

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

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

Date of report (Date of earliest event reported): February 23, 2009 (February 19, 2009)

Arch Coal, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

1-13105
(Commission File Number)

43-0921172
(I.R.S. Employer Identification No.)

CityPlace One
One CityPlace Drive, Suite 300
St. Louis, Missouri 63141
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code: (314) 994-2700

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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[Table of Contents](#)**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On February 19, 2009, upon the recommendation of the Personnel and Compensation Committee (the “Committee”), the Board of Directors (the “Board”) of Arch Coal, Inc. (the “Company”) approved certain long-term incentive arrangements with its executive officers. For 2008, the Company used stock options as its primary means of achieving the long-term financial and operating performance objectives established by the Committee. For 2009, the Company will use a combination of stock options and performance units as the primary components of the Company’s long-term incentive program.

The following table shows information relating to the stock option and performance units approved by the Board on February 19, 2009 for each of the executives expected to be named in the Company’s proxy statement for the 2009 annual meeting of stockholders (the “2009 Proxy Statement”):

Name	Number of Shares of Stock or Units	Exercise or Base Price of Option Awards
Steven F. Leer, Chairman and Chief Executive Officer:		
Performance units	1,487,500	—
Non-qualified stock options	206,200	\$ 14.05
John T. Drexler, Senior Vice President and Chief Financial Officer:		
Performance units	495,000	—
Non-qualified stock options	63,650	14.05
C. Henry Besten, Jr., Senior Vice President-Strategic Development:		
Performance units	362,500	—
Non-qualified stock options	46,600	14.05
John W. Eaves, President and Chief Operating Officer:		
Performance units	936,250	—
Non-qualified stock options	130,350	14.05
David N. Warnecke, Vice President-Marketing and Trading:		
Performance units	508,750	—
Non-qualified stock options	65,400	14.05
<i>Performance units</i>		

Under the terms of the applicable award agreements, payouts under the performance units will depend upon the Company’s achievement of certain financial and operating performance objectives over a three-year period. Payouts under performance units may be in the form of cash, stock or a combination of the two. Payouts under the performance units will depend upon the relationship of the Company’s total stockholder return to that of a peer group consisting of coal industry competitors and the percentage improvement in the Company’s safety and environmental performance. The following table shows the relative weighting of the performance measures under the performance units.

Performance Measure	Relative Weighting
Total shareholder return	70%
Safety	15%
Environmental	15%

The total shareholder return performance level is based on the Company’s performance relative to that of a peer group consisting of coal industry competitors. The safety and environmental performance targets are based on the Company’s prior performance history. Performance unit awards contain minimum, target and maximum levels for each performance measure. The table below shows the threshold and maximum performance levels under the performance units awarded to the executives. The Company has retained discretion to prorate payouts under the performance units for performance levels that fall within these ranges.

Performance Measure	Threshold	Maximum
Total shareholder return	12.5%	200%
Safety	100.0%	200%
Environmental	100.0%	200%

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The performance units were granted pursuant to the terms of the 1997 Stock Incentive Plan (the “1997 Plan”) and the terms of a Performance Unit Contract (the “Unit Award Agreement”). A copy of the 1997 Plan and the form of Unit Award Agreement are attached as Exhibits 10.1 and 10.2 hereto and are hereby incorporated by reference.

Stock Options

Under the terms of the applicable award agreements, the stock options vest in equal installments over a period of four years, subject to each executive’s continued employment. The stock options were granted pursuant to the terms of the 1997 Plan and the terms of a Non-Qualified Stock Option Agreement (the “Option Agreement”). The form of Option Agreement is attached as Exhibit 10.3 hereto and is hereby incorporated by reference.

The Company will provide additional information in the 2009 Proxy Statement, which is expected to be filed with the Securities and Exchange Commission in March 2009, regarding the compensation paid for the years ended December 31, 2008, 2007 and 2006 to the executive officers named therein.

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Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are attached hereto and furnished herewith.

Exhibit No.	Description
10.1*	Arch Coal, Inc. 1997 Stock Incentive Plan (as amended and restated on December 5, 2008) (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 11, 2008).
10.2*	Form of 2009 Performance Unit Contract.
10.3*	Form of Non-Qualified Stock Option Agreement (for options granted on or after February 21, 2008) (incorporated herein by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K filed on February 27, 2008).

* Denotes management contract or compensatory plan arrangements.

Signatures

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

Dated: February 23, 2009

Arch Coal, Inc.

By: /s/ Robert G. Jones
Robert G. Jones
Senior Vice President-Law, General Counsel and
Secretary

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Form of Performance Unit Contract
(Not Transferable)

This Contract, by and between Arch Coal, Inc., a Delaware corporation (the "Company"), and **[Participant Name]** (the "Participant"), is made and entered into as a separate inducement in connection with the Participant's employment and not in lieu of any salary or other compensation for the Participant's services, pursuant to which the company has awarded up to ~~x,xxx~~ performance units ("Units") to the Participant, subject to the provisions of the Arch Coal, Inc. 1997 Stock Incentive Plan, as amended from time to time (the "Plan"), a copy of which has been provided to the Participant, and to the terms and conditions set forth below, which, together with the Performance Unit Grant Memorandum dated _____, 20__ to the Participant and attached hereto, constitute the entire understanding between the Company and the Participant with respect to this Contract.

This Contract is executed as of _____, 20__.

Arch Coal, Inc.

By: _____
Sheila B. Feldman
Vice President - Human Resources

By: _____
Name
"Participant"

Terms and Conditions of Performance Unit Contract

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan, as may be amended from time to time.
 2. **Performance Period.** The Performance Period during which the performance criteria shall be measured will be the _____ -year period beginning January 1, 20 _____ and ending December 31, 20 _____ .
 3. **Payout of Award.** Each Performance Unit entitles the Participant to receive \$1.00 in value for the unit at the end of the Performance Period if the Participant is an employee of the Company or one of its subsidiaries as of such date and to the extent the performance parameters outlined in the attached memorandum are met. The value of the Performance Units earned may be paid, at the election of the Board of Directors of the Company, in cash, shares of Stock, Restricted Stock, Restricted Stock Units, or a combination thereof.
 4. **Non-transferable.** The Participant agrees that the Performance Units awarded under this Contract may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.
 5. **Change of Control.** The Performance Units will vest automatically and without any further action on the part of the Company or the Participant immediately following any Change of Control.
 6. **Tax Withholding.** The Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Units or any payment in settlement thereof. The Company shall have no obligation to deliver payment in settlement until the tax withholding obligations of the Company have been satisfied by the Participant.
 7. **Restrictions on Grant of the Award and Payout of Award.** The grant of the Performance Units and any settlement thereof shall be subject to compliance with all applicable requirements of federal, state or foreign law. No shares of Stock, Restricted Stock or Restricted Stock Units may be issued hereunder if the issuance of such shares would constitute a violation of any applicable Federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction or authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Performance Units shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Performance Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.
 8. **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Performance Units.
 9. **Termination of Employment.** The Participant agrees that, upon his or her termination from the Company and its Subsidiaries for any reason (including Retirement, death or Disability) prior to the end of the Performance Period, the Participant shall forfeit any rights he or she may have under this Contract on the effective date of termination.
 10. **Stockholder Rights.** The Participant shall have no rights of a common stockholder of the Company, including the right to vote such stock at any meeting of the common stockholders of the Company, as a result of his or her ownership of the Performance Units.
 11. **Personnel & Compensation Committee Actions.** The Personnel & Compensation Committee (the "Committee") of the Company's Board of Directors may, in its discretion, remove, modify or accelerate the performance criteria with respect to the Performance Units under such circumstances as the Committee, in
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its discretion, shall determine, subject however, to the terms of the Plan.

12. **Effect of Award on Employment.** Nothing in this Contract shall be construed to affect in any way the right of the Company to terminate the employment of the Participant at any time for any reason, with or without cause.
 13. **Further Assurances.** Each of the parties hereto agrees to execute and deliver all consents and other instruments and take all other actions deemed necessary or desirable by counsel for the Company to carry out each provision of this Contract and the Plan.
 14. **Governing Law.** The validity, interpretation, performance and enforcement of this Contract shall be governed by the laws of the State of Delaware, determined without regard to its conflicts of law provisions.
 15. **Plan Governs.** This Contract has been executed pursuant to the Plan, and each and every provision of this Contract shall be subject to the provisions of such Plan and, except as otherwise provided herein, the terms therein shall govern this Contract. In the event of any conflict between the terms of this Contract and any other documents or materials provided to the Participant, the terms of this Contract will control.
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MEMORANDUM

TO: [Participant Name]
FROM: [Name]
DATE: _____, 20 ____
SUBJECT: Performance Unit Grant

I am pleased to inform you that pursuant to the 1997 Arch Coal, Inc. Stock Incentive Plan (as amended from time to time, the "Plan"), the Arch Coal Board of Directors has awarded to you **x,xxx** performance units, effective _____, 20 ____ . These units are valued at \$1 per unit and will be earned based on Arch Coal's financial, safety, and environmental performance over the next three years (20 ____ - 20 ____).

The following is a summary of the performance unit award:

Grant

This long-term incentive compensation is intended to deliver a target opportunity of ____% of your base salary. The target number of units that you can earn was calculated using your target opportunity divided by \$1 (price per unit). The number awarded to you represents ____ times your target opportunity.

Therefore your target and maximum opportunity and units are as follows:

Target Opportunity:	\$ x,xxx (_____ % of base salary)
Target Units:	x,xxx (target opportunity/\$1)
Maximum Units:	x,xxx (_____ times target units)

Performance Measures

These units can be earned over the next three years. The performance measures and corresponding weightings adopted by the Personnel & Compensation Committee are as follows:

Performance Measures (20 ____ - 20 ____)	Weighting
ACI Financial	_____%
ACI Safety	_____%
ACI Environmental	_____%

ACI Financial Performance

_____ % of the units (**x,xxx**) can be earned on the basis of Arch Coal, Inc.'s financial performance. For these purposes, our financial performance will be determined using total shareholder return as a measure. The peer group will consist of **[List of peers]**. Under the payout formula, ACI's total shareholder return will be compared to the total shareholder returns for the peer companies.

The payout formula is as follows:

ACI Performance	Payout Factor	Units Earned
³ 25th percentile	.125 x target	x,xxx
Median	1 x target	x,xxx
³ 90th percentile	2 x target	x,xxx

Payout percentage is prorated when performance falls between ranges.

ACI Safety Performance

_____ % of the units (x,xxx) can be earned on the basis of Arch Coal, Inc.'s safety performance. A payout cannot be earned unless Arch Coal achieves an average annual performance over the next three years that meets or exceeds its highest level of recent historical performance.

The payout formula is as follows:

ACI Average Annual Incident Rate	Payout Factor	Units Earned
_____	1 x target	x,xxx
_____	2 x target	x,xxx

Payout percentage is prorated when performance falls between ranges.

ACI Environmental Performance

_____ % of the units (x,xxx) can be earned on the basis of Arch Coal, Inc.'s environmental performance. Similar to the safety portion, a payout cannot be earned unless Arch Coal achieves an average annual performance over the next three years that meets or exceeds its highest level of recent historical performance.

The payout formula is as follows:

ACI Average Annual Notices of Violations	Payout Factor	Units Earned
_____	1 x target	x,xxx
_____	2 x target	x,xxx

Payout percentage is prorated when performance falls between ranges.

Payout

As soon as practical after the performance period ends, the payout to you will be made wholly in cash, wholly in shares of Common Stock, wholly in restricted stock units or partly in any of the above combinations, all at the discretion of the Arch Coal, Inc. Board of Directors. If paid in shares of Common Stock or restricted stock units, the number of shares/units will be calculated by dividing the amount earned by the average closing price of Arch Coal, Inc. common stock for the final 20 days in 20 ____.

Under federal tax laws and regulation, payment of the award earned under this plan will be subject to taxation as supplemental income in the year in which it is paid. You will have the opportunity to defer all or a portion of the payout. You will be asked to make your deferral elections no later than six months prior to an anticipated payout date.

Please read the attached Performance Unit Contract for further information regarding vesting, dividends, taxation and termination of employment.

If you have any questions or need any additional information, please contact _____ at (314) 994- _____ .

Congratulations on your award!