

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 12-51502-659

(Jointly Administered)

Objection Deadline:

February 23, 2015 at 4:00 p.m.

(Central Time)

Hearing Date (if necessary):

March 2, 2015 at 11:00 a.m.

(Central Time)

Hearing Location:

Seven North, Seventh Floor

Re: ECF No. 4926

**MOTION OF REORGANIZED DEBTORS CATENARY COAL COMPANY, LLC,
COYOTE COAL COMPANY LLC AND PANTHER LLC FOR AN ORDER
ENFORCING CLAIM SETTLEMENT AGREEMENT AMONG THE
DEBTORS AND THE WEST VIRGINIA STATE TAX DEPARTMENT**

PLEASE TAKE NOTICE that this motion is scheduled for hearing on March 2, 2015 at 11:00 a.m. (Central Time), in Bankruptcy Courtroom Seven North, Seventh Floor, in the Thomas F. Eagleton U.S. Courthouse, 111 South Tenth Street, St. Louis, Missouri 63102.

WARNING: ANY RESPONSE OR OBJECTION TO THIS MOTION MUST BE FILED WITH THIS COURT BY 4:00 P.M. (CENTRAL TIME) ON FEBRUARY 23, 2015. A COPY MUST BE PROMPTLY SERVED UPON THE UNDERSIGNED. FAILURE TO FILE A TIMELY RESPONSE MAY RESULT IN THIS COURT GRANTING THE RELIEF REQUESTED PRIOR TO THE HEARING DATE.

¹ The Debtors and their employer tax identification numbers are set forth on Schedule A to the Plan (as defined below).

Reorganized Debtors Catenary Coal Company, LLC (“**Catenary**”), Coyote Coal Company LLC (“**Coyote**”) and Panther LLC (“**Panther**”) respectfully represent:

Background and Jurisdiction

1. On July 9, 2012, Patriot Coal Corporation and substantially all of its affiliates (the “**Debtors**” or the “**Reorganized Debtors**”) commenced with the United States Bankruptcy Court for the Southern District of New York (the “**SDNY Bankruptcy Court**”) a voluntary case under chapter 11 of the Bankruptcy Code. On December 19, 2012, the SDNY Bankruptcy Court entered an order transferring the Debtors’ chapter 11 cases to this Court [ECF No. 1789].

2. During the pendency of the Debtors’ chapter 11 cases, the West Virginia State Tax Department (the “**Tax Department**”) filed several proofs of claim against various Debtors, as set forth on Exhibit A to the Settlement Agreement (as defined below).

3. On February 13, 2013, the Court entered the Order Authorizing and Approving Procedures for Compromise and Settlement of Certain Claims, Litigations and Causes of Action [ECF No. 2821] (the “**Claims Settlement Order**”).

4. Pursuant to the Claims Settlement Order, on November 4, 2013, the Debtors and the West Virginia State Tax Department entered into a claim settlement agreement, which was noticed on this Court’s docket [ECF No. 4926] and is attached hereto as Appendix 1, pursuant to which, among other things, the Tax Department released claims and causes of action against the Debtors in exchange for allowed priority and unsecured claims against the Debtors along with certain other forms of consideration, as described further below (the “**Settlement Agreement**”).

5. On December 18, 2013, the Court entered an amended order [ECF No. 5169] confirming the Debtors’ Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code [ECF No. 5169-1] (the “**Plan**”). The effective date of the plan occurred on December 18, 2013.

6. The Court has subject matter jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

7. Section 7 of the Settlement Agreement provides that this Court shall retain jurisdiction (and the parties to the Settlement Agreement consent to such retention of jurisdiction) with respect to any disputes arising from or other actions to interpret, administer or enforce the terms and provisions of the Settlement Agreement.

Relief Requested

8. Pursuant to section 105(a) of title 11 of the United States Code (the “**Bankruptcy Code**”) and the terms of the Settlement Agreement, Reorganized Debtors Catenary, Coyote and Panther hereby seek the entry of an order (the “**Proposed Order**”)² enforcing the terms of the Settlement Agreement.

The Refund Claims and the Settlement Agreement

9. As of January 31, 2015, Catenary, Coyote and Panther were owed refunds from the Tax Department related to the reduced severance tax rate for “thin seam” coal under W. Va. Code §11-13A-3(f) for tax years 2011 and 2012, plus interest at 8% established pursuant to W. Va. Code §§11-10-17 and 17a, in the amounts set forth in the table below (collectively, the “**Refund Claims**”).

² The Proposed Order will be provided to the Court, the United States Trustee and the Tax Department.

Reorganized Debtor	Refund Amount	Interest Amount	Refund and Interest
Catenary	\$1,219,083.45	\$292,602.66	\$1,511,686.11
Coyote	\$284,310.73	\$43,931.85	\$328,242.58
Panther	\$2,371,176.76	\$366,395.53	\$2,737,572.29
Total	\$3,874,570.94	\$702,930.04	\$4,577,500.98

10. Since March 2014, the Tax Department has refused to pay the Refund Claims on the erroneous basis that the Refund Claims were somehow released by the Settlement Agreement. As most recently asserted in a letter to the Reorganized Debtors’ West Virginia counsel, the Tax Department stated that it “relied on, and based its agreement, in part, on the understanding that the [Settlement Agreement] resolved and released any and all outstanding claims against all parties, absent specific language to the contrary in the Agreement.” (See Letter from Mark S. Morton to G. Kurt Dettinger dated January 30, 2015, attached hereto as Appendix 2). Throughout this entire period, however, the Tax Department has failed to cite a single provision in the Settlement Agreement to support its position.

11. Quite simply, the Tax Department’s assertion has no basis in law, fact or reality. The Settlement Agreement released all claims held by the Tax Department against the Debtors and not *vice versa*. The plain language of section 4 of the Settlement Agreement is clear:

Except as expressly agreed herein, the [Tax Department], on behalf of itself, its heirs, representatives and assigns, does hereby fully, finally and forever waive, release and/or discharge the Debtors, their estates and any heirs, successors, assigns, affiliates, officers, directors, shareholders, associates, parents, subsidiaries, predecessors, successors, employees, attorneys and agents from the Claim (whether prepetition unsecured, priority, administrative or postpetition/administrative) and from all actions, causes of action, suits, debts, obligations, liabilities, accounts, damages, defenses or demands whatsoever, known or unknown, giving rise to or otherwise relating to the Claim.

This is a standard one-way release. There are no provisions in the Settlement Agreement resolving or releasing claims by the Debtors against the Tax Department.

12. The Settlement Agreement resolved all claims against the Debtors by the Tax Department, and in exchange the Debtors granted the Tax Department a priority claim of \$7 million and an unsecured claim of \$6.5 million, and agreed to withdraw certain research and development tax credit applications. These terms were extensively negotiated among the parties and are set forth with specificity in the Settlement Agreement. Again, no provision of the Settlement Agreement resolves or releases any claims the Debtors or Reorganized Debtors may have against any party, including any claims they may have against the Tax Department.

13. The Settlement Agreement was filed with this Court on November 4, 2013 pursuant to “Tier III” of the Claims Settlement Order. In accordance with the Claims Settlement Order, the Settlement Agreement was served on (i) the Core Parties (as defined in the Order Establishing Certain Notice, Case Management and Administrative Procedures [ECF No. 3361]), including the official committee of unsecured creditors and the United States Trustee, and (ii) the Tax Department, and parties were given 10 days to object. No party objected. Accordingly, and pursuant to the Claims Settlement Order, the Settlement Agreement became effective on November 14, 2013.

14. Whether or not the Tax Department held or still holds misconceptions regarding the terms of the Settlement Agreement does not change its plain language. The Tax Department is a sophisticated governmental entity and the Settlement Agreement is a straightforward contract that was negotiated at arms’ length over several months during the Debtors’ chapter 11 cases. The Settlement Agreement provides a clear one-way release in favor of the Debtors and no other releases. It is unfortunate that the Reorganized Debtors have been forced by the Tax Department

to expend their own limited time and resources, and the limited time and resources of this Court, to address the Tax Department's meritless contention. Nevertheless, given the material amounts at issue and the continued persistent refusal by the Tax Department to remit the Refund Claims, the Reorganized Debtors have been left with no choice but to seek relief from this Court.

Basis for Relief

15. Under section 105(a) of the Bankruptcy Code, the Court has expansive equitable powers to fashion any order or decree that is in the interest of preserving or protecting the value of the Debtors' assets. *See, e.g., Carlson v. United States (In re Carlson)*, 126 F.3d 915, 920 (7th Cir. 1997) ("Section 105(a) gives the bankruptcy court the authority to issue any order necessary to carry out the provisions of the Bankruptcy Code."); *In re Chinichian*, 784 F.2d 1440, 1443 (9th Cir. 1986) ("Section 105 sets out the power of the bankruptcy court to fashion orders as necessary pursuant to the purposes of the Bankruptcy Code."); *Bird v. Crown Convenience (In re NWFx, Inc.)*, 864 F.2d 588, 590 (8th Cir. 1988) ("The overriding consideration in bankruptcy, however, is that equitable principles govern . . ."); *Steinberg v. Esposito*, 33 B.R. 812, 813 (Bankr. N.D. Ill. 1983) (The "bankruptcy court is vested with great latitude to protect the assets of the debtor's estate, including the use of equitable remedies . . .").

16. The Reorganized Debtors believe the Refund Claims are immediately due and payable. The Refund Claims represent material amounts owed to Reorganized Debtors Catenary, Coyote and Panther and are being improperly withheld based on a meritless assertion by the Tax Department that the Refund Claims were resolved or released pursuant to the Settlement Agreement. Accordingly, Catenary, Coyote and Panther are hereby seeking an order from this Court enforcing the terms of the Settlement Agreement.

No Previous Request

17. No previous request for the relief sought herein has been made by Catenary, Coyote or Panther to this or any other court.

WHEREFORE, Catenary, Coyote and Panther respectfully request that the Court grant the relief requested herein and such other and further relief as is just and proper.

Dated: February 6, 2015
New York, New York

Respectfully submitted,

DAVIS POLK & WARDWELL LLP

/s/ Brian M. Resnick

Marshall S. Huebner

Brian M. Resnick

450 Lexington Avenue

New York, New York 10017

Telephone: (212) 450-4000

Facsimile: (212) 607-7983

*Counsel to the Debtors
and Reorganized Debtors*

Appendix 1

Settlement Agreement

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 12-51502-659
(Jointly Administered)

Objection Deadline:

November 14, 2013 at 4:00 p.m.
(prevailing Central Time)

NOTICE OF CLAIMS SETTLEMENT AGREEMENT

PLEASE TAKE NOTICE that, pursuant to the Order Authorizing and Approving Procedures for Compromise and Settlement of Certain Claims, Litigations and Causes of Action [ECF No. 2821] (the “**Claims Settlement Order**”), the Debtors hereby file this notice (the “**Settlement Notice**”) of a proposed settlement agreement between the Debtors and the West Virginia State Tax Department² (the “**WV Tax Department**”) pursuant to “Tier III” of the Claims Settlement Order (the “**Proposed Settlement Agreement**”), attached hereto as Annex A. Among other things, the Proposed Settlement Agreement settles the prepetition claims asserted by the WV Tax Department against certain Debtors as set forth in the Proposed Settlement Agreement (together, the “**Claims**”). In exchange for the allowed priority and unsecured claims set forth in the Proposed Settlement Agreement, the WV Tax Department will fully, finally and forever waive, release and/or discharge the Debtors from the Claims.

¹ The Debtors are the entities listed on Schedule 1 attached hereto. The employer tax identification numbers and addresses for each of the Debtors are set forth in the Debtors’ chapter 11 petitions.

² The West Virginia State Tax Department is neither an insider nor an affiliate of Peabody Energy Corporation or Arch Coal, Inc, as those terms are defined under section 101 of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that, in accordance with the Claims Settlement Order, this Settlement Notice and Proposed Settlement Agreement shall be served on (i) the Core Parties (as defined in the Order Establishing Certain Notice, Case Management and Administrative Procedures [ECF No. 3361]) and (ii) the WV Tax Department.

PLEASE TAKE FURTHER NOTICE that any objections (“**Objections**”) will be considered properly filed and served only if they are filed with the Court and actually received by the following parties on or before **November 14, 2013 at 4:00 p.m. (prevailing Central Time)**: (i) counsel to the Debtors, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attn: Brian M. Resnick and Michelle M. McGreal, (ii) attorneys for the administrative agents for the Debtors’ postpetition lenders, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attn: Marcia Goldstein and Joseph Smolinsky and Wilkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, Attn: Margot B. Schonholtz and Ana Alfonso and (iii) attorneys for the official committee of unsecured creditors, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York 10036, Attn: Thomas Moers Mayer, Adam C. Rogoff and Gregory G. Plotko.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Claims Settlement Order, if no Objections are timely filed, the Proposed Settlement Agreement shall immediately become final and effective without any further action by the Court.

Dated: November 4, 2013
New York, New York

Respectfully submitted,

DAVIS POLK & WARDWELL LLP

/s/ Michelle M. McGreal

Marshall S. Huebner
Brian M. Resnick
Michelle M. McGreal
450 Lexington Avenue
New York, New York 10017
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*Counsel to the Debtors
and Debtors in Possession*

-and-

BRYAN CAVE LLP
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*Local Counsel to the Debtors
and Debtors in Possession*

SCHEDULE 1
(Debtor Entities)

1. Affinity Mining Company
2. Apogee Coal Company, LLC
3. Appalachia Mine Services, LLC
4. Beaver Dam Coal Company, LLC
5. Big Eagle, LLC
6. Big Eagle Rail, LLC
7. Black Stallion Coal Company, LLC
8. Black Walnut Coal Company
9. Bluegrass Mine Services, LLC
10. Brody Mining, LLC
11. Brook Trout Coal, LLC
12. Catenary Coal Company, LLC
13. Central States Coal Reserves of Kentucky, LLC
14. Charles Coal Company, LLC
15. Cleaton Coal Company
16. Coal Clean LLC
17. Coal Properties, LLC
18. Coal Reserve Holding Limited Liability Company No. 2
19. Colony Bay Coal Company
20. Cook Mountain Coal Company, LLC
21. Corydon Resources LLC
22. Coventry Mining Services, LLC
23. Coyote Coal Company LLC
24. Cub Branch Coal Company LLC
25. Dakota LLC
26. Day LLC
27. Dixon Mining Company, LLC
28. Dodge Hill Holding JV, LLC
29. Dodge Hill Mining Company, LLC
30. Dodge Hill of Kentucky, LLC
31. EACC Camps, Inc.
32. Eastern Associated Coal, LLC
33. Eastern Coal Company, LLC
34. Eastern Royalty, LLC
35. Emerald Processing, L.L.C.
36. Gateway Eagle Coal Company, LLC
37. Grand Eagle Mining, LLC
38. Heritage Coal Company LLC
39. Highland Mining Company, LLC
40. Hillside Mining Company
41. Hobet Mining, LLC
42. Indian Hill Company LLC
43. Infinity Coal Sales, LLC
44. Interior Holdings, LLC
45. IO Coal LLC
46. Jarrell's Branch Coal Company
47. Jupiter Holdings LLC
48. Kanawha Eagle Coal, LLC
49. Kanawha River Ventures I, LLC
50. Kanawha River Ventures II, LLC
51. Kanawha River Ventures III, LLC
52. KE Ventures LLC
53. Little Creek LLC
54. Logan Fork Coal Company
55. Magnum Coal Company LLC
56. Magnum Coal Sales LLC
57. Martinka Coal Company, LLC
58. Midland Trail Energy LLC
59. Midwest Coal Resources II, LLC
60. Mountain View Coal Company, LLC
61. New Trout Coal Holdings II, LLC
62. Newtown Energy, Inc.
63. North Page Coal Corp.
64. Ohio County Coal Company, LLC
65. Panther LLC
66. Patriot Beaver Dam Holdings, LLC
67. Patriot Coal Company, L.P.
68. Patriot Coal Corporation
69. Patriot Coal Sales LLC
70. Patriot Coal Services LLC
71. Patriot Leasing Company LLC
72. Patriot Midwest Holdings, LLC
73. Patriot Reserve Holdings, LLC
74. Patriot Trading LLC
75. Patriot Ventures LLC
76. PCX Enterprises, Inc.
77. Pine Ridge Coal Company, LLC
78. Pond Creek Land Resources, LLC
79. Pond Fork Processing LLC
80. Remington Holdings LLC
81. Remington II LLC
82. Remington LLC
83. Rivers Edge Mining, Inc.
84. Robin Land Company, LLC
85. Sentry Mining, LLC
86. Snowberry Land Company
87. Speed Mining LLC
88. Sterling Smokeless Coal Company, LLC
89. TC Sales Company, LLC
90. The Presidents Energy Company LLC
91. Thunderhill Coal LLC
92. Trout Coal Holdings, LLC
93. Union County Coal Co., LLC
94. Viper LLC
95. Weatherby Processing LLC
96. Wildcat Energy LLC
97. Wildcat, LLC
98. Will Scarlet Properties LLC
99. Winchester LLC
100. Winifrede Dock Limited Liability Company
101. Yankeetown Dock, LLC

Annex A: Proposed Settlement Agreement

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement (the "Agreement"), entered into as of November 4, 2013 (the "Effective Date"), is by and between WEST VIRGINIA STATE TAX DEPARTMENT (the "Claimant"), the Asserted Debtor(s) (as set forth in Exhibit A attached hereto), and the Settled Debtor(s) (as set forth in Exhibit B attached hereto). The Claimant, the Asserted Debtor(s), and the Settled Debtor(s) are referred to herein as a "Party" and collectively as the "Parties."

I. RECITALS

WHEREAS, on July 9, 2012 (the "Petition Date"), Patriot Coal Corporation ("Patriot") and certain of its affiliates (collectively, the "Debtors"), including the Asserted Debtor(s) and the Settled Debtor(s), filed voluntary petitions for relief (the "Chapter 11 Cases") pursuant to title 11 of the United States Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York (the "SDNY Bankruptcy Court"). On December 19, 2012, the SDNY Bankruptcy Court entered an order transferring the Debtors' Chapter 11 Cases to the Bankruptcy Court for the Eastern District of Missouri (the "Bankruptcy Court"). The Debtors have continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

WHEREAS, the Claimant allegedly has certain claims against certain Debtors (the "Claim") and has filed the proofs of claim against the Asserted Debtor(s) as listed in Exhibit A attached hereto (the "Proof of Claim").

WHEREAS, on February 13, 2013, the Bankruptcy Court entered the Order Authorizing and Approving Procedures For Compromise and Settlement of Certain Claims, Litigations and Causes Of Action Docket No. 2821 (the "Claims Settlement Procedures Order"). The Settled Debtor(s) are authorized to enter into this Agreement pursuant to the Claims Settlement Procedures Order.

WHEREAS, the Asserted Debtor(s), the Settled Debtor(s) and the Claimant desire to resolve the issues raised in the Claim pursuant to the terms of the Claims Settlement Procedures Order and the terms and conditions of this Agreement.

WHEREAS, the Asserted Debtor(s), the Settled Debtor(s) and the Claimant desire to avoid the time, expense and delay of engaging in litigation regarding the Claim.

NOW, THEREFORE, in consideration of the representations, acknowledgments, promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, each Party, by and through its representative, hereby voluntarily, intentionally, and upon the advice and guidance of counsel, executes this Agreement and agrees as follows:

II. SETTLEMENT TERMS

1. Allowed Claims. Pursuant to section 1129(a)(9) of the Bankruptcy Code and the Claims Settlement Procedures Order, in full and final satisfaction of the Claim, the Parties agree that the Claimant is allowed certain claims against the Settled Debtor(s) entity or entities and in the amount(s) and classification set forth in Exhibit B attached hereto (collectively, the "Allowed Claim"). The total priority Allowed Claim in the aggregate amount of \$7 million set forth on Exhibit B hereto shall be paid as follows: (i) \$3.5 million in cash on or before the later of June 15, 2014 or the effective date of the Debtors' plan of reorganization; and (ii) \$3.5

million in cash on or before the later of June 15, 2015 or the effective date of the Debtors' plan of reorganization. The total unsecured Allowed Claim in the aggregate amount of \$6.5 million set forth on Exhibit B hereto shall be paid in accordance with the Debtors' plan of reorganization. It is expressly understood by the Parties that the Claimant may seek satisfaction of the Claim only as set forth herein, and that in no event will the Debtors, their estates or any persons who are employed or otherwise associated with the Debtors be liable to the Claimant in any other way whatsoever with respect to the Claim or the debt, obligation, liability, account, suit, damages or cause of action giving rise to the Claim.

2. Disallowed Claims. All Proofs of Claim filed by the Claimant, except to the extent allowed as the Allowed Claim(s) as set forth in Exhibit B attached hereto, are disallowed and expunged from the Debtors' claims register.

3. Effectiveness. This Agreement is authorized by the Claims Settlement Procedures Order and each of the Parties shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary or appropriate in conjunction with the performance of their respective obligations hereunder. Notice of this Agreement, if any, shall be provided as required by the Claims Settlement Procedures Order. Subject to the procedures set forth in the Claims Settlement Procedures Order, the terms and conditions of this Agreement shall be immediately effective and enforceable.

4. Scope of Agreement and Release. This Agreement resolves all claims and demands asserted against the Asserted Debtor(s) and the Settled Debtor(s) by the Claimant, including, without limitation, those asserted in the Proof of Claim. Except as expressly agreed herein, the Claimant, on behalf of itself, its heirs, representatives and assigns, does hereby fully, finally and forever waive, release and/or discharge the Debtors, their estates and any heirs, successors, assigns, affiliates, officers, directors, shareholders, associates, parents, subsidiaries, predecessors, successors, employees, attorneys and agents from the Claim (whether prepetition unsecured, priority, administrative or postpetition/administrative) and from all actions, causes of action, suits, debts, obligations, liabilities, accounts, damages, defenses or demands whatsoever, known or unknown, giving rise to or otherwise relating to the Claim. The Claimant agrees to terminate any UCC-1 financing statements filed in connection with the Claim promptly after the effectiveness of this Agreement.

5. Tax Credits. With respect to the West Virginia Strategic Research and Development Credit, pursuant to section 11-13R-1 of the West Virginia Tax Code (the "**WV Credit**"), the Debtors agree to (i) within 10 days of the effectiveness of this Agreement, withdraw their WV Credit submission for the 2011 tax year dated August 13, 2012 (the "**2011 WV Credit Application**"), (ii) not resubmit the 2011 WV Credit Application, (iii) within 10 days of the effectiveness of this Agreement, withdraw their appeal of the denial of the 2011 WV Credit Application pending before the West Virginia Office of Tax Appeals, Docket No. 12-395, (iv) within 10 days of the effectiveness of this Agreement, withdraw their WV Credit submission for the 2012 tax year dated September 10, 2013, and (v) not submit any further requests for the WV Credit unless and until the Debtors have complied with the terms and conditions of this Agreement.

6. Entire Agreement and Confidentiality. This Agreement is the entire agreement between the Parties in respect of the subject matter hereof and shall not be modified, altered, amended, or vacated without the prior written consent of all Parties hereto. Neither this Agreement, nor any statement made or action taken in connection with the negotiation of this Agreement, shall be offered or received in evidence or in any way referred to in any legal action or administrative proceeding among or between the Parties hereto, other than as may be necessary (a) to obtain approval of and to enforce this Agreement or (b) to seek damages or injunctive relief in connection therewith. The Parties shall maintain the confidentiality of this Agreement except to the extent necessary to enforce this Agreement or to comply with the Settlement Procedures Order.

7. Bankruptcy Court Jurisdiction. The United States Bankruptcy Court for the Eastern District of Missouri shall retain jurisdiction (and the parties consent to such retention of jurisdiction) with respect to any disputes arising from or other actions to interpret, administer or enforce the terms and provisions of this Agreement. Any motion or application brought before the Bankruptcy Court to resolve a dispute arising from or related to this Agreement shall be brought on proper notice and in accordance with relevant Federal Rules of Bankruptcy Procedure and local rules of the Bankruptcy Court.

8. Representation and Warranties. Each Party specifically warrants and represents to the other Party that it has full authority to act for and to enter into this Agreement, which Agreement constitutes a legal, valid and binding obligation of such Party. The Claimant specifically warrants and represents to the Debtors that: (a) prior to the execution of this Agreement, it has not in any capacity assigned, pledged, or otherwise sold or transferred, either by instrument or otherwise, to any person or entity, all or any portion of the Claim; (b) the Claim is owned by the Claimant and is completely free of any encumbrances; and (c) subject to this Agreement becoming effective, it will not assert, jointly or severally, against any of the Debtors any of the Claim. Each of the Parties specifically warrants and represents that it has been fully informed of its terms, contents, conditions, and effects regarding the same, that it has had a full and complete opportunity to discuss this Agreement, including the settlement and the release, with its attorney or attorneys, that it is not relying in any respect on any statement or representation made by the other Party, and that no promise or representation of any kind has been made to such Party separate and apart from what is expressly contained in this Agreement.

9. No Admissions. The Parties agree that this is a compromise and settlement of disputed claims and causes of action, and nothing contained herein shall be construed as an admission of liability or damages by, on behalf of or against any of the Parties.

10. Further Assurances. Should any additional instruments be necessary or desirable to accomplish the purpose(s) of this Agreement or to establish the rights or discharge the obligations of either Party hereto, such additional instruments will be promptly executed and delivered upon the request of the other Party.

11. Construction of Agreement. This Agreement shall not be construed in favor of or against any Party on the basis that the Party did or did not author this Agreement or any attachment related to it.

12. Survival of Representations. The representations set forth herein shall survive the completion of all actions contemplated herein. Other provisions hereof which require action after execution hereof shall survive the execution hereof.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

14. Headings. The headings in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

15. Expenses. Each Party shall be solely responsible for the attorney's fees, costs and expenses, if any, incurred by that Party in connection with the Claim, the Proof of Claim, or this Agreement, as applicable.

16. Materiality. The statements, representations, and acknowledgments in this Agreement are not mere recitations; rather, they are understood and relied upon as part of this Agreement by the Parties and are material hereto.

17. No Oral Agreements. This Agreement represents the final agreement between the Parties with respect to the subject matter contained herein and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements between the Parties.

18. Counterparts. This Agreement may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by both Parties.

19. Claims Register. Immediately upon effectiveness of this Agreement, the Debtors' claims and noticing agent and the clerk of the Bankruptcy Court are authorized and directed to amend the claims register accordingly.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives effective as of the Effective Date.

By: 

Robert L. Mead
Patriot Coal Corporation
12312 Olive Boulevard
St. Louis, MO 63141

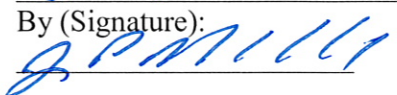
Representative for the Debtors and
Debtors in Possession

By: 

Scott Schutzenhofer
Patriot Coal Corporation
12312 Olive Boulevard
St. Louis, MO 63141

Representative for the Debtors and
Debtors in Possession

By (Print): JAN P MUDRINICH

By (Signature): 

WEST VIRGINIA STATE TAX
DEPARTMENT

Telephone: 304-558-5330
Fax: 304-558-8728

Representative for Claimant

Exhibit A
Summary of Scheduled Claims and Filed Proofs of Claim

Creditor ID	Claims Agent		Clerk of the Court	Claimant	Claim Type	Debtor Entity
	Claim #	Court Claim #				
1014530	367	379-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	INFINITY COAL SALES, LLC	
1014530	390	386-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	RIVERS EDGE MINING, INC.	
1014530	353	368-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	APOGEE COAL COMPANY, LLC	
1014530	357	372-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	CATENARY COAL COMPANY, LLC	
1014530	359	374-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	COLONY BAY COAL COMPANY	
1014530	401	402-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	WILDCAT, LLC	
1014530	3964	3994-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	BLACK STALLION COAL COMPANY, LLC	
1014530	3965	3995-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	COYOTE COAL COMPANY LLC	
1014530	3968	3998-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	HOBET MINING, LLC	
1014530	3969	3999-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	JUPITER HOLDINGS LLC	
1014530	3970	4000-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	KANAWHA EAGLE COAL, LLC	
1014530	3971	4001-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	PANTHER LLC	
1014530	3972	4002-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	REMINGTON LLC	
1014530	3973	4003-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	ROBIN LAND COMPANY, LLC	
1014530	4003	363-2	WEST VIRGINIA STATE TAX DEPARTMENT	Filed/Asserted	PATRIOT COAL CORPORATION	

Exhibit B
Summary of Allowed Scheduled Claims and Filed Proofs of Claim

Creditor ID	Claims Agent Claim #	Clerk of the Court Claim #	Claimant	Claim Type	Debtor Entity	Allowed Amounts				
						Secured	Administrative	Priority	Unsecured	Total
1014530	353	368-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	APOGEE COAL COMPANY, LLC	\$0.00	\$0.00	\$697,196.19	\$696,315.96	\$1,393,512.15
1014530	357	372-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	CATENARY COAL COMPANY, LLC	\$0.00	\$0.00	\$512,249.19	\$497,945.48	\$1,010,194.67
1014530	401	402-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	WILDCAT, LLC	\$0.00	\$0.00	\$204.87	\$0.00	\$204.87
1014530	3964	3994-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	BLACK STALLION COAL COMPANY, LLC	\$0.00	\$0.00	\$659,755.79	\$659,755.79	\$1,319,511.58
1014530	3965	3995-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	COYOTE COAL COMPANY LLC	\$0.00	\$0.00	\$479,972.44	\$455,964.88	\$935,937.32
1014530	3968	3998-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	HOBET MINING, LLC	\$0.00	\$0.00	\$1,314,519.33	\$862,352.58	\$2,176,871.91
1014530	3970	4000-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	KANAWHA EAGLE COAL, LLC	\$0.00	\$0.00	\$222,245.71	\$222,245.71	\$444,491.42
1014530	3971	4001-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	PANTHER LLC	\$0.00	\$0.00	\$752,089.01	\$747,307.72	\$1,499,396.73
1014530	3972	4002-1	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	REMINGTON LLC	\$0.00	\$0.00	\$334.61	\$0.00	\$334.61
1014530	4003	363-2	WEST VIRGINIA STATE TAX DEPARTMENT	Filed	PATRIOT COAL CORPORATION	\$0.00	\$0.00	\$2,361,432.86	\$2,358,111.88	\$4,719,544.74
TOTAL						\$0.00	\$0.00	\$7,000,000.00	\$6,500,000.00	\$13,500,000.00

Appendix 2

Letter from West Virginia State Tax Department to the Reorganized Debtors



STATE OF WEST VIRGINIA

Department of Revenue
State Tax Department

Earl Ray Tomblin
Governor

Mark W. Matkovich
State Tax Commissioner

January 30, 2015

G. Kurt Dettinger, Esq.
P.O. Box 1588
Charleston, WV 25326-1588

Re: Refund/credit claims made by Patriot Coal subsidiaries

Dear Mr. Dettinger,

I am writing in regard to various claims for refund/credit made by Patriot Coal subsidiaries for Severance Tax. Patriot's requests seem to contradict prior agreements between Patriot and the West Virginia State Tax Department. As you obviously know, Patriot Coal is still under bankruptcy protection.

By way of background, Patriot initiated bankruptcy proceedings on or about July 9, 2012 (USBC, Southern District of New York, transferred to USBC, Eastern District of Missouri). In an effort to resolve outstanding bankruptcy claims, the parties entered into a Settlement and Release Agreement ("Agreement") on or about November 4, 2013. Patriot agreed to pay a portion of certain tax liabilities to the West Virginia State Tax Department. In exchange for Patriot's promise to pay, the West Virginia Tax Department agreed to the proposed payment plan and further agreed to release certain claims without full payment of the assessed liabilities. The West Virginia State Tax Department relied on, and based its agreement, in part, on the understanding that the Agreement resolved and released any and all outstanding claims of all parties, absent specific language to the contrary in the Agreement.

In reference to the refund/credit claims made by Patriot subsidiaries, no claim that coincides with a period covered under the bankruptcy settlement agreement seems appropriate to approve by the State Tax Department. This will be determined by the Proof of Claim filed by the State Tax Department in the Bankruptcy Court. If you have information to the contrary, please let us know. However, if a refund/credit claim is made for a period subsequent to the periods contemplated by the bankruptcy settlement agreement, it will be evaluated according to its individual merit. However, if there is any outstanding balance in the relevant taxpayer's accounts, the State Tax Department will offset the refund against the debt.

If your understanding of the Agreement or any account status differs, particularly if it differs in regards to post-petition refunds, please identify your concerns so we may work together to correct any discrepancies. I hope this information has been helpful to you. We look forward to work with you to resolve all outstanding matters.

Very Truly Yours,

A handwritten signature in cursive script that reads "Mark S. Morton".

Mark S. Morton,
General Counsel and Director of Legal Division