



January 11, 2016

John Eaves  
Chairman and Chief Executive Officer  
Arch Coal  
OneCity Place Drive, Suite 300  
St. Louis, MO 63141

**Re: Acknowledging the Need to Move Beyond Coal as Arch Coal Declares Bankruptcy**

Dear Mr. Eaves:

Arch Coal faces a very uncertain financial future. We understand that Arch Coal today is voluntarily filing for Chapter 11 bankruptcy. Even under bankruptcy, the prospects of Arch Coal's survival are grim. As the world unites to combat climate change, it is increasingly clear that carbon-intensive energy sources, such as coal, do not have a realistic future. Put another way, we are at a point where the world can no longer afford to rely on coal.

Given these circumstances, WildEarth Guardians is writing to call on you to acknowledge that Arch Coal is not viable in the long-term, particularly when faced with the need to confront global climate change. We further call on you to take steps to ensure the company undertakes an orderly and effective end to its coal business, even as it may seek the protection of restructuring.

To this end, we urge you to commit to taking key actions that can address near-term financial difficulties faced by Arch Coal, respond to the needs of the various interests currently depending on the company, and serve the American public interest, primarily in relation to the company's assets in the western United States. These actions include:

- **Withdrawal of all pending federal coal lease applications and applications for permits for new mines:** Arch Coal currently has several applications for new publicly owned coal leases in the western United States that are pending before the U.S. Department of the Interior. These include two applications for lease modifications in Colorado totaling 1,700 acres related to the company's West Elk mine, 21,000 acres of preference right lease applications in New Mexico, and two lease by applications in Wyoming related to the company's Black Thunder mine in the Powder River Basin comprising nearly 5,000 acres. The latter lease applications include the North Hilight lease, which consists of 263.4 million tons of coal, and the West Hilight lease, which consists of 440.4 million tons of coal. In recent years, coal leases in the Powder River Basin have sold for more than \$1.00 per ton. Thus, if Arch were to obtain these leases, the company faces at least \$703 million in financial commitments, although likely higher,



a sum that it cannot currently afford. It seems absurd to believe that the company now or in the future could shoulder such liability. Even if all of Arch's lease modifications, preference right applications, and lease by applications remain pending, Arch still faces the prospect of paying the Department of the Interior to complete additional environmental analysis or to undertake additional proceedings, per Interior's cost-recovery requirements.

Arch also has at least one pending application for a permit for a new mine, Otter Creek, in southeastern Montana. If the company continues to pursue this mine permit, it faces significant liabilities in terms of covering the costs of processing, defending the permit, posting an adequate reclamation bond, etc.

To this end, Arch Coal should withdraw its applications for pending leases and applications for permits for new mines. Such a withdrawal would send the signal that the company is not facing hundreds of million in expenses and would ensure that it would not shoulder future costs associated with the processing of new leases and permits. Withdrawing these applications will also serve to eliminate future climate liabilities.

- **Relinquishment of all federal coal leases where production is not occurring:** Arch has numerous publicly owned coal leases where coal production is not currently occurring or no longer occurring, yet the company is shouldering costs.

A glaring example of this is in relation to the company's 5,225-acre Elk Mountain/Saddleback Hills lease in southern Wyoming, which was acquired in 1999. It is not clear that Arch has ever produced from this lease, which was estimated to contain 65.78 million tons of recoverable coal. In spite of this, the company has still paid the Interior Department advance royalties, as well as maintained bonds. What's more, this lease was tied to DKRW's proposed coal-to-liquids project, which has so far failed to materialize and has cost Arch at least \$57.7 million.

Furthermore, Arch also maintains leaseholds in the Hanna Basin of Wyoming, where production has ceased and reclamation has largely been completed, yet the company still maintains bonds and shoulders other related costs.

Relinquishing federal leases where coal production is not occurring will eliminate future climate liabilities and current financial liabilities tied to the maintenance of these extraneous leases.

- **Commitment to expeditious final reclamation deadlines at existing mining operations:** Arch Coal has extensive reserves where it is currently producing coal. Under the U.S. Surface Mining Control and Reclamation Act, the company has posted bonds to cover the costs of reclamation at these mines. These bonds, whether posted as sureties or as self-bonds by the company, represent significant liabilities for Arch. In Wyoming alone, the company's self-bonding liabilities amount to \$457 million. The only legal way for Arch to eliminate these liabilities is by fully completing reclamation at its mines. Unfortunately, there are no deadlines in place for the company to complete



reclamation, meaning these liabilities are currently indefinite. A deadline to complete reclamation by dates certain will resolve liabilities and ensure certainty around the future of existing mining operations.

In light of this, Arch should commit to respective regulatory authorities enforceable deadlines to complete full reclamation (i.e., Phase III reclamation under the Surface Mining Control and Reclamation Act) at all of its mining operations. These deadlines should be as expeditiously as possible. Given that the company has represented that its bonding commitments are backed by adequate financial guarantees, committing to expeditious and enforceable reclamation deadlines should be more than feasible. Further, such a commitment would provide assurances that significant liabilities will be reduced and/or eliminated by dates certain.

- **Commitment to worker/retiree benefits:** As Arch Coal confronts its financial woes, we urge the company to ensure that worker and retiree benefits are priority considerations. For years, Arch's past and present employees have helped to keep the lights on in America. Now, in an era where climate concerns are paramount, past and present employees face an increasingly uncertain future in the coal industry. This situation, however, should not prevent Arch from ensuring that its current and former workers are appropriately compensated and cared for, even as the company is not likely to survive in the long-term. We urge Arch Coal to ensure that as the company sheds liabilities, including outstanding lease and mining permit applications, non-producing coal leases, and bonding obligations, that the company remains fully committed to providing benefits for its workers and retirees.

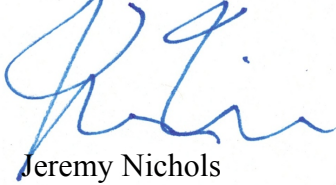
More importantly, we urge Arch Coal to be honest and upfront with shareholders, workers, government officials, and the American public that the future of coal is bleak. As our nation and others rise to the challenge of confronting climate change, it is clear that we cannot reasonably rely on coal as an energy source. This will necessarily mean that Arch's business will ultimately come to an end. In light of this reality, it is incumbent upon the company to do everything possible in the interim to shed extraneous liabilities, fully close out existing operations, and ensure the concerns of shareholders, workers, and other interested parties are effectively resolved.

As an organization that has actively confronted much of Arch Coal's mining operations in the western United States, WildEarth Guardians would offer that if the aforementioned commitments are agreed upon, we would certainly consider dropping existing challenges to the company's mining and refraining from future challenges. Guardians is currently in federal court challenging expansions to Arch's Black Thunder mine and plans to challenge any new coal leases or mine expansions that may be approved by the U.S. Interior Department. If Arch Coal agrees to withdraw pending leases and new mining permit applications, relinquish non-producing federal leases, commit to enforceable reclamation deadlines, and ensure that workers and retirees are guaranteed benefits and support, WildEarth Guardians would be more than willing to agree to stand down.



We believe a smooth path forward exists for Arch Coal to confront its financial difficulties. For our climate and our future, we urge you to move quickly and decisively to follow this path.

Sincerely,



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cc: Sally Jewell, Secretary, U.S. Department of the Interior  
Janice Schneider, Assistant Secretary, U.S. Department of the Interior  
Joe Pizarchik, Director, U.S. Office of Surface Mining Reclamation and Enforcement