UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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

For the transition period from to .

Commission file number: 333-107569-03

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

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

At November 14, 2011, the registrant's common equity consisted solely of undenominated membership interests, 99.5% of which were held by Arch Western Acquisition Corporation and 0.5% of which were held by a subsidiary of BP p.l.c.

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PART 1
FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(unaudited)			
Revenues	$ 547,347	$ 550,198	$ 1,647,384	$ 1,504,523
Costs, expenses and other				
Cost of sales	448,681	445,814	1,319,711	1,239,893
Depreciation, depletion and amortization	38,532	39,756	118,631	123,883
Amortization of acquired sales contracts, net	3,802	10,038	15,349	26,005
Selling, general and administrative expenses	8,693	8,172	26,328	27,421
Other operating income, net	(909)	(1,093)	(4,644)	(3,597)
	498,799	502,687	1,475,375	1,413,605
Income from operations	48,548	47,511	172,009	90,918
Interest income (expense), net:				
Interest expense	(10,115)	(15,892)	(31,064)	(50,966)
Interest income, primarily from Arch Coal, Inc.	13,913	13,714	40,035	39,732
	3,798	(2,178)	8,971	(11,234)
Other non-operating expense:				
Net loss resulting from early retirement from debt	—	(6,776)	—	(6,776)
	—	(6,776)	—	(6,776)
Net income	$ 52,346	$ 38,557	$ 180,980	$ 72,908
Net income attributable to redeemable membership interest	$ 231	$ 181	$ 822	$ 325
Net income attributable to non-redeemable membership interest	$ 52,115	$ 38,376	$ 180,158	$ 72,583

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

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

	September 30, 2011	December 31, 2010
	(unaudited)	
ASSETS		
Current assets:		
Cash and equivalents	$ 100,139	$ 79,817
Receivables	3,485	2,015
Receivable from Arch Coal, Inc.	465,646	582,384
Inventories	172,767	150,419
Other	16,588	21,435
Total current assets	758,625	836,070
Property, plant and equipment, net	1,445,059	1,488,843
Other assets:		

Receivable from Arch Coal, Inc.	1,140,084	910,797
Other	13,345	10,920
Total other assets	1,153,429	921,717
Total assets	$ 3,357,113	$ 3,246,630
LIABILITIES AND MEMBERSHIP INTERESTS		
Current liabilities:		
Accounts payable	$ 107,974	$ 121,670
Accrued expenses	145,781	153,141
Commercial paper	—	56,904
Total current liabilities	253,755	331,715
Long-term debt	451,133	451,618
Note payable to Arch Coal, Inc.	225,000	225,000
Accrued retirement obligations	308,326	301,355
Accrued postretirement benefits other than pension	23,302	23,509
Accrued pension benefits	9,667	23,904
Accrued workers' compensation	6,705	6,102
Other noncurrent liabilities	53,062	36,913
Total liabilities	1,330,950	1,400,116
Redeemable membership interest	11,261	10,444
Non-redeemable membership interest	2,014,902	1,836,070
Total liabilities and membership interests	$ 3,357,113	$ 3,246,630

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

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

	Nine Months Ended September 30, 2011	2010
	(unaudited)	
OPERATING ACTIVITIES		
Net income	$ 180,980	$ 72,908
Adjustments to reconcile to cash provided by operating activities:		
Depreciation, depletion and amortization	118,631	123,883
Amortization of acquired sales contracts, net	15,349	26,005
Net loss resulting from early retirement of debt	—	6,776
Amortization relating to financing activities	377	790
Changes in:		
Receivables	(1,470)	6,145
Inventories	(22,348)	24,772
Accounts payable and accrued expenses	(21,032)	12,142
Other	13,375	49,739
Cash provided by operating activities	283,862	323,160
INVESTING ACTIVITIES		
Capital expenditures	(75,123)	(66,828)
Change in receivable from Arch Coal, Inc.	(127,649)	75,383
Proceeds from dispositions of property, plant and equipment	124	74
Additions to prepaid royalties	(3,972)	(2,835)
Cash provided by (used in) investing activities	(206,620)	5,794
FINANCING ACTIVITIES		
Payments to retire debt	—	(505,627)
Loan from Arch Coal, Inc.	—	225,000
Net proceeds from (repayments on) commercial paper	(56,904)	6,264
Debt financing costs	(16)	(390)
Contribution from non-redeemable membership interest	—	891
Cash used in financing activities	(56,920)	(273,862)

Increase in cash and cash equivalents	20,322	55,092
Cash and cash equivalents, beginning of period	79,817	6,819
Cash and cash equivalents, end of period	$ 100,139	$ 61,911

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

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

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Arch Western Resources, LLC and its subsidiaries and controlled entities (the "Company"). Arch Coal, Inc. ("Arch Coal") has a 99.5% common membership interest in the Company, while BP p.l.c. has a 0.5% common membership interest and a preferred membership interest in the Company. The terms of the Company's membership agreement grant a put right to BP p.l.c., where BP p.l.c. may require 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. Intercompany transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and U.S. Securities and Exchange Commission regulations. In the opinion of management, all adjustments, consisting of normal, recurring accruals considered necessary for a fair presentation, have been included. Results of operations for the three and nine month periods ended September 30, 2011 are not necessarily indicative of results to be expected for the year ending December 31, 2011. These financial statements should be read in conjunction with the audited financial statements and related notes as of and for the year ended December 31, 2010 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

2. Accounting Policies

There are no new accounting pronouncements whose adoption is expected to have a material impact on the Company's condensed consolidated financial statements.

3. Debt

On June 14, 2011, the Company terminated its commercial paper placement program and the supporting credit facility.

4. Inventories

Inventories consist of the following:

	September 30, 2011	December 31, 2010
	(In thousands)	
Coal	$ 64,024	$ 46,464
Repair parts and supplies, net of allowance	108,743	103,955
	$ 172,767	$ 150,419

The repair parts and supplies are stated net of an allowance for slow-moving and obsolete inventories of $12.5 million at September 30, 2011, and $11.7 million at December 31, 2010.

5. 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: At September 30, 2011 and December 31, 2010, the carrying amounts of cash and cash equivalents approximate fair value.

Debt: The fair value of the Company's debt, excluding intercompany debt, was $449.4 million and $512.5 million at September 30, 2011 and December 31, 2010, respectively. Fair values are based upon observed prices in active markets.

6. Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income items are transactions recorded in membership interests during the year, excluding net income and transactions with members.

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The following table presents the components of comprehensive income:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010

	(In thousands)			
Net income	$ 52,346	$ 38,557	$ 180,980	$ 72,908
Other comprehensive income:				
Pension, postretirement and other post-employment benefits — reclassifications into net income	(420)	(425)	(1,259)	(1,276)
Total comprehensive income	$ 51,926	$ 38,132	$ 179,721	$ 71,632

7. Related Party Transactions

Transactions with Arch Coal may not be at arm's 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, exclusive of borrowings under the intercompany credit agreement, are recorded in the account. At September 30, 2011 and December 31, 2010, the receivable from Arch Coal was approximately $1.6 billion and $1.5 billion, respectively. This amount earns interest from Arch Coal at the prime interest rate. Interest earned on the note was $13.9 million and $13.6 million for the three months ended September 30, 2011 and 2010, respectively, and $40.0 million and $39.4 million for the nine months ended September 30, 2011 and 2010, respectively. The current portion of the receivable balance at September 30, 2011 and December 31, 2010, represents the amounts needed to fund working capital and contractual purchase, service and lease obligations due within the next twelve months.

During September of 2010, the Company received a loan of $225.0 million and a repayment of a portion of the balance receivable from Arch Coal to redeem $500.0 million aggregate principal amount of the outstanding 6.75% senior notes at a redemption price of 101.125%. Interest incurred on the loan was $1.5 million and $0.4 million for the three months ended September 30, 2011 and 2010, respectively, and $4.7 million and $0.4 million for the nine months ended September 30, 2011 and 2010, respectively.

The Company is a party to Arch Coal's accounts receivable securitization program. Under the program, the Company sells its receivables to Arch Coal without recourse at a discount based on the prime rate and days sales outstanding. During the three months ended September 30, 2011 and 2010, the Company sold $409.5 million and $442.3 million, respectively, of trade accounts receivable to Arch Coal at a discount of $0.8 million and $1.0 million, respectively. During the nine months ended September 30, 2011 and 2010, the Company sold $1.2 billion and $1.3 billion, respectively, of trade accounts receivable to Arch Coal at a discount of $2.7 million and $3.0 million, respectively.

For the three months ended September 30, 2011 and 2010, the Company incurred production royalties of $25.2 million and $27.0 million, respectively, under sublease agreements with Arch Coal. For the nine months ended September 30, 2011 and 2010, the Company incurred production royalties of $74.8 million and $65.9 million, respectively, under sublease agreements with Arch Coal.

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 $8.7 million and $8.2 million for the three months ended September 30, 2011 and 2010, respectively and $26.3 million and $27.4 million for the nine months ended September 30, 2011 and 2010, respectively. Such amounts are reported as selling, general and administrative expenses in the accompanying condensed consolidated statements of income.

8. 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.

9. Segment Information

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

Operating segment results for the three month and nine month periods ended September 30, 2011 and 2010 are presented below. Results for the operating segments include all direct costs of mining. Corporate, Other and Eliminations includes primarily corporate overhead and other support functions.

The asset amounts below represent an allocation of assets used in the segments' cash-generating activities. The amounts in the Corporate, Other and Eliminations represent primarily intercompany receivables.

	PRB	WBIT	Corporate, Other and Eliminations	Consolidated
	(In thousands)			
Three months ended September 30, 2011				
Revenues	$ 378,552	$ 168,795	$ —	$ 547,347
Income from operations	30,797	25,850	(8,099)	48,548
Depreciation, depletion and amortization	20,435	18,097	—	38,532

Amortization of acquired sales contracts, net	3,802	—	—	3,802
Capital expenditures	19,674	16,111	—	35,785
Three months ended September 30, 2010				
Revenues	$ 412,165	$ 138,033	$ —	$ 550,198
Income from operations	39,450	15,190	(7,129)	47,511
Depreciation, depletion and amortization	21,752	18,004	—	39,756
Amortization of acquired sales contracts, net	10,038	—	—	10,038
Capital expenditures	7,922	20,703	—	28,625
Nine months ended September 30, 2011				
Revenues	$ 1,133,996	$ 513,388	$ —	$ 1,647,384
Income from operations	98,153	96,414	(22,558)	172,009
Total assets	1,079,357	640,465	1,637,291	3,357,113
Depreciation, depletion and amortization	59,534	59,097	—	118,631
Amortization of acquired sales contracts, net	15,349	—	—	15,349
Capital expenditures	37,121	38,002	—	75,123
Nine months ended September 30, 2010				
Revenues	$ 1,101,700	$ 402,823	$ —	$ 1,504,523
Income from operations	74,311	41,500	(24,893)	90,918
Total assets	1,037,767	649,791	1,473,960	3,161,518
Depreciation, depletion and amortization	67,452	56,431	—	123,883
Amortization of acquired sales contracts, net	26,005	—	—	26,005
Capital expenditures	12,321	54,507	—	66,828

A reconciliation of segment income from operations to consolidated net income is presented below.

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In thousands)			
Income from operations	$ 48,548	$ 47,511	$ 172,009	$ 90,918
Interest expense	(10,115)	(15,892)	(31,064)	(50,966)
Interest income	13,913	13,714	40,035	39,732
Net loss resulting from early retirement of debt	—	(6,776)	—	(6,776)
Net income	$ 52,346	$ 38,557	$ 180,980	$ 72,908

10. Supplemental Condensed Consolidating Financial Information

Pursuant to the indenture governing the Arch Western Finance senior notes, certain wholly-owned subsidiaries of the Company have fully and unconditionally guaranteed the senior notes on a joint and several basis. The following tables present 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 LLC, which is not a guarantor under the Notes.

Condensed Consolidating Statements of Income
Three Months Ended September 30, 2011
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Revenues	$ —	$ —	$ 444,986	$ 102,361	$ —	$ 547,347
Cost of sales	(2,115)	—	375,025	75,771	—	448,681
Depreciation, depletion and amortization	—	—	28,160	10,372	—	38,532
Amortization of acquired sales contracts, net	—	—	3,802	—	—	3,802
Selling, general and administrative expenses	8,693	—	—	—	—	8,693
Other operating income, net	(87)	—	(873)	51	—	(909)
	6,491	—	406,114	86,194	—	498,799
Income from investment in subsidiaries	54,789	—	—	—	(54,789)	—
Income from operations	48,298	—	38,872	16,167	(54,789)	48,548
Interest expense	(9,850)	(7,688)	—	(170)	7,593	(10,115)
Interest income	13,898	7,593	—	15	(7,593)	13,913

	4,048	(95)	—	(155)	—	3,798
Net income (loss)	$ 52,346	$ (95)	$ 38,872	$ 16,012	$ (54,789)	$ 52,346

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Condensed Consolidating Statements of Income
Three Months Ended September 30, 2010
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Revenues	$ —	$ —	$ 451,092	$ 99,106	$ —	$ 550,198
Cost of sales	(995)	—	368,282	78,527	—	445,814
Depreciation, depletion and amortization	—	—	28,664	11,092	—	39,756
Amortization of acquired sales contracts, net	—	—	10,038	—	—	10,038
Selling, general and administrative expenses	8,172	—	—	—	—	8,172
Other operating income, net	(47)	—	(782)	(264)	—	(1,093)
	7,130	—	406,202	89,355	—	502,687
Income from investment in subsidiaries	46,881				(46,881)	—
Income from operations	39,751	—	44,890	9,751	(46,881)	47,511
Interest expense	(14,779)	(14,132)	—	(199)	13,218	(15,892)
Interest income	13,585	13,218	100	29	(13,218)	13,714
	(1,194)	(914)	100	(170)	—	(2,178)
Other nonoperating expense						
Net loss resulting from early extinguishment of debt	—	(6,776)	—	—	—	(6,776)
Net income (loss)	$ 38,557	$ (7,690)	$ 44,990	$ 9,581	$ (46,881)	$ 38,557

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Condensed Consolidating Statements of Income
Nine Months Ended September 30, 2011
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Revenues	$ —	$ —	$ 1,355,328	$ 292,056	$ —	$ 1,647,384
Cost of sales	(2,331)	—	1,111,216	210,826	—	1,319,711
Depreciation, depletion and amortization	—	—	86,296	32,335	—	118,631
Amortization of acquired sales contracts, net	—	—	15,349	—	—	15,349
Selling, general and administrative expenses	26,328	—	—	—	—	26,328
Other operating income, net	(1,455)	—	(2,635)	(554)	—	(4,644)
	22,542	—	1,210,226	242,607	—	1,475,375
Income from investment in subsidiaries	193,823	—	—	—	(193,823)	—
Income from operations	171,281	—	145,102	49,449	(193,823)	172,009
Interest expense	(30,288)	(23,063)	—	(494)	22,781	(31,064)
Interest income	39,987	22,781	—	48	(22,781)	40,035
	9,699	(282)	—	(446)	—	8,971
Net income (loss)	$ 180,980	$ (282)	$ 145,102	$ 49,003	$ (193,823)	$ 180,980

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Condensed Consolidating Statements of Income
Nine Months Ended September 30, 2010
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Revenues	$ —	$ —	$ 1,216,688	$ 287,835	$ —	$ 1,504,523

Cost of sales	(2,116)	—	1,018,475	226,098	(2,564)	1,239,893
Depreciation, depletion and amortization	—	—	87,358	36,525	—	123,883
Amortization of acquired sales contracts, net	—	—	26,005	—	—	26,005
Selling, general and administrative expenses	27,421	—	—	—	—	27,421
Other operating income, net	(412)	—	(2,314)	(3,435)	2,564	(3,597)
	24,893	—	1,129,524	259,188	—	1,413,605
Income from investment in subsidiaries	107,456	—	—	—	(107,456)	—
Income from operations	82,563	—	87,164	28,647	(107,456)	90,918
Interest expense	(49,030)	(46,592)	—	(625)	45,281	(50,966)
Interest income	39,375	45,281	287	70	(45,281)	39,732
	(9,655)	(1,311)	287	(555)	—	(11,234)
Other nonoperating expense						
Net loss resulting from early retirement of debt	—	(6,776)	—	—	—	(6,776)
Net income (loss)	$ 72,908	$ (8,087)	$ 87,451	$ 28,092	$ (107,456)	$ 72,908

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Condensed Consolidating Balance Sheets
September 30, 2011
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Cash and cash equivalents	$ —	$ —	$ 100,073	$ 66	$ —	$ 100,139
Receivables	1,538	—	967	980	—	3,485
Receivable from Arch Coal	465,646	—	—	—	—	465,646
Intercompanies	(448,513)	7,594	323,718	117,201	—	—
Inventories	—	—	116,591	56,176	—	172,767
Other	3,450	1,019	6,170	5,949	—	16,588
Total current assets	22,121	8,613	547,519	180,372	—	758,625
Property, plant and equipment, net	—	—	1,186,750	258,324	(15)	1,445,059
Investment in subsidiaries	2,990,755	—	—	—	(2,990,755)	—
Receivable from Arch Coal	1,118,520	—	—	21,564	—	1,140,084
Intercompanies	(1,862,475)	455,386	1,177,272	229,817	—	—
Other	1,236	756	7,117	4,236	—	13,345
Total other assets	2,248,036	456,142	1,184,389	255,617	(2,990,755)	1,153,429
Total assets	$ 2,270,157	$ 464,755	$ 2,918,658	$ 694,313	$ (2,990,770)	$ 3,357,113
Accounts payable	$ 15,848	$ —	$ 76,673	$ 15,453	$ —	$ 107,974
Accrued expenses	2,823	7,594	125,166	10,198	—	145,781
Total current liabilities	18,671	7,594	201,839	25,651	—	253,755
Long-term debt	—	451,133	—	—	—	451,133
Note payable to Arch Coal	225,000	—	—	—	—	225,000
Asset retirement obligations	—	—	296,685	11,641	—	308,326
Accrued postretirement benefits other than pension	4,013	—	10,596	8,693	—	23,302
Accrued pension benefits	(5,982)	—	5,548	10,101	—	9,667
Accrued workers' compensation	209	—	2,376	4,120	—	6,705
Other noncurrent liabilities	2,068	—	50,912	82	—	53,062
Total liabilities	243,979	458,727	567,956	60,288	—	1,330,950
Redeemable membership interest	11,261	—	—	—	—	11,261
Non-redeemable membership interest	2,014,917	6,028	2,350,702	634,025	(2,990,770)	2,014,902
Total liabilities and membership interests	$ 2,270,157	$ 464,755	$ 2,918,658	$ 694,313	$ (2,990,770)	$ 3,357,113

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Condensed Consolidating Balance Sheets
December 31, 2010
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Cash and cash equivalents	$ 1,613	$ —	$ 78,070	$ 134	$ —	$ 79,817

Receivables	1,033	—	663	319	—	2,015
Receivable from Arch Coal	582,384	—	—	—	—	582,384
Intercompanies	(519,808)	15,188	341,981	162,639	—	—
Inventories	—	—	104,394	46,025	—	150,419
Other	10,096	1,015	4,129	6,195	—	21,435
Total current assets	75,318	16,203	529,237	215,312	—	836,070
Property, plant and equipment, net	—	—	1,223,493	265,350	—	1,488,843
Investment in subsidiaries	2,789,637	—	—	—	(2,789,637)	—
Receivable from Arch Coal	888,306	—	—	22,491	—	910,797
Intercompanies	(1,609,147)	455,401	1,023,119	130,627	—	—
Other	1,402	1,511	3,802	4,205	—	10,920
Total other assets	2,070,198	456,912	1,026,921	157,323	(2,789,637)	921,717
Total assets	$ 2,145,516	$ 473,115	$ 2,779,651	$ 637,985	$ (2,789,637)	$ 3,246,630
Accounts payable	$ 2,604	$ —	$ 102,290	$ 16,776	$ —	$ 121,670
Accrued expenses and other current liabilities	5,714	15,188	122,473	9,766	—	153,141
Commercial paper	56,904	—	—	—	—	56,904
Total current liabilities	65,222	15,188	224,763	26,542	—	331,715
Long-term debt	—	451,618	—	—	—	451,618
Note payable to Arch Coal	225,000	—	—	—	—	225,000
Asset retirement obligations	—	—	290,473	10,882	—	301,355
Accrued postretirement benefits other than pension	3,629	—	11,571	8,309	—	23,509
Accrued pension benefits	3,342	—	11,962	8,600	—	23,904
Accrued workers' compensation	(94)	—	2,042	4,154	—	6,102
Other noncurrent liabilities	1,903	—	34,930	80	—	36,913
Total liabilities	299,002	466,806	575,741	58,567	—	1,400,116
Redeemable membership interest	10,444	—	—	—	—	10,444
Non-redeemable membership interest	1,836,070	6,309	2,203,910	579,418	(2,789,637)	1,836,070
Total liabilities and membership interests	$ 2,145,516	$ 473,115	$ 2,779,651	$ 637,985	$ (2,789,637)	$ 3,246,630

Condensed Consolidating Statements of Cash Flows
Nine Months Ended September 30, 2011
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries (in thousands)	Non-Guarantor Subsidiaries	Consolidated
Cash provided by (used in) operating activities	$ (13,266)	$ (7,593)	$ 226,199	$ 78,522	$ 283,862
Investing Activities					
Capital expenditures	—	—	(49,503)	(25,620)	(75,123)
Change in receivable from Arch Coal	(128,576)	—	—	927	(127,649)
Proceeds from dispositions of property, plant and equipment	—	—	69	55	124
Additions to prepaid royalties	—	—	(3,772)	(200)	(3,972)
Cash used in investing activities	(128,576)	—	(53,206)	(24,838)	(206,620)
Financing Activities					
Net repayments on commercial paper	(56,904)	—	—	—	(56,904)
Debt financing costs	—	(16)	—	—	(16)
Transactions with affiliates, net	197,133	7,609	(150,990)	(53,752)	—
Cash provided by (used in) financing activities	140,229	7,593	(150,990)	(53,752)	(56,920)
Increase (decrease) in cash and cash equivalents	(1,613)	—	22,003	(68)	20,322
Cash and cash equivalents, beginning of period	1,613	—	78,070	134	79,817
Cash and cash equivalents, end of period	$ —	$ —	$ 100,073	$ 66	$ 100,139

Condensed Consolidating Statements of Cash Flows
Nine Months Ended September 30, 2010
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries (in thousands)	Non-Guarantor Subsidiaries	Consolidated
Cash provided by (used in) operating activities	$ (30,882)	(25,220)	$ 310,083	$ 69,179	$ 323,160

Investing Activities					
Capital expenditures	—	—	(49,664)	(17,164)	(66,828)
Change in receivable from Arch Coal, Inc	60,905	—	—	14,478	75,383
Proceeds from dispositions of property, plant and equipment	—	—	45	29	74
Additions to prepaid royalties	—	—	(2,509)	(326)	(2,835)
Cash provided by (used in) investing activities	60,905	—	(52,128)	(2,983)	5,794
Financing Activities					
Payments to retire debt	—	(505,627)	—	—	(505,627)
Loan from Arch Coal, Inc	225,000	—	—	—	225,000
Net proceeds from commercial paper	6,264	—	—	—	6,264
Debt financing costs	(375)	(15)	—	—	(390)
Contribution from non-redeemable membership interest	891	—	—	—	891
Transactions with affiliates, net	(266,748)	530,862	(197,956)	(66,158)	—
Cash provided by (used in) financing activities	(34,968)	25,220	(197,956)	(66,158)	(273,862)
Increase (decrease) in cash and cash equivalents	(4,945)	—	59,999	38	55,092
Cash and cash equivalents, beginning of period	6,714	—	61	44	6,819
Cash and cash equivalents, end of period	$ 1,769	$ —	$ 60,060	$ 82	$ 61,911

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

This document contains "forward-looking statements" — that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from changes in the demand for our coal by the domestic electric generation industry; from legislation and regulations relating to the Clean Air Act and other environmental initiatives; from regulations relating to mine safety; from operational, geological, permit, labor and weather-related factors; from fluctuations in the amount of cash we generate from operations; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. For a description of some of the risks and uncertainties that may affect our future results, see "Risk Factors" under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010.

Overview

We are a subsidiary of Arch Coal, Inc., one of the world's largest coal producers by volume. We sell substantially all of our coal to power plants and industrial facilities. Our two reportable business segments are based on the low-sulfur U.S. coal producing regions in which we operate — the Powder River Basin and the Western Bituminous region. These geographically distinct areas are characterized by geology, coal transportation routes to consumers, regulatory environments and coal quality. These regional similarities have caused market and contract pricing environments to develop by coal region and form the basis for the segmentation of our operations.

The Powder River Basin is located in northeastern Wyoming and southeastern Montana. The coal we mine from surface operations in this region is very low in sulfur content and has a low heat value compared to the other region in which we operate. The price of Powder River Basin coal is generally less than that of coal produced in other regions because Powder River Basin coal exists in greater abundance, is easier to mine and thus has a lower cost of production. In addition, Powder River Basin coal is generally lower in heat content, which requires some electric power generation facilities to blend it with higher Btu coal or retrofit some existing coal plants to accommodate lower Btu coal. The Western Bituminous region includes Colorado, Utah and southern Wyoming. Coal we mine from underground and surface mines in this region typically is low in sulfur content and varies in heat content.

Growth in global coal demand combined with coal supply constraints in many traditional coal exporting countries benefited coal pricing in the first nine months of 2011. U.S. steam coal is migrating offshore to meet the continuing growth in global coal demand to fuel electricity generation. In response to the global steam coal demand, we have expanded our seaborne sales. Both of our operating segments are participating in the expansion of seaborne shipments, from ports on

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the West Coast as well through the Gulf of Mexico. We have provided additional information about the performance of our operating segments under the heading "Operating segment results".

U.S. coal consumption has declined in 2011 due to strong contributions from other fuel sources, including higher hydroelectric power in the western U.S. U.S. coal production in the first nine months of 2011 remained essentially flat versus the same period a year ago, according to MSHA data and company estimates. U.S. stockpile levels have declined approximately 30% from peak levels reached in November 2009. We estimate nationwide stockpiles reflected 55 days of supply at September 30, 2011, in line with the five-year average. We believe, however, that PRB-served power plant stockpiles were at below-normal levels, partly due to shipment disruptions in the region. Flooding of the Missouri and Mississippi rivers disrupted shipments in the Powder River Basin during the second and third quarters of 2011, resulting in a loss of shipments from our PRB operations.

On November 3, 2011, we announced that we would be scaling back production at our Dugout Canyon mine in Utah in response to weakness in demand for coal from that region. We plan to suspend longwall operations at the end of the current panel in the first half of 2012. The next potential longwall panel at Dugout Canyon has been developed and future decisions about production will be based on market conditions for Western Bituminous coal.

Results of Operations

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Summary. Our results improved during the third quarter of 2011 when compared to the third quarter of 2010 primarily due to lower financing-related costs. The benefit from improved pricing conditions was offset by lower sales volumes.

Revenues. The following table summarizes information about coal sales for the three months ended September 30, 2011 and compares it with the information for the three months ended September 30, 2010:

	Three Months Ended September 30		Increase (Decrease)	
	2011	2010	Amount	%
	(Amounts in thousands, except per ton data and percentages)			
Revenues	$ 547,347	$ 550,198	$ (2,851)	(0.5)%
Tons Sold	32,277	38,785	(6,508)	(16.8)%
Coal sales realization per ton sold	$ 16.96	$ 14.19	$ 2.77	19.5%

Coal sales decreased slightly in the third quarter of 2011 from the third quarter of 2010, as higher pricing in both regions was offset by lower sales volumes in the Powder River Basin. We have provided more information about the tons sold and the coal sales realizations per ton by operating segment under the heading "Operating segment results".

Costs, expenses and other. The following table summarizes costs, expenses and other components of operating income for the three months ended September 30, 2011 and compares them with the information for the three months ended September 30, 2010:

	Three Months Ended September 30		Increase (Decrease) in Net Income	
	2011	2010	Amount	%
	(Amounts in thousands, except per ton data and percentages)			
Cost of sales	$ 448,681	$ 445,814	$ (2,867)	(0.6)%
Depreciation, depletion and amortization	38,532	39,756	1,224	3.1
Sales contract amortization	3,802	10,038	6,236	62.1
Selling, general and administrative	8,693	8,172	(521)	(6.4)
Other operating income, net	(909)	(1,093)	(184)	16.8
	$ 498,799	$ 502,687	$ 3,888	0.8%

Cost of coal sales. Our cost of coal sales was flat in 2011 when compared with 2010 as the impact of lower sales volumes was offset by an increase in sales-sensitive and transportation costs, as a result of an increase in export shipments. We have provided more information about our operating segments' performance and profitability under the heading "Operating segment results".

Depreciation, depletion and amortization. When compared with 2010, depreciation, depletion and amortization costs in 2011 decreased slightly from the impact of lower production and sales volumes on assets amortized or depleted on the basis of tons produced.

Amortization of acquired sales contracts, net. Arch Coal acquired both above- and below-market sales contracts with a

net fair value of $58.4 million with the Jacobs Ranch mining operation. The sales contracts were not contributed to us; however, the amortization of these acquired sales contracts is reflected in our results. The fair values of acquired sales contracts are amortized over the tons of coal shipped during the term of the contracts. The net remaining balance of acquired sales contracts to be amortized (including Jacob's Ranch contracts on Arch Coal's books) was $9.3 million at September 30, 2011.

Selling, general and administrative expenses. Selling, general and administrative expenses represent expenses allocated to us from 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 our behalf.

Operating segment results. The following table shows results by operating segment for the three months ended September 30, 2011 and compares it with information for the three months ended September 30, 2010:

	Three Months Ended September 30		Increase (Decrease)	
	2011	2010	Amount	%
Powder River Basin				
Tons sold (in thousands)	28,044	34,762	(6,718)	(19.3)%
Coal sales realization per ton sold (1)	$ 13.44	$ 11.79	$ 1.65	14.0%
Operating margin per ton sold (2)	$ 1.08	$ 1.12	$ (0.04)	(3.6)%
Western Bituminous				
Tons sold (in thousands)	4,233	4,024	209	5.2%
Coal sales realization per ton sold (1)	$ 32.50	$ 30.66	$ 1.84	6.0%
Operating margin per ton sold (2)	$ 6.08	$ 3.70	$ 2.38	64.3%

(1) Coal sales prices per ton exclude certain transportation costs that we pass through to our customers. We use these financial measures because we believe the amounts as adjusted better represent the coal sales prices we achieved within our operating segments. Since other companies may calculate coal sales prices per ton differently, our calculation may not be comparable to similarly titled measures used by those companies. For the three months ended September 30, 2011, transportation costs per ton were $0.06 for the Powder River Basin and $3.79 for the Western Bituminous

region. For the three months ended September 30, 2010, transportation costs per ton were $0.07 for the Powder River Basin and $0.15 for the Western Bituminous region.

(2) Operating margin per ton sold is calculated as coal sales revenues less cost of coal sales and depreciation, depletion and amortization divided by tons sold.

Powder River Basin — The slightly lower operating margin per ton sold in the Powder River Basin 2011 when compared with 2010 is the result of lower sales volumes and the resulting increase in per-ton production costs, partially offset by the impact of higher average coal sales realizations. The lower sales volumes were primarily the result of the shipment disruptions from flooding in the Midwest, but the third quarter of 2010 was also a record production quarter for us in the PRB. Higher per-ton costs were also impacted by higher diesel prices and sales-sensitive costs.

Western Bituminous — The improvement in per-ton operating margins in 2011 reflects higher sales volumes and improved pricing resulting from increased export shipments from our Colorado operations. Effective cost control in the region and slightly higher production levels reduced our per-ton operating costs, which also contributed to the improved results in 2011.

Interest expense. Interest expense consists primarily of interest on our 6.75% senior notes, the discount on trade accounts receivable sold to Arch Coal under Arch Coal's accounts receivable securitization program, interest on commercial paper, and interest on the $225.0 million loan from Arch Coal. The decrease in the third quarter of 2011, when compared with 2010, is the result of the retirement of $500.0 million aggregate principal amount of the outstanding 6.75% senior notes in September 2010. The redemption was funded by a loan from Arch Coal of $225 million and a repayment of a portion of the balance receivable from Arch Coal.

Interest income. Interest income primarily reflects the interest on the receivable balance from Arch Coal, which earns interest at the prime interest rate.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Summary. Our improved results during the first nine months of 2011 when compared to the first nine months of 2010 were due primarily to higher average sales realizations.

Revenues. The following table summarizes information about coal sales for the nine months ended September 30, 2011 and compares it with the information for the nine months ended September 30, 2010:

	Nine Months Ended September 30		Increase (Decrease)	
	2011	2010	Amount	%
	(Amounts in thousands, except per ton data and percentages)			
Revenues	$ 1,647,384	$ 1,504,523	$ 142,861	9.5%
Tons Sold	96,587	106,516	(9,929)	(9.3)%
Coal sales realization per ton sold	$ 17.06	$ 14.12	$ 2.94	20.8%

Coal sales increased in the first nine months of 2011 from the first nine months of 2010, due to higher pricing in both regions, partially offset by lower sales volumes in the Powder River Basin. We have provided more information about the tons sold and the coal sales realizations per ton by operating segment under the heading "Operating segment results".

Costs, expenses and other. The following table summarizes costs, expenses and other components of operating income for the nine months ended September 30, 2011 and compares them with the information for the nine months ended September 30, 2010:

	Nine Months Ended September 30		Increase (Decrease) in Net Income	
	2011	2010	Amount	%
	(Amounts in thousands, except per ton data and percentages)			
Cost of sales	$ 1,319,711	$ 1,239,893	$ (79,818)	(6.4)%
Depreciation, depletion and amortization	118,631	123,883	5,252	4.2
Sales contract amortization	15,349	26,005	10,656	41.0
Selling, general and administrative	26,328	27,421	1,093	4.0
Other operating income, net	(4,644)	(3,597)	1,047	(29.1)
	$ 1,475,375	$ 1,413,605	$ (61,770)	(4.4)%

Cost of coal sales. Our cost of coal sales increased in 2011 from 2010 primarily due to an increase in sales-sensitive costs and an increase in transportation costs, as a result of an increase in export shipments. We have provided more information about our operating segments' performance and profitability under the heading "Operating segment results".

Depreciation, depletion and amortization. When compared with 2010, lower depreciation, depletion and amortization costs in 2011 resulted primarily from the impact of lower production and sales volumes on assets amortized or depleted on the basis of tons produced.

Amortization of acquired sales contracts, net. Arch Coal acquired both above- and below-market sales contracts with a net fair value of $58.4 million with the Jacobs Ranch mining operation. The sales contracts were not contributed to us; however, the amortization of these acquired sales contracts is reflected in our results. The fair values of acquired sales contracts are amortized over the tons of coal shipped during the term of the contracts. The net remaining balance of acquired sales contracts to be amortized (including Jacob's Ranch contracts on Arch Coal's books) was $9.3 million at September 30, 2011.

Selling, general and administrative expenses. Selling, general and administrative expenses represent expenses allocated to us from 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 our behalf.

Operating segment results. The following table shows results by operating segment for the nine months ended September 30, 2011 and compares it with information for the nine months ended September 30, 2010:

	Nine Months Ended September 30		Increase (Decrease)	
	2011	2010	Amount	%
Powder River Basin				
Tons sold (in thousands)	83,446	94,370	(10,924)	(11.6)%
Coal sales realization per ton sold (1)	$ 13.44	$ 11.59	$ 1.85	16.0%
Operating margin per ton sold (2)	$ 1.15	$ 0.76	$ 0.39	51.3%
Western Bituminous				
Tons sold (in thousands)	13,141	12,146	995	8.2%
Coal sales realization per ton sold (1)	$ 32.36	$ 29.90	$ 2.46	8.2%
Operating margin per ton sold (2)	$ 7.28	$ 3.13	$ 4.15	132.6%

(3) Coal sales prices per ton exclude certain transportation costs that we pass through to our customers. We use these financial measures because we believe the amounts as adjusted better represent the coal sales prices we achieved within our operating segments. Since other companies may calculate coal sales prices per ton differently, our calculation may not be comparable to similarly titled measures used by those companies. For the nine months ended September 30, 2011, transportation costs per ton were $0.15 for the Powder River Basin and $3.54 for the Western Bituminous region. For the nine months ended September 30, 2010, transportation costs per ton were $0.07 for the Powder River Basin and $0.15 for the Western Bituminous region.

(4) Operating margin per ton sold is calculated as coal sales revenues less cost of coal sales and depreciation, depletion and amortization divided by tons sold.

Powder River Basin — The operating margin per ton sold in the Powder River Basin was higher in 2011 than in 2010 due to higher average coal sales realizations, reflecting the improved coal markets. Lower sales volumes in the Powder River Basin in 2011 when compared with 2010 were primarily the result of our market-driven sales commitment approach in the Powder River Basin and the shipment disruptions from flooding in the Midwest in the second and third quarters of 2011. Lower production volumes contributed to higher per-ton costs, which along with and higher per-ton production and sales-sensitive costs partially offset the benefit from the higher realizations. Higher per-ton production costs were the result of higher labor, maintenance and diesel costs.

Western Bituminous — Improved per-ton operating margin reflects higher sales volumes and improved pricing resulting from increased export shipments for coal from our Colorado operations. Effective cost control in the region and slightly higher production levels reduced our per-ton operating costs, which also contributed to the improved results during the first nine months of 2011, when compared with the first nine months of 2010, when two outages affected production at the Dugout Canyon mine.

Interest expense. Interest expense consists primarily of interest on our 6.75% senior notes, the discount on trade accounts receivable sold to Arch Coal under Arch Coal's accounts receivable securitization program, interest on commercial paper, and interest on the $225.0 million loan from Arch Coal. The decrease in 2011, when compared with 2010, is the result of the retirement of $500.0 million aggregate principal amount of the outstanding 6.75% senior notes in September 2010. The redemption was funded by a loan from Arch Coal of $225 million and a repayment of a portion of the balance receivable from Arch Coal.

Interest income. Interest income primarily reflects the interest on the receivable balance from Arch Coal, which earns interest at the prime interest rate.

Liquidity and Capital Resources

Liquidity and capital resources

Our primary sources of cash are coal sales to customers and debt related to significant transactions. Excluding any significant business acquisitions, we generally satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations, and if necessary, from Arch Coal. Arch Coal manages our cash transactions. Cash paid to or from us that is not considered a distribution or a contribution is recorded through a note receivable from Arch Coal, with exception of the borrowings under the intercompany credit agreement.

Our ability to satisfy debt service obligations, to fund planned capital expenditures and to make acquisitions will depend upon our future operating performance, which will be affected by prevailing economic conditions in the coal industry and financial, business and other factors, some of which are beyond our control.

On June 14, 2011, we terminated our commercial paper placement program and the supporting credit facility.

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

	Nine Months Ended September 30	
	2011	2010
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ 283,862	$ 323,160
Investing activities	(206,620)	5,794
Financing activities	(56,920)	(273,862)

Cash provided by operating activities decreased in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, primarily as a result of an increased investment in working capital, primarily coal inventories, and a decrease in accounts payable in 2011.

Our investing activities consist primarily of capital spending and activity under the intercompany note receivable from Arch Coal. Cash used in investing activities of $206.6 million for the nine months ended September 30, 2011 was lower when compared to cash provided by investing activities of $5.8 million for the nine months ended September 30, 2010, primarily due to the amounts repaid on the intercompany note by Arch Coal in 2010 related to the redemption of our 6.75% Notes.

We used $56.9 million of cash in financing activities during the first nine months of 2011, compared to $273.9 million during the first nine months of 2010. In 2010, Arch Coal made a loan to us in the amount of $225.0 million, which proceeds, along with the repayment of the intercompany note mentioned above, were used to fund the redemption on September 8, 2010 of $500.0 million aggregate principal amount of our outstanding 6.75% senior notes due in 2013 at a redemption price of 101.125%.

Critical Accounting Policies

For a description of our critical accounting policies, see "Critical Accounting Policies" under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2010. There were no significant changes to our critical accounting policies during the nine months ended September 30, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We manage our commodity price risk for our long-term coal contract portfolio through the use of long-term coal supply agreements, rather than through the use of derivative instruments. The majority of our tonnage is sold under long-term contracts. We are also exposed to price risk related to the value of sulfur dioxide emission allowances that are a component of quality adjustment provisions in many of our coal supply contracts. We manage this risk through the use of long-term coal supply agreements.

We are also exposed to the risk of fluctuations in cash flows related to our purchase of diesel fuel. We expect to use approximately 55 to 60 million gallons of diesel in our operations in 2012. Arch Coal enters into heating oil swaps and options to reduce volatility in the price of diesel fuel for our operations. The swap agreements essentially fix the price paid for diesel fuel by requiring us to pay a fixed heating oil price and receive a floating heating oil price. The call options protect against increases in diesel fuel by granting us the right to participate in increases in heating oil prices. The cash settlements related to these swaps and options are allocated to us through the Arch Coal intercompany account.

We are exposed to market risk associated with fluctuating interest rates on the notes payable to Arch Coal. A one percentage point increase in the interest rates related to these borrowings would result in an annualized increase in interest expense of $1.6 million, based on borrowing levels at September 30, 2011.

Item 4. Controls and Procedures.

We performed an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2011. 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 quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the outcome of such ordinary course of business proceedings and litigation currently pending will not have a material adverse effect on our results of operations or financial results.

Item 1A. Risk Factors.

Our business inherently involves certain risks and uncertainties. The risks and uncertainties described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Should one or more of any of these risks materialize, our business, financial condition, results of operations or liquidity could be materially adversely affected.

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Reserved

Item 5. Other Information.

We believe that we have some of the safest coal mining operations in the world. Safety is a core value at our parent company, Arch Coal, and at each of its subsidiary operations. We have in place a comprehensive safety program that includes extensive health & safety training for all employees, site inspections, emergency response preparedness, crisis communications training, incident investigation, regulatory compliance training and process auditing, as well as an open dialogue between all levels of employees. The goals of our processes are to eliminate exposure to hazards in the workplace, ensure that we comply with all mine safety regulations, and support regulatory and industry efforts to improve the health and safety of our employees along with the industry as a whole.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act passed in 2010, each operator of a coal or other mine is required to include certain mine safety results in its periodic reports filed with the Securities and Exchange Commission. The operation of our mines is subject to regulation by the federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). Below we present the following items regarding certain mine safety and health matters, broken down by mining complex owned and operated by Arch Western or our subsidiaries, for the three-month period ended September 30, 2011:

- *Section 104 Citations:* Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Mine Act for which we have received a citation from MSHA;
- *Section 104(b) Orders:* Total number of orders issued under section 104(b) of the Mine Act;
- *Section 104(d) Citations/Orders:* Total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act;
- *Section 107(a) Orders:* Total number of imminent danger orders issued under section 107(a) of the Mine Act; and
- *Total Dollar Value of Proposed MSHA Assessments:* Total dollar value of proposed assessments from MSHA under the Mine Act.

Mining complex(1)	Section 104 Citations	Section 104(b) Orders	Section 104(d) Citations/Orders	Section 107(a) Orders	Total Dollar Value of Proposed MSHA Assessments (in thousands)(2)
Power River Basin:					
Black Thunder	—	—	—	—	—
Coal Creek	—	—	—	—	—
Western Bituminous:					
Arch of Wyoming	1	—	—	—	0.2
Dugout Canyon	4	—	—	1	17.2
Skyline	4	—	—	—	0.1
Sufco	4	—	—	—	—
West Elk	11	—	—	—	29.7

(1) MSHA assigns an identification number to each coal mine and may or may not assign separate identification numbers to related facilities such as preparation plants. We are providing the information in this table by mining complex rather than MSHA identification number because we believe this format will be more useful to investors than providing information based on MSHA identification numbers. For descriptions of each of these mining operations please refer to the descriptions under Item 1. Business, in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

(2) Amounts included under the heading "Total Dollar Value of Proposed MSHA Assessments" are the total dollar amounts for proposed assessments received from MSHA on or before October 24, 2011, for citations and orders occurring during the three-month period ended September 30, 2011.

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For the three-month period ended September 30, 2011, none of our mining complexes received written notice from MSHA of (i) a flagrant violation under section 110(b)(2) of the Mine Act; (ii) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Act; or (iii) the potential to have such a pattern. For the three-month period ended September 30, 2011, none of our mining complexes experienced a mining-related fatality.

As of September 30, 2011, we had a total of 55 matters pending before the Federal Mine Safety and Health Review Commission. This includes legal actions that were initiated prior to the three-month period ended September 30, 2011 and which do not necessarily relate to the citations, orders or proposed assessments issued by MSHA during such three-month period.

In evaluating the above information regarding mine safety and health, investors should take into account factors such as: (i) the number of citations and orders will vary depending on the size of a coal mine, (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed, and in that process are often reduced in severity and amount, and are sometimes dismissed.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q:

Exhibit	Description
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 John T. Drexler.
32.1	Section 1350 Certification of Paul A. Lang.

32.2	Section 1350 Certification of John T. Drexler.
101	Interactive Data File.

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Signatures

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

Arch Western Resources, LLC

By: ________________________

John T. Drexler
Vice President

November 14, 2011

Exhibit 31.1

Certification

I, Paul A. Lang, certify that:

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

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

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

4. The registrant's **other certifying officer(s)** 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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(s)** 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.

Paul A. Lang
President

Date: November 14, 2011

Certification

I, John T. Drexler, certify that:

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

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

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

4. The registrant's **other certifying officer(s)** 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

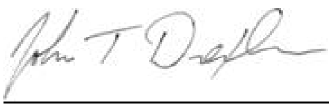
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(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(s)** 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.



John T. Drexler
Vice President
Date: November 14, 2011

Exhibit 32.1

Certification of Periodic Financial Reports

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

(1) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 (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.

Paul A. Lang
President

Date: November 14, 2011

Exhibit 32.2

Certification of Periodic Financial Reports

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

(1) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 (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.

John T Drexler

John T. Drexler
Vice President
Date: November 14, 2011