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

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 12-[] (___)

(Jointly Administered)

**DEBTORS' MOTION FOR AN ORDER AUTHORIZING
(i) PAYMENT OF CERTAIN PREPETITION CLAIMS OF CRITICAL
VENDORS AND (ii) FINANCIAL INSTITUTIONS TO HONOR AND
PROCESS RELATED CHECKS AND TRANSFERS**

Patriot Coal Corporation and its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the "**Debtors**") respectfully represent:

Relief Requested

1. By this motion (the "**Motion**"), and pursuant to sections 105(a), 363(b) and 503(b)(9) of the Bankruptcy Code, the Debtors seek entry of an order in the form attached hereto as Exhibit A: (a) granting them the authority in their sole discretion, but

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.

not requiring them, to pay all or a portion of their prepetition obligations to certain Critical Vendors² (as defined below), (b) granting them the authority in their sole discretion, but not requiring them, to pay claims of Critical Vendors (as defined below) for the value of goods received by the Debtors in the ordinary course of their businesses during the 20-day period prior to the Petition Date, which are likely entitled to administrative expense priority under section 503(b)(9) of the Bankruptcy Code, (c) authorizing banks to receive, process, honor and pay checks or electronic transfers used by the Debtors to pay the foregoing and (d) granting related relief.

2. If the requested relief is not granted and certain essential Critical Vendors (as defined below) refuse to continue to supply goods and services to the Debtors postpetition, the Debtors may (i) risk the health and safety of their employees, (ii) fall out of compliance with environmental and other regulations and (iii) be unable to continue portions of their operations, thereby endangering the Debtors' successful reorganization and substantially harming all creditors.

Background and Jurisdiction

3. On July 9, 2012 (the "**Petition Date**"), each Debtor commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

² Certain parties may receive payment on account of their prepetition claims pursuant to other motions that have been or may be filed by the Debtors. To the extent that a party receives payment on account of its prepetition claim pursuant to an order approving any such motion, this Motion shall not apply to such prepetition claim.

4. Contemporaneously herewith, the Debtors have filed a motion requesting joint administration of their chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”).

5. Additional information about the Debtors’ businesses and the events leading up to the Petition Date can be found in the Declaration of Mark N. Schroeder, Patriot Coal Corporation’s Senior Vice President and Chief Financial Officer, which is incorporated herein by reference.

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) and may be determined by the Bankruptcy Court. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

The Debtors’ Critical Vendors

7. The Debtors purchase goods and services from certain vendors and independent contractors that are unaffiliated with the Debtors and are, by and large, suppliers without which the Debtors could not operate (collectively, the “**Critical Vendors**”). Many of these suppliers are in the unique position of holding a virtual monopoly over the goods and services they provide. Replacement vendors, even where available, would likely result in substantially higher costs for the Debtors. If the Debtors can benefit from maintaining lower costs of goods and services purchased during the postpetition period and avoid the severe disruption and safety risks to their employees that might be occasioned by the cessation of service therefrom, it is prudent for the Debtors to pay selected Critical Vendors some or all of their prepetition claims. However, except under extraordinary circumstances, such payment would be contingent

on an agreement that the Critical Vendors continue to sell their goods or services to the Debtors on a going-forward basis on terms favorable to the Debtors.

8. The Debtors are mindful of their fiduciary obligations to seek to preserve and maximize the value of their estates. The preservation of key business relationships is among management's primary goals as the Debtors transition into chapter 11. Providing seamless service to customers is key to meeting those goals.

9. The Debtors' Critical Vendors include (i) safety equipment suppliers and service providers, (ii) environmental testing and service providers, (iii) fuel and lubricant service providers and (iv) sole or limited source mining-related equipment and parts suppliers. While the Debtors hope and expect to assure a continuing postpetition supply of goods and services by consensual negotiation with the vendors in the categories above, the Debtors recognize that their fiduciary duties bind them to consider and plan for the vendors that may refuse to provide future goods or services unless their prepetition claims are paid.

10. As discussed in further detail below, the Critical Vendors are so essential to the Debtors' businesses that the lack of any of their particular services, even for a short duration, could disrupt the Debtors' operations and cause irreparable harm to the Debtors' businesses, goodwill, employees, customer base and market share. This irreparable harm to the Debtors and to the recovery of all of the Debtors' creditors will far outweigh the cost of payment of the prepetition claims of the Critical Vendors.

11. The Critical Vendors provide a range of supplies, equipment and services that are necessary for the Debtors' continued operations. For instance, the Debtors must meet a broad array of federal and state regulations in order to ensure the safe working

conditions of coal mines and work sites for employees, and to mitigate the potential environmental impact of their mining operations. Moreover, in the coal mining industry, the need for an uninterrupted supply of unique mining-related supplies, equipment, spare parts and services is critical. Mining equipment must be inspected and repaired on a daily basis in order to maintain safe and orderly working conditions, and the Debtors require large deliveries of diesel fuel daily in order to sustain this equipment and their operations.

12. Safety Equipment Suppliers and Service Providers. Mine safety is the preeminent concern of the Debtors, their employees and federal and state regulators. In order to ensure their employees' safety and comply with government regulations, the Debtors contract with vendors that provide specialized equipment and services to maintain safe working conditions at their mines. For example, the Debtors must regularly purchase specialized roof bolts and other structural supports that meet specific regulatory standards in order to mitigate the risk of catastrophic collapse. The Debtors must also obtain significant quantities of limestone rock dust from very limited sources in order to prevent mine explosions and satisfy federal and state safety regulations. Because of the highly industry-specific nature of these and similar goods and services, as well as the strict regulatory conditions under which the vendors and Debtors operate, the Debtors work with a specific limited number of safety-related vendors for whom there are few, if any, ready substitutes in the market. For instance, recent regulatory requirements issued by the Federal Mine Safety and Health Administration ("MSHA") have greatly increased industry demand for the already-limited supply of limestone rock dust, and the Debtors

must regularly purchase from the few vendors available on the market in order to meet their considerable operating needs.

13. Thus, if the Debtors were suddenly forced to change these and similar vendors, they may be forced to suspend operations at their mines due to their inability to meet regulatory requirements while they searched for qualified replacements and obtained new regulatory approvals. For example, replacing the Debtors' structural support vendors would require the Debtors and their employees to expend significant time and resources in revising their complex mine structural plans, re-submitting such plans to regulators and awaiting regulatory approval. Such delays and increased expenses could prove disastrous for the Debtors' continued operations and significantly decrease the value of the estates.

14. Environmental Service Providers. Like all other coal mining companies, the Debtors must comply with a broad range of federal and state regulations intended to mitigate the potential environmental impact of their operations. In order to assure regulatory compliance and protect the environment around their mining sites, the Debtors regularly contract with a number of specialized vendors providing environmental services. For instance, the Debtors routinely work with service providers that specialize in reclaiming former coal mines and restoring surfaces and ponds to their pre-mining condition, as required by strict state and federal regulations. Additionally, as required by a recent court order, the Debtors are in the process of constructing a large new facility to remove selenium from water run-off resulting from the mining process, which requires them to arrange for a large number of highly specialized services.

15. Without these and similarly specialized vendors, the Debtors could not continue their mining operations without risking non-compliance with important environmental regulations. Moreover, these environmental vendors occupy a highly specific niche in the market, and the supply of these goods and services is extremely limited. Preserving their access to these goods and services is therefore critically important to the Debtors' business operations and to their restructuring efforts.

16. Fuel and Lubricant Providers. In order to continue operating the equipment in use at their mines, the Debtors must procure large quantities of diesel fuel and lubricant on a daily basis. A ready fuel and lubricant supply for the Debtors' vehicles, heavy machinery and other mining equipment is critically important to the Debtors' continued operations and successful reorganization. The Debtors collectively use approximately 22 million gallons of diesel fuel per year, and there is a limited supply of vendors that can meet this demand in the often remote locations where the Debtors conduct mining operations. Moreover, because the Debtors have limited tanks for fuel storage in these remote locations, the Debtors must arrange for new fuel and lubricant deliveries on a daily basis. Losing access to diesel fuel or lubricant for even a short period of time could therefore bring the Debtors' mining operations to a standstill. In the event the Debtors were forced to replace their existing diesel fuel or lubricant supply arrangements, the Debtors believe that their fuel and lubricant costs could increase dramatically as they attempted to procure alternative fuel services. Moreover, there can be no assurance that the Debtors would even be able to timely obtain alternative fuel supply services, potentially disrupting essential operations. It is therefore critical that the Debtors have the authority to pay their diesel fuel and lubricant vendors to continue these

essential relationships. Moreover, because of the short trade terms the Debtors have with their fuel and lubricant providers, nearly all prepetition amounts outstanding are on account of fuel and lubricants delivered to the Debtors within 20 days of the Petition Date and therefore likely entitled to an administrative expense claim pursuant to section 503(b)(9) of the Bankruptcy Code.

17. Unique Mining Equipment and Parts Suppliers. The Debtors operate thermal and metallurgical coal production businesses through which they mine and sell coal to various purchasers and end-users. In order to conduct their day-to-day business of mining coal, the Debtors require a continuous, reliable and oftentimes daily supply of equipment and parts that are unique to their mining operations.

18. The Debtors use highly specialized products, devices and facilities, including heavy machinery, engines, tools and batteries, to mine coal and deliver it to their customers. The Debtors' underground mining equipment is unique because it has been developed for the varying coal seam heights and geological conditions specific to the Debtors' mining operations, and the available pool of experienced and reliable parts suppliers is therefore limited. In particular, due to their extensive deep mining operations, the Debtors depend heavily on highly specialized equipment and machinery such as shearers and power loaders, longwall conveyors, longwall and roof bolts, and hydraulic jacks, among others. Many of these machines and parts are only available from a single supplier, the original equipment manufacturer, while others are available through no more than two or three suppliers. Moreover, because of the heightened safety standards the Debtors must meet, many of these machines and parts must receive regulatory approval as part of the Debtors' comprehensive structural support plans for

their mines. Accordingly, the specialized parts the Debtors require to continue their mining operations and remain competitive are only available from sole or limited source suppliers, nearly all of whom supply parts to the Debtors based on one-off purchase orders.

19. Aside from the availability of suppliers, the quality of the suppliers varies widely. Suppliers differ in the products they carry, the quality of support services they offer, turn-around time from order to delivery, prices, warranties and terms and conditions. It can take years for the Debtors to groom their suppliers for maximum efficiency and effectiveness in dealing with the Debtors' highly-customized equipment. Thus, a sudden need to switch multiple suppliers would result, at the very least, in unnecessary inefficiencies and expenses, would disrupt normal mining operations and would distract the Debtors from their restructuring efforts.

20. If the Debtors were unable to make payments to the suppliers for their mining equipment and parts, then the Debtors would face great difficulty locating adequate replacement vendors, severely hindering their operations. This is especially true because the Debtors obtain a significant portion of their mining equipment and maintenance services from small, specialized vendors on a purchase-order basis, for which there exist no adequate replacements in the marketplace. Failing to pay these vendors would therefore significantly harm the Debtors' operations, employees and creditors, compromising their restructuring efforts.

**Payment of Critical Vendors is in the Best Interests
of the Debtors' Estates and Their Creditors**

21. While the Debtors expect to secure a continuing postpetition supply of goods and services in most cases through consensual negotiation with the Critical

Vendors, the Debtors recognize that their fiduciary duties bind them to consider and plan for the vendors that may refuse to provide future goods or services unless their prepetition claims are paid. The Critical Vendors are so essential to the Debtors' businesses that the lack of each of their particular goods and services, even for a short duration, would disrupt the Debtors' operations and cause irreparable harm to the Debtors' businesses, goodwill and market share. This irreparable harm to the Debtors and to the recovery of all creditors will far outweigh the cost of payment of the prepetition claims of the Critical Vendors.

22. The Debtors therefore seek authority to pay, in their sole discretion and business judgment, some or all of the prepetition obligations of certain Critical Vendors (the "**Vendor Claims**") to maintain their operations. Without this authority, these Critical Vendors may refuse to continue to supply goods and services to the Debtors postpetition. As is illustrated above, the Critical Vendors are essential to the Debtors' continuing operations. The Debtors estimate the maximum amount needed to pay the prepetition claims of Critical Vendors is approximately \$25 million (the "**Vendor Claims Cap**"); *provided* that the Debtors estimate that a maximum of \$17 million of the Vendor Claims Cap will be needed to pay the claims of Critical Vendors on account of Vendor Claims that are not Twenty-Day Administrative Claims (as defined below) (the "**Vendor Claims Subcap**").³ The Debtors estimate that approximately \$12 million will become due to Critical Vendors during the 21 days following the Petition Date, including payments on account of Twenty-Day Administrative Claims.

³ The Vendor Claims Cap does not include any prepetition claims that the Debtors have authority to pay under other orders entered by this Court in these cases.

23. In determining the amount of the Vendor Claims Cap, the Debtors have carefully reviewed their suppliers to determine, among other things, (a) which suppliers were sole source or limited source suppliers, without whom the Debtors could not continue to operate without disruption, (b) which suppliers would be prohibitively expensive to replace, (c) which suppliers would present an unacceptable risk to the Debtors' operations or the safety of their employees should they cease the provision of truly essential services or supplies and (d) the extent to which suppliers may be able to obtain or have obtained trade liens on equipment, supplies or goods of the Debtors or an administrative expense claim pursuant to section 503(b)(9) of the Bankruptcy Code. The Debtors then considered the financial condition of each supplier, where that information was known, including the level of dependence each supplier has on the Debtors' continued businesses. After compiling this information, the Debtors estimated the amount they believe they would be required to pay to ensure the continued supply of critical goods and services.

24. It represents the Debtors' best estimate as to how much must be paid to such creditors to continue the supply of critical goods and services. The Debtors hope to pay far less than the requested amount. The Debtors' proposed Vendor Claims Cap is within the range of amounts awarded by the courts in other cases. *See, e.g., In re AMR Corp.*, Case No. 11-15463 (SHL) (Bankr. S.D.N.Y. Dec. 23, 2011) (court authorized debtor to pay up to \$85 million in critical vendor claims); *In re The Great Atlantic & Pacific Tea Co.*, Case No. 10-24549 (RDD) (Bankr. S.D.N.Y. Jan. 12, 2010) (court granted debtor authority to pay \$62 million, or approximately 29% of accrued payables); *In re Lyondell Chemical Co.*, Case No. 09-10023 (REG) (Bankr. S.D.N.Y. Jan. 23, 2009)

(court granted debtor authority, to the extent consistent with the Final DIP Order, to pay some or all prepetition critical vendor claims); *In re Delphi Corp.*, Case No. 05-44481 (RDD) (Bankr. S.D.N.Y. Oct. 14, 2005) (court granted debtor authority to pay \$90 million in the debtor's vendor rescue program); *In re UAL Corp.*, Case No. 02-48191 (ERW) (Bankr. N.D. Ill. Dec. 9, 2002) (court approved similar motion seeking to pay up to approximately \$34.9 million); *In re WorldCom, Inc.*, Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. Jul. 21, 2002) (court granted debtor authority to pay \$70 million in critical vendor claims); *In re Enron Corp.*, Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. Dec. 12, 2001) (court approved \$48 million in critical vendor claims).

25. To minimize the amount of payments required, the Debtors request authority to identify Critical Vendors in the ordinary course of their businesses. Identifying the Critical Vendors now would likely cause all such vendors to demand payment in full. The Debtors propose that they may, in their sole discretion, condition payment of the Vendor Claims of each Critical Vendor upon an agreement to continue to supply goods or services to the Debtors on such Critical Vendor's "**Customary Trade Terms**" for a period of time and on other such terms and conditions as are acceptable to the Debtors. As used herein, "**Customary Trade Terms**" means, with respect to a Critical Vendor, (a) the normal and customary trade terms, practices and programs (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, normal product mix and availability and other applicable terms and programs), that were most favorable to the Debtors and in effect between such Critical Vendor and the Debtors prior to the Petition Date or (b) such other trade terms as agreed by the Debtors and such Critical Vendor. However, as noted above,

in determining the Vendor Claims Cap, the Debtors were careful to include only such payments that the Debtors, in their best estimate, determined would be required to continue the supply of critical goods and services as a condition of continued sales. Further, in certain circumstances a Critical Vendor may refuse to provide services to the Debtors on the Critical Vendor's Customary Trade Terms even after payment of such Critical Vendor's claim. To accommodate these circumstances, the Debtors seek approval to enter into other agreements, at the Debtors' discretion, with each such Critical Vendor on a case-by-case basis.

26. The Debtors further propose that if a Critical Vendor later refuses to continue to supply goods or services to the Debtors on the Customary Trade Terms for the applicable period, or on such terms as were individually agreed to between the Debtors and such Critical Vendor, then the Debtors may, in their sole discretion, and without further order of the Court: (i) declare that the payment of the creditor's Vendor Claim is a voidable postpetition transfer pursuant to section 549(a) of the Bankruptcy Code that the Debtors may recover from such Critical Vendor in cash or in goods and (ii) demand that the creditor immediately return such payments in respect of the Vendor Claim to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding without giving effect to alleged setoff rights, recoupment rights, adjustments, or setoffs of any type whatsoever, and the creditor's Vendor Claim shall be reinstated in such an amount as to restore the Debtors and the Critical Vendor to their original positions, as if the agreement had never been entered into and the payment of the Vendor Claim had not been made. In sum, the Debtors will return the parties to

their positions immediately prior to the entry of the order approving the relief sought herein.

27. To ensure that Critical Vendors transact business with the Debtors on Customary Trade Terms, the Debtors propose the following procedures, to be implemented in the Debtors' sole discretion, as a condition to paying any Critical Vendor: (a) that a letter or contract including provisions substantially in the form of the letter attached hereto as Exhibit B (a "**Vendor Agreement**") be delivered to, and executed by, the Critical Vendors along with a copy of the order granting the relief sought herein and (b) that payment of Vendor Claims include a communication of the following statement:

By accepting this payment, the payee agrees to the terms of the Order of the U.S. Bankruptcy Court for the Southern District of New York, [dated _____, 2012] in the chapter 11 cases of Patriot Coal Corporation, *et al.* [(Cases No. 0[]_____() through 12-_____()], entitled "Interim Order Authorizing (i) Payment of Certain Prepetition Claims of Critical Vendors and (ii) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers" and submits to the jurisdiction of that Court for enforcement thereof.

28. As a further condition of receiving payment on a Vendor Claim, the Debtors propose that a Critical Vendor must agree to take whatever action is necessary to remove any existing trade liens at such Critical Vendor's sole cost and expense and waive any right to assert a trade lien on account of the paid Vendor Claim, *provided, however*, that the foregoing shall be determined by the Debtors in their sole discretion.

29. The Debtors shall maintain a matrix summarizing (a) the name of each Critical Vendor paid on account of Vendor Claims, (b) the amount paid to each Critical Vendor on account of its Vendor Claim and (c) the goods or services provided by such Critical Vendor. This matrix will be provided (i) bi-weekly until a final order granting

the relief requested herein is entered and (ii) monthly thereafter to the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”), the professionals to the official committee of unsecured creditors (the “**Committee**”) and the administrative agents for the Debtors’ proposed postpetition lenders (the “**DIP Agents**”) via their attorneys; *provided, however*, that the professionals to the Committee shall keep the matrix confidential on a professionals-only basis and the DIP Agents and their professionals shall keep the matrix confidential and, in each case, shall not disclose any of the information in the matrix to anyone, including, but not limited to, any member of the Committee and any of the Debtors’ postpetition lenders, without prior written consent from the Debtors.

30. The Debtors believe that payment of some or all Vendor Claims owed to Critical Vendors will be necessary to preserve operations and successfully reorganize. The need for the flexibility to pay such claims is particularly acute in the period immediately following the Petition Date. During this period, the Debtors, their attorneys and financial advisors, and their other professionals will be focusing on stabilizing operations and developing a long-term business plan. At the same time, while the Debtors are distracted with stabilizing the businesses and long-term planning, Critical Vendors may attempt to assert their considerable leverage and deny provision of goods and services going forward, suddenly and without notice, in an effort to cripple operations and coerce payment.

31. Furthermore, if the relief sought herein is not granted, Critical Vendors will have no incentive to continue to finance the Debtors on customary trade terms. Indeed, in the recent past certain vendors that became concerned about Debtors’ financial

condition have demanded that the Debtors pay for their goods on accelerated payment terms, cash in advance and cash on delivery basis. Any further expansion of these activities by other Critical Vendors would be detrimental to the Debtors, their estates and their creditors.

32. The continued availability of trade credit, in amounts and on terms consistent with those the Debtors have struggled to obtain over the years, is clearly advantageous to the Debtors. It allows the Debtors to maintain and enhance necessary liquidity and focus on returning to profitability. The Debtors believe that preserving working capital through the retention and reinstatement of their normally advantageous trade credit terms will enable the Debtors to stabilize business operations at this critical time, to maintain their competitiveness and to maximize the value of their businesses for the benefit of all interested parties. Conversely, any deterioration of trade credit, or disruption or cancellation of deliveries of goods or provision of essential services, could spell disaster for the Debtors' restructuring efforts. Finally, the relief requested herein also may help to avert the institution of numerous reclamation claims, suits and motions. Avoiding the time and expense of evaluating and litigating such claims will provide another incremental benefit for the Debtors, their estates and their creditors. Any occurrence affecting operations could prolong the Debtors' chapter 11 cases, increase administrative expenses and jeopardize their reorganization.

Request for Authority to Pay Claims Under Section 503(b)(9)

33. Under section 503(b)(9) of the Bankruptcy Code, claims of Critical Vendors for the value of goods received by the Debtors in the ordinary course of their businesses during the 20-day period prior to the Petition Date are entitled to administrative claim status (the "**Twenty-Day Administrative Claims**"). As

administrative claims incurred in the ordinary course of the Debtors' businesses, the Debtors believe that they are authorized to pay the Twenty-Day Administrative Claims of Critical Vendors pursuant to section 363(c)(1) of the Bankruptcy Code; however, the Debtors also believe that they are not required to reconcile or pay the Twenty-Day Administrative Claims prior to the conclusion of these cases. Accordingly, for the avoidance of doubt, the Debtors request that the Court enter an order clarifying that the Debtors are authorized in their sole discretion, but not required, to pay the Twenty-Day Administrative Claims, or any portion thereof, of any Critical Vendor in the ordinary course of the Debtors' businesses and on such terms and conditions as the Debtors deem appropriate.⁴ The Debtors request that all payments made to Critical Vendors be applied first in satisfaction of such Critical Vendor's Twenty-Day Administrative Claims, if any.

**Request for Authority for Financial Institutions
to Honor and Process Related Checks and Transfers**

34. The Debtors also request that all applicable banks and other financial institutions be authorized to receive, process, honor and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtors related to, the claims that the Debtors request authority to pay in this motion, regardless of whether the checks were presented or fund transfer requests were submitted before or after the Petition Date, *provided, however*, that: (a) funds are available in the Debtors' accounts to cover the checks and fund transfers and (b) all the banks and other financial institutions are authorized to rely on the Debtors' designation of any particular check as approved by the attached proposed order.

⁴ Separately, the Debtors intend to file a motion requesting authorization to establish procedures for the assertion, resolution, allowance and satisfaction (upon the effective date of a plan of reorganization) of unpaid claims pursuant to section 503(b)(9) of the Bankruptcy Code.

Applicable Authority

35. Similar relief has repeatedly been granted in other chapter 11 cases in this district. *See, e.g., In re AMR Corp.*, Case No. 11-15463 (SHL) (Bankr. S.D.N.Y. Dec. 23, 2011) (court authorized debtor to pay up to \$85 million in critical vendor claims); *In re The Great Atlantic & Pacific Tea Co.*, Case No. 10-24549 (RDD) (Bankr. S.D.N.Y. Jan. 12, 2010) (court granted debtor authority to pay up to \$62 million in critical vendor claims); *In re Lyondell Chemical Co.*, Case No. 09-10023 (REG) (Bankr. S.D.N.Y. Jan. 23, 2009) (court granted debtor authority to the extent consistent with the Final DIP Order, to pay some or all prepetition critical vendor claims); *In re Delphi Corp.*, No. 05-44481 (RDD) (Bankr. S.D.N.Y. Oct. 13, 2005) (court granted debtor authority to pay \$90 million in the debtors' vendor rescue program); *In re Delta Air Lines, Inc.*, Case No. 05-17923 (PCB) (Bankr. S.D.N.Y. Sept. 16, 2005) (court granted debtor authority, subject to the debtor's reasonable exercise of business judgment, to pay all critical vendor claims); *In re WorldCom, Inc.*, Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. Jul. 21, 2002) (court granted debtor authority to pay \$70 million in critical vendor claims); *In re Enron Corp.*, Case No. 01-16034 (AJG) (Bankr. S.D.N.Y. Dec. 12, 2001) (court approved \$48 million in critical vendor claims); *In re AI Realty Mktg. of New York, Inc.*, Nos. 01-40252 through 01-40290 (AJG) (Bankr. S.D.N.Y. 2001).

36. Further, section 363(b)(1) of the Bankruptcy Code empowers the Court to allow the debtor to "use, sell, or lease, other than in the ordinary course of business, property of the estate." Debtors' decisions to use, sell or lease assets outside the ordinary course of business must be based upon the sound business judgment of the debtor. *See In re Chateaugay Corp.*, 973 F.2d 141, 143 (2d Cir. 1992) (holding that a judge determining a section 363(b) application must find from the evidence presented before him a good

business reason to grant such application); *see also Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1071 (2d Cir. 1983) (same); *In re Global Crossing Ltd.*, 295 B.R. 726, 743 (Bankr. S.D.N.Y. 2003); *In re Ionosphere Clubs, Inc.*, 100 B.R. 670, 674 (Bankr. S.D.N.Y. 1989) (noting that the standard for determining a section 363(b) motion is “good business reason”).

37. The business judgment rule is satisfied “when the following elements are present: (1) a business decision, (2) disinterestedness, (3) due care, (4) good faith, and (5) according to some courts and commentators, no abuse of discretion or waste of corporate assets.” *Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650, 656 (S.D.N.Y. 1992), *appeal dismissed*, 3 F.3d 49 (2d Cir. 1993) (internal quotations omitted). In fact, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *Comm. of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). Courts in this district have consistently and appropriately been loath to interfere with corporate decisions absent a showing of bad faith, self-interest, or gross negligence and will uphold a board’s decisions as long as they are attributable to any “rational business purpose.” *In re Integrated Res. Inc.*, 147 B.R. at 656.

38. The “necessity of payment” doctrine further supports the relief requested herein. This doctrine “recognizes the existence of the judicial power to authorize a debtor in a reorganization case to pay prepetition claims where such payment is essential to the continued operation of the debtor.” *Ionosphere Clubs*, 98 B.R. 174, 176 (Bankr.

S.D.N.Y. 1989); *see also Michigan Bureau of Workers' Disability Comp. v. Chateaugay Corp.*(*In re Chateaugay Corp.*), 80 B.R. 279, 285-86 (S.D.N.Y. 1987). The rationale for the necessity of payment rule is consistent with the paramount goal of chapter 11— "facilitating the continued operation and rehabilitation of the debtor." *Ionosphere Clubs*, 98 B.R. at 176.

39. Finally, section 105(a) of the Bankruptcy Code empowers the Court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). A bankruptcy court's use of its equitable powers to "authorize the payment of prepetition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept." *In re Ionosphere Clubs, Inc.*, 98 B.R. at 175. "Under 11 U.S.C. § 105, a court can permit pre-plan payment of prepetition obligations when essential to the continued operation of the debtor." *In re NVR L.P.*, 147 B.R. 126, 127 (Bankr. E.D. Va. 1992) (citing *Ionosphere Clubs*, 98 B.R. at 177).

40. The Debtors submit that the requested relief represents a sound exercise of the Debtors' business judgment and is justified under sections 363(b) and section 105(a) of the Bankruptcy Code, and is also in line with the relief granted in this and other districts. The Debtors strongly believe that the uninterrupted supply of goods and services, on customary trade terms, and the continuing support of their customers are imperative to the ongoing operations and viability of the Debtors. Authority to pay the Critical Vendors in the ordinary course of the Debtors' businesses is in the best interest of the Debtors' estates and creditors. Absent such payment, the operations and value of the Debtors' estates will suffer, possibly precipitously, and the requested relief is necessary

to avoid immediate and irreparable harm. This irreparable harm to the Debtors and to the recovery of all creditors will far outweigh the cost of payment.

Necessity for Immediate Relief

41. Bankruptcy Rule 6003 provides that “[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, issue an order granting . . . (b) a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition” Fed. R. Bankr. P. 6003. For all the reasons set forth herein, if the Debtors are not authorized to pay certain critical vendors, immediate and irreparable harm might be caused to the Debtors’ estates. Accordingly, the interim relief requested herein is consistent with Bankruptcy Rule 6003.

Request for Waiver of Stay

42. In addition, by this Motion, the Debtors seek a waiver of any stay of the effectiveness of the order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” As set forth above, the Debtors require immediate relief to continue ordinary business operations for the benefit of all parties in interest. Accordingly, the Debtors submit that ample cause exists to justify a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h), to the extent that it applies.

Interim Order

43. The Debtors seek the relief requested in this Motion in the form of an interim order (the “**Interim Order**”) attached hereto as Exhibit A. Within three business

days of the entry of the Interim Order, the Debtors shall serve a copy of the Interim Order and this Motion on (a) the Office of the United States Trustee for the Southern District of New York, (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 Debtor's proposed postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency and (h) the United States Attorney's Office for the Southern District of New York.

44. The Debtors request that the deadline to file an objection ("**Objection**") to the Motion shall be 4:00 p.m. (prevailing Eastern Time) on a date established by the Court that is at least seven calendar days prior to any hearing scheduled by the Court with respect to the relief sought herein on a final basis (the "**Objection Deadline**"). An Objection shall be considered timely only if, on or prior to the Objection Deadline, it is (a) filed with the Court and (b) served upon and actually received by (i) the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Elisabetta G. Gasparini and Paul K. Schwartzberg, (ii) proposed counsel to the Debtors, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attn: Marshall S. Huebner and Brian M. Resnick, (iii) attorneys for the administrative agents for the Debtors' proposed postpetition lenders, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Marcia Goldstein and Joseph Smolinsky, and Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019, Attn: Margot B. Schonholtz

and Ana Alfonso and (iv) attorneys for any official committee of unsecured creditors then appointed in these cases.

45. Unless otherwise ordered by the Court, a reply to an Objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on the day that is two days before the date of the applicable hearing.

46. If no Objections are timely filed and served as set forth herein, the Debtors shall, on or after the Objection Deadline, submit to the Court a final order granting the relief requested herein, which order shall be submitted and may be entered with no hearing and no further notice or opportunity to be heard afforded to any party. If an Objection is timely filed, a hearing will be held at a date and time to be established by the Court.

47. The foregoing notice procedures satisfy Bankruptcy Rule 9014 by providing the counterparties with notice and an opportunity to object and be heard at a hearing. *See, e.g., In re Drexel Burnham Lambert*, 160 B.R. 729, 734 (S.D.N.Y. 1993) (an opportunity to present objections satisfies due process); *In re Colorado Mountain Cellars, Inc.*, 226 B.R. 244, 246 (D. Colo. 1998) (a hearing is not required to satisfy Bankruptcy Rule 9014). Furthermore, the proposed notice procedures protect the due process rights of the parties in interest without unnecessarily exposing the Debtors' estates to unwarranted administrative expenses.

Notice

48. No trustee, examiner or creditors' committee has been appointed in these chapter 11 cases. The Debtors have served notice of this Motion on (a) the Office of the United States Trustee for the Southern District of New York, (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' proposed postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency and (h) the United States Attorney's Office for the Southern District of New York.

No Previous Request

49. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

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

Dated: New York, New York
July 9, 2012

By: /s/ Damian S. Schaible

Marshall S. Huebner
Damian S. Schaible
Brian M. Resnick
Michelle M. McGreal

DAVIS POLK & WARDWELL LLP
450 Lexington Avenue
New York, New York 10017
Telephone: (212) 450-4000
Facsimile: (212) 607-7983

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

Exhibit A

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

In re:

PATRIOT COAL CORPORATION, et al.,

Debtors.¹

Chapter 11

Case No. 12-[] (___)

(Jointly Administered)

**INTERIM ORDER AUTHORIZING (i) PAYMENT OF
CERTAIN PREPETITION CLAIMS OF CRITICAL VENDORS
AND (ii) FINANCIAL INSTITUTIONS TO HONOR AND PROCESS
RELATED CHECKS AND TRANSFERS**

Upon the motion (the “**Motion**”)² of Patriot Coal Corporation and its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the “**Debtors**”), pursuant to sections 105(a), 363(b) and 503(b)(9) of the Bankruptcy Code, for authority to pay in the ordinary course of business prepetition claims of critical vendors³ (the “**Critical Vendors**”), 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 jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334 and Standing Order M-61

¹ 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.

² Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed to them in the Motion.

³ Certain parties may receive payment on account of their prepetition claims pursuant to other motions that have been or may be filed by the Debtors. To the extent that a party receives payment on account of its prepetition claim pursuant to an order approving any such motion, this Order shall not apply to such prepetition claim.

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 due and proper notice of the Motion having been provided to (a) the Office of the United States Trustee for the Southern District of New York, (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' proposed postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency and (h) the United States Attorney's Office for the Southern District of New York; 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 relief granted herein; and the Court having determined that immediate relief is necessary to avoid irreparable harm; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the relief requested in the Motion is hereby granted as set forth herein, *provided, however*, that in the first 21 days after the Petition Date, the relief

requested by the Debtors is granted only to the extent that it is necessary to avoid irreparable harm; and it is further

ORDERED that pursuant to sections 105(a), 363(b) and 503(b)(9) of the Bankruptcy Code, the Debtors are authorized, but not directed, in the reasonable exercise of their business judgment, to pay some or all of the prepetition claims of the Critical Vendors (the “**Vendor Claims**”) in an aggregate amount not to exceed the Vendor Claims Cap; *provided* that, prior to entry of an order granting the relief requested in the Motion on a final basis, the Debtors will not pay any Vendor Claim prior to the applicable due date; *provided further* that all payments to Critical Vendors on account of Vendor Claims shall be applied first in satisfaction of such Critical Vendors’ Twenty-Day Administrative Claims, if any; *provided further* that payments on account of Vendor Claims that are not Twenty-Day Administrative Claims shall not, in the aggregate, exceed the Vendor Claims Subcap; and it is further

ORDERED that the Debtors, in their sole discretion, may condition payment of any Vendor Claims upon agreement by the Critical Vendor to continue to supply goods or services to the Debtors on such Critical Vendor’s “**Customary Trade Terms**” for a period following the date of the agreement or on other such terms and conditions as are acceptable to the Debtors. As used herein, “**Customary Trade Terms**” means, with respect to a Critical Vendor, (i) the normal and customary trade terms, practices and programs (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, and availability, and other applicable terms and programs), that were most favorable to the Company and in effect

between such Critical Vendor and the Company prior to the Petition Date or (ii) such other trade terms as agreed by the Debtors and such Critical Vendor; and it is further

ORDERED that, as a further condition of receiving payment on a Vendor Claim, the Debtors are authorized, in their sole discretion, to require that such Critical Vendor agree to take whatever action is necessary to remove any existing trade liens at such Critical Vendor's sole cost and expense and waive any right to assert a trade lien on account of the paid Vendor Claim; and it is further

ORDERED that after the date hereof, the Debtors shall determine, in the ordinary course of business, which entities are Critical Vendors by considering, among other things, (a) which suppliers were sole source or limited source suppliers, without whom the Debtors could not continue to operate without disruption, (b) which suppliers would be prohibitively expensive to replace, (c) which suppliers present an unacceptable risk should they cease the provision of truly essential services or supplies and (d) the extent to which suppliers may be able to obtain or have obtained trade liens on equipment, supplies or goods of the Debtors; and it is further

ORDERED that the Debtors shall maintain a matrix summarizing (a) the name of each Critical Vendor paid on account of Vendor Claims, (b) the amount paid to each Critical Vendor on account of its Vendor Claim and (c) the goods or services provided by such Critical Vendor. This matrix will be provided (i) bi-weekly until a final order granting the relief requested herein is entered and (ii) monthly thereafter to the U.S. Trustee, the professionals to the official committee of unsecured creditors (the "**Committee**") and the administrative agents for the Debtors' proposed postpetition lenders (the "**DIP Agents**") via their attorneys; *provided*, however, that the professionals

to the Committee shall keep the matrix confidential on a professionals-only basis and the DIP Agents and their professionals shall keep the matrix confidential and, in each case, shall not disclose any of the information in the matrix to anyone, including, but not limited to, any member of the Committee and any of the Debtors' postpetition lenders, without prior written consent from the Debtors; and it is further

ORDERED that the Debtors, in their sole discretion, may undertake to require Critical Vendors to enter into an agreement (the "**Vendor Agreement**") including provisions substantially in the form attached to the Motion as Exhibit B; and it is further

ORDERED that the Debtors are authorized, but not required, to enter into Vendor Agreements when the Debtors determine, in their sole discretion, that it is appropriate to do so in connection with making payments to Critical Vendors; and it is further

ORDERED that if the Debtors, in their sole discretion, determine that a Critical Vendor has not complied with the terms and provisions of the Vendor Agreement or has failed to continue to provide Customary Trade Terms following the date of the agreement, or on such terms as were individually agreed to between the Debtors and such Critical Vendor, the Debtors may terminate a Vendor Agreement, together with the other benefits to the Critical Vendor as contained in this Interim Order, *provided, however*, that the Vendor Agreement may be reinstated (x) if such determination is subsequently reversed by the Court for good cause after it is shown that the determination was materially incorrect after notice and a hearing following a motion from the Critical Vendor, (y) the underlying default under the Vendor Agreement is fully cured by the Critical Vendor not later than five business days after the date the initial default occurred

or (z) the Debtors, in their sole discretion, reach a subsequent agreement with the Critical Vendor; and it is further

ORDERED that if a Vendor Agreement is terminated as set forth above, or if a Critical Vendor that has received payment of a prepetition claim later refuses to continue to supply goods or services for the applicable period in compliance with the Vendor Agreement or this Interim Order, then (a) the Debtors may, in their sole discretion, declare that the payment of the creditor's Vendor Claim is a voidable postpetition transfer pursuant to section 549(a) of the Bankruptcy Code that the Debtors may recover in cash or in goods from such Critical Vendor, (b) the creditor shall immediately return such payments in respect of a Vendor Claim to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding without giving effect to alleged setoff rights, recoupment rights, adjustments, or offsets of any type whatsoever and (c) the creditor's Vendor Claim shall be reinstated in such an amount so as to restore the Debtors and the Critical Vendor to their original positions as if the Vendor Agreement had never been entered into and no payment of Vendor Claim had been made; and it is further

ORDERED that all Vendor Agreements shall be deemed to have terminated, together with the other benefits to Critical Vendors as contained in this Interim Order, upon entry of an order converting the Debtors' chapter 11 cases to cases under chapter 7 of the Bankruptcy Code; and it is further

ORDERED that all applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests or automated clearing house transfers evidencing amounts paid by the

Debtors under this Interim Order, whether presented prior to or after the Petition Date to the extent the Debtors have good funds standing to their credit with such bank or other financial institution. Such banks and financial institutions are authorized to rely on representations of the Debtors as to which checks are issued or authorized to be paid pursuant to this Interim Order without any duty of further inquiry and without liability for following the Debtors' instructions; and it is further

ORDERED that nothing contained in this Interim Order shall be deemed to constitute a rejection, assumption or postpetition reaffirmation of any executory contract or to require the Debtors to make any of the payments or to post any of the deposits authorized herein; and it is further

ORDERED that nothing in this Interim Order or the Motion shall be construed as prejudicing any rights the Debtors may have to dispute or contest the amount of or basis for any claims against the Debtors arising in connection with the Vendor Claims; and it is further

ORDERED that the Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Interim Order; and it is further

ORDERED that to the extent that there may be any inconsistency between the terms of the interim or final order approving the proposed debtor in possession financing, if and when entered, and this Interim Order, the terms of the interim or final order approving the proposed debtor in possession financing, as applicable, shall govern; and it is further

ORDERED that within three business days of the entry of this Interim Order, the Debtors shall serve a copy of this Interim Order and the Motion on (a) 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' proposed postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency and (h) the United States Attorney's Office for the Southern District of New York; and it is further

ORDERED that any objection to the relief requested in the Motion on a permanent basis must, by 4:00 p.m. (prevailing Eastern Time) on [_____] (the "**Objection Deadline**"), be: (a) filed with the Court and (b) actually received by (i) the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Elisabetta G. Gasparini and Paul K. Schwartzberg, (ii) proposed counsel to the Debtors, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attn: Marshall S. Huebner and Brian M. Resnick, (iii) attorneys for the administrative agents for the Debtors' proposed postpetition lenders, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Marcia Goldstein and Joseph Smolinsky, and Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019, Attn: Margot B. Schonholtz and Ana Alfonso and (iv) attorneys for any official committee of unsecured creditors then appointed in these cases; and it is further

ORDERED that a reply to an Objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on the day that is two days before the date of the applicable hearing; and it is further

ORDERED that if timely objections are received there shall be a hearing held on _____, 2012, at _____ (prevailing Eastern Time) to consider the timely objections to the Motion; and it is further

ORDERED that if no Objections are timely filed and served as set forth herein, the Debtors shall, on or after the Objection Deadline, submit to the Court a final order substantially in the form of this Interim Order, which order shall be submitted and may be entered with no further notice or opportunity to be heard afforded any party, and the Motion shall be approved *nunc pro tunc* to the date of the commencement of these chapter 11 cases; 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 Interim 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 retains jurisdiction with respect to all matters arising
from or related to the implementation of this Interim Order.

Dated: New York, New York

_____, 2012

UNITED STATES BANKRUPTCY JUDGE

Exhibit B

Patriot Coal Corporation

_____, 2012

TO: [Critical Vendor]
[Name]
[Address]

Dear Valued Supplier:

As you are aware, Patriot Coal Corporation and certain of its subsidiaries (collectively, the “**Company**”) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Cases**” and the “**Bankruptcy Court**,” respectively) on July 9, 2012 (the “**Petition Date**”). On the Petition Date, the Company requested the Bankruptcy Court’s authority to pay the prepetition claims of certain suppliers in recognition of the importance of the Company’s relationship with such suppliers and its desire that the Bankruptcy Cases have as little effect on the Company’s ongoing business operations as possible. On [•], the Bankruptcy Court entered an order (the “**Order**”) authorizing the Company, under certain conditions, to pay the prepetition claims of certain suppliers that agree to the terms set forth below and to be bound by the terms of the Order. A copy of the Order is enclosed.

In order to receive payment on account of prepetition claims, you must agree to continue to supply goods and services to the Company based on “**Customary Trade Terms**.” In the Order, Customary Trade Terms are defined as the normal and customary trade terms, practices and programs (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, normal product mix and availability and other applicable terms and programs), that were most favorable to the Company and in effect between you and the Company prior to the Petition Date, or such other trade terms as you and the Company agree.

For purposes of administration of this trade program as authorized by the Bankruptcy Court, you and the Company both agree that:

1. The estimated balance of the prepetition claim (net of any setoffs, credits or discounts) (the “**Vendor Claim**”) that you will receive from the Company is \$_____.
2. You will waive any remaining prepetition general unsecured claim against the Company.
3. You will provide an open trade balance or credit line to the Company for shipment of postpetition goods in the amount of \$_____ (which shall not be less than the greater of the open trade balance outstanding: (a) on _____, or

(b) on normal and customary terms on a historical basis before and up to the Petition Date).

4 The terms of such open trade balance or credit line are as follows (if more space is required, attach continuation pages):

5. During the pendency of the Bankruptcy Cases you will continue to extend to the Company all Customary Trade Terms (as defined in the Order).

6. You will not demand a lump sum payment upon consummation of a plan of reorganization in the Bankruptcy Cases on account of any administrative expense priority claim that you assert, but instead agree that such claims will be paid in the ordinary course of business after consummation of a plan under applicable Customary Trade Terms, if the plan provides for the ongoing operations of the Company.

7. The undersigned, a duly authorized representative of [Critical Vendor], has reviewed the terms and provisions of the Order and agrees that [Critical Vendor] is bound by such terms;

8. You will not separately seek payment for reclamation and similar claims outside of the terms of the Order unless your participation in the Critical Vendor payment program authorized by the Order (the “**Critical Vendor Payment Program**”) is terminated;

9. You will not file or otherwise assert against the Company, the estates or any other person or entity or any of their respective assets or property (real or personal) any lien (regardless of the statute or other legal authority upon which such lien is asserted) related in any way to any remaining prepetition amounts allegedly owed to you by the Company arising from agreements entered into prior to the Petition Date. Furthermore, you agree to take (at your own expense) all necessary steps to remove any such lien as soon as possible; and

10. If either the Critical Vendor Payment Program or your participation therein terminates as provided in the Order, or you later refuse to continue to supply goods to the Company on Customary Trade Terms during the pendency of the Bankruptcy Case, any payments you receive on account of your Vendor Claim (including claims arising under section 503(b)(9) of the Bankruptcy Code will be deemed voidable postpetition transfers pursuant to section 549(a) of the Bankruptcy Code). You will immediately repay to the Company any payments made to you on account of your Vendor Claim to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding without giving effect to alleged setoff rights,

recoupment rights, adjustments, or offsets of any type whatsoever. Your Vendor Claim shall be reinstated in such an amount so as to restore the Company and you to the same positions as would have existed if payment of the Vendor Claim had not been made.

11. Any dispute with respect to this letter agreement, the Order and/or your participation in the Critical Vendor Payment Program shall be determined by the Bankruptcy Court.

If you have any questions about this Agreement or our financial restructuring, please do not hesitate to call.

Sincerely,

Patriot Coal Corporation

By: _____
[Name]
[Title]

Agreed and Accepted by:
[Critical Vendor]

By: _____
Its: _____

Dated: _____, 2012