UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2007

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __________ to __________.

Commission file number: 333-107569-03

Arch Western Resources, LLC
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**43-1811130** (I.R.S. Employer Identification Number)
One CityPlace Drive, Suite 300, St. Louis, Missouri (Address of principal executive offices)	**63141** (Zip code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

At May 14, 2007, the registrant's common equity consisted solely of undenominated membership interests, 99.5% of which were held by Arch Western Acquisition Corporation and 0.5% of which were held by a subsidiary of BP p.l.c.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Arch Western Resources, LLC and Subsidiaries
Condensed Consolidated Statements of Income
(In thousands)

	Three Months Ended March 31 2007	2006
	(unaudited)	
REVENUES		
Coal sales	$ 370,097	$ 362,196
COSTS, EXPENSES AND OTHER		
Cost of coal sales	283,271	252,130
Depreciation, depletion and amortization	32,519	23,576
Selling, general and administrative expenses	6,152	5,489
Other operating income, net	(923)	(475)
	321,019	280,720
Income from operations	49,078	81,476
Interest income (expense), net:		
Interest expense	(17,621)	(17,736)
Interest income, primarily from Arch Coal, Inc.	22,821	16,322
	5,200	(1,414)
Other non-operating expense:		
Expenses resulting from early debt extinguishment and termination of hedge accounting for interest rate swaps	(1,269)	(2,718)
Income before minority interest	53,009	77,344
Minority interest	(4,732)	(13,367)
Net income	$ 48,277	$ 63,977
Net income attributable to redeemable membership interest	$ 241	$ 320
Net income attributable to non-redeemable membership interest	$ 48,036	$ 63,657

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

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Arch Western Resources, LLC and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)

	March 31, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 77	$ 186
Trade accounts receivable	41	985
Other receivables	5,208	14,733
Inventories	100,218	94,828
Prepaid royalties	1,473	2,945
Other	23,723	24,458
Total current assets	130,740	138,135
Property, plant and equipment, net	1,230,325	1,233,846
Other assets:		
Receivable from Arch Coal, Inc.	1,191,460	1,152,102
Other	30,442	33,689
Total other assets	1,221,902	1,185,791
Total assets	$ 2,582,967	$ 2,557,772
LIABILITIES AND MEMBERS' INTERESTS		
Current liabilities:		
Accounts payable	$ 91,721	$ 110,725
Accrued expenses	105,601	129,495
Total current liabilities	197,322	240,220
Long-term debt	958,539	958,881
Accrued postretirement benefits other than pension	31,161	31,036
Asset retirement obligations	178,887	174,902
Accrued workers' compensation	10,170	10,027
Other noncurrent liabilities	48,213	38,705
Total liabilities	1,424,292	1,453,771
Redeemable membership interest	7,183	6,934
Minority interest	167,254	162,522
Non-redeemable membership interest	984,238	934,545
Total liabilities and membership interests	$ 2,582,967	$ 2,557,772

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

Arch Western Resources, LLC and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)

	Three Months Ended March 31	
	2007	2006
	(unaudited)	
OPERATING ACTIVITIES		
Net income	$ 48,277	$ 63,977
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	32,519	23,576
Prepaid royalties expensed	1,615	103
Minority interest	4,732	13,367
Other non-operating expense	1,269	2,718
Changes in:		
Receivables	10,469	112,854
Inventories	(5,390)	576
Accounts payable and accrued expenses	(43,444)	(25,171)
Other	18,769	13,021
Cash provided by operating activities	68,816	205,021
INVESTING ACTIVITIES		
Capital expenditures	(42,861)	(61,096)
Increase in receivable from Arch Coal, Inc.	(39,788)	(144,027)
Proceeds from dispositions of property, plant and equipment	232	—
Reimbursement of deposits on equipment	13,492	—
Cash used in investing activities	(68,925)	(205,123)
Decrease in cash and cash equivalents	(109)	(102)
Cash and cash equivalents, beginning of period	186	152
Cash and cash equivalents, end of period	$ 77	$ 50

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

Arch Western Resources, LLC and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of Arch Western Resources, LLC and its subsidiaries (the "Company"). Arch Coal, Inc. ("Arch Coal") has a 99.5% common membership interest in the Company, while BP p.l.c. has a 0.5% common membership interest and a 0.5% preferred membership interest in the Company. Intercompany transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and U.S. Securities and Exchange Commission regulations. In the opinion of management, all adjustments, consisting of normal, recurring accruals considered necessary for a fair presentation, have been included. Results of operations of the period ended March 31, 2007 are not necessarily indicative of results to be expected for the year ending December 31, 2007. These financial statements should be read in conjunction with the audited financial statements and related notes as of and for the year ended December 31, 2006 included in Arch Western Resources, LLC's Form 10-K as filed with the U.S. Securities and Exchange Commission.

2. Accounting Policies

Accounting Standards Issued and Not Yet Adopted

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Liabilities – Including an amendment of FASB Statement No. 115* ("Statement No. 159"). Statement No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Statement No. 159 is effective prospectively for fiscal years beginning after November 15, 2007. The Company is still analyzing Statement No. 159 to determine what the impact of adoption will be.

3. Inventories

Inventories consist of the following:

	March 31, 2007	December 31, 2006
	(In thousands)	
Coal	$ 31,133	$ 31,350
Repair parts and supplies	69,085	63,478
	$ 100,218	$ 94,828

4. Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income items under Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income*, are transactions recorded in membership interests during the year, excluding net income and transactions with members.

The following table details the components of comprehensive income:

	Three Months Ended March 31 2007	2006
	(In thousands)	
Net income	$ 48,277	$ 63,977
Other comprehensive income, net of income taxes:		
Pension, postretirement and other post-employment benefits adjustment	505	—
Unrealized gains on derivatives	1,269	2,718
Total comprehensive income	$ 50,051	$ 66,695

5. Related Party Transactions

Transactions with Arch Coal may not be at arms length. If the transactions were negotiated with an unrelated party, the impact could be material to the Company's results of operations.

The Company's cash transactions are managed by Arch Coal. Cash paid to or from the Company that is not considered a distribution or a contribution is recorded in an Arch Coal receivable account. In addition, any amounts owed between the Company and Arch Coal are recorded in the account. At March 31, 2007 and December 31, 2006, the receivable from Arch Coal was $1,191.5 million and $1,152.1 million, respectively. This amount earns interest from Arch Coal at the prime interest rate. Interest earned for the three month periods ended March 31, 2007 and 2006 was $22.7 million and $16.1 million, respectively. The receivable is payable on demand by the Company; however, it is currently management's intention to not demand payment of the receivable within the next year. Therefore, the receivable is classified on the accompanying Condensed Consolidated Balance Sheets as long-term.

Under the Arch Coal accounts receivable securitization program, the Company sold $377.2 million and $265.5 million of trade accounts receivable to Arch Coal during the three months ended March 31, 2007 and 2006, respectively, at a total discount of $2.5 million and $2.0 million, respectively. These transactions are recorded through the Arch Coal receivable account

For the three month periods ended March 31, 2007 and 2006, the Company incurred production royalties of $9.1 million and $10.1 million, respectively, payable to Arch Coal under sublease agreements.

The Company is charged selling, general and administrative services fees by Arch Coal. Expenses are allocated based on Arch Coal's best estimates of proportional or incremental costs, whichever is more representative of costs incurred by Arch Coal on behalf of the Company. Amounts allocated to the Company by Arch Coal were $6.2 million and $5.5 million for the three month periods ended March 31, 2007 and 2006, respectively.

6. Contingencies

The Company is a party to numerous claims and lawsuits with respect to various matters. The Company provides for costs related to contingencies when a loss is probable and the amount is reasonably determinable. After conferring with counsel, it is the opinion of management that the ultimate resolution of pending claims will not have a material adverse effect on the consolidated financial condition, results of operations or liquidity of the Company.

7. Segment Information

The Company has two reportable business segments, which are based on the major low-sulfur coal basins in which the Company operates. Geology, coal transportation routes to customers, regulatory environments and coal quality are generally consistent within a basin. Accordingly, market and contract pricing have developed by coal basin. The Company manages its coal sales by coal basin, not by individual mine complex. Mine operations are evaluated based on their per-ton operating costs (defined as including all mining costs but excluding pass-through transportation expenses), as well as on other non-financial measures, such as safety and environmental performance. The Company's reportable segments are the Powder River Basin (PRB) segment, with operations in Wyoming; and the Western Bituminous (WBIT) segment, with operations in Utah, Colorado and Southern Wyoming.

Operating segment results for the three months ended March 31, 2007 and 2006 are presented below. Results for the operating segments include all direct costs of mining. Corporate, Other and Eliminations includes corporate overhead, land management, other support functions, and the elimination of intercompany transactions.

	PRB	WBIT	Corporate, Other and Eliminations	Consolidated
		(In thousands)		
March 31, 2007				
Coal sales	$ 239,457	$ 130,640	$ —	$ 370,097
Income (loss) from operations	30,249	25,902	(7,073)	49,078
Total assets	1,615,854	1,844,506	(877,393)	2,582,967
Depreciation, depletion and amortization	16,038	16,481	—	32,519
Capital expenditures	13,123	29,738	—	42,861

	PRB	WBIT	Corporate, Other and Eliminations	Consolidated
		(In thousands)		
March 31, 2006				
Coal sales	$ 252,389	$ 109,807	$ —	$ 362,196
Income (loss) from operations	62,213	25,713	(6,450)	81,476
Total assets	1,373,537	1,722,528	(854,540)	2,241,525
Depreciation, depletion and amortization	14,598	8,978	—	23,576
Capital expenditures	39,155	21,941	—	61,096

A reconciliation of segment income from operations to consolidated income before income taxes follows:

	Three Months Ended March 31	
	2007	2006
	(In thousands)	
Income from operations	$ 49,078	$ 81,476
Interest expense	(17,621)	(17,736)
Interest income	22,821	16,322
Other non-operating expense	(1,269)	(2,718)
Income before minority interest	$ 53,009	$ 77,344

8. Supplemental Condensed Consolidating Financial Information

Pursuant to the indenture governing the Arch Western Finance senior notes, certain wholly-owned subsidiaries of the Company have fully and unconditionally guaranteed the senior notes on a joint and several basis. The following tables present unaudited condensed consolidating financial information for (i) the Company, (ii) the issuer of the senior notes (Arch Western Finance, LLC, a wholly-owned subsidiary of the Company), (iii) the Company's wholly-owned subsidiaries (Thunder Basin Coal Company, L.L.C., Mountain Coal Company, L.L.C., and Arch of Wyoming, LLC), on a combined basis, which are guarantors under the Notes, and (iv) its majority owned subsidiary (Canyon Fuel Company, LLC) which is not a guarantor under the Notes:

Statements of Operations
Three Months Ended March 31, 2007
(in thousands)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Coal sales revenues	$ —	$ —	$ 282,422	$ 87,675	$ —	$ 370,097
Cost of coal sales	946	—	219,310	63,684	(669)	283,271
Depreciation, depletion and amortization	—	—	21,440	11,079	—	32,519
Selling, general and administrative expenses allocated from Arch Coal	6,152	—	—	—	—	6,152
Other operating income	(25)	—	(611)	(956)	669	(923)
	7,073	—	240,139	73,807	—	321,019
Income from investment in subsidiaries	56,987	—	—	—	(56,987)	—
Income from operations	49,914	—	42,283	13,868	(56,987)	49,078
Interest expense	(17,947)	(15,013)	(99)	(582)	16,020	(17,621)
Interest income, primarily from Arch Coal	22,311	16,020	133	377	(16,020)	22,821
	4,364	1,007	34	(205)	—	5,200
Other non-operating expense	(1,269)	—	—	—	—	(1,269)
Minority interest	(4,732)	—	—	—	—	(4,732)
Net income (loss)	$ 48,277	$ 1,007	$ 42,317	$ 13,663	$ (56,987)	$ 48,277

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Statements of Operations
Three Months Ended March 31, 2006
(in thousands)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Coal sales revenues	$ —	$ —	$ 263,005	$ 99,191	$ —	$ 362,196
Cost of coal sales	979	—	192,126	59,025	—	252,130
Depreciation, depletion and amortization	—	—	17,706	5,870		23,576
Selling, general and administrative expenses allocated from Arch Coal	5,489	—	—	—	—	5,489
Other operating income	(18)	—	(288)	(169)	—	(475)
	6,450	—	209,544	64,726	—	280,720
Income from investment in subsidiaries	88,004	—	—	—	(88,004)	—
Income from operations	81,554	—	53,461	34,465	(88,004)	81,476
Interest expense	(17,432)	(15,501)	(271)	(530)	15,998	(17,736)
Interest income, primarily from Arch Coal	15,940	15,998	121	261	(15,998)	16,322
	(1,492)	497	(150)	(269)	—	(1,414)
Other non-operating expense	(2,718)	—	—	—	—	(2,718)
Minority interest	(13,367)	—	—	—	—	(13,367)
Net income (loss)	$ 63,977	$ 497	$ 53,311	$ 34,196	$ (88,004)	$ 63,977

Balance Sheets
March 31, 2007
(in thousands)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ —	$ —	$ 13	$ 64	$ —	$ 77
Trade accounts receivable	—	—	—	41	—	41
Other receivables	221	—	4,093	894	—	5,208
Inventories	—	—	63,065	37,153	—	100,218
Prepaid royalties	—	—	1,089	384	—	1,473
Other	7,752	2,151	7,273	6,547	—	23,723
Total current assets	7,973	2,151	75,533	45,083	—	130,740
Property, plant and equipment, net	—	—	865,051	365,274	—	1,230,325
Investment in subsidiaries	1,976,988	—	—	—	(1,976,988)	—
Receivable from Arch Coal, Inc.	1,165,017	—	(2)	26,445	—	1,191,460
Intercompanies	(1,951,274)	962,270	975,928	13,076	—	—
Other	687	11,226	13,248	5,281	—	30,442
Total other assets	1,191,418	973,496	989,174	44,802	(1,976,988)	1,221,902
Total assets	$ 1,199,391	$ 975,647	$ 1,929,758	$ 455,159	$ (1,976,988)	$ 2,582,967
Accounts payable	7,053	—	69,350	15,318	—	91,721
Accrued expenses	3,236	16,031	78,215	8,119	—	105,601
Total current liabilities	10,289	16,031	147,565	23,437	—	197,322
Long-term debt	—	958,539	—	—	—	958,539
Accrued postretirement benefits other than pension	19,063	—	2,486	9,612	—	31,161
Asset retirement obligations	—	—	167,562	11,325	—	178,887
Accrued workers' compensation	5,428	—	1,220	3,522	—	10,170
Other noncurrent liabilities	5,936	—	36,725	5,552	—	48,213
Total liabilities	40,716	974,570	355,558	53,448	—	1,424,292
Minority interest	167,254	—	—	—	—	167,254
Redeemable equity interests	7,183	—	—	—	—	7,183
Non-redeemable members' equity	984,238	1,077	1,574,200	401,711	(1,976,988)	984,238
Total liabilities, redeemable membership interests and non-redeemable membership interests	$ 1,199,391	$ 975,647	$ 1,929,758	$ 455,159	$ (1,976,988)	$ 2,582,967

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BALANCE SHEETS
December 31, 2006
(in thousands)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ —	$ —	$ 161	$ 25	$ —	$ 186
Trade accounts receivable	—	—	—	985	—	985
Other receivables	1,007	—	13,453	273	—	14,733
Inventories	—	—	58,796	36,032	—	94,828
Prepaid royalties	—	—	2,648	297	—	2,945
Other current assets	11,439	2,154	6,235	4,630	—	24,458
Total current assets	12,446	2,154	81,293	42,242	—	138,135
Property, plant and equipment, net			879,211	354,635		1,233,846
Investment in subsidiaries	1,917,292	—	—	—	(1,917,292)	—
Receivable from Arch Coal, Inc.	1,124,910	—	(2)	27,194	—	1,152,102
Intercompanies	(1,903,278)	977,096	910,676	15,506	—	—
Other	639	11,764	15,829	5,457		33,689
Total other assets	1,139,563	988,860	926,503	48,157	(1,917,292)	1,185,791
Total assets	$ 1,152,009	$ 991,014	$ 1,887,007	$ 445,034	$ (1,917,292)	$ 2,557,772
Accounts payable	15,151	—	77,347	18,227	—	110,725
Accrued expenses	3,360	32,063	85,202	8,870	—	129,495
Total current liabilities	18,511	32,063	162,549	27,097	—	240,220
Long-term debt	—	958,881	—	—	—	958,881
Accrued postretirement benefits other than pension	18,981	—	2,485	9,570	—	31,036
Asset retirement obligations	—	—	163,832	11,070	—	174,902
Accrued workers' compensation	5,262	—	1,236	3,529	—	10,027
Other noncurrent liabilities	5,254	—	27,757	5,694	—	38,705
Total liabilities	48,008	990,944	357,859	56,960	—	1,453,771
Redeemable equity interests	6,934	—	—	—	—	6,934
Minority interest	162,522	—	—	—	—	162,522
Non-redeemable members' equity	934,545	70	1,529,148	388,074	(1,917,292)	934,545
Total liabilities, redeemable membership interests and non-redeemable membership interests	$ 1,152,009	$ 991,014	$ 1,887,007	$ 445,034	$ (1,917,292)	$ 2,557,772

Statements of Cash Flows
Three Months Ended March 31, 2007
(in thousands)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating Activities					
Cash provided by (used in) operating activities	$ (7,889)	$ (14,826)	$ 72,330	$ 19,201	$ 68,816
Investing Activities					
Capital expenditures	—	—	(20,819)	(22,042)	(42,861)
Increase in receivable from Arch Coal	(40,107)	—	(112)	431	(39,788)
Proceeds from dispositions of capital assets	—	—	213	19	232
Reimbursement of deposit on equipment	—	—	13,492	—	13,492
Cash used in investing activities	(40,107)	—	(7,226)	(21,592)	(68,925)
Financing Activities					
Transactions with affiliates, net	47,996	14,826	(65,252)	2,430	—
Cash provided by (used in) financing activities	47,996	14,826	(65,252)	2,430	—
(Decrease) increase in cash and cash equivalents	—	—	(148)	39	(109)
Cash and cash equivalents, beginning of period	—	—	161	25	186
Cash and cash equivalents, end of period	$ —	$ —	$ 13	$ 64	$ 77

Statements of Cash Flows
Three Months Ended March 31, 2006
(in thousands)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating Activities					
Cash provided by (used in) operating activities	$ 75,704	$ (15,336)	$ 76,298	$ 68,355	$ 205,021
Investing Activities					
Capital expenditures	—	—	(42,207)	(18,889)	(61,096)
Increase in receivable from Arch Coal	(112,493)	—	(32)	(31,502)	(144,027)
Cash used in investing activities	(112,493)	—	(42,239)	(50,391)	(205,123)
Financing Activities					
Transactions with affiliates, net	36,789	15,336	(34,147)	(17,978)	—
Cash provided by (used in) financing activities	36,789	15,336	(34,147)	(17,978)	—
Decrease in cash and cash equivalents	—	—	(88)	(14)	(102)
Cash and cash equivalents, beginning of period	—	—	126	26	152
Cash and cash equivalents, end of period	$ —	$ —	$ 38	$ 12	$ 50

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This document contains "forward-looking statements" ¯ that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from changes in the demand for our coal by the domestic electric generation industry; from legislation and regulations relating to the Clean Air Act and other environmental initiatives; from operational, geological, permit, labor and weather-related factors; from fluctuations in the amount of cash we generate from operations; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. For a description of some of the risks and uncertainties that may affect our future results, see "Risk Factors" under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006.

Executive Overview

Market conditions were considerably less favorable in the first quarter of 2007 than in the year-ago period, prompting us to reduce production volume targets, which we announced at the end of 2006. We sold 2.5 million, or 10%, fewer tons in the first quarter of 2007 than in the fourth quarter of 2006. These cut-backs affected all operating segments. While soft market conditions continued into the first quarter of 2007, our realized average regional prices in the Powder River Basin and Western Bituminous Region were higher than in the fourth quarter of 2006 resulting from the roll-off of legacy contracts.

We believe market fundamentals are improving. We believe strong domestic and global demand growth for coal along with supply pressures will positively influence future coal prices. Increased electricity demand, the relatively high cost of competing fossil fuels, planned new coal-fueled electric generation facilities and geopolitical risks associated with global oil and natural gas resources suggest that the long-term fundamentals of the domestic coal industry remain strong.

Results of Operations

Items Affecting Comparability of Reported Results

The combustion-related event at our West Elk mine in Colorado in the fourth quarter of 2005 caused the idling of the mine into the first quarter of 2006. We estimate that the idling resulted in $30.0 million in lost profits during the first quarter of 2006. We recognized insurance recoveries related to the event of $10.0 million during the first quarter of 2006. We have reflected the insurance recoveries as a reduction of cost of coal sales.

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

The following discussion summarizes our operating results for the three months ended March 31, 2007 and compares those results to our operating results for the three months ended March 31, 2006.

Revenues. The following table summarizes the number of tons we sold during the three months ended March 31, 2007 and the sales associated with those tons and compares those results to the comparable information for the three months ended March 31, 2006:

	Three months ended March 31		Increase (decrease)	
	2007	2006	$	%
	(Amounts in thousands, except per ton data)			
Coal sales	$370,097	$362,196	$7,901	2.2%
Tons sold	27,706	26,234	1,472	5.6
Coal sales realization per ton sold	$ 13.36	$ 13.81	$ (0.45)	(3.3)

The increase in our coal sales from the first quarter of 2006 to the first quarter of 2007 resulted from higher sales volumes, partially offset by a lower overall average price per ton sold. See the regional realization tables below for a discussion of changes in regional sales volumes and prices.

The following table shows the number of tons sold by operating segment during the three months ended March 31, 2007 and compares those amounts to the comparable information for the three months ended March 31, 2006:

	Three months ended March 31		Increase	
	2007	2006	Tons	%
	(Amounts in thousands)			
Powder River Basin	22,942	22,174	768	3.5%
Western Bituminous Region	4,764	4,060	704	17.3
Total	27,706	26,234	1,472	5.6%

Sales volume in the Powder River Basin increased during the first quarter of 2007 from the restart of the Coal Creek mine during the second half of 2006. This increase in sales volumes was partially offset by a decrease in production at the Black Thunder mine due to planned production reductions, weather-related shipment challenges and an unplanned belt outage in the first quarter of 2007.

In the Western Bituminous Region, sales volume increased during the first quarter of 2007, reflecting a full quarter of production at the West Elk mine, which was idled in the first quarter of 2006, and the Skyline longwall mine, which commenced mining in a new reserve area in the second quarter of 2006. These increases were partially offset by difficulties encountered in starting up the new longwall at the Sufco mine in Utah and planned lower production volume.

The following table shows the coal sales price per ton by operating segment during the three months ended March 31, 2007 and compares those amounts to the comparable information for the three months ended March 31, 2006. Coal sales prices per ton exclude certain transportation costs that we pass through to our customers. We use these financial measures because we believe the amounts, as adjusted, better represent the coal sales prices we achieved within our operating segments. Since other companies may calculate coal sales prices per ton differently, our calculation may not be comparable to similarly titled measures used by those companies. Transportation costs per ton billed to customers for the three months ended March 31, 2007 were $0.07 for the Powder River Basin and $2.65 for the Western Bituminous region. For the three months ended March 31, 2006, transportation costs per ton billed to customers were $0.04 for the Powder River Basin and $3.73 for the Western Bituminous region.

	Three months ended March 31		Increase (decrease)	
	2007	2006	$	%
Powder River Basin	$10.37	$11.34	$(0.97)	(8.6)%
Western Bituminous Region	24.77	23.31	1.46	6.3

Decreases in sales prices in the Powder River Basin during the first quarter of 2007 when compared with the first quarter of 2006 reflect lower sulfur dioxide emission allowance market prices. In the Western Bituminous Region, higher sales prices during the first quarter of 2007 represent higher base pricing resulting from the roll-off of lower-priced legacy contracts.

Expenses, costs and other. The following table summarizes our operating costs and expenses for the three months ended March 31, 2007 and compares those results to the comparable information for the three months ended March 31, 2006:

	Three months ended March 31		Increase (decrease) in Net Income	
	2007	2006	$	%
	(Amounts in thousands)			
Cost of coal sales	$ 283,271	$ 252,130	$ (31,141)	(12.4)%
Depreciation, depletion and amortization	32,519	23,576	(8,943)	(37.9)
Selling, general and administrative expenses	6,152	5,489	(663)	(12.1)
Other operating income, net	(923)	(475)	448	94.3
	$ 321,019	$ 280,720	$ (40,299)	(14.4)

Cost of coal sales. Our cost of coal sales increased from the first quarter of 2006 to the first quarter of 2007 primarily due to higher overall sales volumes and higher per-ton costs in the Powder River Basin. See the analysis of regional operating margins below for a discussion of individual segment results.

Depreciation, depletion and amortization. The increase in depreciation, depletion and amortization from the first quarter of 2006 to the first quarter of 2007 is due primarily to the commencement of mining in a new reserve area at the Skyline mine during the second quarter of 2006 and an increase in amortization of deferred development due to the outage of the West Elk mine in the first quarter of 2006. In addition, generally higher capital spending in 2006 compared to 2005 resulted in higher depreciation, depletion and amortization costs in the first quarter of 2007 compared to the first quarter of 2006. For more information on our ongoing capital improvement and development projects, see "Liquidity and Capital Resources."

Selling, general and administrative expenses. Selling, general and administrative expenses represent expenses allocated to us from Arch Coal.

Operating margins. Our operating margins (reflected below on a per-ton basis) include all mining costs, which consist of all amounts classified as cost of coal sales (except pass-through transportation costs discussed in "Revenues" above) and all depreciation, depletion and amortization attributable to mining operations.

	Three months ended March 31		Decrease	
	2007	2006	$	%
Powder River Basin	$1.29	$2.79	$(1.50)	(53.8)%
Western Bituminous Region	5.23	6.28	(1.05)	(16.7)

Powder River Basin — On a per-ton basis, operating margins for the first quarter of 2007 decreased from the first quarter of 2006 due to the decrease in per-ton coal sales prices and increase in per-ton costs. The increase in per-ton costs resulted from lower volumes caused by weather-related shipment challenges and an unplanned belt outage at our Black Thunder mine in the first quarter of 2007 and higher diesel and labor costs, partially offset by lower sales-sensitive costs.

Western Bituminous Region — Operating margins per ton for the first quarter of 2007 decreased from the first quarter of 2006 primarily due to higher depreciation, depletion and amortization costs and the impact of the start up issues associated with the installation of the new longwall at the Sufco mine, which offset the impact of improved per-ton coal sales prices, and the production at the West Elk mine and Skyline mine in the first quarter of 2007.

Net interest expense. The following table summarizes our net interest expense for the three months ended March 31, 2007 and compares that information to the comparable information for the three months ended March 31, 2006:

	Three months ended March 31		Increase in Net Income	
	2007	2006	$	%
	(Amounts in thousands)			
Interest expense	$ (17,621)	$ (17,736)	$ 115	0.6%
Interest income	22,821	16,322	6,499	39.8
	$ 5,200	$ (1,414)	$ 6,614	467.8

The slight decrease in interest expense during the three months ended March 31, 2007 compared to the three months ended March 31, 2006 results from an increase in capitalized interest, which was partially offset by an increase in the discount on trade accounts receivable sold to Arch Coal pursuant to Arch Coal's accounts receivable securitization program.

Our cash transactions are managed by Arch Coal. Cash paid to or from us that is not considered a distribution or a contribution is recorded as a receivable from Arch Coal. The receivable balance earns interest from Arch Coal at the prime interest rate. The increase in interest income results primarily from a higher average receivable balance in the three months ended March 31, 2007 as compared to the same period in 2006.

Liquidity and Capital Resources

Our primary sources of cash include sales of our coal production to customers, sales of assets and debt offerings related to significant transactions. Excluding any significant mineral reserve acquisitions, we generally satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations and, if necessary, cash from Arch Coal. Our ability to satisfy debt service obligations, to fund planned capital expenditures and to make acquisitions will depend upon our future operating performance, which will be affected by prevailing economic conditions in the coal industry and financial, business and other factors, some of which are beyond our control.

The following is a summary of cash provided by or used in each of the indicated types of activities:

	Three months ended March 31	
	2007	2006
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ 68,816	$ 205,021
Investing activities	(68,925)	(205,123)

Cash provided by operating activities decreased $136.2 million in the first quarter of 2007 compared to the first quarter of 2006 primarily as a result of the commencement of Arch Coal’s accounts securitization program in the first quarter of 2006, which resulted in a substantial decrease in our trade receivables in the first quarter of 2006.

Cash used in investing activities in the first quarter of 2007 was $136.2 million less than in the first quarter of 2006 due to the commencement of Arch Coal’s accounts securitization program in the first quarter of 2006, which caused the receivable from Arch Coal to increase $144.0 million in the first quarter of 2006, compared with $39.8 million in the first quarter of 2007. In addition, cash used in investing activities decreased due to a decrease in capital spending compared with the first quarter of 2006 and the reimbursement of deposits made to purchase equipment in the first quarter of 2007. Capital expenditures are made to improve and replace existing mining equipment, expand existing mines, develop new mines and improve the overall efficiency of mining operations. In the first quarter of 2007, we spent approximately $17.0 million for the new longwall now in service at our Sufco mine in Utah. In the first quarter of 2006, we had significant spending at our Powder River Basin operations related to the restart of the Coal Creek mine. In the first quarter of 2007, we also recovered $13.5 million of deposits we made primarily in the fourth quarter of 2006 to purchase equipment in the Powder River Basin that we subsequently leased.

Contingencies

Reclamation. 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. We accrue for the costs of reclamation in accordance with the provisions of Statement of Financial Accounting Standards No. 143, “*Accounting for Asset Retirement Obligations*,” adopted as of January 1, 2003. These costs relate to reclaiming the pit and support acreage at surface mines and sealing portals at deep mines. Other costs of reclamation common to surface and underground mining are related to reclaiming refuse and slurry ponds, eliminating sedimentation and drainage control structures, and dismantling or demolishing equipment or buildings used in mining operations. The establishment of the asset retirement obligation liability is based upon permit requirements and requires various estimates and assumptions, principally associated with costs and productivities.

We review our entire environmental liability periodically and make necessary adjustments, including permit changes and revisions to costs and productivities to reflect current experience. Our management believes it is making adequate provisions for all expected reclamation and other associated costs.

We are a party to numerous claims and lawsuits and are subject to numerous other contingencies with respect to various matters. We provide for costs related to contingencies, including environmental, legal and indemnification matters, when a loss is probable and the amount is reasonably determinable. 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 our consolidated financial condition, results of operations or liquidity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In addition to the other quantitative and qualitative disclosures about market risk contained in this report, you should see Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2006.

Item 4. Controls and Procedures.

We performed an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2007. Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that the disclosure controls and procedures were effective as of such date. There were no changes in internal control over financial reporting that occurred during the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

There is hereby incorporated by reference the information under the caption “Contingencies” appearing in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

Our business inherently involves certain risks and uncertainties. The risks and uncertainties described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006 and in Part II, Item 1A of the Quarterly Reports that we have filed during the interim period are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Should one or more of any of these risks materialize, our business, financial condition or results of operations could be materially adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibits filed as part of this Quarterly Report on Form 10-Q are as follows:

Exhibit	Description
3.1	Certificate of Formation (incorporated herein by reference to Exhibit 3.3 to the Form S-4 (File No. 333-107569) filed on August 1, 2003 by Arch Western Finance, LLC, Arch Western Resources, LLC, Arch of Wyoming, LLC, Mountain Coal Company, L.L.C., and Thunder Basin Coal Company, L.L.C.).
3.2	Limited Liability Company Agreement (incorporated herein by reference to Exhibit 3.4 to the Form S-4 (File No. 333-107569) filed on August 1, 2003 by Arch Western Finance, LLC, Arch Western Resources, LLC, Arch of Wyoming, LLC, Mountain Coal Company, L.L.C., and Thunder BasinCoal Company, L.L.C.).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Paul A. Lang.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Robert J. Messey.
32.1	Section 1350 Certification of Paul A. Lang.
32.2	Section 1350 Certification of Robert J. Messey.

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, thereunto duly authorized.

Arch Western Resources, LLC

By: /s/ Robert J. Messey
Robert J. Messey
Vice President

May 14, 2007

Exhibit 31.1

Certification

I, Paul A. Lang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Western Resources, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Reserved.]

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Paul A. Lang
Paul A. Lang
President

Date: May 14, 2007

Exhibit 31.2

Certification

I, Robert J. Messey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Western Resources, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Reserved.]

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert J. Messey

Robert J. Messey
Vice President

Date: May 14, 2007

Exhibit 32.1

Certification of Periodic Financial Reports

I, Paul A. Lang, President of Arch Western Resources, LLC, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (the “Periodic Report”) which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Arch Western Resources, LLC.

/s/ Paul A. Lang

Paul A. Lang
President

Date: May 14, 2007

Exhibit 32.2

Certification of Periodic Financial Reports

I, Robert J. Messey, Vice President of Arch Western Resources, LLC, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Arch Western Resources, LLC.

/s/ Robert J. Messey

Robert J. Messey
Vice President

Date: May 14, 2007