

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re:**

**PATRIOT COAL CORPORATION, *et al.*,**

**Debtors.**<sup>1</sup>

**Chapter 11**

**Case No. 12-12900 (SCC)**

**Jointly Administered**

**FINAL ORDER AUTHORIZING DEBTORS TO (i) ENTER INTO, PERFORM UNDER, ROLL OVER, ADJUST, MODIFY, SETTLE, TERMINATE AND ENGAGE IN CERTAIN DERIVATIVE CONTRACTS AND (ii) PLEDGE COLLATERAL UNDER DERIVATIVE CONTRACTS**

Upon the motion (the “**Motion**”)<sup>2</sup> of Patriot Coal Corporation and its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the “**Debtors**”) for an interim order (the “**Interim Order**”) and final order (this “**Order**”) granting the Debtors authority, but not direction, to (a) perform Derivative Contracts Transactions relating to Covered Contracts, (b) pay any prepetition amounts owed under Covered Contracts, (c) enter into and perform Ancillary Transactions relating to Covered Contracts and (d) perform all such actions necessary or appropriate to implement, execute and perform these transactions pursuant to section 363 of the Bankruptcy Code, all as more fully described in the Motion; and upon consideration of the Declaration of Mark N. Schroeder, Patriot Coal Corporation’s Senior Vice President and Chief Financial Officer, filed in support of the Debtors’ first-day pleadings; and the Court having

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<sup>1</sup> The Debtors are the entities listed on Schedule 1 attached to the Motion. The employer tax identification numbers and addresses for each of the Debtors are set forth in the Debtors’ chapter 11 petitions.

<sup>2</sup> Unless otherwise defined herein, each capitalized term shall have the meaning ascribed to such term in the Motion.

jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984, (Ward, Acting C.J.) as amended by Standing Order M-431, dated February 1, 2012 (Preska, C.J.); and consideration of the Motion and the requested relief being a core proceeding the Bankruptcy Court can determine pursuant to 28 U.S.C. § 157(b); and the Court having entered the Interim Order on July 16, 2012; and due and proper notice of the Motion and the Interim Order having been provided to (a) the Office of the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”), (b) those creditors holding the five largest secured claims against the Debtors’ estates on a consolidated basis, (c) those creditors holding the 50 largest unsecured claims against the Debtors’ estates on a consolidated basis, (d) attorneys for the administrative agents for the Debtors’ postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency, (h) the United States Attorney’s Office for the Southern District of New York and (i) the Counterparties to the Prepetition Derivative Contracts; and it appearing that no other or further notice need be provided; and the relief requested in the Motion being in the best interests of the Debtors and their estates and creditors; and the Court having reviewed the Motion and having held a hearing with appearances of parties in interest noted in the transcript thereof (the “**Hearing**”); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the final relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that, pursuant to section 363 of the Bankruptcy Code, the relief requested in the Motion is hereby granted on a final basis as set forth herein *nunc pro tunc* to the Petition Date; and it is further

ORDERED that the Debtors are authorized, but not directed, in their reasonable business judgment, to continue performance under Prepetition Derivative Contracts consistent with their ordinary course of their business and past practices, enter into and perform under Postpetition Derivative Contracts and perform any Derivative Contracts Transactions relating to Covered Contracts that are within their ordinary course of business and consistent with their past practices without further order of the Court; *provided, however*, that without the consent of the Official Committee of Unsecured Creditors (the “**Committee**”) or further order of the Court, the Debtors shall not (i) hedge any commodity other than diesel fuel nor (ii) enter into a hedge in excess of (a) 2 million gallons of diesel for the remaining calendar year 2012 and (b) 5 million gallons of diesel for any calendar year thereafter, for the avoidance of doubt, in each case, excluding the hedges in place as of the date of this Order, *provided, further, however*, that the Debtors shall maintain a matrix summarizing (a) Derivatives Contracts Transactions and Ancillary Transactions entered into under this Order, (b) any amounts paid under this Order and (c) any settlements made pursuant to this Order. This matrix will be provided on a quarterly basis, on a confidential basis, to (i) the professionals to the Committee, via proposed counsel to the Committee, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: Adam C. Rogoff, Esq. and Gregory G. Plotko, Esq. and (ii) the administrative agents for the Debtors’ postpetition lenders via their attorneys, Weil, Gotshal & Manges LLP, Attn: Marcia Goldstein and Joseph

Smolinsky, and Willkie Farr & Gallagher LLP, Attn: Margot B. Schonholtz and Ana Alfonso; and it is further

ORDERED that the Debtors are authorized, but not directed, to pay any prepetition amounts owed under Prepetition Derivative Contracts; and it is further

ORDERED that the Debtors are authorized, but not directed, to enter into and perform any Ancillary Transactions with respect to Covered Contracts without further order of the Court; and it is further

ORDERED that the Debtors are authorized, but not directed, to perform all actions reasonably necessary or proper to implement, execute and perform Derivative Contracts Transactions and Ancillary Transactions relating to Covered Contracts without further order of the Court; and it is further

ORDERED that, pursuant to sections 105 and 362(d)(1) of the Bankruptcy Code, the automatic stay is modified solely to the extent necessary to permit Counterparties to exercise their rights and remedies under Covered Contracts in accordance with their terms and to the extent provided by applicable non-bankruptcy law, to:

- (i) take certain actions if an event of default (as defined in the applicable Covered Contract) with respect to the Debtors has occurred and is continuing, including early termination and liquidation of such contract and Ancillary Transactions;
- (ii) exercise the right to net or setoff certain mutual obligations between the Debtors and the counterparty to the relevant Covered Contract upon the termination and liquidation of such contracts and ancillary transactions;

- (iii) collect from the Debtors amounts that may be owed to them following such netting or setoff; and
- (iv) provide that a Counterparty's rights under the applicable Covered Contract may not be modified, stayed, avoided or otherwise limited by further order of the Court or any court proceeding under the Bankruptcy Code;

and it is further

ORDERED that nothing herein shall be deemed an approval of the assumption or rejection of any Derivative Contracts or Ancillary Transactions pursuant to section 365 of the Bankruptcy Code; and it is further

ORDERED that the relief granted herein shall not apply to the Excluded Contracts; and it is further

ORDERED that, notwithstanding any of the foregoing, the Debtors will obtain the consent of the Committee or further order of the Court prior to entering into any Derivative Contracts Transactions or Ancillary Transactions with respect to commodities other than diesel fuel; and it is further

ORDERED that to the extent that there may be any inconsistency between the terms of the final order approving the debtor in possession financing and this Order, the terms of the final order approving the debtor in possession financing shall govern; and it is further

ORDERED that nothing herein shall relieve the Debtors of any of their obligations under the Debtors' postpetition lending facility or enlarge the Debtors' rights with respect thereto; and it is further

ORDERED that the notice procedures set forth in the Motion are good and sufficient notice and satisfy Bankruptcy Rule 9014 by providing parties with a notice and an opportunity to object and be heard at a hearing; and it is further

ORDERED that notwithstanding the possible applicability of Bankruptcy Rule 6004(h) or any other Bankruptcy Rule, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that the requirements of Bankruptcy Rule 6003 are satisfied by the contents of the Motion and the arguments and evidence presented at the hearing; and it is further

ORDERED that this Court shall retain jurisdiction for all matters arising from or related to the implementation of this Order.

Dated: August 15, 2012  
New York, New York

/s/ Shelley C. Chapman  
HONORABLE SHELLEY C. CHAPMAN  
UNITED STATES BANKRUPTCY JUDGE