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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K/A
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2005

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

For the transition period from __________ to __________.

Commission file number: 333-107569-03

Arch Western Resources, LLC

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

At August 1, 2006, the registrant's common equity consisted solely of undenominated membership interests, 99.5% of which were held by Arch Western Acquisition Corporation and 0.5% of which were held by a subsidiary of BP p.l.c.

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EXPLANATORY NOTE

This Amendment No. 1 to Annual Report on Form 10-K amends and restates Items 6, 7, 8 and 9A of Part II and Item 15 of Part IV of our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 30, 2006, primarily to (i) amend the disclosure of our contractual obligations and (ii) to restate our Consolidated Statements of Cash Flows for each of the years ended December 31, 2005, 2004 and 2003 to correct the classification of the changes in amounts receivable from Arch Coal, Inc. The reclassification has no effect on previously reported net income, net income attributable to membership interests, membership interests, net cash flows, adjusted EBITDA or our conclusion that our disclosure controls and procedures were effective as disclosed under Item 9A of this Form 10-K/A. The reclassification also has no effect on the consolidated financial statements of Arch Coal, Inc. Any item included in the original report on Form 10-K that is not included herein is not amended and remains in effect as of the date of the original filing thereof. No information included in the original report on Form 10-K has been amended by this Form 10-K/A to reflect any information, events, developments or results subsequent to the filing of the original report on Form 10-K.

PART II

Item 6. Selected Financial Data.

	RESTATED				
	Year Ended December 31,				
	2005 (1) (2)	2004	2003	2002 (3)	2001 (4)
	(in thousands, except per share data)				
Statement of Operations Data:					
Coal sales revenue	$ 1,126,742	$ 735,162	$ 500,555	$ 492,191	$ 468,137
Income from operations	186,061	83,275	62,710	49,824	60,370
Income before cumulative effect of accounting change	128,844	32,946	20,996	19,909	31,342
Cumulative effect of accounting change	—	—	(18,278)	—	—
Net income	128,844	$ 32,946	$ 2,718	$ 19,909	$ 31,342
Balance Sheet Data:					
Cash and cash equivalents	$ 152	$ 1,351	$ 35,171	$ 249	$ 461
Receivable from Arch Coal, Inc.	869,056	677,934	351,866	333,825	259,822
Total assets	2,215,376	2,013,436	1,411,515	1,373,061	1,329,688
Total debt	960,247	961,613	700,000	675,000	675,000
Redeemable equity interests	5,647	4,971	4,746	4,733	4,667
Non-redeemable equity interests	677,795	543,058	471,890	469,241	455,742
Cash Flow Data:					
Cash provided by operating activities(5)	$ 225,798	$ 115,302	$ 129,045	$ 138,827	$ 100,494
Depreciation, depletion and amortization	98,347	80,703	63,053	69,388	66,493
Capital expenditures	108,600	78,313	27,322	51,360	32,142
Operating Data:					
Tons sold	105,796	86,264	69,541	72,519	73,719
Tons produced	106,554	91,466	69,361	73,203	74,032
Average sales price (per ton)	$ 10.65	$ 8.52	$ 7.20	$ 6.79	$ 6.35

(1) On December 30, 2005, we sold to Peabody Energy a rail spur, rail loadout and an idle office complex, all of which is located in the Powder River Basin for a purchase price of $79.6 million. As a result of the transaction, we recognized a gain of $43.3 million which we recorded as a component of other operating income.

(2) On October 24, 2005, we conducted a precautionary evacuation of our West Elk mine after we detected elevated readings of combustion-related gases in an area of the mine where we had completed mining activities but had not yet removed final longwall equipment. We estimate that the financial impact of idling the mine and fighting the fire during the fourth quarter of 2005 was $33.3 million in reduced operating profit.

(3) During 2002, we filed a royalty rate reduction request with the Bureau of Land Management, which we refer to as the BLM, for our West Elk mine in Colorado. The BLM notified us that it would receive a royalty rate reduction for a specified number of tons representing a retroactive portion for the year totaling $3.3 million. We recognized the retroactive portion as a component of cost of coal sales. Additionally in 2002, Canyon Fuel was notified by the BLM that it would receive a royalty rate reduction for certain tons mined at its Skyline mine. The rate reduction applies to certain tons mined representing a retroactive refund of $1.1 million. We recorded the retroactive amount as a component of income from equity investments.

(4) At the West Elk underground mine in Gunnison County, Colorado, following the detection of combustion-related gases in a portion of the mine, we idled our operation on January 28, 2000. On July 12, 2000, after controlling the combustion-related gases, we resumed production at the West Elk mine and started to ramp up to normal levels of production. We recognized partial pre-tax insurance settlements of $31.0 million during 2000 and a final pre-tax insurance settlement related to the event of $9.4 million during 2001.

(5) Amounts have been restated to reclassify the change in the Receivable from Arch Coal, Inc. from cash flows from operating activities to cash flows from investing activities. See Note 1 to our consolidated financial statements for more information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

We focus on taking steps to improve earnings, strengthen cash generation and improve productivity at our large-scale mines. We are also seeking to enhance our position as a preferred supplier to U.S. power producers, acting as a reliable and ethical partner. We plan to focus on organic growth by continuing to develop our existing reserve base, and we plan to evaluate acquisitions that represent a good fit with our existing operations.

Economic expansion and the high cost of competing fuels translated into strong coal demand throughout 2005. We estimate that coal-fueled electric generation increased 2.5% during 2005. In addition to increasing utilization at existing coal-fired power plants, U.S. power generators are moving forward with plans to build new coal plants. Already, projects have been announced that we believe could boost the installed coal-based generating units by approximately 80 gigawatts, or 25%, which could ultimately increase coal demand by as much as 300 million tons annually. In addition, interest in converting coal into transportation fuels and synthetic natural gas has increased from prior years.

Meanwhile, coal production during 2005 struggled to keep pace with increased demand, with consumption outstripping supply for the third consecutive year, according to our estimates. We estimate that utility coal stockpiles ended 2005 at their lowest year-end levels in decades at approximately 33 days of supply, or 37% below the 15-year average. We believe stockpile levels are particularly low in the midwestern United States, where coal fuel costs have boosted wholesale power sales and rail disruptions have constrained coal deliveries. We believe that strong coal demand and continuing supply constraints will result in a multi-year effort to restore utility stockpiles to targeted levels, particularly in the midwestern United States traditionally served by coal producers operating in the Powder River Basin.

Rail service disruptions experienced throughout the industry during 2004 continued for much of 2005 and resulted in missed shipments in both of our operating regions. Severe weather and the resulting maintenance efforts exacerbated the railroad disruptions already existing as a result of inadequate staffing at the railroads, equipment shortages and an overall increase in rail shipments. We expect continued challenges during 2006 due to rail shortages, and we continue to work with our customers and the railroads in an effort to minimize the impact of future disruptions.

Results of Operations

Recent Developments

On October 27, 2005, we conducted a precautionary evacuation of our West Elk mine after we detected elevated readings of combustion-related gases in an area of the mine where we had completed mining activities but had not yet removed all remaining longwall equipment. We have successfully controlled the combustion-related gases, re-entered and rehabilitated the mine, and we resumed longwall mining in late March 2006. We estimate that the financial impact of idling the mine and fighting the fire during the fourth quarter of 2005 was $33.3 million in reduced operating profit. We will continue to be negatively impacted during the first quarter of 2006 until the longwall is back in production and the mine is operating at full capacity.

On December 30, 2005, we sold to Peabody Energy a rail spur, rail loadout and idle office complex located in the Powder River Basin for a purchase price of $79.6 million, resulting in a gain of $43.3 million. In addition, Arch Coal completed a reserve swap with Peabody pursuant to which Arch Coal exchanged 60 million tons of coal reserves near the former North Rochelle mine for a similar block of 60 million tons of coal reserves more strategically positioned relative to our Black Thunder mining complex. Subsequent to the reserve swap, Arch Coal subleased the coal reserves it received from Peabody to us. We believe these coal reserves will provide us with a more efficient mine plan.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

The following discussion summarizes our operating results for the year ended December 31, 2005 and compares those results to our operating results for the year ended December 31, 2004.

Revenues. The following table summarizes the number of tons we sold during the year ended December 31, 2005 and the sales associated with those tons and compares those results to the comparable information for the year ended December 31, 2004:

	Year Ended December 31,		Increase (Decrease)	
	2005	2004	$	%
	(Amounts in thousands, except per ton data)			
Coal sales	$1,126,742	$735,162	$391,580	53.3%
Tons sold	105,796	86,264	19,532	22.6%
Coal sales realization per ton sold	$ 10.65	$ 8.52	$ 2.13	25.0%

The following table shows the number of tons sold by operating segment during the year ended December 31, 2005 and compares those amounts to the comparable information for the year ended December 31, 2004:

	Tons Sold		% of Total	
	2005	2004	2005	2004
	(Amounts in thousands)			
Powder River Basin	87,597	75,069	82.8%	87.0%
Western Bituminous Region	18,199	11,195	17.2%	13.0%
Total	105,796	86,264	100.0%	100.0%

Coal sales. The increase in our coal sales resulted from a combination of increased volumes, higher pricing, and the acquisition of Triton in the Powder River Basin on August 20, 2004 and the consolidation of Canyon Fuel in the Western Bituminous region beginning on July 31, 2004.

Our volume in the Powder River Basin increased 16.7% during 2005 compared to 2004. In the Western Bituminous region, our volume increased 62.6% during the same period, despite the loss of production at the West Elk mine in the fourth quarter of 2005. In addition to an overall increase in demand, volumes in both regions also benefited from the acquisition and consolidation described above.

Our per ton realizations increased due primarily to higher contract prices in both segments. In the Powder River Basin, our per ton realization increased 15.7% due to increased base pricing and above-market pricing on certain contracts acquired in our Triton acquisition as well as higher sulfur dioxide quality premiums resulting from higher sulfur dioxide emission allowance prices. The Western Bituminous region’s per ton realization increased 24.7%. In addition to higher contract pricing, per ton realization in the Western Bituminous region was also affected by our consolidation of Canyon Fuel during the third quarter of 2004.

Operating costs and expenses. The following table summarizes our operating costs and expenses for the year ended December 31, 2005 and compares those results to the comparable information for the year ended December 31, 2004:

	Year Ended December 31,		Increase (Decrease)	
	2005	2004	$	%
	(Amounts in thousands)			
Cost of coal sales	$ 865,760	$ 577,660	$ 288,100	49.9%
Depreciation, depletion and amortization	98,347	80,703	17,644	21.9%
Selling, general and administrative expenses	23,958	17,168	6,790	39.6%
	$ 988,065	$ 675,531	$ 312,534	46.3%

Cost of coal sales. The increase in cost of coal sales is primarily due to the acquisition of Triton in the Powder River Basin on August 20, 2004 and the consolidation of Canyon Fuel in the Western Bituminous region beginning on July 31, 2004, along with an increase in sales-sensitive costs resulting from the increase in revenue discussed above. In addition to the acquisition of Triton and the consolidation of Canyon Fuel during the third quarter of 2004, our costs of coal sales were affected by the following:

- Production taxes and coal royalties, which we incur as a percentage of coal sales realization, increased $79.9 million during 2005 compared to 2004.
- Labor costs increased $57.9 million during 2005 compared to 2004 due to higher compensation rates and due to the acquisition and consolidation in 2004 described above.
- Repair and maintenance costs increased $36.3 million during 2005 compared to 2004 due to increased repair and maintenance activity in 2005 resulting from the acquisition and consolidation in 2004 described above.

- Costs for diesel fuel, explosives and utilities increased $18.2 million, $6.4 million and $5.2 million, respectively, in 2005 compared to 2004 as a result of higher commodity pricing and increased usage resulting from the acquisition and consolidation in 2004 described above.
- Costs for operating supplies increased $22.3 million due partially to increased steel prices during 2005 compared to 2004 and increased usage resulting from the acquisition and consolidation in 2004 described above.

Depreciation, depletion and amortization. The increase in depreciation, depletion and amortization is due primarily to the property additions resulting from the acquisition and consolidation during the third quarter of 2004 and to higher capital expenditures during 2005.

Selling, general and administrative expenses. Selling, general and administrative expenses represent expenses allocated to us from Arch Coal, Inc. The cost increase for the year ended 2005 compared to the 2004 is a result of increased compensation-related expenses and increased legal and professional fees at Arch Coal.

Our operating costs (reflected below on a per-ton basis) are defined as including all mining costs, which consist of all amounts classified as cost of coal sales (except pass-through transportation costs) and all depreciation, depletion and amortization attributable to mining operations.

	Year Ended December 31,		Increase (Decrease)	
	2005	2004	$	%
Powder River Basin	$ 6.97	$ 6.14	$0.83	13.5%
Western Bituminous Region	16.40	15.71	0.69	4.4%

Powder River Basin — On a per ton basis, operating costs increased in the Powder River Basin primarily due to higher diesel fuel costs ($0.14 per ton), higher repairs and maintenance costs ($0.11 per ton) and increased production taxes and coal royalties ($0.44 per ton). Additionally, average costs were higher due to the integration of the North Rochelle mine into our Black Thunder mine in the third quarter of 2004. These costs would have been offset by increased productivity had rail service not adversely impacted volumes during the year.

Western Bituminous Region — Operating cost per ton increased primarily due to the West Elk thermal event noted in "Recent Developments." As a result of the temporary idling of the mine, we incurred higher expenses along with reduced production.

Other operating income. The following table summarizes our other operating income for the year ended December 31, 2005 and compares that information to the comparable information for the year ended December 31, 2004:

	Year Ended December 31,		Increase (Decrease)	
	2005	2004	$	%
	(Amounts in thousands)			
Income from equity investments	$ —	$ 8,410	$ (8,410)	(100.0)%
Gain on sale of Powder River Basin assets	43,297	—	43,297	100.0%
Other operating income	4,087	15,234	(11,147)	(73.2)%
	$ 47,384	$ 23,644	$ 23,740	100.4%

Income from equity investment. The decline in income from our equity investment results from the consolidation of Canyon Fuel into our financial statements subsequent to July 31, 2004.

Other operating income. Other operating income consists of income from sources other than coal sales. The increase in other operating income resulted primarily from the $43.3 million gain we recognized on a transaction with Peabody Energy discussed in "Recent Developments." During 2004, we had gains on land sales of $5.8 million along with production and administration payments received from Canyon Fuel of $4.8 million. The production and administration payments from Canyon Fuel ceased subsequent to the consolidation of Canyon Fuel in our financial statements.

Net interest expense. The following table summarizes our net interest expense for the year ended December 31, 2005 and compares that information to the comparable information for the year ended December 31, 2004:

	Year Ended December 31,		Increase (Decrease) in Net Income	
	2005	2004	$	%
	(Amounts in thousands)			
Interest expense	$ (65,543)	$ (55,582)	$ (9,961)	(17.9)%
Interest income	45,233	20,570	24,663	119.9%
	$ (20,310)	$ (35,012)	$ 14,702	42.0%

Interest expense. The increase in interest expense results from a higher amount of average borrowings in 2005 compared to 2004 primarily due to the issuance of $250.0 million of 6³/₄% senior notes due 2013 in October 2004. You should see "Liquidity and Capital Resources" for more information about the issuance of these notes.

Interest income. Our cash transactions are managed by Arch Coal, Inc. Cash paid to or from us that is not considered a distribution or a contribution is recorded as a receivable from Arch Coal. The receivable balance earns interest from Arch Coal at the prime interest rate. The increase in interest income results primarily from a higher average receivable balance in 2005 as compared to 2004.

Other non-operating income and expense. The following table summarizes our other non-operating income and expense for the year ended December 31, 2005 and compares that information to the comparable information for the year ended December 31, 2004:

	Year Ended December 31,		Increase (Decrease) in Net Income	
	2005	2004	$	%
	(Amounts in thousands)			
Expenses resulting from early debt extinguishment and termination of hedge accounting for interest rate swaps	$(12,688)	$(14,295)	$1,607	11.2%

Amounts reported as non-operating consist of income or expense resulting from our financing activities other than interest. Our results of operations include expenses of $12.7 million for 2005 and $13.6 million for 2004 related to the termination of hedge accounting and resulting amortization of amounts that had previously been deferred. Additionally, we incurred expenses of $0.7 million for early debt extinguishment costs in 2004.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

The following discussion summarizes our operating results for the year ended December 31, 2004 and compares those results to our operating results for the year ended December 31, 2003.

Revenues. The following table summarizes the number of tons we sold during the year ended December 31, 2004 and the sales associated with those tons and compares those results to the comparable information for the year ended December 31, 2003:

	Year Ended December 31,		Increase (Decrease)	
	2004	2003	$	%
	(Amounts in thousands, except per ton data)			
Coal sales	$735,162	$500,555	$234,607	46.9%
Tons sold	86,264	69,541	16,723	24.0%
Coal sales realization per ton sold	$ 8.52	$ 7.20	$ 1.32	18.3%

The following table shows the number of tons sold by operating segment during the year ended December 31, 2004 and compares those amounts to the comparable information for the year ended December 31, 2003:

	Tons Sold		% of Total	
	2004	2003	2004	2003
	(Amounts in thousands)			
Powder River Basin	75,069	62,625	87.0%	90.1%
Western Bituminous Region	11,195	6,916	13.0%	9.9%
Total	86,264	69,541	100.0%	100.0%

Coal sales. The increase in coal sales resulted from the combination of increased volumes, higher pricing and the acquisition of Triton and the consolidation of Canyon Fuel during the third quarter of 2004.

Our volume in the Powder River Basin increased 19.9%. In the Western Bituminous region, our volume increased 61.9%. In addition to an overall increase in demand, volumes in both regions also benefited from the acquisition and consolidation in 2004 described above.

Our per ton realizations increased due primarily to higher contract prices in both segments. In the Powder River Basin, our per ton realization increased 14.1% due to above-market pricing on certain contracts acquired in the

Triton acquisition. The Western Bituminous region's per ton realization increased 13.3%. In addition to higher contract pricing, per ton realization in the Western Bituminous region was also affected by our consolidation of Canyon Fuel beginning in the third quarter of 2004.

Operating costs and expenses. The following table summarizes our operating costs and expenses for the year ended December 31, 2004 and compares those results to the comparable information for the year ended December 31, 2003:

	Year Ended December 31,		Increase (Decrease)	
	2004	2003	$	%
		(Amounts in thousands)		
Cost of coal sales	$ 577,660	$ 392,840	$ 184,820	47.0%
Depreciation, depletion and amortization	80,703	63,053	17,650	28.0%
Selling, general and administrative expenses	17,168	15,686	1,482	9.4%
	$ 675,531	$ 471,579	$ 203,952	43.2%

Cost of coal sales. The increase in cost of coal sales is primarily due to the increase in revenues discussed above. Our costs of coal sales were affected by the following:

- Consolidation of Canyon Fuel added $61.7 million for the months of August through December 2004.
- Excluding Canyon Fuel, production taxes and coal royalties (which are incurred as a percentage of coal sales realization) increased $48.1 million.
- Excluding Canyon Fuel, repairs and maintenance costs increased $15.3 million due partially to the property, plant and equipment additions resulting from the contribution of North Rochelle during the third quarter of 2004.
- Poor rail performance during 2004 resulted in missed shipments and disruptions in production. As many of our costs are fixed in nature, the reduced volume did not result in reduced overall costs.
- We experienced higher supply costs, primarily related to explosives (an increase of $6.4 million) and diesel fuel (an increase of $10.9 million).
- Costs for operating supplies increased $8.3 million due primarily to increased commodity and steel prices during the year.
- Incentive compensation costs increased $3.7 million for amounts expected to be earned under Arch Coal's annual and long-term incentive plans based on operating results for the year ended December 31, 2004.

Depreciation, depletion and amortization. The increase in depreciation, depletion and amortization is due primarily to the property additions resulting from the consolidation of Canyon Fuel and the acquisition of Triton during the third quarter of 2004.

Selling, general and administrative expenses. Selling, general and administrative expenses represent expenses allocated to us from Arch Coal, Inc. The cost increase for the year ended 2004 compared to the prior year is a result of increased legal and professional fees and increases in compensation-related expenses at Arch Coal.

Our operating costs (reflected below on a per-ton basis) are defined as including all mining costs, which consist of all amounts classified as cost of coal sales (except pass-through transportation costs) and all depreciation, depletion and amortization attributable to mining operations.

	Year Ended December 31,		Increase (Decrease)	
	2004	2003	$	%
Powder River Basin	$ 6.14	$ 5.50	$0.64	11.6%
Western Bituminous Region	$15.71	$15.42	$0.29	1.9%

Powder River Basin — On a per-ton basis, operating costs increased in the Powder River Basin primarily due to increased production taxes and coal royalties ($0.31 per ton), higher repairs and maintenance charges ($0.11 per ton) and to the higher explosives and diesel fuel costs discussed above. Additionally, average costs were higher due to the integration of the North Rochelle mine into our Black Thunder mine.

Western Bituminous Region — Operating cost per ton at our Western Bituminous operations increased primarily due to increased repairs and maintentance costs, increased production taxes and coal royalties and disruptions in production caused by poor rail performance. The consolidation of Canyon Fuel in July 2004 offset some of the per ton operating cost increases as the Canyon Fuel operations have slightly lower costs when compared to our other Western Bituminous operations.

Other operating income. The following table summarizes our other operating income for the year ended December 31, 2004 and compares that information to the comparable information for the year ended December 31, 2003:

	Year Ended December 31,		Increase (Decrease)	
	2004	2003	$	%
	(Amounts in thousands)			
Income from equity investments	$ 8,410	$ 19,707	$ (11,297)	(57.3)%
Other operating income	15,234	14,027	1,207	8.6%
	$ 23,644	$ 33,734	$ (10,090)	(29.9)%

Income from equity investment. The decline in income from our equity investment results from the consolidation of Canyon Fuel into our financial statements subsequent to July 31, 2004, lower production and sales levels at Canyon Fuel during the period when we accounted for our investment under the equity method, and additional costs related to idling the Skyline Mine, including the severance costs noted above.

Other operating income. Other operating income consists of income from sources other than coal sales. The increase results primarily from a $5.8 million gain recognized from a land sale offset partially by a $3.7 million decrease in administration charges and production payments received from Canyon Fuel (these payments ceased as of the July 31, 2004 consolidation of Canyon Fuel in our financial statements).

Net interest expense. The following table summarizes our net interest expense for the year ended December 31, 2004 and compares that information to the comparable information for the year ended December 31, 2003:

	Year Ended December 31,		Increase (Decrease) in Net Income	
	2004	2003	$	%
	(Amounts in thousands)			
Interest expense	$ (55,582)	$ (44,681)	$ (10,901)	(24.4)%
Interest income	20,570	14,638	5,932	40.5%
	$ (35,012)	$ (30,043)	$ (4,969)	16.5%

The increase in interest expense resulted from a higher average interest rate in the first six months of 2004 as compared to the same period in 2003 as well as a higher amount of average borrowings from August through December 2004 as compared to the prior year. In 2004, our outstanding borrowings consisted primarily of fixed rate borrowings, while borrowings in the first half of 2003 were primarily variable rate borrowings. Short-term interest rates in 2003 were lower than the fixed rate borrowing that made up the majority of average debt balances in 2004.

Our cash transactions are managed by Arch Coal. Cash paid to or from us that is not considered a distribution or a contribution is recorded as a receivable from Arch Coal. The receivable balance earns interest from Arch Coal at the prime interest rate. The increase in interest income results primarily from a higher average receivable balance in 2004 as compared to 2003.

Other non-operating income and expense. The following table summarizes our other non-operating income and expense for the year ended December 31, 2004 and compares that information to the comparable information for the year ended December 31, 2003:

	Year Ended December 31,		Increase (Decrease) in Net Income	
	2004	2003	$	%
	(Amounts in thousands)			
Expenses resulting from early debt extinguishment and termination of hedge accounting for interest rate swaps	$(14,295)	$(11,671)	$(2,624)	(22.5%)

Amounts reported as non-operating consist of income or expense resulting from our financing activities other than interest. Our results of operations include expenses of $13.6 million for 2004 and $7.0 million for 2003 related to the termination of hedge accounting and resulting amortization of amounts that had previously been deferred. Additionally, we incurred expenses of $0.7 million in 2004 and $4.7 million in 2003 for early debt extinguishment costs.

Cumulative Effect of Accounting Change. Effective January 1, 2003, we adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, which we refer to as FAS 143, which requires legal obligations associated with the retirement of long-lived assets to be recognized at fair value at the time the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. Application of FAS 143 resulted in a cumulative effect loss as of January 1, 2003 of $18.3 million.

Liquidity and Capital Resources

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

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

	RESTATED		
	Year Ended December 31,		
	2005	2004	2003
	(Amounts in thousands)		
Cash provided by (used in):			
Operating activities	$ 225,798	$ 115,302	$ 129,045
Investing activities	(226,932)	(405,663)	(102,706)
Financing activities	(65)	256,541	8,583

The increase in cash provided by operating activities in 2005 resulted from improved operating performance, the inclusion of a full year of results for the contribution of the North Rochelle assets, which occurred on August 20, 2004, and to the consolidation of Canyon Fuel which occurred beginning July 31, 2004. The decrease in cash provided by operating activities in 2004 is a result of increased cash used for working capital purposes. Trade accounts receivable increased $5.1 million (excluding amounts contributed with the North Rochelle assets) in 2004 due primarily to higher sales levels during the period, as revenues have increased approximately 47% in 2004 as compared to 2003. Additionally, inventory increased $5.0 million (excluding amounts contributed with the North Rochelle assets) in 2004.

Cash used in investing activities decreased during 2005 compared to 2004 as a result of the sale of the rail spur, rail loadout and idle office complex described earlier which resulted in proceeds of $79.6 million. In addition, the receivable from Arch Coal increased $318.8 million in 2004 compared to $187.3 million in 2005 due to the borrowings in 2004, discussed below, being loaned to Arch Coal. The decrease was partially offset by increased capital spending as a result of the addition of the North Rochelle mining operations and the consolidation of Canyon Fuel. In addition to the increase in the receivable from Arch Coal, cash used in investing activities for 2004 consisted of capital expenditures of $78.3 million and additions to prepaid royalties of $14.6 million. Cash used in investing activities for the year ended December 31, 2003 consisted of capital expenditures of $27.3 million, an increase in the receivable from Arch Coal of $62.7 million and additions to prepaid royalties of $12.7 million. The increase in capital expenditures was primarily at our Black Thunder Mine, which was comprised of equipment from the North Rochelle integration and certain assets that were bought out of lease arrangements.

Cash provided by financing activities in 2004 consisted primarily of proceeds from the issuance of senior notes of $261.9 million (as described more fully below). Cash provided by financing activities in 2003 represents the net proceeds resulting from the issuance of the $700.0 million of senior notes and the repayment of our term loans (as described below).

Capital expenditures are made to improve and replace existing mining equipment, expand existing mines, develop new mines and improve the overall efficiency of mining operations. We anticipate that capital expenditures during 2006 will range from $200 to $250 million. This estimate includes capital expenditures related to development work at certain of our mining operations, including the development of the North Lease of the Skyline mine in Utah. Also, this estimate assumes no other acquisitions, significant expansions of our existing mining operations or additions to our reserve base. We anticipate that we will fund these capital expenditures with available cash, cash generated from operations and, if necessary, cash from Arch Coal.

Our cash transactions are managed by Arch Coal. Cash paid to or from us that is not considered a distribution or a contribution is recorded in an Arch Coal receivable account. The receivable from Arch Coal was $869.1 million at December 31, 2005, $677.9 million at December 31, 2004 and $351.9 million at December 31, 2003. The receivable is interest bearing and is payable on demand by us. However, we do not intend to demand payment of the receivable within the next year. Therefore, the receivable is classified on the consolidated balance sheets as long-term.

On August 20, 2004, we borrowed $100.0 million under our term loan facility, which was established on September 19, 2003. The $100.0 million was loaned to Arch Coal to help fund the Triton acquisition that occurred on August 20, 2004.

On October 22, 2004, Arch Western Finance, LLC, on of our subsidiaries, issued $250 million of 6-3/4% senior notes due 2013 at a price of 104.75% of par. The notes form a single series with Arch Western Finance’s existing 6-3/4% senior notes due 2013, except that the new notes are subject to certain transfer restrictions and are not fully fungible with the existing notes. The net proceeds of the offering were used to repay and retire the outstanding indebtedness under our $100.0 million term loan maturing in 2007, with the remainder loaned to Arch Coal.

On June 25, 2003, Arch Western Finance completed the offering of $700 million of senior notes and utilized the proceeds of the offering to repay our term loans. The senior notes bear a fixed rate of interest of 6.75% and are due in full on July 1, 2013. Interest on the senior notes is payable on January 1 and July 1 each year commencing January 1, 2004. The senior notes are guaranteed by us and certain of our subsidiaries and are secured by a security interest in our receivable from Arch Coal. The terms of the senior notes contain restrictive covenants that limit our ability to, among other things, incur additional debt, sell or transfer assets, and make investments.

The terms of our operating agreement provide for a preferred return distribution in an amount equal to 4% of the preferred capital account balance, which was $2.4 million for each of the years ended December 31, 2005, 2004 and 2003. Preferred distributions made during the years ended December 31, 2005, 2004 and 2003 were $0.1 million in each year. Except for the preferred return distribution, distributions may generally be made at such times and in such amounts as our managing member determines. We made no distributions other than the preferred return in the years ended December 31, 2005, 2004 and 2003.

Contractual Obligations

The following is a summary of our significant contractual obligations as of December 31, 2005:

	Payments Due by Period				
	2006	2007-2008	2009-2010	After 2010	Total
	(Amounts in thousands)				
Long-term debt, including related interest	$ —	$ —	$ —	$ 960,246	$ 960,246
Operating leases	18,667	34,139	21,003	28,948	102,757
Royalty leases	4,120	3,574	3,062	7,632	18,388
Unconditional purchase obligations	108,358	—	—	—	108,358
Total contractual obligations	$ 131,145	$ 37,713	$ 24,065	$ 996,826	$ 1,189,749

Royalty leases represent non-cancelable royalty lease agreements. Unconditional purchase obligations represent amounts committed for purchases of materials and supplies, payments for services, purchased coal, and capital expenditures.

Our consolidated balance sheet reflects a liability of $144.4 million for asset retirement obligations at their fair value. The determination of the fair value of asset retirement obligations involves a number of estimates, as discussed in the section entitled “Critical Accounting Policies,” including the timing of payments to satisfy asset retirement obligations. The timing of payments to satisfy asset retirement obligations is based on numerous factors, including mine closure dates. See Note 13 to our consolidated financial statements for more information on our asset retirement obligations.

The contractual obligations table included above also excludes certain other obligations reflected in our consolidated balance sheet, including estimated funding for pension and postretirement benefit obligations, for which the timing of payments may vary based on changes in the fair value of plan assets (for pension obligations) and actuarial assumptions, and payments under our self-insured workers’ compensation program. See the section entitled “Critical Accounting Policies” for more information about these assumptions. There is no minimum funding requirement for our pension plans in 2006. See Notes 11 and 12 to our consolidated financial statements for more information about the amounts we have recorded for workers’ compensation and pension and postretirement benefit obligations.

We believe that our on-hand cash balance, cash generated from operations and, if necessary, cash from Arch Coal will be sufficient to meet these obligations and our requirements for working capital and capital expenditures.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain off-balance sheet arrangements. These arrangements include guarantees, indemnifications, financial instruments with off-balance sheet risk, such as bank letters of credit and performance or surety bonds. Liabilities related to these arrangements are not reflected in our consolidated balance sheets, and we do not expect any material adverse effects on our financial condition, results of operations or cash flows to result from these off-balance sheet arrangements.

We use a combination of surety bonds, corporate guarantees (i.e. self bonds) and letters of credit to secure our financial obligations for reclamation, workers' compensation, postretirement benefits, coal lease obligations and other obligations as follows as of December 31, 2005 (dollars in millions):

	Reclamation Obligations	Lease Obligations	Workers' Compensation Obligations	Retiree Healthcare Obligations	Other	Total
Self bonding	$229.2	$ —	$ —	$ —	$ —	$229.2
Surety bonds	68.1	22.3	0.1	—	8.7	99.2

Contingencies

The Federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes require that mine property be restored in accordance with specified standards and an approved reclamation plan. We accrue for the costs of reclamation in accordance with the provisions of FAS 143. These costs relate to reclaiming the pit and support acreage at surface mines and sealing portals at deep mines. Other costs of reclamation common to surface and underground mining are related to reclaiming refuse and slurry ponds, eliminating sedimentation and drainage control structures, and dismantling or demolishing equipment or buildings used in mining operations. The establishment of the asset retirement obligation liability is based upon permit requirements and requires various estimates and assumptions, principally associated with costs and productivities.

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

We are a party to numerous other claims and are subject to numerous other contingencies with respect to various matters. We provide for costs related to contingencies, including environmental, legal and indemnification matters, when a loss is probable and the amount is reasonably determinable. After conferring with counsel, it is the opinion of management that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Critical Accounting Policies

We prepare our financial statements in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Additionally, these estimates and judgments are discussed with our Audit Committee on a periodic basis. Actual results may differ from the estimates used under different assumptions or conditions. Note 2 to our consolidated financial statements provides a description of all significant accounting policies. We believe that of these significant accounting policies, the following may involve a higher degree of judgment or complexity:

Asset Retirement Obligations

Our asset retirement obligations arise from the federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, and sealing portals at deep mines. We account for the costs of our reclamation activities in accordance with the provisions of FAS 143. We determine the future cash flows necessary to satisfy our reclamation obligations on a mine-by-mine basis based upon current permit requirements and various estimates and assumptions, including estimates of disturbed acreage, cost estimates, and assumptions regarding productivity. We determine estimates of disturbed acreage based on approved mining plans and related engineering data. We base our cost estimates on historical internal or third-party costs depending on how we expect to perform the work. We base productivity assumptions on historical experience with the equipment that we expect to utilize in the reclamation activities. In accordance with the provisions of FAS 143, we determine the fair value of our asset retirement obligations. In order to determine fair value, we must also estimate a discount rate and third-party margin. Each estimate is discussed in further detail below:

- Discount rate — FAS 143 requires that asset retirement obligations be recorded at fair value. In accordance with the provisions of FAS 143, we utilize discounted cash flow techniques to estimate the fair value of our obligations. We base our discount rate on the rates of treasury bonds with maturities similar to expected mine lives, adjusted for our credit standing.
- Third-party margin — FAS 143 requires the measurement of an obligation to be based upon the amount a third-party would demand to assume the obligation. Because we plan to perform a significant amount of the reclamation activities with internal resources, we add a third-party margin to the estimated costs of these activities. We estimate this margin based on our historical experience with contractors performing certain types of reclamation activities. The inclusion of this margin results in a recorded obligation that exceeds our estimated cost to perform the reclamation activities with internal resources. If our cost estimates are accurate, we record the excess of the recorded obligation over the cost incurred to perform the work as a gain at the time that we complete the reclamation work.

On at least an annual basis, we review our entire reclamation liability and make necessary adjustments for permit changes as granted by state authorities, additional costs resulting from accelerated mine closures, and revisions to cost estimates and productivity assumptions, to reflect current experience. At December 31, 2005, we had recorded asset retirement obligation liabilities of $144.4 million, including amounts reported as current. While the precise amount of these future costs cannot be determined with certainty, as of December 31, 2005, we estimate that the aggregate undiscounted cost of final mine closure is approximately $310.9 million.

Derivative Financial Instruments

Derivative financial instruments are accounted for in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, which we refer to as FAS 133. FAS 133 requires all derivative financial instruments to be reported on the balance sheet at fair value. Changes in fair value are recognized either in earnings or equity, depending on whether the transaction qualifies for hedge accounting, and if so, the nature of the underlying exposure being hedged and how effective the derivatives are at offsetting price movements in the underlying exposure.

We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives for undertaking various hedge transactions. We evaluate the effectiveness of our hedging relationships both at the hedge inception and on an ongoing basis. Any ineffectiveness is recorded in the Consolidated Statements of Income.

Employee Benefit Plans

We participate in Arch Coal's non-contributory defined benefit pension plans covering certain of our salaried and non-union hourly employees. Benefits are generally based on the employee's age and compensation. Arch Coal allocates the net periodic benefit cost and benefit obligation based on participant information. The calculation of our net periodic benefit costs (expense) and benefit obligation (liability) associated with Arch Coal's defined benefit pension plans requires the use of a number of assumptions that we deem to be "critical accounting estimates." These assumptions include the long term rate of return on plan assets and the discount rate, representing the interest rate at which pension benefits could be effectively settled. Changes in these assumptions can result in different pension expense and liability amounts, and actual experience can differ from the assumptions. Arch Coal reports separately on the assumptions used in the determination of net periodic benefit costs and benefit obligation associated with their defined benefit plans.

We also provide certain postretirement medical/life insurance coverage for eligible employee's under Arch Coal's plans. Generally, covered employees who terminate employment after meeting eligibility requirements are eligible for postretirement coverage for themselves and their dependents. The salaried employee postretirement medical/life plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. Arch Coal allocates the net postretirement benefit cost and benefit obligation based on participant information. The calculation of our net postretirement benefit costs (expense) and benefit obligation (liability) associated with Arch Coal's postretirement benefit plans requires the use of assumptions that we deem to be "critical accounting estimates," primarily the discount rate. Because postretirement costs for participants are capped at current levels, future changes in health care costs have no future effect on the plan benefits. Arch Coal reports separately on the assumptions used in the determination of net periodic benefit costs and benefit obligation associated with their postretirement plans.

The impact of a 1/2% change in any of these assumptions would not be significant to our results of operations.

Accounting Standards Issued and Not Yet Adopted

In November 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. This statement amends the guidance in ARB No. 43, Chapter 4, “Inventory Pricing,” to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Provisions of this statement are effective for fiscal years beginning after June 15, 2005. We do not expect the adoption of this statement to have a material impact on our financial statements.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004). Share-Based Payment, which we refer to as FAS 123R. FAS 123R requires all public companies to measure compensation cost in the income statement for all share-based payments (including employee stock options) at fair value for interim and annual periods. On April 14, 2005, the Securities and Exchange Commission delayed the implementation of FAS 123R from its original implementation date by six months for most registrants, requiring all public companies to adopt FAS 123R no later than the beginning of the first fiscal year beginning after June 15, 2005. Certain of our employees are granted share-based awards under the Arch Coal Plans. We adopted FAS 123R on January 1, 2006 using the modified-prospective method. Under this method, companies are required to recognize compensation cost for share-based payments to employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. Measurement and recognition of compensation cost for awards that were granted prior to, but not vested as of, the date FAS 123R is adopted would be based on the same estimate of the grant-date fair value and the same recognition method used previously under FAS 123. FAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The effect of FAS 123R will not be significant.

On March 30, 2005, the Financial Accounting Standards Board ratified the consensus reached by the Emerging Issues Task Force on issue No. 04-6, Accounting for Stripping Costs in the Mining Industry. This issue applies to stripping costs incurred in the production phase of a mine for the removal of overburden or waste materials for the purpose of obtaining access to coal that will be extracted. Under the issue, stripping costs incurred during the production phase of the mine are variable production costs that are included in the cost of inventory produced and extracted during the period the stripping costs are incurred. Historically, we have associated stripping costs at our surface mining operations with the cost of tons of coal uncovered and have classified tons uncovered buy not yet extracted as coal inventory. The guidance in this issue is effective for fiscal years beginning after December 15, 2005 for which the cumulative effect of adoption should be recognized as an adjustment to the beginning balance of retained earnings during the period. We adopted the change on January 1, 2006 and, accordingly, recognized an adjustment to the beginning balance of retained earnings of $37.6 million.

Item 8. Financial Statements and Supplementary Data.

Reference is made to Part IV, Item 15 of this Annual Report on Form 10-K/A for the information required by Item 8.

Item 9A. Controls and Procedures.

We performed an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2005. Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that the disclosure controls and procedures were effective as of such date. There were no changes in internal control over financial reporting that occurred during our fiscal quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following consolidated financial statements and consolidated financial statement schedule are filed with this report beginning on page F-1:

Consolidated Statements of Income – Years Ended December 31, 2005, 2004 and 2003

Consolidated Balance Sheets – December 31, 2005 and 2004

Consolidated Statements of Cash Flows – Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Non-Redeemable Members' Equity – Years Ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

Schedule of Valuation and Qualifying Accounts.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Exhibits filed as part of this Annual Report on Form 10-K/A are as follows:

Exhibit	Description
3.1	Certificate of Formation (incorporated herein by reference to Exhibit 3.3 to the Registration Statement on Form S-4 (Reg. No. 333-107569) filed by Arch Western Finance, LLC on August 1, 2003).
3.2	Limited Liability Company Agreement (incorporated herein by reference to Exhibit 3.4 to the Registration Statement on Form S-4 (Reg. No. 333-107569) filed by Arch Western Finance, LLC on August 1, 2003).
4.1	Indenture, dated as of June 25, 2003, by and among Arch Western Finance, LLC, Arch Coal, Inc., Arch Western Resources, LLC, Arch of Wyoming, LLC, Mountain Coal Company, L.L.C., Thunder Basin Coal Company, L.L.C. and The Bank of New York, as trustee (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-4 (Reg. No. 333-107569) filed by Arch Western Finance, LLC on August 1, 2003).
4.2	First Supplemental Indenture, dated October 22, 2004, by and among Arch Western Finance, LLC, Arch Western Resources, LLC, Arch of Wyoming, LLC, Mountain Coal Company, L.L.C., Thunder Basin Coal Company, L.L.C. and The Bank of New York, as trustee (incorporated herein by reference to Exhibit 4.4 of the Current Report on Form 8-K filed by the registrant on October 23, 2004).
4.3	Form of $6^3/_4$% Senior Notes due 2013 (included in Exhibit 4.1).
4.4	Form of Guarantee of $6^3/_4$% Senior Notes due 2013 (included in Exhibit 4.1).
4.5	Registration Rights Agreement, dated October 22, 2004, among Arch Coal, Inc., Arch Western Resources, LLC, Arch Western Finance, LLC, Triton Coal Company, LLC, Arch Western Bituminous Group, LLC, Arch of Wyoming, LLC, Mountain Coal Company, L.L.C. and Thunder Basin Coal Company, L.L.C. and Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated, as representatives of the initial purchasers named therein (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the registrant on October 23, 2004).

Exhibit	Description
10.1	Federal Coal Lease dated as of June 24, 1993 between the United States Department of the Interior and Southern Utah Fuel Company (incorporated herein by reference to Exhibit 10.17 of Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998).
10.2	Federal Coal Lease between the United States Department of the Interior and Utah Fuel Company (incorporated herein by reference to Exhibit 10.18 of Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998).
10.3	Federal Coal Lease dated as of July 19, 1997 between the United States Department of the Interior and Canyon Fuel Company, LLC (incorporated herein by reference to Exhibit 10.19 of Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998).
10.4	Federal Coal Lease dated as of January 24, 1996 between the United States Department of the Interior and the Thunder Basin Coal Company (incorporated herein by reference to Exhibit 10.20 of Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998).
10.5	Federal Coal Lease Readjustment dated as of November 1, 1967 between the United States Department of the Interior and the Thunder Basin Coal Company (incorporated herein by reference to Exhibit 10.21 of Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998).
10.6	Federal Coal Lease effective as of May 1, 1995 between the United States Department of the Interior and Mountain Coal Company (incorporated herein by reference to Exhibit 10.22 of Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998).
10.7	Federal Coal Lease dated as of January 1, 1999 between the Department of the Interior and Ark Land Company (incorporated herein by reference to Exhibit 10.23 of Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1998).
10.8	Federal Coal Lease dated as of October 1, 1999 between the United States Department of the Interior and Canyon Fuel Company, LLC (incorporated herein by reference to Exhibit 10 of Arch Coal, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).
10.9	Federal Coal Lease effective as of March 1, 2005 by and between the United States of America and Ark Land LT, Inc. covering the tract of land known as "Little Thunder" in Campbell County, Wyoming (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed by Arch Coal, Inc. on February 10, 2005).
10.10	Modified Coal Lease (WYW71692) executed January 1, 2003 by and between the United States of America, through the Bureau of Land Management, as lessor, and Triton Coal Company, LLC, as lessee, covering a tract of land known as "North Rochelle" in Campbell County, Wyoming (incorporated by reference to Exhibit 10.24 to Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004).
10.11	Coal Lease (WYW71692) executed January 1, 1998 by and between the United States of America, through the Bureau of Land Management, as lessor, and Triton Coal Company, LLC, as lessee, covering a tract of land known as "North Roundup" in Campbell County, Wyoming (incorporated by reference to Exhibit 10.24 to Arch Coal, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004).
10.12	Master Lease and Sublease Agreement, dated effective as of April 1, 2005, by and between Ark Land Company, Ark Land LT, Inc., Thunder Basin Coal Company, L.L.C. and Triton Coal Company, LLC. (incorporated by reference to Exhibit 10.12 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
10.13	Amendment No. 1 to Master Lease and Sublease Agreement, dated effective as of December 30, 2005, by and between Ark Land Company, Ark Land LT, Inc., Thunder Basin Coal Company, L.L.C. and Triton Coal Company, LLC. (incorporated by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
21.1	Subsidiaries of the registrant (incorporated by reference to Exhibit 10.14 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Paul A. Lang.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Robert J. Messey.
32.1	Section 1350 Certification of Paul A. Lang.

Exhibit	Description
32.2	Section 1350 Certification of Robert J. Messey.

* Denotes management contract or compensatory plan arrangements.

Signatures

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Arch Western Resources, LLC

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

August , 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Capacity	Date
/s/ Paul A. Lang Paul A. Lang	President (Principal Executive Officer)	August , 2006
/s/ Robert J. Messey Robert J. Messey	Vice President (Principal Financial and Accounting Officer)	August , 2006
Arch Western Acquisition Corporation	Sole Managing Member	August , 2006

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

Financial Statements and Supplementary Data

The consolidated financial statements of Arch Western Resources, LLC and subsidiaries and related notes thereto and report of independent registered public accounting firm follow.

Index to Financial Statements of Arch Western Resources, LLC and Subsidiaries

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Members
Arch Western Resources, LLC

We have audited the accompanying consolidated balance sheets of Arch Western Resources, LLC (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, non-redeemable membership interest and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arch Western Resources, LLC at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1, the consolidated statements of cash flows for each of the three years in the period ended December 31, 2005 have been restated.

/s/ Ernst & Young LLP

St. Louis, Missouri
March 1, 2006, except for the consolidated statements of cash flows, Note 1, Note 18 and Note 20, for which the date is July 31, 2006

ARCH WESTERN RESOURCES, LLC

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2005	2004	2003
	(In thousands of dollars)		
Revenues			
Coal sales	$ 1,126,742	$ 735,162	$ 500,555
Costs and Expenses			
Cost of coal sales	865,760	577,660	392,840
Depreciation, depletion and amortization	98,347	80,703	63,053
Selling, general and administrative expenses	23,958	17,168	15,686
	988,065	675,531	471,579
Other Operating Income			
Income from equity investment	—	8,410	19,707
Gain on sale of Powder River Basin assets	43,297	—	—
Other operating income	4,087	15,234	14,027
	47,384	23,644	33,734
Income from operations	186,061	83,275	62,710
Interest expense, net:			
Interest expense	(65,543)	(55,582)	(44,681)
Interest income, primarily from Arch Coal, Inc.	45,233	20,570	14,638
	(20,310)	(35,012)	(30,043)
Other non-operating expense:			
Expenses resulting from early debt extinguishment and termination of hedge accounting for interest rate swaps	(12,688)	(14,295)	(11,671)
Income before cumulative effect of accounting change and minority interest	153,063	33,968	20,996
Minority interest	(24,219)	(1,022)	—
Cumulative effect of accounting change	—	—	(18,278)
Net income	$ 128,844	$ 32,946	$ 2,718
Net income attributable to redeemable membership interest	$ 644	$ 165	$ 14
Net income attributable to non-redeemable membership interest	$ 128,200	$ 32,781	$ 2,704

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

ARCH WESTERN RESOURCES, LLC

CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2004
	(In thousands of dollars)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 152	$ 1,351
Trade accounts receivable	111,948	83,230
Other receivables	5,469	5,691
Inventories	98,478	78,372
Prepaid royalties	—	7,792
Other	17,318	11,529
Total current assets	233,365	187,965
Property, plant and equipment		
Coal lands and mineral rights	762,699	763,509
Plant and equipment	772,027	744,589
Deferred mine development	280,996	263,319
	1,815,722	1,771,417
Less accumulated depreciation, depletion and amortization	(747,563)	(669,743)
Property, plant and equipment, net	1,068,159	1,101,674
Other assets		
Receivable from Arch Coal, Inc.	869,056	677,934
Other	44,796	45,863
Total other assets	913,852	723,797
Total assets	$ 2,215,376	$ 2,013,436
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 89,632	$ 56,612
Accrued expenses	111,821	129,435
Total current liabilities	201,453	186,047
Long-term debt	960,247	961,613
Accrued postretirement benefits other than pension	27,016	24,643
Asset retirement obligations	136,092	128,184
Accrued workers' compensation	11,446	12,749
Other noncurrent liabilities	62,060	42,770
Total liabilities	1,398,314	1,356,006
Minority interest	133,620	109,401
Redeemable membership interest	5,647	4,971
Non-redeemable membership interest	677,795	543,058
Total liabilities and membership interests	$ 2,215,376	$ 2,013,436

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

ARCH WESTERN RESOURCES, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

	RESTATED		
	Year Ended December 31,		
	2005	2004	2003
	(In thousands of dollars)		
Operating Activities			
Net income	$ 128,844	$ 32,946	$ 2,718
Adjustments to reconcile to cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	98,347	80,703	63,053
Prepaid royalties expensed	12,722	10,051	10,000
Accretion on asset retirement obligations	11,418	9,311	9,428
Gain on sale of Powder River Basin assets	(43,297)	—	—
Net loss (gain) on disposition of property, plant and equipment	(1,228)	(5,826)	240
Income from equity investment	—	(8,410)	(19,707)
Net distributions from equity investment	—	16,049	33,979
Minority interest	24,220	1,022	—
Cumulative effect of accounting change	—	—	18,278
Other non-operating expense	12,688	14,295	11,671
Changes in operating assets and liabilities (see Note 18)	(18,099)	(37,501)	782
Other	183	2,662	(1,397)
Cash provided by operating activities	225,798	115,302	129,045
Investing Activities			
Capital expenditures	(108,600)	(78,313)	(27,322)
Increase in receivable from Arch Coal, Inc.	(187,280)	(318,766)	(62,688)
Additions to prepaid royalties	(12,807)	(14,643)	(12,703)
Proceeds from disposition of property, plant and equipment	81,755	6,059	7
Cash used in investing activities	(226,932)	(405,663)	(102,706)
Financing Activities			
Proceeds from issuance of senior notes	—	261,875	700,000
Payments on term loans	—	—	(675,000)
Debt financing costs	(65)	(5,334)	(16,417)
Cash provided by (used in) financing activities	(65)	256,541	8,583
Increase (decrease) in cash and cash equivalents	(1,199)	(33,820)	34,922
Cash and cash equivalents, beginning of year	1,351	35,171	249
Cash and cash equivalents, end of year	$ 152	$ 1,351	$ 35,171
Supplemental cash flow information:			
Cash paid during the year for interest	$ 65,423	$ 46,636	$ 24,794

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

ARCH WESTERN RESOURCES, LLC

CONSOLIDATED STATEMENTS OF NON-REDEEMABLE MEMBERSHIP INTEREST
Three years ended December 31, 2005
(in thousands of dollars)

	Non-redeemable Common Membership Interest
Balance at January 1, 2003	$ 469,241
Comprehensive income	
Net income	2,704
Other comprehensive income, net of amounts reclassified to income (See Note 7)	40
Total comprehensive income	2,744
Dividends on preferred membership interest	(95)
Balance at December 31, 2003	471,890
Comprehensive income	
Net income	32,781
Contribution of North Rochelle (see Note 4)	26,450
Other comprehensive income, net of amounts reclassified to income (See Note 7)	12,032
Total comprehensive income	71,263
Dividends on preferred membership interest	(95)
Balance at December 31, 2004	543,058
Comprehensive income	
Net income	128,200
Other comprehensive income, net of amounts reclassified to income (See Note 7)	6,509
Total comprehensive income	134,709
Contribution by BP p.l.c.	120
Unearned compensation	3
Dividends on preferred membership interest	(95)
Balance at December 31, 2005	$ 677,795

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

ARCH WESTERN RESOURCES, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars)

1. Formation of the Company

On June 1, 1998, Arch Coal, Inc. ("Arch Coal") acquired the Colorado and Utah coal operations of Atlantic Richfield Company ("ARCO") and simultaneously combined the acquired ARCO operations and Arch Coal's Wyoming operation with ARCO's Wyoming operations in a new joint venture named Arch Western Resources, LLC (the "Company"). ARCO was acquired by BP p.l.c. (formerly BP Amoco) in 2000. Arch Coal has a 99.5% common membership interest in the Company, while BP p.l.c. has a 0.5% common membership interest and a 0.5% preferred membership interest in the Company. Net profits and losses are allocated only to the common membership interests on the basis of 99.5% to Arch Coal and 0.5% to BP p.l.c. In accordance with the membership agreement of the Company, no profit or loss is allocated to the preferred membership interest of BP p.l.c. Except for a Preferred Return, distributions to members are allocated on the basis of 99.5% to Arch Coal and 0.5% to BP p.l.c. The Preferred Return entitles BP p.l.c. to receive an annual distribution from the common membership interests equal to 4% of the preferred capital account balance at the end of the year. The Preferred Return is payable at the Company's discretion.

Under the terms of the agreement, BP p.l.c. has a put right which allows BP p.l.c. to cause Arch Coal to purchase its members' interest. (See additional discussion in Note 3, "Redeemable Equity Interests"). In addition, Arch Coal has a call right which allows Arch Coal to purchase BP p.l.c.'s members' interest as long as it pays damages as set forth in the agreement between the members. It is the members' intention at this point to continue the joint venture.

In connection with the formation of the Company, Arch Coal agreed to indemnify BP p.l.c. against certain tax liabilities in the event that such liabilities arise as a result of certain actions taken by Arch Coal or the Company prior to June 1, 2013. The provisions of the indemnification agreement may restrict the Company's ability to sell or dispose of certain properties, repurchase certain of its equity interests, or reduce its indebtedness.

As of and for the period ending July 31, 2004, the membership interests in the Utah coal operations, Canyon Fuel Company, LLC ("Canyon Fuel"), were owned 65% by the Company and 35% by a subsidiary of ITOCHU Corporation. Through July 31, 2004, the Company's 65% ownership of Canyon Fuel was accounted for on the equity method in the Consolidated Financial Statements as a result of certain super-majority voting rights in the joint venture agreement. On July 31, 2004, Arch Coal acquired the remaining 35% of Canyon Fuel. Income from Canyon Fuel through July 31, 2004 is reflected in the Consolidated Statements of Income as income from equity investments. See additional discussion in Note 6, "Investment in Canyon Fuel").

Restatement

Subsequent to the issuance of the Company's December 31, 2005 financial statements, the Company's management determined that certain cash outflows in the Consolidated Statements of Cash Flows should be restated for a reclassification between operating and investing activities for all periods presented to comply with the guidance under Statement of Financial Accounting Standards ("SFAS") No. 95, "Statement of Cash Flows." The change in presentation has no effect on previously reported net income, net income attributable to membership interests, membership interests or net change in cash. The change also has no effect on the consolidated financial statements of its parent company.

The Company's cash transactions are managed by its parent. Cash paid to or from the Company that is not considered a distribution or a contribution is recorded in a receivable account. In addition, any amounts owed between the Company and its parent are recorded in the account. The Company previously reported changes in the account as operating cash outflows, and management has concluded it is more appropriate to classify these amounts as investing cash flows.

A summary of the significant effects of the restatement on the Consolidated Statement of Cash Flows for the years ended December 31, 2005, 2004 and 2003 follows:

	Year Ended December 31,		
	2005	2004	2003
Cash provided by (used in) operating activities as previously reported	$ 38,518	$ (203,464)	$ 66,357
Receivable from Arch Coal, Inc.	187,280	318,766	62,688
Cash provided by operating activities as restated	$ 225,798	$ 115,302	$ 129,045
Cash used in investing activities as previously reported	$ (39,652)	$ (86,897)	$ (40,018)
Receivable from Arch Coal, Inc.	(187,280)	(318,766)	(62,688)
Cash used in investing activities as restated	$ (226,932)	$ (405,663)	$ (102,706)

2. Accounting Policies

Principles of Consolidation

The consolidated financials include the accounts of the Company and its consolidated subsidiaries. Intercompany transactions and accounts have been eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Inventories

Inventories consist of the following:

	December 31, 2005	December 31, 2004
Coal	$ 49,144	$ 46,538
Supplies, net of allowance	49,334	31,834
	$ 98,478	$ 78,372

Coal and supplies inventories are valued at the lower of average cost or market. Coal inventory costs include labor, supplies, equipment costs and operating overhead. The valuation allowance for slow-moving and obsolete supplies inventories was $12.4 million at December 31, 2005 and 2004.

Prepaid Royalties

Rights to leased coal lands are often acquired through royalty payments. Where royalty payments represent prepayments recoupable against production, they are recorded as a prepaid asset, and amounts expected to be recouped within one year are classified as a current asset. As mining occurs on these leases, the prepayment is charged to cost of coal sales.

Coal Supply Agreements

Acquisition costs allocated to coal supply agreements (sales contracts) are capitalized and amortized on the basis of coal to be shipped over the term of the contract. Value is allocated to coal supply agreements based on discounted cash flows attributable to the difference between the above or below-market contract price and the then-prevailing market price. The net book value of the Company’s above-market coal supply agreements was $2.1 million and $11.1 million at December 31, 2005 and 2004, respectively. These amounts are recorded in other assets in the accompanying Consolidated Balance Sheets. The net book value of all below-market coal supply agreements was $16.5 million and $29.2 million at December 31, 2005 and 2004, respectively. This amount is recorded in other noncurrent liabilities in the accompanying Consolidated Balance Sheets. Amortization expense on all above-market coal supply agreements was $5.5 million, $1.8 million and $0.4 million in 2005, 2004 and 2003, respectively. Amortization income on all below-market coal supply agreements was $16.0 million and $4.1 million in 2005 and 2004, respectively. Based on expected shipments related to these contracts, the Company expects to record annual amortization expense on the above-market coal supply agreements and annual amortization income on the below-market coal supply agreements in each of the next four years as reflected in the table below.

	Above-market contracts	Below-market contracts
2006	$1,391	$12,810
2007	744	2,754
2008	—	595
2009	—	310

Exploration Costs

Costs related to locating coal deposits and evaluating the economic viability of such deposits are expensed as incurred.

Property, Plant and Equipment

Plant and Equipment

Plant and equipment are recorded at cost. Interest costs applicable to major asset additions are capitalized during the construction period. Expenditures which extend the useful lives of existing plant and equipment or increase the productivity of the asset are capitalized. The cost of maintenance and repairs that do not extend the useful life or increase the productivity of the asset are expensed as incurred. Plant and equipment are depreciated principally on the straight-line method over the estimated useful lives of the assets, which generally range from three to 30 years except for preparation plants and loadouts. Preparation plants and loadouts are depreciated using the units-of-production method over the estimated recoverable reserves, subject to a minimum level of depreciation.

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed for recoverability. If this review indicates that the carrying amount of the asset will not be recoverable through projected undiscounted cash flows related to the asset over its remaining life, then an impairment loss is recognized by reducing the carrying value of the asset to its fair value.

Deferred Mine Development

Costs of developing new mines or significantly expanding the capacity of existing mines are capitalized and amortized using the units-of-production method over the estimated recoverable reserves that are associated with the property being benefited. Additionally, the asset retirement obligation asset has been recorded as a component of deferred mine development.

Coal Lands and Mineral Rights

A significant portion of the Company's coal reserves are controlled through leasing arrangements. Amounts paid to acquire such reserves are capitalized and depleted over the life of those reserves that are proven and probable. Depletion of coal lease rights is computed using the units-of- production method and the rights are assumed to have no residual value. The leases are generally long-term in nature (original terms range from 10 to 50 years), and substantially all of the leases contain provisions that allow for automatic extension of the lease term as long as mining continues. The net book value of the Company's leased coal interests was $486.2 million and $522.7 million at December 31, 2005 and 2004, respectively.

Revenue Recognition

Coal sales revenues include sales to customers of coal produced at Company operations and coal purchased from other companies. The Company recognizes revenue from coal sales at the time risk of loss passes to the customer at our mine locations at contracted amounts. Transportation costs are included in cost of sales and amounts billed by the Company to its customers for transportation are included in coal sales.

Other Operating Income

Other operating income reflects income from sources other than coal sales, including administration and production fees from Canyon Fuel (these fees ceased as of the July 31, 2004 acquisition by Arch Coal of the remaining 35% interest in Canyon Fuel), and gains and losses from dispositions of long-term assets. These amounts are recognized as services are performed or otherwise earned.

Asset Retirement Obligations

The Company's legal obligations associated with the retirement of long-lived assets are recognized at fair value at the time the obligations are incurred. Obligations are incurred at the time development of a mine commences for underground and surface mines or construction begins for support facilities, refuse areas and slurry ponds. The liability is determined using discounted cash flow techniques and is accreted to its present value at the end of each period. Accretion on the asset retirement obligation begins at the time the liability is incurred. Upon initial recognition of a liability, a corresponding amount is capitalized as part of the carrying amount of the related long-lived asset. Amortization of the related asset is recorded on a units-of-production basis over the mine's estimated recoverable reserves. See additional discussion in Note 13, "Asset Retirement Obligations."

Derivative Financial Instruments

Derivative financial instruments are accounted for in accordance with Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended ("Statement No. 133"). Statement No. 133 requires all derivative financial instruments to be reported on the balance sheet at fair value. Changes in fair value are recognized either in earnings or equity, depending on the nature of the underlying exposure being hedged and how effective the derivatives are at offsetting price movements in the underlying exposure.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives for undertaking various hedge transactions. The Company evaluates the effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis. Any ineffectiveness is recorded in the Consolidated Statements of Income.

The Company has utilized interest-rate swap agreements to modify the interest characteristics of outstanding Company debt. The swap agreements essentially convert variable-rate debt to fixed-rate debt. These agreements required the exchange of amounts based on variable interest rates for amounts based on fixed interest rates over the life of the agreement. The Company accrues amounts to be paid or received under interest-rate swap agreements over the lives of the agreements.

The Company had designated certain interest rate swaps as hedges of the variable rate interest payments due under the Company's term loans. Historical unrealized losses related to these swaps through June 25, 2003 were deferred as a component of Accumulated Other Comprehensive Loss. Subsequent to the repayment of the term loans on June 25, 2003, these deferred amounts are amortized as additional expense over the contractual terms of the swap agreements. For the years ended December 31, 2005, 2004 and 2003, the Company recognized \$12.7 million, \$13.6 million and \$7.0 million of expense, respectively, related to the amortization of the balance in other comprehensive income.

Income Taxes

The financial statements do not include a provision for income taxes as the Company is treated as a partnership for income tax purposes and does not incur federal or state income taxes. Instead, its earnings and losses are included in the Members' separate income tax returns.

Recent Accounting Pronouncements

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("Statement No. 151"). This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Provisions of this statement are effective for fiscal years beginning after June 15, 2005. The adoption of this statement will not have a material impact on its financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment ("Statement No. 123R"), which requires all public companies to measure compensation cost in the income statement for all share-based payments (including employee stock options) at fair value for interim and annual periods. On April 14, 2005, the Securities and Exchange Commission ("SEC") delayed the implementation of Statement No. 123R from its original implementation date by six months for most registrants, requiring all public companies to adopt Statement No. 123R no later than the beginning of the first fiscal year beginning after June 15, 2005. Certain of the Company's employees are granted share-based awards under the Arch Coal plans. The Company will adopt Statement No. 123R on January 1, 2006 using the modified-prospective method. Under this method, companies are required to recognize compensation cost for share-based payments to employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. Measurement and recognition of compensation cost for awards that were granted prior to, but not vested as of, the date Statement No. 123(R) is adopted would be based on the same estimate of the grant-date fair value and the same recognition method used previously under Statement No. 123. Statement No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The effect of Statement No. 123R will not be significant.

On March 30, 2005, the Financial Accounting Standards Board ratified the consensus reached by the Emerging Issues Task Force ("EITF") on issue No. 04-6, *Accounting for Stripping Costs in the Mining Industry*. This issue applies to stripping costs incurred in the production phase of a mine for the removal of overburden or waste materials for the purpose of obtaining access to coal that will be extracted. Under the EITF, stripping costs incurred during the production phase of the mine are variable production costs that are included in the cost of inventory produced and extracted during the period the stripping costs are incurred. Historically, the Company has associated stripping costs at its surface mining operations with the cost of tons of coal uncovered and has classified tons uncovered but not yet extracted as coal inventory (pit inventory). Pit inventory, reported as coal inventory, was $37.6 million at December 31, 2005. The guidance in this EITF consensus is effective for fiscal years beginning after December 15, 2005 for which the cumulative effect of adoption should be recognized as an adjustment to the beginning balance of retained earnings during the period. The Company adopted the change on January 1, 2006.

Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform with the classifications in the current year's financial statements.

3. Redeemable Membership Interest

As discussed in Note 1, the terms of the Company's membership agreement grant a put right to BP p.l.c. which allows BP p.l.c. to cause Arch Coal to purchase its membership interest. The terms of the agreement state that the price of the membership interest shall be determined by mutual agreement between the members. In the absence of an agreed-upon price, the price is equal to the sum of the Preferred Capital Amount (defined as $2,399,000) and the Net Equity of BP p.l.c.'s common membership interest, as defined in the agreement. The following table presents the components of and changes in BP p.l.c.'s membership interest:

	Common Membership Interest	Preferred Membership Interest	Total Redeemable Membership Interest
Balance at January 1, 2003	$ 2,334	$ 2,399	$ 4,733
Net income attributable to BP p.l.c. common membership interest	14	—	14
Dividends on preferred membership interest	(1)	—	(1)
Balance at December 31, 2003	$ 2,347	$ 2,399	$ 4,746
Net income attributable to BP p.l.c. common membership interest	165	—	165
Other comprehensive income attributable to BP p.l.c. common membership interest	61	—	61
Dividends on preferred membership interest	(1)	—	(1)
Balance at December 31, 2004	$ 2,572	$ 2,399	$ 4,971
Net income attributable to BP p.l.c. common membership interest	644	—	644
Other comprehensive income attributable to BP p.l.c. common membership interest	33	—	33
Dividends on preferred membership interest	(1)	—	(1)
Balance at December 31, 2005	$ 3,248	$ 2,399	$ 5,647

4. Contribution of North Rochelle Mine

On August 20, 2004, Arch Coal acquired (1) Vulcan Coal Holdings, L.L.C., which owns all of the common equity of Triton Coal Company, LLC ("Triton"), and (2) all of the preferred units of Triton for a total purchase price of $382.1 million. Upon acquisition, Arch Coal contributed the assets and liabilities of Triton's North Rochelle mine (excluding coal reserves) to the Company. Upon contribution the North Rochelle mine was integrated with the Company's Black Thunder mine in the Powder River Basin.

The effects of the contribution have been recorded in the accompanying consolidated financial statements as of and for the periods subsequent to August 20, 2004. The contributed assets and liabilities have been recorded at their fair value. The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of contribution:

Cash	$ 407
Accounts receivable	14,233
Materials and supplies	4,161
Coal inventory	4,874
Other current assets	3,792
Property, plant, equipment and mine development	81,059
Coal supply agreements	8,486
Accounts payable and accrued expenses	(72,326)
Other noncurrent assets and liabilities, net	(18,236)
Total contribution	$ 26,450

Amounts allocated to coal supply agreements noted in the table above represent the value attributed to the net above-market coal supply agreements to be amortized over the remaining terms of the contracts. See Note 2, “Accounting Policies” for amortization related to coal supply agreements.

Pro Forma Financial Information

The following unaudited pro forma financial information presents the combined results of operations of the Company, and the contributed North Rochelle mine, as well as the consolidation of Canyon Fuel (net of Arch Coal’s minority interest), on a pro forma basis, as though the contribution and consolidation had occurred as of the beginning of each period presented. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company and the North Rochelle mine constituted a single entity during those periods:

	Year Ended December 31,	
	2004	**2003**
Revenues:		
As reported	$735,162	$500,555
Pro forma	984,952	941,272
Income before accounting changes:		
As reported	32,946	20,996
Pro forma	33,981	34,446
Net income:		
As reported	32,946	2,718
Pro forma	33,981	13,722

5. Dispositions

On December 30, 2005, the Company sold to Peabody Energy a rail spur, rail loadout and an idle office complex located in the Powder River Basin for a purchase price of $79.6 million. In conjunction with the transactions, the Company will continue to lease the rail spur and loadout and office facilities through 2008 while the Company mines adjacent reserves. The Company recognized a gain of $43.3 million on the transaction, after the deferral of $7.0 million of the gain, equal to the present value of the lease payments. The deferred gain will be recognized over the term of the lease. See further discussion in Note 16, "Leases."

6. Investment in Canyon Fuel

On July 31, 2004, Arch Coal purchased the 35% interest in Canyon Fuel that was not owned by the Company from ITOCHU Corporation. As a result of the acquisition, the Company no longer accounts for its investment in Canyon Fuel on the equity method but consolidates Canyon Fuel in its financial statements. The results of operations of the Canyon Fuel mines are included in the Company’s Western Bituminous segment.

The following table presents unaudited summarized financial information for Canyon Fuel, for periods in which it was accounted for on the equity method:

Condensed Income Statement Information

	Period Ended July 31, 2004	Year Ended December 31, 2003
Revenues	$ 142,893	$ 242,060
Total costs and expenses	133,546	223,357
Net income before cumulative effect of accounting change	$ 9,347	$ 18,703
65% of Canyon Fuel net income	$ 6,075	$ 12,157
Effect of purchase adjustments	2,335	7,550
Arch Western's income from its equity investment in Canyon Fuel	$ 8,410	$ 19,707

Through July 31, 2004, the Company's income from its equity investment in Canyon Fuel represented 65% of Canyon Fuel's net income after adjusting for the effect of purchase adjustments related to 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. The purchase adjustments were amortized consistent with the underlying assets of the joint venture.

Effective January 1, 2003, Canyon Fuel adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("Statement No. 143"), and recorded a cumulative effect loss of $2.4 million. The Company's 65% share of this amount was offset by purchase adjustments of $0.5 million. These amounts are included in the cumulative effect of accounting change reported in the Company's Consolidated Statements of Income.

7. Other Comprehensive Income

Accumulated other comprehensive loss includes the following:

	Financial Derivatives	Minimum Pension Liability Adjustments	Accumulated Other Comprehensive Loss
Balance January 1, 2003	$ (34,729)	$ (9,550)	$ (44,279)
2003 activity	(2,594)	2,634	40
Balance December 31, 2003	(37,323)	(6,916)	(44,239)
2004 activity	13,561	(1,468)	12,093
Balance December 31, 2004	(23,762)	(8,384)	(32,146)
2005 activity	12,689	(6,147)	6,542
Balance December 31, 2005	$ (11,073)	$ (14,531)	$ (25,604)

8. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2005	December 31, 2004
Payroll and related benefits	$ 11,163	$ 11,739
Taxes other than income taxes	51,889	62,942
Interest	32,063	33,360
Postretirement benefits other than pension	2,562	2,300
Workers' compensation	1,314	1,397
Asset retirement obligations	8,352	12,436
Other accrued expenses	4,478	5,261
	$ 111,821	$ 129,435

9. Debt and Financing Arrangements

On October 22, 2004, the Company issued $250.0 million of 6.75% Senior Notes due 2013 at a price of 104.75% of par. Interest on the notes is payable on January 1 and July 1 of each year, beginning on January 1, 2005. The debt offering was issued under an indenture dated June 25, 2003, under which the Company previously issued $700.0 million of 6.75% Senior Notes due 2013. The senior notes are guaranteed by the Company and certain of the Company's subsidiaries and are secured by a security interest in the Company's receivable from Arch Coal. The terms of the senior notes contain restrictive covenants that limit the Company's ability to, among other things, incur additional debt, sell or transfer assets, and make investments. The net proceeds were used to repay $100.0 million in borrowings under the Company's term loan facility maturing in 2007, with the remainder loaned to Arch Coal.

10. Fair Values of Financial Instruments

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

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

Debt: At December 31, 2005 and 2004, the fair value of the Company's senior notes was $979.5 million and $951.0 million, respectively.

11. Accrued Workers' Compensation

The Company is liable under the federal Mine Safety and Health Act of 1969, as subsequently amended, to provide for pneumoconiosis (black lung) benefits to eligible employees, former employees, and dependents. The Company is also liable under various states' statutes for black lung benefits. The Company currently provides for federal and state claims principally through a self-insurance program. Charges are being made to operations as determined by independent actuaries, at the present value of the actuarially computed present and future liabilities for such benefits over the employees' applicable years of service.

In addition, the Company is liable for workers' compensation benefits for traumatic injuries that are accrued as injuries are incurred. Traumatic claims are either covered through self-insured programs or through state sponsored workers' compensation programs.

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

	December 31,	
	2005	2004
Black lung costs	$ 9,313	$ 9,132
Traumatic Claims	3,447	5,014
Total obligations	$ 12,760	$ 14,146
Current obligations	$ 1,314	$ 1,397
Noncurrent obligations	$ 11,446	$ 12,749

Expense recognized in the consolidated statement of income for workers' compensation benefits was $.4 million and $1.5 million for the years ended December 31, 2005 and 2004, respectively.

12. Employee Benefit Plans

Defined Benefit Pension and Other Postretirement Benefit Plans

Essentially all of the Company's employees are covered by a defined benefit pension plan sponsored by Arch Coal. The benefits are based on the employee's age and compensation. Arch Coal funds the plans in an amount not less than the minimum statutory funding requirements or more than the maximum amount that can be deducted for federal income tax purposes. Arch Coal allocates a portion of the funding to the Company, which is charged to the intercompany balance. See Note 15, "Related Party Transactions" for further discussion.

The Company also provides certain postretirement medical/life insurance benefits for eligible employees under Arch Coal's plans. Generally, covered employees who terminate employment after meeting eligibility requirements are eligible for postretirement coverage for themselves and their dependents. The employee postretirement medical/life plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. Arch Coal allocates a portion of the funding to the Company, which is charged to the intercompany balance as benefits are paid.

The Company's allocated expense related to these plans was $12.8 million, $6.9 million and $4.0 million for the years ended December 31, 2005, 2004 and 2003, respectively. The Company's balance sheet reflects its allocated portion of Arch Coal's liabilities and assets related to its benefit plans, including amounts recorded through other comprehensive income. The Company's recorded balance sheet amounts are as follows:

	December 31,	
	2005	2004
Intangible asset (noncurrent assets)	$ 2,139	$ 951
Accrued benefit liabilities (current)	2,562	1,054
Accrued benefit liabilities (noncurrent)	(10,990)	(8,816)
Accumulated other comprehensive income	14,531	8,385

Other Plans

The Company sponsors savings plans which were established to assist eligible employees in providing for their future retirement needs. The Company's contributions to the plans were $5.7 million in 2005, $3.7 million in 2004 and $3.0 million in 2003.

13. Asset Retirement Obligations

The Company's asset retirement obligations arise from the federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. The required reclamation activities to be performed are outlined in the Company's mining permits. These activities include reclaiming the pit and support acreage at surface mines, sealing portals at deep mines, and reclaiming refuse areas and slurry ponds.

The Company reviews its asset retirement obligations at least annually and makes necessary adjustments for permit changes as granted by state authorities and for revisions of estimates of costs and productivities. For ongoing operations, adjustments to the liability result in an adjustment to the corresponding asset. For idle operations, adjustments to the liability are recognized as income or expense in the period the adjustment is recorded.

Effective January 1, 2003, the Company began accounting for its reclamation obligations in accordance with Statement No. 143. The cumulative effect of this change on periods prior to January 1, 2003 resulted in a charge to income of $18.3 million, which is included in the Company's results of operations for the year ended December 31, 2003.

The following table describes the changes to the Company's asset retirement obligation for the year ended December 31, 2005 and 2004:

	2005	2004
Balance January 1 (including current portion)	$ 140,620	$ 106,285
Accretion expense	11,418	9,311
Additions resulting from property additions	—	37,784
Adjustments to the liability from changes in estimates	(2,318)	(4,620)
Liabilities settled	(5,276)	(8,140)
Balance at December 31	144,444	140,620
Current portion included in accrued expenses	(8,352)	(12,436)
Long-term liability	$ 136,092	$ 128,184

14. Risk Concentrations

Credit Risk and Major Customers

The Company places its cash equivalents in investment-grade short-term investments and limits the amount of credit exposure to any one commercial issuer.

The Company markets its coal principally to electric utilities in the United States. As of December 31, 2005 and 2004, accounts receivable from electric utilities located in the United States totaled $102.3 million and $66.7 million, respectively. Generally, credit is extended based on an evaluation of the customer's financial condition, and collateral is not generally required. Credit losses are provided for in the financial statements and historically have been minimal.

The Company is committed under long-term contracts to supply coal that meets certain quality requirements at specified prices. These prices are generally adjusted based on indices. Quantities sold under some of these contracts may vary from year to year within certain limits at the option of the customer. Sales (including spot sales) to major customers were as follows:

	2005	2004	2003
Tennessee Valley Authority	$149,994	$83,950	$58,377
Southern Company	$ 62,268	$75,778	$69,628

Transportation

The Company depends upon barge, rail, truck and belt transportation systems to deliver coal to its customers. Disruption of these transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks, and other events could temporarily impair the Company's ability to supply coal to its customers, resulting in decreased shipments. Disruptions in rail service in 2004 and 2005 resulted in missed shipments and production interruptions. The Company has no long-term contracts with transportation providers to ensure consistent and reliable service.

15. Related Party Transactions

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

The Company's cash transactions are managed by Arch Coal. Cash paid to or from the Company that is not considered a distribution or a contribution is recorded in an Arch Coal receivable account. In addition, any amounts owed between the Company and Arch Coal are recorded in the account. At December 31, 2005 and 2004, the receivable from Arch Coal was $869.1 million and $677.9 million, respectively. This amount earns interest from Arch Coal at the prime interest rate. Interest earned for the years ended December 31, 2005, 2004 and 2003 was $44.8 million, $20.5 million and $14.6 million, respectively. The receivable is payable on demand by the Company; however, it is currently management's intention to not demand payment of the receivable within the next year. Therefore, the receivable is classified on the Consolidated Balance Sheets as long-term.

The Company mines on tracts that are owned by Arch Coal and subleased to the Company. Certain subleases required annual advance royalty payments of $10.0 million in each of the years ended December 31, 2005, 2004 and 2003 which were fully recoupable against production through production royalties.

All sublease agreements between the Company and Arch Coal were amended as of April 1, 2005 such that royalties on all properties leased from Arch Coal are 7% of the value of the coal mined and removed from the leased land, pursuant to Federal coal regulations. No advance royalties are required under the new agreement.

For the years ended December 31, 2005, 2004 and 2003, the Company incurred production royalties of $23.2 million, $11.5 million and $9.2 million, respectively, to Arch Coal under sublease agreements.

Amounts charged to the intercompany account for the Company's allocated portion of pension and postretirement contributions totaled $12.9 million, $11.3 million and $9.2 million for the years ended December 31, 2005, 2004 and 2003, respectively.

The Company is charged selling, general and administrative services fees by Arch Coal. Expenses are allocated based on Arch Coal's best estimates of proportional or incremental costs, whichever is more representative of costs incurred by Arch Coal on behalf of the Company. Amounts allocated to the Company by Arch Coal were $24.0 million, $17.2 million and $15.7 million for the years ended December 31, 2005, 2004 and 2003, respectively. Such amounts are reported as selling, general and administrative expenses in the accompanying Consolidated Statements of Income.

The Company received administration and production fees from Canyon Fuel for managing the Canyon Fuel operations through July 31, 2004. The fee arrangement was calculated annually and was approved by the Canyon Fuel Management Board. The production fee was calculated on a per-ton basis while the administration fee represented the costs incurred by the Company's employees related to Canyon Fuel administrative matters. The fees recognized as other income by the Company and as expense by Canyon Fuel were $4.8 million and $8.5 million for the years ended December 31, 2004 and 2003, respectively.

Through 2003 the Company leased certain assets at its Thunder Basin operation from Little Thunder Leasing Company, a subsidiary of BP p.l.c. Lease expense for Little Thunder Leasing Company for the year ended December 31, 2003 totaled $3.3 million.

16. Leases

The Company leases equipment, land and various other properties under noncancelable long-term leases, expiring at various dates. Certain leases contain options that would allow the Company to renew the lease or purchase the leased asset at the end of the base lease term. Rental expense related to these operating leases amounted to $17.2 million in 2005, $9.0 million in 2004 and $5.8 million in 2003. The Company has also entered into various non-cancelable royalty lease agreements under which future minimum payments are due.

Minimum payments due in future years under these agreements in effect at December 31, 2005 are as follows:

	Operating Leases	Royalties
2006	$ 18,667	$ 4,120
2007	17,767	1,786
2008	16,372	1,788
2009	12,074	1,611
2010	8,929	1,451
Thereafter	28,948	7,632
	$ 102,757	$ 18,388

On December 31, 2005, the Company sold its rail spur, rail loadout and idle office complex at its Thunder Basin mining complex in Wyoming, which it will lease back while the Company mines adjacent reserves. The Company will pay $0.2 million per month through September, 2008, with an option to extend on a month to month basis through September, 2010. The Company deferred $7.0 million of the gain on the sale, equal to the present value of the minimum lease payments, to be amortized over the term of the lease.

17. Contingencies

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

18. Cash Flow

The changes in operating assets and liabilities as shown in the consolidated statements of cash flows are comprised of the following:

	2005	RESTATED 2004	2003
Decrease (increase) in operating assets:			
Trade and other receivables	$ (28,496)	$ (881)	$ 9,150
Inventories	(20,577)	(4,978)	(103)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses	35,054	(23,531)	11,426
Accrued postretirement benefits other than pension	2,344	249	(573)
Accrued reclamation and mine closure	(5,275)	(8,319)	(18,922)
Accrued workers' compensation	(1,149)	(41)	(196)
Changes in operating assets and liabilities	$ (18,099)	$ (37,501)	$ 782

19. Segment Information

The Company produces steam and metallurgical coal from surface and deep mines for sale to utility, industrial and export markets. The Company operates only in the United States, with mines in the major western low-sulfur coal basins. The Company has two reportable segments, which are based on the coal basins in which the Company operates. Coal quality, coal seam height, transportation methods and regulatory issues are generally consistent within a basin. Accordingly, market and contract pricing have developed by coal basin. The Company manages its coal sales by coal basin, not by individual mine complex. Mine operations are evaluated based on their per-ton operating costs (which include all mining costs but exclude pass-through transportation expenses). The Company's reportable segments are Powder River Basin (PRB) and Western Bituminous (WBIT) segments. The Company's operations in the Powder River Basin are located in Wyoming and include one active surface mine and one idle surface mine. The Company's operations in the Western Bituminous region are located in southern Wyoming, Colorado and Utah and include four underground mines and two inactive surface mines in reclamation mode.

Operating segment results for the years ending December 31, 2005, 2004 and 2003 are presented below. Results for the operating segments include all direct costs of mining. Corporate, Other and Eliminations includes overhead, other support functions, and the elimination of intercompany transactions.

December 31, 2005 (Amounts in thousands, except per ton amounts)	PRB	WBIT	Corporate, Other and Eliminations	Consolidated
Coal sales	$ 724,509	$ 402,233	$ —	$1,126,742
Income from operations	149,434	59,747	(23,120)	186,061
Total assets	1,333,289	1,723,744	(841,657)	2,215,376
Depreciation, depletion and amortization	64,983	33,364	—	98,347
Capital expenditures	30,668	77,932	—	108,600
Operating cost per ton	6.97	16.40		

December 31, 2004 (Amounts in thousands, except per ton amounts)	PRB	WBIT	Corporate, Other and Eliminations	Consolidated
Coal sales	$ 536,673	$ 198,489	$ —	$ 735,162
Income from equity investments	—	8,410	—	8,410
Income from operations	75,453	18,145	(10,323)	83,275
Total assets	1,154,317	1,663,764	(804,645)	2,013,436
Depreciation, depletion and amortization	56,590	24,113	—	80,703
Capital expenditures	55,035	23,278	—	78,313
Operating cost per ton	6.14	15.71		

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December 31, 2003 (Amounts in thousands, except per ton amounts)	PRB	WBIT	Corporate, Other and Eliminations	Consolidated
Coal sales	$392,400	$ 108,155	$ —	$ 500,555
Income from equity investments	—	19,707	—	19,707
Income from operations	54,044	22,951	(14,285)	62,710
Total assets	975,796	1,087,508	(651,789)	1,411,515
Equity investments	—	146,180	—	146,180
Depreciation, depletion and amortization	44,202	18,851	—	63,053
Capital expenditures	18,351	8,971	—	27,322
Operating cost per ton	5.50	15.42		

Reconciliation of income from operations to consolidated income before cumulative effect of accounting change:

	2005	2004	2003
Income from operations	$ 186,061	$ 83,275	$ 62,710
Interest expense	(65,543)	(55,582)	(44,681)
Interest income	45,233	20,570	14,638
Other non-operating expense	(12,688)	(14,295)	(11,671)
Minority interest	(24,219)	(1,022)	—
Income before cumulative effect of accounting change	$ 128,844	$ 32,946	$ 20,996

20. Supplemental Condensed Consolidating Financial Information (RESTATED)

Pursuant to the indenture governing the Arch Western Finance senior notes, certain wholly-owned subsidiaries of the Company have fully and unconditionally guaranteed the senior notes on a joint and several basis. The following tables present unaudited condensed consolidating financial information for (i) the Company, (ii) the issuer of the senior notes (Arch Western Finance, LLC, a wholly-owned subsidiary of the Company), (iii) the Company's wholly-owned subsidiaries (Thunder Basin Coal Company, LLC, Mountain Coal Company, LLC, and Arch of Wyoming, LLC), on a combined basis, which are guarantors under the Notes, and (iv) the Company's majority-owned subsidiary (Canyon Fuel Company, LLC) which is not a guarantor under the Notes. Amounts for Canyon Fuel included in the following consolidating condensed financial statements are recorded by the Company under the equity method of accounting through July 31, 2004 and consolidated thereafter.

CONDENSED STATEMENTS OF INCOME
Year Ended December 31, 2005

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Coal sales revenues	$ —	$ —	$ 865,892	$ 260,850	$ —	$ 1,126,742
Cost of coal sales	1,410	—	670,340	194,539	(529)	865,760
Depreciation, depletion and amortization	—	—	81,133	17,214	—	98,347
Selling, general and administrative	23,958	—	—	—	—	23,958
	25,368	—	751,473	211,753	(529)	988,065
Income from equity investment	209,584	—	—	—	(209,584)	—
Gain on sale of Powder River Basin assets	—	—	43,297	—	—	43,297
Other operating income	823	—	2,531	1,262	(529)	4,087
	210,407	—	45,828	1,262	(210,113)	47,384
Income from operations	185,039	—	160,247	50,359	(209,584)	186,061
Interest expense	(64,063)	(63,340)	(2,207)	—	64,067	(65,543)
Interest income, primarily from Arch Coal, Inc.	44,775	64,067	409	49	(64,067)	45,233
	(19,288)	727	(1,798)	49	—	(20,310)
Other non-operating expense	(12,688)	—	—	—	—	(12,688)
Minority interest	(24,219)	—	—	—	—	(24,219)
Net income (loss)	$ 128,844	$ 727	$ 158,449	$ 50,408	$ (209,584)	$ 128,844

CONDENSED BALANCE SHEETS
December 31, 2005

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ —	$ —	$ 126	$ 26	$ —	$ 152
Trade accounts receivable	87,012	—	31	24,905	—	111,948
Other receivables	1,072	—	673	3,724	—	5,469
Inventories	—	—	78,993	19,485	—	98,478
Other current assets	6,947	2,146	3,212	5,013	—	17,318
Total current assets	95,031	2,146	83,035	53,153	—	233,365
Property, plant and equipment, net	—	—	778,945	289,214	—	1,068,159
Investment in subsidiaries	1,604,489	—	—	—	(1,604,489)	—
Receivable from Arch Coal, Inc.	869,056	—	—	—	—	869,056
Intercompanies	(1,702,182)	973,558	687,985	40,639	—	—
Other	1,865	13,916	25,210	3,805	—	44,796
Total other assets	773,228	987,474	713,195	44,444	(1,604,489)	913,852
Total assets	$ 868,259	$ 989,620	$ 1,575,175	$ 386,811	$ (1,604,489)	$ 2,215,376
Accounts payable	18,499	—	51,980	19,153	—	89,632
Accrued expenses	3,862	32,063	67,919	7,977	—	111,821
Total current liabilities	22,361	32,063	119,899	27,130	—	201,453
Long-term debt	—	960,247	—	—	—	960,247
Accrued postretirement benefits other than pension	15,826	—	2,486	8,704	—	27,016
Asset retirement obligations	—	—	126,255	9,837	—	136,092
Accrued workers' compensation.	5,947	—	1,325	4,174	—	11,446
Other noncurrent liabilities	7,063	—	35,748	19,249	—	62,060
Total liabilities	51,197	992,310	285,713	69,094	—	1,398,314
Minority interest	133,620	—	—	—	—	133,620
Redeemable membership interest	5,647	—	—	—	—	5,647
Non-redeemable membership interest	677,795	(2,690)	1,289,462	317,717	(1,604,489)	677,795
Total liabilities and membership interests	$ 868,259	$ 989,620	$ 1,575,175	$ 386,811	$ (1,604,489)	$ 2,215,376

CONDENSED STATEMENTS OF CASH FLOWS (RESTATED)
Year Ended December 31, 2005

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating Activities					
Cash provided by (used in) operating activities	$ (63,415)	$ 248	$ 220,994	$ 67,971	$ 225,798
Investing Activities					
Capital expenditures	—	—	(52,173)	(56,427)	(108,600)
Increase in Receivable from Arch Coal, Inc.	(187,280)	—	—	—	(187,280)
Proceeds from dispositions of capital assets	—	—	81,117	638	81,755
Additions to prepaid royalties	—	—	(12,461)	(346)	(12,807)
Cash provided by (used in) investing activities	(187,280)	—	16,483	(56,135)	(226,932)
Financing Activities					
Proceeds from issuance of senior notes	—	—	—	—	—
Debt financing costs	(65)	—	—	—	(65)
Transactions with affiliates, net	250,760	(248)	(238,536)	(11,976)	—
Payments on term loans	—	—	—	—	—
Cash provided by (used in) financing activities	250,695	(248)	(238,536)	(11,976)	(65)
Decrease in cash and cash equivalents	—	—	(1,059)	(140)	(1,199)
Cash and cash equivalents, beginning of period	—	—	1,185	166	1,351
Cash and cash equivalents, end of period	$ —	$ —	$ 126	$ 26	$ 152

CONDENSED STATEMENTS OF INCOME
Year Ended December 31, 2004

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Coal sales revenues	$ —	$ —	$ 646,473	$ 88,689	$ —	$ 735,162
Cost of coal sales	3,445	—	492,009	82,206	—	577,660
Depreciation, depletion and amortization	—	—	72,820	7,883	—	80,703
Selling, general and administrative	17,168	—	—	—	—	17,168
	20,613	—	564,829	90,089	—	675,531
Income from equity investment	89,325	—	—	8,410	(89,325)	8,410
Other operating income	12,734	—	1,913	587	—	15,234
	102,059	—	1,913	8,997	(89,325)	23,644
Income from operations	81,446	—	83,557	7,597	(89,325)	83,275
Interest expense	(53,753)	(54,165)	—	—	52,336	(55,582)
Interest income primarily from Arch Coal, Inc.	20,570	52,336	—	—	(52,336)	20,570
	(33,183)	(1,829)	—	—	—	(35,012)
Other non-operating expense	(14,295)	—	—	—	—	(14,295)
Minority interest	(1,022)	—	—	—	—	(1,022)
Net income (loss)	$ 32,946	$ (1,829)	$ 83,557	$ 7,597	$ (89,325)	$ 32,946

CONDENSED BALANCE SHEETS
December 31, 2004

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ —	$ —	$ 1,185	$ 166	$ —	$ 1,351
Trade accounts receivable	70,443	—	449	12,338	—	83,230
Other receivables	—	—	1,040	4,651	—	5,691
Inventories	—	—	58,815	19,557	—	78,372
Prepaid royalties	—	—	2,660	5,132	—	7,792
Other current assets	4,894	—	2,034	4,601	—	11,529
Total current assets	75,337	—	66,183	46,445	—	187,965
Property, plant and equipment, net	—	—	834,265	267,409	—	1,101,674
Investment in subsidiaries	1,393,809	—	—	—	(1,393,809)	—
Receivable from Arch Coal, Inc.	677,934	—	—	—	—	677,934
Intercompanies	(1,451,422)	973,310	449,449	28,663	—	—
Other	1,225	18,246	26,392	—	—	45,863
Total other assets	621,546	991,556	475,841	28,663	(1,393,809)	723,797
Total assets	$ 696,883	$ 991,556	$ 1,376,289	$ 342,517	$ (1,393,809)	$ 2,013,436
Accounts payable	8,854	—	35,942	11,816	—	56,612
Accrued expenses	4,482	33,360	84,660	6,933	—	129,435
Total current liabilities	13,336	33,360	120,602	18,749	—	186,047
Long-term debt	—	961,613	—	—	—	961,613
Accrued postretirement benefits other than pension	14,576	—	2,485	7,582	—	24,643
Asset retirement obligations	—	—	116,627	11,557	—	128,184
Accrued workers' compensation.	6,018	—	1,527	5,204	—	12,749
Other noncurrent liabilities	5,523	—	5,128	32,119	—	42,770
Total liabilities	39,453	994,973	246,369	75,211	—	1,356,006
Minority interest	109,401	—	—	—	—	109,401
Redeemable membership interest	4,971	—	—	—	—	4,971
Non-redeemable membership interest	543,058	(3,417)	1,129,920	267,306	(1,393,809)	543,058
Total liabilities and membership interests	$ 696,883	$ 991,556	$ 1,376,289	$ 342,517	$ (1,393,809)	$ 2,013,436

CONDENSED STATEMENTS OF CASH FLOWS (RESTATED)
Year Ended December 31, 2004

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating Activities					
Cash provided by (used in) operating activities	$ (74,268)	$ 3,397	$ 146,954	$ 39,219	$ 115,302
Investing Activities					
Capital expenditures	—	—	(68,034)	(10,279)	(78,313)
Increase in Receivable from Arch Coal, Inc.	(318,766)	—	—	—	(318,766)
Proceeds from dispositions of capital assets	5,750	—	125	184	6,059
Additions to prepaid royalties	—	—	(14,348)	(295)	(14,643)
Cash used in investing activities	(313,016)	—	(82,257)	(10,390)	(405,663)
Financing Activities					
Proceeds from issuance of senior notes	—	261,875	—	—	261,875
Debt financing costs	(5,334)	—	—	—	(5,334)
Transactions with affiliates, net	392,618	(265,272)	(98,683)	(28,663)	—
Payments on term loans	—	—	—	—	—
Cash provided by (used in) financing activities	387,284	(3,397)	(98,683)	(28,663)	256,541
Increase (decrease) in cash and cash equivalents	—	—	(33,986)	166	(33,820)
Cash and cash equivalents, beginning of period	—	—	35,171	—	35,171
Cash and cash equivalents, end of period	$ —	$ —	$ 1,185	$ 166	$ 1,351

CONDENSED STATEMENTS OF INCOME
Year Ended December 31, 2003

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Coal sales revenues	$ —	$ —	$ 500,555	$ —	$ —	$ 500,555
Cost of coal sales	6,658	—	386,182	—	—	392,840
Depreciation, depletion and amortization	—	—	63,053	—	—	63,053
Selling, general and administrative	15,686	—	—	—	—	15,686
	22,344	—	449,235	—	—	471,579
Income from equity investment	69,679	—	—	19,707	(69,679)	19,707
Other operating income	13,722	—	305	—	—	14,027
	83,401	—	305	19,707	(69,679)	33,734
Income from operations	61,057	—	51,625	19,707	(69,679)	62,710
Interest expense	(43,003)	(25,225)	(13)	—	23,560	(44,681)
Interest income primarily from Arch Coal, Inc.	14,613	23,560	25	—	(23,560)	14,638
	(28,390)	(1,665)	12	—	—	(30,043)
Other non-operating expense	(11,671)	—	—	—	—	(11,671)
Income before cumulative effect	20,996	(1,665)	51,637	19,707	(69,679)	20,996
Cumulative effect of accounting change	(18,278)	—	—	—	—	(18,278)
Net income (loss)	$ 2,718	$ (1,665)	$ 51,637	$ 19,707	$ (69,679)	$ 2,718

CONDENSED STATEMENTS OF CASH FLOWS (RESTATED)
Year Ended December 31, 2003

	Parent Company	Issuer	Guarantor Subsidiaries	Non—Guarantor Subsidiaries	Consolidated
Operating Activities					
Cash provided by (used in) operating activities	$ (16,049)	$ 8,038	$ 137,056	$ —	$ 129,045
Investing Activities					
Capital expenditures	—	—	(27,322)	—	(27,322)
Increase in Receivable from Arch Coal, Inc.	(62,688)	—	—	—	(62,688)
Proceeds from dispositions of capital assets	—	—	7	—	7
Additions to prepaid royalties	—	—	(12,703)	—	(12,703)
Cash used in investing activities	(62,688)	—	(40,018)	—	(102,706)
Financing Activities					
Proceeds from issuance of senior notes	—	700,000	—	—	700,000
Debt financing costs	(16,417)	—	—	—	(16,417)
Transactions with affiliates, net	769,960	(708,038)	(61,922)	—	—
Payments on term loans	(675,000)	—	—	—	(675,000)
Cash provided by (used in) financing activities	78,543	(8,038)	(61,922)	—	8,583
Increase (decrease) in cash and cash equivalents	(194)	—	35,116	—	34,922
Cash and cash equivalents, beginning of period	194	—	55	—	249
Cash and cash equivalents, end of period	$ —	$ —	$ 35,171	$ —	$ 35,171

ARCH WESTERN RESOURCES, LLC

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
Year Ended Dec. 31, 2005					
Reserves deducted from asset accounts					
Other assets — other notes and accounts receivable	$ 962	$ —	$ —	$ —	$ 962
Current assets — supplies inventory	12,441	377	—	407	12,411
Year Ended Dec. 31, 2004					
Reserves deducted from asset accounts					
Other assets — other notes and accounts receivable	$ —	$ —	$ 962(1)	$ —	$ 962
Current assets — supplies inventory	8,739	999	3,010(2)	307	12,441
Year Ended Dec. 31, 2003					
Reserves deducted from asset accounts					
Other assets — other notes and accounts receivable	383	—	—	383	0
Current assets — supplies inventory	8,304	622	—	187	8,739

(1) Represents amounts added as a result of the contribution of North Rochelle.

(2) Represents amounts added as a result of the consolidation of Canyon Fuel.

Exhibit 31.1

Certification

I, Paul A. Lang, certify that:

1. I have reviewed this annual report on Form 10-K/A of Arch Western Resources, LLC;

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

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

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

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

(b) [Reserved.]

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

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

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

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

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

/s/ Paul A. Lang

Paul A. Lang
President

Date: August 2, 2006

Exhibit 31.2

Certification

I, Robert J. Messey, certify that:

1. I have reviewed this annual report on Form 10-K/A of Arch Western Resources, LLC;

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

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

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

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

(b) [Reserved.]

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

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

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

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

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

/s/ Robert J. Messey

Robert J. Messey
Vice President

Date: August 2, 2006

Exhibit 32.1

Certification of Periodic Financial Reports

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

(1) the Annual Report on Form 10-K/A for the year ended December 31, 2005 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

/s/ Paul A. Lang

Paul A. Lang
President

Date: August 2, 2006

Exhibit 32.2

Certification of Periodic Financial Reports

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

(1) the Annual Report on Form 10-K/A for the year ended December 31, 2005 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

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

Date: August 2, 2006