
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): February 24, 2006 (February 23, 2006)

Arch Coal, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

1-13105
(Commission File Number)

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

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry Into a Material Definitive Agreement.

On February 23, 2006, upon the recommendation of the Personnel and Compensation Committee (the "Committee"), the Board of Directors of Arch Coal, Inc. (the "Company") approved the following actions with regard to the compensation of the executive officers who will be named in the Summary Compensation Table of the Company's 2006 Proxy Statement (the "2006 Named Executive Officers"):

Base Salary. The Board of Directors approved the base salaries of the Company's chief executive officer and other key executives in furtherance of the executive compensation objectives established by the Committee. In determining base salaries, the Committee considered overall company performance, individual performance, competitive compensation and target total compensation. A summary of the salaries for the 2006 Named Executive Officers for 2006 and 2005 is attached as Exhibit 10.1 hereto and is hereby incorporated by reference.

Performance-Based Annual Incentive Awards. The Board of Directors approved performance-based annual incentive award payouts for 2005 for the 2006 Named Executive Officers under the Company's Incentive Compensation Plan for Executive Officers (the "Incentive Plan"). For 2005, the Committee had established certain performance objectives for the 2006 Named Executive Officers based on adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), earnings per share (EPS), safety, and environmental compliance. In early 2005, the Committee had set target annual incentive awards, expressed as a percentage of base salary, for each key executive based on job responsibilities. For 2005, the Committee determined each participant's annual incentive opportunity based on the participant's potential to affect operations or profitability. Incentive award payments for the year could have ranged from zero to 200% of the target, based on the Company's performance compared to the pre-established performance goals set by the Committee. The Committee may, in its discretion, adjust awards to recognize outstanding performance or achievement during the performance period. The amounts of the performance-based annual incentive award payouts for the 2006 Named Executive Officers for 2005 are as follows: Steven F. Leer — \$257,400; John W. Eaves — \$127,500; Robert J. Messey — \$91,500; Robert G. Jones — \$147,000; and C. Henry Besten — \$135,000.

On February 23, 2006, the Board of Directors approved the performance-based annual incentive award targets for 2006, expressed as a percent of base salary, for the 2006 Named Executive Officers based upon the achievement of performance goals. Incentive award payments may range from zero to 200% of the target, based on the Company's performance compared to the pre-established performance goals set by the Committee. A copy of the Incentive Plan and a summary of the performance-based annual incentive award levels and performance objectives for the 2006 Named Executive Officers for 2006 are attached as Exhibit 10.2 and Exhibit 10.3 hereto and are hereby incorporated by reference.

Grant of Restricted Stock Units. On February 23, 2006, the Board of Directors approved the award of the following restricted stock units to the 2006 Named Executive Officers: Mr. Leer — 3,150; Mr. Eaves — 1,900; Mr. Messey — 1,450; Mr. Jones — 1,300; and Mr. Besten — 1,150. In determining the number of restricted stock units to be awarded to 2006 Named Executive Officers, the Committee determined the percentage of executive officer compensation to be comprised of restricted stock unit awards. The Committee then determined the number of restricted stock units based on the average closing price of the Company's common stock during the last 20 trading days of 2005. Restricted stock units vest ratably over a three-year period, with one-third vesting on each anniversary of the grant date. The grants of restricted stock units were made pursuant to the terms of the 1997 Stock Incentive Plan (the "1997 Plan") and the terms of a Restricted Stock Unit Contract (the "RSU Award Agreement"). A copy of the 1997 Plan and the form of RSU Award Agreement are attached as Exhibit 10.4 and 10.5 hereto and are hereby incorporated by reference.

Grant of Performance Units. The Board of Directors approved the award of the following performance units to the 2006 Named Executive Officers: Mr. Leer — 1,500,000; Mr. Eaves — 900,000; Mr. Messey — 670,000; Mr. Jones — 799,800; and Mr. Besten — 706,490. Performance units vest after three years and are tied to the Company's performance against pre-established targets, including EBITDA growth compared to a peer group, safety performance and environmental performance. The Company determined the targeted payout amounts for the 2006 Named Executive Officers as a percentage of base salary. The actual payout under these awards may vary from zero to 200% of an executive's targeted payout amount, based on the Company's actual performance over the three-year performance period. The grants of performance units were made pursuant to the terms of the 1997 Plan and the terms of a Performance Unit Contract (the "Performance Unit Award Agreement"). A copy of the 1997

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Plan and the form of Performance Unit Award Agreement are attached as Exhibit 10.4 and 10.6 hereto and are hereby incorporated by reference.

Other Compensation Information. The 2006 Named Executive Officers may choose to defer receipt of any or all of their compensation under the Company's deferred compensation plan for executive officers, a copy of which is attached as Exhibit 10.7 hereto and is hereby incorporated by reference. The Company will provide additional information regarding the compensation paid to the 2006 Named Executive Officers in the Company's 2006 Proxy Statement, which is expected to be filed with the Securities and Exchange Commission in March 2006.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are attached hereto and filed herewith.

Exhibit No.	Description
10.1 *	Summary of the salaries for the named executive officers of the registrant.
10.2 *	Arch Coal, Inc. Incentive Compensation Plan for Executive Officers (incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed by the registrant on February 28, 2005).

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<u>Exhibit No.</u>	<u>Description</u>
10.3 *	Summary of the award levels and performance goals for the named executive officers of the registrant.
10.4 *	Arch Coal, Inc. 1997 Stock Incentive Plan (as amended and restated on February 28, 2002) (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).
10.5 *	Form of Restricted Stock Unit Contract.
10.6 *	Form of Performance Unit Contract.
10.7 *	Arch Coal, Inc. (formerly Arch Mineral Corporation) Deferred Compensation Plan (incorporated herein by reference to Exhibit 4.1 of the Registration Statement on Form S-8 (Registration No. 333-68131) filed by the registrant on December 1, 1998).

* Denotes management contract or compensatory plan arrangements.

Signatures

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

Dated: February 24, 2006

Arch Coal, Inc.

By: /s/ Robert G. Jones

Robert G. Jones

Vice President — Law, General Counsel and Secretary

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* Denotes management contract or compensatory plan arrangements.

**Summary of the Salaries
for the Named Executive Officers
of Arch Coal, Inc.**

Name and Title of Executive Officer	Base Salary (1) (2)	
	2006	2005
Steven F. Leer President and Chief Executive Officer	\$750,000	\$715,000
John W. Eaves Executive Vice President and Chief Operating Officer	450,000	425,000
Robert J. Messey Senior Vice President and Chief Financial Officer	335,000	305,000
Robert G. Jones Vice President — Law, General Counsel and Secretary	300,000	290,000
C. Henry Besten Senior Vice President — Strategic Development	265,000	250,000

- (1) In the first quarter of each year, the Personnel and Compensation Committee meets to determine whether, based on overall company performance, individual performance, competitive compensation and target total compensation, base salaries for the named executive officers should be increased. Additionally, base salaries for the named executive officers will generally increase concurrent with an officer's promotion or an increase in an officer's responsibilities, as may be determined by the Personnel and Compensation Committee from time to time and recommended to the Board of Directors for approval.
- (2) The Company also provides certain other benefits to its executive officers that are not tied to any formal individual or corporate performance objectives and are intended to be part of a competitive overall compensation program. For example, the Company maintains an employee thrift plan, a cash balance pension plan, insurance and other benefit plans for its employees. Executive officers participate in these plans on the same terms as other eligible employees, subject to any legal limits on the amounts that may be contributed by or paid to executives under the plans. In addition, the Company reimburses certain executive officers for financial planning services and club dues, and the Company also pays certain executive officers an additional amount sufficient to compensate him or her for the taxes arising as a result of the perquisites the Company provides.

**Summary of the Award Levels and Performance Goals
for the Named Executive Officers
of Arch Coal, Inc.**

Name and Title of Executive Officer	Incentive Award as a Percentage of Base Salary (1) (2)		
	Minimum	Target	Maximum
Steven F. Leer President and Chief Executive Officer	18.75%	75.00%	150.00%
John W. Eaves Executive Vice President and Chief Operating Officer	15.00%	60.00%	120.00%
Robert J. Messey Senior Vice President and Chief Financial Officer	12.50%	50.00%	100.00%
Robert G. Jones Vice President — Law, General Counsel and Secretary	12.50%	50.00%	100.00%
C. Henry Besten Senior Vice President — Strategic Development	12.50%	50.00%	100.00%

- (1) For 2006, upon the recommendation of the Personnel and Compensation Committee, Board of Directors approved certain performance objectives for the executive officers based on adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), earnings per share (EPS), safety, and environmental compliance.

ARCH COAL, INC.
FORM OF RESTRICTED STOCK UNIT GRANT
(Not Transferable)

CONTRACT

This Contract, by and between Arch Coal, Inc., a Delaware corporation (the "Company"), and _____ (the "Participant"), is made and entered into as a separate inducement in connection with the Participant's employment and not in lieu of any salary or other compensation for the Participant's services, pursuant to which the company has awarded _____ Restricted Stock Units ("Units") to the Participant, subject to the provisions of the Arch Coal, Inc. 1997 Stock Incentive Plan (the "Plan"), a copy of which has been provided to the Participant, and to the terms and conditions set forth below, which constitute the entire understanding between the Company and the Participant with respect to this contract.

This Contract is executed as of _____ (the "Restricted Stock Unit Grant Date").

Arch Coal, Inc.

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

By: _____
Name
"Participant"

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT CONTRACT

1. **Definitions.** Capitalized terms, not otherwise defined herein shall have the same meanings set forth in the Plan, as may be amended from time to time.
 2. **Vesting Dates.** The Units will vest in equal ratable amounts on the first, second and third anniversaries of the Restricted Stock Unit grant date (each, a "Vesting Date").
 3. **Issuance of Shares of Stock.** Subject to the provisions of this Contract, and unless deferred by the Participant, the Company shall issue to the Participant as soon as practicable following each Vesting Date, a number of whole shares of Stock equal to the number of Units vesting on such date. Such shares of stock shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 9, or any applicable law, rule or regulation.
 4. **Non-transferable.** The Participant agrees that the Units may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.
 5. **Change of Control.** The units will vest automatically and without any further action on the part of the Company or the Participant immediately following any Change of Control.
 6. **Sale of Subsidiary.** The units will vest automatically and without any further action on the part of the Company or the Participant if the Participant is employed by a Subsidiary of the Company immediately following the sale or disposition of such Subsidiary by the Company; provided, however, that the Participant was not offered another position with the Company, which includes substantially equivalent salary, benefits, duties and responsibilities as the Participant's last position.
 7. **Tax Withholding.** At the time the Award is granted, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the Federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Award or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Company have been satisfied by the Participant.
 8. **Certificate Registration.** The certificate for the shares as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.
 9. **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of Federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable Federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.
 10. **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.
 11. **Termination of Employment.** The Participant agrees that, upon his or her termination from the Company
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and its Subsidiaries for any reason (including Retirement, death or Disability) prior to the dates on which the units vest, the Participant shall forfeit any and all rights he may have under this Restricted Stock Unit Contract or the Plan for any unvested Units on the effective date of termination.

12. **Stockholder Rights.** Unless and until such time as the Participant forfeits his rights he may have under this Restricted Stock Unit Contract in accordance with paragraph 11, the Participant shall be entitled to receive payment, in cash, of an amount equal to the dividends declared and paid from time to time on a share of Stock for each Unit then held by the Participant. Except as provided in the preceding sentence, the Participant shall have no other rights of a common stockholder of the Company, including the right to vote such stock at any meeting of the common stockholders of the Company as a result of his ownership of the units.
13. **Adjustments.** The units awarded to the Participant pursuant to this Contract shall automatically and without any further action on the part of the Company or the Participant be adjusted if and to the extent that the Stock underlying the units becomes subject to a stock dividend, stock split, recapitalization, merger, consolidation, reorganization or other event.
14. **Personnel & Compensation Committee Actions.** The Personnel & Compensation Committee (the "Committee") of the Company's Board of Directors may, in its discretion, remove, modify or accelerate the vesting schedule with respect to the Units under such circumstances as the Committee, in its discretion, shall determine, subject however to the terms of the Plan.
15. **Effect of Award on Employment.** Nothing in this Contract shall be construed as an agreement for the continued employment of the Participant and Company shall have the right to terminate the employment of the Participant at any time for any reason, with or without cause.
16. **Further Assurances.** Each of the parties hereto agrees to execute and deliver all consents and other instruments and take all other actions deemed necessary or desirable by counsel for the Company to carry out each provision of this Contract and the Plan.
17. **Governing Law.** The validity, interpretation, performance and enforcement of this Contract shall be governed by the laws of the State of Delaware, determined without regard to its conflict of law provisions.
18. **Plan Governs.** This Contract has been executed pursuant to the Plan, and each and every provision of this Contract shall be subject to the provisions of such Plan and, except as otherwise provided herein, the terms therein shall govern this Contract. In the event of any conflict between the terms of this Contract and any other documents or materials provided to the Participant, the terms of this Contract will control.

ARCH COAL, INC.
FORM OF PERFORMANCE UNIT GRANT
(Not Transferable)

CONTRACT

This Contract, by and between Arch Coal, Inc., a Delaware corporation (the "Company"), and _____ (the "Participant"), is made and entered into as a separate inducement in connection with the Participant's employment and not in lieu of any salary or other compensation for the Participant's services, pursuant to which the Company has awarded up to _____ Performance Units to the Participant, subject to the provisions of the Arch Coal, Inc. 1997 Stock Incentive Plan (the "Plan"), a copy of which has been provided to the Participant, and to the terms and conditions set forth below, which, together with the Performance Unit Grant Memorandum dated March 1, 2006 to the Participant and attached hereto (the "Memorandum"), constitute the entire understanding between the Company and the Participant with respect to this Contract.

This Contract is executed as of _____ (the "Performance Unit Grant Date").

Arch Coal, Inc.

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

and

By: _____
Name
"Participant"

TERMS AND CONDITIONS OF PERFORMANCE UNIT CONTRACT

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

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