shall have the same meaning as the term "disability" in Rule 16a-1(c)(3) of the regulations under the Securities Exchange Act of 1934.

(j) "Effective Date" shall mean the "Effective Time" of the "Merger" under the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, Ashland Coal, Inc., and AMC Merger Corporation.

(k) "Election" means a Participant's delivery of a written Notice of Election in the form of Exhibit A to the Corporate Secretary of the Company electing to defer payment of all or a portion of his or her compensation as a Director.

(l) "Fair Market Value" means, as of any specified date (or, if a weekend or holiday, the next preceding business day), the closing price of the Common Stock, as reported on the New York Stock Exchange Composite Tape.

(m) "Participant" means a Director who has elected, under the terms and conditions of the Plan, to defer payment of all or a portion of his or her compensation as a Director.

(n) "Payment Commencement Date" means, with respect to annual installments, January 2 of the first year of deferred payment selected by a Director in his or her Election and, with respect to quarterly installments, the first business day of the calendar quarter of deferred payment selected by a Director in his or her Election.

(o) "Plan" means this Arch Coal, Inc. Deferred Compensation Plan For Directors' Fees.

(p) "Prime Rate of Interest" means the rate of interest quoted by Citibank, N.A. as its prime commercial lending rate on the last day of each calendar quarter.

(q) "Stock Unit(s)" means the share equivalents credited to a Participant's Compensation Account pursuant to Section 6.

(r) "Termination" means retirement from the Board or termination of service as a Director for any other reason.

3. ELIGIBILITY.

Any Director who is separately compensated for his or her services on the Board, or on any committee of such Board, shall be eligible to participate in the Plan.

4. ADMINISTRATION.

Full power and authority to construe, interpret, and administer the Plan shall be vested in the Board. Decisions of the Board shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of the Company's Human Resources Department. Said Human Resources Department may modify any forms provided for herein or authorize new forms for use under this Plan as Senior Management of the Company may from time to time deem necessary or appropriate so long as any such modified or new forms are not otherwise inconsistent with the terms and provisions of this Plan.

Notwithstanding the terms of an Election made by a Participant hereunder, the Board may, in its sole discretion, change the terms of such Election, on its own initiative or, upon the request of a Participant or his or her representative, or a Participant's Beneficiary or such Beneficiary's representative, upon a demonstration by or on behalf of the Participant of substantial financial hardship as a result of the Disability of the Participant. The amount of any such distribution shall be limited to the amount deemed necessary by the Board to alleviate or remedy the Participant's hardship arising from such Disability.

5. COMPENSATION ACCOUNT.

Upon election to participate in the Plan, there shall be established a Compensation Account for the Participant to which shall be credited his or her Deferred Compensation on the date it would have been paid but for the deferral. Funds credited to a Compensation Account shall remain a part of the general funds of the Company and nothing contained in this Plan shall be deemed to create a trust or fund of any kind or create any fiduciary relationship. Nothing contained herein shall be deemed to give any Participant any ownership or other proprietary, security or other rights in any funds, stock or assets owned or possessed by the Company, whether or not earmarked for the Company's own purposes as a reserve or fund to be utilized by the Company for the discharge of its obligations hereunder. To the extent that any person acquires a right to receive payments or distributions from the Company under this Plan, such right shall be no greater than the right of any unsecured creditor of the Company.

6. ELECTION TO DEFER.

Upon his or her election to participate, the Participant shall either elect to have the Deferred Compensation in his or her Compensation Account credited on each Accounting Date with (1) an amount based on the Prime Rate of Interest quoted on such Accounting Date, or (2) a number of Stock Units or (3) a combination of both.

Pursuant to the Stock Unit election, each Stock Unit shall represent one hypothetical share of Common Stock and shall entitle the Participant to receive

benefits as hereinafter provided. The number of Stock Units credited to such electing Participant shall be determined by dividing each amount of Deferred Compensation which such Participant has elected to convert to Stock Units by the Fair Market Value of a share of Common Stock as of the day on which such Deferred Compensation is credited to the Participant's Compensation Account or, in the case of amounts already deferred, as of the effective date of such election as provided in Section 7. Fractional units shall be credited to the Participant as a result of the foregoing calculation.

In the event of any stock dividend, stock split, reverse stock split, recapitalization or reclassification of securities, reorganization, combination or exchange of shares or other similar changes in Common Stock, appropriate adjustments shall be made in the Stock Units credited to Participants in the same manner as shares of Common Stock represented by such Stock Units would have been adjusted had such shares been outstanding. Stock Units credited to a Participant shall additionally be adjusted to take into consideration all dividends which would have been declared and paid with respect to a number of shares of Common Stock equal to the number of hypothetical shares represented by such Stock Units to the extent the record date for such dividends is subsequent to the time that such Stock Units are credited to such Participant's Compensation Account. Dividend equivalents taken into account for these purposes shall be credited to such Participant's Compensation Account as of the payment date of the related dividends in the form of additional whole or fractional Stock Units. The number of Stock Units credited to a Participant for this purpose shall be equal to the amount of cash dividends which would have been so declared and paid divided by the Fair Market Value of a Stock Unit as of the dividend payment date.

7. MANNER OF ELECTION.

Any Director wishing to participate in the Plan must deliver to the Corporate Secretary of the Company a written notice, on the Notice of Election Form substantially in the form attached as Exhibit A, electing to defer payment of all or a portion (in 25 percent increments) of his or her compensation as a Director (an "Election"). A Director may elect to participate in the Plan by filing such Election: (a) with respect to Directors' fees payable for any calendar year by filing on or before December 31 of the preceding calendar year; and (b) with respect to Directors' fees payable for all or any portion of a calendar year after such Director's initial election, or any subsequent re-election if immediately prior thereto he or she was not serving as a Director, within 30 days subsequent to such election or re-election.

An effective Election may not be revoked or modified, except as to changes in the

designation of Beneficiary and as otherwise stated herein, with respect to Directors' fees payable for the calendar year or portion of a calendar year for which such Election is effective and such Election, unless terminated or modified as described below, shall apply to Directors' fees payable with respect to each subsequent calendar year. An effective Election may be terminated or modified for any subsequent calendar year by the filing, as described above, of either a new Election, in regard to modifications, or a Notice of Termination of Deferrals, substantially in the form attached as Exhibit B, in regard to terminations, on or before the December 31 immediately preceding the calendar year for which such modification or termination is to be effective. Except for payment periods commencing on a Director's death, retirement or Disability, a Director's designation of the applicable payment period with respect to his or her existing deferrals may not provide for any distribution from the Compensation Account within the first six months after the Election or any modification thereto. A Director's designation shall be forever binding upon the Director, and with respect to any and all deferrals for subsequent calendar years, cannot be changed except as provided in Section 4. Not earlier than six months after the date of a Director's Election and provided any change in election does not occur within six months of any other change in election, a Director may elect to change an existing selection as to the investment alternative in effect with respect to his or her existing account (in 25 percent increments) by filing with the Corporate Secretary of the Company a Notice of Change in Investment Alternative, substantially in the form attached as Exhibit C, at least fifteen (15) days prior to the commencement of the quarter in which the Director desires the change to become effective. The revision will be deemed effective as of the first business day of the next quarter subsequent to the filing of such Notice of Change in Investment Alternative.

8. ADJUSTMENT OF DEFERRED COMPENSATION ACCOUNT.

As of each Accounting Date, the Compensation Account for each Director shall be adjusted for the period, or applicable portion thereof, elapsed since the preceding Accounting Date as follows:

(a) FIRST, the account shall be charged with any distribution made during the period in accordance with Sections 9 and 10 below;

(b) SECOND, the account shall be credited with the amount, if any, of Director's fees deferred during the period in accordance with an effective Election under Section 7 above; and

(c) FINALLY, the average account balance shall be credited with an amount based on the Prime Rate of Interest quoted on such Account Date or the number of Stock Units held in such account shall be credited with additional Stock Units representing the dividend equivalents paid with respect to the Stock Units credited to such account on any dividend payment date during

such quarterly period, or a combination of both, for the quarterly period ending on such Accounting Date for the actual number of days elapsed.

9. MANNER OF PAYMENT.

A Director's Compensation Account will be paid to the Director or, in the event of his or her death, to a Beneficiary, in accordance with the Director's Election, all such payments to be made in cash. If a Director elects to receive payment of his or her Compensation Account in installments, the payment period shall not exceed twenty (20) years following the date of the Director's Termination. The amount of any installment payment shall be determined by multiplying (i) the balance in the Director's Compensation Account on the date of such installment by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments. In the event that different payment periods are approved for a single Participant provided herein, the foregoing formula will be applied separately to the relevant portions of the Compensation Account for such Participants which are subject to separate payment periods. Amounts held pending distribution pursuant to this Section 9 shall continue to be credited with an amount based on the Prime Rate of Interest or a number of Stock Units, or a combination of both, pursuant to Section 6 above.

10. PAYMENT COMMENCEMENT DATE.

Payments of amounts deferred pursuant to a valid Election shall commence (i) with respect to annual installments, on the January 2 of the first year of deferred payment selected by a Director in his or her Election and (ii) with respect to quarterly installments, on the first business day of the first calendar quarter of deferred payment selected by a Director in his or her Election. If a Director dies prior to the first deferred payment specified in an Election, payments shall commence on the first payment date so specified.

11. BENEFICIARY DESIGNATION.

A Director may designate, on a Notice of Election Form in the form attached as Exhibit A, any person to whom payments are to be made if the Director dies before receiving payment of all amounts due hereunder. A designation of Beneficiary will be effective only after the signed Election is filed with the Corporate Secretary of the Company while the Director is alive and will cancel all designations of Beneficiary signed and filed earlier. In the absence of an effective Beneficiary designation, a Participant's (or Beneficiary's, in the case of the death of a Beneficiary receiving benefits) surviving spouse, if any, or, if none, his or her children, if any, per stirpes, or, if none, the Participant's estate, will be the Beneficiary. A Beneficiary receiving benefits in accordance with the Plan may designate a beneficiary who will be entitled to receive, where applicable, the remaining benefits due the Beneficiary after the Beneficiary's death. If a designated Beneficiary should survive a

Participant but die (or, if a trust, terminate) before all benefits have been paid to the Beneficiary, the remainder of the payments shall be made as the Beneficiary may designate or, absent a properly executed Beneficiary designation, to the Beneficiary's estate or, if a trust, to the Beneficiaries in distribution of the trust.

12. MERGERS/ACQUISITIONS

In the event of any merger or acquisition involving the Company and/or a Subsidiary of the Company and another entity which results in the Company being the survivor or the surviving direct or indirect parent corporation of the merged or acquired entity, the Committee may grant Stock Units under the provisions of the Plan in substitution for stock units held by Directors of such other entity under any plan of such entity immediately prior to such merger or acquisition upon such terms and conditions as the Committee, in its discretion, shall determine and as otherwise may be required by the Code to ensure such substitution is not treated as the grant of a new Stock Unit for tax or accounting purposes.

In the event of a merger or acquisition involving the Company in which the Company is not the surviving corporation, the acquiring corporation shall either assume the Company's rights and obligations under the Plan, including if required, by substituting stock units under the acquiring corporation's plans, or if none, securities for such outstanding Stock Units. In the event the acquiring corporation elects not to assume or substitute for such outstanding Stock Units, the Board shall provide that any Stock Units or other Deferred Compensation shall be deemed immediately payable to the Participant or his Beneficiary, as the case may be, at their election as of a date prior to such merger or consolidation. Any Deferred Compensation which is neither assumed by the acquiring corporation nor paid prior to the date of the transaction shall be paid effective as of the effective date of the transaction.

13. INALIENABILITY OF BENEFITS.

The interests of the Participants and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor subject to attachment, execution, garnishment or other such equitable or legal process.

14. GOVERNING LAW.

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Missouri.

15. AMENDMENTS.

The Board may amend, alter or terminate this Plan at any time without the approval of the Participants.

EXHIBIT A

ARCH COAL, INC.
DEFERRED COMPENSATION PLAN FOR DIRECTORS' FEES

NOTICE OF ELECTION FORM

I, _____, an eligible Director for purposes of the Arch Coal, Inc. Deferred Compensation Plan For Directors' Fees (the "Plan"), hereby elect to participate in the Plan and make the following elections with respect to compensation which hereinafter becomes due to me for services as a Director of Arch Coal, Inc. (the "Company").

I. AMOUNT OF DEFERRED COMPENSATION

I hereby elect to defer my compensation for services as a Director as follows (indicate from 0 to 100%, in 25% increments):

_____% Directors' Fees and other Compensation

II. FORM OF PAYMENT OF DEFERRED COMPENSATION (CHECK ONE)

I hereby elect the following payment period designated below, which term shall hereinafter be applicable to each subsequent year in which I elect to defer any Directors' Fees payable to me:

_____ Lump Sum payable on the January 2 following the earlier of my termination of service as a Director or death.

_____ Lump Sum payable on January 2, _____, or, if earlier, the January 2 nineteen (19) years following the earlier of my termination of service as a Director or death.

_____ In _____ annual OR _____ quarterly installments (not to extend beyond the 20th anniversary of my termination of service) commencing upon my termination of my service as a Director with all installments unpaid at my death payable in a lump sum to the applicable Beneficiary named below commencing (PLEASE SELECT ONE):

_____ 90 days after my death
_____ 1 year after my death
_____ 2 years after my death

_____ In _____ annual OR _____ quarterly installments (not to extend beyond the earlier of the 20th anniversary of my termination of service) commencing upon my termination of my service or death as a Director, with all installments unpaid at my death payable annually or quarterly, as the case may be, to the Beneficiary named below.

III. FORM OF INVESTMENT ALTERNATIVE

I hereby elect to have my future Deferred Compensation Account with the Company deemed to be invested in the following manner (indicate from 0 to 100%, in 25% increments--in front of each item):

_____ Based on the Prime Rate of Interest quoted by Citibank, N.A. at the end of each quarter.

_____ By making a hypothetical investment in Common Stock with the assumption of automatic dividend reinvestment in the form of stock equivalents.

IV. BENEFICIARY SELECTION (OPTIONAL)

I hereby elect to have any amounts credited to my Deferred Compensation Account that are payable on account of my death paid to the following Primary Beneficiary or Beneficiaries:

Primary:

_____ _____
NAME RELATIONSHIP

_____
ADDRESS

If the named Primary Beneficiary predeceases me, the following person is designated as Contingent Beneficiary to receive any such unpaid deferred fees:

Contingent:

_____ _____
NAME RELATIONSHIP

_____
ADDRESS

I understand that this Election applies to compensation to be earned subsequent to the date of this Election and in each succeeding calendar year until the calendar year following the one in which I file a revised Election or a written Notice of Termination of Deferrals. With respect to each such year to which this Election applies, the Election becomes irrevocable as of midnight on December 31 of the immediately preceding calendar year. I understand that the Deferred Compensation will be paid to me as provided in Section 9 of the Plan. I further understand that my initial designation as to the applicable payment period shall be forever binding during my participation in the Plan and cannot be changed without the prior approval of the Board.

I understand that in executing this Election, I agree to be bound by the terms and conditions of the Plan and agree that such terms and conditions shall be binding upon my Beneficiaries, distributees and personal representatives.

I also understand that any compensation deferred by me represents a contractual obligation of the Company to make future payment in the form elected and that the Company will not be required to reserve or otherwise set aside funds to meet said obligations.

_____

Signature of Director

_____

Date

EXHIBIT B

NOTICE OF TERMINATION OF DEFERRALS

Attn: Corporate Secretary
Arch Coal, Inc.
CityPlace One, Suite 300
St. Louis, Missouri 63141

Arch Coal, Inc.
Deferred Compensation Plan
for Directors' Fees (the "Plan")

Dear Sir/Madam:

Pursuant to the provisions of the Plan, I hereby terminate my Election to defer under the Plan effective as of January 1, 19___.

DATE: _____ SIGNATURE: _____

EXHIBIT C

ARCH COAL, INC.
DEFERRED COMPENSATION PLAN FOR DIRECTORS' FEES

NOTICE OF CHANGE IN INVESTMENT ALTERNATIVE

I, _____, an eligible Director for purposes of the Arch Coal, Inc. Deferred Compensation Plan For Directors' Fees (the "Plan"), hereby elect to have that portion of my Deferred Compensation Account with the Company as of _____, 19____, deemed hereafter invested in the following manner (indicate from 0 to 100%, in 25% increments--in front of each item):

____

_____ Based on the Prime Rate of Interest quoted by PNC Bank, National Association at the end of each quarter.

_____ By making a hypothetical investment in Common Stock with the assumption of automatic dividend equivalents in the form of stock equivalents.

With respect to future compensation which becomes due to me and which I elect to defer, I hereby elect to have that portion of my Deferred Compensation Account with the Company deemed invested in the following manner (indicate from 0 to 100%, in 25% increments--in front of each item):

____

_____ Based on the Prime Rate of Interest quoted by PNC Bank, National Association at the end of each quarter.

_____ By making a hypothetical investment in Common Stock with the assumption of automatic dividend equivalents in the form of stock equivalents.

_____
Signature of Director

_____
Date

Exhibit 10.20

ARCH MINERAL CORPORATION ERISA FORFEITURE PLAN

Background. The Internal Revenue Code of 1986, as amended ("Code") sets limits on the maximum allocations that an employee of Arch Mineral Corporation (the "Corporation") and its subsidiary corporations may receive under the Arch Mineral Corporation Employee Thrift Plan ("Thrift Plan"). Because of these limitations, a portion of the company matching contribution which would otherwise be made in respect of contributions made to the Thrift Plan by certain individuals may be reduced. In response to this situation, the Corporation's Board of Directors adopted a resolution authorizing the officers of the Corporation to establish an "ERISA Forfeiture Plan" to reimburse affected individuals for matching benefits they would have otherwise received under the Thrift Plan absent the limitations imposed by the Code. The resolution also authorized the officers of the Corporation to allow affected individuals the opportunity to defer receipt of amounts reimbursable under the ERISA Forfeiture Plan.

Implementation of ERISA Forfeiture Plan. Beginning with the 1996 calendar year, individuals who are required to forego company matching contributions otherwise due to them under the Thrift Plan as a result of the Code limitations shall be reimbursed in cash for the value of such company matching contributions without any "gross up" for tax purposes. Such reimbursement shall occur each calendar year shortly after the determination of the amount by which company matching contributions have been limited for such calendar year.

Deferral of Cash Reimbursements. Amounts payable under this program may be deferred pursuant to the Deferred Compensation Plan which has also been approved by the Board of Directors.

These procedures are established effective January 1, 1996.

ARCH MINERAL CORPORATION

By: /s/ Jeffry N. Quinn

Subsidiaries of
Arch Mineral Corporation

Subsidiary	%Owned By Parent	%Owned Overall
ACS Coal Sales Company	100.00	100.00
AMC Merger Corporation	100.00	100.00
Apogee Coal Company	100.00	100.00
Arch Coal Sales Company, Inc.	100.00	100.00
Big Sandy Terminal, Inc.	100.00	100.00
Great Lakes Coal & Dock Company	100.00	100.00
Arch Energy Resources, Inc.	100.00	100.00
Arch International, Inc.	100.00	100.00
Arch Reclamation Services, Inc.	100.00	100.00
Ark Land Company	100.00	100.00
Catenary Coal Holdings, Inc.	100.00	100.00
Arch of Wyoming, Inc.	100.00	100.00
Catenary Coal Company	100.00	100.00
Cumberland River Coal Company	100.00	100.00
United States Coal Company	100.00	100.00
Lone Mountain Processing, Inc.	100.00	100.00
Energy Development Co.	100.00	100.00
Paint Creek Terminals, Inc.	100.00	100.00
R & H Service and Supply Co.	100.00	100.00

Exhibit 23.4

CONSENT OF JOHN T. BOYD COMPANY

We hereby consent to the reference to us and to the description of our undertakings as set forth under the caption "The Merger - Background of the Merger" in the Proxy Statement/Prospectus of Ashland Coal, Inc. and Arch Mineral Corporation, which Proxy Statement/Prospectus is part of the Registration Statement on Form S-4 of Arch Mineral Corporation.

JOHN T. BOYD COMPANY
/s/ Ronald L. Lewis

May 28, 1997

Exhibit 23.5

Salomon Brothers Inc
Seven World Trade Center
New York, New York 10048

212-783-7000

Salomon Brothers

CONSENT OF SALOMON BROTHERS INC

We hereby consent to the use of our name and to the description of our opinion letter, dated the date of the Proxy Statement/Prospectus referred to below, under this caption "The Merger - Opinion of Financial Advisor to the Ashland Coal Board of Directors" in, and to the inclusion of such opinion letter as Appendix B to, the Proxy Statement/Prospectus of Ashland Coal, Inc. and Arch Mineral Corporation, which Proxy Statement/Prospectus is part of the Registration Statement on Form S-4 of Arch Mineral Corporation. By giving such consent, we do not thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "expert" as used in, or that we come within the category of persons whose consent is required under, the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

SALOMON BROTHERS INC

By /s/ Matt R. Wole III
Managing Director

New York, NY
May 28, 1997

Exhibit 23.6

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-4 No. 333-00000) and related Proxy Statement of Ashland Coal, Inc. and Prospectus of Arch Mineral Corporation of our report dated January 22, 1997, with respect to the consolidated financial statements and schedule of Ashland Coal, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 1996, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Louisville, Kentucky
May 28, 1997

EXHIBIT 23.7

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our firm) included in or made a part of this registration statement.

/s/ Arthur Andersen LLP

St. Louis, Missouri
May 22, 1997

Exhibit 23.8

DIRECTOR'S CONSENT
(excerpted from Arch Coal, Inc.'s Directors' and Officers' Questionnaire)

I consent to being named as a director of Arch Coal, Inc. in the Form S-4 (filed in connection with the combination of Arch Mineral Corporation and Ashland Coal, Inc.) and in the Proxy Statement/Prospectus to be included therein and filed with the SEC, and to serve in the capacity indicated in the Proxy Statement/Prospectus as of the Effective Time of the merger (contemplated by the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc.).

Date: April 24, 1997

/s/ Robert A. Charpie
Signature

Robert A. Charpie
Please Print Name Here

Exhibit 23.9

DIRECTOR'S CONSENT
(excerpted from Arch Coal, Inc.'s Directors' and Officers' Questionnaire)

I consent to being named as a director of Arch Coal, Inc. in the Form S-4 (filed in connection with the combination of Arch Mineral Corporation and Ashland Coal, Inc.) and in the Proxy Statement/Prospectus to be included therein and filed with the SEC, and to serve in the capacity indicated in the Proxy Statement/Prospectus as of the Effective Time of the merger (contemplated by the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc.).

Date: April 28, 1997

/s/ Paul W. Chellgren
Signature

Paul W. Chellgren
Please Print Name Here

Exhibit 23.10

DIRECTOR'S CONSENT
(excerpted from Arch Coal, Inc.'s Directors' and Officers' Questionnaire)

I consent to being named as a director of Arch Coal, Inc. in the Form S-4 (filed in connection with the combination of Arch Mineral Corporation and Ashland Coal, Inc.) and in the Proxy Statement/Prospectus to be included therein and filed with the SEC, and to serve in the capacity indicated in the Proxy Statement/Prospectus as of the Effective Time of the merger (contemplated by the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc.).

Date: April 28, 1997

/s/ Thomas L. Feazell
Signature

Thomas L. Feazell
Please Print Name Here

Exhibit 23.11

DIRECTOR'S CONSENT
(excerpted from Arch Coal, Inc.'s Directors' and Officers' Questionnaire)

I consent to being named as a director of Arch Coal, Inc. in the Form S-4 (filed in connection with the combination of Arch Mineral Corporation and Ashland Coal, Inc.) and in the Proxy Statement/Prospectus to be included therein and filed with the SEC, and to serve in the capacity indicated in the Proxy Statement/Prospectus as of the Effective Time of the merger (contemplated by the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc.).

Date: May 6, 1997

/s/ Juan Antonio Ferrando
Signature

Juan Antonio Ferrando
Please Print Name Here

Exhibit 23.12

DIRECTOR'S CONSENT
(excerpted from Arch Coal, Inc.'s Directors' and Officers' Questionnaire)

I consent to being named as a director of Arch Coal, Inc. in the Form S-4 (filed in connection with the combination of Arch Mineral Corporation and Ashland Coal, Inc.) and in the Proxy Statement/Prospectus to be included therein and filed with the SEC, and to serve in the capacity indicated in the Proxy Statement/Prospectus as of the Effective Time of the merger (contemplated by the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc.).

Date: April 29, 1997

/s/ Robert Hintz

Signature

Robert Hintz

Please Print Name Here

Exhibit 23.13

DIRECTOR'S CONSENT
(excerpted from Arch Coal, Inc.'s Directors' and Officers' Questionnaire)

I consent to being named as a director of Arch Coal, Inc. in the Form S-4 (filed in connection with the combination of Arch Mineral Corporation and Ashland Coal, Inc.) and in the Proxy Statement/Prospectus to be included therein and filed with the SEC, and to serve in the capacity indicated in the Proxy Statement/Prospectus as of the Effective Time of the merger (contemplated by the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc.).

Date: April 30, 1997

/s/ Thomas Marshall
Signature

Thomas Marshall
Please Print Name Here

Exhibit 23.14

DIRECTOR'S CONSENT
(excerpted from Arch Coal, Inc.'s Directors' and Officers' Questionnaire)

I consent to being named as a director of Arch Coal, Inc. in the Form S-4 (filed in connection with the combination of Arch Mineral Corporation and Ashland Coal, Inc.) and in the Proxy Statement/Prospectus to be included therein and filed with the SEC, and to serve in the capacity indicated in the Proxy Statement/Prospectus as of the Effective Time of the merger (contemplated by the Agreement and Plan of Merger dated as of April 4, 1997, among Arch Mineral Corporation, AMC Merger Corporation and Ashland Coal, Inc.).

Date: April 28, 1997

/s/ J. Marvin Quin
Signature

J. Marvin Quin
Please Print Name Here

Exhibit 24.1

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, John R. Hall, a director of Arch Mineral Corporation (the "Company"), hereby constitute and appoint Steven F. Leer and Jeffry N. Quinn my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in my capacity as a director of the Company, to execute a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the issuance of shares of Common Stock of the Company pursuant to the Agreement and Plan of Merger, dated April 4, 1997, among the Company, AMC Merger Corporation and Ashland Coal, Inc., and any and all amendments to the Registration Statement, and to file the same with all exhibits thereto, and other documentation in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Date
/s/ John R. Hall	April 9, 1997
John R. Hall	

Exhibit 24.2

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, James R. Boyd, a director of Arch Mineral Corporation (the "Company"), hereby constitute and appoint Steven F. Leer and Jeffry N. Quinn my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in my capacity as a director of the Company, to execute a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the issuance of shares of Common Stock of the Company pursuant to the Agreement and Plan of Merger, dated April 4, 1997, among the Company, AMC Merger Corporation and Ashland Coal, Inc., and any and all amendments to the Registration Statement, and to file the same with all exhibits thereto, and other documentation in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Date
/s/ James R. Boyd	April 9, 1997
James R. Boyd	

Exhibit 24.3

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Douglas H. Hunt, a director of Arch Mineral Corporation (the "Company"), hereby constitute and appoint Steven F. Leer and Jeffry N. Quinn my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in my capacity as a director of the Company, to execute a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the issuance of shares of Common Stock of the Company pursuant to the Agreement and Plan of Merger, dated April 4, 1997, among the Company, AMC Merger Corporation and Ashland Coal, Inc., and any and all amendments to the Registration Statement, and to file the same with all exhibits thereto, and other documentation in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Date
/s/ Douglas H. Hunt	April 14, 1997
Douglas H. Hunt	

Exhibit 24.4

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, James L. Parker, a director of Arch Mineral Corporation (the "Company"), hereby constitute and appoint Steven F. Leer and Jeffry N. Quinn my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in my capacity as a director of the Company, to execute a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the issuance of shares of Common Stock of the Company pursuant to the Agreement and Plan of Merger, dated April 4, 1997, among the Company, AMC Merger Corporation and Ashland Coal, Inc., and any and all amendments to the Registration Statement, and to file the same with all exhibits thereto, and other documentation in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Date
/s/ James L. Parker	April 14, 1997
James L. Parker	

Exhibit 24.5

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Ronald Eugene, a director of Arch Mineral Corporation (the "Company"), hereby constitute and appoint Steven F. Leer and Jeffry N. Quinn my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in my capacity as a director of the Company, to execute a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the issuance of shares of Common Stock of the Company pursuant to the Agreement and Plan of Merger, dated April 4, 1997, among the Company, AMC Merger Corporation and Ashland Coal, Inc., and any and all amendments to the Registration Statement, and to file the same with all exhibits thereto, and other documentation in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Date
/s/ Ronald Eugene Samples	April 9, 1997
Ronald Eugene Samples	

Exhibit 24.6

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Steven F. Leer, a director of Arch Mineral Corporation (the "Company"), hereby constitute and appoint Steven F. Leer and Jeffry N. Quinn my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in my capacity as a director of the Company, to execute a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the issuance of shares of Common Stock of the Company pursuant to the Agreement and Plan of Merger, dated April 4, 1997, among the Company, AMC Merger Corporation and Ashland Coal, Inc., and any and all amendments to the Registration Statement, and to file the same with all exhibits thereto, and other documentation in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Date
/s/ Steven F. Leer	April 9, 1997
Steven F. Leer	