UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A

(Amendment No. 1)

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2000

OR

[_] 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 1-13105

ARCH COAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	43-0921172
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

CityPlace One, Suite 300, St. Louis, Missouri 63141
(Address of principal executive offices)(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 X No ___

At August 1, 2000, there were 38,164,482 shares of registrant's common stock outstanding.

EXPLANATORY NOTE

This Form 10-Q/A amends and restates Items 1 and 2 of Part I - Financial Information and Item 6 of Part II - Other Information of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 as filed by the Registration on August 4, 2000. No other information included in the original report on Form 10-Q is amended by this Form 10-Q/A to reflect any information or events subsequent to the filing of the original report on Form 10-Q.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ARCH COAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	June 30, 2000	December 31, 1999
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 1,882	$ 3,283
Trade accounts receivable	134,234	162,802
Other receivables	24,115	25,659
Inventories	61,616	62,382
Prepaid royalties	2,551	1,310
Deferred income taxes	21,600	21,600
Other	8,431	8,916
Total current assets	254,429	285,952
Property, plant and equipment, net	1,472,390	1,479,171
Other assets		
Prepaid royalties	16,000	--
Coal supply agreements	132,585	151,978
Deferred income taxes	187,843	182,500
Investment in Canyon Fuel	192,222	199,760
Other	33,290	33,013
Total other assets	561,940	567,251
Total assets	$2,288,759	$2,332,374
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 106,564	$ 109,359
Accrued expenses	156,959	145,561
Current portion of debt	86,000	86,000
Total current liabilities	349,523	340,920
Long-term debt	1,087,568	1,094,993
Accrued postretirement benefits other than pension	343,833	343,993
Accrued reclamation and mine closure	118,947	129,869
Accrued workers' compensation	98,505	105,190
Accrued pension cost	21,334	22,445
Other noncurrent liabilities	49,295	53,669
Total liabilities	2,069,005	2,091,079
Stockholders' equity		
Common stock	397	397
Paid-in capital	473,335	473,335
Accumulated deficit	(235,007)	(213,466)
Treasury stock, at cost	(18,971)	(18,971)
Total stockholders' equity	(219,754)	241,295
Total liabilities and stockholders' equity	$2,288,759	$2,332,374

See notes to condensed consolidated financial statements.

ARCH COAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Revenues				
Coal sales	$322,298	$379,730	$666,697	$785,682
Income (loss) from equity investment	1,761	(447)	5,392	3,582
Other revenues	16,094	12,009	25,865	23,154
	340,153	391,292	697,954	812,418
Costs and expenses				
Cost of coal sales	297,132	347,537	627,117	727,457
Selling, general and administrative expenses	10,904	9,880	20,660	22,377
Amortization of coal supply agreements	9,607	8,957	19,703	19,579
Other expenses	2,544	4,179	7,610	8,282
	320,187	370,553	675,090	777,695
Income from operations	19,966	20,739	22,864	34,723
Interest expense, net:				
Interest expense	(23,195)	(22,714)	(46,115)	(46,706)
Interest income	404	334	699	662
	(22,791)	(22,380)	(45,416)	(46,044)
Loss before income taxes and cumulative effect of accounting change	(2,825)	(1,641)	(22,552)	(11,321)
Benefit from income taxes	(700)	(4,100)	(5,400)	11,400
Income (loss) before cumulative effect of accounting change	(2,125)	2,459	(17,152)	79
Cumulative effect of accounting change, net of taxes	- -	- -	- -	3,813
Net income (loss)	$ (2,125)	$ 2,459	$(17,152)	$ 3,892
Basic and diluted earnings (loss) per common share:				
Loss before cumulative effect of accounting change	$ (0.06)	$ 0.06	$ (0.45)	$ - -
Cumulative effect of accounting change, net of taxes	- -	- -	- -	0.10
Basic and diluted earnings (loss) per common share	$ (0.06)	$ 0.06	$ (0.45)	$ 0.10
Weighted average shares outstanding	38,164	38,207	38,164	38,603
Dividends declared per share	$ 0.0575	$ 0.115	$ 0.115	$ 0.230

See notes to condensed consolidated financial statements.

ARCH COAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Operating activities		
Net income (loss)	$ (17,152)	$ 3,892
Adjustments to reconcile to cash provided by operating activities:		
Depreciation, depletion and amortization	103,153	120,947
Prepaid royalties expensed	3,601	8,763
Net gain on disposition of assets	(10,696)	(4,789)
Income from equity investment	(5,392)	(3,582)
Net distributions from equity investment	12,929	59,842
Cumulative effect of accounting change	-	(3,813)
Changes in:		
Receivables	30,112	13,180
Inventories	766	(11,889)
Accounts payable and accrued expenses	8,603	(14,089)
Income taxes	(5,343)	(20,307)
Accrued postretirement benefits other than pension	(160)	827
Accrued reclamation and mine closure	(10,922)	(353)
Accrued workers' compensation benefits	(6,685)	(883)
Other	(5,620)	5,704
Cash provided by operating activities	97,194	153,450
Investing activities		
Additions to property, plant and equipment	(92,011)	(53,586)
Proceeds from dispositions of property, plant and equipment	12,720	19,309
Proceeds from coal supply agreements	-	14,067
Additions to prepaid royalties	(20,842)	(21,156)
Cash used in investing activities	(100,133)	(41,366)
Financing activities		
Net payments on revolver and lines of credit	(7,425)	(69,674)
Payments on term loans	-	(31,141)
Proceeds from sale and leaseback of equipment	13,352	-
Dividends paid	(4,389)	(8,829)
Proceeds from sale of treasury stock	-	2,535
Purchases of treasury stock	-	(15,349)
Cash provided by (used in) financing activities	1,538	(122,458)
Decrease in cash and cash equivalents	(1,401)	(10,374)
Cash and cash equivalents, beginning of period	3,283	27,414
Cash and cash equivalents, end of period	$ 1,882	$ 17,040

Note A - General

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations, but are subject to any year-end adjustments which may be necessary. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the periods ended June 30, 2000 are not necessarily indicative of results to be expected for the year ending December 31, 2000. Arch Coal, Inc. (the "Company") operates one reportable segment: the production of steam and metallurgical coal from surface and deep mines throughout the United States, for sale to utility, industrial and export markets. The Company's mines are located in the central Appalachian and western regions of the United States. All subsidiaries (except as noted below) are wholly owned. Significant intercompany transactions and accounts have been eliminated in consolidation.

Arch Western Resources, LLC ("Arch Western"), a subsidiary of the Company, is 99% owned by the Company and 1% owned by Atlantic Richfield Company ("ARCO"), which merged with a subsidiary of BP Amoco on April 18, 2000. The principal operating units of Arch Western are Thunder Basin Coal Company, L.L.C., owned 100% by Arch Western, which operates two coal mines in the Southern Powder River Basin in Wyoming; Mountain Coal Company, L.L.C., owned 100% by Arch Western, which operates one coal mine in Colorado; Canyon Fuel Company, LLC ("Canyon Fuel"), 65% owned by Arch Western and 35% by ITOCHU Coal International Inc., a subsidiary of ITOCHU Corporation, which operates three coal mines in Utah; and Arch of Wyoming, LLC, owned 100% by Arch Western, which operates two coal mines in the Hanna Basin of Wyoming.

The Company's 65% ownership of Canyon Fuel is accounted for on the equity method in the Condensed Consolidated Financial Statements as a result of certain super-majority voting rights in the joint venture agreement. Income from Canyon Fuel is reflected in the Condensed Consolidated Statements of Operations as income from equity investment (see additional discussion in "Investment in Canyon Fuel" in Note C).

Note B - Change in Accounting Method

Through December 31, 1998, plant and equipment have principally been depreciated on the straight-line method over the estimated useful lives of the assets, which range from three to twenty years. Effective January 1, 1999, depreciation on the Company's preparation plants and loadouts was computed using the units-of-production method, which is based upon units produced, subject to a minimum level of depreciation. These assets are usage-based assets and their economic lives are typically based and measured on coal throughput. The Company believes the units-of-production method is preferable to the method previously used because the new method recognizes that depreciation of this equipment is related substantially to physical wear due to usage and also to the passage of time. This method, therefore, more appropriately matches production costs over the lives of the preparation plants and loadouts with coal sales revenue and results in a more accurate allocation of the cost of the physical assets to the periods in which the assets are consumed. The cumulative effect of applying the new method for years prior to 1999 is an increase to income of $3.8 million net-of-tax ($6.3 million pre-tax) reported as a cumulative effect of accounting change in the Condensed Consolidated Statement of Operations for the six months ended June 30, 1999.

Note C - Investment in Canyon Fuel

The following table presents unaudited summarized financial information for Canyon Fuel which, as part of the Company's June 1, 1998 acquisition of ARCO's coal operations (the "Arch Western transaction"), is accounted for on the equity method:

Condensed Income Statement Information	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
	(in thousands)			
Revenues	$60,407	$58,490	$125,699	$116,872
Total costs and expenses	58,381	59,863	119,609	113,107
Net income (loss)	$ 2,026	$(1,373)	$ 6,090	$ 3,765
65% of Canyon Fuel net income (loss)	$ 1,317	$ (892)	$ 3,959	$ 2,447
Effect of purchase adjustments	444	445	1,433	1,135
Arch Coal's income (loss) from its equity investment in Canyon Fuel	$ 1,761	$ (447)	$ 5,392	$ 3,582

The Company's income (loss) from its equity investment in Canyon Fuel represents 65% of Canyon Fuel's net income after adjusting for the effect of its investment in Canyon Fuel. The Company's investment in Canyon Fuel reflects purchase adjustments primarily related to the reduction in amounts assigned to sales contracts, mineral reserves and other property, plant and equipment.

Note D - Inventories

Inventories are comprised of the following:

	June 30, 2000	December 31, 1999
	(in thousands)	
Coal	$29,334	$28,183
Repair parts and supplies	32,282	34,199
	$61,616	$62,382

Note E - Debt

Debt consists of the following:

	June 30, 2000	December 31, 1999
	(in thousands)	
Indebtedness to banks under revolving credit agreement, expiring May 31, 2003	$ 358,000	$ 365,000
Variable rate term loan payable quarterly from July 1, 2001 through May 31, 2003	135,000	135,000
Variable rate term loan payable May 31, 2003	675,000	675,000
Other	5,568	5,993
	1,173,568	1,180,993
Less current portion	86,000	86,000
Long-term debt	$1,087,568	$1,094,993

In connection with the Arch Western transaction, the Company entered into two five-year credit facilities: a $675 million non-amortizing term loan in the name of Arch Western, the entity owning the right to the coal reserves and operating assets acquired in the Arch Western transaction, and a $900 million credit facility in the name of the Company, including a $300 million fully amortizing term loan and a $600 million revolver. Borrowings under these credit facilities were used to finance the acquisition of ARCO's Colorado and Utah coal operations, to pay related fees and expenses, to refinance existing corporate debt and for general corporate purposes. Borrowings under the

Arch Western credit facility were used to fund a portion of a $700 million cash distribution by Arch Western to ARCO, which distribution occurred simultaneously with ARCO's contribution of its Wyoming coal operations and certain other assets to Arch Western and which distribution represented part of the purchase price for the ARCO coal operations. The $675 million term loan is secured by Arch Western's membership interests in its subsidiaries. The Arch Western credit facility is not guaranteed by the Company. The rate of interest on the borrowings under the agreements is, at the Company's option, the PNC Bank base rate or a rate based on LIBOR. At June 30, 2000, the Company's debt is approximately 84% of capital employed.

Terms of the Company's credit facilities and leases contain financial and other restrictive covenants that limit the ability of the Company to, among other things, pay dividends, effect acquisitions or dispositions and borrow additional funds and require the Company to, among other things, maintain various financial ratios and comply with various other financial covenants. Failure by the Company to comply with such covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on the Company. At December 31, 1999, as a result of the effect of the write-down of impaired assets and other restructuring costs incurred during 1999, the Company did not comply with certain of these restrictive covenant requirements, for which the Company received an amendment on January 21, 2000. These amendments resulted in, among other things, a one time payment of $1.8 million and an increase in the interest rate of .375% associated with the Company's term loan and the $600 million revolver. In addition, the amendments required the pledging of assets to collateralize the term loan and the $600 million revolver by May 17, 2000. The assets, which were pledged by such date, include equity interests in wholly owned entities, certain real property interests, accounts receivable and inventory of the Company and such wholly owned entities.

The Company enters into interest-rate swap and collar agreements to modify the interest-rate characteristics of the Company's outstanding debt. At June 30, 2000, the Company had interest-rate swap and collar agreements having a total notional value of $782.5 million. These swap and collar agreements were used to convert variable-rate debt to fixed-rate debt. Under these swap and collar agreements, the Company pays a weighted-average fixed-rate of 5.74% (before the credit spread over LIBOR) and is receiving a weighted-average variable-rate based upon 30-day and 90-day LIBOR. At June 30, 2000, the remaining term of the swap and collar agreements ranged from 26 to 60 months.

Note F - Stockholder Rights Plan

On March 3, 2000, the Board of Directors adopted a stockholder rights plan under which preferred share purchase rights were distributed as a dividend to the Company's stockholders of record on March 20, 2000. The rights are exercisable only if a person or group acquires 20% or more of the Company's Common Stock (an "Acquiring Person") or announces a tender or exchange offer the consummation of which would result in ownership by a person or group of 20% or more of the Company's Common Stock. Each right entitles the holder to buy one one-hundredth of a share of a series of junior participating preferred stock at an exercise price of $42, or in certain circumstances allows the holder (except for the Acquiring Person) to purchase the Company's Common Stock or voting stock of the Acquiring Person at a discount. At its option, the Board of Directors may allow some or all holders (except for the Acquiring Person) to exchange their rights for Company Common Stock. The rights will expire on March 20, 2010, subject to earlier redemption or exchange by the Company as described in the plan.

Note G - Contingencies

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 as of June 30, 2000 is $4.6 million (included in other noncurrent liabilities), of which $2.5 million relates to a settlement with the U.S. Department of the Interior associated with the 1996 impoundment failure at Lone Mountain. The Company estimates that its reasonably possible aggregate losses from all material litigation that is currently pending could be as much as $.5 million (before taxes) 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.

Note H - Changes in Estimates and Other Non-Recurring Revenues and Expenses

The Company's operating results for the three and six months ended June 30, 2000 reflect a $12.0 million partial insurance payment received as part of the Company's coverage under its property and business interruption insurance policy. The payment offsets a portion of the loss incurred at the West Elk mine in Gunnison County, Colorado which was idled from January 28, 2000 to July 12, 2000 following the detection of combustion related gases there. As a result of recent permit revisions at its idle mine properties in Illinois, the Company reviewed and reduced its reclamation liability at Arch of Illinois by $7.8 million. In addition, the IRS issued a notice during the current quarter outlining the procedures for obtaining tax refunds on certain excise taxes paid by the industry on export sales tonnage. The notice is a result of a 1998 federal district court decision that found such taxes to be unconstitutional. The Company recorded $12.7 million of income related to these excise tax recoveries.

The Company's operating results for the six months ended June 30, 1999 reflect a charge of $6.5 million related to the planned temporary shut down of its Dal-Tex mine in Logan County, West Virginia on July 23, 1999. The charge consisted principally of severance costs, obligations for non-cancelable lease payments and a change in the reclamation liability due to the temporary shut down. The shut down was due to a delay in obtaining mining permits resulting from legal action in the U.S. District Court for the Southern District of West Virginia (for a discussion of the legal action, see the "Contingencies - Legal Contingencies - Dal-Tex Litigation" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in this report).

During 1999, the Company recorded pre-tax charges totaling $23.1 million (including the $6.5 million charge discussed above) related to (i) the restructuring of its administrative workforce; (ii) the closure of its Dal-Tex mine in West Virginia due to permitting problems; and (iii) the closure of several small mines in Kentucky (Coal-Mac) and the one remaining underground mine in Illinois (Arch of Illinois) due to depressed coal prices, caused in part by increased competition from western coal mines. The following are the components of severance and other exit costs included in the restructuring charge along with related activity:

(in thousands)	1999 Charge	Utilized in 1999	Utilized During First Quarter 2000	Utilized During Second Quarter 2000	Balance at June 30, 2000
Employee costs	$ 7,354	$ 704	$ 3,730	$1,053	$1,867
Obligations for non-cancelable lease payments	9,858	484	8,366	174	834
Reclamation liabilities	3,667	1,200	310	137	2,020
Depreciation acceleration	2,172	2,172	-	-	-
	$23,051	$4,560	$12,406	$1,364	$4,721

Except for the charge related to depreciation acceleration, all of the 1999 restructuring charge will require the Company to use cash. Also, the Company expects to utilize the balance of the amounts reserved for employee cost during the remainder of 2000, while obligations for non-cancelable lease payments and reclamation liabilities will be utilized in future periods as lease payments are made and reclamation procedures are performed.

Note I - Sale and Leaseback

On June 30, 2000, the Company sold several shovels and several continuous miners for $14.9 million and leased back the equipment under operating leases. The proceeds of the sales were used to pay down debt and for general corporate purposes. The shovels have been leased over a period of 5 years while the continuous miners have been leased with terms ranging from 2 to 5 years. The leases contain renewal options at lease termination and purchase options at amounts approximating fair value at lease termination. The gain on the sale and leaseback of $1.5 million was deferred and is being amortized over the base of the lease as a reduction of lease expense. Future non-cancelable rental payments under the leases are expected to be approximately $1.7 million for the remainder of 2000, $3.4 million in 2001, $3.2 million in 2002, $3.0 million in 2003, $3.0 million in 2004 and $1.5 million in 2005.

On January 29, 1998, the Company sold mining equipment for approximately $74.2 million and leased back the equipment under an operating lease with a term of three years. This included the sale and leaseback of equipment purchased under an existing operating lease that expired on the same day. The proceeds of the sale were used to purchase the equipment under the expired lease for $28.3 million and to pay down debt. At the end of the lease term, the Company had the option to renew the lease for two additional one-year periods or purchase the equipment. Alternatively, the equipment could be sold to a third party. In the event of such a sale, the Company was required to make a payment to the lessor in the event, and to the extent, that the sale proceeds were below a certain threshold. The gain on the sale and leaseback of $10.7 million was deferred and was amortized over the base of the lease as a reduction of lease expense. Effective February 4, 2000, the Company purchased for $10.3 million several pieces of equipment under lease that were included in this transaction and transferred them to the Company's Wyoming operations. A pro-rata portion of the deferred gain, $.3 million, was offset against the cost of the assets. On May 17, 2000, the Company purchased the remaining assets under the lease for $34.7 million, which resulted in the termination of this lease. The remaining deferred gain of $1.2 million was offset against the cost of the assets.

Note J - Earnings (Loss) per Share

The following table sets forth the computation of basic and diluted earnings (loss) per common share from continuing operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	(in thousands, except per share data)			
Numerator:				
Income (loss) before extraordinary item and cumulative effect of accounting change	$(2,125)	$ 2,459	$(17,152)	$ 79
Cumulative effect of accounting change, net of taxes	-	-	-	3,813
Net income (loss)	$(2,125)	$ 2,459	$(17,152)	$ 3,892
Denominator:				
Weighted average shares - denominator for basic	38,164	38,207	38,164	38,603
Dilutive effect of employee stock options	-	89	-	77
Adjusted weighted average shares - denominator for diluted	38,164	38,296	38,164	38,680
Basic and diluted loss per common share before cumulative effect of accounting change	$ (.06)	$ .06	$ (.45)	$ .00
Basic and diluted earnings (loss) per common share	$ (.06)	$ .06	$ (.45)	$ .10

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This amendment to quarterly report on Form 10-Q/A contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements in the "Outlook" and "Liquidity and Capital Resources" sections below. Words such as "anticipates," "believes," "estimates," "expects," "is likely," "predicts," "may" and variations of such words and similar expressions are intended to identify such forward-looking statements. Although the Company believes that its expectations are based on reasonable assumptions, it cannot assure that the expectations contained in such statements will be achieved. Important factors which could cause actual results to differ materially from those contained in such statements are discussed in the "Contingencies" and "Certain Trends and Uncertainties" sections below.

RESULTS OF OPERATIONS

Quarter Ended June 30, 2000 Compared to Quarter Ended June 30, 1999

The Company incurred a net loss of $2.1 million for the quarter ended June 30, 2000 compared to net income of $2.5 million for the quarter ended June 30, 1999. Results for the quarter were adversely impacted by the continued idling of the West Elk mine in Gunnison County, Colorado. The mine was idled on January 28, 2000, following the detection of combustion gases in a portion of the mine. During the current quarter, the mine had no coal sales and incurred an operating loss of $22.3 million (excluding insurance recoveries) compared to $27.2 million of coal sales and $4.8 million of operating income during the quarter ended June 30, 1999. Offsetting a portion of the loss at the West Elk mine was a $12.0 million pre-tax partial insurance payment received as part of the Company's coverage under its property and business interruption insurance policy. Also, as a result of recent permit revisions at its idle mine properties in Illinois, the Company reviewed and reduced its reclamation liability at that location by $7.8 million during the quarter. In addition, the IRS issued a notice during the current quarter outlining the procedures for obtaining tax refunds on certain excise taxes paid by the industry on export sales tonnage. The notice is a result of a 1998 federal district court decision that found such taxes to be unconstitutional. The Company recorded $12.7 million of pre-tax income related to these excise tax recoveries.

Total revenues for the quarter ended June 30, 2000 decreased 13% from the quarter ended June 30, 1999 as a result of several factors. Those factors include reduced sales at the Company's West Elk mine as a result of the continued idling described above. In addition, the Company closed its Dal-Tex, Wylo and Arch of Illinois operations and two surface mines in Kentucky during 1999.

The Company idled the Dal-Tex operation on July 23, 1999 due to a delay in obtaining new mining permits which resulted from legal action in the U.S. District Court for the Southern District of West Virginia (see additional discussion in the "Contingencies - Legal Contingencies - Dal-Tex Litigation" section of this report). The Wylo operation ceased production in December 1999 due to the depletion of its recoverable reserves. The Arch of Illinois operation was closed due to a lack of demand for the mine's high-sulfur coal. Demand for high-sulfur coal has declined rapidly as a result of the stringent Clean Air Act requirements that are driving a shift to low-sulfur coal. The two small surface mines in Kentucky are affiliated with the Coal-Mac operation and were closed as a result of their cost structures not being competitive in the current market. These factors were partially offset by increased production and sales at the Company's Black Thunder mine in Wyoming and increased brokered coal sales during the quarter when compared to the quarter ended June 30, 1999. On a per-ton-sold basis, the Company's average selling price of $12.98 decreased $1.10 from the same period in the prior year primarily as a result of the continuing expected shift of coal sales from the Company's eastern operations to its western operations. Western coal has a significantly lower average sales price than that provided from the Company's eastern coal operations, but is also significantly less costly to mine.

Excluding the period over period decrease in income from operations resulting from the temporary idling of the West Elk mine, the partial insurance payment, the reclamation liability adjustment at Arch of Illinois and the excise tax recoveries (all described above), income from operations decreased $6.2 million for the quarter ended June 30, 2000 when compared to the same period in the prior year. The decrease is attributable to the continuing difficult market conditions that prevailed in U.S. coal markets during the quarter along with increased fuel costs that were up over $1.0 million per month compared to the same period last year resulting from higher diesel fuel and oil prices. In addition, income from operations also declined at the Company's Mingo Logan longwall operation (Mountaineer Mine) where, despite another strong second quarter and the contribution of $9.0 million of income from operations, results were below the $11.6 million of income from operations from the second quarter of 1999. The decrease was primarily caused by continuing depressed coal prices, generally less favorable mining conditions and increased mine development expenses associated with the start-up of the Alma seam operation. The Mountaineer Mine contributed 13% and 12% of the Company's coal sales revenues in the quarter ended June 30, 2000 and 1999, respectively. Lone Mountain also experienced reduced income from operations caused by adverse mining conditions which reduced production at the mine and also caused increased mining expenses. Partially offsetting the decrease in income from operations was ongoing improved performance at several other of the Company's mines caused in part by the continued Company focus on reducing costs and improving productivity, as well as reduced costs in the current quarter resulting from the closure of the Dal-Tex operation in July 1999. The Dal-Tex operation incurred production shortfalls, deterioration of mining conditions and resulting lower income contributions prior to its closing on July 23, 1999. Other factors that affected quarter to quarter comparisons were several sales of surplus land which resulted in a gain of $3.5 million during the current quarter. During the quarter ended June 30, 1999 the Company sold a dragline at the Arch of Illinois operation resulting in a gain of $2.5 million and also had settlements with two suppliers that added $2.5 million to the prior quarter's results.

Selling, general and administrative expenses increased $1.0 million from the second quarter of 1999. The increase is attributable to higher legal and consulting expenses partially offset by cost savings resulting from the restructuring of the Company's administrative workforce that occurred during the fourth quarter of 1999.

The Company's effective tax rate is sensitive to changes in annual profitability and percentage depletion. During the fourth quarter of 1999, the Company determined that as it relates to future income taxes, the Company does not anticipate recognizing all of its alternative minimum tax credit carry-forwards in the future and expects to recognize part of the benefit of its deferred tax asset at the alternative minimum tax rate of approximately 24%.

Adjusted EBITDA (income from operations before the effect of changes in accounting principles and extraordinary items; unusual items; net interest expense; income taxes; depreciation, depletion and amortization of Arch Coal, its subsidiaries and its ownership percentage in its equity investments) was $80.8 million for the current quarter compared to $88.2 million for the second quarter of 1999. The decrease in adjusted EBITDA was primarily attributable to the temporary idling of the West Elk mine partially offset by improved performance at the Company's Black Thunder mine. Adjusted EBITDA should not be considered in isolation or as an alternative to net income, operating income or cash flows from operations or as a measure of a company's profitability, liquidity or performance under U.S. generally accepted accounting principles.

Six Months Ended June 30, 2000 Compared
to Six Months Ended June 30, 1999

The Company incurred a net loss of $17.2 million for the six months ended June 30, 2000 compared to net income of $3.9 million for the six months ended June 30, 1999. Results for the six months ended June 30, 2000 were adversely impacted by the temporary idling of the West Elk mine in Gunnison County, Colorado. The mine was idled on January 28, 2000, following the detection of combustion gases in a portion of the mine. During the six months ended June 30, 2000, the mine contributed $8.9 million of coal sales and incurred an operating loss of $34.1 million (excluding insurance recoveries) compared to $54.5 million of coal sales and $6.3 million of operating income during the six months ended June 30, 1999. Offsetting a portion of the loss at the West Elk mine was a $12.0 million pre-tax partial insurance payment received as part of the Company's coverage under its property and business interruption insurance policy. Also, as a result of recent permit revisions at its idle mine properties in Illinois, the Company reviewed and reduced its reclamation liability at that location by $7.8 million during the current period. In addition, the IRS issued a notice during the current period outlining the procedures for obtaining tax refunds on certain excise taxes paid by the industry on export sales tonnage. The notice is a result of a 1998 federal district court decision that found such taxes to be unconstitutional. The Company recorded $12.7 million of pre-tax income related to these excise tax recoveries.

Total revenues for the six months ended June 30, 2000 decreased 14% from the same period in the prior year as a result of several factors. Those factors include reduced sales at the Company's West Elk mine as a result of the idling described above. In addition, the Company closed its Dal-Tex, Wylo and Arch of Illinois operations and two surface mines in Kentucky during 1999.

The Company idled the Dal-Tex operation on July 23, 1999 due to a delay in obtaining new mining permits which resulted from legal action in the U.S. District Court for the Southern District of West Virginia (see additional discussion in the "Contingencies - Legal Contingencies - Dal-Tex Litigation" section of this report). The Wylo operation ceased production in December 1999 due to the depletion of its recoverable reserves. The Arch of Illinois operation was closed due to a lack of demand for the mine's high-sulfur coal. Demand for high-sulfur coal has declined rapidly as a result of the stringent Clean Air Act requirements that are driving a shift to low-sulfur coal. The two small surface mines in Kentucky are affiliated with the Coal-Mac operation and were closed as a result of its cost structure not being competitive in the current market. These factors were partially offset by increased production and sales at the Company's Black Thunder mine in Wyoming when compared to the six months ended June 30, 1999. On a per-ton-sold basis, the Company's average selling price of $12.68 decreased $1.69 from the same period in the prior year primarily as a result of the continuing increase in coal sales from the Company's western operations. Western coal has a significantly lower average sales price than that provided from the Company's eastern coal operations, but is also significantly less costly to mine.

Excluding the decrease in income from operations resulting from the temporary idling of the West Elk mine from the prior year, the partial insurance payment, the reclamation liability adjustment at Arch of Illinois and the excise tax recoveries (all described above), income from operations decreased $3.9 million for the six months ended June 30, 2000 when compared to the same period in the prior year. The decrease is attributable to the continuing difficult market conditions that prevailed in U.S. coal markets during the period along with increased fuel costs that were up over $1.0 million per month compared to the same period last year resulting from higher diesel fuel and oil prices. In addition, income from operations also declined at the Company's Mingo Logan longwall operation (Mountaineer Mine) where, despite another strong six months and the contribution of $22.1 million of income from operations, results were below the $28.0 million of income from operations from the six months ended June 30, 1999. The decrease was primarily caused by continuing depressed coal prices, generally less favorable mining conditions and increased mine development expenses associated with the start-up of the Alma seam operation. The Mountaineer Mine contributed 13% and 12% of the Company's coal sales revenue in the six months ended June 30, 2000 and 1999, respectively. Partially offsetting the decrease in income from operations was ongoing improved performance at several other of the Company's mines caused in part by the continued Company focus on reducing costs and improving productivity and reduced costs in the current period resulting from the closure of the Dal-Tex operation in July 1999. The Dal-Tex complex incurred production shortfalls, deterioration of mining conditions and resulting lower income contributions prior to its closing on July 23, 1999. As a result of the closing, the Company recorded a charge of $6.5 million during the first quarter of 1999, comprised principally of severance costs, obligations for non-cancelable lease payments and a change in the reclamation liability due to the closure. Other factors that affected period to period comparisons were several sales of surplus land which resulted in a gain of $4.1 million during the current period. During the six months ended June 30, 1999 the Company sold a dragline at the Arch of Illinois operation resulting in a gain of $2.5 million and also had settlements with two suppliers that added $4.0 million to the prior period's results.

Selling, general and administrative expenses decreased $1.7 million from the six months ended June 30, 1999. The decrease is attributable to cost savings resulting from the restructuring of the Company's administrative workforce that occurred during the fourth quarter of 1999. The decrease is partially offset by higher legal and consulting expenses incurred during the second quarter of 2000.

The Company's effective tax rate is sensitive to changes in annual profitability and percentage depletion. During the fourth quarter of 1999, the Company determined that as it relates to future income taxes, the Company does not anticipate recognizing all of its alternative minimum tax credit carry-forwards in the future and expects to recognize part of the benefit of its deferred tax asset at the alternative minimum tax rate of approximately 24%.

Adjusted EBITDA (income from operations before the effect of changes in accounting principles and extraordinary items; unusual items; net interest expense; income taxes; depreciation, depletion and amortization of Arch Coal, its subsidiaries and its ownership percentage in its equity investments) was $144.4 million for the six months ended June 30, 2000 compared to $174.2 million for the same period in the prior year. The decrease in adjusted EBITDA was primarily attributable to the temporary idling of the West Elk mine partially offset by improved performance at the Company's Black Thunder mine.

OUTLOOK

West Elk Mine. On July 12, 2000, the Company resumed longwall production at its West Elk underground mine in Gunnison County, Colorado. West Elk had been idle since January 28, 2000, following the detection of combustion-related gases in a portion of the mine. The Company expects West Elk to return to normal levels of production in the near term. West Elk incurred between $4 million and $6 million per month in after-tax losses while the mine was idled and the Company engaged in efforts to suppress the combustion. Additional fire-related costs will continue to be incurred during the balance of the year and into 2001 as the Company reclaims drilling sites and roads and eventually dismantles pumping equipment. During June, the Company recognized a $12.0 million pre-tax partial insurance payment that covered a portion of the losses incurred at West Elk during the quarter. The Company expects to receive additional insurance payments under its property and business interruption policy. There can be no assurance of additional recovery, however, until the claim is resolved with the insurance carrier.

West Virginia Operations. On October 20, 1999, the U.S. District Court for the Southern District of West Virginia permanently enjoined the West Virginia Division of Environmental Protection (the "West Virginia DEP") from issuing permits that authorize the construction of valley fills as part of coal mining operations. The West Virginia DEP complied with the injunction by issuing an order banning the issuance of nearly all new permits for valley fills and prohibiting the further advancement of nearly all existing fills. On October 29, 1999, the district court granted a stay of its injunction, pending the outcome of an appeal of the court's decision filed by the West Virginia DEP with the U.S. Court of Appeals for the Fourth Circuit. The West Virginia DEP rescinded its order in response to the stay granted by the court. It is impossible to predict the outcome of the West Virginia DEP's appeal to the Fourth Circuit. If, however, the district court's ruling is not overturned or if a legislative or other solution is not achieved, then the ability of the Company and other coal producers to mine coal in West Virginia would be seriously compromised.

The injunction discussed above was entered as part of the litigation that caused the delay in obtaining mining permits for the Company's Dal-Tex operation (see additional discussion of this litigation in the "Contingencies - Legal Contingencies - Dal-Tex Litigation" section of this report). As a result of such delay, the Company idled its Dal-Tex mining operation on July 23, 1999. The Company remains hopeful that it can reopen the Dal-Tex operation after all necessary permits are obtained, which is not expected to occur until mid-2001 at the earliest. Reopening the mine is, however, contingent upon the district court's injunction being overturned or a legislative or other solution being achieved, as well as then-existing market conditions.

Coal Markets. Although the Company continues to be adversely affected by weak market conditions, developments that may translate into improved market conditions for coal are continuing. Electric generation continues to increase, up approximately 4% compared to 1999. Also, coal's share of the electric generation market is up approximately 1% compared to 1999. The average price of natural gas for the summer to date is roughly double its average price in 1999. No nuclear plants are planned or are being built. Hydro conditions are weaker than normal due to dry conditions. Also, in recent weeks, quoted and spot prices appear to be rising. The Company is hopeful that the movement in such prices is an indication that a stronger coal market will start to materialize because of these and other developments. However, because most of the Company's production is already committed and priced for the current year, the Company expects its performance for the remainder of the year to reflect the current market weakness.

The Company continues to take steps to match its production levels to market needs. The Company has substantially reduced production at its Coal Creek surface mine in Campbell County, Wyoming and plans to idle the mine in the third quarter. The planned idling is not expected to have a material impact on the Company's revenues or results of operations. The Company also plans to maintain a production level of approximately 60 million tons from its Black Thunder mine near Gillette, Wyoming. Demand for Powder River Basin coal has more than doubled in the past decade. The Company is optimistic that the continuing increase in demand, coupled with its recent actions, will be reflected by stronger prices for PRB coal in the future.

Low-Sulfur Coal Producer. The Company continues to believe that it is uniquely positioned to capitalize on the continuing growth in demand for electricity. With Phase II of the Clean Air Act in effect, compliance coal has captured a growing share of U.S. coal demand and commands a higher price than higher sulfur coals in the marketplace. Compliance coal is coal that meets the requirements of Phase II of the Clean Air Act without the use of expensive scrubbing technology. All of Arch's western coal production and approximately half of its eastern production is compliance quality.

Chief Financial Objectives. The Company continues to focus on realizing the substantial potential of its assets and maximizing shareholder value by making decisions based upon its five chief financial objectives: (i) aggressively paying down debt, (ii) further strengthening cash generation, (iii) improving earnings, (iv) increasing productivity and (v) reducing costs throughout the Company.

Despite making the second of five annual payments of $31.6 million for the Thundercloud federal reserve lease, which was acquired in 1998, lower cash generation and increased expenditures related to the idling of the West Elk mine and a net payment of $31.6 million to purchase assets out of an operating lease, the Company repaid $7.4 million of debt in the first half of the year and anticipates continuing to make substantial progress toward reducing debt in the second half of 2000.

The Company is aggressively pursuing cost savings. In addition to the corporate-wide restructuring in late 1999 that the Company believes will likely result in a reduction in operating costs for the current and future years, the Company recently initiated a cost reduction effort targeting key cost drivers at each of its captive mines. The

Company is also exploring Internet-based solutions that could reduce costs, especially in the procurement area.

Registration of Ashland Inc.'s Remaining Shares. On August 3, 2000, the Company received a written notice from Ashland Inc. ("Ashland") pursuant to which Ashland exercised its demand registration rights under the Registration Rights Agreement, dated April 4, 1997, by and among the Company, Ashland, Carboex International, Limited (now Carboex, S.A.) and the certain Hunt entities listed on Schedules I and II thereto. Ashland has requested that its remaining 4,756,968 shares be disposed of by means of an underwritten offering. Ashland has selected Merrill Lynch & Co. as its managing underwriter for the sale of the shares.

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of cash provided by or used in each of the indicated types of activities during the six months ended June 30, 2000 and 1999:

	2000	1999
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ 97,194	$ 153,450
Investing activities	(100,133)	(41,366)
Financing activities	1,538	(122,458)

Cash provided by operating activities decreased in the six months ended June 30, 2000 compared to the same period in 1999 due to a decrease in cash provided from equity investments and reduced cash from coal sales along with increased costs resulting from the temporary idling of the West Elk mine. These were partially offset by increased receivable collections and an increase in accounts payable and accrued expenses in the current period when compared to the prior year's period. The decrease in cash provided from equity investments results primarily from the amendment in the prior year of a coal supply agreement with the Intermountain Power Agency, which was a significant portion of the $59.8 million cash distribution from Canyon Fuel.

Cash used in investing activities increased in the six months ended June 30, 2000 compared to the same period in 1999 primarily as a result of the Company making the second of five annual payments under the Thundercloud federal lease which is part of the Black Thunder mine in Wyoming. The first payment was due at the time of the acquisition of the lease in 1998. The remaining three payments are due each January of the years 2001 through 2003. In addition, during the first six months ended June 30, 2000, the Company purchased all remaining assets under a 1998 sale and leaseback arrangement for $45.0 million. Period-over-period comparisons are also affected by the amendment of another coal supply agreement during 1999. The amendment changed the contract terms from above-market to market-based pricing. As a result of the amendment, the Company received proceeds of $14.1 million from the customer (net of royalty and tax obligations) during the first quarter of 1999.

Cash provided by financing activities reflects reduced debt payments in the current period compared to the same period in the prior year. In addition, during the second quarter of 2000, the Company entered into a sale and leaseback of certain equipment which resulted in net proceeds of $13.4 million. Dividend payments have decreased $4.4 million in the current period as compared to the same period in the prior year, resulting from a decrease in shares outstanding, and a reduction in the quarterly dividend from 11.5 cents per share to 5.75 cents per share. The dividend reduction is attributable to the Company's goal to aggressively pay down debt.

The Company periodically establishes uncommitted lines of credit with banks. These agreements generally provide for short-term borrowings at market rates. At June 30, 2000, there were $20 million of such agreements in effect, of which none were outstanding.

The Company is exposed to market risk associated with interest rates. At June 30, 2000, debt included $1.168 billion of floating-rate debt, which is, at the Company's option, the PNC Bank base rate or a rate based on LIBOR and current market rates for bank lines of credit. To manage these exposures, the Company enters into interest-rate swap agreements to modify the interest-rate characteristics of outstanding Company debt. At June 30, 2000, the Company had interest-rate swap agreements having a total notional value of $782.5 million. These swap agreements are used to convert variable-rate debt to fixed-rate debt. Under these swap agreements, the Company pays a weighted average fixed rate of 5.74% (before the credit spread over LIBOR) and receives a weighted average variable rate based upon 30-day and 90-day LIBOR. The Company accrues amounts to be paid or received under interest-rate swap agreements over the lives of the agreements. Such amounts are recognized as adjustments to interest expense over the lives of agreements, thereby adjusting the effective interest rate on the Company's debt. The fair value of the swap agreements are not recognized in the financial statements. Gains and losses on terminations of interest-rate swap agreements are deferred on the balance sheet (in other long-term liabilities) and amortized as an adjustment to interest expense over the remaining term of the terminated swap agreement. The remaining terms of the swap agreements at June 30, 2000 ranged from 26 to 60 months. All instruments are entered into for other than trading purposes.

The discussion below presents the sensitivity of the market value of the Company's financial instruments to selected changes in market rates and prices. The range of changes reflects the Company's view of changes that are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market rates and prices chosen. The major accounting policies for these instruments are described in Note 1 to the consolidated financial statements of the Company as of and for the year ended December 31, 1999 as filed on Form 10-K with the Securities and Exchange Commission.

Changes in interest rates have different impacts on the fixed-rate and variable-rate portions of the Company's debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not impact the net financial instrument position.

The sensitivity analysis related to the fixed portion of the Company's debt portfolio assumes an instantaneous 100-basis-point move in interest rates from their levels at June 30, 2000 with all other variables held constant. A 100-basis-point decrease in market interest rates would result in an increase in the net financial instrument position of the fixed portion of debt of $19.7 million at June 30, 2000. Based on the variable-rate debt included in the Company's debt portfolio as of June 30, 2000, after considering the effect of the swap agreements, a 100-basis-point increase in interest rates would result in an annualized additional $3.9 million of interest expense incurred based on June 30, 2000 debt levels.

CONTINGENCIES

Reclamation

The federal Surface Mining Control and Reclamation Act of 1977 ("SMCRA") 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 reclamation 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 of final mine closure 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 Company also accrues for significant reclamation that is completed during the mining process prior to final mine closure. The establishment of the final mine closure reclamation liability and the other ongoing reclamation liability are based upon permit requirements and require various estimates and assumptions, principally associated with costs and productivities.

The Company reviews its entire environmental liability periodically 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. Adjustments included a decrease in the liability of $8.1 million in the three and six months ended June 30, 2000. The adjustments occurred principally as a result of recent permit revisions at the Company's idle mine properties in Illinois. No adjustments were recorded in the six months ended June 30, 1999. The Company's management believes it is making adequate provisions for all expected reclamation and other associated costs.

Legal Contingencies

The Company is a party to numerous claims and lawsuits with respect to various matters, including those discussed below. 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 as of June 30, 2000 is $4.6 million (included in other noncurrent liabilities). The Company estimates that its reasonably possible aggregate losses from all material litigation that is currently pending could be as much as $.5 million (before taxes) 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 condition, results of operations or liquidity of the Company.

Dal-Tex Litigation. On July 16, 1998, ten individuals and The West Virginia Highlands Conservancy filed suit in U.S. District Court for the Southern District of West Virginia against the director of the West Virginia DEP and officials of the Corps alleging violations of SMCRA and the Clean Water Act. The plaintiffs alleged that the West Virginia DEP and the Corps have violated their duties under SMCRA and the Clean Water Act by authorizing the construction of "valley fills" under certain surface coal mining permits. These fills are the large, engineered works into which the excess earth and rock extracted during surface mining are placed. The plaintiffs also alleged that the West Virginia DEP has failed to require (i) that lands mined are restored to "approximate original contour" and (ii) that approved post-mining land uses are enforced following reclamation.

Four indirect, wholly owned subsidiaries of the Company hold nine permits that were identified in the complaint as violating the legal standards that the plaintiffs requested the district court interpret. In addition, a pending permit application for the Company's Dal-Tex operation (known as the "Spruce Fork Permit") was specifically identified as a permit the issuance of which should be enjoined. Three subsidiaries of the Company intervened in the lawsuit in support of the Corps and the West Virginia DEP on August 6, 1998.

A partial settlement between the plaintiffs and the Corps was reached on December 23, 1998. Pursuant to that settlement, all claims were dismissed against the Corps for its alleged failure to execute its duties under the Clean Water Act. The settlement agreement reached between the Corps and the plaintiffs requires the preparation of a programmatic environmental impact statement (an "EIS") under the National Environmental Policy Act of 1969 ("NEPA") to evaluate the environmental effects of mountaintop mining. This EIS is scheduled to be completed by January 2001. Until it is completed, any proposed fill greater than 250 acres in size must secure an individual Clean Water Act Section 404 "dredge and fill" permit, instead of a general permit like the one the Corps indicated it would issue for the Dal-Tex operation under its nationwide authorization program. The Spruce Fork Permit was not included in the settlement, and the claims against the Corps with respect to that permit were not dismissed.

On March 3, 1999, the district court issued a preliminary injunction which prohibited the Corps from issuing a general Clean Water Act Section 404 dredge and fill permit for the Dal-Tex operation and enjoined the Company from future operations on the permit until a full trial on the merits could be held. As a result of the entry of the preliminary injunction, the Company idled the Dal-Tex mine on July 23, 1999.

On July 26, 1999, the plaintiffs and the West Virginia DEP tendered to the district court a proposed consent decree which would resolve most of the remaining issues in the case. Pursuant to the proposed consent decree, the West Virginia DEP agreed in principle to amend its regulations and procedures to correct alleged deficiencies. In addition, the parties agreed in principle on a new definition of approximate original contour as it applies to mountaintop mining, as well as to certain regulatory changes involving post-mining land uses. After inviting public comment on the proposed consent decree, the court entered the consent decree in a final order on February 17, 2000.

The Company's Hobet Mining subsidiary agreed as part of the consent decree to revise portions of its Spruce Fork Permit application to conform to the new definition of approximate original contour to be adopted by the West Virginia DEP. Hobet Mining also agreed to seek an individual Clean Water Act Section 404 dredge and fill permit from the Corps as part of its future mining operation. Before issuing that permit, the Corps must first complete an EIS to comply with the provisions of NEPA. The completion of this EIS and issuance of all permits are not expected until mid-2001 at the earliest.

The plaintiffs' allegation that the West Virginia DEP violated its duties under the Clean Water Act by authorizing the construction of valley fills under certain coal mining permits was not resolved by the consent decree. On

October 20, 1999, the district court permanently enjoined the West Virginia DEP from issuing permits that authorize the construction of valley fills as part of coal mining operations. The West Virginia DEP complied with the injunction by issuing an order banning the issuance of nearly all new permits for valley fills and prohibiting the further advancement of nearly all existing fills. The West Virginia DEP also filed an appeal of the district court's decision with the U.S. Court of Appeals for the Fourth Circuit. On October 29, 1999, the district court granted a stay of its injunction, pending the outcome of the appeal. The West Virginia DEP rescinded its order on November 1, 1999 in response to the district court's action.

It is impossible to predict the outcome of the West Virginia DEP's appeal. If, however, the district court's decision is upheld, the Company and other coal producers may be forced to close all or a portion of their mining operations in West Virginia because of the prohibition on constructing valley fills for their existing and future mines.

Cumulative Hydrologic Impact Assessment ("CHIA") Litigation. On January 20, 2000, two environmental organizations, the Ohio Valley Environmental Coalition and the Hominy Creek Watershed Association, filed suit against the West Virginia DEP in U.S. District Court in Huntington, West Virginia. In addition to allegations that the West Virginia DEP violated state law and provisions of the Clean Water Act, the plaintiffs allege that the West Virginia DEP's issuance of permits for surface and underground coal mining has violated certain non-discretionary duties mandated by SMCRA. Specifically, the plaintiffs allege that the West Virginia DEP has failed to require coal operators seeking permits (i) to conduct water monitoring to verify stream flows and ascertain water quality, (ii) to always include certain water quality information in their permit applications and (iii) to analyze the probable hydrologic consequences of their operations. The plaintiffs also allege that the West Virginia DEP has failed to analyze the cumulative hydrologic impacts of mining operations on specific watersheds.

The plaintiffs seek an injunction to prohibit the West Virginia DEP from issuing any new permits which fail to comply with all of the elements identified in their complaint. The complaint identifies, and seeks to enjoin, three pending permits that are sought by the Company's Mingo Logan subsidiary to continue existing surface mining operations at the Phoenix reserve. If the permits are not issued, it is possible that those operations will have to be suspended early in 2001. It is impossible to predict whether this litigation will result in a suspension of the affected surface mining operations. If, however, the operations are suspended, the Company's financial condition and results of operations could be adversely affected and, depending upon the length of the suspension, the effect could be material. This matter does not affect Mingo Logan's existing permits related to underground operations.

Lone Mountain Litigation. On October 24, 1996, the rock strata overlaying an abandoned underground mine adjacent to the coal-refuse impoundment used by the Lone Mountain preparation plant failed, resulting in the discharge of approximately 6.3 million gallons of water and fine coal slurry into a tributary of the Powell River in Lee County, Virginia. The U.S. Department of the Interior notified the Company of its intention to file a civil action under the Clean Water Act and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") to recover alleged natural resource damages suffered as a result of the discharge. The Company and the Interior Department have reached an agreement in principle to settle this matter, which would require a payment of $2.5 million by the Company. The settlement is subject to the Company and the Interior Department entering into a definitive agreement. The Company's consolidated balance sheet as of June 30, 2000 reflects a reserve for the full amount of this settlement.

Other Litigation. On October 31, 1997, the EPA notified a Company subsidiary that it was a potentially responsible party in the investigation and remediation of two hazardous waste sites located in Kansas City, Kansas, and Kansas City, Missouri. The Company's involvement arises from the subsidiary's sale, in the mid-1980's, of fluids containing small quantities of polychlorinated biphenyls ("PCBs") to a company authorized to engage in the processing and disposal of these wastes. Some of these waste materials were sent to one of the sites for final disposal. The Company responded to the information request submitted by the EPA on December 1, 1997. Any liability which might be asserted by the EPA against the Company is not believed to be material because of the de minimis quantity and concentration of PCBs linked to the Company. Moreover, the party with which the subsidiary contracted to dispose of the waste material has agreed to indemnify the Company for any costs associated with this action.

CERTAIN TRENDS AND UNCERTAINTIES

Substantial Leverage; Variable Interest Rate; Restrictive Covenants

The Company has substantial leverage and significant debt service and lease and royalty payment obligations. As of June 30, 2000, the Company had outstanding consolidated indebtedness of approximately $1.2 billion, representing approximately 84% of the Company's total capitalization.

The Company's ability to satisfy its debt service and lease payment obligations will depend upon the future operating performance of its subsidiaries, which will be affected by prevailing economic conditions in their markets, as well as financial, business and other factors, certain of which are beyond their control. Based upon current levels of operations, the Company believes that cash flow from operations and available cash, together with available borrowings under the Company's credit facilities, will be adequate to meet the Company's future liquidity needs for at least the next several years. However, there can be no assurance that the Company's business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable the Company to fund its debt service and lease payment obligations or its other liquidity needs.

The degree to which the Company is leveraged could have material consequences to the Company and its business, including, but not limited to: (i) making it more difficult for the Company to satisfy its debt service, lease payment and other obligations; (ii) increasing the Company's vulnerability to general adverse economic and industry conditions; (iii) limiting the Company's ability to obtain additional financing to fund future acquisitions, working capital, capital expenditures or other general corporate requirements; (iv) reducing the availability of cash flow from operations to fund acquisitions, working capital, capital expenditures or other general corporate purposes; (v) limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it competes and (vi) placing the Company at a competitive disadvantage when compared to competitors with less debt.

A significant portion of the Company's indebtedness bears interest at variable-rates that are linked to short-term interest rates. If interest rates rise, the Company's costs relative to those obligations would also rise.

Terms of the Company's credit facilities and leases contain financial and other restrictive covenants that limit the ability of the Company to, among other things, pay dividends, effect acquisitions or dispositions and borrow additional funds and require the Company to, among other things, maintain various financial ratios and comply with various other financial covenants. Failure by the Company to comply with such covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on the Company.

Environmental and Regulatory Factors

Federal, state and local 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. In addition, federal legislation mandates certain benefits for various retired coal miners represented by the United Mine Workers of America ("UMWA"). These regulations and legislation have had and will continue to have a significant effect on the Company's costs of production and competitive position.

New legislation, regulations or orders may be adopted or become effective which may adversely affect the Company's mining operations, its cost structure or the ability of the Company's customers to use coal. For example, new legislation, regulations or orders may require the Company to incur increased costs or to significantly change its operations. New legislation, regulations or orders may also cause coal to become a less attractive fuel source, resulting in a reduction in coal's share of the market for fuels used to generate electricity. Any such regulation, legislation or order could have an adverse effect on the Company's business, results of operations and financial condition and, depending upon the nature and scope of the legislation, regulations or orders, the effect could be material.

Permits. Mining companies must obtain numerous permits that impose strict regulations on various environmental and health and safety matters in connection with coal mining, including the emission of air and water borne pollutants, the manner and sequencing of coal extractions and reclamation, the storage, use and disposal of non-hazardous and hazardous substances, and the construction of fills and impoundments. Because regulatory authorities have considerable discretion in the timing of permit issuance and because both private individuals and the public at large possess rights to comment on and otherwise engage in the permitting process, including through intervention in the courts, no assurance can be made that permits necessary for mining operations will be issued or, if issued, that such issuance will be timely or that permitting requirements will not be changed or interpreted in a manner that would have a material adverse effect on the Company's financial condition or results of operations.

As indicated by the legal action involving the Company's Dal-Tex operation which is discussed in "Contingencies - Legal Contingencies - Dal-Tex Litigation" above, the regulatory environment in West Virginia is changing with respect to coal mining. No assurance can be made that the Fourth Circuit will overturn the district court's decision in such legal action or that a legislative or other solution will be achieved. If the district court's ruling is not overturned or a legislative or other solution is not achieved, there could be a material adverse effect on the Company's financial condition or results of operations.

NOx Emissions. The use of explosives in surface mining causes oxides of nitrogen ("NOx") to be emitted into the air. The emission of NOx from the use of explosives at surface mines in the Powder River Basin is gaining increased scrutiny from regulatory agencies and the public. The Company has taken steps to monitor the level of NOx emitted during blasting activities at its surface mines in the Powder River Basin and is continuing efforts to find a method of reducing these NOx emissions. Any increase in the regulation of NOx emissions from blasting activities could have an adverse effect on the Company's Powder River Basin surface mines. Depending upon the nature and scope of any such regulations, the effect on the mines could be material.

Kyoto Protocol. On December 11, 1997, the U.S. government representatives at the climate change negotiations in Kyoto, Japan, agreed to reduce the emissions of greenhouse gases (including carbon dioxide and other gas emissions that are believed to be trapping heat in the atmosphere and warming the earth's climate) in the United States. The U.S. adoption of the requirements of the Kyoto protocol is subject to conditions which may not occur and is also subject to the protocol's ratification by the U.S. Senate. The U.S. Senate has indicated that it will not ratify an agreement unless certain conditions, not currently provided for in the Kyoto protocol, are met. At present, it is not possible to predict whether the Kyoto protocol will attain the force of law in the United States or what its impact would be on the Company. Further developments in connection with the Kyoto protocol could have a material adverse effect on the Company's financial condition and results of operations.

Customers. In July 1997, the EPA proposed that twenty-two eastern states, including states in which many of the Company's customers are located, make substantial reductions in NOx emissions. The EPA expects the states to achieve these reductions by requiring power plants to reduce their NOx emissions to a level of 0.15 pounds of NOx per million Btu's of energy consumed. Many of the states sued the EPA in the U.S. Court of Appeals for the District of Columbia Circuit to challenge the new standard. In June 2000, the court upheld the standard, but did not determine the timeframe within which the standard must be implemented. To achieve the new standard, power plants may be required to install reasonably available control technology ("RACT") and additional control measures. The installation of such measures would make it more costly to operate coal-fired utility power plants and, depending on the requirements of individual state implementation plans, could make coal a less attractive fuel alternative in the planning and building of utility power plants in the future.

The EPA is also proposing to implement stricter ozone standards by 2003. The U.S. Court of Appeals for the District of Columbia Circuit has, however, enjoined the EPA from implementing the new ozone standards on constitutional and other legal grounds. The U.S. Supreme Court has agreed to review the lower court's decision. It is impossible to predict the outcome of this legal action. Any outcome that adversely affects the Company's customers or makes coal a less attractive fuel source could, however, have an adverse effect on the Company's financial condition or results of operations.

The U.S. Department of Justice, on behalf of the EPA, has filed a lawsuit against seven investor-owned utilities and brought an administrative action against one government-owned utility for alleged violations of the Clean Air Act. The EPA claims that over thirty of these utilities' power stations have failed to obtain permits required under the Clean Air Act for major improvements which have extended the useful service of the stations or increased their generating capacity. The Company supplies coal to seven of the eight utilities. It is impossible to predict the outcome of this legal action. Any outcome that adversely affects the Company's customers or makes coal a less attractive fuel source could, however, have an adverse effect on the Company's financial condition or results of operations.

Reserve Degradation and Depletion

The Company's profitability depends substantially on its ability to mine coal reserves that have the geologic characteristics that enable them to be mined at competitive costs. There can be no assurance that replacement reserves, particularly in central Appalachia, will be available when required or, if available, that 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 and operating income represented by such mines. Mingo Logan's Mountaineer Mine is estimated to exhaust its longwall mineable reserves in 2002. The Mountaineer Mine generated $9.0 million and $22.1 million of the Company's total operating income for the three and six months ended June 30, 2000, respectively.

Reliance on and Terms of 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 due to the expiration or termination of, or sales price redeterminations or suspensions of deliveries under such coal supply agreements. Other short- and long-term contracts define base or optional tonnage requirements by reference to the customer's requirements, which are subject to change as a result of factors beyond the Company's (and in certain instances the customer's) control, including utility deregulation. In addition, certain 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 Company has from time to time renegotiated contracts after execution to extend the contract term or to accommodate changing market conditions. The contracts also typically include stringent minimum and maximum coal quality specifications and penalty or termination provisions for failure to meet such specifications and 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. Contracts occasionally include provisions that permit a utility to terminate the contract if changes in the law make it illegal or uneconomic for the utility to consume the Company's coal or if the utility has unexpected difficulties in utilizing the Company's coal. Imposition of new nitrous oxide emissions limits in connection with Phase II of the Clean Air Act could result in price adjustments or in affected utilities seeking to terminate or modify long-term contracts in reliance on 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 a similar or higher 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.

Although the Company cannot predict changes in its costs of production and coal prices with certainty, the Company believes that in the current economic environment of low to moderate inflation, the price adjustment provisions in its older long-term contracts will largely offset changes in the costs of providing coal under those contracts, except for those costs related to changes in productivity. However, the increasingly short terms of sales contracts and the consequent absence of price adjustment provisions in such contracts also make it more likely that inflation related increases in mining costs during the contract term will not be recovered by the Company through a later price adjustment.

Potential Fluctuations in Operating Results; Seasonality

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

The Company's mining operations are also subject to factors beyond its control that can negatively or positively affect the level of production and thus the cost of mining at particular mines for varying lengths of time. These factors include weather conditions, equipment replacement and 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.

Third quarter results of operations are frequently adversely affected by lower production and resultant higher costs due to scheduled vacation periods at the majority of the Company's mines. In addition, costs are typically somewhat higher during vacation periods because of maintenance activity carried on during those periods. These adverse effects may prevent the third quarter from being comparable to the other quarters and also prevent the third quarter results from being indicative of results to be expected for the full year.

Certain Contractual Arrangements

The Company owns a 99% interest in Arch Western Resources, LLC ("Arch Western"), a joint venture that was formed in connection with the Company's acquisition of the U.S. coal operations of Atlantic Richfield Company on June 1, 1998. The Limited Liability Company Agreement pursuant to which Arch Western was formed provides that a subsidiary of the Company, as the managing member of Arch Western, generally has exclusive power and authority to conduct, manage and control the business of Arch Western. However, if Arch Western at the time has a debt rating less favorable than Ba3 from Moody's Investors Service or BB- from Standard & Poors Ratings Group or does not meet certain specified indebtedness and interest coverage ratios, then a proposal that Arch Western make certain distributions, incur indebtedness, sell properties or merge or consolidate with any other entity would require the consent of all the members of Arch Western.

In connection with the Arch Western transaction, the Company entered into an agreement pursuant to which the Company agreed to indemnify another member of Arch Western against certain tax liabilities in the event that such liabilities arise as a result of certain actions taken prior to June 1, 2013, including the sale or other disposition of certain properties of Arch Western, the repurchase of certain equity interests in Arch Western by Arch Western or the reduction under certain circumstances of indebtedness incurred by Arch Western in connection with the Arch Western transaction. Depending on the time at which any such indemnification obligation were to arise, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

The membership interests in Canyon Fuel are owned 65% by Arch Western and 35% by a subsidiary of ITOCHU Corporation, a Japanese corporation. The agreement which governs the management and operations of Canyon Fuel provides for a Management Board to manage its business and affairs. Generally, the Management Board acts by affirmative vote of the representatives of the members holding more than 50% of the membership interests. However, certain actions require either the unanimous approval of the members or the approval of representatives of members holding more than 70% of the membership interests. The Canyon Fuel agreement also contains various restrictions on the transfer of membership interests in Canyon Fuel.

Pursuant to a stockholders agreement among the Company, Ashland and Carboex S.A. ("Carboex"), the Company has agreed to nominate for election as a director of the Company a person designated by Carboex, and Ashland has agreed to vote its shares of 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 common stock owned by Carboex represent at least 63% of the shares of common stock acquired by Carboex in the Company's merger with Ashland's subsidiary, Ashland Coal, Inc. The Agreement terminates as to Ashland once Ashland ceases to be the beneficial owner (as defined in Rule 13d-3(a) under the Securities Exchange Act of 1934) of 10% or more of the Company's common stock. In addition, for so long as the 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") have the collective voting power to elect one or more persons to serve on the Board of Directors of the Company, the Company 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 voting power.

The Company's Amended and Restated Certificate of Incorporation requires the affirmative vote of the holders of at least two-thirds of outstanding common stock voting thereon to approve a merger or consolidation and certain other fundamental actions involving or affecting control of the Company. The Company's Bylaws 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.

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 significantly affect 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 results of operations.

Reliance on Estimates of Reserves; Title

There are numerous uncertainties inherent in estimating quantities of recoverable reserves, including many factors beyond the control of the Company. Estimates of economically recoverable coal reserves and net cash flows necessarily depend upon the number of variable factors and assumptions, such as geological and mining conditions (which may not be fully identified by available exploration data and/or differ from experience in current operations), historical production from the area compared with production from other producing areas, the assumed effects of regulation by governmental agencies and assumptions concerning coal prices, operating costs, severance and excise taxes, development costs and reclamation costs, all of which may cause estimates to vary considerably from actual results.

For these reasons, estimates of the economically recoverable quantities attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of net cash flows expected therefrom prepared by different engineers or by the same engineers at different times may vary substantially. Actual coal tonnage recovered from identified reserve areas or properties and revenues and expenditures with respect to the Company's reserves may vary from estimates, and such variances may be material. No assurance can be given that these estimates are an accurate reflection of the Company's actual reserves.

The Company's mining operations are conducted on properties owned or leased by the Company. The loss of any lease could adversely affect the Company's ability to develop the applicable reserves. Because title to most of the Company's leased properties and mineral rights is not usually verified until a commitment is made by the Company to develop a property, which may not occur until after the Company has obtained necessary permits and completed exploration of the property, the Company's right to mine certain of its reserves may be adversely affected if defects in title or boundaries exist. In addition, there can be no assurance that the Company can successfully negotiate new leases or mining contracts for properties containing additional reserves or maintain its leasehold interests in properties on which mining operations are not commenced during the term of the lease.

Factors Routinely Affecting Results of Operations

Any one or a combination of the following factors may occur at times or in a manner that causes results of the Company's operations to deviate from expectations: changing demand; fluctuating selling prices; contract penalties, suspensions or terminations; operational, geologic, transportation and weather-related factors; unexpected regulatory changes; results of litigation; or labor disruptions. Any event disrupting substantially all production at any of the

Company's principal mines for a prolonged period would have a material adverse effect on the Company's current and projected results of operations. The effect of such a disruption at the Mingo Logan operations would be particularly severe because of the high volume of coal produced by those operations and the relatively high contribution to operating income from the sale of such coal.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)

2.1 Purchase and Sale Agreement dated as of March 22, 1998 among Atlantic Richfield Company, ARCO Uinta Coal Company, Arch Coal, Inc. and Arch Western Acquisition Corporation (incorporated herein by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed June 15, 1998)

2.2 Contribution Agreement among Arch Coal, Inc., Arch Western Acquisition Corporation, Atlantic Richfield Company, Delta Housing, Inc., and Arch Western Resources LLC, dated as of March 22, 1998 (incorporated herein by reference to Exhibit 2.2 of the Company's Current Report on Form 8-K filed June 15, 1998)

3.1 Amended and Restated Certificate of Incorporation of Arch Coal, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2000)

3.2 Amended and Restated Bylaws of Arch Coal, Inc. (incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2000)

4.1 Stockholders Agreement, dated as of April 4, 1997, among Carboex International, Ltd., Ashland, Inc. and Arch Coal, Inc. (formerly Arch Mineral Corporation) (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-4 (Registration No. 333-28149) filed on May 30, 1997)

4.2 Assignment of Rights, Obligations and Liabilities under the Stockholders Agreement between Carboex International, Limited and Carboex, S.A. effective as of October 15, 1998 (incorporated herein by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K for the Year Ended December 31, 1998)

4.3 Registration Rights Agreement, dated as of April 4, 1997, among Arch Coal, Inc. (formerly Arch Mineral Corporation), Ashland Inc., Carboex International, Ltd. and the entities listed on Schedules I and II thereto (incorporated herein by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-4 (Registration No. 333-28149) filed on May 30, 1997, except for amended Schedule I thereto, incorporated herein by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 1998)

4.4 Assignment of Registration Rights between Carboex International, Limited and Carboex, S.A. effective as of October 15, 1998 (incorporated herein by reference to Exhibit 4.4 of the Company's Annual Report on Form 10-K for the Year Ended December 31, 1998)

4.5 Agreement Relating to Nonvoting Observer, executed as of April 4, 1997, among Carboex International, Ltd., Ashland Inc., Ashland Coal, Inc. and Arch Coal, Inc. (formerly Arch Mineral Corporation) (incorporated herein by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-4 (Registration No. 333-28149) filed on May 30, 1997)

4.6 Assignment of Right to Maintain a Non-Voting Observer at Meetings of the Board of Directors of Arch Coal, Inc. between Carboex International, Limited and Carboex, S.A. effective as of October 15, 1998 (incorporated herein by reference to Exhibit 4.6 of the Company's Annual Report on Form 10-K for the Year Ended December 31, 1998)

4.7 Agreement for Termination of the Arch Mineral Corporation Voting Agreement and for Nomination of Directors, dated as of April 4, 1997, among Hunt Coal Corporation, Petro-Hunt Corporation, each of the trusts listed on Schedule I thereto, Ashland Inc. and Arch Mineral Corporation (incorporated herein by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-4 (Registration No. 333-28149) filed on May 30, 1997)

4.8 $600,000,000 Revolving Credit Facility, $300,000,000 Term Loan Credit Agreement by and among Arch Coal, Inc., the Lenders party thereto, PNC Bank, National Association, as Administrative Agent, Morgan Guaranty Trust Company of New York, as Syndication Agent, and First Union National Bank, as Documentation Agent, dated as of June 1, 1998 (incorporated herein by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed June 15, 1998)

4.9 Amendment 1 to Credit Agreement by and among Arch Coal, Inc., the Lenders party thereto, PNC Bank, National Association, as Administrative Agent, Morgan Guaranty Trust Company of New York, as Syndication Agent, and First Union National Bank, as Documentation Agent, dated as of January 21, 2000 (incorporated herein by reference to Exhibit 4.9 of the Company's Annual Report on Form 10-K for the Year Ended December 31, 1999)

4.10 $675,000,000 Term Loan Credit Agreement by and among Arch Western Resources, LLC, the Banks party thereto, PNC Bank, National Association, as Administrative Agent, Morgan Guaranty Trust Company of New York, as Syndication Agent, and NationsBank N.A., as Documentation Agent dated as of June 1, 1998 (incorporated herein by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed June 15, 1998)

4.11 Form of Rights Agreement, dated March 3, 2000, between Arch Coal, Inc. and First Chicago Trust Company of New York, as Rights Agent (incorporated herein by reference to Exhibit 1 to a Current Report on Form 8-A filed on March 9, 2000)

10.1* Retention Agreement between Arch Coal, Inc. and Steven F. Leer, dated June 5, 2000

10.2* Form of Retention Agreement between Arch Coal, Inc. and each of its Executive Officers (other than its Chief Executive Officer), dated June 5, 2000

18 Preferability Letter of Ernst & Young LLP dated May 11, 1999 (incorporated herein by reference to Exhibit 18 of the Company's Quarterly Report on Form 10-Q for the Quarter Ended March 31, 1999)

27* Financial Data Schedule

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* Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 filed with the Securities and Exchange Commission on August 4, 2000.

(b) Reports on Form 8-K

None

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 COAL, INC.

(Registrant)

Date: February 8, 2001

/s/ John W. Lorson

John W. Lorson
Controller
(Chief Accounting Officer)

INDEX TO EXHIBITS

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