SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): June 1, 1998

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

Delaware	1-13105	43-0921172
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

CityPlace One, Suite 300, Creve Coeur, Missouri	63141
(Address of principal executive offices)	(Zip code)

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

Item 7 of the Registrant's Current Report on Form 8-K dated June 1, 1998 is hereby amended as set forth below. The exhibits referenced therein are not amended hereby.

As previously reported on a Current Report on Form 8-K dated June 1, 1998, Arch Coal, Inc. (the "Company" or "Arch Coal") acquired Atlantic Richfield Company's ("ARCO's") Colorado and Utah coal operations and simultaneously combined the acquired ARCO operations and the Company's Wyoming operations with ARCO's Wyoming operations in a new joint venture to be known as Arch Western Resources, LLC ("Arch Western").

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) The following consolidated financial statements of ARCO Coal Company are filed as part of this amendment to Current Report on Form 8-K:

ARCO Coal and subsidiaries

Report of Coopers & Lybrand LLP, Independent Auditors;

Consolidated Balance Sheet at December 31, 1997 and 1996;

Consolidated Statement of Income for the years ended December 31, 1997, 1996 and 1995;

Consolidated Statement of Cash Flows for the years ended December 31, 1997, 1996 and 1995;

Notes to Consolidated Financial Statements;

Consolidated Balance Sheet at March 31, 1998 (unaudited) and December 31, 1997;

Consolidated Statement of Income for the three month periods ended March 31, 1998 and 1997 (unaudited);

Consolidated Statement of Cash Flows for the three month periods ended March 31, 1998 and 1997 (unaudited); and Notes to Consolidated Financial Statements.

ARCO COAL AND SUBSIDIARIES

FINANCIAL STATEMENTS

as December 31, 1997 and 1996
and for each of the three years in the period ended December 31, 1997

Report of Independent Accountants

To the Stockholder of ARCO Coal:

We have audited the accompanying consolidated balance sheet of ARCO Coal and Subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ARCO Coal and Subsidiaries as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.
Denver, Colorado
April 7, 1998

ARCO COAL AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(THOUSANDS OF DOLLARS)

	DECEMBER 31, 1997	DECEMBER 31, 1996
ASSETS		
Current assets:		
Accounts receivable	$ 37,769	$ 32,234
Mine supply inventory	28,303	25,354
Coal inventory	3,812	1,827
Prepaid expense and other current assets	3,987	1,583
Total current assets	73,871	60,998
Property, plant and equipment:		
Plant and equipment	230,169	201,495
Land and mineral rights	80,217	79,769
Mine development	40,586	40,586
Total	350,972	321,850
Less accumulated depreciation, depletion and amortization	(86,121)	(89,681)
Net property, plant and equipment	264,851	232,169
Investments	539,972	574,320
Other long-term assets	7,161	6,475
Total assets	$885,855	$873,962
LIABILITIES AND EQUITY		
Current liabilties:		
Accounts payable	$ 21,944	$ 10,203
Taxes payable other than income taxes	25,351	27,847
Other accrued liabilities	22,816	17,243
Total current liabilities	70,111	55,293
Deferred income taxes	92,030	89,383
Other deferred liabilities and credits	70,225	70,958
Total liabilities	232,366	215,634
ARCO equity investment	653,489	658,328
Total liabilities and equity	$885,855	$873,962

The accompanying notes are an integral part of these financial statements.

ARCO COAL AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(THOUSANDS OF DOLLARS)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
REVENUES			
Coal sales	$ 343,824	$ 391,290	$ 384,362
Income from equity investments	7,077	-	-
Other revenues	37,361	4,219	3,247
Total revenues	388,262	395,509	387,609
COSTS AND EXPENSES			
Cost of coal sales	254,473	227,664	212,107
Selling, general and administrative expenses	19,943	22,699	21,882
Depreciation, depletion and amortization	15,777	34,785	34,052
Taxes other than income taxes	55,139	63,360	63,309
Total costs and expenses	345,332	348,508	331,350
Income before income tax provision	42,930	47,001	56,259
Income tax provision	11,230	9,193	12,728
Net income	$ 31,700	$ 37,808	$ 43,531

The accompanying notes are an integral part of these financial statements.

ARCO COAL AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(THOUSANDS OF DOLLARS)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 31,700	$ 37,808	$ 43,531
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	15,777	34,785	34,052
Income from equity investments	(7,077)	-	-
Elimination of intercompany profit	(6,000)	-	-
Dividends from equity investments	13,824	-	-
Gain on asset sales	(4,024)	(838)	(493)
Cash payments less (greater) than noncash provisions	(733)	2,886	3,644
Deferred income taxes	2,647	(1,693)	1,543
Changes in working capital accounts (a)	1,945	5,205	3,058
Other	152	(613)	(912)
Net cash provided by operating activities	48,211	77,540	84,423
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(51,850)	(21,445)	(23,225)
Proceeds from sales of property, plant and equipment	5,891	877	526
Investments	33,601	(412,642)	(3,700)
Other	686	2,217	1,210
Net cash used by investing activities	(11,672)	(430,993)	(25,189)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net settlement with ARCO	36,539	(353,453)	59,234
Net cash provided (used) by financing activities	36,539	(353,453)	59,234
Net change in cash	-	-	-
Cash at beginning of year	-	-	-
Cash at end of year	$ -	$ -	$ -

(a) Changes in working capital - increase (decrease) to cash:			
Accounts receivable	($5,535)	$10,343	($8,804)
Inventories	(4,934)	(678)	2,414
Accounts payable	11,741	(9,698)	4,367
Other working capital	673	5,238	5,081
	$ 1,945	$ 5,205	$ 3,058

The accompanying notes are an integral part of these financial statements.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the U.S. operations and related subsidiaries of Atlantic Richfield Company's ("ARCO") coal division. This division operates businesses engaged in the mining of coal in Wyoming, Utah and Colorado. Coal is marketed throughout the United States and into select export markets.

The consolidated entity as described above is referred to as ARCO Coal and Subsidiaries, ("ARCO Coal" or the "Company") in the accompanying consolidated financial statements and includes the assets and liabilities of the U.S. operations of ARCO's coal division, as well as the assets and liabilities of the following subsidiaries: ARCO Coal Sales Company, ARCO Coal Terminal, ARCO Uinta Coal Company, Mountain Coal Company, Delta Housing, Inc. and Thunder Basin Coal Company L.L.C., along with revenues and expenses attributable to those U.S. operations and the subsidiaries recorded at ARCO's historical cost. The consolidated entity also includes its equity investments in Canyon Fuel Company L.L.C. ("Canyon Fuel") and CH-Twenty, Inc. ("CH-Twenty").

In addition, the consolidated financial statements include the allocation from ARCO of direct and indirect corporate overhead costs attributable to ARCO Coal. The methods by which such amounts are attributed or allocated are deemed reasonable by management (See Note 4). All significant transactions between these entities have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mine Supply Inventory

Mine supply inventory is valued using the average cost method and is stated at the lower of cost or net realizable value.

Coal Inventory

Coal inventory is valued using the first-in-first-out ("FIFO") cost method and is stated at the lower of cost or market. Coal inventory costs include labor, equipment costs and operating overhead.

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost. Maintenance and repair costs are expensed as incurred. Mine development costs are capitalized and amortized on the units-of production method. Depletion of mineral properties is computed by the units-of-production method based on estimated recoverable tonnage.

The Company pays royalties to certain landowners and holders of mineral interests for the rights to perform mining activities. Funds advanced to landowners are capitalized and expensed as a component of cost of coal sales based on the terms of the underlying lease agreements as the coal is mined.

Depreciation and amortization of other property, plant and equipment is computed by either the straight-line method (3 to 20 years) over the expected life of the asset or the units-of-production method, depending upon the type of asset. Fully depreciated assets are retained in property and accumulated depreciation accounts until they are removed from service. At December 31, 1997, and 1996, approximately $44 million of fully depreciated plant and equipment remains in service and is reflected on the balance sheet. Upon disposal of assets depreciated on an individual basis, residual cost less salvage value is included in current income.

Impairment of Long-Lived Assets

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The measurement and recording of an impairment loss is based on the fair value of the asset, which is computed using estimated future discounted cash flows.

Estimated future net cash flows from each mine are calculated using estimates of proven and probable coal reserves, estimated future sales prices (considering historical and current prices, price trends and related factors), production costs, capital and reclamation costs.

The Company's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur which may affect the recoverability of the Company's investments in plant and equipment, land and mineral rights and other assets.

Income Taxes

The Company's results of operations are included in the consolidated U.S. federal income tax return of ARCO. Federal and state income tax expense is computed on a stand-alone return basis.

The Company has adopted SFAS No. 109, "Accounting for Income Taxes," for all periods presented in these financial statements. Under the asset and liability method prescribed by SFAS No. 109, deferred taxes are established for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

Reclamation and Mine Closing Costs

Accruals for the estimated cost of future mine closings of currently active mines are established on the basis of a per-ton rate as part of the production cost while coal is being mined. Ongoing reclamation costs of surface mines are expensed as incurred.

Revenue Recognition

Coal sales are recognized at contract prices at the time of title transfer. Revenue other than from coal sales is included in other revenues and is recognized as services are performed or otherwise earned. Included in other revenues in 1997 is approximately $22 million from a litigation settlement.

Earnings Per Share

Earnings per share has been omitted from the consolidated statement of income because the Company was not a separate entity with its own capital structure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

Canyon Fuel

Effective December 20, 1996, the Company acquired a 65% interest in Canyon Fuel, which owns three coal mines in Utah, for approximately $411 million in cash. The Company's ownership interest does not allow it complete control of Canyon Fuel because of certain provisions in the joint venture agreement establishing Canyon Fuel. Therefore, the Company uses the equity method of accounting for its investment in Canyon Fuel.

The purchase price was allocated to assets and liabilities based upon their fair market values with the remaining purchase price of $257 million allocated to mineral rights. The purchase price allocated to the mineral rights will be depleted under the units-of-production method over the lives of the coal reserves that underlie those mineral rights.

Canyon Fuel's results of operations are reflected in the equity investment account from the acquisition date. There is no material difference between the amount of underlying net assets and the amount at which the equity investment is carried at December 31, 1997, and 1996.

The following table presents the valuation of 100% of Canyon Fuel's assets and liabilities on the effective date of the purchase transaction:

	(Thousands of Dollars)
ASSETS ACQUIRED:	
Current assets	$ 81,545
Land	2,118
Mineral rights	256,993
Plant and equipment	138,268
Other noncurrent assets	190,646
Total	669,570
LIABILITIES ASSUMED:	
Current liabilities	18,851
Federal lease payment	5,432
Accrued postretirement benefits	5,580
Accrued pneumoconiosis	5,892
Accrued mine closing costs	2,057
Total	37,812
Total cash paid	$ 631,758
ARCO Coal's share of cash paid	$ 410,644

The following table presents summarized financial information for Canyon Fuel:

	PERIOD FROM INCEPTION (DECEMBER 20, 1996, TO DECEMBER 31, 1997)
	(Thousands of Dollars)
Revenues	$ 254,956
Total costs and expenses	233,688
Net income	$ 21,268
ARCO Coal's equity in net income of Canyon Fuel	$ 13,824
Cash distributions received from Canyon Fuel	$ 48,750

	AT DECEMBER 31, 1997
Current assets	$ 70,213
Noncurrent assets	555,201
Current liabilities	30,058
Noncurrent liabilities	17,330
Stockholders' equity	578,026

Pro forma net income, prepared to give effect as if the acquisition of the interest in Canyon Fuel had occurred on January 1, 1996, is $37,710 (unaudited) for the year ended December 31, 1996. The pro forma adjustments included in this amount are based on assumptions and estimates and are not necessarily indicative of the results of operations of the Company as they might have been or as they may be in the future.

CH-Twenty, Inc.

Effective December 27, 1996, in exchange for 100 shares of common stock of CH-Twenty, a subsidiary of ARCO, the Company conveyed to CH-Twenty certain assets associated with the operation of the Black Thunder Coal Mine. The value of the CH-Twenty common stock recorded on the Company's books was the net book value of the assets conveyed to CH-Twenty, of $164 million. The 100 shares represent a 28.5% ownership interest in CH-Twenty and, accordingly, ARCO Coal is accounting for its investment in CH-Twenty using the equity method. The Company's share in the equity of CH-Twenty at December 31, 1997, was $244 million. The difference between the book value of the investment and the Company's share in the equity is being amortized over 40 years.

The Company has entered into a ten-year lease agreement with Little Thunder Leasing Company, a related party, for the use of the assets conveyed to CH-Twenty. ARCO's equity loss in CH-Twenty has been adjusted to reflect primarily the elimination of the intercompany profit related to the lease.

The following table presents summarized financial information for CH-Twenty, Inc.:

	YEAR ENDED DECEMBER 31, 1997 (Thousands of Dollars)
Revenues	$ 252,543
Loss before income tax benefit	(4,474)
Net loss	(2,617)
ARCO Coal's equity in net loss of CH-Twenty, Inc.	(747)
ARCO Coal's adjusted net loss in CH-Twenty, Inc.	(6,747)

	AT DECEMBER 31, 1997	AT DECEMBER 31, 1996
Current assets...........................	$ 1,095,647	$ 1,030,196
Noncurrent assets........................	365,964	359,054
Current liabilities......................	120,615	102,385
Long-term debt -- related party..........	26,329	26,329
Noncurrent liabilities...................	310,418	243,306
Redeemable preferred stock...............	150,000	150,000
Stockholders' equity.....................	854,249	857,399

4. CHANGES IN ARCO EQUITY INVESTMENT, ALLOCATIONS AND RELATED PARTY TRANSACTIONS

The ARCO equity investment reflects the historical activity between ARCO and the Company. Transactions with ARCO are settled immediately through the ARCO equity investment and there are no amounts due to or from ARCO at the end of any period. An analysis of the changes in the ARCO equity investment is as follows:

	1997	1996	1995
	(Thousands of Dollars)		
Beginning ARCO equity investment	$ 658,328	$ 267,067	$ 282,770
Net income	31,700	37,808	43,531
Settlements with ARCO:			
Purchase of Canyon Fuel (a)	-	410,644	-
Cash distribution from Canyon Fuel	(48,750)	-	-
ARCO allocations (b)	8,987	9,076	8,300
Tax settlements (c)	8,583	10,886	11,185
Other cash transactions, net (d)	(5,359)	(77,153)	(78,719)
Total settlements with ARCO	(36,539)	353,453	(59,234)
Ending ARCO equity investment	$ 653,489	$ 658,328	$ 267,067

(a) The Company acquired a 65% interest in Canyon Fuel in December 1996.

(b) ARCO provides services, including insurance, aviation, legal, financial, internal audit and other functions. Charges for these services and benefits have been allocated based on usage or other methods that management believes to be reasonable.

(c) Current federal and state income taxes have been settled with ARCO.

(d) ARCO uses a centralized cash transfer system (noninterest bearing) for its domestic operating divisions, under which cash receipts of the Company are submitted to ARCO and cash disbursements are funded by ARCO.

5. CURRENT LIABILITIES

Taxes payable other than income taxes were as follows at December 31:

	1997	1996
	(Thousands of Dollars)	
Production/severance	$ 17,796	$ 19,535
Federal reclamation/pneumoconiosis	4,585	5,276
Property	2,548	2,639
Other	422	397
Total	$ 25,351	$ 27,847

Other accrued liabilities were as follows at December 31:

	1997	1996
	(Thousands of Dollars)	
Wages and related benefits	$ 7,590	$ 8,604
Reduction in work force (see note 11)	9,943	3,607
Royalties	2,688	2,912
Postretirement benefits	2,000	2,000
Other	595	120
Total	$ 22,816	$ 17,243

6. OTHER DEFERRED LIABILITIES AND CREDITS

Other deferred liabilities and credits were as follows at December 31:

	1997	1996
	(Thousands of Dollars)	
Pension and postretirement benefits	$ 28,588	$ 30,344
Reclamation and mine closure reserve	30,641	30,379
Other	10,996	10,235
Total	$ 70,225	$ 70,958

7. TAXES

The components of the income tax provision were the following for the years ended December 31:

	1997	1996	1995
	(Thousands of Dollars)		
Federal:			
Current (parent)	$ 8,862	$ 10,886	$ 11,185
Deferred	458	(1,620)	1,216
Total federal	9,320	9,266	12,401
State:			
Current (parent)	(279)	-	-
Deferred	2,189	(73)	327
Total state	1,910	(73)	327
Total income tax provision	$ 11,230	$ 9,193	$ 12,728

The state tax provision is net of state tax credits of $1,369,000, $980,000 and $1,064,000 in the years 1997, 1996 and 1995, respectively.

The major components of the net deferred tax liability were as follows at December 31:

	1997	1996
	(Thousands of Dollars)	
Depreciation, depletion and amortization	$ (61,506)	$ (63,290)
Investments	(61,327)	(43,615)
Total deferred tax liabilities	(122,833)	(106,905)
Postretirement benefits	10,710	10,395
Alternative minimum tax credit	12,112	-
Other	7,981	7,127
Total deferred tax assets	30,803	17,522
Net deferred income tax liability	$ (92,030)	$ (89,383)

Reconciliation of income tax expense with tax at the federal statutory rate is as follows for the years ended December 31:

	1997	1996	1995
	(Thousands of Dollars)		
Income before income tax provision	$ 42,930	$ 47,001	$ 56,259
Tax at 35%	$ 15,025	$ 16,450	$ 19,691
Increase (reduction) in taxes resulting from:			
Depletion	(5,468)	(7,735)	(7,700)
State income taxes (net of federal effect)	1,241	(47)	213
Other	432	525	524
Provision for income taxes	$ 11,230	$ 9,193	$ 12,728

Taxes other than income taxes comprised the following for the years ended December 31:

	1997	1996	1995
	(Thousands of Dollars)		
Federal reclamation fees	$ 14,752	$ 16,545	$ 14,799
Pneumoconiosis	13,516	15,437	15,066
Severance	13,131	15,390	17,002
Production/ad valorem	10,206	12,326	12,977
Property and other	3,534	3,662	3,465
Total	$ 55,139	$ 63,360	$ 63,309

8. COMMITMENTS AND CONTINGENCIES

The Company has certain commitments, including those related to the acquisition, construction and development of facilities all made in the normal course of business. The Company is also the subject of or party to a number of pending or threatened legal actions for which the legal responsibility and financial impact cannot presently be ascertained. On the basis of management's best assessment of the ultimate amount and timing of these events, such expenses or judgments arising from any of these suits, or from any of the proceedings described above, are not expected to have a material adverse effect on the Company's consolidated financial statements.

All of the Company's operations are subject to reclamation and closure requirements. The Company monitors these requirements and evaluates its accruals for reclamation and closure regularly. The accrued liability is included in other deferred liabilities and credits on the balance sheet. At December 31, 1997, the Company had $15 million of surety bonds issued by an insurance company and an additional $108 million of surety bonds guaranteed by ARCO to collateralize reclamation commitments.

Other long-term assets consist of an approximate 5% investment in Los Angeles Export Terminal, Inc. ("LAXT"). The Company's investment is recorded at cost, which approximates its fair value of $7 million as of December 31, 1997. LAXT is currently experiencing issues with respect to its near term future throughput volumes due to contemplated reductions in coal purchases by Japanese utilities from western U.S. coal suppliers. Major reductions in LAXT's throughput may result in negative cash flows, as well as the inability to obtain the financing necessary to construct coke handling facilities which are required in order to comply with LAXT's operating permit. If the throughput issues are not satisfactorily resolved in a timely manner, there can be no assurance that the Company's investment in LAXT will be recoverable. This recoverability issue also applies to the Company's share of Canyon Fuel's nine percent interest in LAXT.

9. RETIREMENT PLANS

Essentially all employees are covered by defined benefit pension plans sponsored by ARCO, Thunder Basin Coal Company or Mountain Coal Company. The benefits are based on years of service and the employee's compensation, primarily during the last three years of service. The funding policy for each of the pension plans is to make annual contributions as required by applicable regulations. Qualified benefit plans are funded through contributions to trust funds kept apart from Thunder Basin Coal Company, Mountain Coal Company, ARCO Coal and ARCO funds; nonqualified benefit plans are not funded.

In 1997, 1996 and 1995, ARCO charged allocated pension costs as accrued, based on an actuarial valuation for its plans. The separation of plan assets and accumulated benefit obligations was based primarily on actuarial computations based upon specific identification of ARCO Coal employees and retirees.

The following table sets forth the funded status of the Company's allocated interest in the ARCO-sponsored retirement plans and the Thunder Basin Coal Company and Mountain Coal Company plans which cover the Company's employees and the amounts recognized in the Company's balance sheet at December 31:

	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
	(Thousands of Dollars)	
1997		
Actuarial present value of benefits:		
Vested benefits	$ (73,259)	$ (6,606)
Accumulated benefits	$ (73,259)	$ (6,606)
Effect of future projected salary increases	(10,247)	(284)
Projected benefit obligation (PBO)	(83,506)	(6,890)
Plan assets at fair value, primarily stocks and bonds	94,989	-
PBO (greater) less than plan assets	11,483	(6,890)
Unrecognized net (gain) loss	(3,441)	2,906
Prior service cost not yet recognized in net periodic pension cost	3,701	480
Remaining unrecognized (asset) obligation from transition	(8,338)	143
Prepaid pension asset (liability) recognized in ARCO Coal's balance sheet	$ 3,405	$ (3,361)

	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
	(Thousands of Dollars)	
1996		
Actuarial present value of benefits:		
Vested benefits	$ (68,861)	$ (6,098)
Accumulated benefits	$ (68,861)	$ (6,098)
Effect of future projected salary increases	(12,523)	(838)
Projected benefit obligation (PBO)	81,384	(6,936)
Plan assets at fair value, primarily stocks and bonds	85,218	-
PBO (greater) less than plan assets	3,834	(6,936)
Unrecognized net loss	2,099	3,137
Prior service cost not yet recognized in net periodic pension cost	3,897	528
Remaining unrecognized (asset) obligation from transition	(9,341)	167
Prepaid pension asset (liability) recognized in ARCO Coal's balance sheet	$ 489	$ (3,104)

Components of net periodic pension cost for ARCO Coal are as follows for the years ended December 31:

	1997	1996	1995
		(Thousands of Dollars)	
Service cost-benefits earned during the period	$ 2,500	$ 2,525	$ 1,884
Interest cost on PBO	6,237	6,004	5,706
Actual return on plan assets	(10,293)	(9,928)	(9,581)
Net amortization and deferral	1,011	2,246	3,049
Net pension (income) cost	$ (545)	$ 847	$ 1,058

The assumptions used in determining the pension costs and pension liability shown above were as follows at December 31:

	1997	1996	1995
Discount rate	7.0%	7.25%	7.0%
Rate of salary progression	4.0%	5.0%	5.0%
Long-term rate of return on assets	10.5%	10.5%	10.5%

10. OTHER POSTRETIREMENT BENEFITS

ARCO Coal is a participant in certain ARCO postretirement benefit plans. These plans provide postretirement benefits other than pensions to substantially all employees who retire with the Company having rendered the required years of service, along with their spouses and eligible dependents. Health care benefits are provided primarily through comprehensive indemnity plans or health maintenance organizations (HMO), as chosen by the employee. Beginning January 1, 1997, ARCO began paying for the cost of the benchmark HMO with employees responsible for the differential cost, if any, of their selected option. Previously, ARCO paid approximately 80% of the cost of a comprehensive indemnity plan. This change resulted in the unrecognized prior service benefit reflected below. Life insurance benefits are based primarily on the employee's final compensation and are also partially paid for by retiree contributions, which vary based upon coverage chosen by the retiree. ARCO has the right to modify the plans at any time. ARCO's current policy is to fund the cost of postretirement health care and life insurance plans on a pay-as-you-go basis.

The actuarial calculations of the Company's expense for the years ended December 31, 1997, 1996 and 1995, were based upon specific identification of ARCO Coal employees and retirees.

The following table sets forth the Company's allocated other postretirement benefit liability as of December 31:

	HEALTH CARE	LIFE INSURANCE	TOTAL
	(Thousands of Dollars)		
1997			
Accumulated postretirement benefit obligation (APBO):			
Retirees	$ (16,341)	$ (5,057)	$ (21,398)
Employees fully eligible	(1,868)	(383)	(2,251)
Other active participants	(6,948)	(1,398)	(8,346)
Total	(25,157)	(6,838)	(31,995)
Unrecognized prior service benefit	(2,003)	-	(2,003)
Unrecognized net (gain) loss	3,921	(555)	3,366
Accrued postretirement benefit cost recognized in ARCO Coal's balance sheet	$ (23,239)	$ (7,393)	$ (30,632)

	HEALTH CARE	LIFE INSURANCE	TOTAL
	(Thousands of Dollars)		
1996			
APBO:			
Retirees	$ (16,957)	$ (4,921)	$ (21,878)
Employees fully eligible	(2,013)	(418)	(2,431)
Other active participants	(6,272)	(1,373)	(7,645)
Total	(25,242)	(6,712)	(31,954)
Unrecognized prior service benefit	(2,140)	-	(2,140)
Unrecognized net (gain) loss	4,816	(451)	4,365
Accrued postretirement benefit cost recognized in ARCO Coal's balance sheet	$ (22,566)	$ (7,163)	$ (29,729)

Net annual other postretirement benefit costs allocated to ARCO Coal for the years ended December 31, 1997, 1996 and 1995 included the following components:

	HEALTH CARE	LIFE INSURANCE	TOTAL
	(Thousands of Dollars)		
1997			
Service cost-benefits earned during the period	$ 608	$ 134	$ 742
Interest cost on APBO	1,662	463	2,125
Net amortization	(82)	-	(82)
Net postretirement benefit cost	$ 2,188	$ 597	$ 2,785

	HEALTH CARE	LIFE INSURANCE	TOTAL
	(Thousands of Dollars)		
1996			
Service cost-benefits earned during the period	$ 614	$ 127	$ 741
Interest cost on APBO	1,709	455	2,164
Net amortization	55	-	55
Net postretirement benefit cost	$ 2,378	$ 582	$ 2,960
1995			
Service cost-benefits earned during the period	$ 482	$ 85	$ 567
Interest cost on APBO	1,836	443	2,279
Net amortization	-	(41)	(41)
Net postretirement benefit cost	$ 2,318	$ 487	$ 2,805

The significant assumptions used in determining postretirement benefit cost and the APBO were as follows:

	1997	1996	1995
Discount rate	7.0%	7.25%	7.0%
Rate of salary progression	4.0%	5.0%	5.0%

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (e.g., health care trend rate) for the health plans is 9% for 1995 and 1996, 7% for 1997 to 2001, and 5% thereafter. The assumed trend rate for 1995 and 1996 was 10%; 8% for 1997 to 2001, and 6% thereafter. The effect of a one-percentage-point increase in the assumed trend rate would increase the APBO as of December 31, 1997, by approximately $3.4 million, and the aggregate of the service and interest cost components of net annual postretirement benefit cost by approximately $350,000.

11. RESTRUCTURING PROGRAM

During 1996, the Company initiated a restructuring program under which approximately 26 administrative positions were to be eliminated. The Company incurred a charge of $3.6 million before tax, consisting of personnel costs associated with the terminations. At December 31, 1997, 22 positions had been eliminated and $2.3 million of the accrued benefits had been paid. During 1997, an additional $1.5 million was charged to expense to adjust the reserve established in 1996. During 1997, the Company initiated another restructuring program involving the elimination of an additional 54 administrative positions and incurred a charge of $7.2 million before tax, primarily consisting of severance and other ancillary costs associated with the terminations. At December 31, 1997, none of the accrued benefits for the 1997 restructuring program has been paid.

12. SIGNIFICANT CUSTOMERS

Sales include transactions involving both produced coal and purchased coal, and include direct sales under various long and short-term contractual arrangements primarily to public utility companies. One customer accounted for 24.7%, 22.1% and 21.7% of coal sales in 1997, 1996 and 1995, respectively. This was the only customer who accounted for greater than 10% of coal sales in each year. This same customer accounted for 14.5% and 18.1% of accounts receivable at December 31, 1997, and 1996. The Company is in litigation with this customer. Another customer accounted for 11.0% and 12.6% of accounts receivable at December 31, 1997, and 1996.

13. FINANCIAL INSTRUMENTS

The Company does not hold or issue financial instruments for trading purposes. The fair value of the Company's investments in Canyon Fuel and CH-Twenty at December 31, 1997, approximate their carrying value of $376 million and $164 million, respectively.

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental cash flow information for the years ended December 31:

	1997	1996	1995
	(Thousands of Dollars)		
Gross noncash provisions charged to income	$ 2,225	$ 3,580	$ 3,985
Reversal of a prior period accrual	(2,728)	-	-
Cash payments of previously accrued items	(230)	(694)	(341)
Cash payments (greater) less than noncash provisions	$ (733)	$ 2,886	$ 3,644
Total income taxes paid to ARCO in cash	$ 8,583	$ 10,886	$ 11,185

15. LEASE COMMITMENTS

The Company has operating lease commitments expiring at various dates, primarily for certain assets associated with the Black Thunder coal mine, office space and other equipment. The Black Thunder coal mine assets are leased from Little Thunder Leasing Company, a related party. Future minimum rental obligations under these leases at December 31, 1997 are summarized as follows in thousands:

1998......................	$ 36,419
1999	32,414
2000	27,331
2001	24,948
2002	20,211
Thereafter................	60,218
Total	$ 201,541

Rental expense relating to operating leases amounted to $38.3 million, $1.4 million and $1.5 million in 1997, 1996 and 1995, respectively.

16. SUBSEQUENT EVENT

In March 1998, ARCO signed an agreement to dispose of its U.S. coal assets to Arch Coal. Operations to be disposed of include the Black Thunder and Coal Creek mines in Wyoming, the West Elk mine in Colorado, and, through Canyon Fuel Company L.L.C. with ITOCHU Corp. of Japan, three mines in Utah. In the agreement, ARCO Uinta, a subsidiary of ARCO, will sell the Colorado and Utah coal operations to Arch Coal. Simultaneously, Arch will combined these operations with ARCO's Wyoming coal operations and its own Wyoming coal operations in a new joint venture. The new company will be 99% owned by Arch and 1% owned by ARCO.

ARCO COAL AND SUBSIDIARIES

INTERIM FINANCIAL STATEMENTS

as March 31, 1998 and December 31, 1997
and for the three months ended March 31, 1998 and 1997

ARCO COAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

	March 31, 1998	December 31, 1997
	(Unaudited)	
ASSETS		
Current assets:		
Accounts receivable	$ 45,613	$ 37,769
Mine supply inventory	28,387	28,303
Coal inventory	1,198	3,812
Prepaid expense and other current assets	3,932	3,987
Total current assets	79,130	73,871
Property, plant and equipment:		
Plant and equipment	236,890	230,169
Land and mineral rights	80,217	80,217
Mine development	40,586	40,586
Total	357,693	350,972
Less accumulated depreciation, depletion and amortization	(86,386	(86,121)
Net property, plant and equipment	271,307	264,851
Investments	555,210	539,972
Other long-term assets	--	7,161
Total assets	$ 905,647	$ 885,855
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 18,397	$ 21,944
Taxes payable other than income taxes	28,563	25,351
Other accrued liabilities	22,054	22,816
Total current liabilities	69,014	70,111
Deferred income taxes	93,343	92,030

Other deferred liabilities and credits	70,941	70,225
Total liabilities	233,298	232,366
ARCO equity investment	672,349	653,489
Total liabilities and equity	$ 905,647	$ 885,855

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

ARCO COAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(Thousands of Dollars)

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
REVENUES:		
Coal sales	$ 93,311	$ 102,213
Income (loss) from equity investments	1,642	(3,065)
Other revenues	2,841	3,416
Total revenues	97,794	102,564
COSTS AND EXPENSES:		
Cost of coal sales	60,509	59,035
Selling, general and administrative expenses	4,174	5,920
Depreciation, depletion and amortization	3,810	5,038
Taxes other than income taxes	15,028	15,214
Total costs and expenses	83,521	85,207
Income before income tax provision	14,273	17,357
Income tax provision	2,946	6,422
Net income	$ 11,327	$ 10,935

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

ARCO COAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Thousands of Dollars)

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Cash flows from operating activities:		
Net income	$ 11,327	$ 10,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	3,810	5,038
(Income) loss from equity investments	(1,642)	3,065
Elimination of intercompany profit	(4,712)	(1,932)
Dividend from equity investment	--	3,957
Cash payments less (greater) than noncash provisions	716	(1,748)
Deferred income taxes	1,313	3,394
Changes in working capital accounts (a)	(6,356)	(16,774)
Other	750	(149)
Net cash provided by operating activities	5,206	5,786
Cash flows from investing activities:		
Additions to property, plant and equipment	(3,834)	(11,677)
Investments	(8,905)	15,543
Net cash provided (used) by investing activities	(12,739)	3,866
Cash flows from financing activities:		
Net settlement with ARCO	7,533	(9,652)
Net cash provided (used) by financing activities	7,533	(9,652)

Net change in cash	--	--
Cash at beginning of period	--	--
Cash at end of period	$ --	$ --

(a) Changes in working capital - increase (decrease) to cash:		
Accounts receivable	$ (7,844)	$(24,366)
Inventories	2,530	(1,341)
Accounts payable	(3,547)	10,129
Other working capital	2,505	(1,196)
	$ (6,356)	$(16,774)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Summarized Financial Statements:

The accompanying consolidated balance sheet as of March 31, 1998, and the consolidated statements of income and cash flows for the three months ended March 31, 1998 and 1997, are unaudited; however, in the opinion of management all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results of such periods have been made. The results of operations for the three months ended March 31, 1998 and 1997 are not necessarily indicative of the results of operations to be expected for the full year.

2. Basis of Presentation:

The accompanying consolidated financial statements include the U.S. operations and related subsidiaries of Atlantic Richfield Company's ("ARCO") coal division. This division operates businesses engaged in the mining of coal in Wyoming, Utah and Colorado. Coal is marketed throughout the United States and into select export markets.

The consolidated entity as described above is referred to as ARCO Coal and Subsidiaries, ("ARCO Coal" or the "Company") in the accompanying consolidated financial statements and includes the assets and liabilities of the U.S. operations of ARCO's coal division, as well as the assets and liabilities of the following subsidiaries: ARCO Coal Sales Company, ARCO Coal Terminal, ARCO Uinta Coal Company, Mountain Coal Company, Delta Housing, Inc. and Thunder Basin Coal Company L.L.C., along with revenues and expenses attributable to those U.S. operations and the subsidiaries recorded at ARCO's historical cost. The consolidated entity also includes its equity investments in Canyon Fuel Company L.L.C. ("Canyon Fuel") and CH-Twenty, Inc. ("CH-Twenty").

In addition, the consolidated financial statements include the allocation from ARCO of direct and indirect corporate overhead costs attributable to ARCO Coal. The methods by which such amounts are attributed or allocated are deemed reasonable by management (See Note 5). All significant transactions between these entities have been eliminated.

Earnings Per Share:

Earnings per share has been omitted from the consolidated statements of income because the Company was not a separate entity with its own capital structure.

3. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Investments:

Canyon Fuel:

The following table presents summarized financial information for Canyon Fuel:

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
	(Thousands of Dollars)	
Revenues	$ 80,672	$ 73,463
Total costs and expenses	75,312	67,375
Net income	$ 5,360	$ 6,088
ARCO Coal's equity in net income of Canyon Fuel	$ 3,484	$ 3,957
Cash (call paid to) distributions received from Canyon Fuel	$ (8,905)	$ 19,500

CH-Twenty, Inc.:

The following table presents summarized financial information for CH-Twenty, Inc.:

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
	(Thousands of Dollars)	
Revenues	$ 52,976	$ 55,940
Income (loss) before taxes	17,563	(27,638)
Net income (loss)	10,868	(17,013)
ARCO Coal's equity in net income (loss) of CH-Twenty, Inc.	$ 3,105	$ (4,861)
ARCO Coal's adjusted net loss in CH-Twenty, Inc. (a)	$ (1,842)	$ (7,022)

(a) The Company has entered into a 10-year lease agreement with Little Thunder Leasing Company, a related party, for the use of the assets conveyed to CH-Twenty. ARCO's equity loss in CH-Twenty has been adjusted to reflect primarily the elimination of the intercompany profit related to the lease.

5. Changes in ARCO Equity Investment, Allocations and Related Party Transactions:

The ARCO equity investment reflects the historical activity between ARCO and the Company. Transactions with ARCO are settled immediately through the ARCO equity investment and there are no amounts due to or from ARCO at the end of any period. An analysis of the changes in the ARCO equity investment is as follows:

	March 31, 1998
	(Thousands of Dollars)
Beginning ARCO equity investment	$ 653,489
Net income	11,327
Settlements with ARCO:	
Cash call from Canyon Fuel	8,905
ARCO allocations (a)	1,079
Tax settlements (b)	1,633
Other cash transactions, net (c)	(4,084)
Total settlements with ARCO	7,533
Ending ARCO equity investment	$ 672,349

(a) ARCO provides services, including insurance, aviation, legal, financial, internal audit and other functions. Charges for these services and benefits have been allocated based on usage or other methods that management believes to be reasonable.

(b) Current federal and state income taxes have been settled with ARCO.

(c) ARCO uses a centralized cash transfer system (noninterest bearing) for its domestic operating divisions, under which cash receipts of the Company are submitted to ARCO and cash disbursements are funded by ARCO.

6. Taxes

The components of the income tax provision were the following for the three months ended March 31, 1998 and 1997:

	1998	1997
	(Thousands of Dollars)	
Federal:		
Current (parent)	$1,633	$3,028
Deferred	1,102	922
Total federal	2,735	3,950
State:		
Current (parent)	--	--
Deferred	211	2,472
Total state	211	2,472
Total income tax provision	$2,946	$6,422

The state tax provision is net of state tax credits of $206,000 and $480,000 in the first quarter of 1998 and 1997, respectively.

Reconciliation of income tax expense with tax at the federal statutory rate is as follows for the three months ended March 31, 1998 and 1997:

	1998	1997
	(Thousands of Dollars)	
Income before income tax provision	$ 14,273	$ 17,357
Tax at 35%	4,995	6,075
Increase (reduction) in taxes resulting from:		
Depletion	(2,298	(1,367)

State income taxes (net of federal effect)	137	1,607
Other	112	107
Provision for income taxes	$ 2,946	$ 6,422

7. Commitments and Contingencies:

The Company has certain commitments, including those related to the acquisition, construction and development of facilities all made in the normal course of business. The Company is also the subject of or party to a number of pending or threatened legal actions for which the legal responsibility and financial impact cannot presently be ascertained. On the basis of management's best assessment of the ultimate amount and timing of these events, such expenses or judgments arising from any of these suits, or from any of the proceedings described above, are not expected to have a material adverse effect on the Company's consolidated financial statements.

All of the Company's operations are subject to reclamation and closure requirements. The Company monitors these requirements and evaluates its accruals for reclamation and closure regularly. The accrued liability is included in other deferred liabilities and credits on the balance sheet. At March 31, 1998, the Company had $15 million of surety bonds issued by an insurance company and an additional $108 million of surety bonds guaranteed by ARCO to collateralize reclamation commitments.

An approximate 5% investment in Los Angeles Export Terminal, Inc. ("LAXT") was reclassified from other long-term assets to property, plant and equipment in the first quarter of 1998. The Company's investment is recorded at cost, which approximates its fair value of $7 million as of March 31, 1998. LAXT is currently analyzing the potential for decreases in its future throughput volumes due to contemplated reductions in coal purchases by Japanese utilities from western U.S. coal suppliers. Major reductions in LAXT's throughput may result in negative cash flows, as well as the inability to obtain the financing necessary to construct coke handling facilities which are required in order to comply with LAXT's operating permit. If the throughput issues are not satisfactorily resolved in a timely manner, there can be no assurance that the Company's investment in LAXT will be recoverable.

8. Restructuring Program:

During 1996, the Company initiated a restructuring program under which approximately 26 administrative positions were to be eliminated. The Company incurred a charge of $3.6 million before tax, consisting of personnel costs associated with the terminations. At December 31, 1997, 22 positions had been eliminated and $2.3 million of the accrued benefits had been paid. During 1997, an additional $1.5 million was charged to expense to adjust the reserve established in 1996. During 1997, the Company initiated another restructuring program involving the elimination of an additional 54 administrative positions and incurred a charge of $7.2 million before tax, primarily consisting of severance and other ancillary costs associated with the terminations. At March 31, 1998, a total of $970,000 was paid out of the adjusted December 31, 1996 restructuring reserve. No payments were made related to the 1997 restructuring reserve. During the first quarter of 1998, no personnel were terminated under the 1996 or 1997 restructuring programs.

9. Disposition of Assets:

In March 1998, ARCO entered into an agreement with Arch Coal, Inc. ("Arch Coal") to dispose of its U.S. coal assets. Operations to be disposed of include the Black Thunder and Coal Creek mines in Wyoming, the West Elk mine in Colorado, and, through Canyon Fuel with ITOCHU Corp. of Japan, three mines in Utah. Under the terms of the agreement, ARCO Uinta, a subsidiary of ARCO, will sell the Colorado and Utah operations to Arch Coal. Simultaneously, Arch Coal will combine these operations with ARCO's Wyoming coal operations and its own Wyoming coal operations in a new joint venture. The new company will be 99% owned by Arch Coal and 1% owned by ARCO.

Canyon Fuel Company, LLC

Report of Coopers & Lybrand, LLP, Independent Auditors;

Balance Sheet at December 31, 1997;

Statement of Operations for the period from December 20, 1996 (inception) through December 31, 1997;

Statement of Members' Equity for the period from December 20, 1996 (inception) through December 31, 1997;

Statements of Cash Flows for the period from December 20, 1996 (inception) through December 31, 1997; and

Notes to Financial Statements.

CANYON FUEL COMPANY, L.L.C.

FINANCIAL STATEMENTS

FOR THE PERIOD FROM DECEMBER 20, 1996 (INCEPTION) THROUGH DECEMBER 31, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of the
Canyon Fuel Company, L.L.C.:

We have audited the accompanying balance sheet of Canyon Fuel Company, L.L.C. (a Delaware Limited Liability Company) (the "Company") as of December 31, 1997, and the related statements of operations, members' equity and cash flows for the period from December 20, 1996 (inception) through December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canyon Fuel Company, L.L.C. as of December 31, 1997, and the results of its operations and its cash flows for the period from December 20, 1996 (inception) through December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.
Denver, Colorado
March 20, 1998, except as to the information presented in
Note 13, for which the date is April 7, 1998.

CANYON FUEL COMPANY, L.L.C.

BALANCE SHEET

AS OF DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS OF DOLLARS)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 5,443
Accounts receivable	24,485
Coal inventory	27,952
Mine supply inventory	11,903
Prepaid expense and other current assets	430
Total current assets	70,213
Property, plant and equipment, net	384,104
Sales contracts, net	131,390
Prepaid royalties	27,533
Other long-term assets	12,174
Total assets	$ 625,414
LIABILITIES AND MEMBERS' EQUITY	
Current liabilities:	
Accounts payable	$ 15,409
Accrued liabilities	13,236
Federal lease payments, current portion	1,413
Total current liabilities	30,058
Federal lease payments, net of current portion	2,552
Other noncurrent liabilities	14,778
Total liabilities	47,388
Commitments and contingencies (Note 9)	
Members' equity	578,026
Total liabilities and members' equity	$ 625,414

The accompanying notes are an integral part of these financial statements.

CANYON FUEL COMPANY, L.L.C.

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM DECEMBER 20, 1996 (INCEPTION) THROUGH DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS OF DOLLARS)

Revenues:	
Coal sales	$ 251,818
Other revenues	3,138
Total revenues	254,956
Costs and expenses:	
Cost of coal sales	162,063
Selling, general and administrative expenses	3,959
Depreciation, depletion and amortization	52,183
Taxes other than income taxes	10,678
Fees to members	4,805
Total costs and expenses	233,688
Net income	$ 21,268

The accompanying notes are an integral part of these financial statements.

CANYON FUEL COMPANY, L.L.C.

STATEMENT OF MEMBERS' EQUITY

FOR THE PERIOD FROM DECEMBER 20, 1996 (INCEPTION) THROUGH DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS OF DOLLARS)

	ARCO UINTA COAL COMPANY	ITOCHU INTERNATIONAL	TOTAL
Contributions	$ 410,643	$ 221,115	$ 631,758
Distributions	(48,750)	(26,250)	(75,000)
Net income for the period from December 20, 1996 (inception) through December 31, 1997	13,824	7,444	21,268
Members' equity, December 31, 1997	$ 375,717	$ 202,309	$ 578,026

The accompanying notes are an integral part of these financial statements.

CANYON FUEL COMPANY, L.L.C.

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM DECEMBER 20, 1996 (INCEPTION) THROUGH DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS OF DOLLARS)

Cash flows from operating activities:	
Net income	$ 21,268
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation, depletion and amortization	52,183
Royalties	2,954
Reclamation	332
Black lung	397
Employee benefits	2,160
Gain on sales contract buyout	(611)
Changes in assets and liabilities, net of amounts acquired:	
Accounts receivable	9,263
Inventories	(13,482)
Prepaids and other assets	(170)
Accounts payable	1,588
Accrued liabilities	4,310
Other deferred liabilities	(1,640)
Net cash provided by operating activities	78,552
Cash flows from investing activities:	
Acquisition of coal operations, net of cash acquired	(610,334)
Additions to property, plant and equipment	(20,819)
Other	(1,143)
Net cash used in investing activities	(632,296)
Cash flows from financing activities:	
Members' contributions	631,758
Federal lease payments	(1,467)
Members' distributions	(75,000)
Change in bank overdrafts	3,896
Net cash provided by financing activities	559,187
Net change in cash and cash equivalents	5,443
Cash and cash equivalents, beginning of period	--
Cash and cash equivalents, end of period	$ 5,443
Supplemental cash flow information:	
Cash paid for interest	$ 184

The accompanying notes are an integral part of these financial statements.

1. FORMATION OF THE COMPANY:

Effective December 20, 1996, Canyon Fuel Company, L.L.C. (the "Company") was formed as a joint venture between ARCO Uinta Coal Company (65% ownership) and ITOCHU Coal International, Inc. (35% ownership) (collectively, the "Members") for the purpose of acquiring certain Utah coal operations and an approximate 9% interest in Los Angeles Export Terminal, Inc. ("LAXT") from Coastal Coal, Inc. and The Coastal Corporation (collectively, "Coastal").

The Company mines and markets coal primarily to utility companies in the United States. Net profits and/or losses are allocated equally to the Members based on their ownership percentage. Distributions of the Company's earnings are also allocated equally to the Members based on their ownership percentage.

On December 20, 1996, the Company acquired the western operations of Coastal for $631,758,000 in cash, plus assumed liabilities, for a total purchase price of $669,570,000 (the "Acquisition"). These operations primarily consist of three coal mines in central Utah and a corporate office in Salt Lake City, Utah. The Acquisition was funded through cash contributions by the Members in proportion to their ownership percentage. The Acquisition has been accounted for using the purchase method of accounting. The acquired assets and assumed liabilities have been recorded by the Company at their fair values as of December 20, 1996 and are as follows (thousands of dollars):

Assets acquired:	
Cash	$ 21,424
Accounts receivable	33,748
Coal inventory	14,680
Materials and supplies inventory	11,693
Prepaid royalties and expenses	30,747
Property, plant and equipment	140,386
Sales contracts	150,068
Other long-term assets	9,831
Total assets acquired	412,577
Liabilities assumed:	
Accounts payable	9,925
Accrued liabilities	8,926
Federal lease payment	5,432
Black lung reserve	5,892
Reclamation liability	2,057
Pension and post retirement benefits	5,580
Total liabilities assumed	37,812
Net assets acquired	$374,765

1. FORMATION OF THE COMPANY, CONTINUED:

The excess of the purchase price paid over the fair value of the net assets acquired has been allocated to coal reserves and access rights associated with reserves located on properties which are adjacent to the properties acquired in the amount of $179,210,000 and $77,783,000 respectively. In the event the Company is not successful in acquiring the reserves located adjacent to the properties acquired, the amount of the purchase price allocated to such reserves will be written off in the period such determination is made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

The statement of cash flows classifies changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less) according to operating, investing, or financing activities. Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and temporary cash investments. At times, cash balances held at financial institutions were in excess of Federal Deposit Insurance Corporation insurance limits. The Company places its temporary cash investments with high-credit quality financial institutions. The Company believes no significant concentration of credit risk exists with respect to these cash investments.

ACCOUNTS RECEIVABLE

The Company controls credit risk related to accounts receivable through credit approvals, credit limits and monitoring procedures. Concentrations of credit risk with respect to accounts receivable are limited as a large number of geographically diverse customers comprise the Company's customer base.

COAL INVENTORY

Coal inventory is valued using the first-in-first-out ("FIFO") cost method and is stated at the lower of cost or market. Coal inventory costs include labor, equipment costs and operating overhead.

MINE SUPPLY INVENTORY

Mine supply inventory is valued using the average cost method and is stated at the lower of cost or net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost. Maintenance and repair costs are expensed as incurred. Mine development costs are capitalized and amortized on the units-of-production method. Depletion of mineral properties is computed on the units-of-production method based on estimated recoverable tonnage.

Depreciation and amortization of other property, plant and equipment is computed by either the straight-line method over the expected life of the asset or on the units-of-production method, depending upon the type of asset. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. Upon disposal of depreciated assets, residual cost less salvage value is included in the determination of current income.

SALES CONTRACTS

As part of the Acquisition, the Company acquired sales contracts which have selling prices in excess of the current spot prices for coal and recorded such contracts at fair value. The sales contracts are amortized as the remaining tons under these contracts are sold.

PREPAID ROYALTIES

The Company pays royalties to certain landowners and holders of mineral interests for the rights to perform mining activities in advance of production. Amounts paid to landowners are capitalized and expensed as a component of cost of coal sales based on the terms of the underlying lease agreements as the coal is sold.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company periodically evaluates whether events and circumstances have occurred that indicate that the remaining estimated useful life of assets may warrant revision or that remaining asset values may not be recoverable. When factors indicate that asset values should be evaluated for possible impairment, the Company compares the expected future cash flows to the carrying value of long-lived assets and identifiable intangibles. If the anticipated undiscounted future cash flows are less than the carrying amount of such assets, the Company recognizes an impairment loss for the difference between the carrying amount of assets and their estimated fair value.

Estimated future net cash flows from each mine are calculated using estimates of proven and probable coal reserves, estimated future sales prices (considering historical and current prices, price trends and related factors), production costs, capital and reclamation costs.

IMPAIRMENT OF LONG-LIVED ASSETS, CONTINUED

The Company's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur which may affect the recoverability of the Company's investments in plant and equipment, land and mineral rights and other assets.

RECLAMATION AND MINE CLOSING COSTS

The Company charges current reclamation costs to expense as incurred. Final reclamation costs, including dismantling and restoration, are estimated based upon current federal and state regulatory requirements and are accrued during operations. The final reclamation provision was calculated using the units-of-production method on the basis of estimated costs as of the balance sheet date. The effect of changes in estimated costs and production is recognized on a prospective basis.

The Company is not aware of any events of noncompliance with environmental laws and regulations. The exact nature of environmental issues and costs, if any, which the Company may encounter in the future cannot be predicted, primarily because of the changing character of environmental requirements that may be enacted by governmental agencies.

REVENUE RECOGNITION

Coal sales are recognized at contract prices at the time of title transfer.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

INCOME TAXES

The financial statements do not include a provision for income taxes as the Company is treated as a partnership for income tax purposes and does not incur federal or state income taxes. Instead, its earnings and losses are included in the Members' separate income tax returns.

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment as of December 31, 1997 were as follows (thousands of dollars):

Land	$ 2,118
Buildings, machinery and equipment	135,613
Construction in process	17,981
Mine development	5,493
Coal reserves	256,993
	418,198
Less accumulated depreciation and depletion	(34,094)
	$ 384,104

For the period from December 20, 1996 (inception) through December 31, 1997 depreciation and depletion expense was $25,237,000 and $8,857,000, respectively.

4. SALES CONTRACTS:

Sales contracts as of December 31, 1997 were as follows (thousands of dollars):

Sales contracts	$ 149,479
Less accumulated amortization	(18,089)
	$ 131,390

5. ACCOUNTS PAYABLE:

Accounts payable as of December 31, 1997 were as follows (thousands of dollars):

Accounts payable, trade	$ 11,513
Bank overdrafts	3,896
	$ 15,409

6. ACCRUED LIABILITIES:

Accrued liabilities as of December 31, 1997 were as follows (thousands of dollars):

Wages and related benefits	$ 10,250
Royalties	1,469
Other	1,517
	$ 13,236

7. FEDERAL LEASE PAYMENTS:

The Company has been awarded federal leases which require the bid price to be paid over a number of years. Royalty payments will be required when mining begins on the leases. Federal lease payments as of December 31, 1997 were as follows (thousands of dollars):

Alkali Creek lease payable; due in annual installments of $533 through October 1, 1999, with imputed interest at 5.67%	$ 983
Winter Quarters lease payable; due in annual installments of $1,120 through June 20, 2000, with imputed interest at 6.21%	2,982
	3,965
Less current portion	(1,413)
	$ 2,552

Annual long-term maturities under federal lease payments are as follows (thousands of dollars):

1998	$ 1,413
1999	1,497
2000	1,055
	3,965
Less current maturities	(1,413)
	$ 2,552

Interest expense recorded under federal leases was $294,000 for the period from December 20, 1996 (inception) through December 31, 1997.

8. OTHER NONCURRENT LIABILITIES:

Other noncurrent liabilities as of December 31, 1997 were as follows (thousands of dollars):

Pension and postretirement benefits	$ 7,620
Reclamation and mine closure reserve	2,389
Black lung reserve	4,769
	$ 14,778

9. COMMITMENTS AND CONTINGENCIES:

The Company makes commitments in the normal course of business, including those related to the purchase, construction and development of facilities. In May 1997, the Company entered into agreements for the purchase of long-wall equipment for approximately $28,110,000. As of December 31, 1997, approximately $21,995,000 of purchase commitments were remaining under the agreements.

In November 1997, the Company commenced a legal action in the State Court of Utah against Skyline Partners, the assignor of a number of federal leases at the Skyline Mine. The Company claims that under the lease agreement between the Company and Skyline Partners, the Company has paid more advance royalties than may be recouped against actual production and inasmuch as the agreement contemplates full recoupment, payment of the last $5,000,000 in advance royalty is inappropriate. In November 1997, Skyline Partners commenced a legal action in the Federal District Court in Colorado against the Company for the last $5,000,000 advance royalty payment and damages as a result for not making that payment. The cases are in the preliminary stages of discovery and the Company intends to defend its position vigorously.

The Company is also the subject of or party to a number of other pending or threatened legal actions. On the basis of management's best assessment of the ultimate amount and timing of these events, such expenses or judgments arising from any of these suits, or from any of the proceedings described above, are not expected to have a material adverse effect on the Company's operations, financial position, or cash flows.

Included in other assets of the Company is an approximate 9% investment in LAXT. The Company's investment is recorded at cost, which approximates its fair value of $12 million as of December 31, 1997. LAXT is currently experiencing issues with respect to its future throughput volumes due to contemplated reductions in coal purchases by the Japanese utilities from western U.S. coal suppliers. Major reductions in LAXT's throughput may result in negative cash flows, as well as the inability to obtain the financing necessary to construct coke handling facilities which are required in order to comply with LAXT's operating permit. If the throughput issues are not satisfactorily resolved in a timely manner, there can be no assurance that the Company's investment in LAXT will be recoverable.

10. RETIREMENT PLAN:

Essentially all of the Company's employees are covered by a defined benefit pension plan sponsored by the Company. The benefits are based on years of service and the employee's compensation, primarily during the last five years of service. The funding policy for the pension plan is to make annual contributions as required by applicable regulations. Qualified benefit plans are funded through contributions to trust funds kept apart from Company funds; nonqualified benefit plans are not funded.

In 1997, the Company charged allocated pension costs as accrued, based on an actuarial valuation for its plan. The separation of plan assets and accumulated benefit obligations was based primarily on actuarial computation based upon specific identification of Company employees and retirees.

The following table sets forth the funded status of the Company's retirement plan which cover the Company's employees and the amounts recognized in the Company's balance sheet at December 31, 1997 (thousands of dollars):

	ACCUMULATED BENEFITS EXCEED ASSETS
Actuarial present value of benefit obligations:	
Vested benefits	$ 1,130
Accumulated benefits	$ 1,130
Effect of future projected salary increases	1,335
Projected benefit obligation ("PBO")	2,465
Plan assets at fair value, primarily stocks and bonds	54
PBO greater than plan assets	2,411
Unrecognized net loss	230
Pension liability recognized in the Company's balance sheet	$ 2,181

Components of net pension cost for the Company are as follows for the period from December 20, 1996 (inception) through December 31, 1997 (thousands of dollars):

Service cost-benefits earned during the period	$ 1,451
Interest cost on PBO	58
Actual return on plan assets	(13)
Net amortization and deferral	13
Net pension cost	$ 1,509

10. RETIREMENT PLAN, CONTINUED:

The assumptions used in determining the pension costs and pension liability shown above were as follows at December 31, 1997:

Discount rate	7.0%
Rate of salary progression	5.0%
Long-term rate of return	10.5%

11. OTHER POSTRETIREMENT BENEFITS:

The Company provides certain postretirement medical and life insurance benefits to substantially all employees who retire with the Company. The Company has the right to modify the plans at any time. The Company's current policy is to fund the cost of postretirement health care and life insurance plans on a pay-as-you-go basis.

The actuarial calculations of the Company's expense for the period from December 20, 1996 (inception) through December 31, 1997, was based upon specific identification of Company employees and retirees.

The following table sets forth the Company's allocated other postretirement benefit liability as of December 31, 1997 (thousands of dollars):

	HEALTH CARE	LIFE INSURANCE	TOTAL
Accumulated postretirement benefit obligation:			
Active not eligible	$4,333	$ 59	$4,392
Active eligible	1,277	34	1,311
Total	5,610	93	5,703
Unrecognized net loss	259	5	264
Accrued postretirement benefit cost recognized in the Company's balance sheet	$5,351	$ 88	$5,439

11. OTHER POSTRETIREMENT BENEFITS, CONTINUED:

Net annual other postretirement benefit costs allocated to the Company for the period from December 20, 1996 (inception) through December 31, 1997 included the following components (thousands of dollars):

	HEALTH CARE	LIFE INSURANCE	TOTAL
Service cost-benefits earned during the year	$ 309	$ 4	$ 313
Interest cost on the accumulated postretirement benefit obligation	341	6	347
Net post retirement benefit cost	$ 650	$ 10	$ 660

The significant assumptions used in determining 1997 other postretirement benefit cost and the accumulated other postretirement benefit obligation were as follows:

Discount rate................	7%
Rate of salary progression...	5%

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care trend rate) for the health plans is 7% for 1997, 7% for 1998 through 2001, and 5% thereafter. The assumed trend rate for 1997 was 8%, 8% for 1998 to 2001, and 6% thereafter. The effect of a one-percentage-point increase in the assumed trend rate would increase the accumulated other postretirement benefit obligation as of December 31, 1997, by approximately $1,300,000, and the aggregate of the service and interest cost components of net annual other postretirement benefit cost by approximately $158,000.

12. SIGNIFICANT CUSTOMERS:

One customer accounted for approximately 34% of coal sales in 1997. This same customer accounted for 35% of accounts receivable at December 31, 1997. The Company is involved in litigation with this customer. Approximately 15% of coal sales in 1997 were to ITOCHU Coal International, Inc. and one other customer accounted for approximately 10% of coal sales in 1997.

13. SUBSEQUENT EVENT:

In March 1998, Atlantic Richfield Company ("ARCO") signed an agreement to dispose of its U.S. coal assets to Arch Coal ("Arch"). Operations to be disposed of include the Black Thunder and Coal Creek mines in

Wyoming, the West Elk mine in Colorado, and, through its 65% LLC interest in the Company, three mines in Utah. In the agreement, ARCO Uinta, a subsidiary of ARCO, will sell the Colorado and Utah coal operations to Arch. Simultaneously, Arch will combine these operations with ARCO's Wyoming coal operations and its own Wyoming coal operations in a new joint venture. The new company will be 99% owned by Arch and 1% owned by ARCO.

The following unaudited pro forma financial information is filed as part of this amendment to Current Report on Form 8-K:

Unaudited Pro Forma Financial Information;

Unaudited Pro Forma Combined Balance Sheet as of March 31, 1998;

Notes to Unaudited Pro Forma Combined Balance Sheet as of March 31, 1998;

Unaudited Pro Forma Combined Statement of Income for the year ended December 31, 1997;

Unaudited Pro Forma Combined Statement of Income for the three months ended March 31, 1998; and

Notes to Unaudited Pro Forma Combined Statement of Income for the year ended December 31, 1997 and the three months ended March 31, 1998.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial statements give effect to the acquisition of ARCO's U.S. coal operations ("ARCO Coal") on June 1, 1998 (the "Acquisition") and the related financing thereof, as well as the Company's merger with Ashland Coal, Inc. ("Ashland Coal") which occurred on July 1, 1997 (the "Merger"). The unaudited pro forma combined balance sheet is based on the respective unaudited historical balance sheets of the Company and ARCO Coal and has been prepared to reflect the Acquisition as of March 31, 1998. The unaudited pro forma combined statements of income are based upon the respective historical statements of income of the Company, ARCO Coal and Ashland Coal and combine the results of operations of the Company, ARCO Coal and Ashland Coal for the year ended December 31, 1997, as if the Acquisition and Merger had occurred on January 1, 1997, and combine the results of operations of the Company and ARCO Coal for the three months ended March 31, 1998 as if the Acquisition occurred on January 1, 1998. The unaudited pro forma financial statements do not reflect any cost savings or other synergies that may result from the Acquisition. In the opinion of the management of the Company, all adjustments necessary to present pro forma financial statements have been made.

The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements and related notes thereto of the Company included in its Annual Report on Form 10-K for the year ended December 31, 1997 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 filed with the Securities and Exchange Commission, and of ARCO Coal included in Item 7.(a) herein. The unaudited pro forma financial statements do not purport to be indicative of the results of operations or financial position that would have occurred had the Acquisition or the Merger occurred as of the beginning of the periods or as of the date indicated or of the financial position or results of operations that may be obtained in the future.

The Acquisition has been accounted for under the purchase method of accounting. Accordingly, the cost to acquire ARCO Coal has been allocated to the assets acquired and liabilities assumed according to their respective estimated fair values. The final allocation of such cost is dependent upon certain valuations that have not progressed to a stage where there is sufficient information to make a final allocation in the accompanying pro forma financial statements. Accordingly, the cost allocation adjustments are preliminary and have been made solely for the purpose of preparing such pro forma financial statements.

Adjustments to the preliminary allocation likely would result in changes to amounts assigned to coal reserves, plant and equipment and coal supply agreements and, accordingly, could impact depletion, depreciation and amortization charged to future periods. Although not expected to be material, the full impact of the final allocation is not known.

The unaudited pro forma combined financial statements reflect the Acquisition at a purchase price of approximately $1.1 billion. The Acquisition was financed with a new five-year credit facility consisting of a $675 million non-amortizing term loan, a $300 million fully amortizing term loan and a $600 million revolving credit facility.

ARCH COAL, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
MARCH 31, 1998
(IN THOUSANDS)

	COMPANY HISTORICAL	ARCO COAL HISTORICAL	PUCHASE ACCOUNTING ADJUSTMENTS	PRO FORMA
ASSETS				
Current assets				
Cash and cash equivalents	$ 12,605	$ -	$ -	$ 12,605
Trade accounts receivable	131,450	38,422	-	169,872
Other receivables	18,372	7,191		25,563
Inventories	60,226	29,585	(3,877) (1)	85,934
Prepaid royalties	16,789	-	-	16,789
Deferred income taxes	8,506	-	-	8,506
Other	7,814	3,932	-	11,746
Total current assets	255,762	79,130	(3,877)	331,015
Property, plant and equipment, net	1,099,947	271,307	592,575 (2)	1,963,829
Other assets				
Prepaid royalties	36,269	-	-	36,269
Coal supply agreements	178,945	-	23,099 (2)	202,044
Deferred income taxes	46,123	-	-	46,123
Investment in Canyon Fuel	-	388,108	(98,857) (3)	289,251
Other	12,568	167,530	(142,788) (4)	37,310
Total other assets	273,905	555,638	(218,546)	610,997
Total assets	$1,629,614	$ 906,075	$ 370,152	$2,905,841
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$ 103,256	$ 18,397	$ -	$ 121,653
Accrued expenses	94,575	50,617	21,380 (5)	166,572
Current portion of long-term debt	7,510	-	95,490 (6)	103,000
Total current liabilities	205,341	69,014	116,870	391,225
Long-term debt	193,125	-	1,014,510 (6)	1,207,635
Accrued postretirement benefits other than pension	325,586	28,896	-	354,482
Deferred income taxes	-	93,343	(93,343) (7)	-
Accrued reclamation and mine closure	117,202	31,433	-	148,635
Accrued workers' compensation	98,104	1,301	-	99,405
Accrued pension cost	22,829	-	-	22,829
Other noncurrent liabilities	44,560	9,739	4,464 (8)	58,763
Total liabilities	1,006,747	233,726	1,042,501	2,282,974
Stockholders' equity				
Common stock	397	-	-	397
Paid-in capital	472,534	-	-	472,534
Retained earnings	149,936	-	-	149,936
ARCO Coal equity	-	672,349	(672,349) (9)	-
Total stockholders' equity	622,867	672,349	(672,349)	622,867
Total liabilities and stockholders' equity	$1,629,614	$ 906,075	$ 370,152	$2,905,841

Notes To Unaudited Pro Forma Combined Balance Sheet
March 31, 1998

1) To adjust coal inventory and parts and supplies inventory to their estimated fair values.

2) To adjust property, plant, and equipment, coal supply agreements and other long-term assets to their estimated fair value. A substantial portion of the excess purchase price has been allocated to coal reserves principally because of higher productivities and technological advances that occurred since ARCO Coal's acquisition of the coal reserves combined with the expectation of increased values of compliance and low-sulfur coal due to the Clean Air Act amendments. The value assigned to coal supply agreements is associated with contracts signed in earlier years when spot market prices were higher versus the current spot market prices.

3) To adjust the investment in Canyon Fuel to its estimated fair value based on a fair value analysis of the underlying assets and liabilities of Canyon Fuel.

4) To eliminate ARCO Coal's $166 million equity investment in a subsidiary of Atlantic Richfield Company which was not acquired in the Acquisition, to adjust ARCO Coal's pension assets to their estimated fair value and to record deferred financing costs related to the Acquisition financing.

5) To accrue severance and lease costs related principally to the closure of ARCO Coal's corporate offices and to accrue estimated financing and transaction costs of approximately $17 million.

6) To record the financing for the Acquisition including a $675 million non-amortizing term loan, a $300 million fully amortizing term loan and $135 million in borrowings under the Company's $600 million revolving credit facility. The rate of interest on the borrowings is, at the Company's option, the PNC Bank base rate or a rate based on LIBOR.

7) To eliminate ARCO Coal's deferred income taxes.

8) To record Atlantic Richfield Company's one percent minority interest in Arch Western Resources.

9) To eliminate ARCO Coal's historical stockholder's equity.

ARCH COAL, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1997
(IN THOUSANDS)

	COMPANY HISTORICAL	ARCO COAL HISTORICAL	ASHLAND COAL HISTORICAL (SIX MONTHS ENDED JUNE 30, 1997)	PURCHASE ACCOUNTING ADJUSTMENTS - ARCO COAL	PURCHASE ACCOUNTING ADJUSTMENTS - ASHLAND CO	PRO FORMA
REVENUES						
Coal sales	$1,034,813	$343,824	$315,801	$ -	$ -	$1,694,438
Income from equity investments	-	7,077	-	9,409 (1)	-	16,486
Other revenues	32,060	37,361	7,038	-	-	76,459
	1,066,873	388,262	322,839	9,409	-	1,787,383
COSTS AND EXPENSES						
Cost of coal sales	918,862	270,250	268,850	30,416 (2)	(3,554) (2)	1,484,824
Selling, general and administrative expenses	28,882	19,943	12,423	-	-	61,248
Amortization of coal supply agreements	18,063	-	2,139	3,800 (3)	7,150 (3)	31,152
Merger-related expenses	39,132	-	-	-	-	39,132
Other expenses	20,052	55,139	5,831	-	-	81,022
	1,024,991	345,332	289,243	34,216	3,596	1,697,378
Income from operations	41,882	42,930	33,596	(24,807)	(3,596)	90,005
Interest expense, net:						
Interest expense	(17,822)	(2)	(8,168)	(77,269) (4)	2,240 (6)	(101,021)
Interest income	721	-	166	-	-	887
	(17,101)	(2)	(8,002)	(77,269)	2,240	(100,134)
Income (loss) before income taxes	24,781	42,928	25,594	(102,076)	(1,356)	(10,129)
Provision (benefit) for income taxes	(5,500)	11,230	3,416	(34,298) (5)	(529) (5)	(25,681) (7)
NET INCOME	$ 30,281	$ 31,698	$ 22,178	(67,778)	$ (827)	$ 15,552
Basic and fully diluted earnings per common share	$ 1.00					$ 0.39
Average common shares outstanding	30,374					39,774 (8)

ARCH COAL, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
QUARTER ENDED MARCH 31, 1998
(IN THOUSANDS)

	COMPANY HISTORICAL	ARCO COAL HISTORICAL	PURCHASE ACCOUNTING ADJUSTMENTS - ARCO COAL	PRO FORMA
REVENUES				
Coal sales	$ 298,964	$ 93,311	$ -	$ 392,275
Income from equity investments	-	1,642	2,508 (1)	4,150
Other revenues	13,600	2,841	-	16,441
	312,564	97,794	2,508	412,866
COSTS AND EXPENSES				
Cost of coal sales	270,905	64,319	10,980 (2)	346,204
Selling, general and administrative expenses	7,510	4,174	-	11,684
Amortization of coal supply agreements	6,361	-	950 (3)	7,311
Other expenses	5,429	15,028	-	20,457
	290,205	83,521	11,930	385,656
Income from operations	22,359	14,273	(9,422)	27,210
Interest expense, net:				
Interest expense	(3,804)	(1)	(19,317)(4)	(23,122)
Interest income	66	-	-	66
	(3,738)	(1)	(19,317)	(23,056)
Income before income taxes	18,621	14,272	(28,739)	4,154
Provision (benefit) for income taxes	2,800	2,946	(20,151)(5)	(2,842)(7)
NET INCOME	$ 15,821	$ 11,326	$ (8,588)	$ 6,996
Basic and fully diluted earnings per common share	$0.40			$ 0.18
Average shares outstanding	39,659			39,659

Notes To Unaudited Pro Forma Combined Statements Of Income
Year Ended December 31, 1997 And Three Months Ended March 31, 1998

1) To eliminate losses of $6.7 million and $1.8 million for the year ended December 31, 1997 and the quarter ended March 31, 1998, respectively, on an ARCO Coal equity investment not acquired by the Company and to adjust equity income from the investment in Canyon Fuel for amortization of the difference between the estimated fair value assigned to the investment and ARCO Coal's historical cost basis in such investment.

2) To record amounts associated with adjusting property, plant and equipment to its estimated fair value. Additions to property, plant and equipment, excluding coal reserves, are depreciated over their estimated useful remaining life which approximates 13 years for ARCO Coal assets and 15 years for Ashland Coal assets. Coal reserves are depleted using the units-of-production method over the estimated recoverable reserves.

3) To record net charges associated with adjusting the estimated fair value of coal supply agreements with an average life of 6 years for ARCO Coal and Ashland Coal Agreements.

4) To record the interest expense associated with the Acquisition financing based on a current weighted average interest rate of 7.4%, including amortization of related deferred debt issuance costs. A one quarter percent increase or decrease in the weighted average interest rate on the Acquisition's financing would change the annual pro forma interest expense for 1997 by approximately $2.6 million.

5) To record the tax effect of the pro forma adjustments. The tax benefit rate of 34% for ARCO Coal for the year ended December 31, 1997 and 30% for the quarter ended March 31, 1998 represent the combined federal and state statutory rates reduced by the effect of percentage depletion. The combined federal and state statutory rate for Ashland Coal is 39%.

6) To record the reduction of interest expense on $152.9 million of fixed rate long-term debt to reflect market interest rates (6.75% market rate versus 9.75% stated rate) and a reduction in amortization of deferred debt issuance cost.

7) The pro forma benefit for income taxes differs from the amount computed utilizing the combined federal and state

statutory rate of 39% primarily due to benefits derived from percentage depletion.

8) Pro forma average common shares outstanding assumes the 18,660,054 shares of Company common stock issued in the Merger were outstanding beginning on January 1, 1997.

(c) The following Exhibit is filed as part of this amendment to Current Report on Form 8-K:

Exhibit No.	Description
23.1	Consent of Coopers & Lybrand LLP

SIGNATURES

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

Dated: August 14, 1998

ARCH COAL, INC.

By: /s/Jeffry N. Quinn

Jeffry N. Quinn
Senior Vice President -
Law & Human Resources,
General Counsel and
Secretary

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Coopers & Lybrand LLP

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements on Form S-8 (File No.'s 333-32777 and 333-30565) of our report dated April 7, 1998, on our audits of the consolidated financial statements of ARCO Coal and Subsidiaries as of December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996 and 1995, which report is included in this Form 8-K.

Pricewaterhouse Coopers LLP
Denver, Colorado
August 14, 1998

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements on Form S-8 (File No.'s 333-32777 and 333-30565) of our report dated March 20, 1998, except as to the information presented in Note 13, for which the date is April 7, 1998 on our audit of the financial statements of Canyon Fuel Company, L.L.C. as of December 31, 1997 and for the period from December 20, 1996 (inception) through December 31, 1997 which report is included in this Form 8-K.

Pricewaterhouse Coopers LLP
Denver, Colorado
August 14, 1998