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 March 31, 2014

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: 1-13105

Arch Coal, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**43-0921172** (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 x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	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 x

At April 30, 2014 there were 212,279,999 shares of the registrant's common stock outstanding.

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Part I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(Unaudited)	
Revenues	$ 735,971	$ 737,370
Costs, expenses and other operating		
Cost of sales (exclusive of items shown separately below)	686,314	649,743
Depreciation, depletion and amortization	104,423	110,193
Amortization of acquired sales contracts, net	(3,696)	(2,810)
Change in fair value of coal derivatives and coal trading activities, net	914	1,308
Selling, general and administrative expenses	29,136	33,209
Other operating income, net	(7,998)	(2,842)
	809,093	788,801
Loss from operations	(73,122)	(51,431)
Interest expense, net		
Interest expense	(96,471)	(95,074)
Interest and investment income	1,843	2,836
	(94,628)	(92,238)
Loss from continuing operations before income taxes	(167,750)	(143,669)
Benefit from income taxes	(43,611)	(59,353)
Loss from continuing operations	(124,139)	(84,316)
Income from discontinued operations, net of tax	—	14,267
Net loss	$ (124,139)	$ (70,049)
Loss from continuing operations		
Basic and diluted loss per common share	$ (0.59)	$ (0.40)
Net loss		
Basic and diluted loss per common share	$ (0.59)	$ (0.33)
Basic and diluted weighted average shares outstanding	212,171	212,062
Dividends declared per common share	$ 0.01	$ 0.03

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

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Net loss	$ (124,139)	$ (70,049)

Derivative instruments		
Comprehensive loss before tax	(229)	(1,179)
Income tax benefit	82	425
	(147)	(754)
Pension, postretirement and other post-employment benefits		
Comprehensive income (loss) before tax	(1,847)	1,954
Income tax benefit (provision)	665	(703)
	(1,182)	1,251
Available-for-sale securities		
Comprehensive income (loss) before tax	(2,033)	1,553
Income tax benefit (provision)	732	(559)
	(1,301)	994
Total other comprehensive income (loss)	(2,630)	1,491
Total comprehensive loss	$ (126,769)	$ (68,558)

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

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except per share data)

	March 31, 2014	December 31, 2013
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 865,761	$ 911,099
Short term investments	248,572	248,414
Trade accounts receivable	230,002	198,020
Other receivables	44,810	31,553
Inventories	224,806	264,161
Prepaid royalties	6,896	8,083
Deferred income taxes	48,869	49,144
Coal derivative assets	12,316	14,851
Other current assets	55,296	56,746
Total current assets	1,737,328	1,782,071
Property, plant and equipment, net	6,616,144	6,734,286
Other assets		
Prepaid royalties	87,552	87,577
Equity investments	223,235	221,456
Other noncurrent assets	158,925	164,803
Total other assets	469,712	473,836
Total assets	$ 8,823,184	$ 8,990,193
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 160,361	$ 176,142
Accrued expenses and other current liabilities	328,561	278,587
Current maturities of debt	29,950	33,493
Total current liabilities	518,872	488,222
Long-term debt	5,112,995	5,118,002
Asset retirement obligations	390,408	402,713
Accrued pension benefits	10,484	7,111
Accrued postretirement benefits other than pension	37,995	39,255
Accrued workers' compensation	75,817	78,062
Deferred income taxes	368,057	413,546
Other noncurrent liabilities	181,866	190,033
Total liabilities	6,696,494	6,736,944
Stockholders' equity		
Common stock, $0.01 par value, authorized 260,000 shares, issued 213,792 shares at both March 31, 2014 and December 31, 2013.	2,141	2,141
Paid-in capital	3,040,946	3,038,613
Treasury stock, at cost	(53,848)	(53,848)
Accumulated deficit	(897,611)	(771,349)
Accumulated other comprehensive income	35,062	37,692
Total stockholders' equity	2,126,690	2,253,249
Total liabilities and stockholders' equity	$ 8,823,184	$ 8,990,193

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

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31, 2014	2013
	(Unaudited)	
Operating activities		
Net loss	$ (124,139)	$ (70,049)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	104,423	118,868
Amortization of acquired sales contracts, net	(3,696)	(2,810)
Amortization relating to financing activities	3,236	6,167
Prepaid royalties expensed	1,803	3,537
Employee stock-based compensation expense	2,333	2,713
Gains on disposals and divestitures, net	(15,129)	(595)
Changes in:		
Receivables	(27,245)	(12,340)
Inventories	7,441	(2,816)
Accounts payable, accrued expenses and other current liabilities	43,989	38,249
Income taxes, net	(115)	458
Deferred income taxes	(43,698)	(54,993)
Other	10,522	16,902
Cash provided by (used in) operating activities	(40,275)	43,291
Investing activities		
Capital expenditures	(14,454)	(54,522)
Additions to prepaid royalties	(591)	(9,142)
Proceeds from disposals and divestitures	28,195	714
Purchases of short term investments	(119,176)	(26,787)
Proceeds from sales of short term investments	117,681	11,534
Investments in and advances to affiliates	(3,242)	(4,298)
Change in restricted cash	—	1,163
Cash provided by (used in) investing activities	8,413	(81,338)
Financing activities		
Payments on term loan	(4,875)	(4,125)
Net payments on other debt	(4,521)	(5,964)
Debt financing costs	(1,957)	—
Dividends paid	(2,123)	(6,367)
Cash used in financing activities	(13,476)	(16,456)
Decrease in cash and cash equivalents	(45,338)	(54,503)
Cash and cash equivalents, beginning of period	911,099	784,622
Cash and cash equivalents, end of period	$ 865,761	$ 730,119

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

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Arch Coal, Inc. 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 Coal, Inc. and its subsidiaries and controlled entities (the “Company”). The Company’s primary business is the production of thermal and metallurgical coal from surface and underground mines located throughout the United States, for sale to utility, industrial and steel producers both in the United States and around the world. The Company currently operates mining complexes in West Virginia, Kentucky, Maryland, Virginia, Illinois, Wyoming and Colorado. All subsidiaries are wholly-owned. Intercompany transactions and accounts have been eliminated in consolidation.

The Company completed the sale of Canyon Fuel Company, LLC (“Canyon Fuel”) on August 16, 2013. The results of Canyon Fuel have been segregated from continuing operations and are reflected, net of tax, as discontinued operations in the condensed consolidated statements of operations for the three months ended March 31, 2013.

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 months ended March 31, 2014 are not necessarily indicative of results to be expected for the year ending December 31, 2014. 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, 2013 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

2. Accounting Policies

There is no new accounting guidance that is expected to have a significant impact on the Company's financial statements.

3. Accumulated Other Comprehensive Income

The following items are included in accumulated other comprehensive income:

	Derivative Instruments	Pension, Postretirement and Other Post-Employment Benefits	Available-for-Sale Securities	Accumulated Other Comprehensive Loss
		(In thousands)		
Balance at December 31, 2013	$ 565	$ 31,112	$ 6,015	$ 37,692
Unrealized gains (losses)	47	—	(1,657)	(1,610)
Amounts reclassified from accumulated other comprehensive income	(194)	(1,182)	356	(1,020)
Balance at March 31, 2014	$ 418	$ 29,930	$ 4,714	$ 35,062

The following amounts were reclassified out of accumulated other comprehensive income:

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Details about accumulated other comprehensive income components	Amount Reclassified from Accumulated other comprehensive income — Three months ended March 31, 2014	2013	Line Item in the Condensed Consolidated Statement of Operations
	(In thousands)		
Derivative instruments	$ 303	$ 859	Revenues
	(109)	(309)	Benefit from income taxes
	$ 194	$ 550	Net of tax
Pension, postretirement and other post-employment benefits			
Amortization of prior service credits	$ 2,626	$ 2,908[1]	
Amortization of actuarial gains (losses), net	(779)	(4,862)[1]	
	1,847	(1,954)	Total before tax
	(665)	703	Benefit from income taxes
	$ 1,182	$ (1,251)	Net of tax
Available-for-sale securities	$ (556)	$ (59)[2]	Interest and investment income
	200	21	Benefit from income taxes
	$ (356)	$ (38)	Net of tax

[1] Production-related benefits and workers' compensation costs are included in inventoriable production costs.
[2] The gains and losses on sales of available-for-sale-securities are determined on a specific identification basis.

4. Divestitures

During the first quarter of 2014, the Company entered into agreements to sell an operating thermal coal complex and an idled thermal coal mine in Kentucky and the Company's ADDCAR subsidiary, which manufactures a patented highwall mining system. The sales closed during the quarter for total consideration of $45.5 million. The Company received $26.3 million in cash and the remaining $19.0 million is payable $8.0 million on June 30, 2014 and $11.0 million on December 31, 2014. The Company recognized a net pre-tax gain of $13.8 million from these divestitures, reflected in "other operating income, net" in the condensed consolidated statement of operations.

The following table summarizes the assets and liabilities of the divested operations reflected in the December 31, 2013 consolidated balance sheet:

	(In thousands)
Inventories	$ 33,283
Other current assets	1,032
Net property, plant & equipment	104,587
Other noncurrent assets	139
Accounts payable and accrued expenses	13,005
Other noncurrent liabilities	24,276

The following table summarizes the results of Canyon Fuel, reflected as discontinued operations in the condensed consolidated statement of operations through the date of disposition:

	Three Months Ended March 31, 2013 (In thousands)
Total revenues	$ 88,132
Income from discontinued operations before income taxes	$ 18,989
Less: income tax expense	4,722
Income from discontinued operations	$ 14,267
Basic and diluted earnings per common share from discontinued operations	$ 0.07

5. Inventories

Inventories consist of the following:

	March 31, 2014	December 31 2013
	(In thousands)	
Coal	$ 98,125	$ 117,531
Repair parts and supplies	126,681	137,497
Work-in-process	—	9,133
	$ 224,806	$ 264,161

The repair parts and supplies are stated net of an allowance for slow-moving and obsolete inventories of $8.6 million at March 31, 2014 and $8.4 million at December 31, 2013.

6. Investments in Available-for-Sale Securities

The Company has invested in marketable debt securities, primarily highly liquid AA - rated corporate bonds and U.S. government and government agency securities. These investments are held in the custody of a major financial institution. These securities, along with the Company's investments in marketable equity securities, are classified as available-for-sale securities and, accordingly, the unrealized gains and losses are recorded through other comprehensive income.

The Company's investments in available-for-sale marketable securities are as follows:

	March 31, 2014					
					Balance Sheet Classification	
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Short-Term Investments	Other Assets
	(In thousands)					
Available-for-sale:						
Corporate notes and bonds	$ 250,723	$ 4	$ (2,155)	$ 248,572	$ 248,572	$ —
Equity securities	5,420	12,203	(2,698)	14,925	—	14,925
Total Investments	$ 256,143	$ 12,207	$ (4,853)	$ 263,497	$ 248,572	$ 14,925

	December 31, 2013					
					Balance Sheet Classification	
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Short-Term Investments	Other Assets
	(In thousands)					
Available-for-sale:						
U.S. government and agency securities	$ 65,002	$ 11	$ (75)	$ 64,938	$ 64,938	$ —
Corporate notes and bonds	184,773	7	(1,304)	183,476	183,476	—
Equity securities	5,271	13,660	(2,902)	16,029	—	16,029
Total Investments	$ 255,046	$ 13,678	$ (4,281)	$ 264,443	$ 248,414	$ 16,029

The aggregate fair value of investments with unrealized losses that have been owned for less than a year was $200.4 million and $164.3 million at March 31, 2014 and December 31, 2013, respectively. The aggregate fair value of investments with unrealized losses that were owned for over a year, and were also in a continuous unrealized loss position during that time, was $34.7 million and $48.7 million at March 31, 2014 and December 31, 2013, respectively.

The debt securities outstanding at March 31, 2014 have maturity dates ranging from the second quarter of 2014 through the third quarter of 2015. The Company classifies its investments as current based on the nature of the investments and their availability to provide cash for use in current operations.

7. Derivatives

Diesel fuel price risk management

The Company is exposed to price risk with respect to diesel fuel purchased for use in its operations. The Company anticipates purchasing approximately 57 to 67 million gallons of diesel fuel for use in its operations during 2014. To protect the Company's cash flows from increases in the price of diesel fuel for its operations, the Company uses forward physical diesel purchase contracts and purchased heating oil call options. At March 31, 2014, the Company had protected the price of approximately 87% of its expected purchases for the remainder of 2014 and 30% of its expected purchases during the first half of 2015. At March 31, 2014, the Company had purchased heating oil call options for approximately 61 million gallons for the purpose of managing the price risk associated with future diesel purchases.

The Company has also purchased heating oil call options to manage the price risk associated with fuel surcharges on its barge and rail shipments, which cover increases in diesel fuel prices for the respective carriers. At March 31, 2014, the Company held heating oil call options for 3.8 million gallons that will settle ratably in the remainder of 2014 for the purpose of managing the fluctuations in cash flows associated with fuel surcharges on future shipments.

These positions reduce the Company's risk of cash flow fluctuations related to these surcharges but the positions are not accounted for as hedges.

Coal price risk management positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market in order to manage its exposure to coal prices. The Company has exposure to the risk of fluctuating coal prices related to forecasted sales or purchases of coal or to the risk of changes in the fair value of a fixed price physical sales contract. Certain derivative contracts may be designated as hedges of these risks.

At March 31, 2014, the Company held derivatives for risk management purposes that are expected to settle in the following years:

(Tons in thousands)	2014	2015	Total
Coal sales	3,991	1,380	5,371
Coal purchases	1,778	—	1,778

The Company has also entered into a nominal quantity of natural gas put options to protect the Company from decreases in natural gas prices, which could impact coal demand. These options are not accounted for as hedges.

Coal trading positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market for trading purposes. The Company is exposed to the risk of changes in coal prices on the value of its coal trading portfolio. The estimated future realization of the value of the trading portfolio is $6.6 million of gains during the remainder of 2014 and $1.4 million of gains in 2015.

Tabular derivatives disclosures

The Company has master netting agreements with all of its counterparties which allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. Such netting arrangements reduce the Company's credit exposure related to these counterparties. For classification purposes, the Company records the net fair value of all the positions with a given counterparty as a net asset or liability in the condensed consolidated balance sheets. The amounts shown in the table below represent the fair value position of individual contracts, and not the net position presented in the accompanying condensed consolidated balance sheets. The fair value and location of derivatives reflected in the accompanying condensed consolidated balance sheets are as follows:

Fair Value of Derivatives (In thousands)	March 31, 2014 Asset Derivative	March 31, 2014 Liability Derivative		December 31, 2013 Asset Derivative	December 31, 2013 Liability Derivative	
Derivatives Designated as Hedging Instruments						
Coal	$ 1,101	$ (215)		$ 909	$ (26)	
Derivatives Not Designated as Hedging Instruments						
Heating oil — diesel purchases	2,683	—		4,681	—	
Heating oil — fuel surcharges	152	—		422	—	
Coal — held for trading purposes	75,886	(67,944)		55,327	(45,763)	
Coal — risk management	4,543	(1,453)		6,342	(1,950)	
Natural gas	398	—		—	—	
Total	83,662	(69,397)		66,772	(47,713)	
Total derivatives	84,763	(69,612)		67,681	(47,739)	
Effect of counterparty netting	(69,612)	69,612		(47,727)	47,727	
Net derivatives as classified in the balance sheets	$ 15,151	$ —	$ 15,151	$ 19,954	$ (12)	$ 19,942

		March 31, 2014	December 31, 2013
Net derivatives as reflected on the balance sheets			
Heating oil	Other current assets	$ 2,835	$ 5,103
Coal	Coal derivative assets	12,316	14,851
	Accrued expenses and other current liabilities	—	(12)
		$ 15,151	$ 19,942

The Company had a current asset for the right to reclaim cash collateral of $6.5 million at March 31, 2014 and $2.2 million at December 31, 2013. These amounts are not included with the derivatives presented in the table above and are included in "other current assets" in the accompanying condensed consolidated balance sheets.

The effects of derivatives on measures of financial performance are as follows:

Derivatives used in Cash Flow Hedging Relationships (in thousands)
For the Three Months Ended March 31,

		Gain (Loss) Recognized in Other Comprehensive Income(Effective Portion)		Gains (Losses) Reclassified from Other Comprehensive Income into Income (Effective Portion)	
		2014	2013	2014	2013
Coal sales	(1)	$ (515)	$ (176)	$ 706	$ 1,221
Coal purchases	(2)	589	(182)	(404)	(362)
Totals		$ 74	$ (358)	$ 302	$ 859

No ineffectiveness or amounts excluded from effectiveness testing relating to the Company's cash flow hedging relationships were recognized in the results of operations in the three month periods ended March 31, 2014 and 2013.

Derivatives Not Designated as Hedging Instruments (in thousands)
For the Three Months Ended March 31,

		Gain (Loss) Recognized	
		2014	2013
Coal — unrealized	(3)	$ (1,302)	$ 1,470
Coal — realized	(4)	$ 2,879	$ 9,217
Natural gas — unrealized	(3)	$ 8	$ —
Heating oil — diesel purchases	(4)	$ (2,963)	$ (4,261)
Heating oil — fuel surcharges	(4)	$ (254)	$ (565)

Location in statement of operations:
(1) — Revenues
(2) — Cost of sales
(3) — Change in fair value of coal derivatives and coal trading activities, net
(4) — Other operating income, net

The Company recognized net unrealized and realized gains of $0.4 million during the three months ended March 31, 2014 and net unrealized and realized losses of $2.8 million during the three months ended March 31, 2013 related to its trading portfolio, which are included in the caption "Change in fair value of coal derivatives and coal trading activities, net" in the accompanying condensed consolidated statements of operations, and are not included in the previous tables reflecting the effects of derivatives on measures of financial performance.

Based on fair values at March 31, 2014, gains on derivative contracts designated as hedge instruments in cash flow hedges of approximately $0.9 million are expected to be reclassified from other comprehensive income into earnings during the next twelve months.

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	March 31, 2014	December 31, 2013
	(In thousands)	
Payroll and employee benefits	$ 58,220	$ 67,621
Taxes other than income taxes	112,406	114,664
Interest	79,731	18,528
Acquired sales contracts	14,439	14,373
Workers' compensation	16,470	12,434
Asset retirement obligations	22,682	24,940
Other	24,613	26,027
	$ 328,561	$ 278,587

9. Debt and Financing Arrangements

	March 31, 2014	December 31, 2013
	(In thousands)	
Term loan due 2018 ($1.92 billion and $1.93 billion face value, respectively)	$ 1,902,731	$ 1,906,975
7.00% senior notes due 2019 at par	1,000,000	1,000,000
9.875% senior notes due 2019 ($375.0 million face value)	362,573	362,358

8.00% senior secured notes due 2019 at par	350,000	350,000
7.25% senior notes due 2020 at par	500,000	500,000
7.25% senior notes due 2021 at par	1,000,000	1,000,000
Other	27,641	32,162
	5,142,945	5,151,495
Less current maturities of debt	29,950	33,493
Long-term debt	$ 5,112,995	$ 5,118,002

At March 31, 2014, the available borrowing capacity under the Company's lines of credit was approximately $250.1 million.

10. Income taxes

During the three months ended March 31, 2014, the Company determined it was more likely than not that a portion of the federal and state net operating losses it expects to generate in 2014 will not be realized through future taxable income, and the estimated annual effective rate includes a valuation allowance for that portion. In applying the estimated annual effective rate to earnings for the three months ended March 31, 2014, the Company increased its valuation allowance by $21.6 million related to federal net operating losses and $2.2 million related to state net operating losses.

11. Fair Value Measurements

The hierarchy of fair value measurements assigns a level to fair value measurements based on the inputs used in the respective valuation techniques. The levels of the hierarchy, as defined below, give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include available-for-sale equity securities, U.S. Treasury securities, and coal futures that are submitted for clearing on the New York Mercantile Exchange.

- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's level 2 assets and liabilities include U.S. government agency securities and commodity contracts (coal and heating oil) with fair values derived from quoted prices in over-the-counter markets or from prices received from direct broker quotes.

- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. These include the Company's commodity option contracts (coal, natural gas and heating oil) valued using modeling techniques, such as Black-Scholes, that require the use of inputs, particularly volatility, that are rarely observable. Changes in the unobservable inputs would not have a significant impact on the reported Level 3 fair values at March 31, 2014.

The table below sets forth, by level, the Company's financial assets and liabilities that are recorded at fair value in the accompanying condensed consolidated balance sheet:

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	March 31, 2014			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Assets:				
Investments in marketable securities	$ 263,497	$ 14,925	$ 248,572	$ —
Derivatives	15,151	10,956	218	3,977
Total assets	$ 278,648	$ 25,881	$ 248,790	$ 3,977

The Company's contracts with its counterparties allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. For classification purposes, the Company records the net fair value of all the positions with these counterparties as a net asset or liability. Each level in the table above displays the underlying contracts according to their classification in the accompanying condensed consolidated balance sheet, based on this counterparty netting.

The following table summarizes the change in the fair values of financial instruments categorized as level 3.

	Three Months Ended March 31, 2014
	(In thousands)
Balance, beginning of period	$ 4,946
Realized and unrealized losses recognized in earnings, net	(2,925)
Purchases	1,956
Ending balance	$ 3,977

Net unrealized losses of $2.6 million were recognized during the three months ended March 31, 2014 related to level 3 financial instruments held on March 31, 2014.

Fair Value of Long-Term Debt

At March 31, 2014 and December 31, 2013, the fair value of the Company's debt, including amounts classified as current, was $4.5 billion and $4.6 billion, respectively. Fair values are based upon observed prices in an active market, when available, or from valuation models using market information, which fall into Level 2 in the fair value hierarchy.

12. Loss Per Common Share

The effect of options, restricted stock and restricted stock units equaling 6.9 million and 8.6 million shares of common stock were excluded from the calculation of diluted weighted average shares outstanding for the three month periods ended March 31, 2014 and 2013, respectively, because the exercise price or grant price of the securities exceeded the average market price of the Company's common stock for these periods. The weighted average share impacts of options, restricted stock and restricted stock units that were excluded from the calculation of weighted average shares due to the Company's incurring a net loss for the three months ended March 31, 2014 and 2013 were not significant.

13. Employee Benefit Plans

The following table details the components of pension benefit costs (credits):

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(In thousands)	
Service cost	$ 5,924	$ 7,700
Interest cost	4,364	3,926
Expected return on plan assets	(5,978)	(5,806)
Amortization of prior service costs (credits)	(54)	(158)
Amortization of other actuarial losses	948	4,551
Net benefit cost	$ 5,204	$ 10,213

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The following table details the components of other postretirement benefit costs (credits):

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(In thousands)	
Service cost	$ 444	$ 556
Interest cost	464	431
Amortization of prior service credits	(2,501)	(2,750)
Amortization of other actuarial losses (gains)	(170)	77
Net benefit credit	$ (1,763)	$ (1,686)

14. Commitments and Contingencies

The Company accrues for cost related to contingencies when a loss is probable and the amount is reasonably determinable. Disclosure of contingencies is included in the financial statements when it is at least reasonably possible that a material loss or an additional material loss in excess of amounts already accrued may be incurred.

Allegheny Energy Supply ("Allegheny"), the sole customer of coal produced at the Company's subsidiary Wolf Run Mining Company's ("Wolf Run") Sycamore No. 2 mine, filed a lawsuit against Wolf Run, Hunter Ridge Holdings, Inc. ("Hunter Ridge"), and ICG in state court in Allegheny County, Pennsylvania on December 28, 2006, and amended its complaint on April 23, 2007. Allegheny claimed that Wolf Run breached a coal supply contract when it declared force majeure under the contract upon idling the Sycamore No. 2 mine in the third quarter of 2006, and that Wolf Run continued to breach the contract by failing to ship in volumes referenced in the contract. The Sycamore No. 2 mine was idled after encountering adverse geologic conditions and abandoned gas wells that were previously unidentified and unmapped.

After extensive searching for gas wells and rehabilitation of the mine, it was re-opened in 2007, but with notice to Allegheny that it would necessarily operate at reduced volumes in order to safely and effectively avoid the many gas wells within the reserve. The amended complaint also alleged that the production stoppages constitute a breach of the guarantee agreement by Hunter Ridge and breach of certain representations made upon entering into the contract in early 2005. Allegheny voluntarily dropped the breach of representation claims later. Allegheny claimed that it would incur costs in excess of $100 million to purchase replacement coal over the life of the contract. ICG, Wolf Run and Hunter Ridge answered the amended complaint on August 13, 2007, disputing all of the remaining claims.

On November 3, 2008, ICG, Wolf Run and Hunter Ridge filed an amended answer and counterclaim against the plaintiffs seeking to void the coal supply agreement due to, among other things, fraudulent inducement and conspiracy. On September 23, 2009, Allegheny filed a second amended complaint alleging several alternative theories of liability in its effort to extend contractual liability to ICG, which was not a party to the original contract and did not exist at the time Wolf Run and Allegheny entered into the contract. No new substantive claims were asserted. ICG answered the second amended complaint on October 13, 2009, denying all of the new claims. The Company's counterclaim was dismissed on motion for summary judgment entered on May 11, 2010. Allegheny's claims against ICG were also dismissed by summary judgment, but the claims against Wolf Run and Hunter Ridge were not. The court conducted a non-jury trial of this matter beginning on January 10, 2011 and concluding on February 1, 2011.

At the trial, Allegheny presented its evidence for breach of contract and claimed that it is entitled to past and future damages in the aggregate of between $228 million and $377 million. Wolf Run and Hunter Ridge presented their defense of the claims, including evidence with respect to the existence of force majeure conditions and excuse under the contract and applicable law. Wolf Run and Hunter Ridge presented evidence that Allegheny's damages calculations were significantly inflated because it did not seek to determine damages as of the time of the breach and in some instances artificially assumed future nondelivery or did not take into account the apparent requirement to supply coal in the future. On May 2, 2011, the trial court entered a Memorandum and Verdict determining that Wolf Run had breached the coal supply contract and that the performance shortfall was not excused by force majeure. The trial court awarded total damages and interest in the amount of $104.1 million, which consisted of $13.8 million for past damages, and $90.3 million for future damages. ICG and Allegheny filed post-verdict motions in the trial court and on August 23, 2011, the court denied the parties' motions. The court entered a final judgment on August 25, 2011, in the amount of $104.1 million, which included pre-judgment interest.

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The parties appealed the lower court's decision to the Superior Court of Pennsylvania. On August 13, 2012, the Superior Court of Pennsylvania affirmed the award of past damages, but ruled that the lower court should have calculated future damages as of the date of breach, and remanded the matter back to the lower court with instructions to recalculate that portion of the award. On November 19, 2012, Allegheny filed a Petition for Allowance of Appeal with the Supreme Court of Pennsylvania and Wolf Run and Hunter Ridge filed an Answer. On July 2, 2013, the Supreme Court of Pennsylvania denied the Petition of Allowance. As this action finalized the past damage award, Wolf Run paid $15.6 million for the past damage amount, including interest, to Allegheny in July 2013. The future damage award is now back before the lower court, and a new trial has been scheduled to start May 13, 2014.

In addition, the Company is a party to numerous claims and lawsuits with respect to various matters. As of March 31, 2014 and December 31, 2013, the Company had accrued $23.1 million and $30.4 million, respectively, for all legal matters, including $10.1 million and $11.7 million, respectively, classified as current. The ultimate resolution of any such legal matter could result in outcomes which may be materially different from amounts the Company has accrued for such matters.

15. Segment Information

The Company's reportable business segments are based on the major coal producing basins in which the Company operates and may include a number of mine complexes. The Company manages its coal sales by coal basin, not by individual mining complex. Geology, coal transportation routes to customers, regulatory environments and coal quality or type are characteristic to a basin, and, accordingly, market and contract pricing have developed by coal basin. Mining 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 Appalachia (APP) segment, with operations in West Virginia, Kentucky, Maryland and Virginia. The "Other" category combines other operating segments and includes the Company's coal mining operations in Colorado and Illinois and its ADDCAR subsidiary, which the Company sold in the first quarter of 2014.

Operating segment results for the three months ended March 31, 2014 and 2013 are presented below. Results for the reportable segments include all direct costs of mining, including all depreciation, depletion and amortization related to the mining operations, even if the assets are not recorded at the operating segment level. These reportable segments results do not reflect the mine closure or impairment costs, since those are not reflected in the operating income reviewed by management. Corporate, Other and Eliminations includes these charges, as well as the change in fair value of coal derivatives and coal trading activities, net; corporate overhead; land management; other support functions; and the elimination of intercompany transactions. The operating segment results reflect only those from continuing operations, and exclude the results of Canyon Fuel, since they are classified as discontinued operations in the condensed consolidated statements of operations.

The asset amounts below represent an allocation of assets consistent with the basis used for the Company's incentive compensation plans. The amounts in Corporate, Other and Eliminations represent primarily corporate assets (cash, receivables, investments, plant, property and equipment) as well as unassigned coal reserves, above-market acquired sales contracts and other unassigned assets.

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	PRB	APP	Other Operating Segments	Corporate, Other and Eliminations	Consolidated
			(In thousands)		
Three Months Ended March 31, 2014					
Revenues	$ 358,607	$ 279,137	$ 98,227	$ —	$ 735,971
Income (loss) from operations	(4,898)	(25,728)	1,635	(44,131)	(73,122)
Depreciation, depletion and amortization	39,245	54,988	9,519	671	104,423
Amortization of acquired sales contracts, net	(789)	(2,974)	67	—	(3,696)
Capital expenditures	2,094	8,156	1,801	2,403	14,454
Three Months Ended March 31, 2013					
Revenues	$ 361,946	$ 282,618	$ 92,806	$ —	$ 737,370
Income (loss) from operations	15,516	(27,116)	7,384	(47,215)	(51,431)
Depreciation, depletion and amortization	42,227	55,331	11,304	1,331	110,193
Amortization of acquired sales contracts, net	(1,199)	(2,472)	861	—	(2,810)
Capital expenditures	2,157	49,297	763	2,305	54,522

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

	Three Months Ended March 31, 2014	2013
	(In thousands)	
Loss from operations	$ (73,122)	$ (51,431)
Interest expense	(96,471)	(95,074)
Interest and investment income	1,843	2,836
Loss from continuing operations before income taxes	$ (167,750)	$ (143,669)

16. Supplemental Consolidating Financial Information

Pursuant to the indentures governing Arch Coal, Inc.'s 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, (iii) the guarantors under the senior notes, and (iv) the entities which are not guarantors under the senior notes (Arch Receivable Company, LLC and the Company's subsidiaries outside the United States):

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Condensed Consolidating Statements of Operations
Three Months Ended March 31, 2014

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenues	$ —	$ 735,971	$ —	$ —	$ 735,971
Costs, expenses and other					
Cost of sales (exclusive of items shown separately below)	3,389	683,775	—	(850)	686,314
Depreciation, depletion and amortization	1,472	102,942	9	—	104,423
Amortization of acquired sales contracts, net	—	(3,696)	—	—	(3,696)
Change in fair value of coal derivatives and coal trading activities, net	—	914	—	—	914
Selling, general and administrative expenses	19,944	7,865	1,803	(476)	29,136
Other operating income, net	1,593	(9,480)	(1,437)	1,326	(7,998)
	26,398	782,320	375	—	809,093
Loss from investment in subsidiaries	(35,347)	—	—	35,347	—
Loss from operations	(61,745)	(46,349)	(375)	35,347	(73,122)
Interest expense, net					
Interest expense	(113,655)	(6,324)	(1,050)	24,558	(96,471)
Interest and investment income	7,601	17,651	1,149	(24,558)	1,843
	(106,054)	11,327	99	—	(94,628)
Loss from continuing operations before income taxes	(167,799)	(35,022)	(276)	35,347	(167,750)
Provision for (benefit from) income taxes	(43,660)	—	49	—	(43,611)
Net loss	$ (124,139)	$ (35,022)	$ (325)	$ 35,347	$ (124,139)
Total comprehensive loss	$ (126,769)	$ (36,428)	$ (325)	$ 36,753	$ (126,769)

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Condensed Consolidating Statements of Operations
Three Months Ended March 31, 2013

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenues	$ —	$ 737,370	$ —	$ —	$ 737,370
Costs, expenses and other					
Cost of sales (exclusive of items shown separately below)	2,883	646,860	—	—	649,743
Depreciation, depletion and amortization	1,406	108,778	9	—	110,193
Amortization of acquired sales contracts, net	—	(2,810)	—	—	(2,810)
Change in fair value of coal derivatives and coal trading activities, net	—	1,308	—	—	1,308
Selling, general and administrative expenses	21,698	10,035	1,476	—	33,209
Other operating income, net	(5,907)	4,077	(1,012)	—	(2,842)
	20,080	768,248	473	—	788,801
Income from investment in subsidiaries	(2,871)	—	—	2,871	—
Income (loss) from operations	(22,951)	(30,878)	(473)	2,871	(51,431)
Interest expense, net					
Interest expense	(110,827)	(6,442)	(1,041)	23,236	(95,074)
Interest and investment income	9,098	15,443	1,531	(23,236)	2,836
	(101,729)	9,001	490	—	(92,238)
Income (loss) from continuing operations before income taxes	(124,680)	(21,877)	17	2,871	(143,669)
Benefit from income taxes	(59,353)	—	—	—	(59,353)
Income (loss) from continuing operations	(65,327)	(21,877)	17	2,871	(84,316)
Income from discontinued operations, net of tax	(4,722)	18,989	—	—	14,267
Net income (loss)	$ (70,049)	$ (2,888)	$ 17	$ 2,871	$ (70,049)
Total comprehensive income (loss)	$ (68,558)	$ (3,324)	$ 17	$ 3,307	$ (68,558)

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Condensed Consolidating Balance Sheets
March 31, 2014

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 753,902	$ 100,353	$ 11,506	$ —	$ 865,761
Short term investments	248,572	—	—	—	248,572
Receivables	33,115	16,594	229,737	(4,634)	274,812
Inventories	—	224,806	—	—	224,806
Other	80,500	42,347	530	—	123,377
Total current assets	1,116,089	384,100	241,773	(4,634)	1,737,328
Property, plant and equipment, net	23,765	6,592,317	28	34	6,616,144
Investment in subsidiaries	7,724,424	—	—	(7,724,424)	—
Intercompany receivables	—	2,079,874	—	(2,079,874)	—
Note receivable from Arch Western	675,000	—	—	(675,000)	—
Other	157,663	311,976	73	—	469,712
Total other assets	8,557,087	2,391,850	73	(10,479,298)	469,712
Total assets	$ 9,696,941	$ 9,368,267	$ 241,874	$ (10,483,898)	$ 8,823,184
Liabilities and Stockholders' Equity					
Accounts payable	$ 18,326	$ 141,921	$ 114	$ —	$ 160,361
Accrued expenses and other current liabilities	105,706	226,757	732	(4,634)	328,561
Current maturities of debt	25,481	4,469	—	—	29,950
Total current liabilities	149,513	373,147	846	(4,634)	518,872
Long-term debt	5,095,777	17,218	—	—	5,112,995
Intercompany payables	1,865,706	—	214,168	(2,079,874)	—
Note payable to Arch Coal	—	675,000	—	(675,000)	—
Asset retirement obligations	1,018	389,390	—	—	390,408
Accrued pension benefits	2,873	7,611	—	—	10,484
Accrued postretirement benefits other than pension	4,213	33,782	—	—	37,995
Accrued workers' compensation	27,606	48,211	—	—	75,817
Deferred income taxes	368,057	—	—	—	368,057
Other noncurrent liabilities	55,522	126,039	305	—	181,866
Total liabilities	7,570,285	1,670,398	215,319	(2,759,508)	6,696,494
Stockholders' equity	2,126,656	7,697,869	26,555	(7,724,390)	2,126,690
Total liabilities and stockholders' equity	$ 9,696,941	$ 9,368,267	$ 241,874	$ (10,483,898)	$ 8,823,184

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Condensed Consolidating Balance Sheets
December 31, 2013

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 799,333	$ 100,418	$ 11,348	$ —	$ 911,099
Short term investments	248,414	—	—	—	248,414
Receivables	14,177	23,018	197,015	(4,637)	229,573
Inventories	—	264,161	—	—	264,161
Other	84,401	43,617	806	—	128,824
Total current assets	1,146,325	431,214	209,169	(4,637)	1,782,071
Property, plant and equipment, net	24,851	6,709,398	37	—	6,734,286
Investment in subsidiaries	7,741,589	—	—	(7,741,589)	—
Intercompany receivables		1,953,719	(181,095)	(1,772,624)	—
Note receivable from Arch Western	675,000	—	—	(675,000)	—
Other	162,287	311,463	86	—	473,836
Total other assets	8,578,876	2,265,182	(181,009)	(10,189,213)	473,836
Total assets	$ 9,750,052	$ 9,405,794	$ 28,197	$ (10,193,850)	$ 8,990,193
Liabilities and Stockholders' Equity					
Accounts payable	$ 17,781	$ 158,224	$ 137	$ —	$ 176,142
Accrued expenses and other current liabilities	53,779	228,664	781	(4,637)	278,587

Current maturities of debt	28,882	4,611	—	—	33,493
Total current liabilities	100,442	391,499	918	(4,637)	488,222
Long-term debt	5,099,833	18,169	—		5,118,002
Intercompany payables	1,772,624	—	—	(1,772,624)	—
Note payable to Arch Coal	—	675,000	—	(675,000)	—
Asset retirement obligations	1,095	401,618	—	—	402,713
Accrued pension benefits	7,797	(686)	—	—	7,111
Accrued postretirement benefits other than pension	12,079	27,176	—	—	39,255
Accrued workers' compensation	21,546	56,516	—	—	78,062
Deferred income taxes	413,546	—	—	—	413,546
Other noncurrent liabilities	67,841	121,794	398	—	190,033
Total liabilities	7,496,803	1,691,086	1,316	(2,452,261)	6,736,944
Stockholders' equity	2,253,249	7,714,708	26,881	(7,741,589)	2,253,249
Total liabilities and stockholders' equity	$ 9,750,052	$ 9,405,794	$ 28,197	$ (10,193,850)	$ 8,990,193

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Condensed Consolidating Statements of Cash Flows
Three Months Ended March 31, 2014

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Cash provided by (used in) operating activities	$ (150,338)	$ 142,978	$ (32,915)	$ —	$ (40,275)
Investing Activities					
Capital expenditures	(492)	(13,962)	—	—	(14,454)
Additions to prepaid royalties	—	(591)	—	—	(591)
Proceeds from disposals and divestitures	26,319	1,876	—	—	28,195
Purchases of short term investments	(119,176)	—	—	—	(119,176)
Proceeds from sales of short term investments	117,681	—	—	—	117,681
Investments in and advances to affiliates	(1,016)	(2,226)	—	—	(3,242)
Cash provided by (used in) investing activities	23,316	(14,903)	—	—	8,413
Financing Activities					
Payments on term loan	(4,875)	—	—	—	(4,875)
Net payments on other debt	(4,521)	—	—	—	(4,521)
Debt financing costs	(1,957)	—	—	—	(1,957)
Dividends paid	(2,123)	—	—	—	(2,123)
Transactions with affiliates, net	95,067	(128,140)	33,073	—	—
Cash provided by (used in) financing activities	81,591	(128,140)	33,073	—	(13,476)
Increase (decrease) in cash and cash equivalents	(45,431)	(65)	158	—	(45,338)
Cash and cash equivalents, beginning of period	799,333	100,418	11,348	—	911,099
Cash and cash equivalents, end of period	$ 753,902	$ 100,353	$ 11,506	$ —	$ 865,761

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Condensed Consolidating Statements of Cash Flows
Three Months Ended March 31, 2013

	Parent/Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Cash provided by (used in) operating activities	$ (61,840)	$ 120,755	$ (15,624)	$ —	$ 43,291
Investing Activities					
Capital expenditures	(615)	(53,907)	—	—	(54,522)
Additions to prepaid royalties	—	(9,142)	—	—	(9,142)
Proceeds from disposals and divestitures	—	714	—	—	714
Purchases of short term investments	(26,787)	—	—	—	(26,787)
Proceeds from sales of short term investments	11,534	—	—	—	11,534
Investments in and advances to affiliates	(2,043)	(2,383)	—	128	(4,298)
Change in restricted cash	1,163	—	—	—	1,163
Cash provided by (used in) investing activities	(16,748)	(64,718)	—	128	(81,338)
Financing Activities					
Contributions from parent	—	128	—	(128)	—
Payments on term loan	(4,125)	—	—	—	(4,125)
Net payments on other debt	(5,836)	(128)	—	—	(5,964)
Dividends paid	(6,367)	—	—	—	(6,367)
Transactions with affiliates, net	20,911	(36,076)	15,165	—	—
Cash provided by (used in) financing activities	4,583	(36,076)	15,165	(128)	(16,456)
Increase (decrease) in cash and cash equivalents	)		)		)

	(74,005	19,961	(459	—	(54,503
Cash and cash equivalents, beginning of period	671,313	100,468	12,841	—	784,622
Cash and cash equivalents, end of period	$ 597,308	$ 120,429	$ 12,382	$ —	$ 730,119

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

Overview

Our results during the first quarter of 2014, when compared to the first quarter of 2013, were impacted by the continuing weakness in coal markets, particularly for metallurgical and eastern thermal coal, and rail issues in the Powder River Basin.

Seaborne coal markets remain challenged, as oversupply continues to pressure global prices for metallurgical and thermal coals, and we expect the seaborne markets to remain weak throughout 2014. Our Leer mining complex began longwall production in December of 2013, adding high-quality metallurgical coal capacity to our Appalachian region and decreasing our regional cost structure. Due to the weak markets, we sold 1.6 million tons of metallurgical coal in the first quarter of 2014 compared to 1.7 million in the first quarter of 2013.

Power generation hit record levels in the first quarter of 2014, due to the cold winter weather throughout most of the U.S. U.S. utility coal stockpiles decreased during the winter of 2014, particularly at plants sourced from the Powder River Basin, where weather and rail service disruptions have impacted deliveries. We have witnessed improved pricing in the Powder River Basin, and new firm sales commitments in 2014 reflect higher prices than 2013. See further information regarding committed sales in Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

Management has continued to focus on capital spending reductions, cost containment and efficiency efforts, and working capital and liquidity management to preserve liquidity and prepare the company to capitalize on opportunities when coal markets recover.

As part of our strategy to review our asset portfolio, we completed the sales of an operating thermal coal complex and an idled thermal coal mine in Kentucky, and our ADDCAR subsidiary, which manufactures a patented highwall mining system. We recognized net pre-tax gains from these sales of $13.8 million in the first quarter of 2014.

Regional Performance

The following table shows results by operating segment for the three months ended March 31, 2014 and compares it with the information for the three months ended March 31, 2013. The "other" category represents the results of our other bituminous thermal operations: our West Elk mining complex in Colorado and our Viper mining complex in Illinois.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Powder River Basin		
Tons sold (in thousands)	25,666	26,612
Coal sales per ton sold	$ 12.73	$ 12.68
Cost per ton sold	$ 12.98	$ 12.24
Operating margin (loss) per ton sold	$ (0.25)	$ 0.44
Adjusted EBITDA (in thousands)	$ 33,558	$ 56,544
Appalachia		
Tons sold (in thousands)	3,589	3,387
Coal sales per ton sold	$ 67.70	$ 74.76
Cost per ton sold	$ 80.80	$ 83.49
Operating loss per ton sold	$ (13.10)	$ (8.73)
Adjusted EBITDA (in thousands)	$ 26,286	$ 25,742
Other		
Tons sold (in thousands)	2,102	1,926
Coal sales per ton sold	$ 28.64	$ 32.39
Cost per ton sold	$ 27.17	$ 29.15
Operating margin per ton sold	$ 1.47	$ 3.24
Adjusted EBITDA (in thousands)	$ 13,195	$ 19,625

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This table reflects numbers reported under a basis that differs from U.S. GAAP. See the "Reconciliation of Non-GAAP measurements" for explanation and reconciliation of these amounts to the nearest GAAP figures. Since other companies may calculate these per ton amounts differently, our calculation may not be comparable to similarly titled measures used by those companies.

Powder River Basin — Adjusted EBITDA decreased approximately 40% in the first quarter of 2014 when compared to the first quarter of 2013 due to lower sales volumes and higher spending, primarily on repairs and maintenance. These costs were incurred in anticipation of higher sales volume levels to meet higher demand in the region, which did not materialize during the quarter due to the ongoing rail performance issues impacting the region.

Appalachia — Adjusted EBITDA increased slightly in the first quarter of 2014 when compared to the first quarter of 2013 due to the gain on the sale of the operating thermal coal complex and idled thermal coal mine in Kentucky in the first quarter of 2014 ($16.6 million) and an increase in thermal coal sales volumes, which were partially offset by the impact of lower coal pricing. Lower average coal pricing in the first quarter of 2014 when compared to the first quarter of 2013 was the result of lower thermal coal pricing and the weak metallurgical coal markets, which led to a decrease in metallurgical coal sales. While thermal coal pricing was lower than in the prior year, it was slightly improved over the pricing in the fourth quarter of 2013. The startup of the longwall at the Leer mining complex and lower depreciation, depletion and amortization costs contributed to lower per-ton costs in the first quarter of 2014.

Other — Operating margin per ton and Adjusted EBITDA decreased in the first quarter of 2014 when compared to the first quarter of 2013 due to a decrease in export pricing and the roll-off of long-term contracts, which resulted in a decrease in per-ton realizations. Lower per-ton pricing was partially offset by an improvement in per-ton costs, the result of higher sales volumes.

Results of Operations

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenues. Our revenues consist of coal sales and revenues from our ADDCAR subsidiary prior to its disposal.

Coal sales. The following table summarizes information about our coal sales during the three months ended March 31, 2014 and compares it with the information for the three months ended March 31, 2013:

	Three Months Ended March 31, 2014	2013	Decrease
	(In thousands)		
Coal sales	$ 734,033	$ 736,486	$ (2,453)
Tons sold	31,357	31,925	(568)

Coal sales remained relatively flat in the first quarter of 2014 from the first quarter of 2013 on a consolidated basis, as the impact of lower sales volumes (a decrease of approximately $13 million) was partially offset by the impact of higher average per-ton pricing (an increase of approximately $11 million). Due to the impact of changes in the regional mix, average pricing increased from $23.07 to $23.41 per ton, despite decreases in regional pricing, as sales volumes increased in regions with higher pricing. See discussion in "Regional Performance" for further information about regional result.

Costs, expenses and other. The following table summarizes costs, expenses and other components of operating income for the three months ended March 31, 2014 and compares it with the information for the three months ended March 31, 2013:

	Three Months Ended March 31, 2014	2013	(Increase) Decrease in Net Loss
	(In thousands)		
Cost of sales (exclusive of items shown separately below)	$ 686,314	$ 649,743	$ (36,571)
Depreciation, depletion and amortization	104,423	110,193	5,770
Amortization of acquired sales contracts, net	(3,696)	(2,810)	886
Change in fair value of coal derivatives and coal trading activities, net	914	1,308	394
Selling, general and administrative expenses	29,136	33,209	4,073
Other operating income, net	(7,998)	(2,842)	5,156
Total costs, expenses and other	$ 809,093	$ 788,801	$ (20,292)

Cost of sales. Our cost of sales increased in the first quarter of 2014 from the first quarter of 2013, primarily due to an increase in sales volumes from the Appalachia region and increased spending in the Powder River Basin, which resulted in higher average per-ton costs. Higher costs resulted in an increase in cost of sales of approximately $34 million. In addition, transportation costs increased approximately $14 million in the first quarter of 2014 from the first quarter of 2013, primarily due to increased barge traffic. The impact of lower sales volumes partially offset the impact of higher costs (a decrease of approximately $10 million). See discussion in "Regional Performance" for further information about regional results.

Depreciation, depletion and amortization. When compared with the first quarter of 2013, depreciation, depletion and amortization costs decreased in 2014 primarily due to the lower production levels in the Powder River Basin and ongoing reductions in capital spending.

Selling, general and administrative expenses. Total selling, general and administrative expenses decreased when compared with the first quarter of 2013, due generally to decreases in legal and professional fees ($2.0 million), and other decreases in discretionary spending.

Other operating income, net. When compared with the first quarter of 2013, other operating income, net increased during the first quarter of 2014, primarily due to the divestitures of mining operations in the Appalachia region and our ADDCAR subsidiary discussed previously, which, when combined with other asset sales, resulted in an increase in gains of $14.5 million. In addition, unrealized losses on derivatives in our diesel purchase risk management program decreased $2.8 million. These factors were partially offset by a decrease in settlement gains of $6.3 million on derivatives used to manage coal price risk, a decrease in other commercial income of $3.2 million, and an increase of $2.1 million to $12.5 million of costs related to export shortfalls under throughput arrangements.

Benefit from income taxes. The following table summarizes our benefit from income taxes for the three months ended March 31, 2014 and compares it with the information for the three months ended March 31, 2013:

	Three Months Ended March 31, 2014	2013	Increase in Net Loss
	(In thousands)		
Benefit from income taxes	$ (43,611)	$ (59,353)	$ (15,742)

The income tax benefit rate of 26% in the first quarter of 2014 decreased from 41% in the first quarter of 2013 due to the establishment of a valuation allowance totaling $23.8 million relating to 2014 federal and state net operating loss carryforwards.

Income from discontinued operations, net of tax The results of our Canyon Fuel subsidiary prior to its disposal are segregated from continuing operations. See further information in Note 4 to the condensed consolidated financial statements.

	Three Months Ended March 31, 2014	2013	Increase in Net Loss
	(In thousands)		
Income from discontinued operations, net of tax	$ —	$ 14,267	$ (14,267)

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Reconciliation of NON-GAAP measures

Segment coal sales per ton sold

Segment coal sales per ton sold are calculated as the segment's coal sales revenues divided by segment tons sold. The segments' sales per tons sold are adjusted for transportation costs, and may be adjusted for other items that, due to accounting rules, are classified in "other income" on the statement of operations, but relate to price protection on the sale of coal. Segment sales per ton sold is not a measure of financial performance in accordance with generally accepted accounting principles. We believe segment sales per ton sold better reflects our revenue for the quality of coal sold and our operating results by including all income from coal sales. The adjustments made to arrive at these measures are significant in understanding and assessing our financial condition. Therefore, segment coal sales revenues should not be considered in isolation, nor as an alternative to coal sales revenues under generally accepted accounting principles.

	Three Months Ended March 31, 2014	2013
	(In thousands)	
Reported segment coal sales revenues	$ 629,953	$ 652,887
Coal risk management derivative settlements classified in "other income"	(2,879)	(9,217)
Transportation costs	106,959	92,816
Coal sales	$ 734,033	$ 736,486

Segment cost per ton sold

Segment costs per ton sold are calculated as the segment's cost of tons sold divided by segment tons sold. The segments' cost of tons sold are adjusted for transportation costs, and may be adjusted for other items that, due to accounting rules, are classified in "other income" on the statement of operations, but relate directly to the costs incurred to produce coal. Segment cost of tons sold is not not a measure of financial performance in accordance with generally accepted accounting principles. We believe segment cost of tons sold better reflects our controllable costs and our operating results by including all costs incurred to produce coal. The adjustments made to arrive at these measures are significant in understanding and assessing our financial condition. Therefore, segment cost of tons sold should not be considered in isolation, nor as an alternative to cost of sales under generally accepted accounting principles.

	Three Months Ended March 31, 2014	2013
	(In thousands)	
Reported segment cost of tons sold	$ 680,296	$ 664,677
Diesel fuel risk management derivative settlements classified in "other income"	(1,879)	(4,662)
Transportation costs	106,959	92,816
Depreciation, depletion and amortization in reported segment cost of tons sold presented on separate line on statement of operations	(103,751)	(108,435)
Other (other operating segments, operating overhead, etc.)	4,689	5,347
Cost of sales	$ 686,314	$ 649,743

Segment Adjusted EBITDA to Net Income

The discussion in "Results of Operations" includes references to our Adjusted EBITDA. Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization and the amortization of acquired sales contracts. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results. We believe that Adjusted EBITDA presents a useful measure of our ability to service and incur debt based on ongoing operations. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The table below shows how we calculate Adjusted EBITDA.

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	Three Months Ended March 31, 2014	2013
	(In thousands)	
Reported Segment Adjusted EBITDA	$ 73,039	$ 101,911
EBITDA from discontinued operations	—	27,677
Corporate and other [(1)]	(45,434)	(45,959)
Adjusted EBITDA	27,605	83,629
Income tax benefit	43,611	59,353
Interest expense, net	(94,628)	(92,238)

Depreciation, depletion and amortization	(104,423)	(110,193)
Amortization of acquired sales contracts, net	3,696	2,810
Interest, depreciation, depletion and amortization classified as discontinued operations	—	(13,410)
Net loss	$ (124,139)	$ (70,049)

(1) Corporate and other Adjusted EBITDA includes primarily selling, general and administrative expenses, income from our equity investments and certain changes in the fair value of coal derivatives and coal trading activities.

Liquidity and Capital Resources

Our primary sources of cash are coal sales to customers, availability under our credit facilities and other financing arrangements, and debt and equity offerings related to significant transactions or refinancing activity. Excluding significant investing activity, we generally satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations, cash on hand or borrowings under our lines of credit. Such plans are subject to change based on our cash needs. Availability under our sources of liquidity, including cash and short-term investments, totaled $1.4 billion at March 31, 2014. During the market down cycle our focus is preserving availability under credit agreements and prudently managing costs, particularly capital expenditures.

We have no meaningful maturities of debt until 2018 and no major financial maintenance covenants until June 2015, when a senior secured leverage ratio covenant goes into effect. Until then, only a minimum liquidity covenant of $550 million remains in place. We have no borrowings outstanding under our revolving credit agreement at March 31, 2014.

The following is a summary of cash provided by or used in each of the indicated types of activities during the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Cash provided by (used in):		
Operating activities	$ (40,275)	$ 43,291
Investing activities	8,413	(81,338)
Financing activities	(13,476)	(16,456)

We used cash in operating activities during the first quarter of 2014 compared to generating cash from operations in the first quarter of 2013, driven by the decrease in our operating profitability resulting from weak coal market conditions and shipping issues in the Powder River Basin.

We generated cash from investing activities of $8.4 million in the first quarter of 2014 compared to cash used in investing activities of $81.3 million in the first quarter of 2013. Capital expenditures and additions to prepaid royalties decreased approximately $40.1 million and $8.6 million, respectively, during the three months ended March 31, 2014 when compared with the three months ended March 31, 2013. Cash conservation efforts and the start up of the Leer mining complex longwall in the first quarter of 2014 were responsible for the decrease in capital expenditures. The divestitures of a Kentucky operation and idled assets and our ADDCAR subsidiary resulted in an increase of $27.5 million in proceeds from the asset sales and divestitures. We will receive additional consideration of $19 million by the end of 2014 relating to the ADDCAR divestiture. Compared with the three months ended March 31, 2013, we invested net $13.8 million less in short term investments in the three months ended March 31, 2014.

Cash used in financing activities was approximately $3 million less in the three months ended March 31, 2014, primarily due to the decrease in the dividend rate. The decrease in the dividend rate in the first quarter of 2014 from $0.03 to $0.01 reduced dividends paid from $6.4 million during the three months ended March 31, 2013 to $2.1 million during the three months ended March 31, 2014.

Ratio of Earnings to Fixed Charges

The following table sets forth our ratios of earnings to combined fixed charges and preference dividends for the periods indicated:

	Three Months Ended March 31,	
	2014	2013
Ratio of earnings to combined fixed charges and preference dividends[1]	N/A	N/A[2]

(1) Earnings consist of income from continuing operations before income taxes and are adjusted to include only distributed income from affiliates accounted for on the equity method and fixed charges (excluding capitalized interest). Fixed charges consist of interest incurred on indebtedness, the portion of operating lease rentals deemed representative of the interest factor and the amortization of debt expense.

(2) Total losses for the ratio calculation were $65.8 million and total fixed charges were $99.3 million for the three months ended March 31, 2014. Total losses for the ratio calculation were $46.9 million and total fixed charges were $101.6 million for the three months ended March 31, 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We manage our commodity price risk for our non-trading, thermal coal sales through the use of long-term coal supply agreements, and to a limited extent, through the use of derivative instruments. Sales commitments in the metallurgical coal market are typically not long-term in nature, and we are therefore subject to fluctuations in market pricing.

Our sales commitments were as follows as of April 22, 2014:

	2014		2015	
	Tons (in millions)	$ per ton	Tons (in millions)	$ per ton
Powder River Basin				
Committed, Priced	102.0	$ 13.08	57.8	$ 13.76
Committed, Unpriced	5.8		8.6	
Appalachia				
Committed, Priced Thermal	6.0	$ 56.88	2.6	$ 55.34
Committed, Unpriced Thermal	0.2		—	
Committed, Priced Metallurgical	5.0	$ 83.50	1.6	$ 85.68
Committed, Unpriced Metallurgical	0.5		0.2	
Other Bituminous				
Committed, Priced	6.2	$ 31.90	2.5	$ 38.95
Committed, Unpriced	0.2		—	

We are also exposed to commodity price risk in our coal trading activities, which represents the potential future loss that could be caused by an adverse change in the market value of coal. Our coal trading portfolio included forward, swap and put and call option contracts at March 31, 2014. The estimated future realization of the value of the trading portfolio is $6.6 million of gains in the remainder of 2014 and $1.4 million of gains in 2015.

We monitor and manage market price risk for our trading activities with a variety of tools, including Value at Risk (VaR), position limits, management alerts for mark to market monitoring and loss limits, scenario analysis, sensitivity analysis and review of daily changes in market dynamics. Management believes that presenting high, low, end of year and average VaR is the best available method to give investors insight into the level of commodity risk of our trading positions. Illiquid positions, such as long-dated trades that are not quoted by brokers or exchanges, are not included in VaR.

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VaR is a statistical one-tail confidence interval and down side risk estimate that relies on recent history to estimate how the value of the portfolio of positions will change if markets behave in the same way as they have in the recent past. The level of confidence is 95%. The time across which these possible value changes are being estimated is through the end of the next business day. A closed-form delta-neutral method used throughout the finance and energy sectors is employed to calculate this VaR. VaR is back tested to verify its usefulness.

On average, portfolio value should not fall more than VaR on 95 out of 100 business days. Conversely, portfolio value declines of more than VaR should be expected, on average, 5 out of 100 business days. When more value than VaR is lost due to market price changes, VaR is not representative of how much value beyond VaR will be lost.

While presenting VaR will provide a similar framework for discussing risk across companies, VaR estimates from two independent sources are rarely calculated in the same way. Without a thorough understanding of how each VaR model was calculated, it would be difficult to compare two different VaR calculations from different sources.

During the three months ended March 31, 2014, VaR for our coal trading positions that are recorded at fair value through earnings ranged from under $0.1 million to $0.4 million. The linear mean of each daily VaR was $0.2 million. The final VaR at March 31, 2014 was $0.1 million.

We are exposed to fluctuations in the fair value of coal derivatives that we enter into to manage the price risk related to future coal sales, but for which we do not elect hedge accounting. Any gains or losses on these derivative instruments would be offset in the pricing of the physical coal sale. During the three months ended March 31, 2014 VaR for our risk management positions that are recorded at fair value through earnings ranged from $0.2 million to $0.5 million. The linear mean of each daily VaR was $0.3 million. The final VaR at March 31, 2014 was $0.2 million.

We are also exposed to the risk of fluctuations in cash flows related to our purchase of diesel fuel. We expect to use approximately 57 to 67 million gallons of diesel fuel for use in our operations during 2014. We enter into forward physical purchase contracts, as well as purchased heating oil options, to reduce volatility in the price of diesel fuel for our operations. At March 31, 2014, we had protected the price of approximately 87% of our expected purchases for the remainder of 2014 and 30% of our purchases in the first half of 2015. At March 31, 2014, we had purchased heating oil call options for approximately 61 million gallons for the purpose of managing the price risk associated with future diesel purchases. We also purchase heating oil call options to manage the price risk associated with fuel surcharges on barge and rail shipments, which cover increases in diesel fuel prices. At March 31, 2014, we held purchased call options for approximately 3.8 million gallons for the purpose of managing the fluctuations in cash flows associated with fuel surcharges on future shipments. These positions reduce our risk of cash flow fluctuations related to these surcharges but the positions are not accounted for as hedges. A $0.25 per gallon decrease in the price of heating oil would not result in an increase in our expense related to the heating oil derivatives.

We are exposed to market risk associated with interest rates due to our existing level of indebtedness. At March 31, 2014, of our $5.1 billion principal amount of debt outstanding, approximately $1.9 billion of outstanding borrowings have interest rates that fluctuate based on changes in the market rates. An increase in the interest rates related to these borrowings of 25 basis points would not result in an annualized increase in interest expense based on interest rates in effect at March 31, 2014, because our term loan has a minimum interest rate that exceeds the current market rates.

Item 4. Controls and Procedures.

We performed an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2014. 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 our internal control over financial reporting during the fiscal quarter to which this report relates 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.

In addition to the following matters, we are involved in various claims and legal actions arising in the ordinary course of business, including employee injury claims. After conferring with counsel, it is the opinion of management that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Permit Litigation Matters

Surface mines at our Mingo Logan and Coal-Mac mining operations were identified in an existing lawsuit brought by the Ohio Valley Environmental Coalition (OVEC) in the U.S. District Court for the Southern District of West Virginia as having been granted Clean Water Act § 404 permits by the Army Corps of Engineers (Corps), allegedly in violation of the Clean Water Act and the National Environmental Policy Act. The lawsuit, brought by OVEC in September 2005, originally was filed against the Corps for permits it had issued to four subsidiaries of a company unrelated to us or our operating subsidiaries. The suit claimed that the Corps had issued permits to the subsidiaries of the unrelated company that did not comply with the National Environmental Policy Act and violated the Clean Water Act.

The court ruled on the claims associated with those four permits in orders of March 23 and June 13, 2007. In the first of those orders, the court rescinded the four permits, finding that the Corps had inadequately assessed the likely impact of valley fills on headwater streams and had relied on inadequate or unproven mitigation to offset those impacts. In the second order, the court entered a declaratory judgment that discharges of sediment from the valley fills into sediment control ponds constructed in-stream to control that sediment must themselves be permitted under a different provision of the Clean Water Act, § 402, and meet the effluent limits imposed on discharges from these ponds. Both of the district court rulings were appealed to the U.S. Court of Appeals for the Fourth Circuit.

Before the court entered its first order, the plaintiffs were permitted to amend their complaint to challenge the Coal-Mac and Mingo Logan permits. Plaintiffs sought preliminary injunctions against both operations, but later reached agreements with our operating subsidiaries that have allowed mining to progress in limited areas while the district court's rulings were on appeal. The claims against Coal-Mac were thereafter dismissed.

In February 2009, the Fourth Circuit reversed the District Court. The Fourth Circuit held that the Corps' jurisdiction under Section 404 of the Clean Water Act is limited to the narrow issue of the filling of jurisdictional waters. The court also held that the Corps' findings of no significant impact under the National Environmental Policy Act and no significant degradation under the Clean Water Act are entitled to deference. Such findings entitle the Corps to avoid preparing an environmental impact statement, the absence of which was one issue on appeal. These holdings also validated the type of mitigation projects proposed by our operations to minimize impacts and comply with the relevant statutes. Finally, the Fourth Circuit found that stream segments, together with the sediment ponds to which they connect, are unitary "waste treatment systems," not "waters of the United States," and that the Corps had not exceeded its authority in permitting them.

OVEC sought rehearing before the entire appellate court, which was denied in May 2009, and the decision was given legal effect in June 2009. An appeal to the U.S. Supreme Court was then filed in August 2009. On August 3, 2010 OVEC withdrew its appeal.

Mingo Logan filed a motion for summary judgment with the district court in July 2009, asking that judgment be entered in its favor because no outstanding legal issues remained for decision as a result of the Fourth Circuit's February 2009 decision. By a series of motions, the United States obtained extensions and stays of the obligation to respond to the motion in the wake of its letters to the Corps dated September 3 and October 16, 2009 (discussed below). By order dated April 22, 2010, the District Court stayed the case as to Mingo Logan for the shorter of either six months or the completion of the U.S. Environmental Protection Agency's (EPA) proposed action to deny Mingo Logan the right to use its Corps' permit (as discussed below).

On October 15, 2010, the United States moved to extend the existing stay for an additional 120 days (until February 22, 2011) while the EPA Administrator reviewed the "Recommended Determination" issued by the EPA Region 3. By Memorandum Opinion and Order dated November 2, 2010, the court granted the United States' motion. On January 13, 2011, the EPA issued its "Final Determination" to withdraw the specification of two of the three watersheds as a disposal site for dredged or fill material approved under the current Section 404 permit. The court was notified of the Final Determination and by order dated March 21, 2011 stayed further proceedings in the case until further order of the court, in light of the challenge to the EPA's "Final Determination" then pending in federal court in Washington, DC.

In a Memorandum and Opinion and separate Order, each dated March 23, 2012, the federal court granted Mingo Logan's motion for summary judgment, vacated EPA's Final Determination and found valid and in full force Mingo Logan's Section 404 permit. As described more fully below, EPA appealed that order to the United States Court of Appeals for the DC circuit and by Opinion of the Court dated April 23, 2013, the court reversed the lower court's order and remanded the matter to the district court for further proceedings.

On April 5, 2012, Mingo Logan moved to lift the stay referenced above. On June 5, 2012, the Court entered an order lifting the stay and allowing the case to proceed on Mingo Logan's Motion for Summary Judgment. Shortly thereafter, OVEC filed a motion for leave to file a seventh amended and supplemental complaint seeking to update existing counts and raising two new claims (one, to enforce EPA's "Final Determination" and, the other, that the Corps' refusal to prepare a Supplemental Environmental Impact Statement violates the APA and NEPA). By Memorandum, Opinion and Order dated July 25, 2012, the Court granted OVEC's motion and directed the Clerk to file OVEC's Seventh Amended and Supplemental Complaint. Mingo Logan filed its Motion for Summary Judgment on August 31, 2012, along with its Answer to the Seventh Amended and Supplemental Complaint and the matter remains pending before the Court.

EPA Actions Related to Water Discharges from the Spruce Permit

By letter of September 3, 2009, the EPA asked the Corps of Engineers to suspend, revoke or modify the existing permit it issued in January 2007 to Mingo Logan under Section 404 of the Clean Water Act, claiming that "new information and circumstances have arisen which justify reconsideration of the permit." By letter of September 30, 2009, the Corps of Engineers advised the EPA that it would not reconsider its decision to issue the permit. By letter of October 16, 2009, the EPA advised the Corps that it has "reason to believe" that the Mingo Logan mine will have "unacceptable adverse impacts to fish and wildlife resources" and that it intends to issue a public notice of a proposed determination to restrict or prohibit discharges of fill material that already are approved by the Corps' permit. By federal register publication dated April 2, 2010, the EPA issued its "Proposed Determination to Prohibit, Restrict or Deny the Specification, or the Use for Specification of an Area as a Disposal Site: Spruce No. 1 Surface Mine, Logan County, WV" pursuant to Section 404(c) of the Clean Water Act, the EPA accepted written comments on its proposed action (sometimes known as a "veto proceeding"), through June 4, 2010 and conducted a public hearing, as well, on May 18, 2010. We submitted comments on the action during this period. On September 24, 2010, the EPA Region 3 issued a "Recommended Determination" to the EPA Administrator recommending that the EPA prohibit the placement of fill material in two of the three watersheds for which filling is approved under the current Section 404 permit. Mingo Logan, along with the Corps, West Virginia DEP and the mineral owner, engaged in a consultation with the EPA as required by the regulations, to discuss "corrective action" to address the "unacceptable adverse effects" identified. On January 13, 2011, the EPA issued its "Final Determination" pursuant to Section 404(c) of the Clean Water Act to withdraw the specification of two of the three watersheds approved in the current Section 404 permit as a disposal site for dredged or fill material. By separate action, Mingo Logan sued the EPA on April 2, 2010 in federal court in Washington, D.C. seeking a ruling that the EPA has no authority under the Clean Water Act to veto a previously issued permit (Mingo Logan Coal Company, Inc. v. USEPA, No. 1:10-cv-00541(D.D.C.)). The EPA moved to dismiss that action, and we responded to that motion.

Pursuant to a scheduling order for summary disposition of the case, motions and cross-motions for summary judgment by both parties were filed. On November 30, 2011, the court heard arguments from the parties limited only to the threshold issue of whether the EPA had the authority under Section 404(c) of the Clean Water Act to withdraw the specification of the disposal site after the Corps had already issued a permit under Section 404(a). The court deferred consideration of the remaining issue (i.e. whether the EPA's "Final Determination" is otherwise lawful) until after consideration of the threshold issue. On March 23, 2012, the court entered an Order and a Memorandum Opinion granting Mingo Logan's motion for summary judgment, denying the EPA's cross-motion for summary judgment, vacating the Final Determination and ordering that Mingo Logan's Section 404 permit remains valid and in full force.

On May 11, 2012, the EPA filed a notice of appeal to the United States Court of Appeals for the District of Columbia Circuit. The court heard oral arguments on March 14, 2013. By opinion of the court filed on April 23, 2013, the court reversed the district court on the threshold issue and remanded the matter to the district court to address the merits of our APA challenge to the Final Determination. On June 6, 2013, Mingo Logan filed a Petition for Rehearing En Banc and by Order filed July 25, 2013, the court denied the petition.

On November 13, 2013, Mingo Logan filed a Petition for Writ of Certiorari with the Supreme Court of the United States seeking review of the DC Circuit's decision. On March 24, 2014, the Supreme Court denied Mingo

Logan's Petition for Writ of Certiorari. The matter will be remanded to the federal district court for the District of Columbia for further proceedings on the merits of the Final Determination.

Allegheny Energy Contract Matter

Allegheny Energy Supply ("Allegheny"), the sole customer of coal produced at our subsidiary Wolf Run Mining Company's ("Wolf Run") Sycamore No. 2 mine, filed a lawsuit against Wolf Run, Hunter Ridge Holdings, Inc. ("Hunter Ridge"), and ICG in state court in Allegheny County, Pennsylvania on December 28, 2006, and amended its complaint on April 23, 2007. Allegheny claimed that Wolf Run breached a coal supply contract when it declared force majeure under the contract upon idling the Sycamore No. 2 mine in the third quarter of 2006, and that Wolf Run continued to breach the contract by failing to ship in volumes referenced in the contract. The Sycamore No. 2 mine was idled after encountering adverse geologic conditions and abandoned gas wells that were previously unidentified and unmapped.

After extensive searching for gas wells and rehabilitation of the mine, it was re-opened in 2007, but with notice to Allegheny that it would necessarily operate at reduced volumes in order to safely and effectively avoid the many gas wells within the reserve. The amended complaint also alleged that the production stoppages constitute a breach of the guarantee agreement by Hunter Ridge and breach of certain representations made upon entering into the contract in early 2005. Allegheny voluntarily dropped the breach of representation claims later. Allegheny claimed that it would incur costs in excess of $100 million to purchase replacement coal over the life of the contract. ICG, Wolf Run and Hunter Ridge answered the amended complaint on August 13, 2007, disputing all of the remaining claims.

On November 3, 2008, ICG, Wolf Run and Hunter Ridge filed an amended answer and counterclaim against the plaintiffs seeking to void the coal supply agreement due to, among other things, fraudulent inducement and conspiracy. On September 23, 2009, Allegheny filed a second amended complaint alleging several alternative theories of liability in its effort to extend contractual liability to ICG, which was not a party to the original contract and did not exist at the time Wolf Run and Allegheny entered into the contract. No new substantive claims were asserted. ICG answered the second amended complaint on October 13, 2009, denying all of the new claims. The Company's counterclaim was dismissed on motion for summary judgment entered on May 11, 2010. Allegheny's claims against ICG were also dismissed by summary judgment, but the claims against Wolf Run and Hunter Ridge were not. The court conducted a non-jury trial of this matter beginning on January 10, 2011 and concluding on February 1, 2011.

At the trial, Allegheny presented its evidence for breach of contract and claimed that it is entitled to past and future damages in the aggregate of between $228 million and $377 million. Wolf Run and Hunter Ridge presented their defense of the claims, including evidence with respect to the existence of force majeure conditions and excuse under the contract and applicable law. Wolf Run and Hunter Ridge presented evidence that Allegheny's damages calculations were significantly inflated because it did not seek to determine damages as of the time of the breach and in some instances artificially assumed future nondelivery or did not take into account the apparent requirement to supply coal in the future. On May 2, 2011, the trial court entered a Memorandum and Verdict determining that Wolf Run had breached the coal supply contract and that the performance shortfall was not excused by force majeure. The trial court awarded total damages and interest in the amount of $104.1 million, which consisted of $13.8 million for past damages, and $90.3 million for future damages. ICG and Allegheny filed post-verdict motions in the trial court and on August 23, 2011, the court denied the parties' motions. The court entered a final judgment on August 25, 2011, in the amount of $104.1 million, which included pre-judgment interest.

The parties appealed the lower court's decision to the Superior Court of Pennsylvania. On August 13, 2012, the Superior Court of Pennsylvania affirmed the award of past damages, but ruled that the lower court should have calculated future damages as of the date of breach, and remanded the matter back to the lower court with instructions to recalculate that portion of the award. On November 19, 2012, Allegheny filed a Petition for Allowance of Appeal with the Supreme Court of Pennsylvania and Wolf Run and Hunter Ridge filed an Answer. On July 2, 2013, the Supreme Court of Pennsylvania denied the Petition of Allowance. As this action finalized the past damage award, Wolf Run paid $15.6 million for the past damage amount, including interest, to Allegheny in July 2013. The future damage award is now back before the lower court, and a new trial has been scheduled to start May 13, 2014.

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

In September 2006, our board of directors authorized a share repurchase program for the purchase of up to 14,000,000 shares of our common stock. There is no expiration date on the current authorization, and we have not made any decisions to suspend or cancel purchases under the program. As of March 31, 2014, there were 10,925,800 shares of our common stock available for purchase under this program. We did not purchase any shares of our common stock under this program during the quarter ended March 31, 2014. Based on the closing price of our common stock as reported on the New York Stock Exchange on April 30, 2014, the approximate dollar value of our common stock that may yet be purchased under this program was $50.0 million.

Item 4. Mine Safety Disclosures.

The statement concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Quarterly Report on Form 10-Q for the period ended March 31, 2014.

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Item 6. Exhibits.

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

10.1*	Form of Performance Shares Contract
12.1	Computation of ratio of earnings to combined fixed charges and preference dividends.
31.1	Rule 13a-14(a)/15d-14(a) Certification of John W. Eaves.
31.2	Rule 13a-14(a)/15d-14(a) Certification of John T. Drexler.
32.1	Section 1350 Certification of John W. Eaves.
32.2	Section 1350 Certification of John T. Drexler.
95	Mine Safety Disclosure Exhibit
101	Interactive Data File (Form 10-Q for the period ended March 31, 2014 filed in XBRL). The financial information contained in the XBRL-related documents is "unaudited" and "unreviewed."

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* Denotes management contract or compensatory plan arrangement.

Signatures

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

Arch Coal, Inc.

By: /s/ John T. Drexler

John T. Drexler
Senior Vice President and Chief Financial Officer
(On behalf of the registrant and as Principal Financial Officer)

May 12, 2014

Form of Performance Shares Contract
(Not Transferable)

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 shares(" Performance Shares") to the Participant, subject to the provisions of the Arch Coal, Inc. Omnibus Incentive Plan, as amended from time to time (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 Long-Term Incentive Plan Grant Memorandum dated April 10, 2014 to the Participant, constitute the entire understanding between the Company and the Participant with respect to this Contract.

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

Arch Coal, Inc.

Allen R. Kelley
Vice President - Human Resources

ACKNOWLEDGMENT

Please click the 'accept' button below to confirm your acceptance of the terms and conditions of this Contract and the terms and conditions of the Plan within 60 days of issuance of this Agreement. By confirming acceptance, you (a) acknowledge receipt of a copy of the Plan; (b) represent that you have read and are familiar with the Plan's terms; (c) accept the award subject to all of the terms and provisions of this Contract and of the Plan under which it is granted, as the Plan may be amended in accordance with its terms; and (d) agree to accept as binding, conclusive, and final all decisions or interpretations of the Administrator concerning any questions arising under the Plan with respect to this Contract.

Terms and Conditions of Performance Shares 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 3-year period beginning January 1, 2014 and ending December 31, 2016, as further set forth in the Long-Term Incentive Plan Grant Memorandum provided to Participant.

3. **Payout of Award.** Except as otherwise set forth herein, so long as the Participant is an employee of the Company or one of its Subsidiaries at the completion of the full 3-year performance period, payment of vested Shares, to the extent the performance parameters outlined in the Long-Term Incentive Plan Grant Memorandum have been met, shall be made as soon as practicable following the completion of the performance period. Settlement will be made by payment in shares of Stock or cash, as determined by the Committee and in accordance with the Plan. If paid in shares of Stock, such shares of Stock shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to the Plan, this Contract, or any applicable law, rule or regulation.

4. **Non-transferable.** The Participant agrees that the Shares awarded under this Contract may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.

5. **Change of Control**. The Shares 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, including amounts payable hereunder, 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 Shares 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. In the event the Shares are settled in shares of Stock, the Company may "net settle" the issuance to account for any withholding obligations hereunder.

7. **Certificate Registration.** If settled in shares of Stock, the certificate issuable upon vesting of the Shares shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

8. **Restrictions on Issuance of Shares.** The grant of the Shares and any settlement thereof shall be subject to compliance with all applicable requirements of federal, state or foreign law. If settled in shares, the issuance of shares of Stock upon vesting of the Shares 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 Shares 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 Shares, 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.

9. **Fractional Shares**. The Company shall not be required to issue fractional shares upon the settlement of the Shares.

10. **Termination of Employment.** The Participant agrees that, except as set forth below, upon his or her termination from the Company or a Related Company for any reason prior to the end of the Performance

Period, the Participant shall forfeit any rights he or she may have under this Contract on the effective Date of Termination. In the event that the Participant's employment by the Company or a Related Company is terminated prior to the end of the Performance Period, but either on or after a Retirement Event or by reason of death or Disability, and the Participant has not been terminated for Cause, the number of Shares under this Contract eligible for payout at the end of the Performance Period, to the extent the performance parameters outlined in the attached memorandum are met, shall equal (i) the number of Shares granted pursuant to this Contract, multiplied by (ii) a fraction, the numerator of which is the number of days from January 1, 2014 through the Participant's Date of Termination, and the denominator of which is the number of days in the Performance Period. In the event the immediately preceding sentence applies, effective as of the Date of Termination, all Shares in excess of the amount that are eligible for vesting by operation of the immediately preceding sentence shall be forfeited and cease to be outstanding. For purposes hereof, a "Retirement Event" means the date the Participant reaches age 58 and has five years of continuous service with the Company and/or one or more of the Related Companies immediately prior to the Date of Termination.

11. **Stockholder Rights**. The Participant shall have no rights of a common stockholder of the Company, including the right to receive a dividend payment or vote such stock at any meeting of the common stockholders of the Company, as a result of his or her ownership of the Shares.

12. **Adjustments.** The Shares 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 Shares becomes subject to a stock dividend, stock split, recapitalization, merger, consolidation, reorganization or other event.

13. **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 performance criteria with respect to the Shares under such circumstances as the Committee, in its discretion, shall determine, subject however, to the terms of the Plan.

14. **Effect of Award on Employment.** Nothing in this Contract shall be construed to affect in any way the right of the Company to terminate the employment of the Participant at any time for any reason, with or without cause.

15. **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.

16. **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 conflicts of law provisions.

17. **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.

18. **Deferral**. In the event that the Participant is eligible to participate in one or more deferred compensation plans sponsored by the Company, the payout of this Contract may be permitted to be deferred under such plan. The terms, conditions and requirements for such deferral shall be governed by the Company's applicable deferred compensation plan.

Exhibit 12.1

Computation of Ratio of Earnings to Combined Fixed Charges and Preference Dividends

	Three Months Ended March 31, 2014	2013
Loss from continuing operations excluding income or loss from equity investments	$ (169,642)	$ (145,192)
Adjustments:		
Fixed charges	99,298	101,615
Distributed income from equity investments	3,355	—
Capitalized interest, net of amortization	1,206	(3,315)
Total loss	$ (65,783)	$ (46,892)
Fixed charges:		
Interest expense	$ 96,471	$ 95,087
Capitalized interest	—	4,133
Portions of rent which represent an interest factor	2,827	2,395
Total fixed charges	$ 99,298	$ 101,615
Preferred stock dividends	$ —	$ —
Total fixed charges and preferred stock dividends	$ 99,298	$ 101,615
Ratio of earnings to combined fixed charges and preference dividends	N/A	N/A

Total loss consists of loss from continuing operations before income taxes and are adjusted to include only distributed income from affiliates accounted for on the equity method and fixed charges (excluding capitalized interest). Fixed charges consist of interest incurred on indebtedness, the portion of operating lease rentals deemed representative of the interest factor and the amortization of debt expense.

Exhibit 31.1

Certification

I, John W. Eaves, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Coal, Inc.;

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.

/s/ John W. Eaves

John W. Eaves
President and Chief Executive Officer

Date: May 12, 2014

Exhibit 31.2

Certification

I, John T. Drexler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Coal, Inc.;

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.

/s/ John T. Drexler
John T. Drexler
Senior Vice President and Chief Financial Officer
Date: May 12, 2014

Exhibit 32.1

Certification of Periodic Financial Reports

I, John W. Eaves, President and Chief Executive Officer of Arch Coal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (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 Coal, Inc.

/s/ John W. Eaves

John W. Eaves
President and Chief Executive Officer

Date: May 12, 2014

Exhibit 32.2

Certification of Periodic Financial Reports

I, John T. Drexler, Senior Vice President and Chief Financial Officer of Arch Coal, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (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 Coal, Inc.

/s/ John T. Drexler
John T. Drexler
Senior Vice President and Chief Financial Officer
Date: May 12, 2014

EXHIBIT 95

Mine Safety and Health Administration Safety Data

We believe that Arch Coal, Inc. (“Arch Coal”) is one of the safest coal mining companies in the world. Safety is a core value at Arch Coal and at our 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.

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 (Mine Act). MSHA inspects our mines on a regular basis and issues various citations, orders and violations when it believes a violation has occurred under the Mine Act. We present information below regarding certain mining safety and health violations, orders and citations, issued by MSHA and related assessments and legal actions and mine-related fatalities with respect to our coal mining operations. 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 or vacated.

The table below sets forth for the three months ended March 31, 2014 for each active MSHA identification number of Arch Coal and its subsidiaries, the total number of: (i) 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 the operator received a citation from MSHA; (ii) orders issued under section 104(b) of the Mine Act; (iii) 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; (iv) flagrant violations under section 110(b)(2) of the Mine Act; (v) imminent danger orders issued under section 107(a) of the Mine Act; (vi) proposed assessments from MHSA (regardless of whether Arch Coal has challenged or appealed the assessment); (vii) mining-related fatalities; (viii) notices from MSHA of 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; (ix) notices from MSHA regarding the potential to have a pattern of violations as referenced in (viii) above; and (x) pending legal actions before the Federal Mine Safety and Health Review Commission (as of March 31, 2014) involving such coal or other mine, as well as the aggregate number of legal actions instituted and the aggregate number of legal actions resolved during the reporting period.

Mine or Operating Name / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (in thousands) ($)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern of Violations Under Section 104(e) (yes/no)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of Last Day of Period(1) (#)
Active Operations												
Arch Coal Terminal / 15-10358	—	—	—	—	—	—	—	No	No	—	—	—
Lone Mountain Darby Fork / 15-02263	2	—	—	—	—	1.2	—	No	No	—	—	—
Lone Mountain Clover Fork / 15-18647	3	—	—	—	—	1.5	—	No	No	2	1	4
Lone Mountain Huff Creek / 15-17234	23	—	2	—	—	18.2	—	No	No	—	—	—
Lone Mountain 6C Mine / 44-06782	—	—	—	—	—	—	—	No	No	—	—	—
Lone Mountain Processing / 44-05898	—	—	—	—	—	—	—	No	No	—	—	—
East Kentucky Sandlick Loadout / 15-16290	—	—	—	—	—	—	—	No	No	—	—	—
East Kentucky Mt. Sterling Branch / 15-19070	—	—	—	—	—	—	—	No	No	—	—	—
East Kentucky Blackberry Creek / 15-17960	—	—	—	—	—	—	—	No	No	—	—	—
Powell Mt. Mayflower Plant / 44-05605	—	—	—	—	—	—	—	No	No	—	—	—
Powell Mt. Mine #1 / 15-18734	—	—	—	—	—	—	—	No	No	—	—	—
Powell Mt. Middle Splint / 44-07207	—	—	—	—	—	—	—	No	No	—	—	—
Knott County Raven #1 / 15-18949	—	—	—	—	—	—	—	No	No	—	—	—
Knott County Slone Branch / 15-19323	—	—	—	—	—	—	—	No	No	—	—	—
Knott County Raven Prep	—	—	—	—	—	—	—	No	No	—	—	—

Plant / 15-17724												
Knott County Lige Hollow / 15-19497	—	—	—	—	—	—	—	No	No	—	—	—
Knott County Kathleen / 15-19447	—	—	—	—	—	—	—	No	No	—	—	—

Knott County Supreme Energy Prep Plant / 15-16567	—	—	—	—	—	—	—	No	No	—	—	—
Knott County Classic Mine / 15-18522	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Cabin Run / 18-00133	1	—	—	—	—	—	—	No	No	—	—	—
Vindex Frostburg Blend Yard / 18-00709	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Douglas / 18-00749	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Carlos Surface / 18-00769	—	—	—	—	—	—	—	No	No	—	—	1
Vindex Bismarck / 46-09369	—	—	—	—	—	0.1	—	No	No	—	—	3
Vindex Dobbin Ridge Prep Plant / 46-07837	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Energy / 46-02151	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Jackson Mt. / 18-00170	1	—	—	—	—	—	—	No	No	—	—	—
Vindex Wolf Den Run / 18-00790	—	—	—	—	—	—	—	No	No	—	—	—
Cumberland River Pardee Plant / 44-05014	4	—	—	—	—	—	—	No	No	—	—	—
Cumberland River Band Mill Mine / 44-06816	17	—	—	—	—	1.0	—	No	No	—	—	1
Cumberland River Pine Branch #1 / 44-07224	11	—	—	—	—	—	—	No	No	3	6	6
Cumberland River Blue Ridge Surface / 15-18769	2	—	—	—	—	0.8	—	No	No	—	—	—
Cumberland River Band Mill #2 / 15-18705	—	—	—	—	—	—	—	No	No	—	1	—
Cumberland River Trace Fork #1 / 15-19533	13	—	—	—	—	4.9	—	No	No	2	1	7
Cumberland River Blue Ridge #1 / 15-19228	—	—	—	—	—	—	—	No	No	—	—	—
Beckley Eccles Refuse Area / 46-09023	—	—	—	—	—	—	—	No	No	—	—	—
Beckley Pocahontas Mine / 46-05252	17	—	—	—	—	—	—	No	No	3	3	14
Beckley Pocahontas Plant / 46-09216	—	—	—	—	—	—	—	No	No	—	—	—
Wolf Run Sawmill Run Prep Plant / 46-05544	—	—	—	—	—	—	—	No	No	—	—	—
Wolf Run Imperial Mine / 46-09115	—	—	—	—	—	—	—	No	No	—	—	8
Upshur Complex / 46-05823	—	—	—	—	—	—	—	No	No	—	—	—

Patriot Mining Company / 46-07654	—	—	—	—	—	—	—	No	No	—	—	—

Patriot Rail & River Terminal / 46-07555	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Birch River Mine / 46-07945	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Bearpen Surface Mine / 46-09220	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Left Fork #1 / 46-09373	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Birch River Plant / 46-08390	—	—	—	—	—	—	—	No	No	—	—	—
Coal Mac Holden #22 Prep Plant / 46-05909	—	—	—	—	—	—	—	No	No	—	—	—
Coal Mac Ragland Loadout / 46-08563	—	—	—	—	—	—	—	No	No	—	—	—
Coal Mac Holden #22 Surface / 46-08984	3	—	—	—	—	—	—	No	No	—	—	—
Sentinel Mine / 46-04168	22	—	—	—	—	30.5	—	No	No	4	2	14
Sentinel Prep Plant / 46-08777	—	—	—	—	—	0.1	—	No	No	—	1	—
Mingo Logan Mountaineer II / 46-09029	29	—	—	—	—	84.4	—	No	No	5	1	17
Mingo Logan Cardinal Prep Plant / 46-09046	—	—	—	—	—	—	—	No	No	—	2	—
Leer #1 Mine / 46-09192	33	—	—	—	1	20.6	—	No	No	6	—	14
Arch of Wyoming Seminoe II / 48-00828	—	—	—	—	—	—	—	No	No	—	—	—
Arch of Wyoming Elk Mountain / 48-01694	—	—	—	—	—	—	—	No	No	—	—	—
Black Thunder / 48-00977	3	—	—	—	—	4.0	—	No	No	4	3	8
Coal Creek / 48-01215	—	—	—	—	—	—	—	No	No	—	—	—
West Elk Mine / 05-03672	11	—	—	—	—	2.6	—	No	No	—	3	5
Viper Mine / 11-02664	10	—	—	—	—	—	—	No	No	1	1	3
Lone Mountain Days Creek / 15-17971	—	—	—	—	—	—	—	No	No	—	—	—
Leer #1 Prep Plant / 46-09191	—	—	—	—	—	—	—	No	No	—	—	—
Raven #2 / 15-18710	—	—	—	—	—	—	—	No	No	—	—	—
Holden #25 / 46-02435	—	—	—	—	—	—	—	No	No	—	—	—
Vindex — Steyer Mine / 18-00724	—	—	—	—	—	—	—	No	No	—	—	—

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(1) See table below for additional details regarding Legal Actions Pending as of March 31, 2014.

Mine or Operating Name/MSHA Identification Number	**Contests of Citations, Orders (as of March 31, 2014)**	**Contests of Proposed Penalties (as of March 31, 2014)**	**Complaints for Compensation (as of March 31, 2014)**	**Complaints of Discharge, Discrimination or Interference (as of March 31, 2014)**	**Applications for Temporary Relief (as of March 31, 2014)**	**Appeals of Judges' Decisions or Orders (as of March 31, 2014)**
Lone Mountain Clover Fork / 15-18647	2	2	—	—	—	—
Cumberland River / Trace Fork 15-19533	1	6	—	—	—	—
Vindex Bismarck / 46-09369	—	3	—	—	—	—
Beckley Pocahontas Mine / 46-05252	—	14	—	—	—	—
Wolf Run Imperial Mine / 46-09115	—	8	—	—	—	—
Sentinel Mine / 46-04168	—	14	—	—	—	1
Mingo Logan Mountaineer II / 46-09029	1	16	—	—	—	—
Black Thunder / 48-00977	2	6	—	—	—	—
West Elk Mine / 05-03672	1	4	—	—	—	—
Viper Mine / 11-02664	—	3	—	—	—	—
Cumberland River Pine Branch #1 /	3	3	—	—	—	—

44-07224						
Leer #1 / 46-09192	1	12	—	1	—	—
Cumberland River Band Mill / 44-06816	—	1	—	—	—	—
Vindex Carlos Surface / 18-00769	—	1	—	—	—	—