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and

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Re: Emerging Issue No. 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"

Gentlemen,

We are writing to voice our strong disagreement and concern over Issue No. 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry" by the Emerging Issues Task Force committee (EITF Issue 04-6), which was ratified by the FASB on March 30, 2005 and amended at EITF's meeting on June 16, 2005. The Task Force stated in paragraph 17 of its consensus "that stripping costs incurred during the production phase of a mine are variable production costs of the inventory that should be included in the costs of inventory produced (that is, extracted) during the period that the stripping costs are incurred". We respectfully disagree with the consensus in the strongest terms and urgently request reconsideration as discussed in this letter.

Existing accounting guidance provides a clear definition of the costs that should be included in inventory. Accounting Research Bulletin No. 43, "Restatement and Revisions of Accounting Research Bulletins" provides that "the term inventory embraces goods awaiting sale..., goods in the course of production (work in process), and goods to be consumed directly or indirectly in production...." The surface mining process for coal requires a continuous cycle (for various environmental and safety reasons) of producing coal for immediate transport to our customers and the advance stripping (work in process) costs incurred to ready the coal seam for continuous extraction. EITF Issue 04-6, as currently written, limits the definition of inventory produced from the incurrence of stripping costs to coal extracted from the

ground that can be physically moved to a cleaning plant or a customer. This consensus ignores ARB No. 43's definition of "goods in the course of production (work in process)," except for extracted coal that may or may not require further processing prior to delivery to a customer. The coal still in the ground, which may have little or no remaining overburden covering it, is not counted as work in process inventory, even though substantial costs have been incurred to bring that coal to its current state of readiness for extraction. Mining companies clearly view advance stripping as an asset of value and assign greater value to mineral reserve holdings that have had advance stripping (developed mineral reserves) as compared to undeveloped mineral reserves. We believe the Task Force's consensus is in direct conflict with ARB No. 43.

In addition, ARB No. 43 provides "A major objective of accounting for inventories is the proper determination of income through the process of matching appropriate costs against revenues." In our view, the intended consequences of EITF Issue 04-6 as applied to the coal industry would result in misleading earnings presentations since stripping costs incurred and expensed prior to the actual removal of the specific coal from the active mine/pit will not be associated with the revenues generated from the sale of the specific coal, violating the basic matching principle.

In Central Appalachia, where we mine coal, surface mining is mainly performed using the mountaintop removal method. This method involves the removal of substantial overburden from the top of a mountain until the first coal seam is reached. As the coal to be mined is generally found in multiple layers, this process of removing overburden continues between layers of coal. The removal of overburden is performed using a combination of blasting, large shovels loading mammoth trucks, and the pushing of material by large-scale dozers. Substantial costs are incurred uncovering the coal prior to the coal being removed from the ground for shipment to a cleaning plant or directly to a customer. The delay from when the overburden is removed to when the coal beneath it is extracted causes substantial costs to be incurred well before the corresponding revenues are recognized from the sale of the coal.

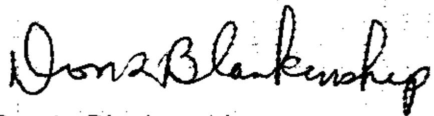
The consensus requires that at the end of an accounting period, the total stripping costs incurred for that period be included in the costs of coal extracted from the ground (inventory produced) during that period. For example, assume that during the production phase, 10 million yards of overburden (rock and dirt) needed to be removed to access 1 million tons of coal. If, during the current accounting period, 5 million yards of overburden were removed but only 250,000 tons of coal were extracted, one half of the total costs would be applied to one quarter of the revenue generating production. Expense would be overstated, as the inventory value would be limited to the lower of cost or market, so any costs in excess of market value would be expensed. This scenario, which is common in Central Appalachia where we mine coal, would result in a mismatching of costs and revenues and would create substantial volatility in earnings results for certain coal companies mining in Central Appalachia. This distortion would be disproportionately large for Massey and other Central Appalachian coal companies versus the Powder River Basin (PRB), the other major surface mining region in the U.S., because the PRB coal is closer to the surface and the seams are substantially thicker than in Central Appalachia. While Issue 04-6 attempts to address these volatility concerns through footnote disclosures, we do not believe that footnote disclosures constitute an acceptable substitute for proper inventory accounting under ARB 43.

We respectfully disagree in the strongest terms with the Task Force's consensus on this issue.

The International Accounting Standards Board (IASB) is currently considering the issue of accounting for stripping costs incurred during the production period. The FASB has been working towards convergence of U.S. GAAP with IASB standards. We request that the implementation date of EITF Issue 04-6 be delayed until the IASB has completed their deliberations on the issue, so a single, international standard can be developed.

We appreciate your consideration of the requests made in this letter. Please feel free to contact the undersigned at (606) 353-0928 or (804) 788-1857 if you would like to discuss these issues directly.

Sincerely,



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