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, 2011

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

For the transition period from to .

Commission file number: 333-107569-03

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

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

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

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

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

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

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

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

At May 16, 2011, the registrant's common equity consisted solely of undenominated membership interests, 99.5% of which were held by Arch Western Acquisition Corporation and 0.5% of which were held by a subsidiary of BP p.l.c.

Table of Contents

Table of Contents

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended March 31 2011	2010
	(unaudited)	
Revenues		
Coal sales	$ 534,405	$ 472,847
Costs, expenses and other		
Cost of coal sales	423,324	397,509
Depreciation, depletion and amortization	39,586	44,040
Amortization of acquired sales contracts, net	5,944	10,753
Selling, general and administrative expenses	9,298	7,841
Other operating income, net	(1,174)	(1,390)
	476,978	458,753
Income from operations	57,427	14,094
Interest income (expense), net:		
Interest expense	(10,491)	(17,503)
Interest income, primarily from Arch Coal, Inc.	12,857	11,915
	2,366	(5,588)
Net income	$ 59,793	$ 8,506
Net income attributable to redeemable membership interest	$ 273	$ 26
Net income attributable to non-redeemable membership interest	$ 59,520	$ 8,480

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

Table of Contents

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

	March 31, 2011	December 31, 2010
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66,114	$ 79,817
Receivables	3,752	2,015
Receivable from Arch Coal, Inc.	627,025	582,384
Inventories	169,630	150,419
Other	19,562	21,435
Total current assets	886,083	836,070
Property, plant and equipment, net	1,463,552	1,488,843
Other assets:		
Receivable from Arch Coal, Inc.	930,410	910,797
Other	10,600	10,920
Total other assets	941,010	921,717
Total assets	$ 3,290,645	$ 3,246,630

LIABILITIES AND MEMBERSHIP INTERESTS		
Current liabilities:		
Accounts payable	$ 101,160	$ 121,670
Accrued expenses	140,145	153,141
Commercial paper	60,585	56,904
Total current liabilities	301,890	331,715
Long-term debt	451,456	451,618
Note payable to Arch Coal, Inc.	225,000	225,000
Asset retirement obligations	303,675	301,355
Accrued postretirement benefits other than pension	22,630	23,509
Accrued pension benefits	19,910	23,904
Accrued workers' compensation	6,882	6,102
Other noncurrent liabilities	53,000	36,913
Total liabilities	1,384,443	1,400,116
Redeemable membership interest	10,718	10,444
Non-redeemable membership interest	1,895,484	1,836,070
Total liabilities and membership interests	$ 3,290,645	$ 3,246,630

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

Table of Contents

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

	Three Months Ended March 31	
	2011	2010
	(unaudited)	
OPERATING ACTIVITIES		
Net income	$ 59,793	$ 8,506
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	39,586	44,040
Amortization of acquired sales contracts, net	5,944	10,753
Amortization of debt financing costs	314	650
Changes in:		
Receivables	(1,737)	5,611
Inventories	(19,210)	5,513
Accounts payable and accrued expenses	(33,434)	4,177
Other	15,683	23,790
Cash provided by operating activities	66,939	103,040
INVESTING ACTIVITIES		
Capital expenditures	(14,197)	(13,826)
Change in receivable from Arch Coal, Inc.	(70,140)	(86,974)
Proceeds from dispositions of property, plant and equipment	14	74
Additions to prepaid royalties	—	(2,509)
Cash used in investing activities	(84,323)	(103,235)
FINANCING ACTIVITIES		
Net proceeds from commercial paper	3,681	3,778
Debt financing costs	—	(63)
Cash provided by financing activities	3,681	3,715
Increase (decrease) in cash and cash equivalents	(13,703)	3,520
Cash and cash equivalents, beginning of period	79,817	6,819
Cash and cash equivalents, end of period	$ 66,114	$ 10,339

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

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

1. Basis of Presentation

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

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

2. Accounting Policies

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

3. Inventories

Inventories consist of the following:

	March 31, 2011	December 31, 2010
	(In thousands)	
Coal	$ 60,117	$ 46,464
Repair parts and supplies, net of allowance	109,513	103,955
	$ 169,630	$ 150,419

The repair parts and supplies are stated net of an allowance for slow-moving and obsolete inventories of $12.1 million at March 31, 2011, and $11.7 million at December 31, 2010.

4. Fair Values of Financial Instruments

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

Cash and cash equivalents: At March 31, 2011 and December 31, 2010, the carrying amounts of cash and cash equivalents approximate fair value.

Debt: The fair value of the Company's debt, including commercial paper and excluding intercompany debt, was $515.1 million and $512.5 million at March 31, 2011 and December 31, 2010, respectively. Fair values are based upon observed prices in active markets when available or from valuation models using market information.

5. Comprehensive Income

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

The following table presents the components of comprehensive income:

	Three Months Ended March 31	
	2011	2010
	(In thousands)	
Net income	$ 59,793	$ 8,506
Other comprehensive income:		
Pension, postretirement and other post-employment benefits — reclassifications into net income	(81)	326
Total comprehensive income	$ 59,712	$ 8,832

6. Related Party Transactions

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

The Company's cash transactions are managed by Arch Coal. Cash paid to or from the Company that is not considered a distribution or a contribution is recorded in an Arch Coal receivable account. In addition, any amounts owed between the Company and Arch Coal, exclusive of borrowings under the intercompany credit agreement, are recorded in the account. At March 31, 2011 and December 31, 2010, the receivable from Arch Coal was approximately $1.6 billion and $1.5 billion, respectively. This amount earns interest from Arch Coal at the prime interest rate. Interest earned for the three months ended March 31, 2011 and 2010, was $12.9 million and $11.9 million, respectively. The current portion of the receivable balance at March 31, 2011 and December 31, 2010, represents the amounts needed to fund working capital and contractual purchase, service and lease obligations due within the next twelve months.

During September of 2010, the Company received a loan of $225.0 million and a repayment of a portion of the balance receivable from Arch Coal to redeem $500.0 million aggregate principal amount of the outstanding 6.75% senior notes at a redemption price of 101.125%. Interest incurred on the loan was $1.6 million for the three months ended March 31, 2011.

The Company is a party to Arch Coal's accounts receivable securitization program. Under the program, the Company sells its receivables to Arch Coal without recourse at a discount based on the prime rate and days sales outstanding. During the three months ended March 31, 2011 and 2010, the Company sold $397.3 million and $411.9 million, respectively, of trade accounts receivable to Arch Coal, respectively, at a discount of $0.9 million for both periods.

For the three months ended March 31, 2011 and 2010, the Company incurred production royalties of $24.7 million and $18.1 million, respectively, under sublease agreements with Arch Coal.

The Company is charged selling, general and administrative services fees by Arch Coal. Expenses are allocated based on Arch Coal's best estimates of proportional or incremental costs, whichever is more representative of costs incurred by Arch Coal on behalf of the Company. Amounts allocated to the Company by Arch Coal were $9.3 million and $7.8 million for the three months ended March 31, 2011 and 2010, respectively. Such amounts are reported as selling, general and administrative expenses in the accompanying condensed consolidated statements of income.

7. Contingencies

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

8. Segment Information

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

operations in Wyoming, and the Western Bituminous (WBIT) segment, with operations in Utah, Colorado and southern Wyoming.

Operating segment results for the three months ended March 31, 2011 and 2010 are presented below. Results for the operating segments include all direct costs of mining. Corporate, Other and Eliminations includes primarily corporate overhead and other support functions.

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

	PRB	WBIT	Corporate, Other and Eliminations	Consolidated
	(In thousands)			
Three months ended March 31, 2011				
Coal sales	$ 378,966	$ 155,439	$ —	$ 534,405
Income from operations	39,510	26,896	(8,979)	57,427
Total assets	1,042,276	657,251	1,591,118	3,290,645
Depreciation, depletion and amortization	19,866	20,514	(794)	39,586
Amortization of acquired sales contracts, net	5,944	—	—	5,944
Capital expenditures	2,420	11,777	—	14,197
Three months ended March 31, 2010				
Coal sales	$ 340,166	$ 132,681	$ —	$ 472,847
Income from operations	10,147	12,446	(8,499)	14,094
Total assets	1,020,724	654,529	1,667,557	3,342,810
Depreciation, depletion and amortization	23,778	20,262	—	44,040
Amortization of acquired sales contracts, net	10,753	—	—	10,753
Capital expenditures	725	13,101	—	13,826

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

	Three Months Ended March 31 2011	2010
	(In thousands)	
Income from operations	$ 57,427	$ 14,094

Interest expense	(10,491)	(17,503)
Interest income	12,857	11,915
Net income	$ 59,793	$ 8,506

9. Supplemental Condensed Consolidating Financial Information

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

Table of Contents

Condensed Consolidating Statements of Income
Three Months Ended March 31, 2011
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Coal sales	$ —	$ —	$ 438,758	$ 95,647	$ —	$ 534,405
Cost of coal sales	485	—	354,899	67,940	—	423,324
Depreciation, depletion and amortization	(794)	—	28,849	11,531	—	39,586
Amortization of acquired sales contracts, net	—	—	5,944	—	—	5,944
Selling, general and administrative expenses	9,298	—	—	—	—	9,298
Other operating income, net	(10)	—	(900)	(264)	—	(1,174)
	8,979	—	388,792	79,207	—	476,978
Income from investment in subsidiaries	66,168	—	—	—	(66,168)	—
Income from operations	57,189	—	49,966	16,440	(66,168)	57,427
Interest expense	(10,237)	(7,688)	—	(160)	7,594	(10,491)
Interest income	12,841	7,594	—	16	(7,594)	12,857
	2,604	(94)	—	(144)	—	2,366
Net income (loss)	$ 59,793	$ (94)	$ 49,966	$ 16,296	$ (66,168)	$ 59,793

Table of Contents

Condensed Consolidating Statements of Income
Three Months Ended March 31, 2010
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
Coal sales	$ —	$ —	$ 378,435	$ 94,412	$ —	$ 472,847
Cost of coal sales	967	—	324,560	73,379	(1,397)	397,509
Depreciation, depletion and amortization	—	—	30,736	13,304	—	44,040
Amortization of acquired sales contracts, net	—	—	10,753	—	—	10,753
Selling, general and administrative expenses	7,841	—	—	—	—	7,841
Other operating income, net	(309)	—	(773)	(1,705)	1,397	(1,390)
	8,499	—	365,276	84,978	—	458,753
Income from investment in subsidiaries	22,209	—	—	—	(22,209)	—
Income from operations	13,710	—	13,159	9,434	(22,209)	14,094
Interest expense	(17,096)	(16,230)	—	(208)	16,031	(17,503)
Interest income	11,892	16,031	1	22	(16,031)	11,915
	(5,204)	(199)	1	(186)	—	(5,588)
Net income (loss)	$ 8,506	$ (199)	$ 13,160	$ 9,248	$ (22,209)	$ 8,506

Table of Contents

Condensed Consolidating Balance Sheets
March 31, 2011
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)					
Cash and cash equivalents	$ 957	$ —	$ 65,045	$ 112	$ —	$ 66,114
Receivables	493	—	3,013	246	—	3,752
Receivable from Arch Coal	627,025	—	—	—	—	627,025
Intercompanies	(558,712)	7,594	371,367	179,751	—	—
Inventories	—	—	119,662	49,968	—	169,630
Other	7,080	1,011	3,690	7,781	—	19,562
Total current assets	76,843	8,605	562,777	237,858	—	886,083
Property, plant and equipment, net	—	—	1,200,297	263,255	—	1,463,552
Investment in subsidiaries	2,856,620	—	—	—	(2,856,620)	—
Receivable from Arch Coal	908,846	—	—	21,564	—	930,410
Intercompanies	(1,636,306)	455,401	1,051,676	129,229	—	—
Other	1,466	1,259	3,716	4,159	—	10,600
Total other assets	2,130,626	456,660	1,055,392	154,952	(2,856,620)	941,010
Total assets	$ 2,207,469	$ 465,265	$ 2,818,466	$ 656,065	$ (2,856,620)	$ 3,290,645
Accounts payable	$ 6,536	$ —	$ 77,332	$ 17,292	$ —	$ 101,160
Accrued expenses	2,642	7,594	119,870	10,039	—	140,145
Commercial paper	60,585	—	—	—	—	60,585
Total current liabilities	69,763	7,594	197,202	27,331	—	301,890
Long-term debt	—	451,456	—	—	—	451,456
Note payable to Arch Coal	225,000	—	—	—	—	225,000
Asset retirement obligations	—	—	292,539	11,136	—	303,675
Accrued postretirement benefits other than pension	3,729	—	10,638	8,263	—	22,630
Accrued pension benefits	522	—	10,210	9,178	—	19,910
Accrued workers' compensation	195	—	2,255	4,432	—	6,882
Other noncurrent liabilities	2,058	—	50,893	49	—	53,000
Total liabilities	301,267	459,050	563,737	60,389	—	1,384,443
Redeemable membership interest	10,718	—	—	—	—	10,718
Non-redeemable membership interest	1,895,484	6,215	2,254,729	595,676	(2,856,620)	1,895,484
Total liabilities and membership interests	$ 2,207,469	$ 465,265	$ 2,818,466	$ 656,065	$ (2,856,620)	$ 3,290,645

Table of Contents

Condensed Consolidating Balance Sheets
December 31, 2010
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)					
Cash and cash equivalents	$ 1,613	$ —	$ 78,070	$ 134	$ —	$ 79,817
Receivables	1,033	—	663	319	—	2,015
Receivable from Arch Coal	582,384	—	—	—	—	582,384
Intercompanies	(519,808)	15,188	341,981	162,639	—	—
Inventories	—	—	104,394	46,025	—	150,419
Other	10,096	1,015	4,129	6,195	—	21,435
Total current assets	75,318	16,203	529,237	215,312	—	836,070
Property, plant and equipment, net	—	—	1,223,493	265,350	—	1,488,843
Investment in subsidiaries	2,789,637	—	—	—	(2,789,637)	—
Receivable from Arch Coal	888,306	—	—	22,491	—	910,797
Intercompanies	(1,609,147)	455,401	1,023,119	130,627	—	—
Other	1,402	1,511	3,802	4,205	—	10,920
Total other assets	2,070,198	456,912	1,026,921	157,323	(2,789,637)	921,717
Total assets	$ 2,145,516	$ 473,115	$ 2,779,651	$ 637,985	$ (2,789,637)	$ 3,246,630
Accounts payable	$ 2,604	$ —	$ 102,290	$ 16,776	$ —	$ 121,670
Accrued expenses and other current liabilities	5,714	15,188	122,473	9,766	—	153,141
Commercial paper	56,904	—	—	—	—	56,904
Total current liabilities	65,222	15,188	224,763	26,542	—	331,715
Long-term debt	—	451,618	—	—	—	451,618
Note payable to Arch Coal	225,000	—	—	—	—	225,000
Asset retirement obligations	—	—	290,473	10,882	—	301,355

Accrued postretirement benefits other than pension	3,629	—	11,571	8,309	—	23,509
Accrued pension benefits	3,342	—	11,962	8,600	—	23,904
Accrued workers' compensation	(94)	—	2,042	4,154	—	6,102
Other noncurrent liabilities	1,903	—	34,930	80	—	36,913
Total liabilities	299,002	466,806	575,741	58,567	—	1,400,116
Redeemable membership interest	10,444	—	—	—	—	10,444
Non-redeemable membership interest	1,836,070	6,309	2,203,910	579,418	(2,789,637)	1,836,070
Total liabilities and membership interests	$ 2,145,516	$ 473,115	$ 2,779,651	$ 637,985	$ (2,789,637)	$ 3,246,630

Condensed Consolidating Statements of Cash Flows
Three Months Ended March 31, 2011
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
			(in thousands)		
Cash provided by (used in) operating activities	$ (5,219)	(7,594)	$ 56,358	$ 23,394	$ 66,939
Investing Activities					
Capital expenditures	—	—	(5,555)	(8,642)	(14,197)
Change in receivable from Arch Coal, Inc.	(71,067)	—	—	927	(70,140)
Proceeds from dispositions of property, plant and equipment	—	—	1	13	14
Cash used in investing activities	(71,067)	—	(5,554)	(7,702)	(84,323)
Financing Activities					
Net proceeds fom commercial paper	3,681	—	—	—	3,681
Transactions with affiliates, net	71,949	7,594	(63,829)	(15,714)	—
Cash provided by (used in) financing activities	75,630	7,594	(63,829)	(15,714)	3,681
Decrease in cash and cash equivalents	(656)	—	(13,025)	(22)	(13,703)
Cash and cash equivalents, beginning of period	1,613	—	78,070	134	79,817
Cash and cash equivalents, end of period	$ 957	$ —	$ 65,045	$ 112	$ 66,114

Condensed Consolidating Statements of Cash Flows
Three Months Ended March 31, 2010
(unaudited)

	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
			(in thousands)		
Cash provided by (used in) operating activities	$ (7,279)	$ (16,032)	$ 107,573	$ 18,778	$ 103,040
Investing Activities					
Capital expenditures	—	—	(11,087)	(2,739)	(13,826)
Change in receivable from Arch Coal, Inc.	(96,616)	—	—	9,642	(86,974)
Proceeds from dispositions of property, plant and equipment	—	—	45	29	74
Additions to prepaid royalties	—	—	(2,509)	—	(2,509)
Cash provided by (used in) investing activities	(96,616)	—	(13,551)	6,932	(103,235)
Financing Activities					
Net proceeds on commercial paper	3,778	—	—	—	3,778
Debt financing costs	(63)	—	—	—	(63)
Transactions with affiliates, net	103,654	16,032	(94,028)	(25,658)	—
Cash provided by (used in) financing activities	107,369	16,032	(94,028)	(25,658)	3,715
Increase (decrease) in cash and cash equivalents	3,474	—	(6)	52	3,520
Cash and cash equivalents, beginning of period	6,714	—	61	44	6,819
Cash and cash equivalents, end of period	$ 10,188	$ —	$ 55	$ 96	$ 10,339

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

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

Overview

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

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

Growth in domestic and global coal demand combined with coal supply constraints in many traditional coal exporting countries benefited coal markets during 2010. We expect global coal markets to remain tight throughout the remainder of 2011, and additional tightening in the domestic market as 2011 progresses. Global power demand is increasing, creating seaborne demand for U.S. coal. We have expanded our seaborne sales utilizing ports on the West Coast and the Gulf of Mexico. We have provided additional information about the performance of our operating segments under the heading "Operating segment results".

Results of Operations

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Summary. Our improved results during the first quarter of 2011 when compared to the first quarter of 2010 were due primarily to higher average sales realizations as a result of improved market conditions. The impact of lower overall sales volumes partially offset the benefit from the higher average realizations.

Revenues. The following table summarizes information about coal sales for the three months ended March 31, 2011 and compares it with the information for the three months ended March 31, 2010:

	Three Months Ended March 31		Increase (Decrease)	
	2011	2010	Amount	%
	(Amounts in thousands, except per ton data and percentages)			
Coal sales	$ 534,405	$ 472,847	$ 61,558	13.0%
Tons sold	32,310	33,808	(1,498)	(4.4)%
Coal sales realization per ton sold	$ 16.54	$ 13.98	$ 2.56	18.3%

Coal sales increased in the first quarter of 2011 from the first quarter of 2010 due to higher pricing in both regions, partially offset by lower sales volumes in the Powder River Basin. We remain selective in committing tonnage by matching our production levels to our estimates of market demand, which we believe will provide for the best long-term results based on our outlook for the coal markets. We have provided more information about the tons sold and the coal sales realizations per ton by operating segment under the heading "Operating segment results".

Costs, expenses and other. The following table summarizes costs, expenses and other components of operating income for the three months ended March 31, 2011 and compares them with the information for the three months ended March 31, 2010:

	Three Months Ended March 31		Increase (Decrease) in Net Income	
	2011	2010	$	%
	(Amounts in thousands, except percentages)			
Cost of coal sales	$ 423,324	$ 397,509	$ (25,815)	(6.5)%
Depreciation, depletion and amortization	39,586	44,040	4,454	10.1
Amortization of acquired sales contracts, net	5,944	10,753	4,809	44.7
Selling, general and administrative expenses	9,298	7,841	(1,457)	(18.6)
Other operating income, net	(1,174)	(1,390)	(216)	(15.5)
	$ 476,978	$ 458,753	$ (18,225)	(4.0)%

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

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

Amortization of acquired sales contracts, net. Arch Coal acquired both above- and below-market sales contracts with a net fair value of $58.4 million with the Jacobs Ranch mining operation. The sales contracts were not contributed to us, however, the amortization of these acquired sales contracts is reflected in our results. The fair values of acquired sales contracts are amortized over the tons of coal shipped during the term of the contracts.

Selling, general and administrative expenses. Selling, general and administrative expenses represent expenses allocated to us from Arch Coal. Expenses are allocated based on Arch Coal's best estimates of proportional or incremental costs, whichever is more representative of costs incurred by Arch Coal on our behalf.

Table of Contents

Operating segment results. The following table shows results by operating segment for the three months ended March 31, 2011 and compares it with information for the three months ended March 31, 2010:

	Three Months Ended March 31				Increase (Decrease)		
	2011		2010		$		%
Powder River Basin							
Tons sold (in thousands)		28,124		29,681		(1,557)	(5.2)%
Coal sales realization per ton sold (1)	$	13.34	$	11.38	$	1.96	17.2%
Operating margin per ton sold (2)	$	1.37	$	0.32	$	1.05	328.1%
Western Bituminous							
Tons sold (in thousands)		4,186		4,127		59	1.4%
Coal sales realization per ton sold (1)	$	31.77	$	28.98	$	2.79	9.6%
Operating margin per ton sold (2)	$	6.35	$	2.60	$	3.75	144.2%

(1) Coal sales prices per ton exclude certain transportation costs that we pass through to our customers. We use these financial measures because we believe the amounts as adjusted better represent the coal sales prices we achieved within our operating segments. Since other companies may calculate coal sales prices per ton differently, our calculation may not be comparable to similarly titled measures used by those companies. For the three months ended March 31, 2011, transportation costs per ton were $0.13 for the Powder River Basin and $5.36 for the Western Bituminous region. For the three months ended March 31, 2010, transportation costs per ton were $0.08 for the Powder River Basin and $3.17 for the Western Bituminous region.

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

Powder River Basin — The operating margin per ton sold in the Powder River Basin was higher in 2011 than in 2010 due to higher average coal sales realizations, reflecting the improved coal markets. The decrease in sales volumes in the Powder River Basin in 2011 when compared with 2010 resulted primarily from our market-driven sales commitment approach, as discussed previously. Partially offsetting the increase in average realizations was an increase in labor and diesel costs and an increase in sales-sensitive costs, due to increased realizations.

Western Bituminous — In the Western Bituminous region, per-ton operating margins in the first quarter of 2011 were higher than 2010, reflecting improved pricing, despite the ongoing soft domestic demand in the region. Effective cost control in the region and slightly higher production levels reduced our per-ton operating costs, which contributed to the improved results in 2011.

Net interest income (expense). The following table summarizes our net interest income (expense) for the three months ended March 31, 2011 and compares it with the information for the three months ended March 31, 2010:

	Three Months Ended March 31				Increase in Net Income		
	2011		2010		$		%
	(Amounts in thousands, except percentages)						
Interest expense	$	(10,491)	$	(17,503)	$	7,012	40.1%
Interest income		12,857		11,915		942	7.9
	$	2,366	$	(5,588)	$	7,954	142.3%

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

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

Table of Contents

Liquidity and Capital Resources

Liquidity and capital resources

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

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

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

	Three Months Ended March 31	
	2011	2010
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ 66,939	$ 103,040
Investing activities	(84,323)	(103,235)
Financing activities	3,681	3,715

Cash provided by operating activities decreased in the three months ended March 31, 2011 compared to the three months ended March 31, 2010, primarily as a result of an increased investment in working capital, primarily coal inventories, and a decrease in accounts payable.

Cash used in investing activities for the three months ended March 31, 2011 was $18.9 million lower when compared to the three months ended March 31, 2010, primarily due to a decrease in amounts advanced to Arch Coal under the intercompany note.

Critical Accounting Policies

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

We are also exposed to the risk of fluctuations in cash flows related to our purchase of diesel fuel. We use approximately 45 to 50 million gallons of diesel fuel annually in our operations. Arch Coal enters into heating oil swaps and options to reduce volatility in the price of diesel fuel for our operations. The swap agreements essentially fix the price paid for diesel fuel by requiring us to pay a fixed heating oil price and receive a floating heating oil price. The call options protect against increases in diesel fuel by granting us the right to participate in increases in heating oil prices. The cash settlements related to these swaps and options are allocated to us through the Arch Coal intercompany account.

We are exposed to market risk associated with fluctuating interest rates on our outstanding commercial paper and the note payable to Arch Coal. A one percentage point increase in the interest rates related to these borrowings would result in an annualized increase in interest expense of $2.9 million, based on borrowing levels at March 31, 2011.

Item 4. Controls and Procedures.

We performed an evaluation under the supervision and with the participation of our management, including our chief

Table of Contents

executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2011. Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that the disclosure controls and procedures were effective as of such date. There were no changes in internal control over financial reporting that occurred during our quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors.

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

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Reserved

Item 5. Other Information.

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

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act passed in 2010, each operator of a coal or other mine is required to include certain mine safety results in its periodic reports filed with the Securities and Exchange Commission. The operation of our mines is subject to regulation by the federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). Below we present the following items regarding certain mine safety and health matters, broken down by mining complex owned and operated by Arch Western or our subsidiaries, for the three-month period ended March 31, 2011:

- *Section 104 Citations:* Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Mine Act for which we have received a citation from MSHA;

- *Section 104(b) Orders:* Total number of orders issued under section 104(b) of the Mine Act;

- *Section 104(d) Citations/Orders:* Total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under Section 104(d) of the Mine Act;

Table of Contents

- *Section 107(a) Orders:* Total number of imminent danger orders issued under section 107(a) of the Mine Act; and

- *Total Dollar Value of Proposed MSHA Assessments:* Total dollar value of proposed assessments from MSHA under the Mine Act.

Mining complex(1)	Section 104 Citations	Section 104(b) Orders	Section 104(d) Citations/Orders	Section 107(a) Orders	Total Dollar Value of Proposed MSHA Assessments (in thousands)(2)
Power River Basin:					
Black Thunder	4	—	—	—	$ 4.6
Coal Creek	1	—	—	—	$ 1.1
Western Bituminous:					
Arch of Wyoming	2	—	—	—	$ 0
Dugout Canyon	3	—	1	—	$ 0
Skyline	7	—	—	—	$ 5.5
Sufco	3	—	—	—	$ 4.5
West Elk	7	—	—	—	$ 7.3

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

(2) Amounts included under the heading "Total Dollar Value of Proposed MSHA Assessments" are the total dollar amounts for proposed assessments received from MSHA on or before April 15, 2011, for citations and orders occurring during the three-month period ended March 31, 2011.

For the three-month period ended March 31, 2011, none of our mining complexes received written notice from MSHA of (i) a flagrant violation under section 110(b)(2) of the Mine Act; (ii) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Act; or (iii) the potential to have such a pattern. For the three-month period ended March 31, 2011, none of our mining complexes experienced a mining-related fatality.

As of March 31, 2011, we had a total of fifty-one matters pending before the Federal Mine Safety and Health Review Commission. This includes legal actions that were initiated prior to the three-month period ended March 31, 2011 and which do not necessarily relate to the citations, orders or proposed assessments issued by MSHA during such three-month period.

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

Table of Contents

Item 6. Exhibits.

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

Exhibit	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Paul A. Lang.
31.2	Rule 13a-14(a)/15d-14(a) Certification of John T. Drexler.
32.1	Section 1350 Certification of Paul A. Lang.
32.2	Section 1350 Certification of John T. Drexler.

Table of Contents

Signatures

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

Arch Western Resources, LLC

By: /s/ John T. Drexler
John T. Drexler
Vice President

May 16, 2011

Exhibit 31.1

Certification

I, Paul A. Lang, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ Paul Lang
Paul A. Lang
President

Date: May 16, 2011

Exhibit 31.2

Certification

I, John T. Drexler, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ John T. Drexler
John T. Drexler
Vice President
Date: May 16, 2011

Exhibit 32.1

Certification of Periodic Financial Reports

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

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (the “Periodic Report”) which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

/s/ Paul A. Lang
Paul A. Lang
President

Date: May 16, 2011

Exhibit 32.2

Certification of Periodic Financial Reports

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

(1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (the "Periodic Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

/s/ John T. Drexler
John T. Drexler
Vice President
Date: May 16, 2011