

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2008;

OR

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

For the transition period from \_\_\_\_\_

Commission file number: 001-14901

**CONSOL ENERGY INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**51-0337383**  
(I.R.S. Employer  
Identification No.)

CNX Center  
1000 CONSOL Energy Drive  
Canonsburg, PA 15317-6506  
(Address of principal executive offices including zip code)

Registrant's telephone number including area code: 724-485-4000

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Name of exchange on which registered</u>
Common Stock (\$.01 par value)	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of voting stock held by nonaffiliates of the registrant as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the common stock on the New York Stock Exchange on such date was \$20,580,593,930.

The number of shares outstanding of the registrant's common stock as of January 29, 2009 is 180,583,141 shares.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of Consol Energy's Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 2009, are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III.

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## FORWARD-LOOKING STATEMENTS

Various statements in this document, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934). The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. When we use the words “believe,” “intend,” “expect,” “may,” “should,” “anticipate,” “could,” “would,” “will,” “estimate,” “plan,” “predict,” “project,” or their negatives, or other similar expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. The forward-looking statements in this document speak only as of the date of this document; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. These risks, uncertainties and contingencies include, but are not limited to, the following:

- the deteriorating economic conditions;
- an extended decline in prices we receive for our coal and gas affecting our operating results and cash flows;
- reliance on customers honoring existing contracts, extending existing contracts or entering into new long-term contracts for coal;
- reliance on major customers;
- our inability to collect payments from customers if their creditworthiness declines;
- the disruption of rail, barge and other systems that deliver our coal;
- a loss of our competitive position because of the competitive nature of the coal industry and the gas industry, or a loss of our competitive position because of overcapacity in these industries impairing our profitability;
- our inability to hire qualified people to meet replacement or expansion needs;
- coal users switching to other fuels in order to comply with various environmental standards related to coal combustion;
- the inability to produce a sufficient amount of coal to fulfill our customers’ requirements which could result in our customers initiating claims against us;
- foreign currency fluctuations could adversely affect the competitiveness of our coal abroad;
- the risks inherent in coal mining being subject to unexpected disruptions, including geological conditions, equipment failure, timing of completion of significant construction or repair of equipment, fires, accidents and weather conditions which could impact financial results;
- increases in the price of commodities used in our mining operations could impact our cost of production;
- obtaining governmental permits and approvals for our operations;
- the effects of proposals to regulate greenhouse gas emissions;
- the effects of government regulation;
- the effects of stringent federal and state employee health and safety regulations;
- the effects of mine closing, reclamation and certain other liabilities;
- uncertainties in estimating our economically recoverable coal and gas reserves;

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- the outcomes of various legal proceedings, which are more fully described in our reports filed under the Securities Exchange Act of 1934;
- increased exposure to employee related long-term liabilities;
- minimum funding requirements by the Pension Protection Act of 2006 (the Pension Act) coupled with the significant investment and plan asset losses suffered during the current economic decline has exposed us to making additional required cash contributions to fund the pension benefit plans which we sponsor and the multi-employer pension benefit plans in which we participate;
- lump sum payments made to retiring salaried employees pursuant to our defined benefit pension plan;
- our ability to comply with laws or regulations requiring that we obtain surety bonds for workers' compensation and other statutory requirements;
- acquisitions that we recently have made or may make in the future including the accuracy of our assessment of the acquired businesses and their risks, achieving any anticipated synergies, integrating the acquisitions and unanticipated changes that could affect assumptions we may have made;
- the anti-takeover effects of our rights plan could prevent a change of control;
- risks in exploring for and producing gas;
- new gas development projects and exploration for gas in areas where we have little or no proven gas reserves;
- the disruption of pipeline systems which deliver our gas;
- the availability of field services, equipment and personnel for drilling and producing gas;
- replacing our natural gas reserves which if not replaced will cause our gas reserves and gas production to decline;
- costs associated with perfecting title for gas rights in some of our properties;
- location of a vast majority of our gas producing properties in three counties in southwestern Virginia, making us vulnerable to risks associated with having our gas production concentrated in one area;
- other persons could have ownership rights in our advanced gas extraction techniques which could force us to cease using those techniques or pay royalties;
- our ability to acquire water supplies needed for drilling, or our ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental rules;
- the coalbeds and other strata from which we produce methane gas frequently contain impurities that may hamper production;
- the enactment of Pennsylvania severance tax on natural gas may impact results of existing operations and impact the economic viability of exploiting new gas drilling and production opportunities in Pennsylvania;
- our hedging activities may prevent us from benefiting from price increases and may expose us to other risks;
- other factors discussed in our 2008 Form 10-K under "Risk Factors," as updated by any subsequent Form 10-Qs, which are on file at the Securities and Exchange Commission.

We are including this cautionary statement in this document to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf, of us.

**Item 1. Business.**

***CONSOL Energy's History***

We are a multi-fuel energy producer and energy services provider primarily serving the electric power generation industry in the United States. The electric power industry generates over two-thirds of its output by burning coal or gas, the two fuels we produce. During the year ended December 31, 2008, we produced high-Btu bituminous coal from 17 mining complexes in the United States. Coal produced from our mines has a high-Btu content which creates more energy per unit when burned compared to coals with lower Btu content. As a result, coals with greater Btu content can be more efficient to use. We are the majority shareholder (83.3%) of CNX Gas Corporation (CNX Gas). CNX Gas primarily produces pipeline-quality coalbed methane gas from our coal properties in the Northern and the Central Appalachian basin, other western basins, and oil and gas from properties in the Appalachian and Illinois Basins. We believe that the use of coal and gas will continue to be the principal way in which the United States generates its electricity.

Historically, we rank among the largest coal producers in the United States based upon total revenue, net income and operating cash flow. Our production of approximately 65 million tons of coal in 2008 accounted for approximately 6% of the total tons produced in the United States and approximately 13% of the total tons produced east of the Mississippi River during 2008. We are one of the premier coal producers in the United States by several measures:

- We mine more high-Btu bituminous coal than any other United States producer;
- We are the largest coal producer east of the Mississippi River;
- We control the second largest amount of recoverable coal reserves among United States coal producers; and
- We are the largest United States producer of coal from underground mines.

Our Subsidiary, CNX Gas, also ranks as one of the largest coalbed methane gas companies in the United States based on both their proved reserves and their current daily production. Our position as a gas producer is highlighted by several measures:

- Our principal coalbed methane operations produce gas from coal seams (single layers or stratum of coal) with a high gas content;
- We had approximately 246 million cubic feet of net average daily production for the month of December 2008;
- At December 31, 2008, we had 3,496 net producing wells; and
- We controlled approximately 1.4 trillion cubic feet of net proved reserves at December 31, 2008, of which 97% were coalbed methane reserves.

Additionally, we provide energy services, including river and dock services, terminal services, industrial supply services, coal waste disposal services and land resource management services.

CONSOL Energy was organized as a Delaware corporation in 1991. We use "CONSOL Energy" to refer to CONSOL Energy Inc. and our subsidiaries, unless the context otherwise requires.

***Industry Segments***

CONSOL Energy has two principal business units: Coal and Gas. The principal activities of the Coal unit are mining, preparation and marketing of steam coal, sold primarily to power generators, and of metallurgical coal, sold to steel and coke producers. The Coal unit includes four reportable segments. These reportable segments are Northern Appalachian, Central Appalachian, Metallurgical and Other Coal. Each of these

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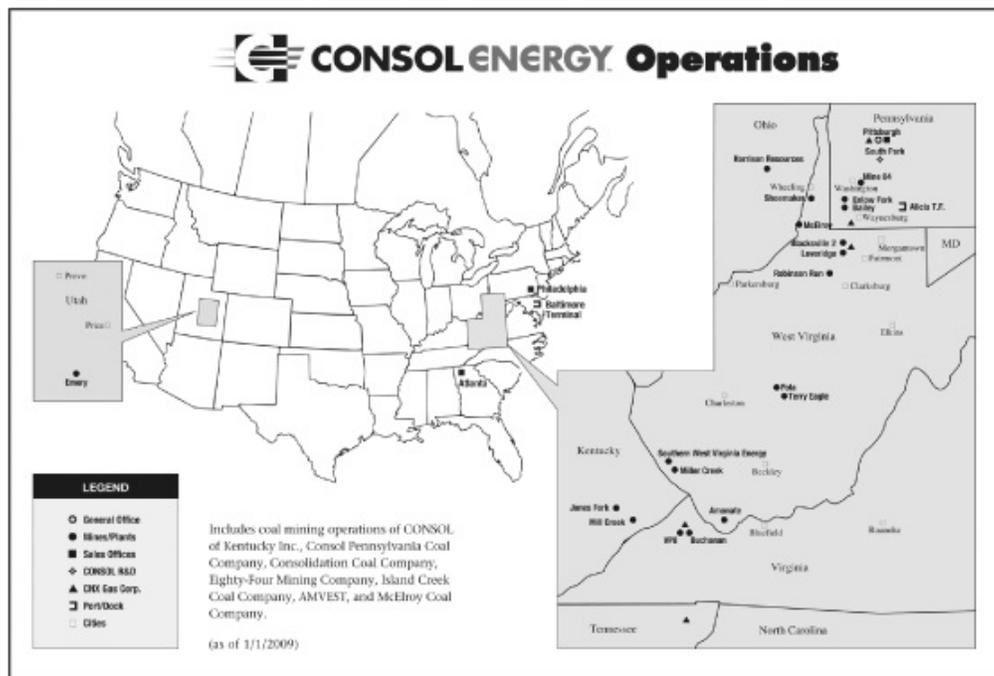
reportable segments includes a number of operating segments (mines). For the year ended December 31, 2008, the Northern Appalachian aggregated segment includes the following mines: Blacksville #2, Robinson Run, McElroy, Loveridge, Bailey, Enlow Fork, Mine 84 and Shoemaker. For the year ended December 31, 2008, the Central Appalachian aggregated segment includes the following mines: Jones Fork Complex, the Fola Complex and the Terry Eagle Complex. For the year ended December 31, 2008, the Metallurgical aggregated segment includes the following mines: Buchanan and Amonate Complex. The Other Coal segment includes our purchased coal activities, idled mine cost, coal segment business units not meeting aggregation criteria, as well as various other activities assigned to the coal segment but not allocated to each individual mine. The principal activity of the Gas unit is to produce pipeline-quality methane gas for sale primarily to gas wholesalers. CONSOL Energy's All Other segment includes terminal services, river and dock services, industrial supply services and other business activities, including rentals of building and flight operations. Financial information concerning industry segments, as defined by accounting principles generally accepted in the United States, for the years ended December 31, 2008, 2007 and 2006 is included in Note 26 of Notes to Audited Consolidated Financial Statements included as Item 8 in Part II of this Annual Report on Form 10-K.

**Coal Operations**

**Mining Complexes**

During the year ended December 31, 2008, CONSOL Energy had 17 active mining complexes, including a 49% equity affiliate, all located in the United States.

The following map provides the location of CONSOL Energy's operations by region:



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The following table provides the location of CONSOL Energy's mining complexes and the coal reserves associated with each.

**CONSOL ENERGY MINING COMPLEXES**  
**Proven and Probable Assigned and Accessible Coal Reserves as of December 31, 2008 and 2007**

Mine/Reserve	Location	Reserve Class	Coal Seam	Average Seam Thickness (feet)	As Received Heat Value(1) (Btu/lb)		Recoverable Reserves(2)		Recoverable Reserves (tons in Millions)	
					Typical	Range	Owned (%)	Leased (%)	12/31/2008	12/31/2007
<b>ASSIGNED—OPERATING</b>										
<b>Northern Appalachia (Pennsylvania, Ohio, Northern West Virginia)</b>										
Enlow Fork	Enon, PA	Assigned	Pittsburgh	5.3	12,940	12,860 – 13,060	97%	3%	160.3	171.2
		Accessible	Pittsburgh	5.4	12,900	12,830 – 13,000	75%	25%	185.3	185.3
Bailey	Enon, PA	Assigned	Pittsburgh	5.7	12,950	12,860 – 13,060	20%	80%	33.4	43.4
		Accessible	Pittsburgh	5.7	12,900	12,830 – 13,000	44%	56%	144.2	144.2
Mine 84	Eighty Four, PA	Assigned	Pittsburgh	5.6	13,120	12,950 – 13,250	44%	56%	26.9	28.7
		Accessible	Pittsburgh	5.4	13,050	12,880 – 13,180	91%	9%	86.7	86.7
McElroy	Glen Easton, WV	Assigned	Pittsburgh	5.9	12,570	12,450 – 12,650	100%	— %	201.5	211.1
		Accessible	Pittsburgh	5.8	12,530	12,410 – 12,610	99%	1%	69.0	69.0
Shoemaker(3)	Moundsville, WV	Assigned	Pittsburgh	5.6	12,200	11,700 – 12,300	97%	3%	60.2	61.3
		Accessible	Pittsburgh	5.6	12,250	11,990 – 12,390	100%	— %	35.8	35.8
Loveridge	Fairview, WV	Assigned	Pittsburgh	7.7	13,150	13,070 – 13,370	89%	11%	47.0	22.3
		Accessible	Pittsburgh	7.5	13,100	13,020 – 13,320	94%	6%	25.7	61.6
Robinson Run	Shinnston, WV	Assigned	Pittsburgh	7.6	12,940	12,600 – 13,300	90%	10%	67.2	12.2
		Accessible	Pittsburgh	6.9	12,940	12,600 – 13,300	52%	48%	154.1	219.9
Blacksville #2	Wana, WV	Assigned	Pittsburgh	6.6	13,060	12,850 – 13,250	100%	— %	32.2	5.7
		Accessible	Pittsburgh	6.8	13,100	12,890 – 13,290	99%	1%	16.5	55.7
Harrison Resources(4)	Cadiz, OH	Assigned	Multiple	4.3	11,570	11,350 – 11,850	100%	— %	9.6	9.8
<b>Central Appalachia (Virginia, Southern West Virginia, Eastern Kentucky)</b>										
Buchanan	Mavisdale, VA	Assigned	Pocahontas 3	5.7	13,980	13,700 – 14,200	14%	86%	39.9	47.1
		Accessible	Pocahontas 3	6.1	13,930	13,650 – 14,150	12%	88%	64.4	64.4
AMVEST—Fola Complex	Bickmore, WV	Assigned	Multiple	5.9	12,380	12,250 – 12,550	96%	4%	104.0	107.8
AMVEST—Terry Eagle Complex	Bickmore, WV	Assigned	Multiple	3.2	13,300	13,200 – 13,350	— %	100%	22.8	23.2
Mill Creek Complex(5)	Deane, KY	Assigned	Multiple	—	—	—	— %	— %	—	11.6
		Accessible	Multiple	—	—	—	— %	— %	—	0.7
Jones Fork Complex	Mousie, KY	Assigned	Multiple	3.2	12,530	12,450 – 12,650	74%	26%	35.8	37.7
		Accessible	Multiple	2.8	12,330	12,250 – 12,450	100%	— %	1.4	1.7
Amonate Complex	Amonate, VA	Assigned	Multiple	3.8	13,100	12,850 – 13,350	70%	30%	19.6	21.9
Miller Creek Complex	Delbarton, WV	Assigned	Multiple	8.9	12,000	11,600 – 12,650	30%	70%	7.1	6.5
Southern West Virginia Energy(6)	Mingo County, WV	Assigned	Multiple	8.1	12,100	11,600 – 12,650	— %	100%	6.1	7.3
		Accessible	Multiple	7.1	11,900	11,600 – 12,650	— %	100%	9.1	9.1
<b>Western U.S. (Utah)</b>										
Emery	Emery Co., UT	Assigned	Ferron I	7.5	12,260	12,000 – 13,000	81%	19%	16.9	18.0
<b>Total Assigned Operating and Accessible</b>									<b>1,682.7</b>	<b>1,780.9</b>

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- (1) The heat value shown for assigned reserves is based on the quality of coal mined and processed during the year ended December 31, 2008. The heat value shown for accessible reserves is based on the same mining and processing methods as for the assigned reserves with adjustments made based on the variability found in exploration drill core samples. The heat values given have been adjusted to include moisture that may be added during mining or processing and for dilution by rock lying above or below the coal seam.
- (2) Recoverable reserves are calculated based on the area in which mineable coal exists, coal seam thickness, and average density determined by laboratory testing of drill core samples. This calculation is adjusted to account for coal that will not be recovered during mining and for losses that occur if the coal is processed after mining. Reserve calculations do not include adjustments for moisture that may be added during mining or processing, nor do the calculations include adjustments for dilution from rock lying above or below the coal seam. Reserves are reported only for those coal seams that are controlled by ownership or leases.
- (3) Shoemaker was in production during 2008. Shoemaker was idled for all of 2007 and was therefore not reported on this table in the prior year.
- (4) Harrison Resources is an equity affiliate in which CONSOL Energy owns a 49% interest. Reserves reported equal CONSOL Energy's 49% proportionate interest in Harrison Resources' reserves.
- (5) Mill Creek Complex was sold on February 8, 2008 and therefore shows no reserves at December 31, 2008.
- (6) Southern West Virginia Energy (SWVE) was a variable interest entity as defined by Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," in which CONSOL Energy acquired a 49% ownership interest in 2005. Accordingly, reserve tonnage reflects 100% of SWVE. The remaining 51% which CONSOL Energy previously did not own was purchased on December 3, 2008.

Excluded from the table above are approximately 131.3 million tons of reserves at December 31, 2008 that are assigned to projects that have not produced coal in 2008 or 2007. These assigned reserves are in the Northern Appalachia (northern West Virginia), Central Appalachia (Virginia and eastern Kentucky) and Illinois Basin (Illinois) regions. These reserves are approximately 59% owned and 41% leased.

CONSOL Energy assigns coal reserves to each of our mining complexes. The amount of coal we assign to a mining complex generally is sufficient to support mining through the duration of our current mining permit. Under federal law, we must renew our mining permits every five years. All assigned reserves have their required permits or governmental approvals, or there is a high probability that these approvals will be secured.

In addition, our mining complexes may have access to additional reserves that have not yet been assigned. We refer to these reserves as accessible. Accessible reserves are proven and probable unassigned reserves that can be accessed by an existing mining complex, utilizing the existing infrastructure of the complex to mine and to process the coal in this area. Mining an accessible reserve does not require additional capital spending beyond that required to extend or to continue the normal progression of the mine, such as the sinking of airshafts or the construction of portal facilities.

Some reserves may be accessible by more than one mining complex because of the proximity of many of our mining complexes to one another. In the table above, the accessible reserves indicated for a mining complex are based on our review of current mining plans and reflects our best judgment as to which mining complex is most likely to utilize the reserve.

Assigned and unassigned coal reserves are proven and probable reserves which are either owned or leased. The leases have terms extending up to 30 years and generally provide for renewal through the anticipated life of the associated mine. These renewals are exercisable by the payment of minimum royalties. Under current mining plans, assigned reserves reported will be mined out within the period of existing leases or within the time period of probable lease renewal periods.

### ***Coal Reserves***

At December 31, 2008, CONSOL Energy had an estimated 4.5 billion tons of proven and probable reserves. Reserves are the portion of the proven and probable tonnage that meet CONSOL Energy's economic criteria regarding mining height, preparation plant recovery, depth of overburden and stripping ratio. Generally, these reserves would be commercially mineable at year-end price and cost levels.

Reserves are defined in Securities and Exchange Commission (SEC) Industry Guide 7 as follows:

*Proven (Measured) Reserves*—Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed

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sampling and (b) the sites for inspection, sampling and measurement are spaced so close and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

*Probable (Indicated) Reserves*—Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

Spacing of points of observation for confidence levels in reserve calculations is based on guidelines in U.S. Geological Survey Circular 891 (Coal Resource Classification System of the U.S. Geological Survey). Our estimates for proven reserves have the highest degree of geologic assurance. Estimates for proven reserves are based on points of observation that are equal to or less than 0.5 mile apart. Estimates for probable reserves have a moderate degree of geologic assurance and are computed from points of observation that are between 0.5 to 1.5 miles apart.

An exception is made concerning spacing of observation points with respect to our Pittsburgh coal seam reserves. Because of the well-known continuity of this seam, spacing requirements are 3,000 feet or less for proven reserves and between 3,000 and 8,000 feet for probable reserves.

CONSOL Energy's estimates of proven and probable reserves do not rely on isolated points of observation. Small pods of reserves based on a single observation point are not considered; continuity between observation points over a large area is necessary for proven or probable reserves.

Our reserve estimates are predicated on information obtained from our ongoing exploration drilling and in-mine sampling programs. Data including coal seam elevation, thickness, and, where samples are available, coal quality is entered into a computerized geological database. This information is then combined with data on ownership or control of the mineral and surface interests to determine the extent of reserves in a given area. Reserve estimates include mine recovery rates that reflect CONSOL Energy's experience in various types of underground and surface coal mines.

CONSOL Energy's reserve estimates are based on geological, engineering and market data assembled and analyzed by our staff of geologists and engineers located at individual mines, operations offices and at our principal office. The reserve estimates are reviewed and adjusted annually to reflect production of coal from reserves, analysis of new engineering and geological data, changes in property control, modification of mining methods and other factors. Information, including the quantity and quality of reserves, coal and surface control, and other information relating to CONSOL Energy's coal reserve and land holdings, is maintained through a system of interrelated computerized databases.

Our estimate of proven and probable coal reserves has been determined by CONSOL Energy's geologists and mining engineers. Our coal reserves are periodically reviewed by an independent third party consultant. The independent consultant has reviewed the procedures used by us to prepare our internal estimates, verified the accuracy of approximately 97% of our property reserve estimates and retabulated reserve groups according to standard classifications of reliability.

CONSOL Energy's proven and probable coal reserves fall within the range of commercially marketed coals in the United States. The marketability of coal depends on its value-in-use for a particular application, and this is affected by coal quality, such as, sulfur content, ash and heating value. Modern power plant boiler design aspects can compensate for coal quality differences that occur. Therefore, any of CONSOL Energy's coals can be marketed for power generation.

CONSOL Energy's reserves are located in northern Appalachia (63%), central Appalachia (13%), the mid-western United States (18%), the western United States (4%), and in western Canada (2%) at December 31, 2008.

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The following table sets forth our unassigned proven and probable reserves by region:

**CONSOL Energy—UNASSIGNED Recoverable Coal Reserves as of 12/31/08**

<u>Coal Producing Region</u>	<u>As Received Heat Value(1) (Btu/lb)</u>	<u>Recoverable Reserves 12/31/08(2)</u>			<u>Recoverable Reserves (tons in millions) 12/31/2007</u>
		<u>Owned (%)</u>	<u>Leased (%)</u>	<u>Tons (in millions)</u>	
Northern Appalachia (Pennsylvania, Ohio, Northern West Virginia)	11,400 – 13,500	74%	26%	1,437.1	1,331.8
Central Appalachia (Virginia, Southern West Virginia, Eastern Kentucky)	11,900 – 14,200	48%	52%	264.5	233.9
Illinois Basin (Illinois, Western Kentucky, Indiana)	11,500 – 11,900	43%	57%	780.6	780.6
Western U.S. (Wyoming)	9,400	100%	— %	169.1	169.1
Western Canada (Alberta)	12,400 – 12,900	— %	100%	77.9	77.9
<b>Total</b>		<b>62%</b>	<b>38%</b>	<b><u>2,729.2</u></b>	<b><u>2,593.3</u></b>

- (1) The heat value estimates for Northern Appalachian and Central Appalachian Unassigned coal reserves include adjustments for moisture that may be added during mining or processing as well as for dilution by rock lying above or below the coal seam. The mining and processing methods currently in use are used for these estimates. The heat value estimates for the Illinois Basin, Western U.S. and Western Canada Unassigned reserves are based primarily on exploration drill core data that may not include adjustments for moisture added during mining or processing or for dilution by rock lying above or below the coal seam.
- (2) Recoverable reserves are calculated based on the area in which mineable coal exists, coal seam thickness, and average density determined by laboratory testing of drill core samples. This calculation is adjusted to account for coal that will not be recovered during mining and for losses that occur if the coal is processed after mining. Reserve calculations do not include adjustment for moisture that may be added during mining or processing, nor do the calculations include adjustments for dilution from rock lying above or below the coal seam.

The following table summarizes our proven and probable reserves as of December 31, 2008 by region and type of coal or sulfur content (sulfur content per million British thermal units). Proven and probable reserves include both assigned and unassigned reserves. The table classifies bituminous coal as high volatile A, B and C. High volatile A, B and C bituminous coals are classified on the basis of heat value. The table also classifies bituminous coals as medium and low volatile which are classified on the basis of fixed carbon and volatile matter. Coal is ranked by the degree of alteration it has undergone since the initial deposition of the organic material. The lowest ranked coal, lignite, has undergone less transformation than the highest ranked coal, anthracite. From the lowest to the highest rank, the coals are: lignite; sub-bituminous; bituminous and anthracite. The ranking is determined by measuring the fixed carbon to volatile matter ratio and the heat content of the coal. As rank increases, the amount of fixed carbon increases, volatile matter decreases, and heat content increases. Bituminous coals are further characterized by the amount of volatile matter present. Bituminous coals with high volatile matter content are also ranked. High volatile “A” bituminous coals have higher heat content than high volatile “C” bituminous coals. These characterizations of coal allow a user to predict the behavior of a coal when burned in a boiler to produce heat or when it is heated in the absence of oxygen to produce coke for steel production.

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**CONSOL ENERGY PROVEN AND PROBABLE RECOVERABLE COAL RESERVES  
BY PRODUCING REGION AND PRODUCT (IN MILLIONS OF TONS) AS OF DECEMBER 31, 2008**

By Region	≤1.20 lbs			> 1.20 ≤ 2.50 lbs			> 2.50 lbs			Total	Percentage By Region
	S02/MMBtu			S02/MMBtu			S02/MMBtu				
	Low Btu	Med Btu	High Btu	Low Btu	Med Btu	High Btu	Low Btu	Med Btu	High Btu		
<b>Northern Appalachia:</b>											
Metallurgical:											
High Vol A Bituminous	—	—	—	—	—	162.3	—	—	—	162.3	3.6%
Steam:											
High Vol A Bituminous	—	—	—	—	—	135.9	57.4	133.0	2,336.3	2,662.6	58.6%
Low Vol Bituminous	—	—	—	—	—	33.7	—	—	—	33.7	0.7%
Region Total	—	—	—	—	—	331.9	57.4	133.0	2,336.3	2,858.6	62.9%
<b>Central Appalachia:</b>											
Metallurgical:											
High Vol A Bituminous	33.6	4.9	21.5	—	—	18.3	—	—	1.3	79.6	1.8%
Med Vol Bituminous	0.5	2.8	82.4	—	—	—	—	—	—	85.7	1.9%
Low Vol Bituminous	—	—	123.5	2.3	—	—	—	—	—	125.8	2.8%
Steam:											
High Vol A Bituminous	40.7	74.3	14.1	64.5	45.5	61.5	1.2	2.5	5.2	309.5	6.8%
Region Total	74.8	82.0	241.5	66.8	45.5	79.8	1.2	2.5	6.5	600.6	13.3%
<b>Midwest—Illinois Basin:</b>											
Steam:											
High Vol B Bituminous	—	—	—	—	79.4	—	—	460.6	—	540.0	11.9%
High Vol C Bituminous	—	—	—	—	159.5	—	108.3	—	—	267.8	5.9%
Region Total	—	—	—	—	238.9	—	108.3	460.6	—	807.8	17.8%
<b>Northern Powder River Basin:</b>											
Steam:											
Subbituminous B	—	—	169.1	—	—	—	—	—	—	169.1	3.7%
Region Total	—	—	169.1	—	—	—	—	—	—	169.1	3.7%
<b>Utah—Emery Field:</b>											
High Vol B Bituminous	—	—	—	—	29.2	—	—	—	—	29.2	0.6%
Region Total	—	—	—	—	29.2	—	—	—	—	29.2	0.6%
<b>Western Canada:</b>											
Metallurgical:											
Med Vol Bituminous	30.2	47.7	—	—	—	—	—	—	—	77.9	1.7%
Region Total	30.2	47.7	—	—	—	—	—	—	—	77.9	1.7%
Total Company	105.0	129.7	410.6	66.8	313.6	411.7	166.9	596.1	2,342.8	4,543.2	100.0%
Percent of Total	2.3%	2.8%	9.0%	1.5%	6.9%	9.1%	3.7%	13.1%	51.6%	100.0%	

**CONSOL ENERGY PROVEN AND PROBABLE RECOVERABLE COAL RESERVES BY PRODUCT  
(MILLIONS OF TONS) AS OF DECEMBER 31, 2008**

The following table classifies bituminous coal as high volatile A, B and C. High volatile A, B and C bituminous coals are classified on the basis of heat value. The table also classifies bituminous coals as medium and low volatile which are classified on the basis of fixed carbon and volatile matter.

By Product	≤1.20 lbs			> 1.20 ≤ 2.50 lbs			> 2.50 lbs			Total	Percentage By Product
	S02/MMBtu			S02/MMBtu			S02/MMBtu				
	Low Btu	Med Btu	High Btu	Low Btu	Med Btu	High Btu	Low Btu	Med Btu	High Btu		
<b>Metallurgical:</b>											
High Vol A Bituminous	33.6	4.9	21.5	—	—	180.6	—	—	1.3	241.9	5.3%
Med Vol Bituminous	30.7	50.5	82.4	—	—	—	—	—	—	163.6	3.6%
Low Vol Bituminous	—	—	123.5	2.3	—	—	—	—	—	125.8	2.8%
Total Metallurgical	64.3	55.4	227.4	2.3	—	180.6	—	—	1.3	531.3	11.7%
<b>Steam:</b>											
High Vol A Bituminous	40.7	74.3	14.1	64.5	45.5	197.4	58.6	135.5	2,341.5	2,972.1	65.4%
High Vol B Bituminous	—	—	—	—	108.6	—	—	460.6	—	569.2	12.5%
High Vol C Bituminous	—	—	—	—	159.5	—	108.3	—	—	267.8	5.9%
Low Vol Bituminous	—	—	—	—	—	33.7	—	—	—	33.7	0.8%
Subbituminous B	—	—	169.1	—	—	—	—	—	—	169.1	3.7%
Total Steam	40.7	74.3	183.2	64.5	313.6	231.1	166.9	596.1	2,341.5	4,011.9	88.3%
<b>Total</b>	<b>105.0</b>	<b>129.7</b>	<b>410.6</b>	<b>66.8</b>	<b>313.6</b>	<b>411.7</b>	<b>166.9</b>	<b>596.1</b>	<b>2,342.8</b>	<b>4,543.2</b>	<b>100.0%</b>
Percent of Total	2.3%	2.8%	9.0%	1.5%	6.9%	9.1%	3.7%	13.1%	51.6%	100.0%	

The following table categorizes the relative Btu values (low, medium and high) for each of CONSOL Energy's producing regions in Btu's per pound of coal.

Region	Low	Medium	High
Northern, Central Appalachia and Canada	< 12,500	12,500 – 13,000	> 13,000
Midwest Appalachia	< 11,600	11,600 – 12,000	> 12,000
Northern Powder River Basin	< 8,400	8,400 – 8,800	> 8,800
Colorado and Utah	< 11,000	11,000 – 12,000	> 12,000

***Compliance Compared to Non-Compliance Coal***

Coals are sometimes characterized as compliance or non-compliance coal. The phrase compliance coal, as it is commonly used in the coal industry, refers to compliance only with sulfur dioxide emissions standards and indicates that when burned, the coal will produce emissions that will meet the current standard without further cleanup. A coal considered a compliance coal for meeting sulfur dioxide standards may not meet an emission standard for a different pollutant such as mercury. Moreover, the term compliance coal is always used with reference to the then-current regulatory limit. Clean air regulations that further restrict sulfur dioxide emissions will likely reduce significantly the amount of coal that can be labeled compliance. Currently, a compliance coal will meet the power plant emission standard of 1.2 pounds of sulfur dioxide per million British thermal units of fuel consumed. At December 31, 2008, 0.6 billion tons, or 14%, of our coal reserves met the current standard as a compliance coal. It is possible that no coal will be considered compliance coal with emission standards restricted to a level that requires emissions-control technology to be used regardless of the sulfur content of the coal. Our customers have responded to these standards in many cases by retrofitting flue gas desulfurization systems (scrubbers) to many of their existing power plants. Because these systems remove sulfur dioxide before it is emitted into the atmosphere, our customers are less concerned about the sulfur content of our coal.

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As a result of a 1998 court decision forcing the establishment of mercury emissions standards for power plants, the Environmental Protection Agency also promulgated a regulatory program for controlling mercury. CONSOL Energy coals have mercury contents typical for their rank and location (approximately 0.07-0.15 parts mercury per million British thermal unit). Because most CONSOL Energy coals have high heating values, they have lower mercury contents (on a pound per British thermal unit basis) than lower rank coals at a given mercury concentration. Eastern bituminous coals tend to produce a greater proportion of flue gas mercury in the ionic or oxidized form (which is captured by scrubbers installed for sulfur control) than sub-bituminous coal, including coals produced in the Powder River Basin. High rank coals also may be more amenable to other methods of controlling mercury emissions, such as by carbon injection. The EPA's proposed control of mercury was recently acted on by a federal court requiring the EPA to develop a new proposal on mercury controls. Some states have adopted a control program for mercury.

***Production***

In the year ended December 31, 2008, 90% of CONSOL Energy's production came from underground mines and 10% from surface mines. Where the geology is favorable and reserves are sufficient, CONSOL Energy employs longwall mining systems in our underground mines. For the year ended December 31, 2008, 84% of our production came from mines equipped with longwall mining systems. Underground longwall systems are highly mechanized, capital intensive operations. Mines using longwall systems have a low variable cost structure compared with other types of mines and can achieve high productivity levels compared with those of other underground mining methods. Because CONSOL Energy has substantial reserves readily suitable to these operations, CONSOL Energy believes that these longwall mines can increase capacity at low incremental cost.

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The following table shows the production, in millions of tons, for CONSOL Energy's mines in the year ended December 31, 2008, 2007 and 2006, the location of each mine, the type of mine, the type of equipment used at each mine and the year each mine was established or acquired by us.

Mine	Location	Mine Type	Mining Equipment	Transportation	Tons Produced (in millions)			Year Established or Acquired
					2008	2007	2006	
<b>Northern Appalachia</b>								
Enlow Fork	Enon, Pennsylvania	U	LW/CM	R R/B	11.1	11.2	10.7	1990
Bailey	Enon, Pennsylvania	U	LW/CM	R R/B	10.0	9.9	10.2	1984
McElroy	Glen Easton, West Virginia	U	LW/CM	B	9.6	9.7	10.5	1968
Robinson Run	Shinnston, West Virginia	U	LW/CM	R CB	5.6	6.5	5.7	1966
Loveridge	Fairview, West Virginia	U	LW/CM	R T	5.2	6.6	6.4	1956
Blacksville 2	Wana, West Virginia	U	LW/CM	R R/B T	5.6	5.1	5.0	1970
Mine No. 84	Eighty Four, Pennsylvania	U	LW/CM	R R/B T	1.8	3.6	3.5	1998
Shoemaker	Moundsville, West Virginia	U	LW/CM	B	1.1	—	1.0	1966
Harrison Resource Corporation(1)(6)	Cadiz, Ohio	S	S/L	R T	0.2	0.1	—	2007
Mahoning Valley	Cadiz, Ohio	S	S/L	R T	—	—	0.2	1979
<b>Central Appalachia</b>								
AMVEST-Fola Complex(1)(2)(3)	Bickmore, West Virginia	U/S	A S/L CM	R	3.9	1.8	—	2007
Buchanan(4)	Mavisdale, Virginia	U	LW/CM	R	3.5	2.8	5.0	1983
Jones Fork Complex(1)(3)	Mousie, Kentucky	U/S	CM	R T	2.5	3.1	3.1	1992
Miller Creek Complex(1)(3)	Delbarton, West Virginia	U/S	CM/S/L	T	1.9	0.6	0.9	2004
Southern West Virginia Resources(1)(3)(5)	Mingo County, West Virginia	U/S	CM/S/L	T R	1.2	0.8	1.2	2005
Amonate Complex(1)	Amonate, Virginia	U/S	CM/S/L	R T	0.4	0.6	0.5	1925
AMVEST-Terry Eagle Complex(2)	Jodie, West Virginia	U/S	CM A S/L	R T	0.4	0.1	—	2007
Mill Creek(1)(8)	Deane, Kentucky	U/S	CM	R	—	1.1	2.1	1994
VP-8(7)	Rowe, Virginia	U	LW/CM	R	—	—	0.3	1993
<b>Western U.S.</b>								
Emery	Emery County, Utah	U	CM	T	1.1	1.0	1.1	1945

A= Auger  
S = Surface  
U = Underground  
LW = Longwall  
CM = Continuous Miner  
S/L = Stripping Shovel and Front End Loaders  
R = Rail  
B = Barge  
R/B = Rail to Barge  
T = Truck  
CB = Conveyor Belt

- (1) Harrison Resources, Amonate, Mill Creek, Miller Creek, Jones Fork, AMVEST-Fola Complex and Southern West Virginia Resources complexes include facilities operated by independent mining contractors.  
(2) Mine Acquired in AMVEST Corporation acquisition on July 31, 2007.  
(3) Mine was idled for part of the year ended December 31, 2008 due to market conditions.  
(4) Buchanan Mine was idled for part of the year ended December 31, 2008 and part of the year ended December 31, 2007 after several roof falls in previously mined areas damaged some of the ventilation controls inside the mine.  
(5) The amounts shown for Southern West Virginia Energy (SWVE) represent 100% of SWVE production for the period the entity was a variable interest entity as defined by Financial Accounting Standards Board Interpretation No. 46(R), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." In December 2008, CONSOL Energy purchased the remaining 51% interest which it did not previously own.  
(6) Production amounts represent CONSOL Energy's 49% ownership interest.  
(7) Mine was idled due to depletion of economic coal reserves.  
(8) Mine was sold in February 2008.

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Our sales of bituminous coal were at an average sales price per ton produced as follows:

	Years Ended December 31,		
	2008	2007	2006
Average Sales Price Per Ton Produced	\$48.77	\$40.60	\$38.99

Construction of the new slope and overland belt at the Bailey Mine in Pennsylvania continued during 2008. The project was slowed because of delays in permitting, but permits have been received and the project is now scheduled for completion in the first quarter of 2010. Construction on a new slope, overland belt and underground belt haulage system at the Shoemaker Mine in West Virginia continued on schedule and is expected to be completed in the first quarter of 2010. Both projects are expected to improve productivity, increase production, reduce costs, and enhance safety. Modern conveyor systems typically provide high availability rates, thereby allowing mining equipment to produce at higher levels. Overland belts do not require the daily maintenance of the roof as is the case with underground haulage, allowing manpower to be reduced or redeployed to more productive work. Finally, mine safety is expected to be enhanced because the overland belt transportation systems allow older underground belt areas to be sealed.

The Buchanan Mine returned to production on March 17, 2008, after being idled on July 9, 2007 because of a roof failure. A new mining area has been developed that incorporates changes in the mine layout that are expected to minimize failures of this nature.

In December 2008, CONSOL Energy acquired the remaining 51% interest, which we previously did not own, of our Southern West Virginia Energy (SWVE) joint venture mining project. The acquisition is expected to create synergies between SWVE and CONSOL Energy's adjoining Miller Creek properties.

Title to coal properties that we lease or purchase and the boundaries of these properties are verified at the time we lease or acquire the properties by law firms retained by us. Consistent with industry practice, abstracts and title reports are reviewed and updated approximately five years prior to planned development or mining of the property. If defects in title or boundaries of undeveloped reserves are discovered in the future, control of and the right to mine reserves could be adversely affected.

The following table sets forth, with respect to properties that we lease to other coal operators, the total royalty tonnage, acreage leased and the amount of income (net of related expenses) we received from royalty payments for the years ended December 31, 2008, 2007 and 2006.

<u>Year</u>	<u>Total Royalty Tonnage (in thousands)</u>	<u>Total Coal Acreage Leased</u>	<u>Total Royalty Income (in thousands)</u>
2008	11,757	218,273	\$ 18,775
2007	13,909	218,089	\$ 11,362
2006	16,445	281,165	\$ 14,757

Royalty tonnage leased to third parties is not included in the amounts of produced tons that we report. Proven and probable reserves do not include reserves attributable to properties that we lease to third parties.

At December 31, 2008, CONSOL Energy operates approximately 23% of the United States' longwall mining systems.

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The following table ranks the 20 largest underground mines in the United States by tons of coal produced in calendar year 2007.

**MAJOR U.S. UNDERGROUND COAL MINES—2007**  
In millions of tons

<u>Mine Name</u>	<u>Operating Company</u>	<u>Production</u>
<b>Enlow Fork</b>	<b>CONSOL Energy</b>	<b>11.2</b>
<b>Bailey</b>	<b>CONSOL Energy</b>	<b>9.9</b>
<b>McElroy</b>	<b>CONSOL Energy</b>	<b>9.7</b>
Twenty Mile	Peabody Energy Subsidiary	7.9
Cumberland Resources	Cumberland Resources, LP. (Foundation)	7.3
Century	American Energy Corp. (Murray)	7.1
San Juan	BHP Billiton	6.9
West Elk	Arch Coal, Inc.	6.8
SUFCO	Arch Coal, Inc.	6.7
<b>Loveridge</b>	<b>CONSOL Energy</b>	<b>6.6</b>
<b>Robinson Run</b>	<b>CONSOL Energy</b>	<b>6.5</b>
Emerald Resources	Emerald Resources, LP. (Foundation)	5.7
<b>Blacksville 2</b>	<b>CONSOL Energy</b>	<b>5.2</b>
Warrier	Warrier Coal, LLC (Alliance)	4.7
Dotiki	Webster County Coal LLC (Alliance)	4.6
Powhatan No. 6	The Ohio Valley Coal Company (Murray)	4.6
West Ridge	West Ridge Resources (Murray)	4.2
Federal No. 2	Eastern Associated Coal Co. LLC (Patriot)	4.0
Dugout Canyon	Arch Coal, Inc.	4.0
Highland	Highland Mining Co. LLC (Patriot)	3.9

Source: National Mining Association

### ***Marketing and Sales***

We sell coal produced by our mining complexes and additional coal that is purchased by us for resale from other producers. We maintain United States sales offices in Atlanta, Philadelphia and Pittsburgh and an overseas office in Brussels, Belgium. In addition, we sell coal through agents and to brokers and unaffiliated trading companies. In 2008, we sold 66.2 million tons of coal, including our portion of equity affiliates and a consolidated 49% owned variable interest entity. Eighty-seven percent (87%) of these sales were sold in domestic markets. Our direct sales to domestic electricity generators represented 81% of our total tons sold in 2008. We had approximately 115 customers in 2008. During 2008, no coal customers individually accounted for more than 10% of total revenue. However, the top four coal customers accounted for more than 25% of our total revenues.

### ***Coal Contracts***

We sell coal to customers under arrangements that are the result of both bidding procedures and unsolicited offers leading to extensive negotiations. We sell coal for terms that range from a single shipment to multi-year agreements for millions of tons. During the year ended December 31, 2008, approximately 90% of the coal we produced was sold under contracts with terms of one year or more. The pricing mechanisms under our multiple-year agreements typically consist of contracts with one or more of the following pricing mechanisms:

- Fixed price contracts with pre-established prices; or
- Periodically negotiated prices that reflect market conditions at the time or are restricted to an agreed upon percentage increase or decrease; or
- Base-price-plus-escalation methods which allow for periodic price adjustments based on inflation indices.

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Several contracts provide the opportunity to periodically adjust the contract prices. Contract prices may be adjusted as often as quarterly based upon indices which are pre-negotiated. Most of our contracts have terms no longer than five years. However, some of our contracts range in term from seven years to twenty years.

The following table sets forth, as of January 12, 2009, the total tons of coal CONSOL Energy is committed to deliver from 2009 through 2013.

	Tons of Coal to be Delivered (in millions of nominal tons)				
	2009	2010	2011	2012	2013
(1) Commitments to deliver coal at predetermined prices	63.9	30.4	17.8	5.8	3.6
(2) Commitments to deliver coal at prices to be determined by mutual agreement of the parties, including some agreements which contain predetermined price ranges	2.8	25.1	27.6	28.1	28.6
	<u>66.7</u>	<u>55.5</u>	<u>45.4</u>	<u>33.9</u>	<u>32.2</u>

We routinely engage in efforts to renew or extend contracts scheduled to expire. Although there are no guarantees, we generally have been successful in renewing or extending contracts in the past.

Contracts also typically contain force majeure provisions allowing for the suspension of performance by the customer or us for the duration of specified events beyond the control of the affected party, including labor disputes and extraordinary geological conditions. Some contracts may terminate upon continuance of an event of force majeure for an extended period, which is generally three to twelve months. Contracts also typically specify minimum and maximum quality specifications regarding the coal to be delivered. Failure to meet these conditions could result in price reductions, damages, suspension of deliveries or termination of the contract, at the election of the customer. Although the volume to be delivered under a long-term contract is stipulated, we or the buyer may vary the timing of delivery within specified limits.

### ***Distribution***

Coal is transported from CONSOL Energy's mining complexes to customers by means of railroad cars, river barges, trucks, conveyor belts or a combination of these means of transportation. We employ transportation specialists who negotiate freight and equipment agreements with various transportation suppliers, including railroads, barge lines, terminal operators, ocean vessel brokers and trucking companies for certain customers. Most customers negotiate their own freight contracts.

At December 31, 2008 we operated 24 towboats, 5 harbor boats and a fleet of more than 700 barges that serve customers along the Ohio, Allegheny, Kanawha and Monongahela Rivers. The barge operation allows us to control delivery schedules and has served as temporary floating storage for coal where land storage is unavailable.

### ***Competition***

The United States coal industry is highly competitive, with numerous producers selling into all markets that use coal. CONSOL Energy competes against other large producers and hundreds of small producers in the United States and overseas. The five largest producers are estimated by the 2007 National Mining Association Survey to have produced approximately 52% (based on tonnage produced) of the total United States production in 2007. The U.S. Department of Energy reported 1,358 active coal mines in the United States in 2007, the latest year for which government statistics are available. Demand for our coal by our principal customers is affected by:

- the price of competing coal and alternative fuel supplies, including nuclear, natural gas, oil and renewable energy sources, such as hydroelectric power;

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- coal quality;
- transportation costs from the mine to the customer; and
- the reliability of supply.

Continued demand for CONSOL Energy's coal and the prices that CONSOL Energy obtains are affected by demand for electricity, environmental and government regulation, technological developments and the availability and price of competing coal and alternative fuel supplies. We sell coal to foreign electricity generators and to the more specialized metallurgical coal market, both of which are significantly affected by international demand and competition.

### ***Gas Operations***

Our gas operations are primarily conducted by CNX Gas Corporation (CNX Gas), an 83.3% owned subsidiary of CONSOL Energy at December 31, 2008. Information presented below is 100% of CNX Gas' basis; it does not include 16.7% minority interest reduction. CNX Gas primarily produces coalbed methane, which is gas that resides in coal seams. In the eastern United States, conventional natural gas fields typically are located in various types of sedimentary formations at depths ranging from 2,000 to 15,000 feet. Exploration companies often put their capital at risk by searching for gas in commercially exploitable quantities at these depths. By contrast, gas in the coal seams that we drill or anticipate drilling is typically in formations less than 2,500 feet deep which are usually better defined than deeper formations. CNX Gas believes that this contributes to lower exploration costs than those incurred by producers that operate in deeper, less defined formations. However, we have continued to increase our exploratory efforts in the shale and deeper formations.

CNX Gas has not filed reserve estimates with any federal agency.

### ***Areas of Operation***

In the Appalachian Basin we operate principally in Central Appalachia and Northern Appalachia, which represent our two reportable segments. We also operate in the Illinois Basin. Our primary operating areas are:

- Central Appalachia Virginia Operations CBM, in Southwest Virginia, our traditional and largest area of operation, where we have typically produced CBM from vertical wells which we drill ahead of mining and gob gas wells;
- Northern Appalachia Mountaineer CBM in northwestern West Virginia and southwestern Pennsylvania where we drill vertical-to-horizontal CBM wells;
- Northern Appalachia Nittany CBM in central Pennsylvania, where we drill vertical CBM wells;
- Northern Appalachia, Mountaineer-Conventional, in northwest West Virginia and southwest Pennsylvania, where we began development in 2008 in the Marcellus Shale and shallow conventional zones, and we expect additional growth in the future;
- Tennessee, Knox-Chattanooga Shale, in eastern Tennessee, where we intend to convert our horizontal exploration program in the Chattanooga Shale into a full scale development program;
- Illinois Basin, Cardinal, in western Kentucky, Indiana and Illinois, where we are conducting an exploration program in the New Albany Shale and shallow oil zones;

In addition to the above areas, we believe we have Appalachian shale potential in the Marcellus, Huron, and Chattanooga shales. Additional potential exists in the Trenton Black River formation which is thought to underlie nearly all of the Appalachian shales. We will continue to evaluate our acreage position in these areas with the continuation of our exploration program.

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**Drilling**

During 2008, 2007 and 2006, we drilled in the aggregate, 534, 370 and 272 net development wells, respectively. Gob wells, and wells drilled by other operators that we participate in are excluded. As of December 31, 2008, 67 wells are still in process. The following table illustrates the wells referenced above by geographic region:

**Development Wells**

	For the Years Ended December 31,		
	2008	2007	2006
Central Appalachia	321	294	253
Northern Appalachia	213	76	19
Total	534	370	272

During 2008, 2007, and 2006, we drilled in the aggregate 60, 9 and 4 net exploratory wells, respectively. The following table illustrates the exploratory wells by geographic region:

**Exploratory Wells**

	As of December 31,		
	2008	2007	2006
Central Appalachia	26	3	2
Northern Appalachia	26	—	2
Other	8	6	—
Total	60	9	4

Eighteen Central Appalachia, twenty Northern Appalachia and four Other wells are still being evaluated. There was one Central Appalachia well drilled in the prior year which was determined to be dry, and therefore was written off. There were three Other dry holes drilled in 2008 which were written off. There were no dry holes previously.

**Production**

The following table sets forth CNX Gas net sales volume produced for the periods indicated. The year ended December 31, 2008 does not include any equity affiliates due to the proportional consolidation of Knox Energy, LLC as of December 31, 2007 and the subsequent purchase of the remaining interests in this entity. The years ended December 31, 2007 and 2006 include our portion of equity interests.

	For the Years Ended December 31,		
	2008	2007	2006
Total produced coalbed methane (in millions of cubic feet)	76,562	58,249	56,135

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**Average Sales Prices and Lifting Costs**

The following table sets forth the average sales price and the average net lifting cost (prior years include our portion of equity interests) for all our gas production for the periods indicated. Lifting cost is the cost of raising gas to the gathering system and does not include depreciation, depletion or amortization.

	For the Years Ended		
	December 31,		
	2008	2007	2006
Average gas sales price before effects of financial settlements (per thousand cubic feet)	\$8.99	\$6.87	\$6.72
Average effects of financial settlements (per thousand cubic feet)	\$ —	\$ 0.33	\$ 0.32
Average gas sales price including effects of financial settlements (per thousand cubic feet)	\$8.99	\$ 7.20	\$ 7.04
Average net lifting cost (per thousand cubic feet)	\$ 0.89	\$ 0.68	\$ 0.60

**Productive Wells and Acreage**

The following table sets forth at December 31, 2008, the number of CNX Gas' producing wells, developed acreage and undeveloped acreage.

	Gross	Net(1)
	Producing Wells	5,236
Proved Developed Acreage	246,476	236,190
Proved Undeveloped Acreage	50,671	48,769
Unproved Acreage	3,936,252	3,382,498

Most of our development wells and acreage are located in Central Appalachia. Some leases are beyond their primary term, but these leases are extended in accordance with their terms as long as certain drilling commitments are satisfied.

- (1) Net acres do not include acreage attributable to the working interests of our principal joint venture partners and the portions of certain proved developed acreage attributable to property we have leased to third-party producers. Additional adjustments (either increases or decreases) may be required as we further develop title to and further confirm our rights with respect to our various properties in anticipation of development. We believe that our assumptions and methodology in this regard are reasonable.

**Sales**

CNX Gas enters into physical natural gas sales transactions with various counterparties for terms varying in length. Reserves and production estimates are believed to be sufficient to satisfy these obligations. In the past, other than interstate pipeline outages related to maintenance, we have not failed to deliver quantities required under contract. CNX Gas has also entered into various gas swap transactions that qualify as financial cash flow hedges. These gas swap transactions exist parallel to the underlying physical transactions and represented approximately 43.4 billion cubic feet of our produced gas sales volumes for the year ended December 31, 2008 at an average price of \$9.25 per thousand cubic feet. As of December 31, 2008, we expect these transactions will cover approximately 41.9 billion cubic feet of our estimated 2009 production at an average price of \$9.74 per thousand cubic feet.

CNX Gas purchased firm transportation capacity on various interstate pipelines to ensure gas production flows to market. As of December 31, 2008, CNX Gas has secured firm transportation capacity to cover more than its 2009 hedged production.

The hedging strategy and information regarding derivative instruments used are outlined in item 7A, "Qualitative and Quantitative Disclosures About Market Risk" and in Note 24 to the Audited Consolidated Financial Statements in Item 8 of this Form 10-K.

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### Gas Reserves

The following table shows our estimated proved developed and proved undeveloped reserves. Reserve information is net of any royalty interest. Proved developed and proved undeveloped gas reserves are reserves that could be commercially recovered under current economic conditions, operating methods and government regulations. Proved developed and proved undeveloped gas reserves are defined by the Securities and Exchange Commission Rule 4.10(a) of Regulation S-X.

	Net Gas Reserves (millions of cubic feet)					
	As of December 31,					
	2008		2007		2006	
Consolidated Operations	Affiliates	Consolidated Operations	Affiliates	Consolidated Operations	Affiliates	
Estimated proved developed reserves	783,290	—	667,726	3,584	609,700	2,200
Estimated proved undeveloped reserves	638,756	—	672,183	—	653,593	—
Total estimated proved developed and undeveloped reserves	1,422,046	—	1,339,909	3,584	1,263,293	2,200

### Discounted Future Net Cash Flows

The following table shows our estimated future net cash flows and total standardized measure of discounted, at 10%, future net cash flows:

	Discounted Future Net Cash Flows (\$ in millions)		
	As of December 31,		
	2008	2007	2006
Future net cash flows (net of income tax)	\$ 2,824	\$ 3,609	\$ 2,484
Total standardized measure of after-tax discounted future net cash flows	\$ 1,218	\$ 1,390	\$ 935

### Competition

We operate primarily in the eastern United States. We believe that the natural gas market is highly fragmented and not dominated by any single producer. We believe that several of our competitors have devoted far greater resources than we have to natural gas exploration and development. CNX Gas believes that competition within our market is based primarily on natural gas commodity trading fundamentals and pipeline transportation availability to the diverse market opportunities.

### Power Generation

Through a joint venture with Allegheny Energy Supply Company, LLC, an affiliate of one of our largest coal customers, our 83.3% owned subsidiary, CNX Gas, owns a 50% interest in an 88-megawatt, gas-fired electric generating facility. This facility is used for meeting peak load demands for electricity. The facility is located in southwest Virginia and uses coalbed methane gas that we produce. Because it is a peaking power facility, it does not operate at all times of the year, but the facility does provide a potential sales outlet for CNX Gas of up to 22 million cubic feet per day.

### Other

CONSOL Energy provides other services both to our own operations and to others. These include land services, industrial supply services, terminal services (including break bulk, general cargo and warehouse services), river and dock services, and coal waste disposal services.

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***Land Resources***

CONSOL Energy is developing property assets previously used primarily to support our coal operations or property assets currently not utilized. CONSOL Energy expects to increase the value of our property assets by:

- developing surface properties for commercial uses other than coal mining or gas development when the location of the property is suitable;
- deriving royalty income from coal, oil and gas reserves CONSOL Energy owns but does not intend to develop;
- deriving income from the sustainable harvesting of timber on land CONSOL Energy owns; and
- deriving income from the rental of surface property for agricultural and non-agricultural uses.

CONSOL Energy's objective is to improve the return on these assets without detracting from our core businesses and without significant additional capital investment.

***Industrial Supply Services***

Fairmont Supply Company, a CONSOL Energy subsidiary, is a general-line distributor of mining and industrial supplies in the United States. Fairmont Supply has 25 customer service centers nationwide. Fairmont Supply also provides integrated supply procurement and management services. Integrated supply procurement is a materials management strategy that utilizes a single, full-line distribution to minimize total cost in the maintenance, repair and operating supply chain.

Fairmont Supply provides mine supplies to CONSOL Energy's mining operations. Approximately 43% of Fairmont Supply's sales in 2008 were made to CONSOL Energy's mines.

Fairmont Supply Company's 100% owned subsidiary, Piping and Equipment, is a specialty distributor of pipe, valve and fittings. Piping and Equipment has eight locations in Florida, Alabama, Louisiana and Texas.

In November 2008, Fairmont Supply Company acquired the assets of North Penn Pipe & Supply, LLC for a cash payment of approximately \$23 million. North Penn Pipe & Supply, LLC, located in Warren, Pennsylvania, is a distributor of oil and gas field products, primarily tubular goods to the Northern Appalachia basin.

***Terminal Services***

In 2008, approximately 9.1 million tons of coal were shipped through CONSOL Energy's subsidiary, CNX Marine Terminal Inc.'s exporting terminal in the Port of Baltimore. Approximately 40% of the tonnage shipped was produced by CONSOL Energy coal mines. The terminal can either store coal or load coal directly into vessels from rail cars. It is also one of the few terminals in the United States served by two railroads, Norfolk Southern and CSX Transportation, Inc.

***River and Dock Services***

CONSOL Energy's river operations, located in Monessen, Pennsylvania, transport coal from our mines, coal from other mines and non-coal commodities from river loadout facilities primarily along the Monongahela and Ohio Rivers in northern West Virginia and southwestern Pennsylvania. Products are delivered to customers along the Monongahela, Ohio, Kanawha and Allegheny rivers. At December 31, 2008, we operated 24 towboats, 5 harbor boats and more than 700 barges. In 2008, our river vessels transported a total of 23.6 million tons of coal and other commodities, including 8.0 million tons of coal produced by CONSOL Energy mines.

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CONSOL Energy provides dock services for our mines as well for third parties at our Alicia Dock, located on the Monongahela River in Fayette County, Pennsylvania. CONSOL Energy transfers coal from rail cars to barges for customers that receive coal on the river system.

***Coal Waste Disposal Services***

CONSOL Energy operates an ash disposal facility on a 61-acre site in northern West Virginia to handle ash residues for coal customers that are unable to dispose of ash on-site at their generating facilities. The ash disposal facility can process 200 tons of material per hour, and is expected to dispose of approximately 140 thousand tons of fly ash in the current contract year. CONSOL Energy has a long-term contract with a cogeneration facility to supply coal and take the residual fly ash and bottom ash. Bottom ash is disposed locally at the cogeneration facility for road construction and other purposes.

***Employee and Labor Relations***

At December 31, 2008, CONSOL Energy had 8,176 employees, 33% of whom were represented by the United Mine Workers of America (UMWA). A five-year labor agreement commenced January 1, 2007. This agreement expires December 31, 2011 and provides for a 20% across-the-board wage increase over its duration. Wages increased \$1.00 per hour in 2008, and will increase \$0.50 per hour for 2009 through 2011. Other terms of the agreement require additional contributions to be made into the employee benefit funds. Full health-care benefits for active and retired members and their dependents will continue with no increase in co-payments. Newly employed inexperienced employees represented by the UMWA, hired after January 1, 2007 will not be eligible to receive retiree health care benefits. In lieu of these benefits, these employees will receive a defined contribution benefit of \$1 per each hour worked.

***Laws and Regulations***

The coal mining and gas industries are subject to regulation by federal, state and local authorities on matters such as the discharge of materials into the environment, employee health and safety, permitting and other licensing requirements, reclamation and restoration of properties after mining or gas operations are completed, management of materials generated by mining and gas operations, surface subsidence from underground mining, water discharge effluent limits, water appropriation, legislatively mandated benefits for current and retired coal miners, air quality standards, protection of wetlands, endangered plant and wildlife protection, limitations on land use, storage of petroleum products and substances that are regarded as hazardous under applicable laws, and management of electrical equipment containing polychlorinated biphenyls, or PCBs. In addition, the electric power generation industry is subject to extensive regulation regarding the environmental impact of its power generation activities, which could affect demand for CONSOL Energy's coal and gas products. The possibility exists that new legislation or regulations may be adopted which would have a significant impact on CONSOL Energy's mining or gas operations or our customers' ability to use coal or gas and may require CONSOL Energy or our customers to change their operations significantly or incur substantial costs.

Numerous governmental permits and approvals are required for mining and gas operations. Regulations provide that a mining permit or modification can be delayed, refused or revoked if an officer, director or a stockholder with a 10% or greater interest in the entity is affiliated with or is in a position to control another entity that has outstanding permit violations. Thus, past or ongoing violations of federal and state mining laws by individuals or companies no longer affiliated with CONSOL Energy could provide a basis to revoke existing permits and to deny the issuance of additional permits. CONSOL Energy is, or may be, required to prepare and present to federal, state or local authorities data and/or analyses pertaining to the effect or impact that any proposed exploration for or production of coal or gas may have upon the environment, public and employee health and safety. All requirements imposed by such authorities may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. Accordingly, the permits we need for our mining and gas operations may not be issued, or, if issued, may not be issued in a timely fashion. Permits

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we need may involve requirements that may be changed or interpreted in a manner which restricts our ability to conduct our mining and gas operations or to do so profitably. Future legislation and administrative regulations may increasingly emphasize the protection of the environment, employee health and safety and, as a consequence, the activities of CONSOL Energy may be more closely regulated. Such legislation and regulations, as well as future interpretations of existing laws, may require substantial increases in equipment and operating costs to CONSOL Energy and delays, interruptions or a termination of operations, the extent of which cannot be predicted.

While it is not possible to quantify the expenditures we incur to maintain compliance with all applicable federal and state laws, those costs have been and are expected to continue to be significant. We post surety performance bonds or letters of credit pursuant to federal and state mining laws and regulations for the estimated costs of reclamation and mine closing, often including the cost of treating mine water discharge when necessary. Compliance with these laws has substantially increased the cost of coal mining and gas production for all domestic coal and gas producers. We also post performance bonds or letters of credit pursuant to state oil and gas laws and regulations to guarantee reclamation of gas well sites and plugging of gas wells. We endeavor to conduct our mining and gas operations in compliance with all applicable federal, state and local laws and regulations. However, because of extensive and comprehensive regulatory requirements, violations during mining and gas operations occur from time to time. None of the violations to date, or the monetary penalties assessed have been material. CONSOL Energy made capital expenditures for environmental control facilities of approximately \$10.6 million, \$17.6 million and \$10.2 million for the years ended December 31, 2008, 2007 and 2006, respectively. CONSOL Energy expects to have capital expenditures of \$55.4 million for 2009 for environmental control facilities. The projected increase in 2009 is due to the construction of a water processing system at Buchanan Mine.

### ***Mine Health and Safety Laws***

Mine accidents involving multiple fatalities at mines operated by other coal companies in recent years attracted widespread public attention and resulted in both federal government and some state government changes to statutory and regulatory control of mine safety, particularly for underground mines. Because nearly all of our mines are underground, these legislative and regulatory changes affect our performance. In addition to changes that require us to purchase additional safety equipment, construct stronger seals to isolate mined out areas, and engage in additional training, we have experienced more aggressive inspection protocols resulting in the issuance of more citations, increases in the amount of fines, and a reduction in mine productivity.

The actions taken thus far by federal and state governments include requiring: the caching of additional supplies of self-contained self rescuer (SCSR) devices underground; providing breathable air for all underground miners for 96 hours; the purchase and installation during the next several years of electronic communication and personal tracking devices underground; the placement, in various mine areas, of rescue chambers, which are structures designed to provide refuge for groups of miners for long periods of time during a mine emergency when evacuation from the mine is not possible which will provide breathable air for 96 hours; the reconstruction of existing seals in worked-out areas of mines; and additional training and testing that created the need to hire additional employees.

### ***Black Lung Legislation***

Under federal black lung benefits legislation, each coal mine operator is required to make payments of black lung benefits or contributions to:

- current and former coal miners totally disabled from black lung disease;
- certain survivors of a miner who dies from black lung disease or pneumoconiosis; and
- a trust fund for the payment of benefits and medical expenses to claimants whose last mine employment was before January 1, 1970, where no responsible coal mine operator has been identified

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for claims (where a miner's last coal employment was after December 31, 1969), or where the responsible coal mine operator has defaulted on the payment of such benefits. The trust fund is funded by an excise tax on U.S. production of up to \$1.10 per ton for deep mined coal and up to \$0.55 per ton for surface-mined coal, neither amount to exceed 4.4% of the gross sales price.

In addition to the federal legislation, we are also liable under various state statutes for black lung claims.

***Retiree Health Benefits Legislation***

The Coal Industry Retiree Health Benefit Act of 1992 (the Act) established the Combined Benefit Fund (the Combined Fund). The Combined Fund provides medical and death benefits for all beneficiaries including orphan retirees of the former UMWA Benefit Trusts who were actually receiving benefits as of July 20, 1992. The Act also created a second benefit fund for United Mine Worker retirees, the 1992 Benefit Plan. The 1992 Benefit Fund principally provides medical and death benefits to orphan UMWA-represented members eligible for retirement on February 1, 1993, and who actually retired between July 20, 1992 and September 30, 1994. The Act provides for the assignment of beneficiaries to former signatory employers or related companies and the allocation of unassigned beneficiaries (referred to as orphans) to companies using a formula set forth in the Act. The task of calculating the annual per beneficiary premium that assigned operators are obligated to pay to the Combined Fund is the responsibility of the Commissioner of Social Security. The UMWA 1993 Benefit Plan is a defined contribution plan that was created as the result of negotiations for the National Bituminous Coal Wage Agreement (NBCWA) of 1993. This plan provides health care benefits to orphan UMWA retirees who are not eligible to participate in the Combined Fund, the 1992 Benefit Fund, or whose last employer signed the 1993 or later NBCWA and who subsequently goes out of business.

The Coal Act required some of our subsidiaries to make premium payments to the Combined Fund and to the 1992 Benefit Plan for the cost of our retirees and orphan retirees in the Combined Fund and the 1992 Benefit Plan. In addition, the collective bargaining agreement with the United Mine Workers requires our signatory subsidiaries to make specified payments to the 1993 Benefit Plan through 2011. The Tax Relief and Health Care Act of 2006 (the 2006 Act) provides additional federal funding for these orphan costs by authorizing general fund revenues and expanding transfers of interest from the Abandoned Mine Land (AML) trust fund. The additional federal funding, depending upon its magnitude and the amount of orphan benefits payable, should cover the orphan premium payments due under the Combined Fund as well as, after a phase-in period, the orphan premium payments due under the 1992 Benefit Plan. The 1992 Plan has a phase-in period for the federal contributions. Federal contributions were 25% in 2008. Federal contributions will be 50% in 2009, 75% in 2010 and 100% thereafter. In addition, federal contributions are also to be phased-in over this same period with respect to the costs for those orphan retirees as of December 31, 2006 under the 1993 Plan. Under the 2006 Act, these general fund contributions to the Combined Fund, the 1992 Benefit Plan, the 1993 Benefit Plan and certain Abandoned Mine Land payments to the states and Indian tribes are collectively limited by an aggregate annual cap of \$490 million. These federal contributions do not apply to our subsidiaries' assigned retired miners, and therefore our subsidiaries will continue to make premium payments for our assigned retired miners who receive benefits from the Combined Fund, the 1992 Benefit Plan and for certain beneficiaries of the 1993 Benefit Plan. In addition, our subsidiaries remain responsible for making orphan premium payments to these Plans to the extent that the federal contributions are not sufficient to cover the benefits.

***Pension Protection Act***

The Pension Protection Act of 2006 (the Pension Act) has simplified and transformed rules governing the funding of defined benefit plans, accelerated funding obligations of employers, made permanent certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), made permanent the diversification rights and investment education provisions for plan participants and encourages automatic enrollment in defined contribution 401(k) plans. In general, most provisions of the Pension Act of 2006 are in effect for plan years beginning on or after December 31, 2008. Plans generally are required to set a funding target

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of 100% of the present value of accrued benefits and sponsors are required to amortize unfunded liabilities over a 7-year period. The Pension Act includes a funding target phase-in provision consisting of a 92% funding target in 2008, 94% in 2009, 96% in 2010, and 100% thereafter. Plans with a funded ratio of less than 80%, or less than 70% using special assumptions, will be deemed to be “at risk” and will be subject to additional funding requirements. The 2008 plan year funding ratio was 92%. Our intent is to meet the 100% funding requirement by 2014.

***Environmental Laws***

CONSOL Energy is subject to various federal environmental laws, including:

- the Surface Mining Control and Reclamation Act of 1977,
- the Clean Air Act,
- the Clean Water Act,
- the Toxic Substances Control Act,
- the Endangered Species Act,
- the Comprehensive Environmental Response, Compensation and Liability Act,
- the Emergency Planning and Community Right to Know Act, and
- the Resource Conservation and Recovery Act

As administered and enforced by United States Environmental Protection Agency (EPA) and/or authorized federal or state agencies, as well as state laws of similar scope, and other state environmental and conservation laws in each state in which CONSOL Energy operates.

These environmental laws require reporting, permitting and/or approval of many aspects of coal mining and gas operations. Both federal and state inspectors regularly visit mines and other facilities to ensure compliance. CONSOL Energy has ongoing compliance and permitting programs designed to ensure compliance with such environmental laws.

Given the retroactive nature of certain environmental laws, CONSOL Energy has incurred and may in the future incur liabilities in connection with properties and facilities currently or previously owned or operated as well as sites to which CONSOL Energy or our subsidiaries sent waste materials.

***Surface Mining Control and Reclamation Act***

The Surface Mining Control and Reclamation Act (“SMCRA”) establishes minimum national operational, reclamation and closure standards for all surface mines as well as most aspects of deep mines. The Act requires that comprehensive environmental protection and reclamation standards be met during the course of and following completion of mining activities. Permits for all mining operations must be obtained from the Federal Office of Surface Mining Reclamation and Enforcement (“OSM”) or, where state regulatory agencies have adopted federally approved state programs under SMCRA, the appropriate state regulatory authority. States that operate federally approved state programs may impose standards which are more stringent than the requirements of SMCRA and OSM’s regulations and in many instances, have done so. All states in which CONSOL Energy’s active mining operations are located have achieved primary jurisdiction for enforcement of the Act through approved state programs.

SMCRA permit provisions include requirements for coal exploration; baseline environmental data collection and analysis; mine plan development; topsoil removal, storage and replacement; selective handling of overburden materials; mine pit backfilling and grading; protection of the hydrologic balance; subsidence control for underground mines; refuse disposal plans; surface drainage control; mine drainage and mine discharge

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control and treatment; and site reclamation. The mining permit application process, whether state or federal, is initiated by collecting baseline data to adequately characterize the pre-mine environmental condition of the permit area. This work includes surveys of cultural resources, soils, vegetation and wildlife, and assessment of surface and ground water hydrology, climatology and wetlands. In conducting this work, we collect geologic data to define and model the soil and rock structures and coal that we will mine. We develop mine and reclamation plans by utilizing this geologic data and incorporating elements of the environmental data. The mine and reclamation plan incorporates the provisions of SMCRA, the state programs and the complementary environmental programs that impact coal mining. Detailed engineering plans are included for all surface facilities built as part of the mine, including roads, ponds, shafts and slopes, boreholes, portals, pipelines and power lines, excess spoil disposal areas and coal refuse disposal facilities. Also included in the permit application are documents defining corporate ownership and control, property ownership and agreements pertaining to coal, minerals, oil and gas, water rights, rights of way and surface land and documents required by the OSM Applicant Violator System. We also must list all public and privately-owned structures located within minimum defined distances near to or above our mines and mining facilities. Once a permit application is prepared and submitted to the regulatory agency, it goes through an administrative completeness review and a separate technical review. Public notice of the proposed permit application is given in a local newspaper followed by a public comment period before a permit can be issued. Some mining permits take over a year to prepare, depending on the size and complexity of the mine and can take six months to three years to be issued. Regulatory authorities have considerable discretion in the timing of the permit issuance. The public has the right to comment on and otherwise participate in the permitting process, including through administrative appeals of permits and possibly further appeals in the courts. The mine operator must submit a bond or otherwise secure the performance of reclamation obligations, including, as deemed appropriate by the regulatory authority, a bond sufficient to cover the costs of long-term treatment of mine drainage discharges from closed facilities or ones from which a post-mining discharge is anticipated. The earliest a reclamation bond can be fully released is five years after reclamation has been completed, however, partial releases may be obtained as certain stages of reclamation are completed. All states impose on mine operators the responsibility for repairing or compensating for damage occurring on the surface as a result of mine subsidence, a possible consequence of longwall or other methods of underground mining, including an obligation to restore or replace domestic water supplies adversely affected by underground mining. All states also impose an obligation on surface mining operations to replace domestic, agricultural or industrial water supplies adversely affected by such operations. In addition, SMCRA imposes a reclamation fee on all current mining operations, the proceeds of which are deposited in the Abandoned Mine Reclamation Fund (AML Fund), which is used to restore unreclaimed and abandoned mine lands mined before 1977. The original amounts of the reclamation fees were \$0.35 per ton for surface mined coal and \$0.15 per ton for underground mined coal. The Tax Relief and Health Care Act of 2006 amended SMCRA to provide for two reductions (each being ten percent of the original fee amounts) that should take effect in federal fiscal years 2008 and 2013. Thus, from October 1, 2007 through September 30, 2012, the per ton fees will be \$0.315 per ton for surface mined coal and \$0.135 per ton for underground mined coal. From October 1, 2012 through September 30, 2021, the fees will be \$0.28 per ton for surface mined coal and \$0.12 per ton for underground mined coal.

Under the SMCRA, responsibility for unabated violations of SMCRA and other specified “environmental laws,” unpaid civil penalties and unpaid reclamation fees of subsidiaries and affiliates can be imputed to the “parents” and “related companies” if deemed to be owned “or” controlled by such entities. Data describing such ownership links must be provided by CONSOL Energy to the regulatory authorities. Similar “violations” by independent contract mine operators can also be imputed to other companies which are deemed, according to the regulations, to have “owned” or “controlled” the contract mine operator. Sanctions against the “owner” or “controller” are quite severe and can include being blocked from receiving new permits and revocation of any permits that have been issued since the time of the violations or, in the case of civil penalties and reclamation fees, since the time such amounts became due.

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Mine accidents in recent years mentioned above have led to more stringent enforcement of state and federal mine safety laws and regulations, resulting in the issuance of more citations. Additionally, the federal civil penalty regulations were amended in 2007 to increase the amounts of civil penalties for most violations.

In the Commonwealth of Pennsylvania, where CONSOL Energy operates four longwall mines, approximately \$8.2 million and \$16.0 million of expenses were incurred during the years ended December 31, 2008 and 2007, respectively, to abate enforcement actions related to the impacts on streams from subsidence. Recent interpretations of technical guidance documents related to impacts of longwall mining on Pennsylvania streams requires additional analysis on stream flows and biological statistics. We have received violation notices for past longwall activities which resulted in lower stream flows and water pooling areas both of which we are in the process of remediating. We also are completing additional stream analysis in order to comply with these recent interpretations at current Pennsylvania mining operations. Future Pennsylvania Department of Environmental Protection enforcement actions could cause CONSOL Energy to change mine plans, to incur significant costs, and potentially even shut down mines in order to meet compliance requirements. However, these impacts on streams have occurred primarily at the Bailey Mine. The degree to which the mine impacts a stream is related to the geology of the area, including the vertical distance from the stream channel to the coal seam. Over the next several years the coal seam being mined by the Bailey Mine becomes progressively deeper. This change in geologic setting is expected to lessen the adverse impacts on streams. We currently estimate expenses related to subsidence of streams in Pennsylvania will be approximately \$12.7 million for the year ended December 31, 2009.

***Clean Air Act and Related New Regulations***

The federal Clean Air Act and similar state laws and regulations which regulate emissions into the air, affect coal mining, coal handling and processing, and gas processing operations primarily through permitting and/or emissions control requirements. For example, regulations relating to fugitive dust and coal combustion emissions could restrict CONSOL Energy's ability to develop new mines or require CONSOL Energy to modify our operations. National Ambient Air Quality Standards ("NAAQS") for particulate matter resulted in some areas of the country being classified as non-attainment for fine particulate. Because thermal dryers located at coal preparation plants burn coal and emit particulate matter, CONSOL Energy's mining operations are likely to be directly affected where the NAAQS are implemented by the states. In addition, in September 2006, EPA promulgated revised particulate matter NAAQS.

CONSOL Energy believes we have obtained all necessary permits under the Clean Air Act. These permits have various expiration dates through March 2015. CONSOL Energy monitors permits required by operations regularly and takes appropriate action to extend or obtain permits as needed.

The Clean Air Act also indirectly affects coal mining operations by extensively regulating the air emissions of the coal fired electric power generating plants operated by our customers. Coal contains impurities, such as sulfur, mercury and other constituents, many of which are released into the air when coal is burned. Environmental regulations governing emissions from coal-fired electric generating plants could affect demand for coal as a fuel source and affect the volume of our sales. For example, the federal Clean Air Act places limits on sulfur dioxide, nitrogen dioxide, and mercury emissions from electric power plants.

Further sulfur dioxide emission reductions were proposed by a regulation called the Clean Air Interstate Rules ("CAIR"), which were promulgated by the EPA in 2005. In order to meet the proposed new limits for sulfur dioxide emissions from electric power plants, many coal users need to install scrubbers, use sulfur dioxide emission allowances (some of which they may purchase), blend high sulfur coal with low sulfur coal or switch to low sulfur coal or other fuels. More strict emission limits mean few coals can be burned without the installation of supplemental environmental control technology in the form of scrubbers. Many of our customers are in the process of installing scrubbers in response to the new emissions requirements. We estimate that by 2012, more than half of the installed, coal-fired power plant capacity east of the Mississippi will be scrubbed. The increase in scrubbed capacity allows customers to consider purchasing more of our higher sulfur coals.

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In October 1998, the EPA finalized a rule requiring a number of eastern U.S. states to make substantial reductions in nitrogen oxide emissions by June 1, 2004. The installation of additional control measures to achieve these reductions makes it more costly to operate coal-fired power plants and could make coal a less attractive fuel. In addition, reductions in nitrogen oxide emissions can be achieved at a low capital cost through a combination of low nitrogen oxide burners and coal produced in western U.S. coal mines. Changes in current emissions standards could also impact the economic incentives for eastern U.S. coal-fired power plants to consider using more coal produced in western U.S. coal mines.

In 2005, the EPA finalized the Clean Air Mercury Rule (“CAMR”) which imposes caps on mercury emissions from coal-fired electric generating units. The first phase of the emission caps take effect in 2010. The CAMR provides for an allocation of mercury emission allowances to individual power plants based on the type of coal fired in the unit. Units firing bituminous coal are allocated less emission allowances than those firing subbituminous coal. In February 2008, the U.S. Court of Appeals for the D.C. Circuit vacated the CAMR. No new rulemaking has been initiated. However, in October 2008, New York and the New England states submitted a petition to EPA under the Clean Water Act requesting EPA to convene a conference to address contributions of airborne mercury emissions that upwind states are alleged to be making to downwind water quality. This petition appears to be aimed at coal fired power plants. Various states have promulgated or are considering more stringent emission limits on mercury emissions from coal-fired electric generating units. Regulation of mercury emissions from coal-fired electric generating units could impact the market for coal.

A regional haze program initiated by the EPA to protect and to improve visibility at and around national parks, national wilderness areas and international parks may restrict the construction of new coal-fired power plants whose operation may impair visibility at and around federally protected areas and may require some existing coal-fired power plants to install additional control measures designed to limit haze-causing emissions. These requirements could limit the demand for coal in some locations.

The United States Department of Justice, on behalf of the EPA, has filed lawsuits against several investor-owned electric utilities and brought an administrative action against one government-owned utility for alleged violations of the Clean Air Act. These lawsuits could require the utilities to pay penalties, install pollution control equipment or undertake other emission reduction measures which could positively or negatively impact their demand for CONSOL Energy coal. One such suit was settled in October 2007, by the owner of sixteen coal fueled electric generating plants located in Indiana, Kentucky, Ohio, Virginia and West Virginia. Although the utility did not admit any violations of the Clean Air Act, it agreed to annual sulfur dioxide and nitrogen oxides emission limits for all of its plants and it agreed to install additional emission controls on two of its plants.

Also, numerous proposals have been made at the international, national, regional and state levels that are intended to limit or capture emissions of greenhouse gases, such as carbon dioxide and several states have adopted measures intended to reduce greenhouse gas loading in the atmosphere. If comprehensive legislation focusing on greenhouse gas emissions is enacted by the United States or individual states, it may adversely affect the use of and demand for fossil fuels, particularly coal, as an energy source for electricity generation. Future regulation of greenhouse gases could occur in the United States pursuant to treaty obligations, regulation under the Clean Air Act, or regulation under state laws. In 2007, the U. S. Supreme Court held in *Massachusetts v. EPA*, that EPA had authority to regulate greenhouse gases under the Clean Air Act, reversing EPA’s interpretation of the act. This decision could lead to federal regulation of greenhouse gas emissions from coal fired electric generating stations which could adversely affect the demand for coal for electricity generation. Also, in 2005, seven northeastern states (Connecticut, Delaware, Maine, New Jersey, New Hampshire, New York and Vermont) signed the Regional Greenhouse Gas Initiative (RGGI), calling for a ten percent reduction of carbon dioxide emission by 2019, with compliance to begin in 2009. Maryland has also joined RGGI. In addition, California has enacted legislation to establish greenhouse gas emission standards for electric power generating plants in connection with new long-term power plant investments.

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In July 2008, EPA published an Advance Notice of Proposed Rulemaking (“ANPR”) seeking comments and discussion of the complex issues associated with the possible regulation of greenhouse gases under the Clean Air Act. The deadline for comments on the ANPR was November 28, 2008. EPA sought comments and discussion on: (i) advantages and disadvantages of regulating greenhouse gases under various provisions of the Clean Air Act; (ii) how a decision to regulate greenhouse gases under one provision of the Clean Air Act would lead to regulation under other provisions; (iii) issues relevant to legislation to regulate greenhouse gases and the potential overlap of the Clean Air Act and such future legislation; and (iv) scientific information relevant to, and the issues raised by, an analysis as to whether greenhouse gas emissions from automobiles may reasonably be anticipated to endanger public health or welfare.

***Clean Water Act***

The federal Clean Water Act and corresponding state laws affect coal mining and gas operations by imposing restrictions on discharges into regulated surface waters. Permits requiring regular monitoring and compliance with effluent limitations and reporting requirements govern the discharge of pollutants into regulated waters. In combination with existing requirements, new requirements under the Clean Water Act and corresponding state laws; including those relating to protection of “impaired waters” so designated by individual states through the use of new effluent limitations known as Total Maximum Daily Load (“TMDL”) limits; anti-degradation regulations which protect state designated “high quality/exceptional use” streams by restricting or prohibiting “discharges” which result in degradation; and requirements to treat discharges from coal mining properties for non-traditional pollutants, such as chlorides and selenium; and “protecting” streams, wetlands, other regulated water sources and associated riparian lands from surface mining and/or the surface impacts of underground mining, may cause CONSOL Energy to incur significant additional costs that could adversely affect our operating results, financial condition and cash flows.

The Army Corps of Engineers (the “COE”) is empowered to issue “nationwide” permits for specific categories of filing activity that are determined to have minimal environmental adverse effects in order to save the cost and time of issuing individual permits under Section 404 of the Clean Water Act. Individual permits are required for activities determined to have more significant impacts to waters of the United States. Nationwide Permit 21 authorizes the disposal of dredge-and-fill material from mining activities into the waters of the United States. Nationwide Permit 21 was renewed in 2007 allowing its continued use. On October 23, 2003, several citizens groups sued the COE in the U.S. District Court for the Southern District of West Virginia seeking to invalidate “nationwide” permits utilized by the COE and the coal industry for permitting most in-stream disturbances associated with coal mining, including excess spoil valley fills and refuse impoundments. The plaintiffs sought to enjoin the prospective approval of these nationwide permits and to enjoin some coal operators from additional use of existing nationwide permit approvals until they obtain more detailed “individual” permits. On July 8, 2004, the court issued an order enjoining the further issuance of Nationwide Permit 21 and rescinded certain listed permits where construction of valley fills and surface impoundments had not commenced. On August 13, 2004, the court extended the ruling to all Nationwide Permit 21 issued within the Southern District of West Virginia. Although CONSOL Energy had no operations that were interrupted, based on the District Court Opinion, we decided to convert certain current and planned applications for Nationwide Permit 21 in southern West Virginia to applications for individual permits. A similar lawsuit was filed on January 27, 2005 in the U.S. District Court for the Eastern District of Kentucky. However, the District Court for the Southern District of West Virginia opinion was reversed by the Fourth Circuit Court of Appeals. Because of legal challenges to the validity and use of Nationwide Permit 21, CONSOL Energy decided to apply for individual permits for its facilities as needed in southern West Virginia and Kentucky. In addition to the challenges to Nationwide Permit 21, another suit was filed in the Southern District of West Virginia in 2005 challenging the validity of COE determinations to issue individual permits for valley fills associated with certain surface mining operations. In March 2007, the District Court issued a decision remanding the individual permits back to the COE to, among other things, reconsider the COE’s determinations that the permits required adequate mitigation of the impacts of fills on streams. That District Court opinion is on appeal to the Fourth Circuit Court of Appeals. Although the 2007 District Court decision did not interrupt any of our mining operations, we amended mitigation plans in pending

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individual permit applications to address the concerns stated in the District Court decision. The various challenges to Nationwide Permit 21 and to individual COE permits resulted in a period of time when the COE was not issuing permits, which resulted in a backlog of pending permit applications. Thus, we may not receive COE permits when they are needed or the permits may be challenged when they are issued, as was the case with an individual permit issued to a CONSOL Energy subsidiary in the Spring of 2008. In that situation, surface mining has been allowed to proceed on a limited basis pending a trial on the merits of the challenge to the individual permit. Additional permit delays and costs have resulted from implementation by the COE and EPA of guidance on Clean Water Act jurisdictional determinations of waters of the United States, which was in response to the 2006 U.S. Supreme Court decision in *Rapanos v. U.S.* The Rapanos guidance is also likely to lead to an increase in streams and wetlands that are identified as requiring protection and/or mitigation under the Clean Water Act.

***Comprehensive Environmental Response, Compensation and Liability Act (Superfund)***

The Comprehensive Environmental Response, Compensation and Liability Act (Superfund) and similar state laws create liabilities for the investigation and remediation of releases of hazardous substances into the environment and for damages to natural resources. Our current and former coal mining operations incur, and will continue to incur, expenditures associated with the investigation and remediation of facilities and environmental conditions, including underground storage tanks, solid and hazardous waste disposal and other matters under the Comprehensive Environmental Response, Compensation and Liability Act and similar state environmental laws. We also must comply with reporting requirements under the Emergency Planning and Community Right-to-Know Act and the Toxic Substances Control Act.

From time to time, we have been the subject of administrative proceedings, litigation and investigations relating to environmental matters. We have been in the past and currently are named as a potentially responsible party at Superfund sites. We may become involved in future proceedings, litigation or investigations and incur liabilities that could be materially adverse to us.

***Resource Conservation and Recovery Act***

The federal Resource Conservation and Recovery Act (RCRA) and corresponding state laws and regulations affect coal mining and gas operations by imposing requirements for the treatment, storage and disposal of hazardous wastes. Facilities at which hazardous wastes have been treated, stored or disposed are subject to corrective action orders issued by the EPA which could adversely affect our results, financial condition and cash flows.

RCRA exempted fossil fuel combustion wastes from hazardous waste regulation until the EPA completed a report to Congress and made a determination on whether the wastes should be regulated as hazardous. In a 1993 regulatory determination, the EPA addressed some high volume-low toxicity coal combustion wastes generated at electric utility and independent power producing facilities, such as coal ash. In May 2000, the EPA concluded that coal combustion wastes do not warrant regulation as hazardous under RCRA resulting in coal combustion wastes remaining exempt from hazardous waste regulation. However, the EPA has also determined that national non-hazardous waste regulations under RCRA are needed for coal combustion wastes disposed in surface impoundments and landfills and used as mine-fill, and the Office of Surface Mining is currently developing these regulations. The agency also concluded that beneficial uses of these wastes, other than for mine-filling, pose no significant risk and no additional national regulations are needed. Most state hazardous waste laws also exempt coal combustion waste, and instead treat it as either a solid waste or a special waste. The loss of the hazardous waste exemption for coal combustion waste, or the adoption of new regulations for disposing of coal combustion waste which impose significant additional costs, could adversely affect the demand for coal for electricity generation.

### ***Federal Coal Leasing Amendments Act***

Mining operations on federal lands in the western United States are affected by regulations of the United States Department of the Interior. The Federal Coal Leasing Amendments Act of 1976 amended the Mineral Lands Leasing Act of 1920 which authorized the leasing of federal coal lands for coal mining. The Federal Coal Leasing Amendments Act increased the royalties payable to the United States Government for federal coal leases and required diligent development and continuous operations of leased reserves within a specified period of time. Subtitle D of the Energy Policy Act of 2005 (Pub. L. 109-58) contained the Coal Leasing Amendments Act of 2005, which includes provisions designed to facilitate efficient and economic development of federal coal leases. The United States Department of the Interior has stated that it intends to promulgate new regulations and implement these 2005 amendments. Regulations adopted by the United States Department of the Interior to implement such legislation could affect coal mining by CONSOL Energy from federal coal leases for operations developed that would incorporate such leases. Currently, CONSOL Energy's only active operation with federal coal leases is Emery Mine.

### ***Endangered Species Act***

The Federal Endangered Species Act (ESA) and similar state laws protect species threatened with extinction. Protection of endangered species may affect our ability to obtain permits, may delay issuance of mining permits, or may cause us to modify mining plans to avoid or minimize impacts to endangered species or their habitats. A number of species indigenous to the areas where we operate are protected under the ESA. Based on the species that have been identified and the current application of applicable laws and regulations, we do not believe that there are any species protected under the ESA or state laws that would materially and adversely affect our ability to mine coal from our properties.

### ***Federal Regulation of the Sale and Transportation of Gas***

Various aspects of CNX Gas' operations are regulated by agencies of the federal government. The Federal Energy Regulatory Commission regulates the transportation and sale of natural gas in interstate commerce pursuant to the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. While "first sales" by producers of natural gas, and all sales of condensate and natural gas liquids can be made currently at uncontrolled market prices, Congress could reenact price controls in the future. In 1989, Congress enacted the Natural Gas Wellhead Decontrol Act, which removed all Natural Gas Act and Natural Gas Policy Act price and non-price controls affecting wellhead sales of natural gas effective January 1, 1993.

Regulations and orders set forth by the Federal Energy Regulatory Commission also impact the business of CNX Gas to a certain degree. Although the Federal Energy Regulatory Commission does not directly regulate CNX Gas' production activities, the Federal Energy Regulatory Commission has stated that it intends for certain of its orders to foster increased competition within all phases of the natural gas industry. Additionally, the Federal Energy Regulatory Commission continues to review its transportation regulations, including whether to allocate all short-term capacity on the basis of competitive auctions and whether changes to its long-term transportation policies may also be appropriate to avoid a market bias toward short-term contracts. Additional Federal Energy Regulatory Commission orders were adopted based on this review with the goal of increasing competition for natural gas markets and transportation.

The Federal Energy Regulatory Commission has also issued numerous orders confirming the sale and abandonment of natural gas gathering facilities previously owned by interstate pipelines and acknowledging that if the Federal Energy Regulatory Commission does not have jurisdiction over services provided by these facilities, then such facilities and services may be subject to regulation by state authorities in accordance with state law. In addition, the Federal Energy Regulatory Commission's approval of transfers of previously-regulated gathering systems to independent or pipeline affiliated gathering companies that are not subject to Federal Energy Regulatory Commission regulation may affect competition for gathering or natural gas marketing services in areas served by those systems and thus may affect both the costs and the nature of gathering services that will be available to interested producers or shippers in the future.

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CNX Gas owns certain natural gas pipeline facilities that we believe meet the traditional tests which the Federal Energy Regulatory Commission has used to establish a pipeline's status as a gatherer not subject to the Federal Energy Regulatory Commission jurisdiction.

Additional proposals and proceedings that might affect the gas industry may be pending before Congress, the Federal Energy Regulatory Commission, the Minerals Management Service, state commissions and the courts. CNX Gas cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been heavily regulated. There is no assurance that the regulatory approach currently pursued by various agencies will continue indefinitely. Notwithstanding the foregoing, CNX Gas does not anticipate that compliance with existing federal, state and local laws, rules and regulations will have a material or significantly adverse effect upon the capital expenditures, earnings or competitive position of CNX Gas or its subsidiaries. No material portion of CNX Gas' business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the federal government.

***State Regulation of Gas Operations***

CNX Gas' operations are also subject to regulation at the state and in some cases, county, municipal and local governmental levels. Such regulation includes requiring permits for the drilling of wells, maintaining bonding requirements in order to drill or operate wells and regulating the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the plugging and abandoning of wells, the disposal of fluids used in connection with operations, and gas operations producing coalbed methane in relation to active mining. CNX Gas' operations are also subject to various conservation laws and regulations. These include regulations that affect the size of drilling and spacing units or proration units, the density of wells which may be drilled and the unitization or pooling of gas properties. In addition, state conservation laws establish maximum rates of production from gas wells, generally prohibit the venting or flaring of gas and impose certain requirements regarding the ratable production. A number of states have either enacted new laws or may be considering the adequacy of existing laws affecting gathering rates and/or services. Other state regulation of gathering facilities generally includes various safety, environmental and in some circumstances, nondiscriminatory take requirements, but does not generally entail rate regulation. Thus, natural gas gathering may receive greater regulatory scrutiny of state agencies in the future. CNX Gas' gathering operations could be adversely affected should they be subject in the future to increased state regulation of rates or services, although CNX Gas does not believe that they would be affected by such regulation any differently than other natural gas producers or gatherers. However, these regulatory burdens may affect profitability, and CNX Gas is unable to predict the future cost or impact of complying with such regulations.

***Available Information***

CONSOL Energy maintains a website on the World Wide Web at [www.consolenergy.com](http://www.consolenergy.com). CONSOL Energy makes available, free of charge, on this website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), as soon as reasonably practicable after such reports are available, electronically filed with, or furnished to the SEC, and are also available at the SEC's website at [www.sec.gov](http://www.sec.gov).

***Executive Officers of The Registrant***

Incorporated by reference into this Part I is the information set forth in Part III, Item 10 under the caption "Directors and Executive Officers of CONSOL Energy" (included herein pursuant to Item 401 (b) of Regulation S-K).

**Item 1A. Risk Factors.**

Investment in our securities is subject to various risks, including risks and uncertainties inherent in our business. The following sets forth factors related to our business, operations, financial position or future financial performance or cash flows which could cause an investment in our securities to decline and result in a loss.

***The current financial crisis and deteriorating economic conditions may have material adverse impacts on our business and financial condition that we currently cannot predict.***

As widely reported, economic conditions in the United States and globally have been deteriorating. Financial markets in the United States, Europe and Asia have been experiencing a period of unprecedented turmoil and upheaval characterized by extreme volatility and declines in security prices, severely diminished liquidity and credit availability, inability to access capital markets, the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government and other governments. Unemployment has risen while business and consumer confidence have declined and there are fears of a prolonged recession. Although we cannot predict the impacts on us of the deteriorating economic conditions, they could materially adversely affect our business and financial condition. For example:

- the demand for natural gas may decline due to the deteriorating economic conditions which could negatively impact the revenues, margins and profitability of our natural gas business;
- the demand for electricity and/or for steel may decline due to the deteriorating economic conditions which could negatively impact the revenues, margins and profitability of our steam coal and metallurgical coal businesses;
- the tightening of credit or lack of credit availability to our customers could adversely affect our ability to collect our trade receivables and the amount of receivables eligible for sale pursuant to our accounts receivable facility may decline;
- our ability to access the capital markets may be restricted at a time when we would like, or need, to raise capital for our business including for exploration and/or development of our coal or gas reserves;
- our commodity hedging arrangements could become ineffective if our counterparties are unable to perform their obligations or seek bankruptcy protection.

***A significant extended decline in the prices CONSOL Energy receives for our coal and gas could adversely affect our operating results and cash flows.***

Our financial results are significantly affected by the prices we receive for our coal and gas. Extended or substantial price declines for coal would adversely affect our operating results for future periods and our ability to generate cash flows necessary to improve productivity and expand operations. Prices of coal may fluctuate due to factors beyond our control such as overall domestic and global economic conditions; the consumption pattern of industrial consumers, electricity generators and residential users; technological advances affecting energy consumption; domestic and foreign government regulations; price and availability of alternative fuels; price of foreign imports and weather conditions. Any adverse change in these factors could result in weaker demand and possibly lower prices for our production, which would reduce our revenues.

Gas prices are closely linked to consumption patterns of the electric generation industry and certain industrial and residential patterns where gas is the principal fuel. Natural gas prices are very volatile, and even relatively modest drops in prices can significantly affect our financial results and impede growth. Changes in natural gas prices have a significant impact on the value of our reserves and on our cash flow. In the past we have used hedging transactions to reduce our exposure to market price volatility when we deemed it appropriate. If we choose not to engage in, or reduce our use of hedging arrangements in the future, we may be more adversely affected by changes in natural gas and oil prices than our competitors who engage in hedging arrangements to a

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greater extent than we do. Prices for natural gas may fluctuate widely in response to relatively minor changes in the supply of and demand for natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as: the domestic and foreign supply of natural gas; the price of foreign imports; overall domestic and global economic conditions; the consumption pattern of industrial consumers, electricity generators and residential users; weather conditions; technological advances affecting energy consumption; domestic and foreign governmental regulations; proximity and capacity of gas pipelines and other transportation facilities; and the price and availability of alternative fuels. Many of these factors may be beyond our control. Earlier in this decade, natural gas prices were lower than they are today. Lower natural gas prices may not only decrease our revenues on a per unit basis, but may also limit our access to capital. A significant decrease in price levels for an extended period would negatively affect us in several ways including our cash flow would be reduced, decreasing funds available for capital expenditures employed to replace reserves or increase production; and access to other sources of capital, such as equity or long-term debt markets, could be severely limited or unavailable. Additionally, lower natural gas prices may reduce the amount of natural gas that we can produce economically. This may result in our having to make substantial downward adjustments to our estimated proved reserves. If this occurs or if our estimates of development costs increase, production data factors change or our exploration results deteriorate, accounting rules may require us to write down, as a non-cash charge to earnings, the carrying value of our natural gas properties. We are required to perform impairment tests on our assets whenever events or changes in circumstances lead to a reduction of the estimated useful life or estimated future cash flows that would indicate that the carrying amount may not be recoverable or whenever management's plans change with respect to those assets. We may incur impairment charges in the future, which could have a material adverse effect on our results of operations in the period taken.

***If customers do not extend existing contracts, do not honor existing contracts, or do not enter into new long-term contracts for coal, profitability of CONSOL Energy's operations could be affected***

During the year ended December 31, 2008, approximately 90% of the coal CONSOL Energy produced was sold under long-term contracts (contracts with terms of one year or more). If a substantial portion of CONSOL Energy's long-term contracts are modified or terminated or if force majeure is exercised, CONSOL Energy would be adversely affected if we are unable to replace the contracts or if new contracts were not at the same level of profitability. If existing customers do not honor current contract commitments, our revenue would be adversely affected. The profitability of our long-term coal supply contracts depends on a variety of factors, which vary from contract to contract and fluctuate during the contract term, including our production costs and other factors. Price changes, if any, provided in long-term supply contracts may not reflect our cost increases, and therefore, increases in our costs may reduce our profit margins. In addition, in periods of declining market prices, provisions for adjustment or renegotiation of prices and other provisions may increase our exposure to short-term coal price volatility. As a result, CONSOL Energy may not be able to obtain long-term agreements at favorable prices (compared to either market conditions, as they may change from time to time, or our cost structure) and long-term contracts may not contribute to our profitability.

***The loss of, or significant reduction in, purchases by our largest customers could adversely affect our revenues.***

For the year ended December 31, 2008, we derived over 25% of our total revenues from sales to our four largest coal customers. At December 31, 2008, we had approximately 24 coal supply agreements with these customers that expire at various times from 2009 to 2021. We are currently discussing the extension of existing agreements or entering into new long-term agreements with some of these customers, but these negotiations may not be successful and these customers may not continue to purchase coal from us under long-term coal supply agreements. If any one of these four customers were to significantly reduce their purchases of coal from us, or if we were unable to sell coal to them on terms as favorable to us as the terms under our current agreements, our financial condition and results of operations could suffer materially.

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***Our ability to collect payments from our customers could be impaired if their creditworthiness declines or if they fail to honor their contracts with us.***

Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. Some power plant owners may have credit ratings that are below investment grade. If the creditworthiness of our customers declines significantly, our \$165 million accounts receivable securitization program and our business could be adversely affected. In addition, if a customer refuses to accept shipments of our coal for which they have an existing contractual obligation, our revenues will decrease and we may have to reduce production at our mines until our customer's contractual obligations are honored.

***Disruption of rail, barge, overland conveyor and other systems that deliver CONSOL Energy's coal, or an increase in transportation costs, could make CONSOL Energy's coal less competitive.***

Coal producers depend upon rail, barge, trucking, overland conveyor and other systems to provide access to markets. Disruption of transportation services because of weather-related problems, strikes, lock-outs, break-downs of locks and dams or other events could temporarily impair our ability to supply coal to customers and adversely affect our profitability. Transportation costs represent a significant portion of the delivered cost of coal and, as a result, the cost of delivery is a critical factor in a customer's purchasing decision. Increases in transportation costs could make our coal less competitive.

***Competition within the coal and gas industries may adversely affect our ability to sell our products. A loss of our competitive position because of overcapacity in these industries could adversely affect pricing which could impair our profitability.***

CONSOL Energy competes with coal producers in various regions of the United States and with some foreign coal producers for domestic sales primarily to power generators. CONSOL Energy also competes with both domestic and foreign coal producers for sales in international markets. Demand for our coal by our principal customers is affected by the delivered price of competing coals, other fuel supplies and alternative generating sources, including nuclear, natural gas, oil and renewable energy sources, such as hydroelectric power. CONSOL Energy sells coal to foreign electricity generators and to the more specialized metallurgical coal market, both of which are significantly affected by international demand and competition.

Recent increases in coal prices could encourage existing producers to expand capacity or for new producers to enter the market. If overcapacity results, our revenues could be reduced if prices fell or we cannot sell our coal.

The gas industry is intensely competitive with companies from various regions of the United States and we may compete with foreign companies for domestic sales, many of whom are larger and have greater financial, technological, human and other resources. If we are unable to compete, our company, our operating results and financial position may be adversely affected. For example, one of our competitive strengths is being a low-cost producer of gas. If our competitors can produce gas at a lower cost than us, it would effectively eliminate our competitive strength in that area. In addition, larger companies may be able to pay more to acquire new gas properties for future exploration, limiting our ability to replace gas we produce or to grow our production. Our ability to acquire additional properties and to discover new gas resources also depends on our ability to evaluate and select suitable properties and to consummate these transactions in a highly competitive environment.

***We require a skilled workforce to run our business. If we cannot hire qualified people to meet replacement or expansion needs, we may not be able to achieve planned results.***

Most of our workforce is comprised of people with technical skills related to the production of coal and gas. Approximately 50 percent of our workforce is 50 years of age or older. Based on our experience, we expect a high percentage of our employees to retire between now and the next five to seven years. This will require us to

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conduct an expanded and sustained effort to recruit new employees to replace those who retire and to fill new jobs as we grow our business. Some areas of Appalachia, most notably in eastern Kentucky, currently have a shortage of skilled labor. Because we have operations in this area, the shortage could make it more difficult to meet our staffing needs and therefore, our results may be adversely affected. Finally, a lack of qualified people may also affect companies that we use to perform certain specialized work. If these companies cannot find enough qualified workers, it may delay projects done for us or increase our costs.

***The characteristics of coal may make it difficult for coal users to comply with various environmental standards. These standards are continually under review by international, federal and state agencies, related to coal combustion. As a result, coal users may switch to other fuels, which would affect the volume of CONSOL Energy's coal sales.***

Coal contains impurities, including sulfur, mercury, chlorine and other elements or compounds, many of which are released into the air when coal is burned. Stricter environmental regulations of emissions from coal-fired electric generating plants could increase the costs of using coal thereby reducing demand for coal as a fuel source, the volume of our coal sales and price. Stricter regulations could make coal a less attractive fuel alternative in the planning and building of utility power plants in the future.

For example, in order to meet the federal Clean Air Act limits for sulfur dioxide emissions from electric power plants, coal users will need to install scrubbers, use sulfur dioxide emission allowances (some of which they may purchase), or switch to other fuels. Each option has limitations. Lower sulfur coal may be more costly to purchase on an energy basis than higher sulfur coal depending on mining and transportation costs. The cost of installing scrubbers is significant and emission allowances may become more expensive as their availability declines. Switching to other fuels may require expensive modification of existing plants. Because higher sulfur coal currently accounts for a significant portion of our sales, the extent to which power generators switch to alternative fuel could materially affect us if we cannot offset the cost of sulfur removal by lowering the delivered costs of our higher sulfur coals on an energy equivalent basis.

Proposed reductions in emissions of mercury, sulfur dioxides, nitrogen oxides, particulate matter or greenhouse gases may require the installation of additional costly control technology or the implementation of other measures, including trading of emission allowances and switching to other fuels. The Environmental Protection Agency continues to require reduction of nitrogen oxide emissions in a number of eastern states and the District of Columbia and will require reduction of particulate matter emissions over the next several years for areas that do not meet air quality standards for fine particulates. In addition, Congress and several states may consider legislation to further control air emissions of multiple pollutants from electric generating facilities and other large emitters. Any new or proposed reductions will make it more costly to operate coal-fired plants and could make coal a less attractive fuel alternative to the planning and building of utility power plants in the future. To the extent that any new or proposed requirements affect our customers, this could adversely affect our operations and results.

***CONSOL Energy may not be able to produce sufficient amounts of coal to fulfill our customers' requirements, which could harm our relationships with customers.***

CONSOL Energy may not be able to produce sufficient amounts of coal to meet customer demand, including amounts that we are required to deliver under long-term contracts. CONSOL Energy's inability to satisfy contractual obligations could result in our customers initiating claims against us.

***Foreign currency fluctuations could adversely affect the competitiveness of our coal abroad.***

We compete in international markets against coal produced in other countries. Coal is sold internationally in U.S. dollars. As a result, mining costs in competing producing countries may be reduced in U.S. dollar terms based on currency exchange rates, providing an advantage to foreign coal producers. Currency fluctuations among countries purchasing and selling coal could adversely affect the competitiveness of our coal in international markets.

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***Coal mining is subject to conditions or events beyond CONSOL Energy's control, which could cause our financial results to deteriorate.***

CONSOL Energy's coal mining operations are predominantly underground mines. These mines are subject to conditions or events beyond CONSOL Energy's control that could disrupt operations and affect production and the cost of mining at particular mines for varying lengths of time. These conditions or events may have a significant impact on our operating results. Conditions or events have included:

- variations in thickness of the layer, or seam, of coal;
- amounts of rock and other natural materials intruding into the coal seam and other geological conditions that could affect the stability of the roof and the side walls of the mine;
- equipment failures or repairs;
- fires and other accidents; and
- weather conditions.

***Our mining operations consume significant quantities of commodities, the price of which is determined by international markets. If commodity prices increase significantly or rapidly, it could impact our cost of production.***

Coal mines consume large quantities of commodities such as steel, copper, rubber products and liquid fuels. Some commodities, such as steel, are needed to comply with roof control plans required by regulation. The prices we pay for these products are strongly impacted by the global commodities market. A rapid or significant increase in cost of some commodities could impact our mining costs because we have a limited ability to negotiate lower prices, and, in some cases, do not have a ready substitute for these commodities.

***For mining and drilling operations, CONSOL Energy must obtain, maintain, and renew governmental permits and approvals which can be a costly and time consuming process and can result in restrictions on our operations.***

Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in the commencement or continuation of exploration or production operations. For example, CONSOL Energy often is required to prepare and present to federal, state and local authorities data pertaining to the effect or impact that proposed exploration for or production of coal may have on the environment. Further, the public has the right to comment on and otherwise participate in the permitting process, including through administrative appeals of permits and possibly further appeals in the courts. Accordingly, the permits CONSOL Energy needs may not be issued, or if issued, may not be issued in a timely fashion, or may involve requirements which restrict our ability to conduct our mining or gas operations or to do so profitably.

***Proposals to regulate greenhouse gas emissions could impact the market for our fossil fuels, increase our costs, and reduce the value of our coal and gas assets.***

Global climate change continues to attract considerable public and scientific attention with widespread concern about the impacts of human activity, especially the emissions of greenhouse gases (GHGs), such as carbon dioxide and methane. Combustion of fossil fuels, such as the coal and gas we produce, results in the creation of carbon dioxide that is currently emitted into the atmosphere by coal and gas end users, such as coal-fired electric generation power plants. Numerous proposals have been made and are likely to continue to be made at the international, national, regional, and state levels of government that are intended to limit emissions of GHGs. Several states have already adopted measures requiring reduction of GHGs within state boundaries. Further regulation of GHGs could occur in the United States pursuant to treaty obligations, regulation under the Clean Air Act, or states enacting new laws and regulations. Internationally, the Kyoto Protocol, which set binding emission targets for developed countries (including the United States but has not been ratified by the

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United States), expires in 2012 and negotiations are underway for a new protocol. In 2007, the U.S. Supreme Court upheld in *Massachusetts v. Environmental Protection Agency* (EPA), that the EPA had authority to regulate GHG's under the Clean Air Act and a number of states have filed lawsuits seeking to force the EPA to adopt GHG regulations. President Obama has pledged to implement an economy-wide cap-and-trade program to reduce greenhouse gas emissions 80 percent by 2050 and that he would cause the United States to be a world leader on GHG reduction and re-engage with the United Nations Framework Convention on Climate Change to develop a global GHG program. Apart from governmental regulation, on February 4, 2008 three of Wall Street's largest investment banks announced that they had adopted climate change guidelines for lenders to evaluate carbon risks in the financing of utility power plants which may make it more difficult for utilities to obtain financing for coal-fired plants. If comprehensive laws focusing on GHGs emission reductions were to be enacted by the United States, individual states, in other countries where we sell coal, or if utilities were to have difficulty obtaining financing in connection with coal-fired plants, it may adversely affect the use of and demand for fossil fuels, particularly coal, which could have a material adverse effect on our results of operations, cash flows and financial condition.

In July 2008, the EPA published an Advance Notice of Proposed Rulemaking ("ANPR") seeking comments and discussion of the complex issues associated with the possible regulation of greenhouse gases under the Clean Air Act. The deadline for comments on the ANPR was November 28, 2008. The EPA sought comments and discussion on: (i) advantages and disadvantages of regulating greenhouse gases under various provisions of the Clean Air Act; (ii) how a decision to regulate greenhouse gases under one provision of the Clean Air Act would lead to regulation under other provisions; (iii) issues relevant to legislation to regulate greenhouse gases and the potential overlap of the Clean Air Act and such future legislation; and (iv) scientific information relevant to, and the issues raised by, an analysis as to whether greenhouse gas emissions from automobiles may reasonably be anticipated to endanger public health or welfare.

Coalbed methane must be expelled from our underground coal mines for mining safety reasons. Coalbed methane enhances the greenhouse gas effect to a greater degree than carbon dioxide. Our gas operations capture coalbed methane from our underground coal mines, although some coalbed methane is vented into the atmosphere when the coal is mined. If regulation of GHG emissions does not exempt the release of coalbed methane, we may have to curtail coal production, pay higher taxes, or incur costs to purchase credits that permit us to continue operations as they now exist at our underground coal mines. The amount of coalbed methane we capture is recorded, on a voluntarily basis, with the U.S Department of Energy. We have recorded the amounts we have captured since the early 1990's and our subsidiary, CNX Gas has registered as an offset provider of credits with the Chicago Climate Exchange. If regulation of GHGs does not give us credit for capturing methane that would otherwise be released into the atmosphere at our coal mines, any value associated with our historical or future credits would be reduced or eliminated.

***Government laws, regulations and other legal requirements relating to protection of the environment, health and safety matters and others that govern our business increase our costs of doing business for both coal and gas, and may restrict our operations.***

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local, as well as foreign authorities relating to protection of the environment and health and safety matters, including those legal requirements that govern discharges of substances into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, groundwater quality and availability, plant and wildlife protection, reclamation and restoration of mining or drilling properties after mining or drilling is completed, the installation of various safety equipment in our mines, control of surface subsidence from underground mining and work practices related to employee health and safety. Complying with these requirements, including the terms of our permits, has had, and will continue to have, a significant effect on our costs of operations and competitive position. In addition, we could incur substantial costs, including clean up costs, fines and civil or criminal sanctions and third party damage claims for personal injury, property damage, wrongful death, or exposure to hazardous substances, as a result of violations of or liabilities under environmental and health and safety laws.

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For example, the federal Clean Water Act and corresponding state laws affect coal mining and gas operations by imposing restrictions on discharges into regulated surface waters. Permits requiring regular monitoring and compliance with effluent limitations and reporting requirements govern the discharge of pollutants into regulated waters. In combination with existing requirements under the Clean Water Act and corresponding state laws (including those relating to protection of “impaired waters” so designated by individual states through the use of new effluent limitations known as Total Maximum Daily Load (“TMDL”) limits; anti-degradation regulations which protect state designated “high quality/exceptional use” streams by restricting or prohibiting “discharges” which result in degradation; and requirements to treat discharges from coal mining properties for non-traditional pollutants, such as chlorides and selenium; and “protecting” streams, wetlands, other regulated water sources and associated riparian lands from the surface impacts of underground mining), may cause CONSOL Energy to incur significant additional costs that could adversely affect our operating results, financial condition and cash flows or may prevent us from being able to mine portions of our reserves. In addition, CONSOL Energy incurs and will continue to incur significant costs associated with the investigation and remediation of environmental contamination under the federal Comprehensive Environmental Response, Compensation, and Liability Act (Superfund) and similar state statutes and has been named as a potentially responsible party at Superfund sites in the past.

Additionally, the gas industry is subject to extensive legislation and regulation, which is under constant review for amendment or expansion. Any changes may affect, among other things, the pricing or marketing of gas production. State and local authorities regulate various aspects of gas drilling and production activities, including the drilling of wells (through permit and bonding requirements), the spacing of wells, the unitization or pooling of gas properties, environmental matters, safety standards, market sharing and well site restoration. If we fail to comply with statutes and regulations, we may be subject to substantial penalties, which would decrease our profitability.

***Our mines are subject to stringent federal and state safety regulations that increase our cost of doing business at active operations, and may place restrictions on our methods of operation. In addition, government inspectors under certain circumstances, have the ability to order our operations to be shut down based on safety considerations.***

Stringent health and safety standards were imposed by federal legislation when the Federal Coal Mine Health and Safety Act of 1969 were adopted. The Federal Coal Mine Safety and Health Act of 1977 expanded the enforcement of safety and health standards of the Coal Mine Health and Safety Act of 1969 and imposed safety and health standards on all (non-coal as well as coal) mining operations. Regulations are comprehensive and affect numerous aspects of mining operations, including training of mine personnel, mining procedures, the equipment used in mine emergency procedures, mine plans and other matters. Several mining accidents at our competitors’ mines that resulted in fatalities in early 2006 led to adoption of additional safety regulations by the Mine Safety and Health Administration and the adoption in June 2006 of the Mine Improvement and New Emergency Response Act of 2006 (“the MINER Act”). The additional requirements of the MINER Act and implementing federal regulations include, among other things, expanded emergency response plans, providing additional quantities of breathable air for emergencies, installation of refuge chambers in underground coal mines, installation of two-way communications and tracking systems for underground coal mines, new standards for sealing mined out areas of underground coal mines, more available mine rescue teams and enhanced training for emergencies. Most states in which CONSOL Energy operates have programs for mine safety and health regulation and enforcement. We believe that the combination of federal and state safety and health regulations in the coal mining industry is, perhaps, the most comprehensive system for protection of employee safety and health affecting any industry. Most aspects of mine operations, particularly underground mine operations, are subject to extensive regulation. The various requirements mandated by law or regulation can place restrictions on our methods of operations, creating a significant effect on operating costs and productivity. In addition, government inspectors under certain circumstances, have the ability to order our operation to be shut down based on safety considerations.

***CONSOL Energy has reclamation and mine closure obligations. If the assumptions underlying our accruals are inaccurate, we could be required to expend greater amounts than anticipated.***

The Surface Mining Control and Reclamation Act establish operational, reclamation and closure standards for all aspects of surface mining as well as most aspects of deep mining. CONSOL Energy accrues for the costs of current mine disturbance and of final mine closure, including the cost of treating mine water discharge where necessary. Estimates of our total reclamation and mine-closing liabilities, which are based upon permit requirements and our experience, were approximately \$464 million at December 31, 2008. The amounts recorded are dependent upon a number of variables, including the estimated future closure costs, estimated proven reserves, assumptions involving profit margins, inflation rates, and the assumed credit-adjusted risk-free interest rates. Furthermore, these obligations are unfunded. If these accruals are insufficient or our liability in a particular year is greater than currently anticipated, our future operating results could be adversely affected.

***CONSOL Energy faces uncertainties in estimating our economically recoverable coal reserves, and inaccuracies in our estimates could result in lowers than expected revenues, higher than expected costs and decreased profitability.***

There are uncertainties inherent in estimating quantities and values of economically recoverable coal reserves, including many factors beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Information about our reserves consists of estimates based on engineering, economic and geological data assembled and analyzed by our staff.

Some of the factors and assumptions which impact economically recoverable reserve estimates include:

- geological conditions;
- historical production from the area compared with production from other producing areas;
- the assumed effects of regulations and taxes by governmental agencies;
- assumptions governing future prices; and
- future operating costs, including cost of materials.

Each of these factors may in fact vary considerably from the assumptions used in estimating reserves. For these reasons, estimates of the economically recoverable quantities of coal attributable to a particular group of properties, and classifications of these reserves based on risk of recovery and estimates of future net cash flows, may vary substantially. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and these variances may be material. As a result, our estimates may not accurately reflect our actual reserves.

***Fairmont Supply Company, a subsidiary of CONSOL Energy, is a co-defendant in various asbestos litigation cases which could result in making payments in the future that are material.***

One of our subsidiaries, Fairmont Supply Company (Fairmont), which distributes industrial supplies, currently is named as a defendant in approximately 25,000 asbestos claims in state courts in Pennsylvania, Ohio, West Virginia, Maryland, Mississippi and New Jersey. Because a very small percentage of products manufactured by third parties and supplied by Fairmont in the past may have contained asbestos and many of the pending claims are part of mass complaints filed by hundreds of plaintiffs against a hundred or more defendants, it has been difficult for Fairmont to determine how many of the cases actually involve valid claims or plaintiffs who were actually exposed to asbestos-containing products supplied by Fairmont. In addition, while Fairmont may be entitled to indemnity or contribution in certain jurisdictions from manufacturers of identified products, the availability of such indemnity or contribution is unclear at this time and, in recent years, some of the manufacturers named as defendants in these actions have sought protection from these claims under bankruptcy laws. Fairmont has no insurance coverage with respect to these asbestos cases. For the year ended December 31,

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2008, payments by Fairmont with respect to asbestos cases have not been material. Our current estimates related to these asbestos claims, individually and in the aggregate, are immaterial to the financial position, results of operations and cash flows of CONSOL Energy. However, it is reasonably possible that payments in the future with respect to pending or future asbestos cases may be material to the financial position, results of operations or cash flows of CONSOL Energy.

CONSOL Energy has also been sued in a limited number of asbestos cases in Pennsylvania and Illinois. All involve claims that the plaintiffs developed asbestos-related disease as a result of working with or around asbestos containing products used at mines operated by subsidiaries of Consolidation Coal Company or CONSOL of Kentucky. CONSOL Energy has raised a number of defenses including lack of jurisdiction and that it is not properly named as a party since CONSOL Energy did not own or operate the mines at which the alleged exposures occurred. Discovery is still in the early stages in each matter. The Company believes it is not responsible for these claims, and it will vigorously defend the cases. However, it is reasonably possible that the ultimate liability in the future with respect to these claims may be material to the financial position, results of operations or cash flows of CONSOL Energy.

***CONSOL and its subsidiaries are subject to various legal proceedings, which may have a material effect on our business.***

We are party to a number of legal proceedings incident to normal business activities. There is the potential that an individual matter or the aggregation of many matters could have an adverse effect on our cash flows, results of operations or financial position. See Note 25 in the Notes to the Audited Consolidated Financial Statements for further discussion.

***CONSOL Energy has obligations for long-term employee benefits for which we accrue based upon assumptions which, if inaccurate, could result in CONSOL Energy being required to expense greater amounts than anticipated.***

CONSOL Energy provides various long-term employee benefits to inactive and retired employees. We accrue amounts for these obligations. At December 31, 2008, the current and non-current portions of these obligations included:

- post retirement medical and life insurance (\$2.6 billion);
- coal workers' black lung benefits (\$200.1 million);
- salaried retirement benefits (\$196.5 million); and
- workers' compensation (\$159.8 million).

However, if our assumptions are inaccurate, we could be required to expend greater amounts than anticipated. These obligations are unfunded, except for salaried retirement benefits. The 2008 plan year funding ratio was 92%. In addition, several states in which we operate consider changes in workers' compensation and black lung laws from time to time. Such changes, if enacted, could increase our benefit expense.

***Due to our participation in multi-employer pension and benefit plans, we have exposure under those plans that extend beyond what our obligation would be with respect to our employees.***

We are obligated to contribute to multi-employer defined benefit plans for UMWA retirees which provides pension, medical and death benefits. In the event of a partial or complete withdrawal by us from any plan which is underfunded, we would be liable for a proportionate share of such plan's unfunded vested benefits. Based on the limited information available from plan administrators, which we cannot independently validate, we believe that our portion of the contingent liability in the case of a full withdrawal or termination could be material to our financial position and results of operations. In the event that any other contributing employer withdraws from any

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plan which is underfunded, and such employer (or any member in its controlled group) cannot satisfy their obligations under the plan at the time of withdrawal, then we, along with the other remaining contributing employers, would be liable for our proportionate share of such plan's unfunded vested benefits.

***The minimum funding level requirements of the Pension Protection Act of 2006 ("Pension Act") applicable to single employer and multi-employer defined benefit pension plans, coupled with significant investment asset losses suffered by such pension plans during the current historic decline in equity markets and the current volatile economic environment, have exposed CONSOL Energy to having to make additional cash contributions to fund the pension benefit plans which we sponsor and the multi-employer pension benefit plans in which we participate.***

CONSOL Energy sponsors a defined benefit retirement plan that covers substantially all employees not participating in multi-employer pension plans. For this pension plan, the Pension Act requires a funding target of 100% of the present value of accrued benefits. The Pension Act includes a funding target phase-in provision that establishes a funding target of 92% in 2008, 96% in 2010, and 100% thereafter for the defined benefit pension plan. Any such plan with a funded ratio of less than 80%, or less than 70% using special assumptions, will be deemed to be "at risk" and will be subject to additional funding requirements under the Pension Act. The 2008 plan year funding ratio was 92%. The current volatile economic environment and the rapid deterioration in the equity markets have caused investment income and the value of investment assets held in our pension trust to decline and lose value. As a result, CONSOL Energy may be required to increase the amount of cash contributions it makes into the pension trust in order to meet the funding level requirements of the Pension Act.

Certain subsidiaries of CONSOL Energy also participate in a defined benefit multi-employer pension plan negotiated with the United Mine Workers of America ("UMWA") and contained in the National Bituminous Coal Wage Agreement ("NBCWA"). The NBCWA currently calls for contribution amounts to be paid into the multi-employer 1974 Pension Trust based principally on hours worked by UMWA-represented employees. The current contribution rates called for by the NBCWA are: \$3.50 per hour worked in 2008, \$4.25 per hour worked in 2009, \$5.00 per hour worked in 2010, and \$5.50 per hour worked in 2011. These multi-employer pension plan contributions are expensed as incurred. The Pension Act requires a minimum funding ratio of 80% be maintained for this multi-employer pension plan and if the plan is determined to have a funded ratio of less than 80% it will be deemed to be "endangered", and if less than 60% it will be deemed to be "critical", and will in either case be subject to additional funding requirements. Based on an estimated funding percentage of 91.4%, a certification was provided by the multi-employer plan actuary, stating that the plan is in neither "endangered" nor "critical" status for the plan year beginning July 1, 2008. However, the current volatile economic environment and the rapid deterioration in the equity markets have caused investment income and the value of investment assets held in the 1974 Pension Trust to decline and lose value. In the event that an estimate or a certification of the funding ratio were to be performed by the multi-employer pension plan actuary at December 31, 2008, a likely result would be the plan being deemed to be in "endangered" or "critical" status because the funding ratio under the Pension Act would be less than 80%. Such a determination would require certain subsidiaries of CONSOL Energy to make additional contributions pursuant to a funding improvement plan implemented in accordance with the Pension Act and, therefore, could have a material impact our operating results.

***If lump sum payments made to retiring salaried employees pursuant to CONSOL Energy's defined benefit pension plan exceed the total of the service cost and the interest cost in a plan year, CONSOL Energy would need to make an adjustment to operating results equaling the unrecognized actuarial gain or loss resulting from each individual who received a lump sum payment in that year, which may result in an adjustment that could materially reduce operating results.***

CONSOL Energy's defined benefit pension plan for salaried employees allows such employees to receive a lump-sum distribution for benefits earned up through December 31, 2005 in lieu of annual payments when they retire from CONSOL Energy. Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans for the Terminations Benefits," requires that if

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the lump-sum distributions made for a plan year, which currently for CONSOL Energy is January 1 to December 31, exceed the total of the service cost and interest cost for the plan year, CONSOL Energy would need to recognize for that year's results of operations an adjustment equaling the unrecognized actuarial gain or loss resulting from each individual who received a lump sum in that year.

***Various federal or state laws and regulations require CONSOL Energy to obtain surety bonds or to provide other assurance of payment for certain of our long-term liabilities including mine closure or reclamation costs, workers' compensation, coal workers' black lung and other post employment benefits.***

Federal and state laws and regulations require us to obtain surety bonds or provide other assurances to secure payment of certain long-term obligations including mine closure or reclamation costs, water treatment costs, federal and state workers' compensation costs, and other miscellaneous obligations. The requirements and amounts of security are not fixed and can vary from year to year. It has become increasingly difficult for us to secure new surety bonds or renew such bonds without posting collateral. CONSOL Energy has satisfied our obligations under these statutes and regulations by providing letters of credit or other assurances of payment. The issuance of letters of credit under our bank credit facility reduces amounts that we can borrow under our bank credit facility for other purposes.

***Acquisitions that we have completed, acquisitions that we may undertake in the future, as well as expanding existing company mines involve a number of risks, any of which could cause us not to realize the anticipated benefits.***

We have completed several acquisitions and mine expansions in the past. We continually seek to grow our business by adding and developing coal and gas reserves through acquisitions; and by expanding the production at existing mines and existing gas operations. If we are unable to successfully integrate the companies, businesses or properties we acquire, our profitability may decline and we could experience a material adverse effect on our business, financial condition, or results of operations. Mine expansion, gas operation expansion and acquisition transactions involve various inherent risks, including:

- Uncertainties in assessing the value, strengths, and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental liabilities) of expansion and acquisition opportunities;
- The potential loss of key customers, management and employees of an acquired business;
- The ability to achieve identified operating and financial synergies anticipated to result from an expansion or an acquisition opportunity;
- Problems that could arise from the integration of the acquired business; and
- Unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the expansion or the acquisition opportunity.

***CONSOL Energy's rights plan may have anti-takeover effects that could prevent a change of control.***

On December 19, 2003, CONSOL Energy adopted a rights plan which, in certain circumstances, including a person or group acquiring, or the commencement of a tender or exchange offer that would result in a person or group acquiring, beneficial ownership of more than 15% of the outstanding shares of CONSOL Energy common stock, would entitle each right holder to receive, upon exercise of the right, shares of CONSOL Energy common stock having a value equal to twice the right exercise price. For example, at an exercise price of \$80 per right, each right not otherwise voided would entitle its holders to purchase \$160 worth of shares of CONSOL Energy common stock for \$80. Assuming that shares of CONSOL Energy common stock had a per share value of \$16 at such time, the holder of each right would be entitled to purchase ten shares of CONSOL Energy common stock for \$80, or a price of \$8 per share, one half its then market price. This and other provisions of CONSOL Energy's rights plan could make it more difficult for a third party to acquire CONSOL Energy, which could hinder stockholders' ability to receive a premium for CONSOL Energy stock over the prevailing market prices.

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***CONSOL Energy faces uncertainties in estimating proved recoverable gas reserves, and inaccuracies in our estimates could result in lower than expected reserve quantities and a lower present value of our reserves.***

Natural gas reserve engineering requires subjective estimates of underground accumulations of natural gas and assumptions concerning future natural gas prices, production levels, and operating and development costs. As a result, estimated quantities of proved reserves and projections of future production rates and timing of development expenditures may be incorrect. We have in the past retained the services of independent petroleum engineers to prepare reports of our proved reserves. Over time, material changes to reserve estimates may be made, taking into account the results of actual drilling, testing, and production. Also, we make certain assumptions regarding future natural gas prices, production levels, and operating and development costs that may prove incorrect. Any significant variance from these assumptions to actual figures could greatly affect our estimates of our reserves, the economically recoverable quantities of natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery, and estimates of the future net cash flows. Numerous changes over time to the assumptions on which our reserve estimates are based, as described above, often result in the actual quantities of gas we ultimately recover being different from reserve estimates.

The present value of future net cash flows from our proved reserves is not necessarily the same as the current market value of our estimated natural gas reserves. We base the estimated discounted future net cash flows from our proved reserves on prices and costs. However, actual future net cash flows from our gas and oil properties also will be affected by factors such as:

- geological conditions;
- changes in governmental regulations and taxation;
- assumptions governing future prices;
- the amount and timing of actual production;
- future operating costs; and
- capital costs of drilling new wells.

The timing of both our production and incurrence of expenses in connection with the development and production of natural gas properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the natural gas and oil industry in general.

***Our exploration and development activities may not be commercially successful.***

The exploration for and production of gas involves numerous risks. The cost of drilling, completing and operating wells for coalbed methane or other gas is often uncertain, and a number of factors can delay or prevent drilling operations or production, including:

- unexpected drilling conditions;
- title problems;
- pressure or irregularities in geologic formations;
- equipment failures or repairs;
- fires or other accidents;
- adverse weather conditions;
- reductions in natural gas prices;
- pipeline ruptures; and
- unavailability or high cost of drilling rigs, other field services and equipment.

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Our future drilling activities may not be successful, and our drilling success rates could decline. Unsuccessful drilling activities could result in higher costs without any corresponding revenues.

***We have a limited operating history in certain of our operating natural gas areas, and our increased focus on new development projects in these and other unexplored areas increases the risks inherent in our gas and oil activities.***

In 2009 and beyond we plan to conduct testing and development activities in areas where we have little or no proved reserves, such as certain areas in Pennsylvania, Kentucky and Tennessee. These exploration, drilling and production activities will be subject to many risks, including the risk that coalbed methane or other natural gas is not present in sufficient quantities in the coal seam or target strata, or that sufficient permeability does not exist for the gas to be produced economically. We have invested in property, and will continue to invest in property, including undeveloped leasehold acreage, that we believe will result in projects that will add value over time. Drilling for coalbed methane, other natural gas and oil may involve unprofitable efforts, not only from dry wells but also from wells that are productive but do not produce sufficient net reserves to return a profit after deducting drilling, operating and other costs. We cannot be certain that the wells we drill in these new areas will be productive or that we will recover all or any portion of our investments.

***Our natural gas business depends on transportation facilities owned by others. Disruption of, capacity constraints in, or proximity to pipeline systems could limit sales of our gas.***

We transport our gas to market by utilizing pipelines owned by others. If pipelines do not exist near our producing wells, if pipeline capacity is limited or if pipeline capacity is unexpectedly disrupted, our gas sales could be limited, reducing our profitability. If we cannot access pipeline transportation, we may have to reduce our production of gas or vent our produced gas to the atmosphere because we do not have facilities to store excess inventory. If our sales are reduced because of transportation constraints, our revenues will be reduced, which will also increase our unit costs. If we cannot obtain transportation capacity and we do not have the ability to store gas, we may have to reduce production. If pipeline quality tariffs change, we might be required to install additional processing equipment which could increase our costs. The pipeline could curtail our flows until the gas delivered to their pipeline is in compliance.

***Increased natural gas industry activity may create shortages of field services, equipment and personnel, which may increase our costs and may limit our ability to drill and produce from our natural gas properties.***

The demand for well service providers, related equipment, and qualified and experienced field personnel to drill wells and conduct field operations, including geologists, geophysicists, engineers and other professionals in the natural gas and oil industry can fluctuate significantly, often in correlation with natural gas and oil prices, causing periodic shortages. These shortages may lead to escalating prices, the possibility of poor services, inefficient drilling operations, and personnel injuries. Such pressures will likely increase the actual cost of services, extend the time to secure such services and add costs for damages due to accidents sustained from the over use of equipment and inexperienced personnel. Higher oil and natural gas prices generally stimulate increased demand and result in increased prices for drilling equipment, crews and associated supplies, equipment and services. In addition, the costs and delivery times of equipment and supplies are substantially greater in periods of peak demand. Accordingly, we cannot assure that we will be able to obtain necessary drilling equipment and supplies in a timely manner or on satisfactory terms, and we may experience shortages of, or material increases in the cost of, drilling equipment, crews and associated supplies, equipment and services in the future. Any such delays and price increases could adversely affect our ability to pursue our drilling program and our results of operations.

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***Unless we replace our natural gas reserves, our reserves and production will decline, which would adversely affect our business, financial condition, results of operations and cash flows.***

Producing natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Because total estimated proved reserves include our proved undeveloped reserves at December 31, 2008, production is expected to decline even if those proved undeveloped reserves are developed and the wells produce as expected. The rate of decline will change if production from our existing wells declines in a different manner than we have estimated and can change under other circumstances. Thus, our future natural gas reserves and production and, therefore, our cash flow and income are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, find or acquire additional reserves to replace our current and future production at acceptable costs.

***We may incur additional costs and delays to produce gas because we have to acquire additional property rights to perfect our title to the gas estate.***

Some of the gas rights we believe we control are in areas where we have not yet done any exploratory or production drilling. Most of these properties were acquired by CONSOL Energy primarily for the coal rights, and, in many cases were acquired years ago. While chain of title work for the coal estate was generally fully developed, in many cases, the gas estate title work is less robust. Our practice is to perform a thorough title examination of the gas estate before we commence drilling activities and to acquire any additional rights needed to perfect our ownership of the gas estate for development and production purposes. We may incur substantial costs to acquire these additional property rights and the acquisition of the necessary rights may not be feasible in some cases. Our inability to obtain these rights may adversely impact our ability to develop those properties. Some states permit us to produce the gas without perfected ownership under an administrative process known as “forced pooling,” which require us to give notice to all potential claimants and pay royalties into escrow until the undetermined rights are resolved. As a result, we may have to pay royalties to produce gas on acreage that we control and these costs may be material. Further, the forced pooling process is time-consuming and may delay our drilling program in the affected areas.

In addition, although we have the rights to coal, in some cases CONSOL Energy may not possess the rights to extract and produce gas from coal seams and from shale locations. If we are unable in such cases to obtain those rights from their owners, we will not enjoy the rights to develop the coalbed methane with our mining of coal. Our failure to obtain these rights may adversely impact our ability in the future to increase gas production and gas reserves. For example, we have substantial acreage in West Virginia for which we have not reviewed the title to determine what, if any, additional rights would be needed to produce coalbed methane from those locations or the feasibility of obtaining those rights.

***Currently the majority of our natural gas producing properties is located in three counties in southwestern Virginia, making us vulnerable to risks associated with having our production concentrated in one area.***

The vast majority of our producing properties are geographically concentrated in three counties in Virginia. As a result of this concentration, we may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by significant governmental regulation, transportation capacity constraints, curtailment of production, natural disasters or interruption of transportation of natural gas produced from the wells in this basin or other events which impact this area.

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***Our natural gas drilling and production operations require the removal of water from the coal, shale and other strata from which we produce gas. In addition, we must find adequate sources of water to facilitate the drilling and fracturing process. If we are unable to acquire supplies of water for drilling or are unable to dispose of the water we use or remove from the strata at a reasonable cost and within applicable environmental rules, our ability to produce gas commercially and in commercial quantities could be impaired.***

Coal, shale and other strata frequently contain water that must be removed in order for the gas to detach from the coal and flow to the wellbore. Our ability to remove and dispose of sufficient quantities of water from the coal seam will determine whether or not we can produce gas in commercial quantities. Also, the cost of water disposal may affect our profitability.

We use a substantial amount of water in our gas well drilling operations. Our inability to locate sufficient amounts of water, or dispose of water after drilling, could impact our operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as hydraulic fracturing or disposal of waste, including, but not limited to, produced water, drilling fluids and other wastes associated with the exploration, development or production of natural gas. Furthermore, new environmental regulations governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells may also increase operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, all of which could have an adverse affect on our operations and financial performance.

***Coalbed methane and other gas that we produce often contain impurities that must be removed, and the gas must be processed before it can be sold, which can adversely affect our operations and financial performance.***

A substantial amount of our gas needs to be processed in order to make it salable to our intended customers. At times, the cost of processing this gas relative to the quantity of gas produced from a particular well, or group of wells, may outweigh the economic benefit of selling that gas. Our profitability may decrease due to the reduced production and sale of gas.

***Enactment of a Pennsylvania severance tax on natural gas could adversely impact our results of existing operations and the economic viability of exploiting new gas drilling and production opportunities in Pennsylvania.***

As a result of a funding gap in the Pennsylvania state budget due to significant declines in anticipated tax revenues, the Pennsylvania governor has proposed to its legislature the adoption of a wellhead or severance tax on the production of natural gas in Pennsylvania. The amount of the proposed tax is 5 percent of the value of the natural gas at wellhead plus 4.7 cents per 1,000 cubic feet of natural gas severed. In Pennsylvania we have rights in significant acreage for coalbed methane and other natural gas extraction on which we have drilled and expect to continue to drill producing wells. In 2008, 12%, or 9.1 bcf, of our production was from PA. In addition, a significant amount of our Marcellus shale play acreage is in Pennsylvania. We cannot predict whether Pennsylvania will adopt any such tax, nor if adopted the rate of tax. If Pennsylvania adopts such a tax, it could adversely impact our results of existing operations and the economic viability of exploiting new gas drilling and production opportunities in Pennsylvania.

***Our hedging activities may prevent us from benefiting from price increases and may expose us to other risks.***

To manage our exposure to fluctuations in the price of natural gas, we enter into hedging arrangements with respect to a portion of our expected production. As of December 31, 2008, we had hedges on approximately 41.9 Bcf of our targeted 2009 natural gas production. To the extent that we engage in hedging activities, we may be prevented from realizing the benefits of price increases above the levels of the hedges.

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In addition, such transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production is less than expected;
- the counterparties to our contracts fail to perform the contracts; or
- the creditworthiness of our counterparties or their guarantors is substantially impaired.

If our gas hedges would no longer qualify for hedge accounting, we will be required to mark them to market and recognize the adjustments through current year earnings. This may result in more volatility in our income in future periods.

**Item 1B. *Unresolved Staff Comments.***

None.

**Item 2. *Properties.***

See “Coal Operations” and “Gas Operations” in Item 1 of this 10-K for a description of CONSOL Energy’s properties.

**Item 3. *Legal Proceedings.***

The first through seventeenth paragraphs of Note 25 of the Notes to the Audited Consolidated Financial Statements included as Item 8 in Part II of this Form 10-K are incorporated herein by reference.

**Item 4. *Submission of Matters to a Vote of Security Holders.***

None.

**PART II****Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities.****Common Stock Market Prices and Dividends**

Our common stock is listed on the New York Stock Exchange under the symbol CNX. The following table sets forth for the periods indicated the range of high and low sales prices per share of our common stock as reported on the New York Stock Exchange and the cash dividends declared on the common stock for the periods indicated:

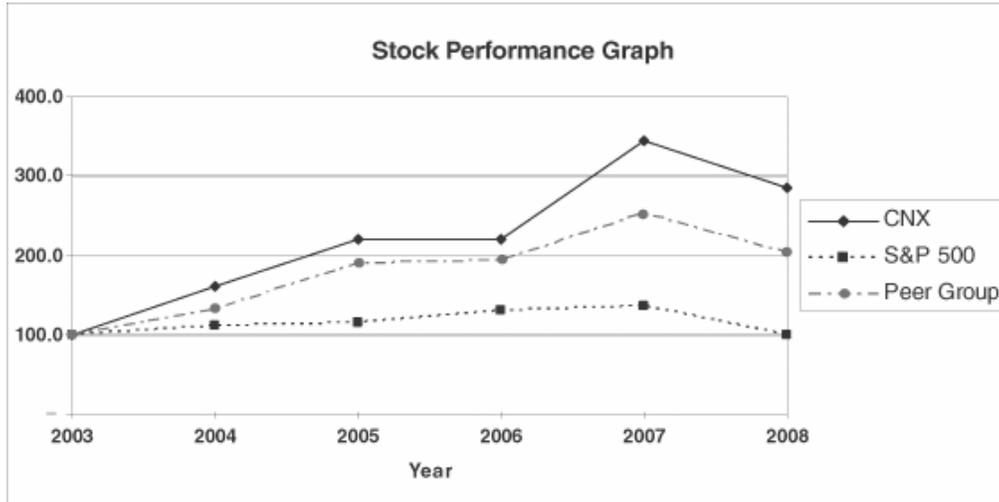
	<u>High</u>	<u>Low</u>	<u>Dividends</u>
Year Period Ended December 31, 2008:			
Quarter Ended March 31, 2008	\$ 84.18	\$ 53.63	\$ 0.10
Quarter Ended June 30, 2008	\$ 119.10	\$ 67.33	\$ 0.10
Quarter Ended September 30, 2008	\$ 112.23	\$ 36.25	\$ 0.10
Quarter Ended December 31, 2008	\$ 44.95	\$ 18.50	\$ 0.10
Year Period Ended December 31, 2007:			
Quarter Ended March 31, 2007	\$ 39.90	\$ 29.15	\$ 0.07
Quarter Ended June 30, 2007	\$ 49.85	\$ 38.37	\$ 0.07
Quarter Ended September 30, 2007	\$ 50.21	\$ 34.37	\$ 0.07
Quarter Ended December 31, 2007	\$ 74.18	\$ 45.04	\$ 0.10

As of February 10, 2009, there were 195 holders of record of our common stock. The computation of the approximate number of shareholders is based upon a broker search.

The following performance graph compares the yearly percentage change in the cumulative total shareholder return on the common stock of CONSOL Energy to the cumulative shareholder return for the same period of a peer group and the Standard & Poor's 500 Stock Index. The peer group is comprised of CONSOL Energy, Alliance Resource Partners, Alpha Natural Resources, Inc., Anadarko Petroleum Corp., Apache Corp., Arch Coal, Inc., Cabot Oil & Gas Corp., Callon Petroleum Co., Cheasapeake Energy, Corp., Climarex Energy, Co., Comstock Resources, Inc., Denbury Resources, Inc., Devon Energy Corp., Encana Corp., EOG Resources, Inc., Foundation Coal Holdings, Inc., International Coal Group, Inc., James River Coal Co., Massey Energy Co., Newfield Exploration Co., Nexen Inc., Noble Energy Inc., Peabody Energy Corp., Penn Virginia Corp., Pioneer Natural Resources Co., Rio Tinto PLC (ADR), St. Mary Land & Exploration, Stone Energy Corp., Ultra Petroleum Corp., and Westmorland Coal Co. The graph assumes that the value of the investment in CONSOL Energy common stock and each index was \$100 at December 31, 2003. The graph also assumes that all dividends were reinvested and that the investments were held through December 31, 2008.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
CONSOL Energy Inc.	100.0	160.7	220.8	220.2	343.8	284.3
Peer Group	100.0	132.0	190.1	193.0	253.3	202.2
S&P 500 Stock Index	100.0	110.7	115.5	131.1	136.5	99.9

**Cumulative Total Shareholder Return Among CONSOL Energy Inc., Peer Group and S&P 500 Stock Index**



The above information is being furnished pursuant to Regulation S-K, Item 201 (e) (Performance Graph).

On January 30, 2009, CONSOL Energy's board of directors declared a dividend of \$0.10 per share, payable on February 20, 2009, to shareholders of record on February 9, 2009.

The declaration and payment of dividends by CONSOL Energy is subject to the discretion of CONSOL Energy's Board of Directors, and no assurance can be given that CONSOL Energy will pay dividends in the future. CONSOL Energy's Board of Directors determines whether dividends will be paid quarterly. The determination to pay dividends will depend upon, among other things, general business conditions, CONSOL Energy's financial results, contractual and legal restrictions regarding the payment of dividends by CONSOL Energy, planned investments by CONSOL Energy and such other factors as the board of directors deems relevant. Our credit facility limits our ability to pay dividends when our leverage ratio covenant is 2.50 to 1.00 or greater or our availability is less than \$100 million. The leverage ratio was 1.34 to 1.00 and our availability was approximately \$244 million at December 31, 2008. The credit facility does not permit dividend payments in the event of defaults. There were no defaults in the year ended December 31, 2008.

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On September 12, 2008, CONSOL Energy Board of Directors announced a share repurchase program of up to \$500 million of the company's common stock during a 24-month period beginning September 9, 2008. The share repurchase plan will be used from time-to-time depending on a number of factors including: current market conditions; the company's financial outlook; business conditions, including cash flows and internal capital requirements; as well as alternative investment options. We repurchased common stock under this program in 2008 as follows:

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly announced Share Repurchase Program</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (000's omitted)</u>
As of September 9, 2008	—	—	—	\$ 500,000
September 9, 2008—September 30, 2008	1,188,500	\$ 39.05	1,188,500	\$ 453,585
October 1, 2008—December 31, 2008	1,552,800	\$ 32.95	2,741,300	\$ 402,427
Total	<u>2,741,300</u>	\$ 35.59		

Previously, on December 21, 2005, CONSOL Energy's Board of Directors announced a share repurchase program of up to \$300 million of the company's common stock during a 24-month period beginning January 1, 2006 and ending December 31, 2007. The program was not renewed. We repurchased common stock under this program in each of the quarters of 2006 and 2007 as follows:

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly announced Share Repurchase Program</u>
January 1, 2006—March 31, 2006	2,391,800	\$ 32.22	2,391,800
April 1, 2006—June 30, 2006	158,000	\$ 41.28	2,549,800
July 1, 2006—September 30, 2006	965,000	\$ 33.97	3,514,800
October 1, 2006—December 31, 2006	—	—	3,514,800
Total 2006 Repurchases	<u>3,514,800</u>	\$ 33.11	
January 1, 2007—March 31, 2007	730,000	\$ 35.05	4,244,800
April 1, 2007—June 30, 2007	1,357,800	\$ 39.80	5,602,600
July 1, 2007—September 30, 2007	—	—	5,602,600
October 1, 2007—December 31, 2007	—	—	5,602,600
Total 2007 Repurchases	<u>2,087,800</u>	\$ 38.14	
Total Repurchases under Program	<u>5,602,600</u>	\$ 35.18	

See Part III, Item 12. "Security ownership of Certain Beneficial Owners and Management and Related Stockholders Matters" for information relating to CONSOL Energy's equity compensation plans.

**Item 6. Selected Financial Data.**

The following table presents our selected consolidated financial and operating data for, and as of the end of, each of the periods indicated. The selected consolidated financial data for, and as of the end of, each of the years ended December 31, 2008, 2007, 2006, 2005 and 2004 are derived from our audited consolidated financial statements. The selected consolidated financial and operating data are not necessarily indicative of the results that may be expected for any future period. The selected consolidated financial and operating data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this report.

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**STATEMENT OF INCOME DATA**  
**(In thousands except per share data)**

	Year Ended December 31,				
	2008	2007	2006	2005	2004
<b>Revenue and Other Income:</b>					
Sales—Outside and Related Party	\$ 4,181,569	\$ 3,324,346	\$ 3,286,522	\$ 2,935,682	\$ 2,425,206
Sales—Purchased Gas	8,464	7,628	43,973	275,148	112,005
Sales—Gas Royalty Interests	79,302	46,586	51,054	45,351	41,858
Freight—Outside and Related Party(A)	216,968	186,909	162,761	119,811	110,175
Other Income	166,142	196,728	170,861	107,131	87,505
Gain on Sale of 18.5% interest in CNX Gas	—	—	—	327,326	—
Total Revenue and Other Income	<u>4,652,445</u>	<u>3,762,197</u>	<u>3,715,171</u>	<u>3,810,449</u>	<u>2,776,749</u>
<b>Costs:</b>					
Cost of Goods Sold and Other Operating Charges (exclusive of depreciation, depletion and amortization shown below)	2,843,203	2,352,000	2,249,776	2,122,259	1,855,033
Purchased Gas Costs	8,175	7,162	44,843	278,720	113,063
Gas Royalty Interests Costs	73,962	39,921	41,879	36,501	32,914
Freight Expense	216,968	186,909	162,761	119,811	110,175
Selling, General and Administrative Expense	124,543	108,664	91,150	80,700	72,870
Depreciation, Depletion and Amortization	389,621	324,715	296,237	261,851	280,397
Interest Expense	36,183	30,851	25,066	27,317	31,429
Taxes Other Than Income	289,990	258,926	252,539	228,606	198,305
Black Lung Excise Tax Refunds	(55,795)	24,092	—	—	—
Total Costs	<u>3,926,850</u>	<u>3,333,240</u>	<u>3,164,251</u>	<u>3,155,765</u>	<u>2,694,186</u>
Earnings Before Income Taxes, Minority Interest and Cumulative Effect of Change in Accounting Principle	725,595	428,957	550,920	654,684	82,563
Income Taxes (Benefits)	239,934	136,137	112,430	64,339	(32,646)
Earnings Before Minority Interest and Cumulative Effect of Change in Accounting principle	485,661	292,820	438,490	590,345	115,209
Minority Interest	(43,191)	(25,038)	(29,608)	(9,484)	—
Cumulative Effect of Change in Accounting for Workers' Compensation Liability, Net of Income Taxes of \$53,080	—	—	—	—	83,373
Net Income	<u>\$ 442,470</u>	<u>\$ 267,782</u>	<u>\$ 408,882</u>	<u>\$ 580,861</u>	<u>\$ 198,582</u>
<b>Earnings Per Share before Cumulative Effect of Change in Accounting:</b>					
Basic	<u>\$ 2.43</u>	<u>\$ 1.47</u>	<u>\$ 2.23</u>	<u>\$ 3.17</u>	<u>\$ 0.64</u>
Dilutive	<u>\$ 2.40</u>	<u>\$ 1.45</u>	<u>\$ 2.20</u>	<u>\$ 3.13</u>	<u>\$ 0.63</u>
<b>Earnings Per Share From Net Income:</b>					
Basic(B)	<u>\$ 2.43</u>	<u>\$ 1.47</u>	<u>\$ 2.23</u>	<u>\$ 3.17</u>	<u>\$ 1.10</u>
Dilutive(B)	<u>\$ 2.40</u>	<u>\$ 1.45</u>	<u>\$ 2.20</u>	<u>\$ 3.13</u>	<u>\$ 1.09</u>
<b>Weighted Average Number of Common Shares Outstanding:</b>					
Basic(C)	<u>182,386,011</u>	<u>182,050,627</u>	<u>183,354,732</u>	<u>183,489,908</u>	<u>180,461,386</u>
Dilutive(C)	<u>184,679,592</u>	<u>184,149,751</u>	<u>185,638,106</u>	<u>185,534,980</u>	<u>182,399,890</u>
Dividend Per Share	<u>\$ 0.40</u>	<u>\$ 0.31</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>

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**BALANCE SHEET DATA**  
(In thousands)

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Working (deficiency) capital	\$ (527,926)	\$ (333,242)	\$ 174,372	\$ 194,578	\$ (243,275)
Total assets	7,370,458	6,208,090	5,663,332	5,071,963	4,195,611
Short-term debt	557,700	247,500	—	—	5,060
Long-term debt (including current portion)	490,752	507,208	552,263	442,996	429,645
Total deferred credits and other liabilities	3,716,021	3,325,231	3,228,653	2,726,563	2,582,318
Stockholders' equity	1,462,187	1,214,419	1,066,151	1,025,356	469,021

**OTHER OPERATING DATA**  
(Unaudited)

	Year Ended December 31,				
	2008	2007	2006	2005	2004
<b>Coal:</b>					
Tons sold (in thousands)(D)(E)	66,236	65,462	68,920	70,401	69,537
Tons produced (in thousands)(E)	65,077	64,617	67,432	69,126	67,745
Productivity (tons per manday)(E)	36.80	41.29	38.41	37.95	40.51
Average production cost (\$ per ton produced)(E)	\$ 41.08	\$ 33.68	\$ 32.53	\$ 30.06	\$ 27.54
Average sales price of tons produced (\$ per ton produced)(E)	\$ 48.77	\$ 40.60	\$ 38.99	\$ 35.61	\$ 30.06
Recoverable coal reserves (tons in millions)(E)(F)	4,543	4,526	4,272	4,546	4,509
Number of active mining complexes (at period end)	17	15	14	17	16
<b>Gas:</b>					
Net sales volume produced (in billion cubic feet)(E)	76.56	58.25	56.14	48.39	48.56
Average sale price (\$ per mcf)(E)(G)	\$ 8.99	\$ 7.20	\$ 7.04	\$ 5.90	\$ 4.90
Average cost (\$ per mcf)(E)	\$ 3.67	\$ 3.33	\$ 2.88	\$ 2.69	\$ 2.45
Proved reserves (in billion cubic feet)(E)(H)	1,422	1,343	1,265	1,130	1,045

**CASH FLOW STATEMENT DATA**  
(In thousands)

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Net cash provided by operating activities	\$ 1,029,464	\$ 684,033	\$ 664,547	\$ 409,086	\$ 358,091
Net cash used in investing activities	(1,098,856)	(972,104)	(661,546)	(74,413)	(400,542)
Net cash provided by (used in) financing activities	166,253	105,839	(119,758)	(455)	42,360

**OTHER FINANCIAL DATA**  
(Unaudited)  
(In thousands)

Capital expenditures	\$ 1,061,669	\$ 1,039,838	\$ 690,546	\$ 532,796	\$ 420,965
EBIT(I)	685,574	421,978	531,009	664,451	108,616
EBITDA(I)	1,075,195	746,693	827,246	926,302	389,013
Ratio of earnings to fixed charges(J)	10.67	7.48	11.36	15.95	2.76

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- (A) See Note 26 of Notes to the Audited Consolidated Financial Statements for sales and freight by operating segment.
- (B) Basic earnings per share are computed using weighted average shares outstanding. Differences in the weighted average number of shares outstanding for purposes of computing dilutive earnings per share are due to the inclusion of the weighted average dilutive effect of employee and non-employee director stock options granted, totaling 2,293,581 shares, 2,099,124 shares, 2,283,374 shares, 2,045,072 shares and 1,938,504 shares for the year ended December 31, 2008, 2007, 2006, 2005 and 2004, respectively.
- (C) On May 4, 2006, CONSOL Energy's Board of Directors declared a two-for-one stock split of the common stock. The stock split resulted in the issuance of approximately 92.5 million additional shares of common stock. Shares and earnings per share for all periods presented are reflected on a post-split basis.
- (D) Includes sales of coal produced by CONSOL Energy and purchased from third parties. Of the tons sold, CONSOL Energy purchased the following amount from third parties: 1.7 million tons in the year ended December 31, 2008, 0.5 million tons in the year ended December 31, 2007, 1.3 million tons in the year ended December 31, 2006, 1.5 million tons in year ended December 31, 2005 and 2.1 million tons in the year ended December 31, 2004. Also, includes 1.2 million, 0.8 million and 1.1 million sales tons for the year ended December 31, 2008, 2007 and 2006, respectively, which is 100% of tons sold by our fully consolidated, 49% owned variable interest entity. The remaining 51% interest, which CONSOL Energy did not previously own, was purchased on December 3, 2008. Sales of coal produced by equity affiliates were 0.2 million tons in the year ended December 31, 2008, 0.1 million ton in the year ended December 31, 2007, no tons in the year ended December 31, 2006, insignificant in the year ended December 31, 2005 and 0.1 million tons in the year ended December 31, 2004.
- (E) Amounts include intersegment transactions. For entities that are not wholly owned but in which CONSOL Energy owns at least 50% equity interest, includes a percentage of their net production, sales or reserves equal to CONSOL Energy's percentage equity ownership. For coal, amounts include 100% of our fully consolidated, 49% owned variable interest entity. The remaining 51% interest, which CONSOL Energy did not previously own, was purchased on December 3, 2008. Also for coal, Glennies Creek Mine is reported as an equity affiliate through February 2004. For gas, amounts include 100% of CNX Gas' basis; they exclude the minority interest reduction. Also for gas, Knox Energy makes up the equity earnings data in 2007, 2006, 2005, and 2004. The remaining interest in Knox that CNX Gas did not previously own was purchased on June 18, 2008. Our proportionate share of proved reserves for gas equity affiliates is 3.6 bcf, 2.2 bcf, 2.7 bcf, and 2.4 bcf at December 31, 2007, 2006, 2005 and 2004, respectively. Sales of gas produced by equity affiliates were 0.32 bcf in the year ended December 31, 2007; 0.22 bcf in the year ended December 31, 2006; 0.23 bcf in the year ended December 31, 2005; and 0.20 bcf in the year ended December 31, 2004.
- (F) Represents proven and probable coal reserves at period end.
- (G) Represents average net sales price before the effect of derivative transactions.
- (H) Represents proved developed and undeveloped gas reserves at period end.

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- (I) EBIT is defined as earnings before deducting net interest expense (interest expense less interest income) and income taxes. EBITDA is defined as earnings before deducting net interest expense (interest expense less interest income), income taxes and depreciation, depletion and amortization. For 2004 we have excluded the impacts of cumulative effects of accounting changes in the computation of EBIT and EBITDA. Although EBIT and EBITDA are not measures of performance calculated in accordance with generally accepted accounting principles, management believes that they are useful to an investor in evaluating CONSOL Energy because they are widely used in the coal industry as measures to evaluate a company's operating performance before debt expense and cash flow. Financial covenants in our credit facility include ratios based on EBITDA. EBIT and EBITDA do not purport to represent cash generated by operating activities and should not be considered in isolation or as a substitute for measures of performance in accordance with generally accepted accounting principles. In addition, because EBIT and EBITDA are not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by EBIT and EBITDA may be limited by working capital, debt service and capital expenditure requirements, and by restrictions related to legal requirements, commitments and uncertainties. A reconciliation of EBIT and EBITDA to financial net income is as follows:

**(Unaudited)**  
**(In thousands)**

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Net Income	\$ 442,470	\$ 267,782	\$ 408,882	\$ 580,861	\$ 198,582
Add: Interest expense	36,183	30,851	25,066	27,317	31,429
Less: Interest income	(2,363)	(12,792)	(15,369)	(8,066)	(5,376)
Less: Interest income included in black lung excise tax refund	(30,650)	—	—	—	—
Less: Cumulative Effect of Changes in Accounting for Workers' Compensation Liability, net of Income Taxes of \$53,080	—	—	—	—	(83,373)
Add: Income Tax Expense (Benefit)	239,934	136,137	112,430	64,339	(32,646)
Earnings before interest and taxes (EBIT)	685,574	421,978	531,009	664,451	108,616
Add: Depreciation, depletion and amortization	389,621	324,715	296,237	261,851	280,397
Earnings before interest, taxes and depreciation, depletion and amortization (EBITDA)	<u>\$ 1,075,195</u>	<u>\$ 746,693</u>	<u>\$ 827,246</u>	<u>\$ 926,302</u>	<u>\$ 389,013</u>

- (J) For purposes of computing the ratio of earnings to fixed charges, earnings represent income before income taxes plus fixed charges. Fixed charges include (a) interest on indebtedness (whether expensed or capitalized), (b) amortization of debt discounts and premiums and capitalized expenses related to indebtedness and (c) the portion of rent expense we believe to be representative of interest.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**General**

Although current forecasts regarding world wide demand for coal and natural gas are less robust than estimates a year ago because of the high degree of uncertainty regarding global economic growth, the company believes that the long-term fundamentals of population growth, a desire for improved living standards, and the need to build or repair critical infrastructure in many countries will be the primary drivers for energy over the next several decades. In the short term, economic stimulus spending by the United States and other countries should result in improvements in demand for coal and gas as infrastructure projects are initiated and economic activity increases.

In the short-term, base loading of eastern U. S. power generation in the key markets will continue to create demand for CONSOL's high-Btu coal. On the supply side, coal production challenges related to permitting, new safety regulations, and complex geology in Appalachia are expected to keep supplies tight.

The company believes it is in a strong position in the near term for a number of reasons:

- The company has a significant amount of anticipated 2009 coal and gas production already committed for sale;
- The company's low-volatile metallurgical coal and its high Btu (British thermal units) steam coal are premium products that should command premium prices even in a weaker demand environment;
- The company expects to generate strong cash flows during the next 15 months, reflecting both higher priced tons entering the sales mix and the relatively low-cost position of both its coal and gas segments;
- The company's relatively low debt and strong liquidity position allows the company to maintain its reputation as a disciplined producer and to make adjustments to production should market conditions require it, in addition the company has no principal debt payments due in 2009 and the company's revolving line of credit is in place through 2012; and
- The company has the flexibility to defer or slow certain capital project outlays without undercutting the company's fundamental growth strategy.

During the second and third quarters of 2008, a number of factors impacted coal production, but no single factor dominated. Factors included: events such as roof falls on main line belt haulage; regulatory issues, particularly related to safety that impacted productivity and costs; technological issues, particularly the challenge of completing development of new longwall coal panels as rapidly as required; and geologic issues such as roof conditions and intrusion of rock into coal seams. We have made a number of important changes that positively impacted productivity and production in the fourth quarter, resulting in a reduction in costs.

We have taken various steps with respect to the development issue because it is key to maximizing efficiency from our longwall equipped mines. The company has added crews and changed work schedules to increase longwall panel development; has worked with equipment manufacturers to develop better haulage systems for continuous mining machines to increase rates of advance in development sections of the mine; and is modifying mine plans in a number of longwall-equipped mines to increase the ratio of coal produced by the longwall equipment compared to that produced by the continuous miners.

Some of the changes we have made, such as adding additional crews, have given us immediate benefits. Other activities, such as mine plan modifications, may take several quarters to fully execute. However, over the next year, we expect the aggregate result of these actions will positively impact productivity.

Regulatory impacts on production are more difficult to manage. Most producers in the eastern U.S. are being impacted by government regulations and enforcement to a much greater extent than a few years ago. The

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pace with which government issues permits needed for on-going operations to continue mining has negatively impacted expected production, especially in Central Appalachia. Environmental groups in Southern West Virginia and Kentucky have challenged state and U.S. Army Corps of Engineers permits for mountaintop mining on various grounds. The most recent challenges have focused on the adequacy of the Corps of Engineers analysis of impacts to streams and the adequacy of mitigation plans to compensate for stream impacts. In 2007, the U.S. District Court of the Southern District of West Virginia found other operators' permits for mining in these areas to be deficient. The ruling is currently in appeals. The legal issues around these previously issued permits have delayed or prevented the issuance of new permits by the Corps of Engineers. Currently, CONSOL Energy's surface operations in these areas have been impacted to a limited extent, but the delay or denial of additional permits could impact some or all of the surface operations within the next twelve to twenty-four months.

In addition, over the past few years, the length of time needed to bring a new mine into production has increased by several years because of the increased time required to obtain necessary permits. New safety laws and regulations have impacted productivity at underground mines, although the company has not yet been able to ascertain the exact amount of the impact.

On October 3, 2008 the Emergency Economic Stabilization Act of 2008 (the EESA Act) was signed into law. The EESA Act contains a section that authorizes certain coal producers and exporters who have filed a Black Lung Excise Tax (BLET) return on or after October 1, 1990, to request a refund of the BLET paid on export sales. The EESA Act requires that the U.S. Treasury refund a coal producer or exporter an amount equal to the BLET erroneously paid on export sales in prior years along with interest computed at the statutory rates applicable to overpayments.

CONSOL Energy filed timely claims for refunds under the EESA Act of the BLET with the Internal Revenue Service in the amount of approximately \$27 million. In addition, the estimated interest related to the BLET refunds expected to be received is approximately \$32 million. In relation to this receivable, CONSOL Energy also recognized approximately \$3 million of expense that will be owed to third parties upon collection of the refunds. CONSOL Energy believes that it will receive refunds of BLET erroneously paid on export sales in the amounts requested in its filing with the Internal Revenue Service plus interest as required by the Act prior to December 31, 2009.

Our 83.3% subsidiary, CNX Gas completed the independent verification process for several Chicago Climate Exchange (CCX) approved projects relating to the capture of coalbed methane. Approximately 8.4 million metric tons of emissions offsets were verified and registered on the CCX in the year ended December 31, 2008. CCX is a rules-based Greenhouse Gas (GhG) allowance trading system. CCX emitting members make a voluntary but legally binding commitment to meet annual GhG emission reduction targets. Those emitting members who exceed their targets have surplus allowances to sell or bank; those who fall short of their targets comply by purchasing offset which are called CCX Carbon Financial Instruments (CFI) contracts. As a CCX offset provider, CNX Gas is not bound to any emission reduction targets. An offset provider is an owner of an offset project that registers and sells offsets on its own behalf. Sales of these emission offsets will be reflected in income as they occur.

CONSOL Energy also verified approximately 8.3 million metric tons of additional emission offsets. CONSOL Energy has engaged a broker through which we will evaluate emission credit opportunities on the over the counter market. Sales of these emission offsets will be reflected in income as they occur. To date, no offsets have been sold by either CONSOL Energy or CNX Gas.

[Table of Contents](#)**Results of Operations***Year Ended December 31, 2008 Compared with Year Ended December 31, 2007***Net Income**

Net income changed primarily due to the following items (table in millions):

	<u>2008</u>	<u>2007</u>	<u>Dollar</u>	<u>Percentage</u>
	<u>Period</u>	<u>Period</u>	<u>Variance</u>	<u>Change</u>
Sales Outside	\$ 4,182	\$ 3,324	\$ 858	25.8%
Sales Purchased Gas	8	8	—	—
Sales Gas Royalty Interest	79	47	32	68.1%
Freight—Outside	217	187	30	16.0%
Other Income	166	196	(30)	(15.3)%
Total Revenue and Other Income	4,652	3,762	890	23.7%
Coal Cost of Goods Sold and Other and Purchased Charges	2,843	2,351	492	20.9%
Purchased Gas Costs	8	7	1	14.3%
Gas Royalty Interest Costs	74	40	34	85.0%
Total Cost of Goods Sold	2,925	2,398	527	22.0%
Freight Expense	217	187	30	16.0%
Selling, General and Administrative Expense	125	109	16	14.7%
Depreciation, Depletion and Amortization	390	325	65	20.0%
Interest Expense	36	31	5	16.1%
Black Lung Excise Tax Refund	(56)	24	(80)	(333.3)%
Taxes Other Than Income	290	259	31	12.0%
Total Costs	3,927	3,333	594	17.8%
Earnings Before Income Taxes and Minority Interest	725	429	296	69.0%
Income Tax Expense	240	136	104	76.5%
Earnings Before Minority Interest	485	293	192	65.5%
Minority Interest	43	25	18	72.0%
Net Income	\$ 442	\$ 268	\$ 174	64.9%

CONSOL Energy had net income of \$442 million for the year ended December 31, 2008 compared to \$268 million in the year ended December 31, 2007. Net income for 2008 increased in comparison to 2007 due to:

- higher average prices received for both coal and gas;
- higher volumes of gas sold;
- 2007 included a total of approximately \$94 million of pre-tax expenses, net of insurance recoveries, related to the Buchanan Mine incident that occurred in July 2007 which idled the mine through March 2008; the 2008 period includes approximately \$28.6 million of pre-tax income related to this incident;
- Black Lung excise tax refund receivable recognized for taxes paid in 1991-1993 due to legislation passed in October 2008; and
- Receivable write off of \$24 million in 2007 related to the Supreme Court decision which rendered the Black Lung Excise Tax receivable for 1991-1993 uncollectible.

These increases in net income were offset, in part, by:

- an asset exchange and an asset sale in 2007 that resulted in pretax income of approximately \$100 million and net income of approximately \$59 million;
- increased unit cost of goods sold and other charges for both coal and gas.

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See below for a more detailed description of variances noted. The cost per unit below is not necessarily indicative of unit costs in the future.

**Revenue**

Revenue and other income increased due to the following items:

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Sales:				
Produced Coal	\$ 3,067	\$ 2,640	\$ 427	16.2%
Purchased Coal	118	38	80	210.5%
Produced Gas	681	410	271	66.1%
Industrial Supplies	196	147	49	33.3%
Other	120	89	31	34.8%
Total Sales—Outside	4,182	3,324	858	25.8%
Gas Royalty Interest	79	47	32	68.1%
Purchased Gas	8	8	—	—
Freight Revenue	217	187	30	16.0%
Other Income	166	196	(30)	(15.3)%
Total Revenue and Other Income	<u>\$4,652</u>	<u>\$3,762</u>	<u>\$ 890</u>	23.7%

The increase in company produced coal sales revenue during 2008 was due to higher average prices, offset, in part, by slightly lower volumes of produced coal sold.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Tons Sold (in millions)	64.3	64.8	(0.5)	(0.8)%
Average Sales Price Per Ton	\$47.66	\$40.74	\$6.92	17.0%

The increase year-to-year in the average sales prices of coal was the result of global coal fundamentals being more favorable in the current year. Concerns regarding the adequacy of global supplies of coal have strengthened both the international and domestic coal prices and have increased the opportunity for U.S. producers to increase exports of coal. Sales tons were slightly lower in the year-to-year comparison.

Purchased coal sales consist of revenues from processing third-party coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased from third-parties and sold directly to our customers and revenues from processing third-party coal in our preparation plants. The increase of \$80 million in company-purchased coal sales revenue was primarily due to an increase in volumes of purchased coal sold in the year-to-year comparison.

The increase in produced gas sales revenue in 2008 compared to 2007 was primarily due to higher average sales prices and higher volumes of gas sold.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Gas Sales Volumes (in billion cubic feet)	75.7	57.1	18.6	32.6%
Average Sales Price Per thousand cubic feet	\$ 9.00	\$ 7.18	\$ 1.82	25.3%

The increase in average sales price is the result of CNX Gas, an 83.3% subsidiary at December 31, 2008, realizing general market price increases in the year-to-year comparison. CNX Gas periodically enters into various gas swap transactions that qualify as financial cash flow hedges. These gas swap transactions exist

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parallel to the underlying physical transactions. These financial hedges represented approximately 43.4 Bcf of our produced gas sales volumes for the year ended December 31, 2008 at an average price of \$9.25 per Mcf. In the prior year, these financial hedges represented approximately 18.4 Bcf at an average price of \$8.01 per Mcf. Sales volumes increased as a result of additional wells coming online from our on-going drilling program. Also, prior year sales volumes were impacted by the deferral of production at the Buchanan Mine.

The \$49 million increase in revenues from the sale of industrial supplies was primarily due to the July 2007 acquisition of Piping & Equipment, Inc. in addition to an overall increase in sales volumes and higher sales prices.

The \$30 million increase in other sales was attributable to increased revenues from barge towing and terminal services. The increase was primarily related to revenue generated from the barge towing operations having higher average rates for services rendered compared to the prior year. The barge towing operations have also increased thru-put tons and delivered tons in 2008. Increases in other sales revenues were also attributable to higher terminal services as a result of additional thru-put tons in 2008. The higher terminal revenues were offset, in part, due to services being suspended for approximately one month due to maintenance needed on a pier in Baltimore.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Gas Royalty Interest Sales Volumes (in billion cubic feet)	8.5	7.2	1.3	18.1%
Average Sales Price Per thousand cubic feet	\$9.32	\$6.44	\$ 2.88	44.7%

Included in gas royalty interest sales volumes are the revenues related to the portion of production belonging to royalty interest owners sold by CNX Gas on their behalf. The increase in market prices, contractual differences among leases and the mix of average and index prices used in calculating royalties contributed to the year-to-year change.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Purchased Sales Volumes (in billion cubic feet)	1.0	1.1	(0.1)	(9.1)%
Average Sales Price Per thousand cubic feet	\$8.76	\$7.19	\$ 1.57	21.8%

Purchased gas sales volumes represent volumes of gas that were sold at market prices that were purchased from third-party producers, less gathering fees.

Freight revenue is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to which CONSOL Energy contractually provides transportation services. Freight revenue is the amount billed to customers for transportation costs incurred. Freight revenue has increased \$30 million in 2008 due primarily to freight associated with AMVEST, which was acquired on July 31, 2007. Freight revenue has also increased due to higher freight rates being charged for exported tons. These increases in freight revenue were offset, in part, by lower export tons shipped in 2008 compared to 2007. There were 7.0 million tons and 7.6 million tons of coal exported by CONSOL Energy in 2008 and 2007, respectively.

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Other income consists of interest income, gain or loss on the disposition of assets, equity in earnings of affiliates, service income, royalty income, derivative gains and losses, rental income and miscellaneous income.

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Gain on sale of assets	\$ 23	\$ 112	\$ (89)	(79.5)%
Interest income	2	13	(11)	(84.6)%
Litigation settlement	1	5	(4)	(80.0)%
Equity in earnings of affiliates	11	7	4	57.1%
Railroad spur income	4	1	3	300.0%
Proceeds from relinquishment of mining rights	6	—	6	100.0%
Royalty income	21	14	7	50.0%
Contract towing	11	3	8	266.7%
Business interruption proceeds	50	10	40	400.0%
Other miscellaneous	37	31	6	19.4%
Total other income	<u>\$ 166</u>	<u>\$ 196</u>	<u>\$ (30)</u>	<u>(15.3)%</u>

Gain on sale of assets decreased \$89 million in the year-to-year comparison primarily due to two transactions that occurred in 2007. In June 2007, CONSOL Energy, through our 83.3% owned subsidiary, CNX Gas, exchanged certain coal assets in Northern Appalachia to Peabody Energy for coalbed methane and gas rights, which resulted in a pretax gain of \$50 million. Also, in June 2007, CONSOL Energy, through a subsidiary, sold the rights to certain western Kentucky coal in the Illinois Basin to Alliance Resource Partners, L.P. for \$53 million. This transaction also resulted in a pretax gain of approximately \$50 million. The 2008 period reflects a sale of an idled facility which included the transfer of the mine closing liabilities to the buyer. This transaction resulted in a pretax gain of approximately \$8 million. There was also a \$3 million increase in the year-to-year comparison due to various transactions that occurred throughout both periods, none of which were individually material.

Interest income decreased \$11 million in the year-to-year comparison due to lower cash balances throughout 2008 compared to 2007. Lower cash balances were primarily the result of the purchase price paid for the June 2008 acquisition of the remaining interest in Knox Energy, LLC, the July acquisition of several leases and gas wells from KIS Oil & Gas, Inc., the July 31, 2007 acquisition of AMVEST, the June 2007 purchase of certain coalbed methane and gas rights from Peabody Energy and the July 2007 Buchanan Mine incident.

A litigation settlement with a coal customer in 2007 resulted in \$5 million of income. A litigation settlement with a royalty holder resulted in \$1 million of income in 2008.

Equity in earnings of affiliates increased \$4 million related to our interest in a specialty contracting company, our interest in a real estate development company and our interest in a coal mining company. These increases were offset, in part, by the June 2008 acquisition of our remaining interest in Knox Energy, LLC.

Income related to a railroad spur acquired with the July 2007 acquisition of AMVEST increased \$3 million. This income was due to reimbursements from the rail carrier for maintenance completed on the spur during the year. The income is offset in its entirety with the related expenses reflected in cost of goods sold and other charges.

In 2008, approximately \$6 million was received from a third party in order for CONSOL Energy to relinquish the mining of certain in-place coal reserves.

Royalty income increased \$7 million in the year-to-year comparison due to production of CONSOL Energy coal by a third-party commencing in August 2007. Royalties have also increased due to the higher sales price of coal sold throughout 2008 compared to 2007.

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The \$8 million increase in contract towing services represents river towing services for third-parties which CONSOL Energy now provides. These services were minimal in 2007.

In 2008, CONSOL Energy received \$50 million as final settlement of the insurance claim related to the July 2007 Buchanan Mine incident, which idled the mine from July 2007 to mid-March 2008. The \$50 million represents business interruption coverage which was recognized in other income; the coal segment recognized \$42 million and the gas segment recognized \$8 million. CONSOL Energy had received \$10 million of business interruption proceeds related to this incident in 2007; the coal segment recognized \$8 million and the gas segment recognized \$2 million. In 2007, \$15 million was also received from the insurance carrier for reimbursement of fire brigade costs. This was recognized as a reduction of cost of goods sold and other charges as discussed below. The final settlement brought the total amount recovered from insurance carriers to \$75 million, the maximum allowed per covered event. No additional amounts related to the Buchanan roof caving event will be recovered. All proceeds from this insurance claim have been received.

Other miscellaneous income increased \$6 million in the year-to-year comparison due to various miscellaneous transactions that occurred throughout both years, none of which were individually material.

**Costs**

Cost of goods sold and other charges increased due to the following:

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Cost of Goods Sold and Other Charges				
Produced Coal	\$ 2,031	\$ 1,685	\$ 346	20.5%
Purchased Coal	124	52	72	138.5%
Produced Gas	189	129	60	46.5%
Industrial Supplies	186	141	45	31.9%
Closed and Idle Mines	78	105	(27)	(25.7)%
Other	235	239	(4)	(1.7)%
Total Sales—Outside	2,843	2,351	492	20.9%
Gas Royalty Interest	74	40	34	85.0%
Purchased Gas	8	7	1	14.3%
Total Cost of Goods Sold	<u>\$2,925</u>	<u>\$ 2,398</u>	<u>\$ 527</u>	22.0%

Increased cost of goods sold and other charges for company-produced coal was due mainly to a higher average unit cost per ton sold, offset slightly by lower sales volumes.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Tons Sold (in millions)	64.3	64.8	(0.5)	(0.8)%
Average Cost of Goods Sold and Other Charges Per Ton	\$31.57	\$25.99	5.58	21.5%

Average cost of goods sold and other charges increased in the year-to-year comparison primarily due to an increase in average unit costs related to the following items.

- Supply and maintenance costs have increased \$2.77 per ton sold due to the following items:
  - The increase in supply and maintenance costs reflects the change in the mix of sales tons in 2008 compared to 2007. Production tons from the Northern Appalachian underground mines decreased, while production from the Central Appalachian mines increased. This was primarily due to the July 31, 2007 acquisition of AMVEST and to the Buchanan Mine being idled for half of 2007.

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- The installation of higher grade seals and a higher number of seals being built in 2008 contributed to the increase in supply cost. The Mine Health and Safety Administration now requires higher strength seals to be constructed in order to isolate old, abandoned areas or previously sealed areas of the mine. At several locations, the installed seals are also required to be stronger. The increase in strength of seals was required to better protect the active sections of the underground mines from explosions, fires, or other situations that may occur within the sealed areas. The installation of higher strength seals and a higher number of seals being completed contributed to the increase in supply costs.
- Higher roof control costs are attributable to higher usage of products used in the mining process due to mining conditions and additional development work. Development work by continuous mining machines requires more roof support products than are used in the area of the mine where extraction is done using a longwall mining system. Roof control costs have also increased due to higher usage of “pumpable cribs” which are more expensive per unit than the standard wooden crib support. The “pumpable crib” is a canvas cylinder hung from the roof and extending to the floor into which concrete is pumped. Because the “pumpable crib” allows concrete to be pumped to the roof level, it eliminates the need to use wood shims to tighten the concrete to the roof. The “pumpable crib” is quicker to install, enhances safety due to the customized fit and minimizes the use of combustible products at underground locations. Also, roof control costs have increased due to approximately a 9% inflation rate related to roof control products.
- Gas well plugging/drilling costs related to the mining process have increased in 2008 compared to 2007. Gas well plugging expenses are related to plugging abandoned gas wells which CONSOL Energy does not own that are in front of the underground mining process. These wells have to be plugged in accordance with current safety regulations in order to mine through. CONSOL Energy has plugged more wells in 2008 than in 2007, which has contributed to increased supply costs. Gas well drilling ahead of mining, vents the gas from the coal seam which then allows for the longwall process to extract coal from a ventilated seam. CONSOL Energy drilled more wells ahead of mining in 2008 than in 2007 primarily due to Buchanan Mine being idled for half of 2007, as previously discussed.
- Higher fuel and explosive costs are due to the general increase of these commodities in the year-to-year comparison. The AMVEST surface locations were acquired on July 31, 2007. These surface locations are a large consumer of these products.
- Higher equipment maintenance costs are also attributable to the acquisition of AMVEST on July 31, 2007.
- These increases in supply costs were offset, in part, by expenses for self contained self rescuers which were purchased in 2007 in compliance with the Miner Act. There were fewer self-contained self rescuers purchased in 2008.
- Labor costs have increased \$1.14 per ton sold due to the effects of wage increases at the union and non-union mines from labor contracts which began in 2007. These contracts call for specified hourly wage increases in each year of the contract. Labor also increased due to a higher number of employees in 2008 compared to 2007. This was somewhat due to the utilization of new work schedules requiring more manpower and operations trainees.
- Other post employment benefit costs have increased \$0.49 per ton sold primarily due to a change in the discount rate used to calculate the net periodic benefit costs. The weighted average discount rate for 2008 was 6.63% and was 6.00% in 2007.
- Combined Fund costs have increased \$0.33 per ton sold due to the 2007 settlement with the Fund. In March 2007, CONSOL Energy entered into a settlement agreement with the Combined Fund that resolved all previous issues relating to the calculation of the payments. The total income, including interest, as a result of this settlement was approximately \$33.4 million, of which approximately \$28.1 million impacted cost of goods sold and other charges for produced coal.

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- Health & Retirement costs have increased \$0.25 per ton sold due to additional contributions required to be made into employee benefit funds in 2008 compared to 2007 as a result of the five-year labor agreement with the United Mine Workers of America (UMWA) that commenced January 1, 2007. The contribution increase over 2007 was \$1.27 per UMWA hour worked.
- In-transit costs have increased \$0.25 per ton sold. In-transit costs are costs to move coal from the point of extraction to the preparation plant in order for the coal to be processed for sale. These costs have increased due primarily to increased trucking expenses related to higher fuel costs as well as several locations operating in the current year that did not operate in 2007.
- Various other costs have increased \$0.35 per ton sold due to various items that have occurred throughout both periods, none of which individually increased or decreased costs per ton sold.

Purchased coal cost of goods sold consists of costs from processing purchased coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased and sold directly to customers and costs for processing third-party coal in our preparation plants. The increase of \$72 million in purchased coal cost of goods sold and other charges in 2008 was primarily due to higher volumes purchased.

Gas cost of goods sold and other charges increased due primarily to a 32.6% increase in volumes of produced gas sold and an 11.1% increase in unit costs of goods sold and other charges.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Gas Sales Volumes (in billion cubic feet)	75.7	57.1	18.6	32.6%
Average Cost Per thousand cubic feet	\$ 2.50	\$ 2.25	0.25	11.1%

Average cost of goods sold and other charges per unit sold increased in the current year as a result of the following items:

- Fuel and power increased \$0.08 per thousand cubic feet for both lifting and gathering combined. This increase was primarily due to additional compressors being placed in service along the existing gathering systems in order to flow gas more efficiently.
- Well closing costs were impaired \$0.05 per thousand cubic feet in the year-to-year comparison. Well closing liabilities were adjusted in 2007 to reflect longer well lives than were previously estimated. This adjustment resulted in a reduction to expense. The adjustments to well closing liabilities were insignificant in 2008.
- Water disposal costs have increased \$0.05 per thousand cubic feet due to additional volumes of water produced by CNX Gas wells in 2008 compared to 2007.
- Repairs and maintenance costs have increased \$0.02 per thousand cubic feet due to higher material costs and higher contract labor costs.
- Compression expenses increased \$0.03 per thousand cubic feet due to the additional compressors discussed above.
- Various other costs have also increased by \$0.03 per thousand cubic feet for various items which occurred throughout both years, none of which were individually material.

Industrial supplies cost of goods sold increased \$45 million primarily due to the July 2007 acquisition of Piping & Equipment, Inc. The increase was also related to additional volumes of goods sold and higher costs of good sold throughout 2008.

Closed and idle mine cost of goods sold decreased approximately \$27 million in 2008 compared to 2007. The decrease was primarily due to \$16 million of lower cost of goods sold and other charges at Shoemaker Mine.

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Shoemaker resumed longwall production in May 2008, but was idled throughout all of 2007. The decrease was also related to updated engineering surveys related to mine closing, perpetual care water treatment and reclamation liabilities for closed and idled locations resulting in \$23 million of expense in 2008 compared to \$33 million of expense in 2007. The higher 2007 survey adjustments related primarily to perpetual water treatment changes in estimates of water flows and increased hydrated lime costs. Closed and idle mine cost of goods sold and other charges also increased \$1 million due to various other charges which occurred throughout both periods, none of which were individually significant.

Other cost of goods sold decreased due to the following items:

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Buchanan roof collapse	\$ 17	\$ 95	\$ (78)	(82.1)%
Contract settlement	—	6	(6)	(100.0)%
Incentive compensation	33	35	(2)	(5.7)%
Ward superfund site	7	5	2	40.0%
Accounts receivable securitization	6	3	3	100.0%
Railroad spur expenses	4	1	3	300.0%
Asset impairment	6	—	6	100.0%
Stock-based compensation	34	24	10	41.7%
Profit splits	15	—	15	100.0%
Sales contract buy-outs	19	—	19	100.0%
Terminal/River operations	81	58	23	39.7%
Miscellaneous	13	12	1	8.3%
Total of the Cost of Goods Sold and Other Charges	<u>\$235</u>	<u>\$239</u>	<u>\$ (4)</u>	<u>(1.7)%</u>

In July 2007, production at the Buchanan Mine was suspended after several roof falls in previously mined areas damaged some of the ventilation controls inside the mine, requiring a general evacuation of the mine. In 2008, we have incurred approximately \$17 million of cost of goods sold and other charges related to the Buchanan Mine event compared to \$95 million in the prior year. The 2007 expense figure is net of \$15 million related to insurance proceeds received as reimbursement for costs incurred under the policy. The mine resumed longwall production on March 17, 2008.

In 2007, CONSOL Energy agreed to a \$6 million settlement for a contract violation with a customer.

The incentive compensation program is designed to increase compensation to eligible employees when CONSOL Energy reaches predetermined earnings targets and the employees reach predetermined performance targets. Incentive compensation expense decreased \$2 million due to the level of earnings in comparison to the predetermined performance target in the year-to-year comparison.

The year ended December 31, 2008 includes expense of \$7 million related to the Ward Transformer superfund site. In 2008, revised estimates of total costs related to this site were received. The revised estimates indicate an increase in costs to remediate the site. The year ended December 31, 2007 includes \$5 million of expense related to this site. See “Note 25—Commitments and Contingencies” of Item 8, of the Consolidated Financial Statements for more details.

Accounts receivable securitization fees increased \$3 million in the year-to-year comparison. Higher amounts have been drawn under this program throughout 2008 compared to 2007.

Expenses increased \$3 million in 2008 related to a railroad spur acquired with the July 2007 AMVEST. The increase was related to maintenance completed on the spur during the year. These expenses are offset with the related income reflected in other income.

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Asset impairment expenses of \$6 million were recognized in 2008 primarily related to loans made to, and options to purchase shares of common stock, with a start up company whose efforts are to commercialize technology to burn waste coal with near zero emissions to generate power. Due mainly to the downturn in the economy, it is not probable that the company can repay these loans, or that the company will complete a public offering. Therefore, the asset values have been written down.

Stock-based compensation expense increased \$10 million primarily as a result of additional awards granted to CONSOL Energy and CNX Gas employees in 2008. In addition, stock-based compensation expense increased due to changes in expected value of the cash payout related to the performance share units of CNX Gas.

Cost of goods sold and other charges includes \$15 million in 2008 related to contracts with certain customers which were unable to take delivery of previously contracted coal tonnage. These customers have agreed to allow CONSOL Energy to sell the released tonnage, but require CONSOL Energy to split the incremental sales price over the original contract sales price evenly with them. The \$15 million represents the additional sales price received for the tonnage sold that is owed to the original customer.

In 2008, CONSOL Energy agreed to buy-out sales contracts with several customers in order to release tons committed under lower priced contracts for sale to other customers at higher prices which resulted in \$19 million of expense. No such agreements were made in 2007.

Terminal/River operation charges have increased \$23 million in the year-to-year comparison due to increased fuel charges resulting from higher fuel prices and increased operating hours. Costs also have increased due to the acquisition of Tri-River Fleeting on October 3, 2007, as well as higher thru-put volumes in 2008.

Miscellaneous cost of goods sold and other charges increased \$1 million due to various transactions throughout both periods, none of which were individually material.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Gas Royalty Interest Sales Volumes (in billion cubic feet)	8.5	7.2	1.3	18.1%
Average Cost Per thousand cubic feet	\$ 8.69	\$ 5.52	\$ 3.17	57.4%

Included in gas royalty interest costs are the expenses related to the portion of production belonging to royalty interest owners sold by CNX Gas on their behalf. The increase in volumes and price relates to the volatility and contractual differences among leases, as well as the mix of average and index prices used in calculating royalties.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Change</u>
Purchased Sales Volumes (in billion cubic feet)	1.0	1.1	(0.1)	(9.1)%
Average Cost Per thousand cubic feet	\$ 8.13	\$ 6.66	\$ 1.47	22.1%

Purchased gas costs represent volumes of gas purchased from third-party producers, less our gathering and marketing fees, that we sell at market prices. Purchased gas volumes also include the impact of pipeline imbalances. The increase in cost of goods sold and other charges related to purchased gas represents overall price increases and contractual differences among customers in the year-to-year comparison.

Freight expense is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to which CONSOL Energy contractually provides transportation services. Freight expense is the amount billed to customers for transportation costs incurred. Freight expense has increased in 2008 due primarily to freight associated with AMVEST, which was acquired on July 31, 2007. Freight expense has also increased due to higher freight rates being charged for exported tons.

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These increases in freight expense were offset, in part, by lower export tons shipped in 2008 compared to 2007. There were 7.0 million tons and 7.6 million tons of coal exported by CONSOL Energy in 2008 and 2007, respectively.

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Freight expense	\$217	\$187	\$ 30	16.0%

Selling, general and administrative costs have increased due to the following items:

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Wages, salaries and related benefits	\$ 61	\$ 52	\$ 9	17.3%
Association/charitable contributions	12	6	6	100.0%
Advertising and promotion	6	4	2	50.0%
Professional, consulting and other purchased services	27	29	(2)	(6.9)%
Other	19	18	1	5.6%
Total Selling, General and Administrative	<u>\$125</u>	<u>\$109</u>	<u>\$ 16</u>	14.7%

Wages, salaries and related benefits increased \$9 million in the year-to-year comparison due to additional staffing at our CNX Gas subsidiary, additional administrative staffing acquired in the July 2007 Piping & Equipment acquisition and various other increases in support staff throughout CONSOL Energy.

Association assessments have increased \$6 million in the year-to-year comparison due primarily to CONSOL Energy's participation in an industry organization which has launched a program related to the promotion of coal as an energy solution. CONSOL Energy did not participate in this organization in 2007. Also, CONSOL Energy participates in various associations and contributes to various charities in an effort to support the professions and the communities in which we do business. The level of funding made to these organizations varies from year-to-year.

Advertising and promotion expenses increased \$2 million in 2008 due to various additional advertising and promotion agreements entered into throughout the current year.

Costs of professional, consulting and other purchased services decreased \$2 million due to various administrative projects throughout both years, none of which are individually material.

Other selling, general and administrative costs increased \$1 million due to various transactions that have occurred throughout both years, none of which are individually material.

Depreciation, depletion and amortization increased due to the following items:

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Coal	\$299	\$258	\$ 41	15.9%
Gas:				
Production	50	31	19	61.3%
Gathering	20	18	2	11.1%
Total Gas	70	49	21	42.9%
Other	21	18	3	16.7%
Total Depreciation, Depletion and Amortization	<u>\$ 390</u>	<u>\$ 325</u>	<u>\$ 65</u>	20.0%

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The increase in coal depreciation, depletion and amortization was primarily attributable to additional expense related to the assets purchased in the July 2007 acquisition of AMVEST. The increase was also attributable to assets placed in service after December 31, 2007.

The increase in gas production related depreciation, depletion and amortization was primarily due to higher volumes combined with an increase in the units of production rates in the year-to-year comparison. These rates increased due to the higher proportion of capital assets placed in service versus the proportion of proved developed reserve additions. These rates are generally calculated using the net book value of assets at the end of the previous year divided by either proved or proved developed reserves.

Gathering depreciation, depletion and amortization is recorded using the straight-line method and increased due to additional assets placed in service after December 31, 2007.

Other depreciation increased \$3 million due to various items placed in service after December 31, 2007, none of which were individually material.

Interest expense increased in 2008 compared to 2007 due to the following items:

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Revolver	\$ 11	\$ 5	\$ 6	120.0%
Interest on unrecognized tax benefits	2	3	(1)	(33.3)%
Capitalized lease	6	7	(1)	(14.3)%
Long-term secured notes	27	28	(1)	(3.6)%
Other	<u>(10)</u>	<u>(12)</u>	<u>2</u>	<u>(16.7)%</u>
Total Interest Expense	<u>\$ 36</u>	<u>\$ 31</u>	<u>\$ 5</u>	16.1%

Revolver interest expense increased \$6 million due to the amounts drawn by CONSOL Energy and CNX Gas on the credit facility throughout 2008. There were no amounts drawn until August 2007 on this facility by CONSOL Energy. CNX Gas had no amounts drawn throughout all of 2007. These increases were offset, in part, by lower interest rates in the year-to-year comparison.

Interest on uncertain tax benefits decreased \$1 million due primarily to the settlement of various uncertain tax positions due to receipt of the audit report related to the years 2004-2005.

Interest on capital leases decreased \$1 million due to the planned payments made on these leases after December 31, 2007.

Interest on long-term secured notes decreased \$1 million due to the planned June 2007 principal payment on our \$45 million secured note.

Other interest increased \$2 million due primarily to lower amounts of interest capitalized in 2008 compared to 2007. Capitalized interest was lower in 2008 because capital expenditures which qualify for interest capitalization were lower. These lower expenditures were primarily related to the Robinson Run overland belt which was placed in service in September 30, 2007.

On October 3, 2008 the Emergency Economic Stabilization Act of 2008 (the EESA Act) was signed into law. The EESA Act contains a section that authorizes certain coal producers and exporters who have filed a Black Lung Excise Tax (BLET) return on or after October 1, 1990, to request a refund of the BLET paid on export sales. The EESA Act requires that the U.S. Treasury refund a coal producer or exporter an amount equal to the BLET erroneously paid on export sales in prior years along with interest computed at the statutory rates

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applicable to overpayments. CONSOL Energy filed timely claims for refunds under the EESA Act of the BLET with the Internal Revenue Service in the amount of approximately \$27 million. In addition, the estimated interest related to the BLET refunds expected to be received is approximately \$32 million. In relation to this receivable, CONSOL Energy also recognized approximately \$3 million of expense will be owed to third parties upon collection of the refunds. CONSOL Energy believes that it will receive refunds of BLET erroneously paid on export sales in the amounts requested in its filing with the Internal Revenue Service plus interest as required by the Act prior to December 31, 2009. The year ended December 31, 2007 included a \$24 million charge related to the reversal of the receivable that had been recognized in previous quarters related to the BLET refund. The Federal Circuit court had ruled that the damage claim for BLET paid for the period 1991-1993 be repaid. The Government appealed a similar case to the U.S. Supreme Court. On December 3, 2007 the United States Supreme Court granted the Government's appeal to hear the case. The Supreme Court's appeal of the petition made collection of the refund no longer highly probable because of the adverse ruling by the Supreme Court during 2007 under the statute on which our claim for this period was based. Accordingly, CONSOL Energy reversed the BLET receivable it had previously recognized.

Taxes other than income increased primarily due to the following items:

	<u>2008</u>	<u>2007</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
<b>Production taxes:</b>				
Coal	\$ 168	\$ 150	\$ 18	12.0%
Gas	20	13	7	53.8%
Total Production Taxes	188	163	25	15.3%
<b>Other taxes:</b>				
Coal	84	79	5	6.3%
Gas	7	5	2	40.0%
Other	11	12	(1)	(8.3)%
Total Other Taxes	102	96	6	6.3%
Total Taxes Other Than Income	<u>\$ 290</u>	<u>\$ 259</u>	<u>\$ 31</u>	12.0%

Coal production taxes increased \$18 million due to higher severance taxes and reclamation fee taxes attributable to the increase in average sales price for produced coal. Coal production taxes also increased due to higher tons produced in 2008 than 2007.

Gas production taxes increased \$7 million due to higher severance taxes attributable to higher average sales prices for gas and higher gas sales volumes.

The \$5 million increase in other coal taxes is primarily due to higher payroll related taxes and higher property taxes. Higher payroll related taxes were the result of additional employees in 2008 and higher wages paid as discussed in the cost of goods sold and other cost section. Higher property taxes were related to additional properties acquired in the July 31, 2007 AMVEST acquisition, as previously disclosed.

Other gas taxes have increased \$2 million primarily related to payroll taxes and capital stock & franchise taxes due to the on-going growth of the company.

Other taxes decreased \$1 million due to various transactions that occurred throughout both years, none of which were individually material.

[Table of Contents](#)**Income Taxes**

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Change</u>
Earnings Before Income Taxes	\$725	\$ 429	\$ 296	\$ 69.0%
Tax Expense	\$ 240	\$ 136	\$ 104	\$ 76.5%
Effective Income Tax Rate	33.1%	31.7%	1.4%	

CONSOL Energy's effective tax rate is sensitive to changes in the relationship between pre-tax earnings and percentage depletion. The proportion of coal pre-tax earnings and gas pre-tax earnings also impacts the benefit of percentage depletion on the effective tax rate. See "Note 6—Income Taxes" in Item 8, Consolidated Financial Statements of this Form 10-K.

**Minority Interest**

Minority interest represents 18.3% of CNX Gas net income which CONSOL Energy did not own through September 30, 2008, 18.0% for October 2008, 16.9% for November 2008 and 16.7% for December 2008. The minority interest in CNX Gas has been changing due to the share repurchase program that was approved by the CEI Board of Directors on October 21, 2008.

*Year Ended December 31, 2007 Compared with Year Ended December 31, 2006*

**Net Income**

Net income changed primarily due to the following items (table in millions):

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Coal Sales-Produced and Purchased	\$2,678	\$2,694	\$ (16)	(0.6)%
Produced Gas Sales	410	389	21	5.4%
Purchased Gas Sales	8	44	(36)	(81.8)%
Other Sales and Other Income	666	588	78	13.3%
Total Revenue and Other Income	3,762	3,715	47	1.3%
Coal Cost of Goods Sold—Produced and Purchased	1,737	1,785	(48)	(2.7)%
Produced Gas Cost of Goods Sold	129	107	22	20.6%
Purchased Gas Cost of Goods Sold	7	45	(38)	(84.4)%
Other Cost of Goods Sold	526	399	127	31.8%
Total Cost of Goods Sold	2,399	2,336	63	2.7%
Depreciation, Depletion and Amortization	325	296	29	9.8%
Other	585	532	53	10.0%
Export Excise Tax Adjustment	24	—	24	100.0%
Total Costs	3,333	3,164	169	5.3%
Earnings Before Income Taxes and Minority Interest	429	551	(122)	(22.1)%
Income Tax Expense	136	112	24	21.4%
Earnings Before Minority Interest	293	439	(146)	(33.3)%
Minority Interest	25	30	(5)	(16.7)%
Net Income	<u>\$ 268</u>	<u>\$ 409</u>	<u>\$ (141)</u>	<u>(34.5)%</u>

CONSOL Energy had net income of \$268 million for the year ended December 31, 2007 compared to \$409 million for the year ended December 31, 2006. Net income for 2007 decreased in comparison to 2006 primarily due to several roof falls which suspended production at the Buchanan Mine in early July 2007. Production was

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suspended after several roof falls in previously mined areas damaged some of the ventilation controls inside the mine, requiring a general evacuation of the mine. We drilled bore holes and injected nitrogen in order to stabilize and evaluate the mine atmosphere. In the year ended December 31, 2007, we incurred expenses of \$119 million, primarily classified as cost of goods sold and depreciation, depletion and amortization, in relation to these activities. These costs were offset, in part, by a \$15 million advance under CONSOL Energy insurance policies. We have also received notice from our insurance carriers that an advance of \$10 million would be paid related to business interruption coverage; \$8 million related to the coal segment and \$2 million related to the gas segment. Net income was also adversely affected by reduced sales of coal from the Buchanan Mine. Customers who purchase coal from the mine were notified that a force majeure condition exists and deliveries under their sales agreements for coal from the mine were reduced during the year ended December 31, 2007. CNX Gas production was also adversely impacted by the idling of the Buchanan Mine. Also, 2006 included proceeds from the insurance company of \$79 million; the coal segment recognized \$69 million and the gas segment recognized \$10 million, related to the 2005 fire and skip hoist incidents at the Buchanan Mine.

Net income was also impacted by \$24 million of expense related to the previously recognized Export Excise Tax receivable being reversed in 2007. The Federal Circuit court had ruled that the damage claim for export excise taxes paid for the period 1991-1993 be repaid. The Government appealed a similar case to the U.S. Supreme Court. On December 3, 2007 the United States Supreme Court granted the Government's new petition to hear that case. The Supreme Court's granting of the appeal makes collection of the refund and interest by CONSOL Energy no longer highly probable because of adverse rulings by the Supreme Court during 2007 under the statute of which our claim for this period is based. Accordingly, CONSOL Energy reversed the export excise tax receivable until the Supreme Court decides the appeal. Net income in 2007 was also impacted by a lower volume of produced coal sales, and higher cost per ton sold. Net income was also lower due to higher depreciation, depletion and amortization related to the additional assets received in the July 31, 2007 acquisition of AMVEST. Income tax expense also adversely impacted the period-to-period comparison. In 2006, income tax expense was reduced by the release of certain valuation allowances related to state income taxes in Pennsylvania and West Virginia.

Reductions to net income were offset, in part, by two transactions which occurred in 2007; an asset exchange and an asset sale that resulted in pretax income of approximately \$100 million and net income of approximately \$59 million. Net income reductions were also offset, in part, by the March 2007 settlement agreement with the Combined Fund that resolved all previous issues relating to the calculation of payments to the Combined Fund. Total pre-tax income, including interest, recognized related to the Combined Fund settlement was approximately \$33 million. Reductions to net income were also offset, in part, by lower salary pension costs. Our defined benefit pension plan for salaried employees allows such employees to receive a lump-sum distribution in lieu of annual payments when they retire from CONSOL Energy and its subsidiaries. Statement of Financial Accounting Standards (SFAS) No. 88, "Employers' Accounting for Settlement & Curtailments of Defined Benefit Pension Plans and for Termination Benefits," requires that when the lump-sum distributions made for a plan year, which for CONSOL Energy was October 1 to September 30, exceed the total of the service cost and interest cost for the plan year, an adjustment equaling the unrecognized actuarial gain or loss resulting from each individual who received a lump sum in that year be recognized. The total 2007 accelerated actuarial amortization was approximately \$3 million of expense. The total 2006 accelerated actuarial amortization was approximately \$18 million of expense.

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**Revenue**

Revenue and other income increased due to the following items:

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
<b>Sales</b>				
Produced Coal	\$ 2,640	\$ 2,620	\$ 20	0.8%
Purchased Coal	38	74	(36)	(48.6)%
Produced Gas	410	389	21	5.4%
Industrial Supplies	147	120	27	22.5%
Other	89	84	5	6.0%
<b>Total Sales—Outside</b>	<u>3,324</u>	<u>3,287</u>	<u>37</u>	<u>1.1%</u>
Gas Royalty Interest	47	51	(4)	(7.8)%
Purchased Gas	8	44	(36)	(81.8)%
Freight Revenue	187	163	24	14.7%
Other Income	196	170	26	15.3%
<b>Total Revenue and Other Income</b>	<u>\$3,762</u>	<u>\$3,715</u>	<u>\$ 47</u>	<u>1.3%</u>

The increase in company-produced coal sales revenue during 2007 was due to an increase in the average sales price per ton, partially offset by a decrease in sales volumes.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Tons Sold (in millions)	64.8	67.6	(2.8)	(4.1)%
Average Sales Price Per Ton	\$40.74	\$38.77	\$1.97	5.1%

Sales of company produced coal decreased in the period-to-period comparison due to the idling of the Buchanan Mine as previously discussed, lower production at the McElroy Mine due to poor geological conditions and the idling of certain Central Appalachian mines due to market conditions. Lower sales tons were offset, in part, by coal sales from the AMVEST mines that were acquired on July 31, 2007. Company coal production, excluding equity affiliates, was 64.5 million tons in 2007 compared to 67.4 million tons in 2006. The increase in average sales price primarily reflects stronger term prices negotiated in 2006 and early 2007 resulting from an overall improvement in prices in the eastern coal market for domestic and foreign power generators and steel producers. There was also a surge in spot market prices in 2007.

Purchased coal sales consist of revenues from processing third party coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased from a third party and sold directly to our customers and revenues from processing third party coal in our preparation plants. The decrease of \$36 million in company-purchased coal sales revenue was primarily due to lower sales volumes.

The increase in produced gas sales revenue in 2007 compared to 2006 was primarily due to higher average sales price per thousand cubic feet sold and higher sales volumes.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Gas Sales Volumes (in billion cubic feet)	57.1	55.3	1.8	3.3%
Average Sales Price Per Thousand Cubic Feet	\$ 7.18	\$ 7.04	\$ 0.14	2.0%

The increase in average sales price is the result of realizing general price increases on higher hedging gains in the current year. We periodically enter into various gas swap transactions that qualify as financial cash flow hedges. These gas swap transactions exist parallel to the underlying physical transactions. These financial hedges

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represented approximately 18.4 billion cubic feet of our produced gas sales volume for the year ended December 31, 2007 at an average price of \$8.01 per thousand cubic feet. In the prior year, these hedges represented approximately 17.0 billion cubic feet at an average price of \$7.42 per thousand cubic feet. Sales volumes increased as a result of additional wells coming online from our on-going drilling program, offset, in part, by decreased active and sealed gob production as a result of the idled Buchanan Mine. Also included within 2007 are the non-operating net revenue interest volumes and revenues associated with royalty and working interests. These volumes were not available in 2006. The associated revenues were included in other income in the prior period.

The \$27 million increase in revenues from the sale of industrial supplies was primarily due to increased sales volumes. Sales volumes have increased primarily due to the July acquisition of Piping & Equipment, Inc. See Note 2 in Item 8, Notes to the Audited Financial Statements in this Form 10-K.

The \$5 million increase in other sales was due to various transactions that occurred throughout both years, none of which were individually material.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Gas Royalty Interest Sales Volumes (in billion cubic feet)	7.2	7.6	(0.4)	(5.3)%
Average Sales Price Per Thousand Cubic Feet	\$6.44	\$6.76	\$(0.32)	(4.7)%

Included in royalty interest gas sales are the revenues related to the portion of production belonging to royalty interest owners sold by CNX Gas on their behalf. The decreased average sales price relates primarily to reductions in a provision for royalty settlements. The volatility in the monthly volumes, contractual differences among leases, as well as the mix of average and index prices used in calculating royalties also contributed to the variance.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Purchased Gas Sales Volumes (in billion cubic feet)	1.1	6.1	(5.0)	(82.0)%
Average Sales Price Per Thousand Cubic Feet	\$7.19	\$7.20	\$(0.01)	(0.1)%

Purchased gas sales volumes in the current year represent volumes of gas we sell at market prices that were purchased from third party producers, less our gathering and marketing fees. In 2006, purchased gas sales and volumes represented volumes of gas we simultaneously purchased from and sold to the same counterparties under contracts that were committed prior to January 1, 2006. Accordingly, Emerging Issues Task Force Issue No. 04-13 (EITF 04-13), which we adopted on January 1, 2006, did not apply to these transactions. All contracts entered into prior to January 1, 2006 expired in 2006, while all activity related to 2007 is reflected in transportation expense on a net basis.

Freight revenue is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to which CONSOL Energy contractually provides transportation services. Freight revenue is the amount billed to customers for transportation costs incurred.

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Other income consists of interest income, gain or loss on the disposition of assets, equity in earnings of affiliates, service income, royalty income, derivative gains and losses, rental income and miscellaneous income.

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Gain on Sales of Assets	\$ 112	\$ 10	\$ 102	1,020.0%
Equity in Earnings of Affiliates	7	1	6	600.0%
Litigation Settlement	5	—	5	100.0%
Business Interruption Insurance	10	79	(69)	(87.3)%
Royalty Income	14	28	(14)	(50.0)%
Interest Income	13	15	(2)	(13.3)%
Other miscellaneous	35	37	(2)	(5.4)%
Total Other Income	<u>\$ 196</u>	<u>\$ 170</u>	<u>\$ 26</u>	15.3%

Gain on sales of assets increased \$102 million primarily due to two transactions that occurred in 2007. In June 2007, CONSOL Energy, through a subsidiary, exchanged certain coal assets in Northern Appalachia to Peabody Energy in exchange for coalbed methane and gas rights. This transaction was accounted for as a non-monetary exchange under Statement of Financial Accounting Standards No. 153 resulting in a pre-tax gain of \$50 million. Also, in June 2007, CONSOL Energy, through a subsidiary, sold the rights to certain western Kentucky coal in the Illinois Basin to Alliance Resource Partners, L.P. for \$53 million. This transaction resulted in a pre-tax gain of approximately \$50 million. Gain on sales of assets also increased \$2 million in the period-to-period comparison due to various miscellaneous transactions that occurred throughout both years, none of which were individually material.

Equity in Earnings of Affiliates increased \$6 million in the year-to-year comparison due to various activities of our joint ventures, none of which were individually material.

A litigation settlement with a coal customer resulted in an additional \$5 million of income in 2007.

In 2007, CONSOL Energy received notice from its insurance carriers that \$25 million would be advanced toward the insurance claim related to several roof falls which suspended production at the Buchanan Mine in early July. The \$25 million represents \$10 million of business interruption reimbursement which was recognized in other income; the coal segment recognized \$8 million and the gas segment recognized \$2 million. The remaining \$15 million of the reimbursement relates to cost recovery for activities at the Mine since production was suspended. These activities included the cost of drilling bore holes to monitor the mine atmosphere, the cost of injecting nitrogen in order to stabilize the mine atmosphere as well as various other costs incurred related to these activities. In February 2005, Buchanan Mine experienced a fire that developed in the mine after a large rock fall behind the longwall mining section. The mine was temporarily sealed in order to extinguish the fire. Coal production resumed on June 16, 2005. During 2006, CONSOL Energy received proceeds from the insurance companies of \$38 million. The \$38 million was recognized as other income; the coal segment recognized \$29 million and the gas segment recognized \$9 million. Buchanan Mine also experienced a problem with the mine's skip hoist mechanism on September 16, 2005 which caused the mine to be idled. Repairs to the skip hoist shaft and structures were completed and the mine resumed production on December 13, 2005. During 2006, CONSOL Energy recognized proceeds from the insurance companies of \$41 million. The \$41 million was recognized as other income; the coal segment recognized \$40 million and the gas segment recognized \$1 million.

Royalty income decreased \$14 million primarily due to royalties received from third party gas sales now being classified in outside gas sales versus royalty income. In the prior period, the volumes were not available nor were they considered in the prior period reserve report.

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Interest income decreased \$2 million in the year-to-year comparison due to lower cash balances throughout 2007 compared to 2006. Lower cash balances were primarily the result of the purchase price paid for the July 31, 2007 acquisition of AMVEST and the June 2007 purchase of certain coalbed methane and gas reserves from Peabody Energy.

Other miscellaneous income decreased \$2 million due to various transactions that occurred throughout both years, none of which were individually material.

### Costs

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Cost of Goods Sold and Other Charges				
Produced Coal	\$1,685	\$1,705	\$ (20)	(1.2)%
Purchased Coal	52	80	(28)	(35.0)%
Produced Gas	129	107	22	20.6%
Industrial Supplies	141	119	22	18.5%
Closed and Idle Mines	105	109	(4)	(3.7)%
Other	240	129	111	86.0%
Total Cost of Goods Sold and Other Charges	<u>2,352</u>	<u>2,249</u>	<u>103</u>	<u>4.6%</u>
Royalty Interest Gas	40	42	(2)	(4.8)%
Purchased Gas	7	45	(38)	(84.4)%
Total Cost of Goods Sold	<u>\$2,399</u>	<u>\$2,336</u>	<u>\$ 63</u>	<u>2.7%</u>

Decreased cost of goods sold and other charges for company-produced coal was due mainly to lower sales volumes, offset, in part by an increase in the average unit cost per ton sold.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Tons Sold (in million)	64.8	67.6	(2.8)	(4.1)%
Average Cost of Goods Sold and Other Charges Per Ton	\$25.99	\$25.22	\$ 0.77	3.1%

Cost of goods sold and other charges for produced coal decreased \$20 million mainly due to lower volumes of company-produced coal. Average cost of goods sold and other charges per ton increased in the year-to-year comparison primarily due to higher health and retirement costs, higher labor costs, higher supply costs and the lower volume impact on fixed unit costs. Higher health and retirement costs were attributable to additional contributions required to be made into employee benefit funds as a result of the five-year labor agreement with the United Mine Workers of America (UMWA) that commenced January 1, 2007. The contribution increase over 2006 was \$3.50 per UMWA hour worked. Higher labor costs were due to the effects of wage increases at the union and non-union mines due to new labor contracts. Higher labor unit costs were also due to additional costs incurred to comply with health and safety standards. Supply costs increased due to additional costs incurred to comply with new federal and state safety regulations. These regulations require additional supplies of self-contained self rescuer devices and other safety items as previously discussed. Supply cost increases were also the result of higher costs for products and chemicals, such as roof control products and magnetite, used in the mining and coal preparation process. These increases were offset, in part, by income recorded as a result of the Combined Fund settlement. In March 2007, CONSOL Energy entered into a settlement agreement with the Combined Fund that resolved all previous issues relating to the calculation of the payments. The total income, including interest, as a result of this settlement was approximately \$33.4 million, of which approximately \$28.1 million impacted cost of goods sold and other charges for produced coal. Decreased costs also reflect the prior year adjustment which accelerated previously unrecognized actuarial losses related to our salary pension plan. Our defined benefit pension plan for salaried employees allows such employees to receive a lump sum

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distribution in lieu of annual payments when they retire from CONSOL Energy and its subsidiaries. Statement of Financial Accounting Standard (SFAS) No. 88, "Employers' Accounting for Settlements & Curtailments of Defined Benefit Pension Plans and for Termination Benefits," requires that when the lump-sum distributions made for a plan year, which for CONSOL Energy is October 1 to September 30, exceeds the total of the service costs and interest costs for the plan year, an adjustment equaling the unrecognized actuarial gain or loss resulting from each individual who received a lump sum in that year be recognized. The total 2007 accelerated actuarial amortization was \$2.7 million of expenses, of which \$2.1 million impacted cost of goods sold and other charges for produced coal. The total prior year accelerated actuarial amortization was \$17.8 million, of which \$13.8 million impacted cost of goods sold and other charges for produced coal. Increased costs were also offset, in part, by lower contract mining fees due to the idling of certain Central Appalachia contract mine locations. Royalty expenses were also lower in 2007 compared to 2006 due to a larger proportion of coal production coming from owned reserves versus leased reserves.

Purchased coal cost of goods sold consists of costs from processing purchased coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased and sold directly to the customer and costs for processing third party coal in our preparation plants. The decrease of \$28 million in purchased coal cost of goods sold and other charges in 2007 was primarily due to lower volumes purchased.

Produced gas cost of goods sold and other charges increased due primarily to a 16.6% increase in unit cost of goods sold and other charges and a 3.3% increase in volumes of produced gas sold.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Produced Gas Sales Volumes (in billion cubic feet)	57.1	55.3	1.8	3.3%
Average Cost Per Thousand Cubic Feet	\$2.25	\$ 1.93	\$ 0.32	16.6%

The increase in average cost per thousand cubic feet of gas sold was primarily attributable to increased salary labor and related employee costs, increased gas well maintenance costs, increased compressor rental costs, increased power costs and the deferral of gob gas production related to the idling of Buchanan Mine. Salary labor and related employee costs increased due to the hiring of additional employees in 2007. Gas well maintenance costs increased due to the increased number of wells in-service compared to the prior year. Compressor rental costs increased due to more rentals in the current year. Power costs per unit were higher due to increased megawatt hour rates charged by the power companies in 2007, offset, in part, by credits received from the power company in 2007. These increases in unit costs were offset, in part, by lower firm transportation costs per unit and lower gas well closing costs. The firm transportation improvement was due to the in-service of the Jewell-Ridge Pipeline in October 2006. Also, gas well closing costs decreased due to a change in the lives for the wells to coincide with the reserve reports.

Industrial supplies cost of goods sold increased \$22 million primarily due to the July acquisition of Piping & Equipment, Inc. See Note 2 in Item 8, Notes to Audited Consolidated Financial Statements in this Form 10-K.

Closed and idle mine cost of goods sold and other charges decreased approximately \$4 million in 2007 compared to 2006. Closed and idle mine cost of goods sold and other charges were improved \$6 million due to additional expenses in the 2006 period related to reclamation liability adjustments and associated accretion expenses that were the result of updated engineering surveys. Closed and idle mine cost of goods sold and other charges also decreased \$3 million due to various transactions that occurred throughout both years, none of which were individually material. This improvement was offset, in part, by \$5 million of additional expenses due to Shoemaker being idled throughout all of 2007 and only a portion of 2006.

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Other cost of goods sold and other charges increased due to the following items:

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Buchanan roof collapse	\$ 95	\$ —	\$ 95	100.0%
Incentive compensation	35	24	11	45.8%
Contract settlement	6	—	6	100.0%
Accounts Receivable Securitization	3	—	3	100.0%
Stock-based compensation	24	23	1	4.3%
Miscellaneous transactions	77	82	(5)	(6.1)%
<b>Total Miscellaneous Cost of Goods Sold and Other Charges</b>	<b>\$240</b>	<b>\$129</b>	<b>\$ 111</b>	<b>86.0%</b>

In July 2007, production at the Buchanan Mine was suspended after several roof falls in previously mined areas damaged some of the ventilation controls inside the mine, requiring a general evacuation of the mine. We drilled bore holes and injected nitrogen in order to stabilize and evaluate the mine atmosphere. In 2007, we have incurred cost of goods sold expenses of approximately \$110 million in relation to these activities. Also, \$15 million advance was paid to recover a portion of the cost incurred to date for this incident. Insurance coverage, after certain deductibles have been reached including a 90 day waiting period, includes property damage and cost recoveries as well as business interruption recoveries.

Incentive compensation expense increased \$11 million due to higher projected amounts expected to be paid to employees for 2007 compared to the projected amounts expected for 2006. The increase also relates to an actualization of the 2006 accrual which resulted in approximately \$2 million of additional expense in 2007. The incentive compensation program is designed to increase compensation to eligible employees when CONSOL Energy reaches predetermined earnings targets and the employees reach predetermined performance targets.

During 2007, CONSOL Energy agreed to a settlement for a contract violation with a customer. The amount owed to the customer has been accrued as of December 31, 2007.

Accounts receivable securitization fees increased in the year-to-year comparison. Amounts have been drawn under this program since July 2007. No amounts were drawn under this program in 2006.

Stock-based compensation expense increased \$1 million primarily as a result of additional awards granted in the 2007 period.

Miscellaneous cost of goods sold and other charges decreased \$5 million due to various transactions that occurred throughout both periods, none of which were individually material.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Gas Royalty Interest Sales Volumes (in billion cubic feet)	7.2	7.6	(0.4)	(5.3)%
Average Cost Per Thousand Cubic Feet	\$5.52	\$5.54	\$(0.02)	(0.4)%

Included in royalty interest gas costs are the expenses related to the portion of production belonging to royalty interest owners sold by CNX Gas on their behalf. The decrease in volumes and costs relate to the volatility and contractual differences among leases, as well as the mix of average and index prices used in calculating royalties.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Purchased Gas Sales Volumes (in billion gross cubic feet)	1.1	6.1	(5.0)	(82.0)%
Average Cost Per Thousand Cubic Feet	\$6.66	\$7.34	\$(0.68)	(9.3)%

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Purchased gas sales volumes in the current year represent volumes of gas we sell at market prices that were purchased from third party producers, less our gathering and marketing fees. In 2006, purchased gas costs and volumes represented volumes of gas we simultaneously purchased from and sold to the same counterparties under contracts that were committed prior to January 1, 2006. Accordingly, Emerging Issues Task Force Issue No. 04-13 (EITF 04-13), which we adopted on January 1, 2006, did not apply to these transactions. All contracts entered into prior to January 1, 2006 expired in 2006, while all activity related to 2007 is reflected in transportation expense on a net basis.

Freight expense is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to whom CONSOL Energy contractually provides transportation. Freight expense is billed to customers and the revenue from such billing equals the transportation expense.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Freight Expense	<u>\$ 187</u>	<u>\$ 163</u>	<u>\$ 24</u>	14.7%

Selling, general and administrative costs have increased due to the following items:

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Wages and salaries	\$ 40	\$ 35	\$ 5	14.3%
Professional, consulting and other purchased services	29	23	6	26.1%
Advertising and promotion	4	1	3	300.0%
Rentals	4	2	2	100.0%
Insurance	4	2	2	100.0%
Employee benefits	8	11	(3)	(27.3)%
Other	20	17	3	17.6%
Total Selling, General and Administrative	<u>\$ 109</u>	<u>\$ 91</u>	<u>\$ 18</u>	19.8%

Wages and salaries have increased \$5 million due to additional employees as a result of several acquisitions throughout 2007 and additional employees being hired after the 2006 period.

Costs of professional, consulting and other purchased services were higher in 2007 compared to 2006 primarily due to \$4 million of additional costs incurred by CNX Gas related to a new computer system and legal fees associated with outstanding legal cases. The remaining \$2 million increase is due to various transactions that occurred throughout both periods, none of which are individually material.

Advertising and promotion expenses were \$3 million higher in 2007 compared to 2006 due to an advertising campaign launched in 2007 to raise corporate awareness and recruit the next generation of employees.

Rentals of equipment, primarily computers, have increased \$2 million in the year-to-year comparison due to additional employees that have been added related to growth of CNX Gas as well as several acquisitions that occurred throughout 2007.

Insurance expense increase of \$2 million was primarily related to increased premium costs for property, business interruption and excess general liability insurance.

Employee benefits decreased due mainly to an acceleration in 2006 of previously unrecognized actuarial losses related to our salary pension plan. Our defined benefit pension plan for salaried employees allows such employees to receive a lump-sum distribution in lieu of annual payments when they retire from CONSOL.

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Energy. Statement of Financial Accounting Standards (SFAS) No. 88, "Employers' Accounting for Settlement & Curtailments of Defined Benefit Pension Plans and for Termination Benefits," requires that when the lump-sum distributions made for a plan year, which for CONSOL Energy is October 1 to September 30, exceed the total of the service cost and interest cost for the plan year, an adjustment equaling the unrecognized actuarial gain or loss resulting from each individual who received a lump-sum in that year be recognized. The total accelerated actuarial amortization recognized in 2007 was \$2.7 million, of which \$0.2 million impacted selling, general and administrative expense. The total accelerated actuarial amortization recognized in 2006 was \$17.8 million, of which \$2.1 million impacted selling, general and administrative expense.

Other selling, general and administrative costs increased \$3 million due to miscellaneous costs related to various transactions that occurred throughout both years, none of which were individually material.

Depreciation, depletion and amortization increased due to the following items:

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Coal	\$ 258	\$ 241	\$ 17	7.1%
Gas:				
Production	31	25	6	24.0%
Gathering	18	13	5	38.5%
Total Gas	49	38	11	28.9%
Other	18	17	1	5.9%
Total Depreciation, Depletion and Amortization	<u>\$ 325</u>	<u>\$ 296</u>	<u>\$ 29</u>	9.8%

The increase in coal depreciation, depletion and amortization was primarily due to additional expense related to the assets received in the acquisition of AMVEST. The increase was also attributable to assets placed in service after December 31, 2006. Assets placed in service after December 31, 2006 include various airshafts, longwall assets, haulage assets and other projects completed at our mines. These increases were offset, in part, by a reduction in depletion expense due to depletion of economic reserves at VP#8 Mine and decreased amortization due to decreased production in 2007 compared to 2006.

The increase in gas production related depreciation, depletion and amortization was primarily due to an increase in units of production rates and increased production volumes year-to-year. These rates, which are recalculated annually, increased due to the higher proportion of capital assets placed in service versus the proportion of proved developed reserve additions. Rates are generally calculated using the net book value of assets at the end of the year divided by either proved or proved developed reserves. Gathering depreciation, depletion and amortization is recorded on the straight-line method and increased primarily as a result realizing a full year of the capital lease treatment of the Jewell-Ridge lateral, which went into service in October 2006.

Other depreciation, depletion and amortization increased \$1 million primarily related to capitalized computer software being placed in service after December 31, 2006.

Interest expense increased in 2007 compared to 2006 due to the following items:

	<u>2007</u>	<u>2006</u>	<u>Dollar Variance</u>	<u>Percentage Change</u>
Capitalized lease	\$ 7	\$ 2	\$ 5	250.0%
Revolver	5	—	5	100.0%
Interest on unrecognized tax benefits	3	—	3	100.0%
Long-term secured notes	28	30	(2)	(6.7)%
Other	(12)	(7)	(5)	71.4%
Total Interest Expense	<u>\$ 31</u>	<u>\$ 25</u>	<u>\$ 6</u>	24.0%

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In conjunction with the completion of the Jewell-Ridge lateral pipeline in October 2006, CNX Gas entered into a 15-year firm transportation agreement with ETNG, a subsidiary of Duke Energy. Also, in April 2006, CONSOL Energy entered into an agreement for the acquisition of longwall equipment. These agreements were required to be treated as capital leases under Statement of Financial Accounting Standards No. 13, "Accounting for Leases" and accordingly incur interest expense each period.

Revolver interest expense increased \$5 million due to amounts being drawn on our revolving credit facility in 2007. The facility had \$248 million outstanding at December 31, 2007. No amounts were drawn on the facility in 2006.

CONSOL Energy began recording interest on unrecognized tax benefits as a result of the adoption of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109" (FIN 48) in 2007. See Note 6 in Item 8, Notes to the Audited Financial Statements Data of this Form 10-K.

Interest on long-term debt decreased \$2 million due to the planned June 2007 principal payment on our \$45 million secured note.

Other reductions in interest expense were related to higher amounts of interest capitalized in 2007 compared to 2006. Higher capitalized interest was attributable to the higher level of capital projects funded from operating cash flow in 2007 compared to 2006.

Taxes other than income increased primarily due to the following items:

	2007	2006	Dollar Variance	Percentage Change
<b>Production taxes:</b>				
Coal	\$ 175	\$ 157	\$ 18	11.5%
Gas	13	12	1	8.3%
<b>Total Production Taxes</b>	<b>188</b>	<b>169</b>	<b>19</b>	<b>11.2%</b>
<b>Other taxes:</b>				
Coal	79	71	8	11.3%
Gas	5	4	1	25.0%
Other	12	9	3	33.3%
<b>Other</b>	<b>96</b>	<b>84</b>	<b>12</b>	<b>14.3%</b>
<b>Total Taxes Other Than Income</b>	<b>\$ 284</b>	<b>\$ 253</b>	<b>\$ 31</b>	<b>12.3%</b>

Increased coal production taxes are primarily due to \$24 million of expense related to the Export Excise Tax receivable being reversed in the 2007 period. The Federal Circuit court had ruled that the damage claim for export excise taxes paid for the period 1991-1993 be repaid. The Government appealed a similar case to the U.S. Supreme Court. On December 3, 2007 the United States Supreme Court granted the Government's appeal to hear that case. The Supreme Court's appeal of the petition makes collection of the refund and interest by CONSOL Energy no longer highly probable because of adverse rulings by the Supreme Court during 2007 under the statute on which our claim for this period is based. Accordingly, CONSOL Energy reversed the export excise tax receivable until the Supreme Court decides the appeal. Coal production taxes also include a \$6 million improvement related to lower coal production in 2007 compared to 2006. Lower production reduces severance taxes, reclamation fee taxes and black lung excise taxes, although these reductions were somewhat offset by higher average sales prices. Gas production taxes increased \$1 million due to higher severance taxes attributable to higher average sales prices for gas and higher gas sales volumes.

Other coal taxes have increased in 2007 due to property taxes which are based on current assessment values which have increased over the prior year primarily related to the acquisition of AMVEST, as previously

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discussed. Other coal taxes are also higher due to lower Virginia employment enhancement tax credits. Virginia provides a tax credit based on employment figures attributable to operations in that state. Due to the previously discussed Buchanan Mine situation, our employment figures have been temporarily reduced. The employment figure reduction has correspondingly reduced the tax credit that we earn.

Other gas taxes have increased in 2007 due to various transactions that occurred throughout both years, none of which were individually material.

Other taxes have increased \$3 million due to various transactions that occurred throughout both periods, none of which were individually material.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Earnings Before Income Taxes	\$ 429	\$ 551	\$ (122)	(22.1)%
Tax Expense	\$ 136	\$ 112	\$ 24	21.4%
Effective Income Tax Rate	31.7%	20.4%	11.3%	

CONSOL Energy's effective tax rate is sensitive to changes to the relationship between pre-tax earnings and percentage depletion. See Note 6 in Item 8, Notes to the Audited Financial Statements of this Form 10-K. CONSOL Energy's 2006 effective income tax rate includes the impact of state income tax benefits resulting from a change in a state tax statute.

### ***Minority Interest***

Minority interest represents 18.3% of CNX Gas net income for the five month period ended December 31, 2007 which CONSOL Energy did not own. It also represents 18.5% of Gas's net income for the seven month period ended July 31, 2007 which CONSOL Energy did not own. During the period ended December 31, 2007, CONSOL Energy purchased \$10 million of CNX Gas shares on the open market. The purchase of the additional shares changed CONSOL Energy's ownership percentage in CNX Gas from 81.5% to 81.7%.

### ***Critical Accounting Policies***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities in the consolidated financial statements and at the date of the financial statements. Note 1 of the Notes to the Audited Consolidated Financial Statements in this Annual Report on Form 10-K describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates upon subsequent resolution of identified matters. Management believes that the estimates utilized are reasonable. The following critical accounting policies are materially impacted by judgments, assumptions and estimates used in the preparation of the Consolidated Financial Statements.

### ***Other Post Employment Benefits***

Certain subsidiaries of CONSOL Energy provide medical and life insurance benefits to retired employees not covered by the Coal Industry Retiree Health Benefit Act of 1992. The medical plans contain certain cost sharing and containment features, such as deductibles, coinsurance, health care networks and coordination with Medicare. Prior to August 1, 2003, substantially all employees become eligible for these benefits if they had ten

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years of company service and attained age 55. Effective August 1, 2003, the base eligibility was changed to age 55 with 20 years of service for salaried employees. In addition, effective January 1, 2004, a medical plan cost sharing arrangement with all salaried employees and retirees was adopted. These participants will now contribute a minimum of 20% of medical plan operating costs. Contributions may be higher, dependent on either years of service or a combination of age and years of service at retirement. Prospective annual cost increases of up to 6% will be shared 80% by CONSOL Energy and 20% by the participants. Annual cost increases in excess of 6% will be the sole responsibility of the participant. Also, any salaried or non-represented hourly employees that were hired or rehired effective January 1, 2007 or later will not become eligible for retiree health benefits. In lieu of traditional retiree health coverage, if certain eligibility requirements are met, these employees may be eligible to receive a retiree medical spending allowance for each year of service at retirement. Newly employed inexperienced employees represented by the UMWA, hired after January 1, 2007, will not be eligible to receive retiree benefits. In lieu of these benefits, these employees will receive a defined contribution benefit of \$1 per each hour worked.

After our review, various actuarial assumptions, including discount rate, expected trend in health care costs, average remaining service period, average remaining life expectancy, per capita costs and participation level in each future year are used by our independent actuary to estimate the cost and benefit obligations for our retiree health plans. Most assumptions used in 2008 have not differed materially from the prior year actual experience. Expected trend in health care cost assumptions have been changed since the prior year. The initial expected trend in health care costs at this year's measurement date, which was December 31, 2008, was 9.6% compared to a prior year expected 2008 trend in health care cost of 8.0%. In addition, the year the ultimate trend rate is reached was extended from 2013 to 2015. A 1.0% decrease in the health care trend rate would decrease interest and service cost for 2008 by approximately \$17.3 million. A 1.0% increase in the health care trend rate would increase the interest and service cost by approximately \$20.7 million. The discount rate is also determined each year at the measurement date. The discount rate is estimated by utilizing a corporate yield curve model developed from corporate bond data using only bonds rated Aa by Moody's as of the measurement date. All future post employment benefit expected payments were discounted using a spot rate yield curve as of December 31, 2008. The appropriate discount rate was then selected from resulting discounted cash flows. For the years ended December 31, 2008 and 2007, the discount rate used to calculate the period end liability and the following year's expense was 6.20% and 6.63%, respectively. A 0.25% increase in the discount rate would have decreased 2008 net periodic postretirement benefit costs by approximately \$4.0 million. A 0.25% decrease in the discount rate would have increased 2008 net periodic postretirement benefit costs by approximately \$4.1 million. Deferred gains and losses are primarily due to historical changes in the discount rate and medical cost inflation differing from expectations in prior years. Changes to interest rates for the rates of returns on instruments that could be used to settle the actuarially determined plan obligations introduce substantial volatility to our costs. Accumulated actuarial gains or losses in excess of a pre-established corridor are amortized on a straight-line basis over the expected future service of active salary employees to their assumed retirement age. At December 31, 2008 the average remaining service period for our salaried plans is approximately 10 years. Accumulated actuarial gains or losses in excess of a pre-established corridor are amortized on a straight-line basis over the expected remaining life of our retired United Mine Workers of America (UMWA) population. The average remaining service period of this population is not used for amortization purposes because the majority of the UMWA population of our plan is retired. At December 31, 2008, the average remaining life expectancy of our retired UMWA population used to calculate the following year's expense is approximately 13 years.

Per capita costs on a per annum basis for Other Postretirement Benefits were assumed to be \$5,783 at December 31, 2008. This was approximately a 4.8% decrease from the per capita cost on a per annum basis at December 31, 2007. The decrease was due to more favorable experience than expected, healthcare cost trends and was within the range expected by our assumptions. If the actual change in per capita cost of medical services or other postretirement benefits are significantly greater or less than the projected trend rates, the per capita cost assumption would need to be adjusted, which could have a significant effect on the costs and liabilities recognized in the financial statements.

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Significant increases in health and prescription drug costs for represented hourly retirees could have a material adverse effect on CONSOL Energy's operating cash flow. However, the effect on CONSOL Energy's cash flow from operations for salaried employees has been limited to approximately 6% of the previous year's medical cost for salaried employees due to the cost sharing provision in the benefit plan.

On September 29, 2006, Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158) was issued. SFAS 158 required, among other things, the recognition of the funded status of each defined pension benefit plan and other postretirement benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. Additionally, SFAS 158 requires an employer to measure the funded status of its plans as of the date of its year-end statement of financial position. This provision became effective for CONSOL Energy for the year ended December 31, 2008 and required a change in the measurement date from September 30 to December 31. As a result of the adoption, the company recognized an increase of \$42.6 million in the other postretirement liability. This increase was accounted for as a reduction in the January 1, 2008 balance of retained earnings.

The estimated liability recognized in the December 31, 2008 financial statements was \$2.6 billion. For the year ended December 31, 2008, we paid approximately \$143.0 million for Other Postretirement Benefits, all of which were paid from operating cash flow. Our obligations with respect to these liabilities are unfunded at December 31, 2008. CONSOL Energy does not expect to contribute to the other postretirement plan in 2009. We intend to pay benefit claims as they are due.

### ***Salaried Pensions***

CONSOL Energy has non-contributory defined benefit retirement plans covering substantially all employees not covered by multi-employer plans. The benefits for these plans are based primarily on years of service and employee's pay near retirement. Effective January 1, 2006, employees hired between August 1, 2004 and December 31, 2005 that were not previously eligible to participate in the plans began accruing service. The CONSOL Energy salaried plan allows for lump-sum distributions of benefits earned up until December 31, 2005, at the employees' election. The Restoration Plan was frozen effective December 31, 2006 and was replaced prospectively with the CONSOL Energy Supplemental Retirement Plan. In addition, the CONSOL Energy's Restoration Plan allows only for lump-sum distributions earned up until December 31, 2006.

Effective January 1, 2007, employees hired by CNX Gas, an 83.3% owned subsidiary, will not be eligible to participate in CNX Gas' non-contributory defined benefit retirement plan. In lieu of participation in the non-contributory defined benefit plan, these employees began receiving an additional 3% company contribution into their defined contribution plan. CNX Gas employees who were hired prior to December 31, 2005 or who were employees of CONSOL Energy prior to this date were given a one-time opportunity to elect to remain in the defined benefit plan or opt to freeze their service accruals and participate in the additional 3% company contribution into their defined contribution plan. All employees hired on or after January 1, 2006, but on or before December 31, 2006 had their current non-contributory defined benefit frozen and began receiving the additional 3% company contribution into their defined contribution plan, effective January 1, 2007. CNX Gas intends to freeze all defined benefit accruals as of December 31, 2016 for CNX Gas employees that elected to remain in the defined benefit plan.

Our independent actuaries calculate the actuarial present value of the estimated retirement obligation based on assumptions including rates of compensation, mortality rates, retirement age and interest rates. For the year ended December 31, 2008, compensation increases are assumed to range from 3% to 8% depending on age and job classification. The discount rate is determined each year at the measurement date. The discount rate is estimated by utilizing a corporate yield curve model developed from corporate bond data using only bonds rated Aa by Moody's as of the measurement date. All expected benefit payments from the CONSOL Energy retirement plan were discounted using a spot rate yield curve as of December 31, 2008. The appropriate equivalent discount

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rate was then selected for the resulting discounted pension cash flows. For the years ended December 31, 2008 and 2007, the discount rate used to calculate the period end liability and the following year's expense was 6.28% and 6.57%, respectively. A 0.25% increase in the discount rate would have decreased the 2008 net periodic pension cost by \$1.0 million. A 0.25% decrease in the discount rate would have increased the 2008 net periodic pension cost by \$1.0 million. Deferred gains and losses are primarily due to historical changes in the discount rate and earnings on assets differing from expectations in prior years. At December 31, 2008 the average remaining service period is approximately 10 years. Changes to any of these assumptions introduce substantial volatility to our costs.

On September 29, 2006, Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158) was issued. SFAS 158 required, among other things, the recognition of the funded status of each defined pension benefit plan and other postretirement benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. Additionally, SFAS 158 requires an employer to measure the funded status of its plans as of the date of its year-end statement of financial position. This provision became effective for CONSOL Energy for the year ended December 31, 2008 and required a change in the measurement date from September 30 to December 31. As a result of this adoption, the company recognized an increase of \$2.3 million in the liability for salaried pension. This increase was accounted for as a reduction in the January 1, 2008 balance of retained earnings.

The market related asset value is derived by taking the cost value of assets as of December 31, 2008 and multiplying it by the average 36-month ratio of the market value of assets to the cost value of assets. CONSOL Energy's pension plan weighted average asset allocations at December 31, 2008 consisted of 63% equity securities and 37% debt securities. The current volatile economic environment and rapid deterioration in the equity markets have caused investment income and the value of investment assets held in our pension trust to decline and lose value. As a result, we may be required to increase the amount of cash contributions we make into the pension trust.

According to Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," plans that pay lump-sum distributions need to monitor the distributions for a plan year. If total payments, exceed the total of the service cost and interest cost for the plan year, settlement accounting is required. Lump-sum payments exceeded this threshold in the Restoration Plan during 2007. CONSOL Energy recognized an additional expense of \$2.7 million in 2007's results of operations. The adjustment equaled the previously unrecognized actuarial loss resulting from each individual who received a lump sum in that year. CONSOL regularly monitors this situation. If settlement accounting is triggered again in the future, the adjustment could materially impact operating results.

The estimated liability recognized in the December 31, 2008 financial statements was \$196.5 million. For the year ended December 31, 2008, we contributed approximately \$42.1 million for defined benefit retirement plans other than multi-employer plans. Our obligations with respect to these liabilities are partially funded at December 31, 2008. CONSOL Energy does expect to contribute to the defined benefit retirement plans during 2009. We intend to contribute an amount that will avoid benefit restrictions for the following plan year.

### ***Workers' Compensation and Coal Workers' Pneumoconiosis***

Workers' compensation is a system by which individuals who sustain employment related physical injuries or some type of occupational diseases are compensated for their disabilities, medical costs, and on some occasions, for the costs of their rehabilitation. Workers' compensation will also compensate the survivors of workers who suffer employment related deaths. The workers' compensation laws are administered by state agencies with each state having its own set of rules and regulations regarding compensation that is owed to an employee that is injured in the course of employment. CONSOL Energy records an actuarially calculated liability, which is determined using various assumptions, including discount rate, future healthcare cost trends,

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benefit duration and recurrence of injuries. The discount rate is determined each year at the measurement date. The discount rate is estimated by utilizing a corporate yield curve model developed from corporate bond data using only bonds rated Aa by Moody's as of the measurement date. All future workers compensation expected benefit payments were discounted using a spot rate yield curve as of December 31, 2008. The appropriate equivalent discount rate was then selected from the resulting discounted workers' compensation cash flows. For the years ended December 31, 2008 and 2007, the discount rate used to calculate the period end liability and the following year's expense was 5.90% and 5.94%, respectively. A 0.25% increase or decrease in the discount rate would not have materially decreased or increased the 2008 workers' compensation expense. Deferred gains and losses are primarily due to historical changes in the discount rates, several years of favorable claims experience, various favorable claims experience, various favorable state legislation changes and an over all lower incident rate than our assumptions. Accumulated actuarial gains or losses are amortized on a straight-line basis over the expected future benefit duration of current claimants. At December 31, 2008, the average expected benefit duration for this group is approximately 9 years. The estimated liability recognized in the financial statements at December 31, 2008 was approximately \$159.8 million. CONSOL Energy's policy has been to provide for workers' compensation benefits from operating cash flow. No funding has been provided to cover these benefits. For the year ended December 31, 2008, we made payments for workers' compensation benefits of approximately \$38.8 million, all of which was paid from operating cash flow.

CONSOL Energy is responsible under the Federal Coal Mine Health and Safety Act of 1969, as amended, for medical and disability benefits to employees and their dependents resulting from occurrences of coal workers' pneumoconiosis disease. CONSOL Energy is also responsible under various state statutes for pneumoconiosis benefits. After our review, our independent actuaries calculate the actuarial present value of the estimated pneumoconiosis obligation based on assumptions regarding disability incidence, medical costs, mortality, death benefits, dependents and discount rates. The discount rate is determined each year at the measurement date. The discount rate is estimated by utilizing a corporate yield curve model developed from corporate bond data using only bonds rated Aa by Moody's as of the measurement date. All future coal workers' pneumoconiosis expected benefit payments were discounted using a spot rate yield curve at December 31, 2008. The appropriate equivalent discount rate was then selected from the resulting discounted coal workers' pneumoconiosis cash flows. For the years ended December 31, 2008 and 2007, the discount rate used to calculate the period end liability and the following year's expense was 6.23% and 6.62%, respectively. A 0.25% increase or decrease in the discount rate would not have materially decreased or increased the 2008 coal workers' pneumoconiosis expense. Actuarial gains associated with coal workers' pneumoconiosis have resulted from numerous legislative changes over many years which have resulted in lower approval rates for filed claims than our assumptions originally reflected. Actuarial gains have also resulted from lower incident rates and lower severity of claims filed than our assumption originally reflected. The estimated liability recognized in the financial statements at December 31, 2008 was \$200.1 million. For the year ended December 31, 2008, we paid coal workers' pneumoconiosis benefits of approximately \$11.5 million. Our obligations with respect to these liabilities are unfunded at December 31, 2008.

On September 29, 2006, Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158) was issued. SFAS 158 required, among other things, the recognition of the funded status of each defined pension benefit plan and other postretirement benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. Additionally, SFAS 158 requires an employer to measure the funded status of its plans as of the date of its year-end statement of financial position. This provision became effective for CONSOL Energy for the year ended December 31, 2008 and required a change in the measurement date from September 30 to December 31. As a result of this adoption, the company recognized an increase of \$4.9 million and \$11.5 million in the liabilities for coal workers' pneumoconiosis and workers' compensation, respectively. These increases were accounted for as a reduction in the January 1, 2008 balance of retained earnings.

### ***Reclamation, Mine Closure and Gas Well Closing Obligations***

The Surface Mining Control and Reclamation Act established operational, reclamation and closure standards for all aspects of surface mining as well as most aspects of deep mining. CONSOL Energy accrues for the costs of current mine disturbance and final mine and gas well closure, including the cost of treating mine water discharge where necessary. Estimates of our total reclamation, mine-closing liabilities, and gas well closing which are based upon permit requirements and CONSOL Energy engineering expertise related to these requirements, including the current portion, were approximately \$544.3 million at December 31, 2008. This liability is reviewed annually by CONSOL Energy management and engineers. The estimated liability can significantly change if actual costs vary from assumptions or if governmental regulations change significantly.

Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset. Asset retirement obligations primarily relate to the closure of mines and gas wells and the reclamation of land upon exhaustion of coal and gas reserves. Changes in the variables used to calculate the liabilities can have a significant effect on the mine closing, reclamation and gas well closing liabilities. The amounts of assets and liabilities recorded are dependent upon a number of variables, including the estimated future retirement costs, estimated proven reserves, assumptions involving profit margins, inflation rates, and the assumed credit-adjusted risk-free interest rate.

SFAS No. 143 requires depreciation of the capitalized asset retirement cost and accretion of the asset retirement obligation over time. The depreciation will generally be determined on a units-of-production basis, whereas the accretion to be recognized will escalate over the life of the producing assets, typically as production declines.

### ***Income Taxes***

CONSOL Energy accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109) which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion of the deferred tax asset will not be realized. All available evidence, both positive and negative, must be considered in determining the need for a valuation allowance. At December 31, 2008, CONSOL Energy has deferred tax assets in excess of deferred tax liabilities of approximately \$394.1 million. The deferred tax assets are evaluated periodically to determine if a valuation allowance is necessary. There were no significant changes in the deferred tax valuation allowances in the year ended December 31, 2008.

For 2008, CONSOL Energy continues to report a deferred tax asset of approximately \$34.7 million relating to CONSOL Energy's state net operating loss carry-forwards with a full valuation allowance. A review of the positive and negative evidence regarding these benefits, primarily the history of book and tax losses on a separate company basis, concluded that a valuation allowance was warranted. A valuation allowance of \$26.2 million has also been recorded against the deferred state tax asset attributable to future deductible differences for certain subsidiaries with histories of book and tax losses. These net operating losses expire at various times from 2009 to 2027. Management will continue to assess the realization of deferred tax assets based upon updated income forecast data and the feasibility of future tax planning strategies, and may record adjustments to valuation allowances against deferred tax assets in future periods as appropriate that could materially impact net income.

CONSOL Energy adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109" (FIN 48) on January 1, 2007. CONSOL Energy evaluates all tax positions taken on the state and federal tax filings to determine if the position is more likely than

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not to be sustained upon examination. For positions that meet the more likely than not to be sustained criteria, an evaluation to determine the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon ultimate settlement is determined. A previously recognized tax position is derecognized when it is subsequently determined that a tax position no longer meets the more likely than not threshold to be sustained. The evaluation of the sustainability of a tax position and the probable amount that is more likely than not is based on judgment, historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of these estimates, that are not readily apparent from other sources, form the basis for recognizing a FIN 48 liability. Actual results could differ from those estimates upon subsequent resolution of identified matters. Estimates of our uncertain tax liabilities, including interest and the current portion, were approximately \$71.2 million at December 31, 2008.

### **Stock Based Compensation**

CONSOL Energy uses the provisions of Statement of Financial Accounting Standards No. 123R, "Share-Based Payments" (SFAS No. 123R). As of December 31, 2008, we have issued three types of share based payment awards: options, restricted stock units, and performance stock units. The Black-Scholes option pricing model is used to determine fair value of stock options at the grant date. Various inputs are utilized in the Black-Scholes pricing model, such as:

- stock price on measurement date,
- exercise price defined in the award,
- expected dividend yield based on historical trend of dividend payouts,
- risk-free interest rate based on a zero-coupon treasury bond rate,
- expected term based on historical grant and exercise behavior, and
- expected volatility based on historic and implied stock price volatility of CONSOL Energy stock and public peer group stock.

These factors can significantly impact the value of stock options expense recognized over the requisite service period of option holders.

The fair value of each restricted stock unit awarded is equivalent to the closing market price of a share of our company's stock. The fair value of each performance share unit is determined by the underlying share price of our company stock on the date of the grant and management's estimate of the probability that the performance conditions required for vesting will be achieved.

As of December 31, 2008, \$15.7 million of total unrecognized compensation cost related to unvested awards is expected to be recognized over a weighted-average period of 1.54 years. See Note 18 in the Notes to the Audited Consolidated Financial Statements in Item 8 in this Form 10-K for more information.

### ***Contingencies***

CONSOL Energy is currently involved in certain legal proceedings. We have accrued our estimate of the probable costs for the resolution of these claims. This estimate has been developed in consultation with legal counsel involved in the defense of these matters and is based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Future results of operations for any particular quarterly or annual period could be materially affected by changes in our assumptions or the outcome of these proceedings. See Note 25 in the Notes to the Audited Consolidated Financial Statements in Item 8 in this Form 10-K for more information.

### ***Successful Efforts Accounting***

We use the “successful efforts” method to account for our gas exploration and production activities. Under this method, cost of property acquisitions, successful exploratory wells, development wells and related support equipment and facilities are capitalized. Costs of unsuccessful exploratory wells are expensed when such wells are determined to be non-productive, or if the determination can not be made after finding sufficient quantities of reserves to continue evaluating the viability of the project. We use this accounting policy instead of the “full cost” method because it provides a more timely accounting of the success or failure of our gas exploration and production activities.

### ***Derivative Instruments***

CNX Gas enters into financial derivative instruments to manage our exposure to natural gas and oil price volatility. Our derivatives are accounted for under Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133), as amended. We measure every derivative instrument at fair value and record them on the balance sheet as either an asset or liability. Changes in fair value of derivatives are recorded currently in earnings unless special hedge accounting criteria are met. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in fair value of the derivative are reported in other comprehensive income or loss and reclassified into earnings in the same period or periods which the forecasted transaction affects earnings. The ineffective portions of hedges are recognized in earnings in the current year. CNX Gas currently utilizes only cash flow hedges that are considered highly effective.

CNX Gas formally assesses, both at inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedge item. If it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, CNX Gas will discontinue hedge accounting prospectively.

### ***Coal and Gas Reserve Values***

There are numerous uncertainties inherent in estimating quantities and values of economically recoverable coal and gas reserves, including many factors beyond our control. As a result, estimates of economically recoverable coal and gas reserves are by their nature uncertain. Information about our reserves consists of estimates based on engineering, economic and geological data assembled and analyzed by our staff. Our gas reserves have been reviewed by independent experts. Our coal reserves are periodically reviewed by an independent third party consultant. Some of the factors and assumptions which impact economically recoverable reserve estimates include:

- geological conditions;
- historical production from the area compared with production from other producing areas;
- the assumed effects of regulations and taxes by governmental agencies;
- assumptions governing future prices; and
- future operating costs.

Each of these factors may in fact vary considerably from the assumptions used in estimating reserves. For these reasons, estimates of the economically recoverable quantities of coal and gas attributable to a particular group of properties, and classifications of these reserves based on risk of recovery and estimates of future net cash flows, may vary substantially. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and these variances may be material. See “Risk Factors” in Item 1A of this report for a discussion of the uncertainties in estimating our reserves.

## Liquidity and Capital Resources

CONSOL Energy generally has satisfied our working capital requirements and funded our capital expenditures and debt service obligations with cash generated from operations and proceeds from borrowings. We utilize a \$1 billion senior secured credit facility which expires in 2012. The facility is secured by substantially all of the assets of CONSOL Energy and certain of its subsidiaries and collateral is shared equally and ratably with the holders of CONSOL Energy Inc. 7.875% bonds maturing in 2012. The agreement provides for the release of collateral at the request of CONSOL Energy upon the achievement of certain credit ratings. Fees and interest rate spreads are based on a ratio of financial covenant debt to twelve-month trailing earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), measured quarterly. The facility includes a minimum interest coverage ratio covenant of no less than 4.50 to 1.00, measured quarterly. The interest coverage ratio was 16.78 to 1.00 at December 31, 2008. The facility also includes a maximum leverage ratio covenant of not more than 3.25 to 1.00, measured quarterly. The leverage ratio was 1.34 to 1.00 at December 31, 2008. Affirmative and negative covenants in the facility limit our ability to dispose of assets, make investments, purchase or redeem CONSOL Energy common stock, pay dividends and merge with another corporation. At December 31, 2008, the facility had approximately \$485 million drawn and \$271 million of letters of credit outstanding, leaving \$244 million of unused capacity. From time to time, CONSOL Energy is required to post financial assurances to satisfy contractual and other requirements generated in the normal course of business. Some of these assurances are posted to comply with federal, state or other government agencies statutes and regulations. We sometimes use letters of credit to satisfy these requirements and these letters of credit reduce our borrowing facility capacity.

Pennsylvania Department of Environmental Protection (PA DEP) and CONSOL Energy have been negotiating a Consent Order and Agreement (the Agreement) that addresses financial assurance required by the State for CONSOL Energy's Pennsylvania mine water treatment facilities. The Agreement requires the company to post approximately \$34 million of financial assurance over a 10-year time frame as follows; 25% of the total required by March 15, 2009, and 10% of balance by March 15 of each year from 2010 through 2019. CONSOL Energy plans to use its revolving credit facility to satisfy these requirements.

CONSOL Energy and certain of our U.S. subsidiaries also participate in a receivables securitization facility for the sale on a continuous basis of eligible trade accounts receivable that will provide, on a revolving basis, up to \$165 million of short-term funding or letter of credit. CONSOL Energy formed CNX Funding Corporation, a wholly owned, special purpose, bankruptcy-remote subsidiary, for the sole purpose of buying and selling eligible trade receivables generated by certain subsidiaries of CONSOL Energy. Under the receivables facility, CONSOL Energy and certain subsidiaries, irrevocably and without recourse, sell all of their eligible trade accounts receivable to CNX Funding Corporation. CNX Funding Corporation then sells, on a revolving basis, an undivided percentage interest in the pool of eligible trade accounts receivable to financial institutions and their affiliates, while maintaining a subordinated interest in a portion of the trade receivables. CONSOL Energy has agreed to continue servicing the sold receivables for the financial institutions for a fee based upon market rates for similar services. The cost of funds is consistent with commercial paper rates plus a charge for administrative services paid to the financial institution. At December 31, 2008, eligible accounts receivable totaled approximately \$165 million. There was no subordinated retained interest at December 31, 2008. Accounts receivable totaling \$165 million were removed from the consolidated balance sheet at December 31, 2008. There were no letters of credit outstanding against the facility at December 31, 2008.

CNX Gas, an 83.3% consolidated subsidiary of CONSOL Energy, utilizes a revolving credit facility providing an initial aggregate outstanding principal amount of up to \$200 million, including borrowings and letters of credit, which expires in 2010. CNX Gas can request an increase in aggregate outstanding principal amount to \$300 million. The agreement contains a negative pledge provision, whereas CNX Gas assets cannot be used to secure other obligations. Fees and interest rate spreads are based on the percentage of facility utilization, measured quarterly. Covenants in the facility limit CNX Gas' ability to dispose of assets, make investments, purchase or redeem CNX Gas stock, pay dividends and merge with another corporation. This facility includes

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leverage ratio covenant of not more than 3.00 to 1.00, measured quarterly. This ratio was 0.32 to 1.00 at December 31, 2008. The facility also includes an interest coverage ratio covenant of no less than 3.00 to 1.00, measured quarterly. This ratio was 77.29 to 1.00 at December 31, 2008. At December 31, 2008, this facility had approximately \$15 million of letters of credit issued and had approximately \$73 million of outstanding borrowings, leaving approximately \$112 million of unused capacity. As a result of the credit agreement, CNX Gas and their subsidiaries executed a Supplemental Indenture on October 21, 2005, guaranteeing of CONSOL Energy's 7.875% bonds.

Currently, there is an unprecedented uncertainty in the financial markets. The uncertainty in the market brings additional potential risks to CONSOL Energy. The risks include additional declines in our stock value, less availability and higher costs of additional credit streams, potential counterparty defaults, and further commercial bank failures. Although the majority of the financial institutions in our bank group appear to be strong, there are some that have been and could be considered take-over candidates. We have no indication that any such transactions would impact our current credit facility; however, the possibility does exist. Financial market disruptions may impact our collection of trade receivables. The credit worthiness of our customers is constantly monitored by CONSOL Energy. We believe that our current group of customers are sound and represent no abnormal business risk.

CONSOL Energy believes that cash generated from operations and our borrowing capacity will be sufficient to meet our working capital requirements, anticipated capital expenditures (other than major acquisitions), scheduled debt payments, anticipated dividend payments and to provide required letters of credit. Nevertheless, the ability of CONSOL Energy to satisfy our working capital requirements, debt service obligations, to fund planned capital expenditures or pay dividends will depend upon future operating performance, which will be affected by prevailing economic conditions in the coal and gas industries and other financial and business factors, some of which are beyond CONSOL Energy's control.

In order to manage the market risk exposure of volatile natural gas prices in the future, CONSOL Energy enters into various physical gas supply transactions with both gas marketers and end users for terms varying in length. CONSOL Energy has also entered into various gas swap transactions that qualify as financial cash flow hedge, which exist parallel to the underlying physical transactions. The fair value of these contracts was an asset of \$207 million at December 31, 2008. The ineffective portion of these contracts was insignificant to earnings in the year ended December 31, 2008. Hedge counterparties consists of commercial banks who participate in the revolving credit facility. No issues related to our hedge agreements have been encountered to date.

CONSOL Energy frequently evaluates potential acquisitions. CONSOL Energy has funded acquisitions primarily with cash generated from operations and a variety of other sources, depending on the size of the transaction, including debt financing. There can be no assurance that additional capital resources, including debt financing, will be available to CONSOL Energy on terms which CONSOL Energy finds acceptable, or at all.

***Cash Flows (in millions)***

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Cash flows provided by operating activities	\$ 1,029	\$ 684	\$ 345
Cash used in investing activities	\$(1,099)	\$(972)	\$(127)
Cash provided by financing activities	\$ 166	\$ 106	\$ 60

Cash flows from operating activities changed primarily due to the following items:

- Operating cash flow increased in 2008 due to higher net income in the year-to-year comparison, as well as various other changes in operating assets, operating liabilities, other assets and other liabilities which occurred throughout both years.

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- Operating cash flow in 2008 included a \$75 million cash receipt from insurance carriers related to the Buchanan incident, as previously disclosed. Operating cash flow in 2007 included a \$5 million cash receipt from insurance carriers related to a previous Buchanan incident.
- Operating cash flows were lower in 2008 due to \$85 million of reduced proceeds from the accounts receivable securitization program.
- Operating cash flows were lower in 2008 by approximately \$67 million due to coal inventories. Coal inventories increased 462 thousand tons in 2008. Coal inventories decreased 147 thousand tons in 2007.

Net cash used in investing activities changed primarily due to the following items:

- Total capital expenditures increased \$22 million to \$1,062 million in 2008 compared to \$1,040 million in 2007. The increase was attributable to the \$36 million cash proceeds paid for the acquisition of the remaining interest in Coalfield Pipeline and Knox Energy, LLC, which CNX Gas did not previously own. Increases in capital expenditures were also related to the expanded gas drilling program, as well as additional increases in capital spending throughout other segments. The increases in capital expenditures were offset, in part, by the \$297 million of cash proceeds paid in 2007 for the acquisition of AMVEST.
- CONSOL Energy purchased \$67 million of CNX Gas common stock on the open market during 2008. Cash proceeds of \$10 million were paid in 2007 to acquire CNX Gas common stock on the open market.
- Proceeds from the sale of assets were \$28 million in 2008 compared to \$85 million in 2007. Proceeds in 2008 were primarily related to the sale of the Mill Creek Mine. Proceeds in 2007 were primarily due to the \$53 million of proceeds from the sale of certain western Kentucky coal reserves to Alliance Resource Partners, L.P.

Net cash provided by financing activities changed primarily due to the following items:

- In 2008, CONSOL Energy received approximately \$237 million of proceeds from the revolving credit facility. In 2007, CONSOL Energy received approximately \$248 million of proceeds from this facility. In 2008, CONSOL Energy's 83.3% owned subsidiary, CNX Gas, received proceeds of approximately \$73 million from its revolving credit facility. There was no activity under the CNX Gas revolving credit facility in 2007.
- In 2007, CONSOL Energy paid \$45 million to redeem its medium-term notes that were due in June 2007. There were no long-term debt repayments in 2008.
- CONSOL Energy repurchased \$98 million of its common stock on the open market under the share repurchase program in 2008 compared to \$80 million of its common stock purchased in 2007.
- In 2008, CONSOL Energy paid approximately \$73 million of dividends compared to approximately \$56 million in 2007.

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The following is a summary of our significant contractual obligations at December 31, 2008 (in thousands):

**Payments due by Year**

	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
Short-Term Notes Payable	\$ 557,700	\$ —	\$ —	\$ —	\$ 557,700
Purchase Order Firm Commitments	22,624	16,253	—	—	38,877
Gas Firm Transportation Obligation	19,449	36,494	32,235	239,196	327,374
Long-Term Debt	10,036	125,063	255,094	14,870	405,063
Capital Lease Obligations	21,065	33,261	15,734	57,788	127,848
Operating Lease Obligations	55,720	96,440	58,175	168,757	379,092
Other Long-Term Liabilities(a)	365,385	488,830	481,658	2,359,741	3,695,614
Total Contractual Obligations(b)	<u>\$ 1,051,979</u>	<u>\$ 796,341</u>	<u>\$ 842,896</u>	<u>\$ 2,840,352</u>	<u>\$ 5,531,568</u>

- (a) Long-term liabilities include other post-employment benefits, work-related injuries and illnesses, mine reclamation and closure and other long-term liability costs. Estimated salaried retirement contributions required to meet minimum funding standards under ERISA are excluded from the pay-out table due to the uncertainty regarding amounts to be contributed. Estimated 2009 contributions are expected to range from \$47 million to \$67 million.
- (b) The significant obligation table does not include obligations to taxing authorities due to the uncertainty surrounding the ultimate settlement of amounts and timing of these obligations.

**Debt**

At December 31, 2008, CONSOL Energy had total long-term debt of \$491 million outstanding, including the current portion of long-term debt of \$22 million. This long-term debt consisted of:

- An aggregate principal amount of \$249 million of 7.875% notes (\$250 million of 7.875% notes due in 2012, net of \$1 million unamortized debt discount). The notes were issued at 99.174% of the principal amount. Interest on the notes is payable March 1 and September 1 of each year. Payment of the principal and premium, if any, and interest on the notes are guaranteed by most of CONSOL Energy's subsidiaries. The notes are senior secured obligations and rank equally with all other secured indebtedness of the guarantors;
- An aggregate principal amount of \$103 million of two series of industrial revenue bonds which were issued to finance the Baltimore port facility and bear interest at 6.50% per annum and mature in 2010 and 2011;
- \$30 million in advance royalty commitments with an average interest rate of 10.7% per annum;
- An aggregate principal amount of \$20 million on a variable rate note that bears interest at 6.10% at December 31, 2008. This note was incurred by a variable interest entity that is fully consolidated in which CONSOL Energy holds no ownership interest;
- An aggregate principal amount of \$89 million of capital leases with a weighted average interest rate of 7.31% per annum;

At December 31, 2008, CONSOL Energy also had \$485 million of aggregate principal amounts of outstanding borrowings and approximately \$271 million of letters of credit outstanding under the \$1 billion senior secured revolving credit facility.

At December 31, 2008, CNX Gas, an 83.3% owned subsidiary, had \$73 million of aggregate principal amounts of outstanding borrowings and approximately \$15 million of letters of credit outstanding under its \$200 million revolving credit facility.

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On September 15, 2008, Standard and Poor's raised our corporate credit rating to BB+ from BB and removed all ratings from CreditWatch. The rating BB+ is the 11<sup>th</sup> lowest out of 22 rating categories. Standard and Poor's defines an obligation rated 'BB' as less vulnerable to nonpayment than other speculative issues. However, the rating indicates that an obligor faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

***Stockholders' Equity and Dividends***

CONSOL Energy had stockholders' equity of \$1,462 million at December 31, 2008 and \$1,214 million at December 31, 2007. Stockholders' equity increased primarily due to net income for the year ended December 31, 2008 and changes in the cash flow hedges. These increases were offset by changes in the actuarial long-term liabilities, the declaration of dividends, and the retirement 2.1 million shares of common stock. See Consolidated Statements of Stockholders' Equity in the Audited Consolidated Financial Statements in Item 8 of this Form 10-K.

In September 2008, CONSOL Energy announced a share repurchase program of up to \$500 million of the company's common stock during a 24-month period beginning in September 2008. The share repurchase plan will be used from time-to-time depending on a number of factors including: current market conditions; the company's financial outlook; business conditions, including cash flows and internal capital requirements; as well as alternative investment options. As of December 31, 2008, we have purchased a total of 2,741,300 shares at an average price of \$35.59 per share under this program.

Recent dividend information is as follows:

<u>Declaration Date</u>	<u>Amount Per Share</u>	<u>Record Date</u>	<u>Payment Date</u>
January 30, 2009	\$0.10	February 9, 2009	February 20, 2009
October 24, 2008	\$0.10	November 5, 2008	November 21, 2008
August 1, 2008	\$0.10	August 7, 2008	August 25, 2008
April 25, 2008	\$0.10	May 6, 2008	May 27, 2008
January 30, 2008	\$0.10	February 7, 2008	February 22, 2008

The declaration and payment of dividends by CONSOL Energy is subject to the discretion of CONSOL Energy's Board of Directors, and no assurance can be given that CONSOL Energy will pay dividends in the future. CONSOL Energy's Board of Directors determines whether dividends will be paid quarterly. The determination to pay dividends will depend upon, among other things, general business conditions, CONSOL Energy's financial results, contractual and legal restrictions regarding the payment of dividends by CONSOL Energy, planned investments by CONSOL Energy and such other factors as the Board of Directors deems relevant. Our credit facility limits our ability to pay dividends when our leverage ratio covenant is 2.50 to 1.00 or more or our availability is less than \$100 million. The leverage ratio was 1.34 to 1.00 and our availability was approximately \$244 million at December 31, 2008. The credit facility does not permit dividend payments in the event of default. There were no defaults in the year ended December 31, 2008.

***Off-Balance Sheet Transactions***

CONSOL Energy does not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on CONSOL Energy's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources which are not disclosed in the Notes to the Consolidated Financial Statements.

***Recent Accounting Pronouncements***

In May 2008, The Financial Accounting Standards Board (FASB) issued Statement No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. Statement 162 establishes that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. Statement 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board Auditing Amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.” We do not expect this guidance to have a significant impact on CONSOL Energy.

In March 2008, The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement 133” (SFAS 161). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, results of operations and cash flows. The new standard also improves transparency about how and why a company uses derivative instruments and how derivative instruments and related hedged items are accounted for under Statement 133. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. CONSOL Energy’s management is currently assessing the new disclosure requirements required by SFAS 161.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141(R), “Business Combinations” (SFAS 141R), and Statement of Financial Accounting Standards No. 160, “Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51” (SFAS 160). SFAS 141R and SFAS 160 will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 141R retains the fundamental requirements in Statement 141 “Business Combinations” while providing additional definitions, such as the definition of the acquirer in a purchase and improvements in the application of how the acquisition method is applied. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests, and classified as a component of equity. These Statements become simultaneously effective January 1, 2009. Early adoption is not permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

**Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.***

In addition to the risks inherent in operations, CONSOL Energy is exposed to financial, market, political and economic risks. The following discussion provides additional detail regarding CONSOL Energy’s exposure to the risks of changing natural gas prices, interest rates and foreign exchange rates.

CONSOL Energy is exposed to market price risk in the normal course of selling natural gas production and to a lesser extent in the sale of coal. CONSOL Energy sells coal under both short-term and long-term contracts with fixed price and/or indexed price contracts that reflect market value. CONSOL Energy uses fixed-price contracts, collar-price contracts and derivative commodity instruments that qualify as cash-flow hedges under Statement of Financial Accounting Standards No. 133 to minimize exposure to market price volatility in the sale of natural gas. Our risk management policy strictly prohibits the use of derivatives for speculative purposes.

CONSOL Energy has established risk management policies and procedures to strengthen the internal control environment of the marketing of commodities produced from its asset base. All of the derivative instruments without other risk assessment procedures are held for purposes other than trading. They are used primarily to mitigate uncertainty and volatility and cover underlying exposures. CONSOL Energy’s market risk strategy incorporates fundamental risk management tools to assess market price risk and establish a framework in which management can maintain a portfolio of transactions within pre-defined risk parameters.

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CONSOL Energy believes that the use of derivative instruments, along with the risk assessment procedures and internal controls, mitigates our exposure to material risk. However, the use of derivative instruments without other risk assessment procedures could materially affect CONSOL Energy results of operations depending on interest rates or market prices. Nevertheless, we believe that use of these instruments will not have a material adverse effect on our financial position or liquidity.

For a summary of accounting policies related to derivative instruments, see Note 1 of the Notes to the Consolidated Financial Statements.

Sensitivity analyses of the incremental effects on pre-tax income for the year ended December 31, 2008 of a hypothetical 10 percent and 25 percent change in natural gas prices for open derivative instruments as of December 31, 2008 are provided in the following table:

	Incremental Decrease in Pre-tax Income Assuming a Hypothetical Price, Exchange Rate or Interest Rate Change of:	
	10%	25%
	(in millions)	
Natural Gas(a)	\$ 40.3	\$ 102.6

- (a) CONSOL Energy remains at risk for possible changes in the market value of these derivative instruments; however, such risk should be offset by price changes in the underlying hedged item. CONSOL Energy entered into derivative instruments to convert the market prices related portions of the 2009 through 2010 anticipated sales of natural gas to fixed prices. The sensitivity analyses reflect an inverse relationship between increases in commodity prices and a benefit to earnings. The fair value of these contracts was a net gain of \$119 million (net of \$77 million of deferred tax) at December 31, 2008. We continually evaluate the portfolio of derivative commodity instruments and adjust the strategy to anticipated market conditions and risks accordingly.

CONSOL Energy is exposed to credit risk in the event of nonperformance by counterparties. The creditworthiness of counterparties is subject to continuing review. All of the counterparties to CONSOL Energy's natural gas derivative instruments also participate in CONSOL Energy's revolving credit facility. The Company has not experienced any issues of non-performance by derivative counterparties. See "Liquidity and Capital Resources" for further discussion of current capital markets.

CONSOL Energy's interest expense is sensitive to changes in the general level of interest rates in the United States. At December 31, 2008, CONSOL Energy had \$491 million aggregate principal amount of debt outstanding under fixed-rate instruments and \$558 million aggregate principal amount of debt outstanding under variable-rate instruments. CONSOL Energy's primary exposure to market risk for changes in interest rates relates to our revolving credit facility, under which there were \$485 million of borrowings outstanding at December 31, 2008. CONSOL Energy's revolving credit facility bore interest at a weighted average rate of 3.52% per annum during the year ended December 31, 2008. A 100 basis-point increase in the average rate for CONSOL Energy's revolving credit facility would not have significantly decreased net income for the period. CONSOL Energy's 83.3% subsidiary, CNX Gas, also had outstanding borrowings under their revolving credit facility which bears interest at a variable rate. CNX Gas' facility had outstanding borrowings of \$73 million at December 31, 2008 and bore interest at a weighted average rate of 3.51% per annum during the year ended December 31, 2008. Due to the level of borrowings against this facility and the low weighted average interest rate in the year ended December 31, 2008, a 100 basis-point increase in the average rate for CNX Gas' revolving credit facility would not have significantly decreased net income for the period.

Almost all of CONSOL Energy's transactions are denominated in U.S. dollars, and, as a result, it does not have material exposure to currency exchange-rate risks.

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**Item 8. *Financial Statements and Supplementary Data.***

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of CONSOL Energy Inc.

We have audited the accompanying consolidated balance sheet of CONSOL Energy Inc. (and Subsidiaries) as of December 31, 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CONSOL Energy Inc. (and Subsidiaries) at December 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 15 to the consolidated financial statements, during the year ended December 31, 2008, the Company adopted the measurement provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CONSOL Energy, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, PA  
February 17, 2009

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of CONSOL Energy Inc.:

In our opinion, the consolidated balance sheet as of December 31, 2007 and the related consolidated statements of income, stockholders' equity and cash flows for each of two years in the period ended December 31, 2007 present fairly, in all material respects, the financial position of CONSOL Energy Inc. and its subsidiaries ("CONSOL Energy") at December 31, 2007, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule included in Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of CONSOL Energy's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, CONSOL Energy changed the manner in which it accounts for stock-based compensation; defined benefit pension, other postretirement benefit plans, and other employee benefits; and purchases and sales of gas with the same counterparty in 2006.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania  
February 18, 2008

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(Dollars in thousands, except per share data)**

	For the Years Ended December 31,		
	2008	2007	2006
Sales—Outside	\$ 4,181,569	\$ 3,324,346	\$ 3,286,522
Sales—Purchased Gas	8,464	7,628	43,973
Sales—Gas Royalty Interests	79,302	46,586	51,054
Freight—Outside	216,968	186,909	162,761
Other Income (Note 3)	166,142	196,728	170,861
Total Revenue and Other Income	4,652,445	3,762,197	3,715,171
Costs of Goods Sold and Other Operating Charges (exclusive of depreciation, depletion and amortization shown below)	2,843,203	2,352,000	2,249,776
Purchased Gas Costs	8,175	7,162	44,843
Gas Royalty Interests Costs	73,962	39,921	41,879
Freight Expense	216,968	186,909	162,761
Selling, General and Administrative Expenses	124,543	108,664	91,150
Depreciation, Depletion and Amortization	389,621	324,715	296,237
Interest Expense (Note 4)	36,183	30,851	25,066
Taxes Other Than Income (Note 5)	289,990	258,926	252,539
Black Lung Excise Tax Refund	(55,795)	24,092	—
Total Costs	3,926,850	3,333,240	3,164,251
Earnings Before Income Taxes and Minority Interest	725,595	428,957	550,920
Income Taxes (Note 6)	239,934	136,137	112,430
Earnings Before Minority Interest	485,661	292,820	438,490
Minority Interest	(43,191)	(25,038)	(29,608)
Net Income	\$ 442,470	\$ 267,782	\$ 408,882
Earnings Per Share (Note 1):			
Basic	\$ 2.43	\$ 1.47	\$ 2.23
Dilutive	\$ 2.40	\$ 1.45	\$ 2.20
Weighted Average Number of Common Shares Outstanding (Note 1):			
Basic	182,386,011	182,050,627	183,354,732
Dilutive	184,679,592	184,149,751	185,638,106
Dividends per Share	\$ 0.40	\$ 0.31	\$ 0.28

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

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except per share data)

	December 31, 2008	December 31, 2007
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 138,512	\$ 41,651
Accounts and Notes Receivable:		
Trade	221,729	180,545
Other Receivables	79,552	69,771
Inventories (Note 8)	227,810	163,193
Recoverable Income Taxes	33,862	19,090
Deferred Income Taxes (Note 6)	60,599	130,820
Prepaid Expenses	221,750	78,085
Total Current Assets	983,814	683,155
Property, Plant and Equipment (Note 10):		
Property, Plant and Equipment	9,980,288	8,945,312
Less—Accumulated Depreciation, Depletion and Amortization	4,214,316	3,980,270
Total Property, Plant and Equipment—Net	5,765,972	4,965,042
Other Assets:		
Deferred Income Taxes (Note 6)	333,543	374,811
Investment in Affiliates	72,996	94,866
Other	214,133	90,216
Total Other Assets	620,672	559,893
<b>TOTAL ASSETS</b>	<b>\$ 7,370,458</b>	<b>\$ 6,208,090</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$ 385,197	\$ 238,312
Short-Term Notes Payable (Note 11)	557,700	247,500
Current Portion of Long-Term Debt (Note 13 and Note 14)	22,401	18,283
Other Accrued Liabilities (Note 12)	546,442	512,302
Total Current Liabilities	1,511,740	1,016,397
Long-Term Debt:		
Long-Term Debt (Note 13)	393,312	398,077
Capital Lease Obligations (Note 14)	75,039	90,848
Total Long-Term Debt	468,351	488,925
Deferred Credits and Other Liabilities:		
Postretirement Benefits Other Than Pensions (Note 15)	2,493,344	2,336,809
Pneumoconiosis Benefits (Note 16)	190,261	171,896
Mine Closing	404,629	399,633
Workers' Compensation (Note 16)	128,477	118,356
Deferred Revenue	—	3,162
Salary Retirement (Note 15)	194,567	67,392
Reclamation	38,193	34,317
Other	266,550	193,666
Total Deferred Credits and Other Liabilities	3,716,021	3,325,231
Minority Interest	212,159	163,118
Total Liabilities and Minority Interest	5,908,271	4,993,671
Stockholders' Equity:		
Common Stock, \$.01 Par Value; 500,000,000 Shares Authorized, 183,014,426 Issued and 180,549,851 Outstanding at December 31, 2008; 185,126,526 Issued and 182,291,623 Outstanding at December 31, 2007	1,830	1,851
Capital in Excess of Par Value	993,478	966,544
Preferred Stock, 15,000,000 authorized; Non issued and outstanding	—	—
Retained Earnings	1,010,902	766,536
Accumulated Other Comprehensive Loss (Note 19)	(461,900)	(419,284)
Common Stock in Treasury, at Cost—2,464,575 shares at December 31, 2008 and 2,834,903 Shares at December 31, 2007	(82,123)	(101,228)
Total Stockholders' Equity	1,462,187	1,214,419
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 7,370,458</b>	<b>\$ 6,208,090</b>

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

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Dollars in thousands, except per share data)

	Common Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation on Restricted Stock Units	Common Stock in Treasury	Total Stockholders' Equity
Balance at December 31, 2005	\$ 1,850	\$ 883,316	\$ 252,109	\$ (105,162)	\$ (6,757)	\$ —	\$ 1,025,356
Net Income	—	—	408,882	—	—	—	408,882
Minimum Pension Liability (Net of \$6,614 Tax)	—	—	—	10,390	—	—	10,390
Treasury Rate Lock (Net of \$53 Tax)	—	—	—	(81)	—	—	(81)
Minority Interest in Other Comprehensive Income and Stock-Based Compensation of Gas	—	(1,996)	—	(6,877)	—	—	(8,873)
Gas Cash Flow Hedge (Net of (\$23,860) Tax)	—	—	—	36,382	—	—	36,382
Comprehensive Income (Loss)	—	(1,996)	408,882	39,814	—	—	446,700
Adjustment to Apply SFAS 158, (Net of \$156,100 Tax), to Defined Benefit Postretirement Plans	—	—	—	(310,369)	—	—	(310,369)
Stock Options Exercised	1	1,361	—	—	—	—	1,362
Issuance of Treasury Stock	—	(11,703)	(9,034)	—	—	34,045	13,308
Dividends (\$0.28 per Share)	—	—	(51,416)	—	—	—	(51,416)
Tax Benefit from Stock-Based Compensation	—	38,545	—	—	—	—	38,545
Purchases of Treasury Stock	—	—	—	—	—	(116,450)	(116,450)
Amortization of Stock-Based Compensation Awards	—	19,115	—	—	—	—	19,115
Elimination of Unearned Compensation on Restricted Stock Units	—	(6,757)	—	—	6,757	—	—
Balance at December 31, 2006	1,851	921,881	600,541	(375,717)	—	(82,405)	1,066,151
Net Income	—	—	267,782	—	—	—	267,782
Treasury Rate Lock (Net of \$52 Tax)	—	—	—	(81)	—	—	(81)
Minority Interest in Other Comprehensive Income and Stock-Based Compensation of Gas	—	—	—	(691)	—	—	(691)
Gas Cash Flow Hedge (Net of (\$2,146) Tax)	—	—	—	4,214	—	—	4,214
FAS 158 Long-Term Liability Adjustments (net of (\$27,991) Tax);	—	—	—	(47,009)	—	—	(47,009)
Comprehensive Income (Loss)	—	—	267,782	(43,567)	—	—	224,215
Cumulative Effect of FASB Interpretation No. 48 Adoption	—	—	(3,202)	—	—	—	(3,202)
Issuance of Treasury Stock	—	—	(42,110)	—	—	61,334	19,224
Purchases of Treasury Stock	—	—	—	—	—	(80,157)	(80,157)
Tax Benefit from Stock-Based Compensation	—	23,682	—	—	—	—	23,682
Amortization of Stock-Based Compensation Awards	—	20,981	—	—	—	—	20,981
Dividends (\$0.31 per share)	—	—	(56,475)	—	—	—	(56,475)
Balance at December 31, 2007	1,851	966,544	766,536	(419,284)	—	(101,228)	1,214,419
Net Income	—	—	442,470	—	—	—	442,470
Treasury Rate Lock (Net of \$55 Tax)	—	—	—	(77)	—	—	(77)
Minority Interest in Other Comprehensive Income and Stock-Based Compensation of Gas	—	—	—	(20,793)	—	—	(20,793)
Gas Cash Flow Hedge (Net of (\$77,292) Tax)	—	—	—	118,646	—	—	118,646
FAS 158 Long-Term Liability Adjustments (Net of (\$82,156) Tax)	—	—	—	(140,305)	—	—	(140,305)
Comprehensive Income (Loss)	—	—	442,470	(42,529)	—	—	399,941
Adjustment to apply SFAS 158 Measurement Provision (net of \$23,652 Tax)	—	—	(38,606)	(87)	—	—	(38,693)
Issuance of Treasury Stock	—	—	(21,519)	—	—	34,980	13,461
Purchases of Treasury Stock	—	—	—	—	—	(15,875)	(15,875)
Retirement of Common Stock (2,112,200 Shares)	(21)	(16,876)	(65,022)	—	—	—	(81,919)
Tax Benefit from Stock-Based Compensation	—	22,003	—	—	—	—	22,003
Amortization of Stock-Based Compensation Awards	—	21,807	—	—	—	—	21,807
Dividends (\$0.40 per share)	—	—	(72,957)	—	—	—	(72,957)
Balance at December 31, 2008	\$ 1,830	\$ 993,478	\$ 1,010,902	\$ (461,900)	\$ —	\$ (82,123)	\$ 1,462,187

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

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands, except per share data)

	For the Years Ended December 31,		
	2008	2007	2006
<b>Cash Flows from Operating Activities:</b>			
Net Income	\$ 442,470	\$ 267,782	\$ 408,882
<b>Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:</b>			
Depreciation, Depletion and Amortization	389,621	324,715	296,237
Stock-based Compensation	25,186	24,243	22,841
Gain on Sale of Assets	(23,368)	(112,389)	(10,417)
Change in Minority Interest	43,191	25,038	29,608
Amortization of Mineral Leases	4,871	4,519	3,773
Deferred Income Taxes	135,594	59,555	19,041
Equity in Earnings of Affiliates	(11,140)	(6,551)	(1,201)
<b>Changes in Operating Assets:</b>			
Accounts Receivable Securitization	39,600	125,400	—
Accounts and Notes Receivable	(79,747)	14,074	(52,898)
Inventories	(53,994)	13,448	(7,427)
Prepaid Expenses	(5,032)	(9,145)	(9,011)
Changes in Other Assets	17,081	40,164	19,020
<b>Changes in Operating Liabilities:</b>			
Accounts Payable	64,851	(2,435)	(4,769)
Other Operating Liabilities	(14,020)	(30,978)	(115,967)
Changes in Other Liabilities	51,546	(54,924)	59,604
Other	2,754	1,517	7,231
Net Cash Provided by Operating Activities	<u>1,029,464</u>	<u>684,033</u>	<u>664,547</u>
<b>Cash Flows from Investing Activities:</b>			
Capital Expenditures	(1,061,669)	(743,114)	(690,546)
Acquisition of AMVEST	—	(296,724)	—
Proceeds from Sale of Assets	28,193	84,791	59,963
Purchase of Stock in Subsidiary	(67,259)	(10,000)	—
Net Investment in Equity Affiliates	1,879	(7,057)	(30,963)
Net Cash Used in Investing Activities	<u>(1,098,856)</u>	<u>(972,104)</u>	<u>(661,546)</u>
<b>Cash Flows from Financing Activities:</b>			
Payments on Long-Term Debt	—	(45,000)	—
Proceeds from Short-Term Debt	310,200	247,500	—
Payments on Miscellaneous Borrowings	(10,414)	(2,935)	(5,107)
Tax Benefit from Stock-Based Compensation	22,003	23,682	38,545
Dividends Paid	(72,957)	(56,475)	(51,416)
Issuance of Treasury Stock	15,215	19,224	13,308
Purchases of Treasury Stock	(97,794)	(80,157)	(116,450)
Stock Options Exercised	—	—	1,362
Net Cash Provided by (Used In) Financing Activities	<u>166,253</u>	<u>105,839</u>	<u>(119,758)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	96,861	(182,232)	(116,757)
Cash and Cash Equivalents at Beginning of Period	<u>41,651</u>	<u>223,883</u>	<u>340,640</u>
Cash and Cash Equivalents at End of Period	<u>\$ 138,512</u>	<u>\$ 41,651</u>	<u>\$ 223,883</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See Note 21—Supplemental Cash Flow Information

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

**Note 1—Significant Accounting Policies:**

A summary of the significant accounting policies of CONSOL Energy Inc. and subsidiaries (CONSOL Energy) is presented below. These, together with the other notes that follow, are an integral part of the consolidated financial statements.

***Basis of Consolidation:***

The consolidated financial statements include the accounts of majority-owned and controlled subsidiaries. The accounts of variable interest entities (VIEs) as defined by the Financial Accounting Standards Board's (FASB) Interpretation No. 46 (FIN 46) and related interpretations, where CONSOL Energy is the primary beneficiary, are included in the consolidated financial statements. Investments in business entities in which CONSOL Energy does not have control, but has the ability to exercise significant influence over the operating and financial policies, are accounted for under the equity method. All significant intercompany transactions and accounts have been eliminated in consolidation.

***Use of Estimates:***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and various disclosures. Actual results could differ from those estimates. The most significant estimates included in the preparation of the financial statements are related to other postretirement benefits, coal workers' pneumoconiosis, workers' compensation, salary retirement benefits, stock-based compensation, reclamation and mine closure liabilities, deferred income tax assets and liabilities, contingencies and coal and gas reserve values.

***Cash and Cash Equivalents:***

Cash and cash equivalents include cash on hand and in banks as well as all highly liquid short-term securities with original maturities of three months or less.

***Trade Accounts Receivable:***

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. CONSOL Energy reserves for specific accounts receivable when it is probable that all or a part of an outstanding balance will not be collected, such as customer bankruptcies. CONSOL Energy regularly reviews collectibility and establishes or adjusts the allowance as necessary using the specific identification method. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Reserves for uncollectible amounts were not material in the periods presented.

***Inventories:***

Inventories are stated at the lower of cost or market. The cost of coal inventories is determined by the first-in, first-out (FIFO) method. Coal inventory costs include labor, supplies, equipment costs, operating overhead and other related costs. The cost of merchandise for resale is determined by the last-in, first-out (LIFO) method and includes industrial maintenance, repair and operating supplies for sale to third parties. The cost of supplies inventory is determined by the average cost method and includes operating and maintenance supplies to be used in our mining operations.

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

***Property, Plant and Equipment:***

Property, plant and equipment is carried at cost. Expenditures which extend the useful lives of existing plant and equipment are capitalized. Interest costs applicable to major asset additions are capitalized during the construction period. Costs of additional mine facilities required to maintain production after a mine reaches the production stage, generally referred to as “receding face costs,” are expensed as incurred; however, the costs of additional airshafts and new portals are capitalized. Planned major maintenance costs which do not extend the useful lives of existing plant and equipment are expensed as incurred.

Coal exploration costs are expensed as incurred. Coal exploration costs include those incurred to ascertain existence, location, extent or quality of ore or minerals before beginning the development stage of the mine.

Costs of developing new underground mines and certain underground expansion projects are capitalized. Underground development costs, which are costs incurred to make the mineral physically accessible, include costs to prepare property for shafts, driving main entries for ventilation, haulage, personnel, construction of airshafts, roof protection and other facilities. Costs of developing the first pit within a permitted area of a surface mine are capitalized. A surface mine is defined as the permitted mining area which includes various adjacent pits that share common infrastructure, processing equipment and a common ore body. Surface mine development costs include construction costs for entry roads, drilling, blasting and removal of overburden in developing the first cut for mountain stripping or box cuts for surface stripping. Stripping costs incurred during the production phase of a mine are expensed as incurred.

Advance mining royalties are advance payments made to lessors under terms of mineral lease agreements that are recoupable against future production using the units-of-production method. Depletion of leased coal interests is computed using the units-of-production method over proven and probable coal reserves. Advance mining royalties and leased coal interests are evaluated periodically for impairment issues or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When properties are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized in other income.

Gas well activity is accounted for under the successful efforts method of accounting. Costs of property acquisitions, successful exploratory wells, development wells and related support equipment and facilities are capitalized. Costs of unsuccessful exploratory wells are expensed when such wells are determined to be non-productive, or if the determination cannot be made after finding sufficient quantities of reserves to continue evaluating the viability of the project. The costs of producing properties and mineral interests are amortized using the ratio of current production to the estimated aggregate proved gas reserves. Wells and related equipment and intangible drilling costs are amortized on a units-of-production method using the ratio of current production to the estimated aggregate proved developed gas reserves. Units-of-production amortization rates are revised when events and circumstances indicate an adjustment is necessary, but at least once a year; those revisions are accounted for prospectively as changes in accounting estimates.

Depreciation of plant and equipment is calculated on the straight-line method over their estimated useful lives or lease terms generally as follows:

	<u>Years</u>
Building and improvements	10 to 45
Machinery and equipment	3 to 25
Leasehold improvements	Life of Lease

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

Costs to obtain coal lands are capitalized based on the fair value at acquisition and are amortized using the units-of-production method over all estimated proven and probable reserve tons assigned to the mine. Proven and probable coal reserves exclude non-recoverable coal reserves and anticipated processing losses. Rates are updated when revisions to coal reserve estimates are made. Coal reserve estimates are reviewed when events and circumstances indicate a reserve change is needed, or at a minimum once a year. Amortization of coal interests begins when the coal reserve is produced. At an underground mine, a ton is considered produced once it reaches the surface area of the mine. Any material income effect from changes in estimates is disclosed in the period the change occurs.

Airshafts and capitalized mine development associated with a coal reserve are amortized on a units-of-production basis as the coal is produced so that each ton of coal is assigned a portion of the unamortized costs. We employ this method to match costs with the related revenues realized in a particular period. Rates are updated when revisions to coal reserve estimates are made. Coal reserve estimates are reviewed when information becomes available that indicates a reserve change is needed, or at a minimum once a year. Any material income effect from changes in estimates is disclosed in the period the change occurs. Amortization of development cost begins when the development phase is complete and the production phase begins. At an underground mine, the end of the development phase and the beginning of the production phase takes place when construction of the mine for economic extraction is substantially complete. Coal extracted during the development phase is incidental to the mine's production capacity and is not considered to shift the mine into the production phase.

Costs for purchased and internally developed software are expensed until it has been determined that the software will result in probable future economic benefits and management has committed to funding the project. Thereafter, all direct costs of materials and services incurred in developing or obtaining software, including certain payroll and benefit costs of employees associated with the project, are capitalized and amortized using the straight-line method over the estimated useful life which does not exceed 7 years.

***Impairment of Long-lived Assets:***

Impairment of long-lived assets is recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying value. The carrying value of the assets is then reduced to their estimated fair value which is usually measured based on an estimate of future discounted cash flows. Impairment of equity investments is recorded when indicators of impairment are present and the estimated fair value of the investment is less than the assets' carrying value. Impairment expense of \$6,273 was recognized in cost of goods sold and other operating charges in December 2008 when it became probable that an option to purchase preferred equity in PFBC Environment Energy Technology would not be exercised.

***Income Taxes:***

The asset and liability method is used to account for income taxes. Under this approach, deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in CONSOL Energy's financial statements or tax returns. The provision for income taxes represents income taxes paid or payable for the current year and the change in deferred taxes, excluding the effects of acquisitions during the year. Deferred taxes result from differences between the financial and tax bases of CONSOL Energy's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a deferred tax benefit will not be realized.

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

CONSOL Energy adopted the provisions of FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes," on January 1, 2007. CONSOL Energy evaluates all tax positions taken on the state and federal tax filings to determine if the position is more likely than not to be sustained upon examination. For positions that meet the more likely than not to be sustained criteria, an evaluation to determine the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon ultimate settlement, is determined. A previously recognized tax position is derecognized when it is subsequently determined that a tax position no longer meets the more likely than not threshold to be sustained. The evaluation of the sustainability of a tax position and the probable amount that is more likely than not is based on judgment, historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of these estimates, that are not readily apparent from other sources, form the basis for recognizing a FIN 48 liability. Actual results could differ from those estimates upon subsequent resolution of identified matters.

***Postretirement Benefits Other Than Pensions:***

Postretirement benefits other than pensions, except for those established pursuant to the Coal Industry Retiree Health Benefit Act of 1992 (the Health Benefit Act), are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 112, "Employers' Accounting for Post employment Benefits" as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)," which requires employers to accrue the cost of such retirement benefits for the employees' active service periods. Such liabilities are determined on an actuarial basis and CONSOL Energy is primarily self-insured for these benefits. Postretirement benefit obligations established by the Health Benefit Act are treated as a multi-employer plan which requires expense to be recorded for the associated obligations as payments are made. This treatment is in accordance with Emerging Issues Task Force (EITF) No. 92-13, "Accounting for Estimated Payments in Connection with the Coal Industry Retiree Health Benefit Act of 1992."

***Pneumoconiosis Benefits and Workers' Compensation:***

CONSOL Energy is required by federal and state statutes to provide benefits to certain current and former totally disabled employees or their dependents for awards related to coal workers' pneumoconiosis. CONSOL Energy is also required by various state statutes to provide workers' compensation benefits for employees who sustain employment related physical injuries or some types of occupational disease. Workers' compensation benefits include compensation for their disability, medical costs, and on some occasions, the cost of rehabilitation. CONSOL Energy is primarily self-insured for these benefits. Provisions for estimated benefits are determined on an actuarial basis.

***Mine Closing, Reclamation and Gas Well Closing Costs:***

CONSOL Energy accrues for mine closing costs, perpetual care costs and dismantling and removing costs of gas related facilities using the accounting treatment prescribed by Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). This statement requires the fair value of an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset. Depreciation of the capitalized asset retirement cost is generally determined on a units-of-production basis. Accretion of the asset retirement obligation is recognized over time

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

and generally will escalate over the life of the producing asset, typically as production declines. Accretion is included in the Cost of Goods Sold and other charges line on the Consolidated Statements of Income. Asset retirement obligations primarily relate to the closure of mines and gas wells, and the reclamation of land upon exhaustion of coal and gas reserves.

Accrued mine closing costs, perpetual care costs, reclamation and costs of dismantling and removing gas related facilities are regularly reviewed by management and are revised for changes in future estimated costs and regulatory requirements.

***Deferred Revenue:***

Deferred revenues represent funding received upon the negotiation of long-term contracts. The deferred revenues will be recognized as sales revenues in future periods by amortization on a rate per ton shipped over the life of the respective contract. The rates are revised whenever there is an indication of significant changes, but at least once a year. The revisions are accounted for prospectively as changes in accounting estimates.

***Retirement Plans:***

CONSOL Energy has non-contributory defined benefit retirement plans covering substantially all employees not covered by multi-employer retirement plans. Effective January 1, 2006, employees hired between August 1, 2004 and December 31, 2005 that were not previously eligible to participate in the plans began accruing service. Also, as of January 1, 2006, an amendment was made to the salaried pension plan related to lump sum distributions. The CONSOL Energy salaried plan allows for lump-sum distributions of benefits earned up until December 31, 2005, at the employee's election. CONSOL Energy's policy is to annually fund the defined benefit pension plans at or above the minimum required by law.

Effective January 1, 2007, employees hired by CNX Gas, an 83.3% owned subsidiary, will not be eligible to participate in CNX Gas' non-contributory defined benefit retirement plan. In lieu of participation in the non-contributory defined benefit plan, these employees began receiving an additional 3% company contribution into their defined contribution plan. CNX Gas employees who were hired prior to December 31, 2005, or who were employees of CONSOL Energy prior to this date, were given a one time opportunity to elect to remain in the defined benefit plan or opt to freeze their service accruals and participate in the additional 3% company contribution into their defined contribution plan. All employees hired on or after January 1, 2006, but on or before December 31, 2006, had their current non-contributory defined benefit frozen and began receiving the additional 3% company contribution into their defined contribution plan effective January 1, 2007. CNX Gas intends to freeze all defined benefit accruals as of December 31, 2016 for CNX Gas employees that elected to remain in the defined benefit plan.

***Revenue Recognition:***

Revenues are recognized when title passes to the customers. For domestic coal sales, this generally occurs when coal is loaded at mine or offsite storage locations. For export coal sales, this generally occurs when coal is loaded onto marine vessels at terminal locations. For gas sales, this occurs at the contractual point of delivery. For industrial supplies and equipment sales, this generally occurs when the products are delivered. For terminal, river and dock, land, research and development, and coal waste disposal services, revenue is recognized generally as the service is provided to the customer.

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CNX Gas has an operational gas-balancing agreement with Columbia interstate pipeline. The imbalance agreement is managed internally using the sales method of accounting. The sales method recognizes revenue when the gas is taken by the purchaser.

CNX Gas sells gas to accommodate the delivery points of its customers. In general this gas is purchased at market price and re-sold on the same day at market price less a small transaction fee. These matching buy/sell transactions include a legal right of offset of obligations and have been simultaneously entered into with the counterparty which qualify for netting under EITF no. 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counter-Party," and are therefore reflected net on the income statement in cost of goods sold and other charges.

CNX Gas also provides gathering services to third parties by purchasing gas produced by the third party, at market prices less a fee. The gas purchased from third party producers is then resold by CNX Gas to end users or gas marketers at current market prices. These revenues and expenses are recorded gross as purchased gas revenue and purchased gas costs in the consolidated statement of income. Purchased gas revenue is recognized when title passes to the customer. Purchased gas costs are recognized when title passes to CNX Gas from the third party producer.

CONSOL Energy also has royalty interests which are the portion of the mineral interest retained by the lessor. This interest entitles the royalty interest owner to a fractional amount of the production from the property, in kind or in value, less the applicable severance taxes.

***Freight Revenue and Expenses:***

Shipping and handling costs invoiced to coal customers and paid to third-party carriers are recorded as Freight Revenue and Freight Expense, respectively.

***Royalty Recognition:***

Royalty expenses for coal rights are included in Cost of Goods Sold and Other Operating Charges when the related revenue for the coal sale is recognized. Royalty expenses for gas rights are included in Gas Royalty Interest Costs when the related revenue for the gas sale is recognized. These royalty expenses are paid in cash in accordance with the terms of each agreement. Revenues for coal and gas sold related to production under royalty contracts, versus owned by CONSOL Energy, are recorded gross. The recognized revenues for these transactions are not net of related royalty fees.

***Contingencies:***

CONSOL Energy, or our subsidiaries, from time to time is subject to various lawsuits and claims with respect to such matters as personal injury, wrongful death, damage to property, exposure to hazardous substances, governmental regulations including environmental remediation, employment and contract disputes, and other claims and actions, arising out of the normal course of business. Liabilities are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated. Estimates are developed through consultation with legal counsel involved in the defense and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Environmental liabilities are not discounted or reduced by possible recoveries from third parties. Legal fees associated with defending these various lawsuits and claims are expensed when incurred.

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***Treasury Stock:***

On September 12, 2008, CONSOL Energy's Board of Directors announced a share repurchase program of up to \$500,000 of the company's common stock during a twenty-four month period beginning September 9, 2008, and ending September 8, 2010. Shares of common stock repurchased by us are recorded at cost as treasury stock and result in a reduction of stockholders' equity in our Consolidated Balance Sheets. From time to time, treasury shares may be reissued as part of our stock-based compensation programs. When shares are reissued, we use the weighted average cost method for determining cost. The difference between the cost of the shares and the issuance price is added to or deducted from Capital in Excess of Par Value.

On December 21, 2005, CONSOL Energy's Board of Directors announced a share repurchase program of up to \$300,000 of the company's common stock during a twenty-four month period beginning January 1, 2006 and ending December 31, 2007.

For the years ended December 31, 2008 and 2007, we had cash expenditures under our repurchase program of \$97,794 and \$80,157, respectively, funded primarily by cash generated from operations. The total common shares repurchased for the years ended December 31, 2008 and 2007 were 2,741,300 and 2,087,800 at an average cost of \$35.59 and \$38.14 per share, respectively.

***Stock-Based Compensation:***

Effective January 1, 2006, CONSOL Energy uses the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" (SFAS 123R). Under this transition method, stock-based compensation expense for the year ended December 31, 2008 and 2007 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. CONSOL Energy recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. See Note 18 to the Audited Consolidated Financial Statements for a further discussion on stock-based compensation.

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**Earnings per Share:**

Basic earnings per share are computed by dividing net earnings by the weighted average shares outstanding during the reporting period. Dilutive earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, and the assumed vesting of restricted and performance stock units if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and outstanding restricted and performance stock units were released and that the proceeds from such activities were used to acquire shares of common stock at the average market price during the reporting period. In accordance with the provisions of SFAS 123R, CONSOL Energy includes the impact of the proforma deferred tax assets in determining potential windfalls and shortfalls for purposes of calculating assumed proceeds under the treasury stock method. Options to purchase 370,987 shares, 133,343 shares and 714,453 shares of common stock were outstanding at December 31, 2008, 2007 and 2006, respectively, but were not included in the computation of dilutive earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive. For the year ended December 31, 2008, 18,176 performance stock units were not included in the computation of dilutive earnings per share as their effect would be anti-dilutive.

	For the Years Ended December 31,		
	2008	2007	2006
Net income	\$ 442,470	\$ 267,782	\$ 408,882
Average shares of common stock outstanding:			
Basic	182,386,011	182,050,627	183,354,732
Effect of stock-based compensation awards	2,293,581	2,099,124	2,283,374
Dilutive	184,679,592	184,149,751	185,638,106
Earnings per share:			
Basic	\$ 2.43	\$ 1.47	\$ 2.23
Dilutive	\$ 2.40	\$ 1.45	\$ 2.20

Shares of common stock were outstanding as follows:

	2008	2007	2006
Balance, beginning of year	182,291,623	182,654,629	185,050,824
Issuance(1)	1,027,250	1,755,457	1,118,605
Repurchased-Treasury Stock Shares	(656,922)	(2,118,463)	(3,514,800)
Repurchased-Retired Shares	(2,112,100)	—	—
Balance, end of year	180,549,851	182,291,623	182,654,629

(1) See Note—18 Stock-based Compensation for additional information

**Accounting for Derivative Instruments:**

CONSOL Energy accounts for derivative instruments in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS No. 133) and its

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corresponding amendments. SFAS No. 133 requires CONSOL Energy to measure every derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. Changes in fair value of derivatives are recorded currently in earnings unless special hedge accounting criteria are met. For derivatives designated as cash flow hedges, the effective portions of changes in fair value of the derivative are reported in other comprehensive income. The ineffective portions of hedges are recognized in earnings in the current period.

CONSOL Energy formally assesses, both at inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, CONSOL Energy will discontinue hedge accounting prospectively.

***Accounting for Business Combinations:***

The company accounts for its business acquisitions under the purchase method of accounting consistent with the requirements of SFAS No. 141, "Business Combinations." The total cost of acquisitions is allocated to the underlying identifiable net assets, based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, and the utilization of independent valuation experts, and often involves the use of significant estimates and assumptions with respect to future cash inflows and outflows, discount rates and asset lives, among other items.

***Accounting for Carbon Emissions Offsets:***

In 2008, CNX Gas, an 83.3% subsidiary, completed the independent verification and registration processes necessary to sell carbon emission offsets on the Chicago Climate Exchange. CNX Gas has verified approximately 8.4 million metric tons of offsets, CONSOL Energy has also verified approximately 8.3 million metric tons of offsets which may sell on the over-the-counter market. These offsets are recorded at their historical cost, which is zero. Sales of these emission offsets will be reflected in income as they occur. To date, no offsets have been sold.

***Recent Accounting Pronouncements:***

In May 2008, The Financial Accounting Standards Board (FASB) issued Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162)." The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. SFAS No. 162 establishes that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." We do not expect this guidance to have a significant impact on CONSOL Energy.

In March 2008, The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement 133" (SFAS 161). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to

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better understand their effects on an entity's financial positions, results of operations and cash flows. The new standard also improves transparency about how and why a company uses derivative instruments and how derivative instruments and related hedged items are accounted for under SFAS 133. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. CONSOL Energy's management is currently assessing the new disclosure requirements required by SFAS 161.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" (SFAS 141R), and Statement of Financial Accounting Standards No. 160, "Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" (SFAS 160). SFAS 141R and SFAS 160 will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 141R retains the fundamental requirements in SFAS 141 "Business Combinations" while providing additional definitions, such as the definition of the acquirer in a purchase and improvements in the application of how the acquisition method is applied. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests, and classified as a component of equity. These statements become simultaneously effective January 1, 2009. Early adoption is not permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

***Reclassifications:***

Certain amounts in prior periods have been reclassified to conform with the report classifications of the year ended December 31, 2008 with no effect on previously reported net income or stockholders' equity.

**Note 2—Acquisitions and Dispositions:**

In October 2008 CONSOL Energy Inc.'s Board of Directors has authorized a purchase program for shares of CNX Gas Corporation common stock for an aggregate purchase price of up to \$150 million. The authorization, which is not intended to take CNX Gas private, was effective as of October 21, 2008 for a twenty-four month period. During the year ended December 31, 2008, CONSOL Energy completed the purchase of \$67,259 of CNX Gas stock on the open market at an average price of \$26.53 per share. The purchase of these 2,531,400 shares changed CONSOL Energy's ownership percentage in CNX Gas from 81.7% to 83.3% at December 31, 2008. During the year ended December 31, 2007, CONSOL Energy purchased \$10,000 of CNX Gas stock on the open market at an average price of \$26.87 per share. The purchase of these 372,000 shares changed CONSOL Energy's ownership percentage in CNX Gas from 81.5% to 81.7% at December 31, 2007.

In December 2008, CONSOL Energy, through a subsidiary, completed the acquisition of the outstanding 51% interest in Southern West Virginia Energy, LLC ("SWVE") for a cash payment of \$11,521. This amount is included in capital expenditures in cash used in investing activities on the Consolidated Statement of Cash Flows. The purchase price was principally allocated to property, plant and equipment. SWVE wholly-owns Southern West Virginia Resources, LLC and Minway Contracting, LLC, and had previously been a 49% subsidiary of CONSOL Energy. Prior to the acquisition of the outstanding interest, SWVE had been fully consolidated in accordance with Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" by CONSOL Energy. The proforma results for this acquisition are not material to CONSOL Energy's financial results.

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In November 2008, CONSOL Energy, through a subsidiary, completed the acquisition of North Penn Pipe & Supply, Inc. for a cash payment, net of cash acquired, of \$22,550. This amount is included in capital expenditures in cash used in investing activities on the Consolidated Statements of Cash Flows. North Penn Pipe & Supply, Inc. is a distributor of oil and gas field equipment, primarily tubular goods, to the northern Appalachian Basin, a region stretching from the state of New York to southwestern Pennsylvania and northern West Virginia. The fair value of merchandise for resale acquired in this acquisition is \$10,623 and is included in inventory on the Consolidated Balance Sheets. The proforma results for this acquisition are not significant to CONSOL Energy's financial results.

In July 2008, our 83.3% subsidiary, CNX Gas, completed the acquisition of several leases and gas wells from KIS Oil & Gas Inc. for a cash payment of \$19,324. The purchase price was principally allocated to property, plant and equipment. The sales agreement called for the transfer of 30 oil and gas wells and approximately 5,600 leased acres. This acquisition enhanced our acreage position in Northern Appalachia. The pro forma results for this acquisition were not significant to CONSOL Energy's financial results.

In June 2008, CNX Gas completed the acquisition of the remaining 50% interest in Knox Energy, LLC and Coalfield Pipeline Company not already owned by CNX Gas for a cash payment of \$36,000 which was principally allocated to property, plant and equipment. Prior to the acquisition of the outstanding interest, Knox Energy, LLC had been proportionately consolidated into CONSOL Energy's financial statements during 2008. During 2006 and 2007 the equity method was used to account for these entities. Knox Energy, LLC is a natural gas production company and Coalfield Pipeline Company is a gathering and transportation company with operations in Tennessee. The pro forma results for this acquisition were not significant to CONSOL Energy's financial results. The acquisition was not material to the CONSOL Energy's consolidated financial statements.

In February 2008, CONSOL Energy, through a subsidiary, completed a sale of the Mill Creek Mining Complex located in Kentucky. The sales agreement called for the transfer of all of the assets comprising the complex. Cash proceeds from the sale were \$14,649, with our basis in the assets being \$9,934. Accordingly, a gain of \$4,715 was recorded on the transaction.

In December 2007, CONSOL Energy, through a subsidiary, completed a sale/lease-back of 35 river barges. Cash proceeds from the sale were \$16,895, with our basis in the equipment being \$16,951. Accordingly, a loss of \$56 was recorded on the transaction. The lease has been accounted for as an operating lease. The lease term is fourteen years.

In October 2007, CONSOL Energy, through a subsidiary, acquired 100% of the outstanding shares in an oil and gas company for a cash payment of \$12,385 which was principally allocated to property, plant and equipment. The acquired company is in the business of owning, operating and producing oil and gas wells and related pipelines. The acquired assets consisted of gas wells, equipment and connecting pipelines utilized in well operations. The acquisition was accounted for under the guidance of Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations".

On July 31, 2007, CONSOL Energy acquired 100% of the voting interest of AMVEST Corporation and certain subsidiaries and affiliates (AMVEST) for a cash payment, net of cash acquired, of \$296,724 in a transaction accounted for under SFAS 141. The coal reserves acquired consist of approximately 160 million tons of high quality, low sulfur steam and high-volatile metallurgical coal. Also included in the acquisition were four coal preparation plants, several fleets of modern mining equipment and a common short-line railroad that connects the coal preparation plants to the CSX and Norfolk and Southern rail interchanges. The results of operations of the acquired entities are included in CONSOL Energy's Consolidated Statements of Income as of August 1, 2007.

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The AMVEST acquisition, when combined with CONSOL Energy's adjacent coal reserves, creates a large contiguous block of coal reserves in the Central Appalachian region. Also, included in the acquisition was a highly-skilled workforce proficient in Central Appalachian surface mining. This workforce combined with CONSOL Energy's underground mining expertise will allow us to build and transfer knowledge among operations to focus the best skill sets to development requirements of the various parts of this reserve block.

The application of purchase accounting under SFAS 141 requires that the total purchase price be allocated to the fair value of assets acquired and liabilities assumed based on the fair values of assets and liabilities at acquisition date. The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of acquisition:

<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 7,028
Accounts and Notes Receivable:	
Trade	21,343
Other Receivables	5,149
Inventories	18,459
Prepaid Expenses	937
<b>Total Current Assets</b>	<b>52,916</b>
Property, Plant and Equipment:	482,847
Other Assets:	
Other	297
<b>Total Other Assets</b>	<b>297</b>
<b>Total Assets</b>	<b>\$ 536,060</b>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	\$ 12,595
Accrued Income Taxes	43,060
Other Accrued Liabilities	25,541
<b>Total Current Liabilities</b>	<b>81,196</b>
Deferred Credits and Other Liabilities:	
Deferred Income Taxes	120,442
Postretirement Benefits Other Than Pensions	2,130
Pneumoconiosis Benefits	8,055
Mining Closing	9,345
Workers' Compensation	1,744
Reclamation	3,911
Other	5,485
<b>Total Deferred Credits and Other Liabilities</b>	<b>151,112</b>
<b>Total Liabilities</b>	<b>232,308</b>
<b>Net Assets Acquired</b>	<b>\$ 303,752</b>

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The unaudited proforma results, assuming the acquisition had occurred at the beginning of each period presented below are estimated to be:

	For the Year Ended December 31,	
	2007	2006
Revenue	\$ 3,902,186	\$ 3,982,175
Earnings Before Taxes	\$ 444,409	\$ 583,102
Net Income	\$ 279,074	\$ 432,188
Basic Earnings Per Share	\$ 1.53	\$ 2.36
Dilutive Earnings Per Share	\$ 1.52	\$ 2.33

The proforma results are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of each fiscal period presented, nor are they necessarily indicative of future consolidated results.

In July 2007, CONSOL Energy, through a subsidiary, completed the acquisition of Piping & Equipment, Inc. for a cash payment, net of cash acquired, of \$16,914. This amount is included in capital expenditures in cash used in investing activities on the Consolidated Statements of Cash Flows. Piping & Equipment, Inc. is a pipe, valve and fittings supplier with eight locations in Florida, Alabama, Louisiana and Texas. The fair value of merchandise for resale acquired in this acquisition is \$8,481 and is included in inventory on the Consolidated Balance Sheets. The pro forma results for this acquisition are not significant to CONSOL Energy's financial results.

In June 2007, CONSOL Energy, through a subsidiary, exchanged certain coal assets in Northern Appalachia with Peabody Energy for coalbed methane and gas rights. This transaction was accounted for as a non-monetary exchange under Statement of Financial Accounting Standards No. 153, "Exchanges of Non-Monetary Assets," resulting in a pre-tax gain of \$50,060. Also in June 2007, CONSOL Energy, through a subsidiary, acquired certain coalbed methane and gas rights from Peabody Energy for a cash payment of \$15,000 plus approximately \$1,650 of various other acquisition costs.

In June 2007, CONSOL Energy, through a subsidiary, sold the rights to certain western Kentucky coal in the Illinois Basin to Alliance Resource Partners, L.P. for \$53,309. This transaction resulted in a pre-tax gain of \$49,868.

In December 2006, CONSOL Energy, through a subsidiary, completed a sale/lease-back transaction for its future headquarters property. Cash proceeds were \$9,548 which did not result in a gain or loss on the sale. The initial lease term is twenty years and includes an option to renew the lease term for an additional five-year period and a subsequent four-and-one-half year lease term. The lease was accounted for as a capital lease during the construction period, in accordance with the guidance provided by the Emerging Issues Task Force ("EITF") on Issue No. 97-10, "The Effect of Lessee Involvement in Asset Construction." Since completion of construction in August 2008, the lease has been accounted for as an operating lease. Estimated monthly rental payments of \$462 will be made for the period January 1, 2009 through July 31, 2010; \$552 for the period August 1, 2010 through July 31, 2018; and \$581 for the period August 1, 2018 through July 31, 2028.

In November 2006, CONSOL Energy, through a subsidiary, acquired a 50% interest in a specialty contracting company for a cash payment of \$29,500. The specialty contracting company provides drilling services to the government, commercial, mining and public utility industries. The acquisition was accounted for under the equity method of accounting.

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In March 2006, CONSOL Energy, through a subsidiary, completed a sale/lease-back of longwall equipment. Cash proceeds from the sale were \$36,363 which was equal to our basis in the equipment. Accordingly, no gain or loss was recorded on the transaction. The lease has been accounted for as a capital lease. The lease term is five years.

In January 2006, CONSOL Energy, through a subsidiary, completed the acquisition of Mon River Towing and J.A.R. Barge Lines, LLC from The Guttman Group for a cash payment of \$24,750. The acquisition included 13 towboats and more than 350 barges with the capacity to transport 13 million tons of coal annually. Mon River Towing transports petroleum products, coal, limestone and other bulk commodities to various locations along the navigable rivers of Pennsylvania, Ohio, West Virginia and Kentucky. J.A.R. Barge Lines, LLC charters motor vessels and barges to other river transportation firms along the inland waterways.

**Note 3—Other Income:**

	For the Years Ended December 31.		
	2008	2007	2006
Buchanan roof collapse insurance proceeds	\$ 50,000	\$ 10,000	\$ —
Gain on disposition of assets	23,368	112,389	10,417
Royalty income	20,673	14,205	27,915
Service income	14,298	12,623	13,345
Equity in earnings of affiliates	11,140	6,551	1,201
Charter & Tramp Towing Income	11,164	2,601	—
Interest income	2,363	12,792	15,369
Buchanan skip hoist damage and business interruption insurance proceeds	—	—	40,792
Buchanan fire business interruption insurance proceeds	—	—	38,415
Other	33,136	25,567	23,407
Total Other Income	<u>\$ 166,142</u>	<u>\$ 196,728</u>	<u>\$ 170,861</u>

**Note 4—Interest Expense:**

	For the Years Ended December 31.		
	2008	2007	2006
Interest on debt	\$ 45,627	\$ 40,766	\$ 33,605
Interest on other payables	2,718	4,648	2,213
Interest capitalized	(12,162)	(14,563)	(10,752)
Total Interest Expense	<u>\$ 36,183</u>	<u>\$ 30,851</u>	<u>\$ 25,066</u>

**Note 5—Taxes Other Than Income:**

	For the Years Ended December 31.		
	2008	2007	2006
Production taxes	\$ 188,581	\$ 163,346	\$ 169,163
Payroll taxes	49,829	43,828	42,035
Property taxes	44,107	41,586	34,991
Capital Stock & Franchise Tax	6,568	7,475	7,293
VA Employment Enhancement Tax Credit	(4,190)	(3,159)	(5,003)
Other	5,095	5,850	4,060
Total Taxes Other Than Income	<u>\$289,990</u>	<u>\$258,926</u>	<u>\$252,539</u>

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**Note 6—Income Taxes:**

Income taxes (benefits) provided on earnings consisted of:

	For the Years Ended December 31,		
	2008	2007	2006
<b>Current:</b>			
U.S. Federal	\$ 87,658	\$ 62,704	\$ 72,839
U.S. State	14,549	11,284	12,247
Non-U.S.	2,133	2,594	770
	<u>104,340</u>	<u>76,582</u>	<u>85,856</u>
<b>Deferred:</b>			
U.S. Federal	101,869	40,278	46,332
U.S. State	33,725	19,277	(19,758)
	<u>135,594</u>	<u>59,555</u>	<u>26,574</u>
Total Income Taxes	<u>\$ 239,934</u>	<u>\$ 136,137</u>	<u>\$ 112,430</u>

The components of the net deferred tax assets are as follows:

	December 31, 2008	December 31, 2007
<b>Deferred Tax Assets:</b>		
Postretirement benefits other than pensions	\$ 990,336	\$ 997,930
Alternative minimum tax	168,276	197,009
Mine closing	133,591	139,742
Pneumoconiosis benefits	75,124	59,506
Net operating loss	57,370	63,866
Workers' compensation	59,687	57,055
Salary retirement	74,967	38,839
Capital lease	32,212	41,415
Reclamation	14,581	13,277
Other	78,923	81,702
Total Deferred Tax Assets	<u>1,685,067</u>	<u>1,690,341</u>
Valuation Allowance**	<u>(60,898)</u>	<u>(59,908)</u>
Net Deferred Tax Assets	<u>1,624,169</u>	<u>1,630,433</u>
<b>Deferred Tax Liabilities:</b>		
Property, plant and equipment	(1,085,054)	(1,058,596)
Advance mining royalties	(23,445)	(23,493)
Gas hedge	(81,061)	(3,738)
Other	(40,467)	(38,975)
Total Deferred Tax Liabilities	<u>(1,230,027)</u>	<u>(1,124,802)</u>
Net Deferred Tax Assets	<u>\$ 394,142</u>	<u>\$ 505,631</u>

\*\* Valuation allowances of (\$2,663) and (\$58,235) have been allocated between current and long-term deferred tax assets respectively for 2008. Valuation allowances of (\$2,476) and (\$57,432) have been allocated between current and long-term deferred tax assets respectively for 2007.

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According to Statement of Financial Accounting Standards Board Statement 109, "Accounting for Income Taxes", a deferred tax asset should be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. All available evidence, both positive and negative, must be considered in determining the need for a valuation allowance. For the years ended December 31, 2008 and December 31, 2007, positive evidence considered included future income projections based on existing fixed price contracts and forecasted expenses, reversals of book to tax temporary differences, and the implementation of and/or ability to employ various tax planning strategies. Negative evidence included book and tax losses generated in prior periods, and the inability to achieve forecasted results for those periods.

During 2006, CONSOL Energy concluded that a valuation allowance was no longer warranted against a portion of its state net operating loss carry forwards in certain tax jurisdictions. In 2007 CONSOL Energy implemented a prudent and feasible tax strategy that ensured the realization of Pennsylvania loss carry forward tax benefits. For 2008 and 2007, CONSOL Energy continues to report a deferred tax asset of \$22,656 and \$27,881, respectively, on an after Federal tax adjusted basis relating to the remainder of its state operating loss carry forwards after valuation allowance. A review of the positive and negative evidence regarding these tax benefits, primarily the history of book and tax losses on a separate company basis, concluded that a valuation allowance was warranted. A valuation allowance of \$26,184 and \$23,123 on an after Federal tax adjusted basis have also been recorded for 2008 and 2007, respectively, against the deferred state tax asset attributable to future deductible temporary differences for certain CONSOL Energy subsidiaries with histories of book and tax losses. The net operating losses expire at various times between 2009 and 2027. Management will continue to assess the potential for realizing deferred tax assets based upon updated income forecast data and the feasibility of future tax planning strategies, and may record adjustments to valuation allowances against deferred tax assets in future periods as appropriate that could materially impact net income. Included in the valuation allowance against the deferred state tax assets attributable to future deductible temporary differences for 2008 and 2007 are \$8,496 and \$7,687, respectively, of valuation allowances for deferred tax assets related to Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans" (SFAS No. 158) in state jurisdictions which are subject to a full valuation allowance. The increase in the valuation allowances recognized on SFAS No. 158 was recognized through other comprehensive income in the applicable period.

We estimate that CONSOL Energy will utilize Federal alternative minimum tax credits of \$30,464 for the year ended December 31, 2009, thereby reducing the deferred tax asset associated with the prior years' minimum tax credits. During 2008, the Federal alternative minimum tax credits were increased \$1,731 as a result of the 2007 accrual to 2007 return adjustments.

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The following is a reconciliation stated as a percentage of pretax income, of the United States statutory federal income tax rate to CONSOL Energy's effective tax rate:

	For the Years Ended December 31,					
	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
Statutory U.S. federal income tax rate	\$253,958	35.0%	\$150,135	35.0%	\$192,822	35.0%
Excess tax depletion	(48,859)	(6.7)	(43,502)	(10.1)	(55,229)	(10.0)
Effect of medicare prescription drug, improvement and modernization act of 2003	2,112	0.3	1,796	0.4	1,796	0.3
Effect of domestic production activities	(7,721)	(1.1)	(915)	(0.2)	(2,538)	(0.4)
Net effect of state tax	31,169	4.3	20,086	4.7	(15,549)	(2.8)
Effect of foreign tax	2,133	0.3	787	0.2	770	0.1
Other	7,142	1.0	7,750	1.7	(9,642)	(1.8)
Income Tax (Benefit) Expense/Effective Rate	<u>\$ 239,934</u>	<u>33.1%</u>	<u>\$ 136,137</u>	<u>31.7%</u>	<u>\$ 112,430</u>	<u>20.4%</u>

CONSOL Energy adopted the provisions of FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB No. 109" on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized an increase of \$3,202 in the liability for unrecognized tax benefits upon adoption, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. During the year ending December 31, 2008, the Company recognized a decrease of \$2,726 in the liability for unrecognized tax benefits as a result of reevaluating the potential outcome of the ongoing audit of its 2004 and 2005 tax returns by the IRS, and identifying additional uncertain tax positions relating to state income taxes. During the year ending December 31, 2007, the Company recognized an increase of \$13,317 in the liability for unrecognized tax benefits as a result of tax positions taken during the current period, and uncertain tax positions identified upon the acquisition of Amvest Corporation. Of the total increase in the liability for unrecognized tax benefits for the year ending December 31, 2007, \$10,497 was accounted for as a reclassification from deferred Federal and state income taxes and \$2,520 is attributable to uncertain tax positions recognized as a result of the acquisition of Amvest Corporation. The change in unrecognized tax benefits during 2008 and 2007 resulted in reductions in net income of \$1,833 and \$300, respectively.

The total amount of unrecognized tax benefits as of December 31, 2008 and 2007 were \$60,691 and \$63,417, respectively. If these unrecognized tax benefits were recognized, \$14,657 and \$12,871, respectively, would affect CONSOL Energy's effective income tax rate.

CONSOL Energy and its subsidiaries file income tax returns in the U. S. federal, various states and Canadian jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2003. The IRS is currently finalizing its audit report relating to CONSOL Energy's income tax returns filed for 2004 and 2005. The Company expects to conclude this examination, and remit payment of the resulting tax deficiencies to Federal and state taxing authorities before June 30, 2009. The estimated Federal tax deficiency payable to the IRS is \$12,500. This payment will have no impact on net income since the tax deficiencies for 2004 and 2005 are primarily the result of changes in the timing of tax deductible expenses.

The IRS' examination of the Company's 2002 and 2003 tax returns has been completed. CONSOL Energy estimates that an additional payment of approximately \$1,300 of interest related to the examination will be made before March 31, 2009.

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CONSOL recognizes interest accrued related to unrecognized tax benefits in its interest expense. As of December 31, 2008 and 2007, the Company had an accrued liability of \$10,518 and \$8,503, respectively, for interest related to uncertain tax positions. The accrued interest liabilities include \$2,012 and \$3,426 that were recorded in the Company's Consolidated Income Statements for the years ended December 31, 2008 and 2007, respectively.

CONSOL recognizes penalties accrued related to unrecognized tax benefits in its income tax expense. As of December 31, 2008, there were no accrued penalties recognized. As of December 31, 2007, there was \$1,200 of accrued penalties.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance of unrecognized tax benefits at December 31, 2007	\$ 63,417
Increase in unrecognized tax benefits resulting from tax positions taken during current period	\$ 14,444
Decrease in unrecognized tax benefits resulting from tax positions taken during prior period	(\$ 17,170)
Balance of unrecognized tax benefits at December 31, 2008	<u>\$ 60,691</u>

The majority of CONSOL Energy earnings before income tax was generated from domestic entities.

**Note 7—Mine Closing, Reclamation & Gas Well Closing Costs:**

CONSOL Energy accrues for mine closing, perpetual water care costs, and dismantling and removal costs for gas related facilities using the accounting treatment prescribed by Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). CONSOL Energy recognizes capitalized asset retirement costs by increasing the carrying amount of related long-lived assets, net of the associated accumulated depreciation. The obligation for asset retirements is included in Mine Closing, Reclamation, Other Accrued Liabilities and Other Liabilities in the Consolidated Balance Sheets.

The reconciliation of changes in the asset retirement obligations at December 31, 2008 and 2007 is as follows:

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Balance at beginning of period	\$ 530,897	\$ 492,308
Accretion Expense	34,888	32,469
Payments	(32,085)	(28,427)
Revisions in Estimated Cash Flows	30,409	2,901
Other	(19,795)	31,646
Balance at end of period	<u>\$ 544,314</u>	<u>\$ 530,897</u>

For the year ended December 31, 2008, Other includes (\$19,618) for asset dispositions and (\$177) of various other items, none of which are individually significant. For the year ended December 31, 2007, Other includes obligations for reclamation, mine closing, and perpetual care of \$18,974 related to the acquisition of AMVEST in July 2007. In addition, \$14,907 is included in Other for gas well closing obligations related to gas wells acquired with the acquisition of the outstanding shares of an oil and gas company in October 2007. The remaining (\$2,235) included in Other relates to various other items, none of which are individually significant.

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**Note 8—Inventories:**

	December 31,	
	2008	2007
Coal	\$ 93,875	\$ 45,614
Merchandise for resale	43,074	25,418
Supplies	90,861	92,161
Total Inventories	<u>\$ 227,810</u>	<u>\$ 163,193</u>

Merchandise for resale is valued using the LIFO cost method. The excess of replacement cost of merchandise for resale inventories over carrying LIFO value was \$14,716 and \$14,389 at December 31, 2008 and 2007, respectively.

**Note 9—Accounts Receivable Securitization:**

CONSOL Energy and certain of our U.S. subsidiaries are party to a trade accounts receivable facility with financial institutions for the sale on a continuous basis of eligible trade accounts receivable. The facility allows CONSOL Energy to receive up to \$165,000 on a revolving basis. The facility also allows for the issuance of letters of credit against the \$165,000 capacity. At December 31, 2008, there were no letters of credit outstanding against the facility.

CONSOL Energy formed CNX Funding Corporation, a wholly owned, special purpose, bankruptcy-remote subsidiary for the sole purpose of buying and selling eligible trade receivables generated by certain subsidiaries of CONSOL Energy. Under the receivables facility, CONSOL Energy and certain subsidiaries, irrevocably and without recourse, sell all of their eligible trade accounts receivable to financial institutions and their affiliates, while maintaining a subordinated interest in a portion of the pool of trade receivables. This retained interest, which is included in Accounts and Notes Receivable Trade in the consolidated balance sheets, is recorded at fair value. Due to a short average collection cycle for such receivables, our collection experience history and the composition of the designated pool of trade accounts receivable that are part of this program, the fair value of our retained interest approximates the total amount of the designated pool of accounts receivable reduced by the amount of accounts receivables sold to the third-party financial institutions under the program. CONSOL Energy will continue to service the sold trade receivables for the financial institutions for a fee based upon market rates for similar services.

The cost of funds under this facility is based upon commercial paper rates, plus a charge for administrative services paid to the financial institutions. Costs associated with the receivables facility totaled \$5,814 and \$3,440 for the year ended December 31, 2008 and 2007, respectively. These costs have been recorded as financing fees, which are included in Cost of Goods Sold and Other Operating Charges in the Consolidated Statements of Income. No servicing asset or liability has been recorded. The receivables facility expires in April 2012.

At December 31, 2008 and 2007, eligible accounts receivable totaled approximately \$165,000 and \$115,500, respectively. There were no subordinated retained interests at December 31, 2008 or December 31, 2007. Accounts receivables totaling \$165,000 and \$125,400 were removed from the Consolidated Balance Sheet at December 31, 2008 and 2007, respectively. In accordance with the facility agreement, the company is able to receive proceeds based upon total eligible accounts receivable at the previous month-end. Proceeds at December 31, 2007, determined by eligible accounts receivable at November 30, 2007, exceeded the eligible

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accounts receivable at December 31, 2007. The \$9,900 not supported by accounts receivable at December 31, 2007 is included in the \$125,400, of accounts receivable, which was removed from the consolidated balance sheet at December 31, 2007. CONSOL Energy's \$39,600 and \$125,400 increase in the accounts receivable securitization program for the years ended December 31, 2008 and 2007, respectively, is reflected in cash flows from operating activities in the Consolidated Statement of Cash Flows.

**Note 10—Property, Plant and Equipment**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Coal & other plant and equipment	\$ 4,533,793	\$ 4,249,698
Coal properties and surface lands	1,313,496	1,313,440
Gas properties and related development	1,379,012	889,057
Gas gathering equipment	740,396	596,171
Airshafts	615,512	582,028
Leased coal lands	502,521	458,216
Mine development	527,991	490,876
Coal advance mining royalties	365,380	363,072
Gas advance royalties	2,187	2,754
Total Property, Plant and Equipment	<u>9,980,288</u>	<u>8,945,312</u>
Less—Accumulated depreciation, depletion and amortization	<u>4,214,316</u>	<u>3,980,270</u>
Net Property, Plant and Equipment	<u>\$ 5,765,972</u>	<u>\$ 4,965,042</u>

Coal reserves are controlled either through fee ownership or by lease. The duration of the leases vary greatly; however, the lease terms generally are extended automatically to the exhaustion of economically recoverable reserves, as long as active mining continues. Coal interests held by lease provide the same rights as fee ownership for mineral extraction, and are legally considered real property interests. We also make advance payments (advanced mining royalties) to lessors under certain lease agreements that are recoupable against future production, and we make payments that are generally based upon a specified rate per ton or a percentage of gross realization from the sale of the coal. We evaluate our properties periodically for impairment issues or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Coal reserves are amortized using the units-of-production method over all estimated proven and probable reserve tons assigned to the mine. Rates are updated when revisions to coal reserve estimates are made. Coal reserve estimates are reviewed when events and circumstances indicate a reserve change is needed, or at a minimum once a year. Amortization of coal interests begins when the coal reserve is placed into production. At an underground mine, a ton is considered produced once it reaches the surface area of the mine. Any material income effect from changes in estimates is disclosed in the period the change occurs.

Amortization of capitalized mine development costs associated with a coal reserve is computed on a units-of-production basis as the coal is produced so that each ton of coal is assigned a portion of the unamortized costs. We employ this method to match costs with the related revenues realized in a particular period. Rates are updated when revisions to coal reserve estimates are made. Coal reserve estimates are reviewed when information becomes available that indicates a reserve change is needed, or at a minimum once a year. Any material income effect from changes in estimates is disclosed in the period the change occurs. Amortization of

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development costs begins when the development phase is complete and the production phase begins. At an underground mine, the end of the development phase and the beginning of the production phase takes place when construction of the mine for economic extraction is substantially complete. Coal extracted during the development phase is incidental to the mine's production capacity and is not considered to shift the mine into the production phase. Amortization of wells and related equipment and intangible drilling costs are amortized on a units-of-production method using the ratio of current production to the estimated aggregate proved developed gas reserves. Units-of-production amortization rates are revised whenever there is an indication of the need for a revision, but at least once a year, and accounted for prospectively.

The following assets are amortized using the units-of-production method. Amounts reflect properties where mining or drilling operations have not yet commenced and therefore are not yet being amortized for the years ended December 31, 2008 and 2007, respectively.

	December 31,	
	2008	2007
Coal properties and surface land	\$ 401,427	\$ 468,699
Airshafts	\$ 70,017	\$ 75,337
Mine development	\$ 98,842	\$ 67,328
Leased coal lands	\$ 311,778	\$ 243,177
Advance mining royalties	\$ 43,861	\$ 40,750
Gas properties and related development	\$ 220,848	\$ 101,680

As of December 31, 2008 and 2007, plant and equipment includes gross assets under capital lease of \$112,890 and \$113,645, respectively. For the years ended December 31, 2008 and 2007, the Northern Appalachian coal segment maintains a \$37,018 capital lease for longwall shields at Enlow Fork. In addition, for the years ended December 31, 2008 and 2007, the Gas segment maintains a capital lease for the Jewell Ridge Pipeline of \$66,919. As of December 31, 2008 the Gas segment also maintains a capital lease for vehicles of \$3,071. All Other segment maintains a capital lease for vehicles of \$5,882 at December 31, 2008. As of December 31, 2007, All Other segment maintained a capital lease for the construction of a new corporate office building of \$9,708. Accumulated amortization for capital leases was \$31,929 and \$18,533 at December 31, 2008 and 2007, respectively. See Note 14—Leases for additional capital lease details.

**Note 11—Short-Term Notes Payable:**

CONSOL Energy has a five-year \$1,000,000 senior secured credit facility, which extends through June 2012. The facility is secured by substantially all of the assets of CONSOL Energy and certain of its subsidiaries and collateral is shared equally and ratably with the holders of CONSOL Energy Inc. 7.875% bonds maturing in 2012. The Agreement does provide for the release of collateral at the request of CONSOL Energy upon achievement of certain credit ratings. Fees and interest rate spreads are based on a ratio of financial covenant debt to twelve-month trailing earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), measured quarterly. The facility includes a minimum interest coverage ratio of no less than 4.50 to 1.00, measured quarterly. The interest coverage ratio was 16.78 to 1.00 at December 31, 2008. The facility also includes a maximum leverage ratio of not more than 3.25 to 1.00, measured quarterly. The leverage ratio was 1.34 to 1.00 at December 31, 2008. Affirmative and negative covenants in the facility limit our ability to dispose of assets, make investments, purchase or redeem CONSOL Energy common stock, pay dividends and merge with another corporation. At December 31, 2008, the \$1,000,000 facility had \$485,000 of borrowings outstanding and \$270,752 of letters of credit outstanding, leaving \$244,248 of capacity available for borrowings and the issuance of letters of credit. The facility bore a weighted average interest rate of 3.52% for the year ended December 31, 2008.

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CNX Gas has a five-year \$200,000 unsecured credit agreement which extends through 2010. The agreement contains a negative pledge provision, whereas CNX Gas assets cannot be used to secure other obligations. Fees and interest rate spreads are based on the percentage of facility utilization, measured quarterly. Covenants in the facility limit CNX Gas' ability to dispose of assets, make investments, purchase or redeem CNX Gas stock, pay dividends and merge with another corporation. The facility includes a maximum leverage ratio covenant of not more than 3.00 to 1.00, measured quarterly. The leverage ratio was 0.32 to 1.00 at December 31, 2008. The facility also includes a minimum interest coverage ratio of no less than 3.00 to 1.00, measured quarterly. This ratio was 77.29 to 1.00 at December 31, 2008. At December 31, 2008, the CNX Gas credit agreement had \$72,700 of borrowings outstanding and \$14,933 of letters of credit outstanding, leaving \$112,367 of capacity available for borrowings and the issuance of letters of credit. The facility bore a weighted average interest rate of 3.51% for the year ended December 31, 2008.

**Note 12—Other Accrued Liabilities:**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Accrued payroll and benefits	\$ 59,765	\$ 52,850
Subsidence	54,013	46,590
Accrued other taxes	41,916	31,898
Royalties	33,857	20,068
Short-term incentive compensation	29,329	23,309
FIN 48 Liability	28,903	1,536
Other	78,925	64,508
Current portion of long-term liabilities:		
Postretirement benefits other than pensions	145,429	148,020
Workers' compensation	32,778	45,000
Mine closing	16,833	42,828
Pneumoconiosis benefits	9,833	10,976
Reclamation	4,108	5,545
Deferred Revenue	3,330	12,359
Salary retirement	2,034	1,623
Long Term Disability	5,389	5,192
Total Other Accrued Liabilities	<u>\$ 546,442</u>	<u>\$ 512,302</u>

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**Note 13—Long-Term Debt:**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Debt:		
Secured notes due 2012 at 7.875% (par value of \$250,000 less unamortized discount of \$654 at December 31, 2008)	\$ 249,346	\$ 249,139
Baltimore Port Facility revenue bonds in series due 2010 and 2011 at 6.50%	102,865	102,865
Advance royalty commitments	30,019	33,901
Notes due through 2011 at 6.10%	18,936	7,648
Notes due through 2013 at prime	—	10,985
Other long-term notes maturing at various dates through 2031 (total value of \$1,132 less unamortized discount of \$11 at December 31, 2008)	1,121	1,913
	<u>402,287</u>	<u>406,451</u>
Less amounts due in one year	8,975	8,374
Total Long-Term Debt	<u>\$ 393,312</u>	<u>\$ 398,077</u>

Advance royalty commitments and the other long-term variable rate notes had a weighted average interest rate of approximately 10.65% at December 31, 2008 and 6.80% at December 31, 2007. The bonds and notes are carried net of debt discount, which is being amortized over the life of the issue.

Annual undiscounted maturities on long-term debt during the next five years are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2009	\$ 8,975
2010	38,890
2011	85,123
2012	252,694
2013	2,400
Thereafter	14,870
Total Long-Term Debt Maturities	<u>\$ 402,952</u>

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**Note 14—Leases:**

CONSOL Energy uses various leased facilities and equipment in our operations. Future minimum lease payments under capital and operating leases, together with the present value of the net minimum capital lease payments, at December 31, 2008, are as follows:

<u>Year Ended December 31,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2009	\$ 21,065	\$ 55,720
2010	19,228	53,435
2011	14,033	43,005
2012	8,218	30,160
2013	7,516	28,015
Thereafter	57,788	168,757
Total minimum lease payments	\$ 127,848	\$ 379,092
Less amount representing interest (4.38%-7.36%)	39,383	
Present value of minimum lease payments	88,465	
Less amount due in one year	13,426	
Total Long-Term Capital Lease Obligation	<u>\$ 75,039</u>	

Rental expense under operating leases was \$63,170, \$47,765 and \$43,611 for the years ended December 31, 2008, 2007 and 2006, respectively.

**Note 15—Pension and Other Postretirement Benefit Plans:**

CONSOL Energy has non-contributory defined benefit retirement plans covering substantially all employees not covered by multi-employer plans. The benefits for these plans are based primarily on years of service and employee's pay near retirement. Effective January 1, 2006, employees hired between August 1, 2004 and December 31, 2005 that were not previously eligible to participate in the plans began accruing service. The CONSOL Energy salaried plan allows for lump-sum distributions of benefits earned up until December 31, 2005 at the employees' election.

As of January 1, 2006, lump sum benefits have been frozen and prospectively the lump sum option has been eliminated. According to Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," if the lump sum distributions made for the plan year, which for CONSOL Energy is January 1 to December 31, exceed the total of the service cost and interest cost for the plan year, settlement accounting is required. Lump sum payments did not exceed the threshold during 2008. Lump sum payments exceeded this threshold during 2007 and 2006. Accordingly, CONSOL Energy recognized expense of \$2,734 and \$17,756 for the years ended December 31, 2007 and 2006, respectively, in the results of operations. The adjustment equaled the unrecognized actuarial loss resulting from each individual who received a lump sum in that year. CONSOL Energy regularly monitors this situation.

Effective January 1, 2007, employees hired by CNX Gas, an 83.3% owned subsidiary, will not be eligible to participate in CNX Gas' non-contributory defined benefit retirement plan. In lieu of participation in the non-contributory defined benefit retirement plan, these employees began receiving an additional 3% company

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contribution into their defined contribution plan. CNX Gas employees who were hired prior to December 31, 2005, or who were employees of CONSOL Energy prior to this date, were given a one time opportunity to elect to remain in the defined benefit plan or opt to freeze their services accruals and participate in the additional 3% company contribution into their defined contribution plan. All employees hired on or after January 1, 2006, but on or before December 31, 2006, had their current non-contributory defined benefit frozen and began receiving the additional 3% company contribution into their defined contribution plan, effective January 1, 2007. CNX Gas intends to freeze all defined benefit accruals as of December 31, 2016 for CNX Gas employees that elected to remain in the defined benefit plan.

Certain subsidiaries of CONSOL Energy provide medical and life insurance benefits to retired employees not covered by the Coal Industry Retiree Health Benefit Act of 1992. The medical plans contain certain cost sharing and containment features, such as deductibles, coinsurance, health care networks and coordination with Medicare. Prior to August 1, 2003, substantially all employees became eligible for these benefits if they had ten years of company service and attained age 55. Effective August 1, 2003, the base eligibility was changed to age 55 with 20 years of service for salaried employees. In addition, effective January 1, 2004, a medical plan cost sharing arrangement with all salaried employees and retirees was adopted. These participants will now contribute a minimum of 20% of medical plan operating costs. Contributions may be higher, dependent on either years of service or a combination of age and years of service at retirement. Prospective annual cost increases of up to 6% will be shared 80% by CONSOL Energy and 20% by the participants. Annual cost increases in excess of 6% will be the sole responsibility of the participant. Also, any salaried or non-represented hourly employees that were hired or rehired effective January 1, 2007 or later will not become eligible for retiree health benefits. In lieu of traditional retiree health coverage, if certain eligibility requirements are met, these employees may be eligible to receive a retiree medical spending allowance for each year of service at retirement. Newly employed inexperienced employees represented by the UMWA, hired after January 1, 2007, will not be eligible to receive retiree benefits. In lieu of these benefits, these employees will receive a defined contribution benefit of \$1 per each hour worked.

CONSOL Energy adopted the measurement provisions of SFAS 158 during the year ended December 31, 2008. As a result of the adoption, the Company recognized an increase of \$2,278 and \$42,599 in the liabilities for pension and other postretirement benefits, respectively. These increases were accounted for as a reduction in the January 1, 2008 balance of retained earnings.

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The reconciliation of changes in the benefit obligation, plan assets and funded status of these plans at December 31, 2008 and 2007, is as follows:

	<u>Pension Benefits at December 31,</u>		<u>Other Benefits at December 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of period	\$ 523,381	\$ 486,695	\$ 2,484,829	\$ 2,386,716
AMVEST acquisition	—	5,900	—	2,130
Contractual liability(a)	103	—	2,486	—
Service cost (9/30-12/31)	2,438	—	2,639	—
Service cost	9,752	11,015	10,554	10,988
Interest cost (9/30-12/31)	8,257	—	39,960	—
Interest cost	33,029	28,710	159,837	139,221
Actuarial loss	54,243	40,271	95,372	66,000
Plan amendments	49	—	22,456	17,267
Participant contributions (9/30-12/31)	—	—	1,221	—
Participant contributions	—	—	4,884	4,487
Benefits paid (9/30-12/31)	(12,536)	—	(37,545)	—
Benefits paid	(46,944)	(49,210)	(147,920)	(141,980)
<b>Benefit obligation at end of period</b>	<b><u>\$ 571,772</u></b>	<b><u>\$ 523,381</u></b>	<b><u>\$ 2,638,773</u></b>	<b><u>\$ 2,484,829</u></b>
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of period	\$ 453,203	\$ 369,847	\$ —	\$ —
AMVEST acquisition	—	4,800	—	—
Actual return on plan assets	(60,256)	43,806	—	—
Company contributions (9/30-12/31)	905	—	36,323	—
Company contributions	42,080	84,729	143,036	137,493
Participant contributions(9/30-12/31)	—	—	1,221	—
Participant contributions	—	—	4,884	4,487
Benefits and other payments (9/30-12/31)	(12,536)	—	(37,544)	—
Benefits and other payments	(48,135)	(49,979)	(147,920)	(141,980)
<b>Fair value of plan assets at end of period</b>	<b><u>\$ 375,261</u></b>	<b><u>\$ 453,203</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
<b>Funded status:</b>				
Noncurrent assets	\$ 90	\$ 458	\$ —	\$ —
Current liabilities	(2,034)	(1,623)	(145,429)	(148,020)
Noncurrent liabilities	(194,567)	(69,013)	(2,493,344)	(2,336,809)
<b>Net obligation recognized</b>	<b><u>\$(196,511)</u></b>	<b><u>\$ (70,178)</u></b>	<b><u>\$(2,638,773)</u></b>	<b><u>\$(2,484,829)</u></b>
<b>Amounts recognized in accumulated other comprehensive income consist of:</b>				
Net actuarial loss	\$ 336,541	\$ 200,577	\$ 1,005,922	\$ 1,023,754
Prior service credit	(7,621)	(9,061)	(214,976)	(298,213)
<b>Net amount recognized (before tax effect)</b>	<b><u>\$ 328,920</u></b>	<b><u>\$ 191,516</u></b>	<b><u>\$ 790,946</u></b>	<b><u>\$ 725,541</u></b>

(a) Amounts offset by a contractual receivable included in Other Assets on the Consolidated Balance Sheets.

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The components of net periodic benefit costs are as follows:

	Pension Benefits			Other Benefits		
	For the Years Ended December 31,			For the Years Ended December 31,		
	2008	2007	2006	2008	2007	2006
Components of net periodic benefit cost:						
Service cost	\$ 9,752	\$ 11,015	\$ 15,807	\$ 10,555	\$ 10,988	\$ 10,093
Interest cost	33,029	28,710	28,248	159,837	139,221	129,665
Expected return on plan assets	(33,671)	(30,656)	(26,125)	—	—	—
Settlement	—	2,734	17,756	—	—	—
Amortization of prior service cost (credit)	(1,114)	(1,114)	(1,085)	(48,625)	(51,001)	(56,619)
Recognized net actuarial loss	16,728	12,487	16,686	61,503	61,230	64,302
Benefit cost	<u>\$ 24,724</u>	<u>\$ 23,176</u>	<u>\$ 51,287</u>	<u>\$ 183,270</u>	<u>\$ 160,438</u>	<u>\$ 147,441</u>

Amounts included in accumulated other comprehensive income, expected to be recognized in 2009 net periodic benefit costs:

	Pension Benefits	Postretirement Benefits
Prior service cost (benefit) recognition	\$ (1,109)	\$ (46,415)
Actuarial loss recognition	\$ 22,060	\$ 59,879

The following table provides information related to pension plans with an accumulated benefit obligation in excess of plan assets:

	As of December 31,	
	2008	2007
Projected benefit obligation	\$ 571,155	\$ 522,201
Accumulated benefit obligation	\$ 511,275	\$ 467,710
Fair value of plan assets	\$ 374,657	\$ 451,564

**Assumptions:**

The weighted-average assumptions used to determine benefit obligations are as follows:

	Pension Benefits		Other Benefits	
	For the Year Ended		For the Year Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Discount rate	6.28%	6.57%	6.20%	6.63%
Rate of compensation increase	4.05%	4.01%	—	—

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The weighted-average assumptions used to determine net periodic benefit costs are as follows:

	Pension Benefits at December 31,			Other Benefits at December 31,		
	2008	2007	2006	2008	2007	2006
Discount rate	6.57%	6.00%	5.75%	6.63%	6.00%	5.75%
Expected long-term return on plan assets	8.00%	8.00%	8.00%	—	—	—
Rate of compensation increase	4.01%	3.65%	4.11%	—	—	—

The long-term rate of return is the sum of the portion of total assets in each asset class held multiplied by the expected return for that class, adjusted for expected expenses to be paid from the assets. The expected return for each class is determined using the plan asset allocation at the measurement date and a distribution of compound average returns over a 20-year time horizon. The model uses asset class returns, variances and correlation assumptions to produce the expected return for each portfolio. The return assumptions used forward-looking gross returns influenced by the current Treasury yield curve. These returns recognize current bond yields, corporate bond spreads and equity risk premiums based on current market conditions.

The assumed health care cost trend rates are as follows:

	December 31,		
	2008	2007	2006
Health care cost trend rate for next year	9.60%	8.00%	8.50%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%	5.00%
Year that the rate reaches ultimate trend rate	2015	2013	2011

Assumed health care cost trend rates have a significant effect on the amounts reported for the medical plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest costs components	\$ 20,693	\$ (17,286)
Effect on accumulated postretirement benefit obligation	\$ 300,914	\$ (257,908)

Assumed discount rates also have a significant effect on the amounts reported for both pension and other benefit costs. A one-quarter percentage point change in assumed discount rate would have the following effect on benefit costs:

	0.25 Percentage Point Increase	0.25 Percentage Point Decrease
Pension benefit costs (decrease) increase	\$ (961)	\$ 1,004
Other postemployment benefits costs (decrease) increase	\$ (3,959)	\$ 4,105

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**Plan Assets:**

There are no assets in the other postretirement benefit plans at December 31, 2008 or September 30, 2007. CONSOL Energy's pension benefit plans weighted average asset allocations at December 31, 2008 and September 30, 2007 are as follows:

Asset Category:	Pension Plan Assets at December 31, September 30,	
	2008	2007
Equity Securities	63%	60%
Debt Securities	37%	40%
Total	100%	100%

The weighted-average target asset allocations for the Employee Retirement Plans of CONSOL Energy Inc. are as follows: U.S. Equities 45%, International Equities 15% and Debt Securities 40% (U.S. and International). The aggregate amount of International Equity and International Fixed Income shall not exceed 50% of total account assets. The allowable asset allocation ranges are as follows: U.S. Equities 20-60%, International Equities 10-40% and Debt Securities 10-50%. The investment policy performance objective is to exceed a benchmark portfolio by at least 100 basis points over a three-year period. The benchmark portfolio consists of the following indices: S&P 500 (Large Cap), S&P 400 (Mid Cap), Russell 2000 (Small Cap), MSCI EAFE (International), Lehman Aggregate and Salomon World Government (Bonds).

There are no investments in CONSOL Energy stock held by these plans at December 31, 2008 or September 30, 2007.

**Cash Flows:**

CONSOL Energy expects to contribute to the pension trust using prudent funding methods. Currently, depending on asset values and asset returns held in the trust, we expect to contribute between \$47,435 and \$67,435 to our pension plan trust in 2009. Pension benefit payments are primarily funded from the trust. CONSOL Energy does not expect to contribute to the other postemployment plan in 2009. We intend to pay benefit claims as they are due.

The following benefit payments, reflecting expected future service, are expected to be paid:

	Pension Benefits	Other Benefits
2009	\$ 46,542	\$ 145,429
2010	\$ 36,290	\$ 152,893
2011	\$ 34,877	\$ 163,063
2012	\$ 34,636	\$ 173,455
2013	\$ 36,470	\$ 179,866
Year 2014-2018	\$ 214,871	\$ 957,530

**Note 16—Coal Workers' Pneumoconiosis (CWP) and Workers' Compensation:**

CONSOL Energy is responsible under the Federal Coal Mine Health and Safety Act of 1969, as amended, for medical and disability benefits to employees and their dependents resulting from occurrences of coal

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workers' pneumoconiosis disease. CONSOL Energy is also responsible under various state statutes for pneumoconiosis benefits. CONSOL Energy primarily provides for these claims through a self-insurance program. The calculation of the actuarial present value of the estimated pneumoconiosis obligation is based on an annual actuarial study by independent actuaries. The calculation is based on assumptions regarding disability incidence, medical costs, indemnity levels, mortality, death benefits, dependents and interest rates. These assumptions are derived from actual company experience and outside sources. Actuarial gains associated with CWP have resulted from numerous legislative changes over many years which have resulted in lower approval rates for filed claims than our assumptions originally reflected. Actuarial gains have also resulted from lower incident rates and lower severity of claims filed than our assumption originally reflected.

CONSOL Energy is also responsible to compensate individuals who sustain employment related physical injuries or some types of occupational diseases and, on some occasions, for costs of their rehabilitation. Workers' compensation laws will also compensate survivors of workers who suffer employment related deaths. Workers' compensation laws are administered by state agencies with each state having its own set of rules and regulations regarding compensation that is owed to an employee that is injured in the course of employment. CONSOL Energy primarily provides for these claims through a self-insurance program. CONSOL Energy recognizes an actuarial present value of the estimated workers' compensation obligation calculated by independent actuaries. The calculation is based on claims filed and an estimate of claims incurred but not yet reported as well as various assumptions. The assumptions include discount rate, future health care trend rate, benefit duration and recurrence of injuries. Actuarial gains associated with workers' compensation have resulted from discount rate changes, several years of favorable claims experience, various favorable state legislation changes and overall lower incident rates than our assumptions.

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CONSOL Energy adopted the measurement provisions of Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158) during the year ended December 31, 2008. As a result of this adoption, the Company recognized an increase of \$4,871 and \$11,523 in liabilities for coal workers' pneumoconiosis and workers' compensation, respectively. These increases were accounted for as a reduction in the January 1, 2008 balance of retained earnings.

	CWP December 31,		Workers' Compensation December 31,	
	2008	2007	2008	2007
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of period	\$ 182,872	\$ 195,609	\$ 162,060	\$ 166,668
AMVEST acquisition	—	8,055	—	1,744
Contractual liability(a)	1,689	—	355	—
State administrative fees and insurance bond premiums	—	—	5,509	—
Service cost (9/30-12/31)	1,934	—	7,257	—
Service cost	7,736	5,856	29,030	29,659
Interest cost (9/30-12/31)	2,937	—	2,082	—
Interest cost	11,748	11,401	8,328	8,356
Actuarial (gain) loss	4,117	(30,303)	(4,236)	(11,422)
Benefits paid (9/30-12/31)	(1,455)	—	(11,834)	—
Benefits paid	(11,484)	(7,746)	(38,790)	(32,945)
<b>Benefit obligation at end of period</b>	<b>\$ 200,094</b>	<b>\$ 182,872</b>	<b>\$ 159,761</b>	<b>\$ 162,060</b>
Current liabilities	\$ (9,833)	\$ (10,976)	\$ (32,778)	\$ (45,000)
Noncurrent liabilities	(190,261)	(171,896)	(126,983)	(117,060)
Net obligation recognized	<u>\$ (200,094)</u>	<u>\$ (182,872)</u>	<u>\$ (159,761)</u>	<u>\$ (162,060)</u>
<b>Amounts recognized in accumulated other comprehensive income consist of:</b>				
Net actuarial gain	\$(187,672)	\$(219,563)	\$ (59,257)	\$ (43,952)
Prior service credit	(2,579)	(3,489)	—	—
Net amount recognized (before tax effect)	<u>\$(190,251)</u>	<u>\$ (223,052)</u>	<u>\$ (59,257)</u>	<u>\$ (43,952)</u>

(a) Amounts offset by a contractual receivable included in Other Assets on the Consolidated Balance Sheets.

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The components of the net periodic cost (credit) are as follows:

	CWP For the Years Ended December 31,			Workers' Compensation For the Years Ended December 31,		
	2008	2007	2006	2008	2007	2006
	Components of Net Periodic Cost (Credit):					
Service cost	\$ 5,036	\$ 5,856	\$ 5,962	\$ 29,030	\$ 29,659	\$ 30,295
Interest cost	11,748	11,401	12,068	8,328	8,356	8,368
Legal and administrative costs	2,700	2,700	2,700	3,224	3,259	3,487
Amortization of prior service cost	(728)	(728)	(728)	—	—	—
Recognized net actuarial gain	(23,383)	(22,371)	(21,121)	(4,938)	(3,953)	(2,767)
State administrative fees and insurance bond premiums	—	—	—	5,509	10,591	7,603
Net periodic cost (credit)	<u>\$ (4,627)</u>	<u>\$ (3,142)</u>	<u>\$ (1,119)</u>	<u>\$ 41,153</u>	<u>\$ 47,912</u>	<u>\$ 46,986</u>

Amounts included in accumulated other comprehensive income, expected to be recognized in 2009 net periodic benefit costs:

	CWP Benefits	Workers' Compensation Benefits
Prior service benefit recognition	\$ (728)	\$ —
Actuarial gain recognition	\$ (19,590)	\$ (4,200)

**Assumptions:**

The weighted-average discount rate used to determine benefit obligations and net periodic (benefit) cost are as follows:

	CWP For Years Ended December 31,			Workers' Compensation For Years Ended December 31,		
	2008	2007	2006	2008	2007	2006
	Benefit obligations	6.23%	6.62%	6.00%	5.90%	5.94%
Net Periodic (benefit) costs	6.62%	6.00%	5.75%	5.94%	6.00%	5.75%

Assumed discount rates have a significant effect on the amounts reported for both CWP benefits and Workers' Compensation costs. A one-quarter percentage point change in assumed discount rate would have the following effect on benefit costs:

	0.25 Percentage Point Increase	0.25 Percentage Point Decrease
CWP benefit (decrease) increase	\$ 655	\$ (643)
Workers' Compensation costs (decrease) increase	\$ (146)	\$ 146

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**Cash Flows:**

CONSOL Energy does not intend to make contributions to the CWP or Workers' Compensation plans in 2009. We intend to pay benefit claims as they become due.

The following benefit payments, which reflect expected future claims as appropriate, are expected to be paid:

	CWP Benefits	Total Benefits	Workers' Compensation	
			Actuarial Benefits	Other Benefits
2009	\$ 9,833	\$ 38,930	\$ 32,778	\$ 6,152
2010	\$ 10,319	\$ 41,198	\$ 34,800	\$ 6,398
2011	\$ 10,907	\$ 42,441	\$ 35,787	\$ 6,654
2012	\$ 11,527	\$ 43,345	\$ 36,425	\$ 6,920
2013	\$ 12,128	\$ 43,934	\$ 36,737	\$ 7,197
Year 2014-2018	\$ 68,547	\$ 219,146	\$ 178,605	\$ 40,541

**Note 17—Other Employee Benefit Plans:*****UMWA Pension and Benefit Trusts:***

Certain subsidiaries of CONSOL Energy were required under prior National Bituminous Coal Wage Agreements (NBCWA) with the United Mine Workers of America (UMWA) to pay amounts to the UMWA Pension Trusts based principally on hours worked by UMWA represented employees. These multi-employer pension trusts provide benefits to eligible retirees through a defined benefit plan. A five-year labor agreement was reached in December 2006 and is effective from January 1, 2007 through December 31, 2011 (the 2007 Agreement). The 2007 Agreement requires contributions to be paid to the UMWA 1974 Pension Trust based on a rate per hour worked by UMWA employees. The contribution per hour is as follows: \$2.00 per hour worked in 2007, \$3.50 per hour worked in 2008, \$4.25 per hour worked in 2009, \$5.00 per hour worked in 2010 and \$5.50 per hour worked in 2011. Total contributions for a year may differ from total expenses for the year due to the timing of actual contributions compared to the date of assessment. Total contributions to the UMWA 1974 Pension Trust were \$21,140 and \$11,354 for the years ended December 31, 2008 and 2007, respectively. The Pension Protection Act of 2006 (the Pension Act) requires a minimum funding ratio of 80% be maintained for this multi-employer pension plan and if the plan is determined to have a funded ratio of less than 80% it will be deemed to be "endangered", and if less than 60% it will be deemed to be "critical", and will in either case be subject to additional funding requirements. Based on an estimated funding percentage of 91.4%, a certification was provided by the multi-employer plan actuary, stating that the plan is in neither "endangered" nor "critical" status for the plan year beginning July 1, 2008. However, the current volatile economic environment and the rapid deterioration in the equity markets have caused investment income and the value of investment assets held in the 1974 Pension Trust to decline and lose value. In the event that an estimate or a certification of the funding ratio were to be performed by the multi-employer pension plan actuary at December 31, 2008, a likely result would be the plan being deemed to be in "endangered" or "critical" status because the funding ratio under the Pension Act would be less than 80%. Such a determination would require certain subsidiaries of CONSOL Energy to make additional contributions pursuant to a funding improvement plan implemented in accordance with the Pension Act and, therefore, could have a material impact on our operating results. The Employee Retirement Income Security Act of 1974 (ERISA), as amended in 1980, imposes certain liabilities on contributors to multi-employer pension plans in the event of a contributor's withdrawal from the plan. The withdrawal liability would be calculated based on the contributor's proportionate share of the plan's unfunded vested liabilities.

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The Coal Industry Retiree Health Benefit Act of 1992 (the Act) created two multi-employer benefit plans: (1) the United Mine Workers of America Combined Benefit Fund (the Combined Fund) into which the former UMWA Benefit Trusts were merged, and (2) the 1992 Benefit Fund. CONSOL Energy subsidiaries account for required contributions to these multi-employer trusts as expense when incurred.

The Combined Fund provides medical and death benefits for all beneficiaries of the former UMWA Benefit Trusts who were actually receiving benefits as of July 20, 1992. The 1992 Benefit Fund provides medical and death benefits to orphan UMWA-represented members eligible for retirement on February 1, 1993, and who actually retired between July 20, 1992 and September 30, 1994. The Act provides for the assignment of beneficiaries to former employers and the allocation of unassigned beneficiaries (referred to as orphans) to companies using a formula set forth in the Act. The Act requires that responsibility for funding the benefits to be paid to beneficiaries be assigned to their former signatory employers or related companies. This cost is recognized when contributions are assessed. Total contributions under the Act were \$24,343, \$32,916 and \$38,147 for the years ended December 31, 2008, 2007 and 2006, respectively. Costs were reduced in 2007 by \$30,389 due to the March 2007 settlement agreement with the Combined Fund that resolved all previous issues relating to the calculation of payments to the Combined Fund. See Note 25—Commitments and Contingencies in Notes to Audited Financial Statements for additional details on the settlement agreement. Based on available information at December 31, 2008, CONSOL Energy's obligation for the Act is estimated at approximately \$213,000.

The UMWA 1993 Benefit Plan is a defined contribution plan that was created as the result of negotiations for the NBCWA of 1993. This plan provides health care benefits to orphan UMWA retirees who are not eligible to participate in the Combined Fund, the 1992 Benefit Fund, or whose last employer signed the 1993 or a later NBCWA and who subsequently goes out of business. Contributions to the trust under the 2007 agreement are \$1.77 per hour worked by UMWA represented employees for the 2008 period, comprised of a \$0.50 per hour worked under the labor agreement and \$1.27 per hour worked by UMWA represented employees under the Tax Relief and Health Care Act of 2006 (the 2006 Act). The contribution rate for the 2007 period was \$2.00 per hour worked by UMWA represented employees, comprised of \$0.50 per hour worked under the labor agreement and \$1.50 per hour worked under the 2006 Act. Total contributions were \$11,494, \$11,627 and \$3,356 for the years ended December 31, 2008, 2007 and 2006, respectively.

Pursuant to the provisions of the 2006 Act and the 1992 Plan, CONSOL Energy is required to provide security in an amount based on the annual cost of providing health care benefits for all individuals receiving benefits from the 1992 Plan who are attributable to CONSOL Energy, plus all individuals receiving benefits from an individual employer plan maintained by CONSOL Energy who are entitled to receive such benefits. In accordance with the 2006 Act and the 1992 Plan, the outstanding letters of credit to secure our obligation were \$60,695 and \$62,464 for years ended December 31, 2008 and 2007, respectively. The 2008 and 2007 security amounts were based on the annual cost of providing health care benefits and included a reduction in the number of eligible employees.

At December 31, 2008, approximately 33% of CONSOL Energy's workforce was represented by the UMWA.

***Equity Incentive Plans:***

CONSOL Energy has an equity incentive plan that provides grants of stock-based awards to key employees and to non-employee directors. See Note 18 for a further discussion of CONSOL Energy's stock-based compensation.

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The CNX Gas equity incentive plan consists of the following components: stock options, stock appreciation rights, restricted stock units, performance awards, performance share units, cash awards and other stock-based awards. The total number of shares of CNX Gas common stock with respect to which awards may be granted under CNX Gas' plan is 2,500,000. CNX Gas stock-based compensation expense resulted in pre-tax expense of \$3,379, \$3,260 and \$3,733 to CONSOL Energy for the years ended December 31, 2008, 2007 and 2006, respectively.

CNX Gas also has a Long-Term Incentive Program. This program allows for the award of performance share units (PSUs). A PSU represents a contingent right to receive a cash payment, determined by reference to the value of one share of the CNX Gas common stock. The total number of units earned, if any, by a participant will be based on the CNX Gas total stockholder return relative to the stockholder return of a pre-determined peer group of companies. CNX Gas will recognize compensation costs over the requisite service period. The basis of the compensation costs will be re-valued quarterly. As of December 2008, there were two tranches of PSUs outstanding. The first tranche, awarded in 2006, had 183,280 units outstanding and a performance measurement period from October 11, 2006 to December 31, 2009. The second tranche, awarded in 2008, had 187,382 units outstanding and a performance measurement period from January 1, 2008 to December 31, 2010. The combined fair value of these awards recorded as a liability at December 31, 2008 was \$11,780. For the years ended 2008, 2007 and 2006, approximately \$8,779, \$2,231 and \$770 of compensation costs have been recognized, respectively.

***Investment Plan:***

CONSOL Energy has an investment plan available to all domestic, non-represented employees. Effective January 1, 2006, the company match was 6% of base pay for all non-represented employees except for those employees of Fairmont Supply Company whose match remains at 50% of the first 12% of base pay. In addition, effective January 1, 2007, the definition of eligible compensation for employee deferrals and company match was amended to include overtime for all non-represented employees except for those employees of Fairmont Supply Company whose definition of eligible compensation will remain unchanged. Total payments and costs were \$23,091, \$17,896 and \$14,527 for the years ended December 31, 2008, 2007 and 2006, respectively.

***Long-Term Disability:***

CONSOL Energy has a Long-Term Disability Plan available to all full-time salaried employees. The benefits for this plan are based on a percentage of monthly earnings, offset by all other income benefits available to the disabled.

	For The Years Ended		
	December 31,		
	2008	2007	2006
Benefit Costs	\$3,998	\$3,050	\$4,260
Discount rate assumption used to determine net periodic benefit obligations	5.92%	5.99%	6.00%

Liabilities included in Deferred Credits and Other Liabilities—Other and Other Accrued Liabilities amounted to \$29,645 and \$27,659 for years ended December 31, 2008 and 2007, respectively.

**Note 18—Stock-Based Compensation:**

CONSOL Energy adopted the CONSOL Energy Inc. Equity Incentive Plan on April 7, 1999. The plan provides for grants of stock-based awards to key employees and to non-employee directors. Amendments to the

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plan have been approved by the Board of Directors since the commencement of the plan, and the total number of shares of common stock that can be covered by grants at December 31, 2008 is 18,200,000 of which 2,600,000 are available for issuance of awards other than stock options. No award of stock options may be exercised under the plan after the tenth anniversary of the effective date of the award.

Effective January 1, 2006, CONSOL Energy adopted the fair value recognition provisions of SFAS 123R, "Share-Based Payment" (SFAS 123R) using the modified prospective transition method. Under this transition method, stock-based compensation expense for the years presented includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123. Stock-based compensation expense for all share-based payment awards granted after January 1, 2006 is based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. CONSOL Energy recognizes these compensation costs net of an estimated forfeiture rate and recognizes the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the option vesting term, or to an employee's eligible retirement date, if earlier and applicable. The total stock-based compensation expense recognized was \$21,807, \$20,983 and \$19,113 for the years ended December 31, 2008, 2007 and 2006, respectively. The related deferred tax benefit totaled \$8,293, \$7,938 and \$7,339, for the years ended December 31, 2008, 2007 and 2006, respectively.

CONSOL Energy examined its historical pattern of option exercises in an effort to determine if there were any discernable activity patterns based on certain employee populations. From this analysis, CONSOL Energy identified two distinct employee populations. CONSOL Energy used the Black-Scholes option pricing model to value the options for each of the employee populations. The table below presents the weighted average expected term in years of the two employee populations. The expected term computation is based upon historical exercise patterns and post-vesting termination behavior of the populations. The risk-free interest rate was determined for each vesting tranche of an award based upon the calculated yield on U.S. Treasury obligations for the expected term of the award. The expected forfeiture rate is based upon historical forfeiture activity. A combination of historical and implied volatility is used to determine expected volatility and future stock price trends. Total fair value of options granted during the years ended December 31, 2008, 2007 and 2006 were \$11,395, \$9,912 and \$11,621, respectively. The fair value of share-based payment awards was estimated using the Black-Scholes option pricing model with the following assumptions and weighted average fair values:

	December 31,		
	2008	2007	2006
Weighted average fair value of grants	\$ 29.44	\$ 11.93	\$ 15.46
Risk-free interest rate	2.59%	4.7%	5.0%
Expected dividend yield	0.5%	0.8%	0.6%
Expected forfeiture rate	2.0%	2.0%	2.0%
Expected volatility	46.6%	38.2%	38.5%
Expected term in years	3.97 years	4.07 years	4.17 years

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A summary of the status of stock options granted is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Balance at December 31, 2007	5,401,500	\$ 21.50	6.58	
Granted	387,070	\$ 78.62		
Exercised	(852,192)	\$ 17.86		
Forfeited	(41,514)	\$ 50.68		
Balance at December 31, 2008	<u>4,894,864</u>	<u>\$ 26.40</u>	<u>5.93</u>	<u>\$ 43,465</u>
Vested and expected to vest	<u>4,859,444</u>	<u>\$ 26.25</u>	<u>5.92</u>	<u>\$ 43,465</u>
Exercisable at December 31, 2008	<u>3,397,259</u>	<u>\$ 26.40</u>	<u>5.06</u>	<u>\$ 42,113</u>

These stock options will terminate ten years after the date on which they were granted. The employee stock options, covered by the Equity Incentive Plan adopted April 7, 1999, vest 25% per year, beginning one year after the grant date for awards granted prior to 2007. Employee stock options awarded after December 31, 2006 vest 33% per year, beginning one year after the grant date. There are 4,336,863 stock options outstanding under the Equity Incentive plan. Additionally, there are 460,520 fully vested employee stock options outstanding which had vesting terms ranging from six months to one year. Non-employee director stock options vest 33% per year, beginning one year after the grant date. There are 97,481 stock options outstanding under these grants. The vesting of all options will accelerate in the event of death, disability or retirement and may accelerate upon a change of control of CONSOL Energy. In 2008, the compensation committee of the board of directors changed the retirement eligible acceleration of vesting to require a minimum vesting period of 12 months. This change is effective for all stock based compensation awards issued after January 1, 2008.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between CONSOL Energy's closing stock price on the last trading day of the year ended December 31, 2008, and the option's exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2008. This amount varies based on the fair market value of CONSOL Energy's stock. Total intrinsic value of options exercised for the year ended December 31, 2008, 2007 and 2006 was \$55,131, \$65,294 and \$23,677, respectively.

Cash received from option exercises for the years ended December 31, 2008, 2007 and 2006 was \$15,215, \$19,224 and \$14,670, respectively. The excess tax benefit realized for the tax deduction from option exercises totaled \$22,003, \$23,682 and \$38,545 for the years ended December 31, 2008, 2007 and 2006, respectively. This excess tax benefit is included in cash flows from financing activities in the Consolidated Statement of Cash Flows.

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Under the Equity Incentive Plan, CONSOL Energy granted certain employees and non-employee directors restricted stock unit awards. These awards entitle the holder to receive shares of common stock as the award vests. Compensation expense will be recognized over the vesting period of the units. The total fair value of the restricted stock units granted during the years ended December 31, 2008, 2007 and 2006 were \$5,950, \$6,373 and \$7,049, respectively. The total fair value of shares vested during the years ended December 31, 2008, 2007 and 2006 was \$4,720, \$3,641 and \$2,492, respectively. The following represents the unvested restricted stock units and corresponding fair value (based upon the closing share price) at the date of grant:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested at December 31, 2007	492,562	\$ 31.75
Granted	76,847	\$ 77.43
Vested	(175,058)	\$ 26.96
Forfeited	(5,055)	\$ 64.22
Nonvested at December 31, 2008	<u>389,296</u>	<u>\$ 42.57</u>

Under the Equity Incentive Plan, CONSOL Energy granted certain employees performance share unit awards. These awards entitle the holder to receive shares of common stock subject to the achievement of certain market and performance goals. Compensation expense will be recognized over the performance measurement period of the units in accordance with the provisions of SFAS 123R for awards with market and performance vesting conditions. At December 31, 2008, achievement of the market and performance goals is believed to be probable. The total fair value of performance share units granted during the years ended December 31, 2008, 2007 and 2006 were \$4,904, \$3,237 and \$0. The following represents the unvested performance share unit awards and their corresponding fair value (based upon the closing share price) at the date of grant:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested at December 31, 2007	76,007	\$ 42.59
Granted	50,870	\$ 96.40
Nonvested at December 31, 2008	<u>126,877</u>	<u>\$ 64.16</u>

As of December 31, 2008, \$15,749 of total unrecognized compensation cost related to unvested awards is expected to be recognized over a weighted-average period of 1.54 years. When employee stock options are exercised and restricted and performance stock unit awards become vested, the issuances are made from CONSOL Energy's treasury stock shares which have been acquired as part of CONSOL Energy's share repurchase program as previously discussed in Note 1.

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**Note 19—Accumulated Other Comprehensive Loss:**

Components of accumulated other comprehensive loss consist of the following:

	Treasury Rate Lock	Change in Fair Value of Cash Flow Hedges	Minimum Pension Liability	Adjustments for FASB Statement No. 158	Accumulated Other Comprehensive Loss
Balance at December 31, 2005	\$ 502	\$ (28,300)	\$(77,364)	\$ —	\$(105,162)
Net increase in value of cash flow hedges	—	54,002	—	—	54,002
Reclassification of cash flow hedges from other comprehensive income to earnings	—	(17,620)	—	—	(17,620)
Current period change	(81)	—	77,364	(377,343)	(300,060)
Minority Interest in change	—	(6,736)	—	(141)	(6,877)
Balance at December 31, 2006	421	1,346	—	(377,484)	(375,717)
Net increase in value of cash flow hedges	—	23,943	—	—	23,943
Reclassification of cash flow hedges from other comprehensive income to earnings	—	(19,729)	—	—	(19,729)
Current period change	(81)	—	—	(47,009)	(47,090)
Minority Interest in change	—	(769)	—	78	(691)
Balance at December 31, 2007	340	4,791	—	(424,415)	(419,284)
Net increase in value of cash flow hedges	—	117,699	—	—	117,699
Reclassification of cash flow hedges from other comprehensive income to earnings	—	947	—	—	947
Current period change	(77)	—	—	(140,305)	(140,382)
Prior period adjustment	—	—	—	(87)	(87)
Minority Interest in change	—	(20,812)	—	19	(20,793)
Balance at December 31, 2008	<u>\$ 263</u>	<u>\$ 102,625</u>	<u>\$ —</u>	<u>\$(564,788)</u>	<u>\$(461,900)</u>

The cash flow hedges that CONSOL Energy holds are disclosed in Note 24. The adjustments for FASB Statement No. 158 are disclosed in Note 15 and Note 16.

**Note 20—Research and Development Costs:**

CONSOL Energy operates a research and development facility devoted to providing technical support to coal, gas and other functions. Costs related to research and development are expensed as incurred. These costs were \$4,003, \$3,876 and \$2,844 for the years ended December 31, 2008, 2007 and 2006, respectively.

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**Note 21—Supplemental Cash Flow Information:**

	For the Years Ended December 31,		
	2008	2007	2006
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 33,219	\$ 26,415	\$ 23,345
Income taxes	\$ 95,101	\$ 103,194	\$ 80,272
Non-cash investing and financing activities:			
Adoption of FIN 48			
Change in Assets	\$ —	\$ (39,207)	\$ —
Change in Liabilities	\$ —	\$ (39,207)	\$ —
Businesses acquired (Note 2)			
Fair value of assets acquired	\$(26,892)	\$(132,694)	\$ (2,776)
Liabilities assumed	\$(26,892)	\$(132,694)	\$ (2,776)
Note received from property sales	\$ —	\$ (200)	\$ —
Capital Lease Obligation			
Change in Assets	\$ 2,622	\$ (1,083)	\$(113,671)
Change in Liabilities	\$ 2,622	\$ (1,083)	\$(113,671)
Purchase Obligation for Real Estate			
Change in Assets	\$ —	\$ —	\$ (811)
Change in Liabilities	\$ —	\$ —	\$ (811)
Purchase of Property, Plant and Equipment			
Change in Assets	\$ (75,818)	\$ 3,219	\$ (31,136)
Change in Liabilities	\$ (75,818)	\$ 3,219	\$ (31,136)
Accounting for Mine Closing, Reclamation and Gas Well Closing Costs			
Change in Assets	\$ (29,088)	\$ 3,403	\$ (18,647)
Change in Liabilities	\$ (29,088)	\$ 3,403	\$ (18,647)

**Note 22—Concentration of Credit Risk and Major Customers:**

CONSOL Energy markets steam coal, principally to electric utilities in the United States, Canada and Western Europe, and metallurgical coal to steel and coke producers worldwide. As of December 31, 2008 and 2007, accounts receivable from utilities were \$251,845 and \$174,536, respectively, and from steel and coke producers were \$40,788 and \$23,214, respectively. Credit is extended based on an evaluation of the customer's financial condition, and generally collateral is not required. Credit losses consistently have been minimal.

For the years ended December 31, 2008, 2007 and 2006, no customer comprised over 10% of our revenues.

**Note 23—Fair Values of Financial Instruments:**

Effective January 1, 2008, CONSOL adopted Statement of Financial Accounting Standards 157, "Fair Value Measurements" (FAS 157) and Statement of Financial Accounting Standards 159—"The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" (FAS 159). As a result of the adoption, CONSOL elected not to measure any additional financial assets or liabilities at fair value, other than those which were previously recorded at fair value prior to the adoption.

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The financial assets/(liabilities) measured at fair value on a recurring basis are summarized below:

Description	Fair Value Measurements at December 31, 2008		
	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Gas Cash Flow Hedges	\$ —	\$ 206,509	\$ —
Coal Sales Options	\$ —	\$ (1,937)	\$ —

Statement of Financial Accounting Standards No. 107 “Disclosures About Fair Value of Financial Instruments” (FAS 107) requires the disclosure of the estimated fair value of financial instruments including those financial instruments for which the FAS 159 fair value option was not elected. The following methods and assumptions were used to estimate the fair value of those financial instruments:

*Cash and cash equivalents:* The carrying amount reported in the balance sheets for cash and cash equivalents approximates its fair value due to the short maturity of these instruments.

*Short-term notes payable:* The carrying amount reported in the balance sheets for short-term notes payable approximates its fair value due to the short-term maturity of these instruments.

*Long-term debt:* The fair values of long-term debt are estimated using discounted cash flow analyses, based on CONSOL Energy’s current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of financial instruments, excluding derivative financial instruments disclosed in Note 24, are as follows:

Description	December 31, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 138,512	\$ 138,512	\$ 41,651	\$ 41,651
Short-term notes payable	\$(557,700)	\$(557,700)	\$(247,500)	\$(247,500)
Long-term debt	\$(402,287)	\$(390,278)	\$(406,451)	\$(420,203)

**Note 24—Derivative Instruments:**

CONSOL Energy holds or purchases derivative financial instruments for purposes other than trading to convert the market prices related to these anticipated sales of natural gas to fixed prices. These instruments are designated as cash flow hedges and extend through 2010. The net fair values of the outstanding instruments are an asset of \$206,509 and \$9,619 at December 31, 2008 and 2007, respectively.

CONSOL Energy entered into cash flow hedges for natural gas in 2008, 2007 and 2006. Gains or losses related to these derivative instruments were recognized when the sale of the natural gas affected earnings. The ineffective portion of the changes in the fair value of these contracts was insignificant in 2008, 2007 and 2006.

For these cash flow hedge strategies, the fair values of the derivatives are recorded on the balance sheet. The effective portions of the changes in fair values of the derivatives are recorded in other comprehensive income or loss and are reclassified to sales in the period in which earnings are impacted by the hedged items or in the period

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that the transaction no longer qualifies as a cash flow hedge. There were no transactions that ceased to qualify as a cash flow hedge in 2008, 2007 or 2006.

Assuming market rates remain constant with rates at December 31, 2008, \$91,486 of the \$124,510 net gain included in accumulated other comprehensive income is expected to be recognized in earnings over the next 12 months. The remaining net gain is expected to be recognized through 2010.

CONSOL Energy did not have any derivatives designated as fair value hedges in 2008, 2007 or 2006.

On February 19, 2002, CONSOL Energy entered into an interest rate lock agreement with a notional amount of \$250,000 to manage the interest rate volatility prior to March 7, 2002, the pricing date of CONSOL Energy's bond offering. This agreement essentially fixed the underlying treasury rate of the bonds at 4.928% and resulted in a net payment of \$1,332 to CONSOL Energy. This receipt resulted in other comprehensive income of \$814 (net of \$518 deferred tax), which will be amortized to interest income over the life of the notes using the straight-line method. For the years ended December 31, 2008, 2007 and 2006, \$81, \$81, and \$81 was amortized to interest income, respectively.

**Note 25—Commitments and Contingent Liabilities:**

CONSOL Energy and its subsidiaries are subject to various lawsuits and claims with respect to such matters as personal injury, wrongful death, damage to property, exposure to hazardous substances, governmental regulations including environmental remediation, employment and contract disputes and other claims and actions arising out of the normal course of business. Our current estimates related to these pending claims, individually and in the aggregate, are immaterial to the financial position, results of operations or cash flows of CONSOL Energy. However, it is reasonably possible that the ultimate liabilities in the future with respect to these lawsuits and claims may be material to the financial position, results of operations or cash flows of CONSOL Energy.

On January 30, 2008, the Pennsylvania Department of Conservation and Natural Resources filed a six-count Complaint in the Court of Common Pleas of Allegheny County, Pennsylvania, asserting claims in both tort and contract against the Company for alleged damage to park property owned by the Commonwealth allegedly due to the Company's underground mining activities. The matter was the subject of a mediation process with an independent, neutral mediator prior to the filing of the Complaint. That process terminated with no resolution and the Commonwealth then filed its Complaint. The Commonwealth claims that the Company's underground longwall mining activities in the summer of 2005 in Greene County, Pennsylvania, caused cracks and seepage damage to the nearby Ryerson Park Dam. The Commonwealth demolished the Ryerson Dam's spillway allegedly under its role of *Parens Patrie* to protect persons and property, thereby eliminating the Ryerson Park lake. The Commonwealth claims that the Company is liable for dam reconstruction costs, lake restoration costs and natural resources damages totaling \$58,000. The theories of liability include general allegations of negligence, breach of contract, strict liability, nuisance, an administrative remedy claim under the Bituminous Mine Subsidence Act and a claim of fraud; the last claim seeking punitive damages. The Court, in ruling on the Company's Preliminary Objections to the Complaint, stayed the current proceedings in the state court, holding that the Commonwealth should pursue administrative agency review of the claim because full compensatory relief, if warranted, could be provided by the particular administrative agency and then the Environmental Hearing Board, if further relief was sought. Furthermore, the Court found that the Commonwealth could not recover natural resources damages under applicable law. The remainder of the Company's objections was preserved pending the outcome of the administrative proceedings. As to the underlying claim, the Company believes it is not responsible for the damage to the dam, that there exist numerous grounds upon which to attack the propriety of

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the claims, and it will vigorously defend the case. However, it is reasonably possible that the ultimate liability in the future with respect to these claims may be material to the financial position, results of operations, or cash flows of CONSOL Energy.

One of our subsidiaries, Fairmont Supply Company (Fairmont), which distributes industrial supplies, currently is named as a defendant in approximately 25,000 asbestos claims in state courts in Pennsylvania, Ohio, West Virginia, Maryland, Mississippi and New Jersey. Because a very small percentage of products manufactured by third parties and supplied by Fairmont in the past may have contained asbestos and many of the pending claims are part of mass complaints filed by hundreds of plaintiffs against a hundred or more defendants, it has been difficult for Fairmont to determine how many of the cases actually involve valid claims or plaintiffs who were actually exposed to asbestos-containing products supplied by Fairmont. In addition, while Fairmont may be entitled to indemnity or contribution in certain jurisdictions from manufacturers of identified products, the availability of such indemnity or contribution is unclear at this time, and in recent years, some of the manufacturers named as defendants in these actions have sought protection from these claims under bankruptcy laws. Fairmont has no insurance coverage with respect to these asbestos cases. For the years ended December 31, 2008, 2007 and 2006, payments by Fairmont with respect to asbestos cases have not been material. Our current estimates related to these asbestos claims, individually and in the aggregate, are immaterial to the financial position, results of operations and cash flows of CONSOL Energy. However, it is reasonably possible that payments in the future with respect to pending or future asbestos cases may be material to the financial position, results of operations or cash flows of CONSOL Energy.

CONSOL Energy has also been sued in a limited number of asbestos cases in Pennsylvania and Illinois. All involve claims that the plaintiffs developed asbestos-related diseases as a result of working with or around asbestos containing products used at mines operated by subsidiaries Consolidation Coal Company or CONSOL of Kentucky. CONSOL Energy has raised a number of defenses including lack of jurisdiction and that it is not properly named as a party since CONSOL Energy did not own or operate the mines at which the alleged exposures occurred. Discovery is still in the early stages in each matter. The Company believes it is not responsible for these claims, and it will vigorously defend the cases. However, it is reasonably possible that the ultimate liability in the future with respect to these claims may be material to the financial position, results of operations, or cash flows of CONSOL Energy.

CONSOL Energy was notified in November 2004 by the United States Environmental Protection Agency (EPA) that it is a potentially responsible party (PRP) under Superfund legislation with respect to the Ward Transformer site in Wake County, North Carolina. At that time, the EPA also identified 38 other PRPs for the Ward Transformer site. On September 16, 2005, the EPA, CONSOL Energy and two other PRPs entered into an administrative Settlement Agreement and Order of Consent, requiring those PRPs to undertake and complete a PCB soil removal action, at and in the vicinity of the Ward Transformer property. In December 2005, the EPA approved the PRPs' work plan, and field work began the first week of January 2006. On March 12, 2007, another party joined the participating PRPs and reduced CONSOL Energy's interim allocation share from 46% to 32%. Accordingly, CONSOL Energy recognized a reduction in the previously recognized liability related to this matter. In June 2008, while conducting the PCB soil excavation on the Ward property, it was determined that PCBs may have migrated onto two adjacent properties. Estimates of removal action plans for the additional area are not yet complete. Also, in September 2008, the EPA notified CONSOL Energy and 60 other PRPs that there were additional areas of potential contamination allegedly related to the Ward Transformer Site. Estimates of the cost of the removal action plans for the additional areas are not yet complete.

The current estimated cost of remedial action for the area CONSOL Energy was originally named a PRP, including payment of the EPA's past and future cost, is approximately \$50,000. Estimates of remediation cost for

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the additional areas discovered are not yet available and a removal action plan is not yet approved by the EPA. Therefore, estimated costs for these areas, nor a range of estimated cost for these areas, are available. There was \$7,080, \$1,780 and \$4,820 of expense recognized in Cost of Goods Sold and Other Charges for the years ended December 31, 2008, 2007 and 2006, respectively. CONSOL Energy funded \$6,000, \$1,256 and \$3,759 in the years ended December 31, 2008, 2007 and 2006, respectively, to an independent trust established for this remediation. The remaining liability of \$7,994 is reflected in Other Accrued Liabilities at December 31, 2008. CONSOL Energy and the other participating PRPs are investigating contribution claims against other, non-participating PRPs, and such claims will be brought to recover a share of the costs incurred. CONSOL Energy's portions of probable recoveries are estimated to be \$3,420. Accordingly, an asset has been included in Other Assets for these claims. CONSOL Energy expects the majority of payments related to this liability to be made over the next year. There may be some delay in negotiating settlements with other PRPs who may want settlement of all Ward-related claims. We cannot predict the ultimate outcome of this Superfund site; however, it is reasonably possible that payments in the future with respect to this lawsuit may be material to the financial position, results of operations or cash flows of CONSOL Energy.

As part of conducting mining activities at the Buchanan Mine, our subsidiary, Consolidation Coal Company ("CCC"), has to remove water from the mine. Several actions have arisen with respect to the removal of naturally accumulating and pumped water from the Buchanan Mine:

Yukon Pocahontas Coal Company, Buchanan Coal Company and Sayers-Pocahontas Coal Company filed an action on March 22, 2004 against CCC which is presently pending in the Circuit Court of Buchanan County, Virginia (the "Yukon Action"). The action is related to CCC's depositing of untreated water from its Buchanan Mine into the void spaces of nearby mines of one of our other subsidiaries, Island Creek Coal Company ("ICCC"). The plaintiffs are seeking to stop CCC from depositing any additional water in these areas, to require CCC to remove the water that is stored there along with any remaining impurities, to recover \$300,000 of compensatory and trebled damages and to recover punitive damages. Plaintiffs have twice amended the original complaint to assert additional claims for compensatory damages to the coal and gas estates of up to \$3,252,000, punitive damages in the amount of \$350,000, as well as interest, costs, and attorneys' fees, against CCC. Plaintiffs have also added CONSOL Energy, CNX Gas Company, LLC and ICCC as additional defendants asserting additional damage claims of \$150,000 against those defendants. The Yukon group has recently filed a demand for arbitration against ICCC which makes similar claims relating to breach of the lease for water deposits and lost coal claims. In addition, an appeal of the 2005 Arbitration Award in favor of ICCC is pending before the Buchanan Circuit Court.

Levisa Coal Company filed an action on July 10, 2006 against CCC in the Circuit Court of Buchanan County, Virginia (the "Levisa Action"). The action is for injunctive relief and declaratory judgment and sought a court order prohibiting CCC from depositing water from its Buchanan Mine into the void spaces of ICCC's VP3 mine, part of which is under lease from Levisa Coal Company. The Plaintiff also seeks an injunction requiring CCC to remove the water already deposited in the VP3 Mine. The plaintiff claims the water adversely affects its remaining coal reserves and coalbed methane production, thereby impacting the plaintiff's future royalties. In mid-November 2006, Levisa Coal Company petitioned the Circuit Court for a temporary injunction prohibiting the further depositing of water into the void spaces which, after a two-day hearing, the Circuit Court denied. Subsequently, the Circuit Court entered an order holding that CCC has the right to store water in the VP3 mine void based upon provisions in this lease and dismissed the action. The Virginia Supreme Court, on appeal, disagreed with the Circuit Court's interpretation of the lease, held that CCC has no right to store water in VP3 under the lease, and reversed the dismissal and remanded the case to the Circuit Court to determine whether under equitable principles a permanent injunction should be issued. On June 13, 2008 Levisa Coal Company filed a second action against CCC in the Circuit Court of Buchanan County, Virginia relating to the deposit of

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water by CCC into the void spaces of the VP3 mine which seeks damages of approximately \$300,000, plus interest, costs and attorneys' fees; however, this case was non-suited by the plaintiffs without prejudice. On September 18, 2008 the Virginia Supreme Court denied CCC's request for a rehearing of its June 6, 2008 decision and CCC subsequently filed a petition of certiorari with the United States Supreme Court requesting the United States Supreme Court to review and overturn the decision of the Virginia Supreme Court. Levisa Coal Company filed additional motions in the original action with the Circuit Court seeking among other things (i) a permanent injunction to halt the deposit of water in the VP3 mine void, and (ii) as additional relief, that CCC disgorge profits and other monetary benefits including avoided losses generated by the operation of the Buchanan Mine from the date of the decision of the Virginia Supreme Court or alternatively since the date of its denial of CCC's rehearing request until such time as all depositing and/or storage of water in the VP3 mine from the Buchanan Mine ceases. On February 10, 2009, the Circuit Court entered an order permanently enjoining CCC from depositing water in the VP3 mine void and ruled that other issues, including other requested injunctive and monetary relief, were reserved for trial or further rulings of the court. CCC has ceased depositing water into the VP3 mine void and is evaluating its options with respect to the Court's order, including possibly appealing the order to the Virginia Supreme Court. CCC is continuing to operate the Buchanan Mine, utilizing other alternatives available to it for storing and disposing of water. CCC is also pursuing other alternatives for the disposal of this water, including the construction of a reverse osmosis plant to treat the water. However, if the permanent injunction remains in effect, there is no assurance that other alternatives will be available for the disposal of water, and CCC may be required to idle the Buchanan Mine.

Meredith Ellis Jennings and several other individuals and entities filed an action on July 8, 2008 against CCC and CNX Gas in the Circuit Court of Buchanan County, Virginia (the "Pobst/Combs Action"). The plaintiffs allege that they hold real property interests and royalty interests in gas including coalbed methane gas in and around the VP3 mine. The action is for injunctive relief and seeks a court order prohibiting CCC from depositing water from its Buchanan Mine into the void spaces of the VP3 mine and requiring CCC to remove water from the void spaces of the VP3 mine.

CCC has obtained revision to its environmental permit from the Division of Mined Land Reclamation ("DMLR") of the Virginia Department of Mines, Minerals and Energy ("DMME") to deposit water from its Buchanan Mine into void spaces of VP3, and to permit the discharge of water into the nearby Levisa River under controlled conditions. Plaintiffs in the Yukon Action and the Levisa Action along with the Town of Grundy, Virginia, Buchanan County Board of Supervisors, and others have requested the DMME to reconsider the permit revisions issued by DMLR. Requests for temporary relief to prevent CCC from constructing and operating pursuant to the permit revisions pending a final hearing before the DMME have been rejected by the Director of the DMME. The hearing to be conducted by the Director of the DMME through a Hearing Officer appointed by the Supreme Court of Virginia has not yet been scheduled. The plaintiffs in the Yukon Action on June 13, 2006 also filed an action against the DMME in the Circuit Court of Buchanan County, Virginia seeking to enjoin DMLR and DMME from issuing the permit revisions, which were ultimately issued in September 2006 and are the subject of the administrative appeal to the Director of DMME described above. The Levisa Action plaintiff filed a nearly identical action. DMME filed demurrers, but no hearing has been conducted since the DMME issued the permit in September 2006. On December 4, 2006, both the plaintiffs in the Yukon Action and Levisa nonsuited their respective "Citizen Suits."

We also believe DMME properly issued environmental permits to CCC authorizing it to deposit naturally accumulating water from the Buchanan Mine into VP3 as well as discharging water into the Levisa River under the controlled conditions established by the permits. CCC and the other named CONSOL Energy defendants in the Yukon Action, the Levisa Action and the Pobst/Combs Action deny all liability and intend to vigorously defend the actions filed against them in connection with the removal and deposit of water from the Buchanan

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Mine. CCC also intends to vigorously defend the environmental permits issued to it. Consequently, we have not recognized any liability related to these actions. However, if the permanent injunction in the Levisa Action remains in place, if an additional injunction were to be issued against CCC, if the environmental permits were temporarily suspended or revoked, or if damages were awarded to plaintiffs, the result may be material to the financial position, results of operations or cash flows of CONSOL Energy.

On October 24, 2006, CONSOL Energy and CCC were served with a summons in the name of the Commonwealth of Virginia with the Circuit Court of Buchanan County, Virginia regarding a special grand jury presentment in response to citizens' complaints that noise resulting from the ventilation fan at the Buchanan Mine constitutes a public nuisance. CONSOL Energy and CCC deny that the operation of the ventilation fan is a public nuisance and intend to vigorously defend this proceeding. However, if the operation of the ventilation fan is ordered to be stopped, the result may be material to the financial position, results of operations or cash flows of CONSOL Energy.

On February 14, 2007, GeoMet, Inc. and certain of its affiliates filed a lawsuit against CNX Gas Company LLC and Island Creek Coal Company, a subsidiary of CONSOL Energy, in the Circuit Court for the County of Tazewell, Virginia (Case No. CL07000065-00). The lawsuit alleged that CNX Gas conspired with Island Creek and has violated the Virginia Antitrust Act and tortuously interfered with GeoMet's contractual relations, prospective contracts and business expectancies. CNX Gas and Island Creek filed motions to dismiss all counts of the complaint. On December 19, 2007, the court granted CNX Gas' and Island Creek's motions to dismiss all counts, with leave for GeoMet to file an amended complaint. On March 31, 2008, GeoMet filed an amended complaint. The amended complaint is again against CNX Gas and Island Creek, but it added CONSOL Energy and Cardinal States Gathering Company as additional defendants. The amended complaint restates allegations that CNX Gas, Island Creek and now CONSOL Energy and Cardinal States Gathering Company violated the Virginia Antitrust Act and tortuously interfered with GeoMet's contractual relations, prospective contracts and business expectancies. The amended complaint seeks injunctive relief, compensatory damages of \$385,600 and treble damages. CNX Gas continues to believe this lawsuit to be without merit and intends to vigorously defend it. CNX Gas' action seeking to dismiss GeoMet's complaint is pending. We cannot predict the ultimate outcome of this litigation; however, it is reasonably possible that the ultimate liabilities in the future with respect to these lawsuits and claims may be material to the financial position, results of operations, or cash flows of CNX Gas.

On January 7, 2009, CNX Gas received a civil investigative demand for information and documents from the Attorney General of the Commonwealth of Virginia regarding the company's exploration, production, transportation and sale of coalbed methane gas in Virginia. According to the request, the Attorney General is investigating whether the company may have violated the Virginia Antitrust Act. The request for information does not constitute the commencement of legal proceedings and does not make any specific allegations against the company. CNX Gas does not believe that it has violated the Virginia Antitrust Act and the company intends to cooperate with the Attorney General's investigation.

The Company is a party to a case captioned Earl Kennedy et. al v. CNX Gas and CONSOL Energy in the Court of Common Pleas of Greene County, Pennsylvania (Case No. 225 of 2007). The lawsuit alleges that CNX Gas and CONSOL Energy conspired and were unjustly enriched, trespassed, converted, and committed fraud relating to gas and other minerals allegedly belonging to Mr. Kennedy. The suit also seeks to overturn existing law as to the ownership of coalbed methane in Pennsylvania. The complaint, as amended, seeks injunctive relief, including having us be removed from the property, quiet title and compensatory damages of \$20,000. CNX Gas believes this lawsuit to be without merit and intends to vigorously defend it. We cannot predict the ultimate outcome of this litigation; however, it is reasonably possible that the ultimate liabilities in the future with respect to these lawsuits and claims may be material to the financial position, results of operations, or cash flows of CNX Gas.

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In April 2005, Buchanan County, Virginia (through its Board of Supervisors and Commissioner of Revenue) filed a “Motion for Judgment Pursuant to the Declaratory Judgment Act Virginia Code § 8.01-184” against CNX Gas Company LLC in the Circuit Court of the County of Buchanan (Case No. CL05000149-00) for the year 2002; the county has since filed and served two substantially similar cases for years 2003, 2004 and 2005. These cases have been consolidated. The complaint alleges that our calculation of the license tax on the basis of the wellhead value (sales price less post production costs) rather than the sales price is improper. For the period from 1999 through mid 2002, we paid the tax on the basis of the sales price, but we have filed a claim for a refund for these years. Since 2002, we have continued to pay Buchanan County taxes based on our method of calculating the taxes. However, we have been accruing an additional liability reflected in Other Liabilities on our balance sheet in an amount based on the difference between our calculation of the tax and Buchanan County’s calculation. We believe that we have calculated the tax correctly and in accordance with the applicable rules and regulations of Buchanan County and intend to vigorously defend our position. However, it is reasonably possible that the ultimate liabilities in the future with respect to these lawsuits and claims may be material to the financial position, results of operations or cash flows of CONSOL Energy.

In 1999, CNX Gas was named in a suit brought by a group of royalty owners that lease gas development rights to CNX Gas in southwest Virginia. The suit alleged the underpayment of royalties to the group of royalty owners. The claim of underpayment of royalties related to the interpretation of permissible deductions from production revenues upon which royalties are calculated. The deductions at issue relate to post-production expenses of gathering, compression and transportation. CNX Gas was ordered to pay, and subsequently paid, damages to the group of royalty owners that brought the suit. A final payment was subsequently made to the plaintiffs to adjust all royalties owed to the plaintiffs for subsequent periods, which effectively settled this case. CNX Gas recognized an estimated liability for other similarly situated plaintiffs who could bring similar claims. This amount is included in Other Liabilities on the balance sheet and is evaluated quarterly. CNX Gas believes that the final resolution of this matter will not have a material effect on our financial position, results of operations or cash flows.

We expensed and paid approximately \$28,000 to the Combined Fund for the plan year beginning October 1, 2003 as a result of the higher per beneficiary premium rate calculated by the Commissioner of Social Security and retroactively imposed by the Combined Fund for beneficiaries assigned to CONSOL Energy and its subsidiaries. Additionally, CONSOL Energy expensed approximately \$2,000 related to the higher per beneficiary premium rate for the plan year beginning October 1, 2004. The higher per beneficiary premium rate was imposed as a result of court decisions issued prior to June 10, 2003 arising from litigation over the formula used in the calculation of the annual per beneficiary premium rate owed by assigned operators, including subsidiaries of CONSOL Energy, to the Combined Fund. In August 2005, after additional litigation cases had been filed concerning the calculation and imposition of the higher per beneficiary premium rate, the United States District Court for the District of Maryland ruled that the calculation by the Commissioner of Social Security was improper, arbitrary and capricious. Subsequently, on December 31, 2006, the United States Court of Appeals for the Fourth Circuit affirmed the decision of the District Court.

On March 28, 2007, the assigned operators, including the subsidiaries of CONSOL Energy, and the Combined Fund entered into a settlement agreement that resolved all issues relating to the calculation and imposition of the higher per beneficiary premium rate. The settlement agreement provides for full reimbursement of the higher per beneficiary premium rate calculated and imposed on the subsidiaries of CONSOL Energy and for the payment of interest on all amounts to be reimbursed. CONSOL Energy received reimbursement of approximately \$33,400, which includes the reduction of \$2,255 related to the unassigned beneficiary premium liability previously accrued. The reimbursement was reflected as a reduction to cost of goods sold and other charges in the year ended December 31, 2007.

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In July 2007, production at the Buchanan Mine was suspended after several roof falls in previously mined areas damaged some of the ventilation controls inside the mine, requiring a general evacuation of the mine by employees. The mine atmosphere was continually monitored to determine the impact of the roof falls on the mine's ventilation system and the overall mine atmosphere. On March 17, 2008, Buchanan Mine resumed production. This incident is covered under our property and business interruption insurance policy, subject to certain deductibles. Business interruption recoveries of \$50,000 were recognized as Other Income in the year ended December 31, 2008, \$42,000 in the coal segment and \$8,000 in the gas segment. The total recoveries for this incident under our insurance policy were \$75,000. As of December 31, 2008, all recognized recoveries have been collected. No other insurance recoveries for this incident will be received.

On October 3, 2008 the Emergency Economic Stabilization Act of 2008 (the EESA Act) was signed into law. The EESA Act contains a section that authorizes certain coal producers and exporters who have filed a Black Lung Excise Tax (BLET) return on or after October 1, 1990, to request a refund of the BLET paid on export sales during these years. The EESA Act requires that the U.S. Treasury refund a coal producer or exporter an amount equal to the BLET erroneously paid on export sales in prior years along with interest computed at the statutory rates applicable to overpayments.

CONSOL Energy filed timely claims for refunds of the BLET with the Internal Revenue Service in the amount of \$26,539. In addition, the estimated interest related to the BLET refunds expected to be received is \$32,444. In relation to this receivable, CONSOL Energy also recognized \$3,187 of expense that will be owed to third parties upon collection of the refunds. CONSOL Energy believes that it will receive refunds of BLET erroneously paid on export sales in the amounts requested in its filing with the Internal Revenue Service plus interest as required by the EESA Act prior to December 31, 2009.

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At December 31, 2008, CONSOL Energy has provided the following financial guarantees, unconditional purchase obligations and letters of credit to certain third parties, as described by major category in the following table. These amounts represent the maximum potential total of future payments that we could be required to make under these instruments. These amounts have not been reduced for potential recoveries under recourse or collateralization provisions. Generally, recoveries under reclamation bonds would be limited to the extent of the work performed at the time of the default. No amounts related to these financial guarantees and letters of credits are recorded as liabilities on the financial statements. CONSOL Energy management believes that these guarantees will expire without being funded, and therefore the commitments will not have a material adverse effect on financial condition.

	Amount and Duration of Commitments				
	Total Amounts Committed	Less Than 1 Year	1-3 Years	3-5 Years	Beyond 5 Years
<b>Letters of Credit:</b>					
Employee-Related	\$ 186,818	\$ 164,154	\$ 22,664	\$ —	\$ —
Environmental	63,502	24,945	38,557	—	—
Gas	14,933	14,933	—	—	—
Other	20,432	20,282	150	—	—
Total Letters of Credit	<u>285,685</u>	<u>224,314</u>	<u>61,371</u>	<u>—</u>	<u>—</u>
<b>Surety Bonds:</b>					
Employee-Related	188,251	188,251	—	—	—
Environmental	318,712	316,425	2,287	—	—
Gas	4,272	4,207	65	—	—
Other	9,890	9,588	302	—	—
Total Surety Bonds	<u>521,125</u>	<u>518,471</u>	<u>2,654</u>	<u>—</u>	<u>—</u>
<b>Guarantees and unconditional purchase obligations:</b>					
Coal	448,599	271,203	171,921	2,222	3,253
Gas	32,841	29,741	—	—	3,100
Other	204,518	22,065	39,356	27,865	115,232
Total Guarantees	<u>685,958</u>	<u>323,009</u>	<u>211,277</u>	<u>30,087</u>	<u>121,585</u>
Total Commitments	<u>\$1,492,768</u>	<u>\$1,065,794</u>	<u>\$ 275,302</u>	<u>\$ 30,087</u>	<u>\$121,585</u>

Employee-related financial guarantees have primarily been provided to support the United Mine Workers' of America's 1992 Benefit Plan and various state workers' compensation self-insurance programs. Environmental financial guarantees have primarily been provided to support various performance bonds related to reclamation and other environmental issues. Gas financial guarantees have primarily been provided to support various performance bonds related to land usage and restorative issues. Other guarantees have been extended to support insurance policies, legal matters and various other items necessary in the normal course of business. Other guarantees have also been provided to promise the full and timely payments to lessors of mining equipment and support various other items necessary in the normal course of business.

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CONSOL Energy Inc. and CNX Gas enter into long-term unconditional purchase obligations to procure major equipment purchases, natural gas firm transportation gas drilling services and other operating goods and services. These purchase obligations are not recorded on the Consolidated Balance Sheet. As of December 31, 2008, the purchase obligations for each of the next five years were as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2009	\$ 42,072
2010	35,438
2011	17,309
2012	16,354
2013	15,881
Thereafter	239,196
Total purchase obligations	<u>\$ 366,250</u>

**Note 26—Segment Information:**

CONSOL Energy has two principal business units: Coal and Gas. The principal activities of the Coal unit are mining, preparation and marketing of steam coal, sold primarily to power generators, and metallurgical coal, sold to metal and coke producers. The Coal unit includes four reportable segments. These reportable segments are Northern Appalachian, Central Appalachian, Metallurgical and Other Coal. Each of these reportable segments includes a number of operating segments (mines). For the year ended December 31, 2008, the Northern Appalachian aggregated segment includes the following mines: Blacksville #2, Robinson Run, McElroy, Loveridge, Bailey, Enlow Fork, Mine 84 and Shoemaker. For the year ended December 31, 2008, the Central Appalachian aggregated segment includes the following mines: Jones Fork Complex, the Fola Complex and the Terry Eagle Complex. For the year ended December 31, 2008, the Metallurgical aggregated segment includes the following mines: Buchanan and Amonate Complex. The Other Coal segment includes our purchased coal activities, idled mine cost, coal segment business units not meeting aggregation criteria, as well as various other activities assigned to the coal segment but not allocated to each individual mines. The principal activity of the Gas unit is to produce pipeline quality methane gas for sale primarily to gas wholesalers. CONSOL Energy's All Other segment includes terminal services, river and dock services, industrial supply services and other business activities, including rentals of buildings and flight operations. Intersegment sales have been recorded at amounts approximating market. Operating profit for each segment is based on sales less identifiable operating and non-operating expenses.

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Segment results for the year ended December 31, 2008:

	Northern	Central						Corporate	
	Appalachian	Appalachian	Metallurgical	Other Coal	Total Coal	Gas	All Other	Adjustments & Eliminations	Consolidated
Sales—Outside	\$2,126,182	\$ 330,752	\$ 371,539	\$ 355,971	\$ 3,184,444	\$ 680,990	\$ 316,135	\$ —	\$ 4,181,569(A)
Sales—Purchased Gas	—	—	—	—	—	8,464	—	—	8,464
Sales—Gas Royalty Interests	—	—	—	—	—	79,302	—	—	79,302
Freight—Outside	—	—	—	216,968	216,968	—	—	—	216,968
Intersegment Transfers	—	—	—	—	—	7,337	145,856	(153,193)	—
Total Sales and Freight	<u>\$2,126,182</u>	<u>\$ 330,752</u>	<u>\$ 371,539</u>	<u>\$ 572,939</u>	<u>\$ 3,401,412</u>	<u>\$ 776,093</u>	<u>\$ 461,991</u>	<u>\$ (153,193)</u>	<u>\$ 4,486,303</u>
Earnings (Loss) Before Income Taxes	<u>\$ 323,348</u>	<u>\$ (35,385)</u>	<u>\$ 189,304</u>	<u>\$ (70,229)</u>	<u>\$ 407,038</u>	<u>\$ 385,954</u>	<u>\$ 18,526</u>	<u>\$ (85,923)</u>	<u>\$ 725,595(B)</u>
Segment assets					<u>\$4,387,584</u>	<u>\$2,094,748</u>	<u>\$322,137</u>	<u>\$ 565,989</u>	<u>\$ 7,370,458(C)</u>
Depreciation, depletion and amortization					<u>\$ 299,831</u>	<u>\$ 70,010</u>	<u>\$ 19,780</u>	<u>\$ —</u>	<u>\$ 389,621</u>
Capital Expenditures					<u>\$ 445,594</u>	<u>\$ 560,663</u>	<u>\$ 55,412</u>	<u>\$ —</u>	<u>\$ 1,061,669</u>

(A) There were no sales to individual customers aggregating over 10% of revenue in 2008.

(B) Includes equity in earnings of unconsolidated affiliates of \$2,534, \$551 and \$8,055 for Coal, Gas and All Other, respectively.

(C) Includes investments in unconsolidated equity affiliates of \$9,386 and \$25,204 and \$38,406 for Other Coal, Gas and All Other, respectively. Also, included in the Coal segment is \$58,983 of receivables related to the Emergency Economic Stabilization Act of 2008.

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Segment results for the year ended December 31, 2007:

	Northern Appalachian	Central Appalachian	Metallurgical	Other Coal	Total Coal	Gas	All Other	Corporate Adjustments & Eliminations	Consolidated
Sales—Outside	\$ 1,988,526	\$ 272,131	\$ 237,266	\$ 180,758	\$ 2,678,681	\$ 410,211	\$ 235,454	\$ —	\$ 3,324,346(D)
Sales—Purchased Gas	—	—	—	—	—	7,628	—	—	7,628
Sales—Gas Royalty Interests	—	—	—	—	—	46,586	—	—	46,586
Freight—Outside	—	—	—	186,909	186,909	—	—	—	186,909
Intersegment Transfers	—	—	—	—	—	6,242	129,648	(135,890)	—
Total Sales and Freight	<u>\$ 1,988,526</u>	<u>\$ 272,131</u>	<u>\$ 237,266</u>	<u>\$ 367,667</u>	<u>\$ 2,865,590</u>	<u>\$ 470,667</u>	<u>\$ 365,102</u>	<u>\$ (135,890)</u>	<u>\$ 3,565,469</u>
Earnings (Loss) Before Income Taxes	<u>\$ 353,255</u>	<u>\$ 25,428</u>	<u>\$ 65,080</u>	<u>\$ (166,256)</u>	<u>\$ 277,507</u>	<u>\$ 214,874</u>	<u>\$ 15,152</u>	<u>\$ (78,576)</u>	<u>\$ 428,957(E)</u>
Segment assets					<u>\$ 4,039,513</u>	<u>\$ 1,378,709</u>	<u>\$ 253,792</u>	<u>\$ 536,076</u>	<u>\$ 6,208,090(F)</u>
Depreciation, depletion and amortization					<u>\$ 257,349</u>	<u>\$ 48,961</u>	<u>\$ 18,405</u>	<u>\$ —</u>	<u>\$ 324,715</u>
Capital Expenditures					<u>\$ 681,408</u>	<u>\$ 304,088</u>	<u>\$ 54,342</u>	<u>\$ —</u>	<u>\$ 1,039,838</u>

(D) There were no sales to individual customers aggregating over 10% of revenue in 2007.

(E) Includes equity in earnings of unconsolidated affiliates of \$1,027, \$2,174 and \$3,350 for Coal, Gas and All Other, respectively.

(F) Includes investments in unconsolidated equity affiliates of \$3,101 and \$56,865 and \$34,900 for Coal, Gas and All Other, respectively.

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Segment results for the year ended December 31, 2006:

	Northern Appalachian	Central Appalachian	Metallurgical	Other Coal	Total Coal	Gas	All Other	Corporate Adjustments & Eliminations	Consolidated
Sales—Outside	\$ 1,861,388	\$ 230,781	\$ 357,103	\$ 245,173	\$ 2,694,445	\$ 389,174	\$ 202,903	\$ —	\$ 3,286,522(G)
Sales—Purchased Gas	—	—	—	—	—	43,973	—	—	43,973
Sales—Gas Royalty Interests	—	—	—	—	—	51,054	—	—	51,054
Freight—Outside	—	—	—	162,761	162,761	—	—	—	162,761
Intersegment Transfers	—	—	—	—	—	4,372	128,824	(133,196)	—
Total Sales and Freight	<u>\$ 1,861,388</u>	<u>\$ 230,781</u>	<u>\$ 357,103</u>	<u>\$ 407,934</u>	<u>\$ 2,857,206</u>	<u>\$ 488,573</u>	<u>\$ 331,727</u>	<u>\$ (133,196)</u>	<u>\$ 3,544,310</u>
Earnings (Loss) Before Income Taxes	<u>\$ 261,702</u>	<u>\$ 7,911</u>	<u>\$ 152,490</u>	<u>\$ (81,511)</u>	<u>\$ 340,592</u>	<u>\$ 252,250</u>	<u>\$ 20,396</u>	<u>\$ (62,318)</u>	<u>\$ 550,920(H)</u>
Segment assets					<u>\$ 3,540,276</u>	<u>\$ 1,152,256</u>	<u>\$ 224,477</u>	<u>\$ 746,323</u>	<u>\$ 5,663,332(I)</u>
Depreciation, depletion and amortization					<u>\$ 240,582</u>	<u>\$ 37,999</u>	<u>\$ 17,656</u>	<u>\$ —</u>	<u>\$ 296,237</u>
Capital Expenditures					<u>\$ 488,876</u>	<u>\$ 154,243</u>	<u>\$ 47,427</u>	<u>\$ —</u>	<u>\$ 690,546</u>

(G) There were no sales to individual customers aggregating over 10% of revenue in 2006.

(H) Includes equity in earnings (losses) of unconsolidated affiliates of \$977 and \$224 for Gas and All Other, respectively.

(I) Includes investments in unconsolidated equity affiliates of \$52,283 and \$31,936 for Gas and All Other, respectively. Also, included in the Coal segment is \$26,006 of receivables related to the Export Sales Excise Tax Resolution.

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Reconciliation of Segment Information to Consolidated Amounts:

Revenue and Other Income:

	For the Years Ended December 31,		
	2008	2007	2006
Total segment sales and freight from external customers	\$ 4,486,303	\$ 3,565,469	\$ 3,544,310
Other income not allocated to segments (Note 3)	166,142	196,728	170,861
<b>Total Consolidated Revenue and Other Income</b>	<b>\$ 4,652,445</b>	<b>\$ 3,762,197</b>	<b>\$ 3,715,171</b>
Earnings Before Income Taxes:			
Segment Earnings Before Income Taxes for total reportable business segments	\$ 792,992	\$ 492,381	\$ 592,842
Segment Earnings (Loss) Before Income Taxes for all other businesses	18,526	15,152	20,396
Incentive Compensation(J)	(24,872)	(26,770)	(19,181)
Compensation from restricted stock unit grants, stock option expense and performance share unit expense(J)	(21,807)	(20,983)	(19,113)
Interest income (expense), net and other non-operating activity(J)	(39,244)	(30,823)	(24,024)
<b>Earnings Before Income Taxes</b>	<b>\$ 725,595</b>	<b>\$ 428,957</b>	<b>\$ 550,920</b>

	December 31,		
	2008	2007	2006
Total Assets:			
Segment assets for total reportable business segments	\$ 6,482,332	\$ 5,418,222	\$ 4,692,532
Segment assets for all other businesses	322,137	253,792	224,477
Items excluded from segments assets:			
Cash and other investments(J)	136,951	9,978	118,085
Deferred tax assets	394,142	505,631	625,227
Recoverable income taxes	33,862	19,090	1,278
Bond issuance costs	1,034	1,377	1,733
<b>Total Consolidated Assets</b>	<b>\$ 7,370,458</b>	<b>\$ 6,208,090</b>	<b>\$ 5,663,332</b>

(J) Excludes amounts specifically related to gas segment.

Enterprise-Wide Disclosures:

CONSOL Energy's Revenues by geographical location:

	For the Years Ended December 31,		
	2008	2007	2006
United States	\$ 3,841,665	\$ 3,077,573	\$ 3,218,779
Europe	462,291	332,280	199,532
South America	94,230	40,255	30,149
Canada	88,106	115,361	95,850
Other	11	—	—
<b>Total Revenues and Freight from External Customers (K)</b>	<b>\$ 4,486,303</b>	<b>\$ 3,565,469</b>	<b>\$ 3,544,310</b>

(K) CONSOL Energy attributes revenue to individual countries based on the location of the customer.

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CONSOL Energy's Property, Plant and Equipment by geographical location are:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
United States	\$ 5,732,021	\$ 4,930,339
Canada	33,828	34,565
Belgium	123	138
Total Property, Plant and Equipment	<u>\$5,765,972</u>	<u>\$ 4,965,042</u>

**Note 27—Guarantor Subsidiaries Financial Information:**

The payment obligations under the \$250,000, 7.875 percent per annum notes due March 1, 2012 issued by CONSOL Energy are jointly and severally, and also fully and unconditionally guaranteed by several subsidiaries of CONSOL Energy. In accordance with positions established by the Securities and Exchange Commission ("SEC"), the following financial information sets forth separate financial information with respect to the parent, CNX Gas, an 83.3% owned guarantor subsidiary, the remaining guarantor subsidiaries and the non-guarantor subsidiaries. CNX Gas is presented in a separate column in accordance with SEC Regulation S-X Rule 3-10. CNX Gas Corporation is a reporting company under Section 12(b) of the Securities Exchange Act of 1933, and as such, CNX Gas Corporation files its own financial statements with the Securities and Exchange Commission and those financial statements, when filed, are publicly available on Edgar. The principal elimination entries include investments in subsidiaries and certain intercompany balances and transactions. CONSOL Energy, the parent, and a guarantor subsidiary manage several assets and liabilities of all other 100% owned subsidiaries. These include, for example, deferred tax assets, cash and other post-employment liabilities. These assets and liabilities are reflected as parent company or guarantor company amounts for purposes of this presentation.

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**Income Statement for the Year Ended December 31, 2008:**

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
Sales—Outside	\$ —	\$ 688,325	\$ 3,231,164	\$ 271,612	\$ (9,532)	\$ 4,181,569
Sales—Purchased gas	—	8,464	—	—	—	8,464
Sales—Gas Royalty Interest	—	79,302	—	—	—	79,302
Freight—Outside	—	—	216,968	—	—	216,968
Other Income (including equity earnings)	513,910	13,330	117,486	38,376	(516,960)	166,142
Total Revenue and Other Income	513,910	789,421	3,565,618	309,988	(526,492)	4,652,445
Cost of Goods Sold and Other Operating Charges	72,790	129,974	2,324,210	112,402	203,827	2,843,203
Purchased Gas Costs	—	8,175	—	—	—	8,175
Gas Royalty Interest	—	74,041	—	—	(79)	73,962
Related Party Activity	5,622	—	48,856	155,305	(209,783)	—
Freight Expense	—	—	216,968	—	—	216,968
Selling, General and Administrative Expense	—	80,246	39,660	4,637	—	124,543
Depreciation, Depletion and Amortization	9,382	70,010	300,635	11,485	(1,891)	389,621
Interest Expense	17,888	7,820	10,312	498	(335)	36,183
Taxes Other Than Income	5,887	26,426	248,118	9,559	—	289,990
Black Lung Excise Tax Refund	—	—	(55,795)	—	—	(55,795)
Total Costs	111,569	396,692	3,132,964	293,886	(8,261)	3,926,850
Earnings (Loss) Before Income Taxes	402,341	392,729	432,654	16,102	(518,231)	725,595
Income Taxes (Benefit)	(40,129)	153,656	120,315	6,092	—	239,934
Earnings (Loss) Before Minority Interest	442,470	239,073	312,339	10,010	(518,231)	485,661
Minority Interest	—	—	—	—	(43,191)	(43,191)
Net Income (Loss)	\$ 442,470	\$ 239,073	\$ 312,339	\$ 10,010	\$ (561,422)	\$ 442,470

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

**Balance Sheet for December 31, 2008:**

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
<b>Assets:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 132,471	\$ 1,926	\$ 1,714	\$ 2,401	\$ —	\$ 138,512
<b>Accounts and Notes Receivable:</b>						
Trade	—	61,764	35	159,930	—	221,729
Other	1,767	3,080	68,910	5,795	—	79,552
Inventories	—	—	184,140	43,670	—	227,810
Deferred Income Taxes	115,599	(55,000)	—	—	—	60,599
Recoverable Income Taxes	3,560	30,302	—	—	—	33,862
Prepaid Expenses	23,612	152,786	40,409	4,943	—	221,750
<b>Total Current Assets</b>	<b>277,009</b>	<b>194,858</b>	<b>295,208</b>	<b>216,739</b>	<b>—</b>	<b>983,814</b>
<b>Property, Plant and Equipment:</b>						
Property, Plant and Equipment	175,027	2,112,233	7,608,072	84,956	—	9,980,288
Less-Accumulated Depreciation, Depletion and Amortization	71,781	322,470	3,793,378	26,687	—	4,214,316
<b>Property, Plant and Equipment—Net</b>	<b>103,246</b>	<b>1,789,763</b>	<b>3,814,694</b>	<b>58,269</b>	<b>—</b>	<b>5,765,972</b>
<b>Other Assets:</b>						
Deferred Income Taxes	664,881	(331,338)	—	—	—	333,543
Investment in Affiliates	3,734,125	25,204	930,708	1,102	(4,618,143)	72,996
Other	77,253	60,148	33,184	43,548	—	214,133
<b>Total Other Assets</b>	<b>4,476,259</b>	<b>(245,986)</b>	<b>963,892</b>	<b>44,650</b>	<b>(4,618,143)</b>	<b>620,672</b>
<b>Total Assets</b>	<b>\$4,856,514</b>	<b>\$ 1,738,635</b>	<b>\$ 5,073,794</b>	<b>\$ 319,658</b>	<b>\$(4,618,143)</b>	<b>\$ 7,370,458</b>
<b>Liabilities and Stockholders' Equity:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 87,734	\$ 100,565	\$ 159,677	\$ 37,221	\$ —	\$ 385,197
Accounts Payable (Recoverable)-Related Parties	1,788,768	—	(1,925,829)	137,061	—	—
Short-Term Notes Payable	485,000	72,700	—	—	—	557,700
Current Portion of Long-Term Debt	1,473	8,462	12,093	373	—	22,401
Other Accrued Liabilities	474,947	44,323	17,322	9,850	—	546,442
<b>Total Current Liabilities</b>	<b>2,837,922</b>	<b>226,050</b>	<b>(1,736,737)</b>	<b>184,505</b>	<b>—</b>	<b>1,511,740</b>
Long-Term Debt	252,145	74,682	140,956	568	—	468,351
<b>Deferred Credits and Other Liabilities:</b>						
Postretirement Benefits Other Than Pensions	—	2,728	2,490,616	—	—	2,493,344
Pneumoconiosis	—	—	190,261	—	—	190,261
Mine Closing	—	—	393,112	11,517	—	404,629
Workers' Compensation	—	—	128,477	—	—	128,477
Salary Retirement	194,567	—	—	—	—	194,567
Reclamation	—	—	15,363	22,830	—	38,193
Other	109,693	50,301	80,851	25,705	—	266,550
<b>Total Deferred Credits and Other Liabilities</b>	<b>304,260</b>	<b>53,029</b>	<b>3,298,680</b>	<b>60,052</b>	<b>—</b>	<b>3,716,021</b>
Minority Interest	—	—	—	—	212,159	212,159
<b>Stockholders' Equity</b>	<b>1,462,187</b>	<b>1,384,874</b>	<b>3,370,895</b>	<b>74,533</b>	<b>(4,830,302)</b>	<b>1,462,187</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$4,856,514</b>	<b>\$ 1,738,635</b>	<b>\$ 5,073,794</b>	<b>\$ 319,658</b>	<b>\$(4,618,143)</b>	<b>\$ 7,370,458</b>

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

**Condensed Statement of Cash Flows**  
**For the Year Ended December 31, 2008:**

	<u>Parent</u>	<u>CNX Gas Guarantor</u>	<u>Other Subsidiary Guarantors</u>	<u>Non-Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash Provided by Operating Activities	\$ 34,647	\$ 447,375	\$ 512,108	\$ 35,334	\$ —	\$ 1,029,464
Cash Flows from Investing Activities:						
Capital Expenditures	\$ (11,371)	\$ (560,663)	\$ (464,603)	\$ (25,032)	\$ —	\$ (1,061,669)
Investment in Equity Affiliates	—	1,081	798	—	—	1,879
Purchase of Stock in Subsidiary	—	—	(67,259)	—	—	(67,259)
Proceeds from Sale of Assets	—	450	27,743	—	—	28,193
Net Cash Used in Investing Activities	\$ (11,371)	\$ (559,132)	\$ (503,321)	\$ (25,032)	\$ —	\$ (1,098,856)
Cash Flows from Financial Activities:						
Dividends Paid	\$ (72,957)	\$ —	\$ —	\$ —	\$ —	\$ (72,957)
Proceeds from Revolver	237,500	72,700	—	—	—	310,200
Purchase of Treasury Stock	(97,794)	—	—	—	—	(97,794)
Other Financing Activities	37,218	8,935	(8,364)	(10,985)	—	26,804
Net Cash Provided by (Used in) Financing Activities	\$ 103,967	\$ 81,635	\$ (8,364)	\$ (10,985)	\$ —	\$ 166,253

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

**Income Statement for the Year Ended December 31, 2007:**

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
Sales—Outside	\$ —	\$ 416,453	\$ 2,718,493	\$ 201,018	\$ (11,618)	\$ 3,324,346
Sales—Purchased gas	—	7,628	—	—	—	7,628
Sales – Gas Royalty Interest	—	46,586	—	—	—	46,586
Freight—Outside	—	—	186,909	—	—	186,909
Other Income (including equity earnings)	333,581	8,815	141,735	40,093	(327,496)	196,728
Total Revenue and Other Income	333,581	479,482	3,047,137	241,111	(339,114)	3,762,197
Cost of Goods Sold and Other Operating Charges	63,899	102,278	1,916,159	61,864	207,800	2,352,000
Purchased Gas Costs	—	7,162	—	—	—	7,162
Gas Royalty Interest	—	40,011	—	—	(90)	39,921
Related Party Activity	9,961	—	72,897	134,213	(217,071)	—
Freight Expense	—	—	186,909	—	—	186,909
Selling, General and Administrative Expense	—	54,825	51,029	2,810	—	108,664
Depreciation, Depletion and Amortization	7,666	48,961	259,825	10,343	(2,080)	324,715
Interest Expense	10,370	5,606	14,312	563	—	30,851
Taxes Other Than Income	5,790	—	246,177	6,959	—	258,926
Black Lung Excise Tax Refund	—	—	24,092	—	—	24,092
Total Costs	97,686	258,843	2,771,400	216,752	(11,441)	3,333,240
Earnings (Loss) Before Income Taxes	235,895	220,639	275,737	24,359	(327,673)	428,957
Income Taxes (Benefit)	(31,887)	84,961	73,848	9,215	—	136,137
Earnings (Loss) Before Minority Interest	267,782	135,678	201,889	15,144	(327,673)	292,820
Minority Interest	—	—	—	—	(25,038)	(25,038)
Net Income (Loss)	\$ 267,782	\$ 135,678	\$ 201,889	\$ 15,144	\$ (352,711)	\$ 267,782

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

**Balance Sheet for December 31, 2007:**

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
<b>Assets:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 5,228	\$ 32,048	\$ 1,291	\$ 3,084	\$ —	\$ 41,651
<b>Accounts and Notes Receivable:</b>						
Trade	—	38,680	—	141,865	—	180,545
Other	840	2,428	34,619	31,884	—	69,771
Inventories	—	—	135,132	28,061	—	163,193
Deferred Income Taxes	132,089	(1,269)	—	—	—	130,820
Recoverable Income Taxes	18,118	972	—	—	—	19,090
Prepaid Expenses	18,130	13,859	40,985	5,111	—	78,085
<b>Total Current Assets</b>	<b>174,405</b>	<b>86,718</b>	<b>212,027</b>	<b>210,005</b>	<b>—</b>	<b>683,155</b>
<b>Property, Plant and Equipment:</b>						
Property, Plant and Equipment	103,223	1,480,446	7,274,197	87,446	—	8,945,312
Less-Accumulated Depreciation, Depletion and Amortization	52,103	251,367	3,638,286	38,514	—	3,980,270
Property, Plant and Equipment—Net	51,120	1,229,079	3,635,911	48,932	—	4,965,042
<b>Other Assets:</b>						
Deferred Income Taxes	563,226	(188,415)	—	—	—	374,811
Investment in Affiliates	2,818,267	56,865	1,305,043	—	(4,085,309)	94,866
Other	30,242	6,772	35,600	17,602	—	90,216
Total Other Assets	3,411,735	(124,778)	1,340,643	17,602	(4,085,309)	559,893
<b>Total Assets</b>	<b>\$ 3,637,260</b>	<b>\$ 1,191,019</b>	<b>\$ 5,188,581</b>	<b>\$ 276,539</b>	<b>\$ (4,085,309)</b>	<b>\$ 6,208,090</b>
<b>Liabilities and Stockholders' Equity:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 71,558	\$ 30,263	\$ 110,370	\$ 26,121	\$ —	\$ 238,312
Accounts Payable (Recoverable)-Related Parties	1,585,484	—	(1,707,540)	122,056	—	—
Short-Term Notes Payable	247,500	—	—	—	—	247,500
Current Portion of Long-Term Debt	—	5,819	10,464	2,000	—	18,283
Other Accrued Liabilities	105,226	25,333	372,731	9,012	—	512,302
Total Current Liabilities	2,009,768	61,415	(1,213,975)	159,189	—	1,016,397
Long-Term Debt	258,848	66,949	154,143	8,985	—	488,925
<b>Deferred Credits and Other Liabilities:</b>						
Postretirement Benefits Other Than Pensions	—	2,700	2,334,109	—	—	2,336,809
Pneumoconiosis	—	—	171,896	—	—	171,896
Mine Closing	—	—	388,710	10,923	—	399,633
Workers' Compensation	—	—	118,356	—	—	118,356
Deferred Revenue	—	—	3,162	—	—	3,162
Salary Retirement	67,065	327	—	—	—	67,392
Reclamation	—	—	14,497	19,820	—	34,317
Other	87,160	36,391	52,958	17,157	—	193,666
<b>Total Deferred Credits and Other Liabilities</b>	<b>154,225</b>	<b>39,418</b>	<b>3,083,688</b>	<b>47,900</b>	<b>—</b>	<b>3,325,231</b>
Minority Interest	—	—	—	—	163,118	163,118
Stockholders' Equity	1,214,419	1,023,237	3,164,725	60,465	(4,248,427)	1,214,419
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 3,637,260</b>	<b>\$ 1,191,019</b>	<b>\$ 5,188,581</b>	<b>\$ 276,539</b>	<b>\$ (4,085,309)</b>	<b>\$ 6,208,090</b>

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

**Condensed Statement of Cash Flows**  
**For the Year Ended December 31, 2007:**

	<u>Parent</u>	<u>CNX Gas</u> <u>Guarantor</u>	<u>Other</u> <u>Subsidiary</u> <u>Guarantors</u>	<u>Non-</u> <u>Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash Provided by Operating Activities	\$(258,800)	\$ 272,448	\$ 649,136	\$ 21,249	\$ —	\$ 684,033
Cash Flows from Investing Activities:						
Capital Expenditures	\$ —	\$(348,631)	\$(372,424)	\$(22,059)	\$ —	\$(743,114)
Acquisition of AMVEST	—	—	(296,724)	—	—	(296,724)
Investment in Equity Affiliates	—	(5,783)	(1,274)	—	—	(7,057)
Purchase of Stock in Subsidiary	—	—	(10,000)	—	—	(10,000)
Proceeds from Sale of Assets	—	187	83,754	850	—	84,791
Net Cash Used in Investing Activities	\$ —	\$(354,227)	\$(596,668)	\$(21,209)	\$ —	\$(972,104)
Cash Flows from Financial Activities:						
Dividends Paid	\$ (56,475)	\$ —	\$ —	\$ —	\$ —	\$ (56,475)
Proceeds from Revolver	247,500	—	—	—	—	247,500
Purchase of Treasury Stock	(80,157)	—	—	—	—	(80,157)
Payments on Long Term Notes	—	—	(45,000)	—	—	(45,000)
Other Financing Activities	42,906	6,654	(7,589)	(2,000)	—	39,971
Net Cash Used in Financing Activities	\$ 153,774	\$ 6,654	\$ (52,589)	\$ (2,000)	\$ —	\$ 105,839

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

**Income Statement for the Year Ended December 31, 2006:**

	Parent	CNX Gas Guarantors	Other Subsidiary Guarantors	Non- Guarantors	Elimination	Consolidated
Sales—Outside	\$ —	\$ 393,546	\$ 2,707,277	\$ 196,322	\$ (10,623)	\$ 3,286,522
Sales—Purchased Gas	—	43,973	—	—	—	43,973
Sales—Gas Royalty Interest	—	51,054	—	—	—	51,054
Freight—Outside	—	—	162,761	—	—	162,761
Freight—Related Parties	—	—	—	—	—	—
Other Income (including equity earnings)	459,550	26,264	98,852	35,521	(449,326)	170,861
Total Revenue and Other Income	459,550	514,837	2,968,890	231,843	(459,949)	3,715,171
Cost of Goods Sold and Other Operating Charges	45,285	93,519	1,895,786	43,857	171,329	2,249,776
Purchased Gas Costs	—	—	44,843	—	—	44,843
Gas Royalty Interest	—	41,998	(119)	—	—	41,879
Related Party Activity	5,931	44,843	(10,880)	137,341	(177,235)	—
Freight Expense	—	—	162,761	—	—	162,761
Selling, General and Administrative Expense	—	39,168	47,775	4,207	—	91,150
Depreciation, Depletion and Amortization	6,959	37,999	243,869	9,784	(2,374)	296,237
Interest Expense	9,437	870	14,179	580	—	25,066
Taxes Other Than Income	4,339	—	239,673	8,527	—	252,539
Total Costs	71,951	258,397	2,637,887	204,296	(8,280)	3,164,251
Earnings (Loss) Before Income Taxes	387,599	256,440	331,003	27,547	(451,669)	550,920
Income Taxes (Benefit)	(21,283)	96,573	26,752	10,388	—	112,430
Earnings Before Minority Interest	408,882	159,867	304,251	17,159	(451,669)	438,490
Minority Interest	—	—	—	—	(29,608)	(29,608)
Net Income (Loss)	\$ 408,882	\$ 159,867	\$ 304,251	\$ 17,159	\$ (481,277)	\$ 408,882

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

**Condensed Statement of Cash Flows**  
**For the Year Ended December 31, 2006:**

	<u>Parent</u>	<u>CNX Gas Guarantor</u>	<u>Other Subsidiary Guarantors</u>	<u>Non- Guarantors</u>	<u>Elimination</u>	<u>Consolidated</u>
Net Cash Provided by Operating Activities	\$ (71,616)	\$ 243,569	\$ 491,590	\$ 1,004	\$ —	\$ 664,547
Cash Flows from Investing Activities:						
Capital Expenditures	\$ (10,752)	\$ (154,243)	\$ (518,792)	\$ (6,759)	\$ —	\$ (690,546)
Investment in Equity Affiliates	—	(1,777)	(29,186)	—	—	(30,963)
Proceeds from Sale of Assets	—	—	59,830	133	—	59,963
Net Cash Used in Investing Activities	\$ (10,752)	\$ (156,020)	\$ (488,148)	\$ (6,626)	\$ —	\$ (661,546)
Cash Flows from Financial Activities:						
Dividends Paid	\$ (51,416)	\$ —	\$ —	\$ —	\$ —	\$ (51,416)
Purchase of Treasury Stock	(116,450)	—	—	—	—	(116,450)
Other Financing Activities	53,173	(449)	(3,601)	(1,015)	—	48,108
Net Cash Used in Financing Activities	\$ (114,693)	\$ (449)	\$ (3,601)	\$ (1,015)	\$ —	\$ (119,758)

**Supplemental Coal Data (unaudited):**

	Millions of Tons				
	For the Year Ended December 31,				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Proved and probable reserves at beginning of period	4,526	4,272	4,546	4,509	4,148
Purchased reserves	—	177	3	5	15
Reserves sold in place	(12)	(33)	(2)	(2)	(11)
Production	(65)	(65)	(67)	(69)	(68)
Revisions and other changes	94	175	(208)	52	425
Consolidated proved and probable reserves at end of period*	<u>4,543</u>	<u>4,526</u>	<u>4,272</u>	<u>4,546</u>	<u>4,509</u>
Proportionate share of proved and probable reserves of unconsolidated equity affiliates*	<u>171</u>	<u>179</u>	<u>—</u>	<u>—</u>	<u>—</u>

\* Proved and probable coal reserves are the equivalent of “demonstrated reserves” under the coal resource classification system of the U.S. Geological Survey. Generally, these reserves would be commercially mineable at year-end prices and cost levels, using current technology and mining practices.

CONSOL Energy’s coal reserves are located in nearly every major coal-producing region in North America. At December 31, 2008, 1,022 million tons were assigned to mines either in production or under development. The proved and probable reserves at December 31, 2008 include 4,012 million tons of steam coal reserves, of which approximately 7 percent has a sulfur content equivalent to less than 1.2 pounds sulfur dioxide per million British thermal unit (Btu), and an additional 15 percent has a sulfur content equivalent to between 1.2 and 2.5 pounds sulfur dioxide per million Btu. The reserves also include 531 million tons of metallurgical coal in consolidated reserves, of which approximately 65 percent has a sulfur content equivalent to less than 1.2 pounds sulfur dioxide per million Btu, and an additional 34 percent has a sulfur content equivalent to between 1.2 and 2.5 pounds sulfur dioxide per million Btu. A significant portion of this metallurgical coal can also serve the steam coal market.

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

**Supplemental Gas Data (unaudited):**  
(Dollars in thousands)

The following information was prepared in accordance with Statement of Financial Accounting Standards No. 69, "Disclosures About Oil and Gas Producing Activities" and related accounting rules. The data presented is 100% of CNX Gas' basis; it excludes any minority interest reduction.

**Capitalized Costs:**

	As of December 31,	
	2008	2007
Proved Properties	\$ 121,605	\$ 104,515
Unproved Properties	220,848	101,680
Wells and Related Equipment	1,001,381	698,600
Gathering Assets	740,396	596,173
Total Property, Plant and Equipment	2,084,230	1,500,968
Accumulated Depreciation, Depletion and Amortization	(319,959)	(252,779)
Net Capitalized Costs	<u>\$ 1,764,271</u>	<u>\$ 1,248,189</u>
Proportionate Share of Gas Producing Net Property, Plant and Equipment of Unconsolidated Equity Affiliates	<u>\$ —</u>	<u>\$ 28,581</u>

Costs incurred for Property Acquisition, Exploration and Development (\*):

	For the Years Ended December 31,					
	2008		2007		2006	
	Consolidated Operations	Equity Affiliates	Consolidated Operations	Equity Affiliates	Consolidated Operations	Equity Affiliates
Property acquisitions						
Proved Properties	\$ 17,090	\$ —	\$ 33,205	\$ —	\$ 8,797	\$ —
Unproved Properties	119,168	—	80,313	—	765	—
Development	378,119	—	257,935	—	151,774	—
Exploration	68,495	—	16,503	—	832	2,334
Total	<u>\$ 582,872</u>	<u>\$ —</u>	<u>\$ 387,956</u>	<u>\$ —</u>	<u>\$ 162,168</u>	<u>\$ 2,334</u>

(\*) Includes costs incurred whether capitalized or expensed

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

*Results of Operations for Producing Activities:*

	For the Years Ended December 31,					
	2008		2007		2006	
	Consolidated Operations	Equity Affiliates	Consolidated Operations	Equity Affiliates	Consolidated Operations	Equity Affiliates
Production Revenue	\$ 688,325	\$ —	\$ 416,452	\$ 2,755	\$ 393,649	\$ 1,913
Royalty Interest Gas Revenue	79,302	—	46,586	294	51,054	446
Purchased Gas Revenue	8,464	—	7,628	201	43,973	356
Total Revenue	<u>776,091</u>	<u>—</u>	<u>470,666</u>	<u>3,250</u>	<u>488,676</u>	<u>2,715</u>
Lifting Costs	67,653	—	38,721	679	33,357	480
Gathering Costs	83,752	—	61,798	630	58,102	359
Royalty Expense	74,041	—	40,011	294	41,998	446
Other Costs	34,078	—	19,772	646	12,876	541
Purchased Gas Costs	8,175	—	7,162	165	44,843	299
DD&A	70,010	—	48,961	294	37,999	512
Total Costs	<u>337,709</u>	<u>—</u>	<u>216,425</u>	<u>2,708</u>	<u>229,175</u>	<u>2,637</u>
Pre-tax Operating Income	438,382	—	254,241	542	259,501	78
Income Taxes	171,407	—	98,595	210	97,728	29
Results of Operations for Producing Activities excluding Corporate and Interest Costs	<u>\$ 266,975</u>	<u>\$ —</u>	<u>\$ 155,646</u>	<u>\$ 332</u>	<u>\$ 161,773</u>	<u>\$ 49</u>
Net Reserve Quantity (mmcf)						
Beginning Reserves(a)	1,339,909	3,584	1,263,293	2,200	1,127,724	2,672
Revisions(b)	(30,828)	—	(25,036)	221	109,116	(584)
Extensions and Discoveries(c)	182,701	—	145,834	1,484	82,363	337
Production	(76,562)	—	(57,928)	(321)	(55,910)	(225)
Acquisition of Remaining Interest in Equity Affiliate	3,584	(3,584)	—	—	—	—
Purchases of Reserves In-Place	3,242	—	13,746	—	—	—
Sales of Reserves In-Place	—	—	—	—	—	—
Ending Reserves	<u>1,422,046</u>	<u>—</u>	<u>1,339,909</u>	<u>3,584</u>	<u>1,263,293</u>	<u>2,200</u>
Proved Developed Reserves:						
Beginning of Period	<u>667,726</u>	<u>3,584</u>	<u>609,700</u>	<u>2,200</u>	<u>549,574</u>	<u>2,672</u>
End of Period	<u>783,290</u>	<u>—</u>	<u>667,726</u>	<u>3,584</u>	<u>609,700</u>	<u>2,200</u>

- (a) Proved developed and proved undeveloped gas reserves are defined by the Securities and Exchange Commission Rule 4.10(a) of Regulation S-X. Generally, these reserves would be commercially recovered under current economic conditions, operating methods and government regulations. CNX Gas cautions that there are many inherent uncertainties in estimating proved reserve quantities, projecting future production rates and timing of development expenditures. Accordingly, these estimates are likely to change as future information becomes available. Proved oil and gas reserves are estimated quantities of natural gas and CBM gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands, except per share data)**

years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those reserves expected to be recovered through existing wells, with existing equipment and operating methods.

- (b) Revisions are primarily due to the lower pricing used at December 31, 2008 for reserve estimates.
- (c) Extensions and discoveries are the result of additional drilling activities which bring in offset locations as proved reserves. Additionally, extensions and discoveries are the result of the state oil and gas board's approval of additional well locations.

CNX Gas proved gas reserves are located in the United States.

**Standardized Measure of Discounted Future Net Cash Flows:**

The following information has been prepared in accordance with the provisions of Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities." This statement requires the standardized measure of discounted future net cash flows to be based on year-end sales prices, costs and statutory income tax rates and a 10 percent annual discount rate. Because prices used in the calculation are as of the end of the period, the standardized measure could vary significantly from year to year based on the market conditions at that specific date.

The projections should not be viewed as realistic estimates of future cash flows, nor should the "standardized measure" be interpreted as representing current value to CNX Gas. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary. CNX Gas' investment and operating decisions are not based on the information presented, but on a wide range of reserve estimates that include probable as well as proved reserves and on different price and cost assumptions.

The standardized measure is intended to provide a better means for comparing the value of CNX Gas' proved reserves at a given time with those of other gas producing companies than is provided by a comparison of raw proved reserve quantities.

	December 31,		
	2008	2007	2006
Future Cash Flows:			
Revenues	\$ 8,856,817	\$ 9,509,665	\$ 7,105,265
Production costs	(3,525,902)	(3,004,619)	(2,568,731)
Development costs	(793,592)	(636,436)	(552,114)
Income tax expense	(1,713,713)	(2,259,415)	(1,500,533)
Future Net Cash Flows	2,823,610	3,609,195	2,483,887
Discounted to present value at a 10% annual rate	(1,605,176)	(2,219,655)	(1,548,996)
Total standardized measure of discounted net cash flows	<u>\$ 1,218,434</u>	<u>\$ 1,389,540</u>	<u>\$ 934,891</u>

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
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The following are the principal sources of change in the standardized measure of discounted future net cash flows during:

	December 31,					
	2008		2007		2006	
	Consolidated Operations	Equity Affiliates	Consolidated Operations	Equity Affiliates	Consolidated Operations	Equity Affiliates
Balance at Beginning of Period	\$ 1,384,983	\$ 4,557	\$ 933,186	\$ 1,705	\$ 1,865,097	\$ 5,697
Net changes in sales prices and production costs	(676,358)	—	1,681,550	7,356	(5,327,975)	(13,550)
Sales net of production costs	(438,382)	—	(207,688)	(1,122)	(435,909)	(2,265)
Net change due to revisions in quantity estimates	(63,547)	—	479,618	5,959	1,495,140	(2,486)
Net change due to acquisition	4,158	—	2,840	—	—	—
Acquisition of Remaining Interest in Equity Affiliate	4,557	(4,557)	—	—	—	—
Development costs incurred during the period	378,119	—	257,935	—	151,774	—
Difference in previously estimated development costs compared to actual costs incurred during the period	(136,742)	—	(87,408)	—	(40,466)	—
Changes in estimated future development costs	(398,534)	—	(254,635)	(214)	(241,095)	(12)
Net change in future income taxes	545,702	—	(754,209)	(4,673)	1,743,570	7,162
Accretion of discount and other	614,478	—	(666,206)	(4,454)	1,723,050	7,159
Total Discounted Cash Flow at End of Period	<u>\$ 1,218,434</u>	<u>\$ —</u>	<u>\$ 1,384,983</u>	<u>\$ 4,557</u>	<u>\$ 933,186</u>	<u>\$ 1,705</u>

**CONSOL ENERGY INC. AND SUBSIDIARIES**  
**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands, except per share data)

**Supplemental Quarterly Information (unaudited):**  
(Dollars in thousands)

	Three Months Ended			
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Sales	\$ 1,150,435	\$ 1,076,960	\$ 1,135,572	\$ 906,368
Freight Revenue	\$ 47,839	\$ 60,458	\$ 63,927	\$ 44,744
Costs of Goods Sold and Other Operating Charges (including Gas Royalty Interests' Costs and Purchased Gas Costs)	\$ 686,418	\$ 762,767	\$ 764,137	\$ 656,223
Freight Expense	\$ 47,839	\$ 60,458	\$ 63,927	\$ 44,744
Earnings Before Minority Interest	\$ 186,224	\$ 102,416	\$ 112,790	\$ 84,231
Net Income	\$ 176,322	\$ 90,054	\$ 101,012	\$ 75,082
Total Earnings Per Share:				
Basic	\$ 0.98	\$ 0.49	\$ 0.55	\$ 0.41
Dilutive	\$ 0.97	\$ 0.49	\$ 0.54	\$ 0.41
Weighted Average Shares Outstanding:				
Basic	180,799,712	183,202,086	182,977,726	182,572,985
Dilutive	182,327,963	185,591,759	185,637,248	185,192,551

	Three Months Ended			
	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Sales	\$ 834,014	\$ 802,977	\$ 895,128	\$ 846,441
Freight Revenue	\$ 54,902	\$ 44,707	\$ 43,667	\$ 43,633
Costs of Goods Sold and Other Operating Charges (including Gas Royalty Interests' Costs and Purchased Gas Costs)	\$ 643,266	\$ 643,873	\$ 605,130	\$ 530,906
Freight Expense	\$ 54,902	\$ 44,707	\$ 43,667	\$ 43,633
Earnings Before Minority Interest	\$ 12,265	\$ 381	\$ 160,801	\$ 119,373
Net Income	\$ 6,787	\$ (5,384)	\$ 153,117	\$ 113,262
Total Earnings Per Share:				
Basic	\$ 0.04	\$ (0.03)	\$ 0.84	\$ 0.62
Dilutive	\$ 0.04	\$ (0.03)	\$ 0.83	\$ 0.61
Weighted Average Shares Outstanding:				
Basic	181,835,472	181,866,727	182,195,390	182,371,296
Dilutive	184,417,123	181,866,727	185,000,122	184,815,136

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**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.***

***Changes in Accountants.***

On February 19, 2008 (Dismissal Date) CONSOL Energy dismissed PricewaterhouseCoopers LLP (PwC) as the Company's independent registered public accounting firm. The Audit Committee of the Board of Directors of the Company recommended and approved the dismissal of PwC.

The reports of PwC on the consolidated financial statements of the Company for the years ended December 31, 2007 and 2006, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended December 31, 2007 and 2006 and through the Dismissal Date, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of PwC, would have caused it to make reference thereto in its reports on the financial statements of the Company for such years. During the years ended December 31, 2007 and 2006, and through the Dismissal Date, there were no "reportable events" as defined under Item 304(a)(1)(v) of Regulation S-K.

Also, on February 19, 2008, the Audit Committee recommended and approved the selection of Ernst & Young LLP ("Ernst & Young"), effective immediately, as the Company's new independent registered public accounting firm.

During the years ended December 31, 2007 and 2006, and through the Dismissal Date, neither the Company, nor anyone on its behalf, consulted Ernst & Young regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to the financial statements of the Company, and no written report was provided to the Company or oral advice was provided that Ernst & Young concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a "reportable event" (as described in Item 304(a)(1)(v) of Regulation S-K).

***Disagreements with Accountants on Accounting and Financial Disclosures.***

None.

**Item 9a. *Controls and Procedures.***

**Disclosure controls and procedures.** CONSOL Energy, under the supervision and with the participation of its management, including CONSOL Energy's principal executive officer and principal financial officer, evaluated the effectiveness of its "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this annual report on Form 10-K. Based on that evaluation, CONSOL Energy's principal executive officer and principal financial officer have concluded that its disclosure controls and procedures are effective to ensure that information required to be disclosed by CONSOL Energy in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by CONSOL Energy in such reports is accumulated and communicated to CONSOL Energy's management, including CONSOL Energy's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control Over Financial Reporting.**

CONSOL Energy's management is responsible for establishing and maintaining adequate internal control over financial reporting. CONSOL Energy's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

CONSOL Energy's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of CONSOL Energy; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of CONSOL Energy's assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of CONSOL Energy's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management has concluded that CONSOL Energy maintained effective internal control over financial reporting as of December 31, 2008.

The effectiveness of CONSOL Energy's internal control over financial reporting as of December 31, 2008 has been audited by Ernst and Young, an independent registered public accounting firm, as stated in their report set forth in the Report of Independent Registered Public Accounting Firm in Part II, Item 9a of this annual report on Form 10-K.

**Changes in internal controls over financial reporting.**

There were no changes that occurred during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of CONSOL Energy Inc.

We have audited CONSOL Energy Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). CONSOL Energy Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9a. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CONSOL Energy Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CONSOL Energy Inc. (and Subsidiaries) as of December 31, 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended and our report dated February 17, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, PA  
February 17, 2009

**Item 9b. Other Information.**

None.

**PART III**

**Item 10. Directors and Executive Officers and Corporate Governance.**

The information required by this Item is incorporated herein by reference to the information under the captions “PROPOSAL NO. 1—ELECTION OF DIRECTORS,” “BOARD OF DIRECTORS AND COMPENSATION INFORMATION—BOARD OF DIRECTORS AND ITS COMMITTEES—Board of Directors,” “BOARD OF DIRECTORS AND COMPENSATION INFORMATION—BOARD OF DIRECTORS AND ITS COMMITTEES—Membership and Meetings of the Board of Directors and Its Committees” and “SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” in the Proxy Statement for the annual meeting of shareholders to be held on April 28, 2009 (the “Proxy Statement”).

**Executive Officers of CONSOL Energy**

The following is a list of CNX Gas executive officers, their ages as of February 15, 2009 and their positions and offices held with CNX Gas.

<u>Name</u>	<u>Age</u>	<u>Position</u>
J. Brett Harvey	58	Chairman of the Board and Chief Executive Officer
Nicholas J. DeIuliis	40	President and Chief Operating Officer
William J. Lyons	60	Executive Vice President and Chief Financial Officer
P. Jerome Richey	59	Executive Vice President Corporate Affairs and Chief Legal Officer
Robert P. King	56	Executive Vice President Business Advancements and Support Services
Robert F. Pusateri	58	Executive Vice President Energy Sales and Transmission Transportation Services

*J. Brett Harvey* has been President and Chief Executive Officer and a Director of CONSOL Energy since January 1998. He has been a Director of CNX Gas Corporation since June 30, 2005 and he became Chairman of the Board and Chief Executive Officer of CNX Gas Corporation on January 16, 2009. Mr. Harvey is a Director of Barrick Gold Corporation, the world’s largest gold producer, and Allegheny Technologies Incorporated, a specialty metals producer.

*Nicholas J. DeIuliis* was Senior Vice President—Strategic Planning of CONSOL Energy from November 2004 until August 2005. Prior to that time, Mr. DeIuliis served as Vice President Strategic Planning from April 2002 until November 2004, Director—Corporate Strategy from October 2001 until April 2002, Manager—Strategic Planning from January 2001 until October 2001 and Supervisor—Process Engineering from April 1999 until January 2001. He resigned from his position with CONSOL Energy as of August 8, 2005. He was a Director and President and Chief Executive Officer of CNX Gas Corporation from June 30, 2005 to January 16, 2009, when he became President and Chief Operating Officer of CNX Gas Corporation and Executive Vice President and Chief Operating Officer of CONSOL Energy.

*William J. Lyons* has been Chief Financial Officer of CONSOL Energy since February 2001 and Chief Financial Officer of CNX Gas Corporation since April 28, 2008. He added the title of Executive Vice President of CONSOL Energy on May 2, 2005 and of CNX Gas Corporation on January 16, 2009. From January 1995 until February 2001, Mr. Lyons held the position of Vice President—Controller for CONSOL Energy. Mr. Lyons joined CONSOL Energy in 1976. He was a Director of CNX Gas Corporation from October 17, 2005 to January 16, 2009. Mr. Lyons is a director of Calgon Carbon Corporation, a supplier of products and services for purifying water and air.

*P. Jerome Richey* became Executive Vice President—Corporate Affairs and Chief Legal Officer of CONSOL Energy and CNX Gas Corporation on January 16, 2009. He was General Counsel and Corporate Secretary of CONSOL Energy since March 2005, and on June 20, 2007, he added the title of Senior Vice President. Prior to joining CONSOL Energy, Mr. Richey, for more than five years, was a shareholder in the

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Pittsburgh office for the law firm of Buchanan Ingersoll & Rooney PC.

*Robert P. King* became Executive Vice President—Business Advancement and Support Services of CONSOL Energy and CNX Gas Corporation on January 16, 2009. Prior to that, he was Senior Vice President—Administration since February 2, 2007 and he served as Vice President—Land from August 2006 to February 2007. Prior to joining CONSOL Energy, Mr. King was Vice President of Interwest Mining Company (a subsidiary of PacifiCorp). Mr. King joined PacifiCorp in November 1990.

*Robert F. Pusateri* became Executive Vice President Energy Sales and Transportation Services of CONSOL Energy and CNX Gas Corporation on January 16, 2009. Prior to that, he was named Vice President Sales of CONSOL Energy in 1996 and held that position until he was elected President of CONSOL Energy Sales Company in August 2005. He first became an officer in May 1996.

CONSOL Energy has a written Code of Business Conduct that applies to CONSOL Energy’s Chief Executive Officer (Principal Executive Officer), Chief Financial Officer (Principal Financial Officer) and others. The Code of Business Conduct is available on CONSOL Energy’s website at [www.consolenergy.com](http://www.consolenergy.com). Any amendments to, or waivers from, a provision of our code of employee business conduct and ethics that applies to our principal executive officer, principal financial officer, controller, or persons performing similar functions and that relates to any element of the code of ethics enumerated in paragraph (b) of Item 406 of Regulation S-K shall be disclosed by posting such information on our website.

By certification dated May 16, 2008, CONSOL Energy’s Chief Executive Officer certified to the New York Stock Exchange (NYSE) that he was not aware of any violation by the Company of the NYSE corporate governance listing standards. In addition, the required Sarbanes-Oxley Act, Section 302 certifications regarding the quality of our public disclosures were filed by CONSOL Energy as exhibits to this Form 10-K.

**Item 11. *Executive Compensation.***

The information required by this Item is incorporated by reference to the information under the captions “BOARD OF DIRECTORS AND COMPENSATION INFORMATION—DIRECTOR COMPENSATION TABLE—2008,” “BOARD OF DIRECTORS AND COMPENSATION INFORMATION—BOARD OF DIRECTORS AND ITS COMMITTEES—Compensation Committee Interlocks and Insider Participation,” “EXECUTIVE COMPENSATION AND STOCK OPTION INFORMATION,” and “POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL TABLES” in the Proxy Statement.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required by this Item is incorporated by reference to the information under the caption “BENEFICIAL OWNERSHIP OF SECURITIES” and “SECURITIES AUTHORIZED FOR ISSUANCE UNDER CONSOL ENERGY EQUITY COMPENSATION PLAN” in the Proxy Statement.

**Item 13. *Certain Relationships and Related Transactions and Director Independence.***

The information requested by this Item is incorporated by reference to the information under the caption “Certain Relationships and Related Party Transactions” and “Determination of Director Independence” in the Proxy Statement.

**Item 14. *Principal Accounting Fees and Services.***

The information required by this Item is incorporated by reference to the information under the captions “ACCOUNTANTS AND AUDIT COMMITTEE—INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM,” including subsections entitled “Audit Fees,” “Audit-Related Fees,” “Tax Fees,” “All Other Fees” and “Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services” in the Proxy Statement.

**Item 15. Exhibit Index**

- (A) (1) Financial Statements Contained in Item 8 hereof.
- (A)(2) Financial Statement Schedule—Schedule II Valuation and qualifying accounts.
  - 3.1 Restated Certificate of Incorporation of CONSOL Energy Inc. incorporated by reference to Exhibit 3.1 to Form 8-K filed on May 8, 2006.
  - 3.2 Third Amended and Restated Bylaws dated as of May 1, 2007 incorporated by reference to Exhibit 3.2 to Form 8-K filed on May 7, 2007.
  - 4.1 Indenture, dated March 7, 2002, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.1 to Form 10-K for the transition period of July 31, 2001 to December 31, 2001 (file no. 001-14901), filed on March 29, 2002 (“Form 10-K”).
  - 4.2 Supplemental Indenture No. 1, dated March 7, 2002, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.2 to Form 10-K for the transition period of July 31, 2001 to December 31, 2001 (file no. 001-14901), filed on March 29, 2002.
  - 4.3 Rights Agreement, dated as of December 22, 2003, between CONSOL Energy Inc., and Equiserve Trust Company, N.A., as Rights Agent, incorporated by reference to Exhibit 4 to Form 8-K filed on December 22, 2003.
  - 4.4 Supplemental Indenture No. 2, dated as of September 30, 2003, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.2 to Form 10-Q for the quarter ended November 30, 2003, filed on November 19, 2003.
  - 4.5 Supplemental Indenture No. 3 dated as of April 15, 2005, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.4 to Form 10-Q for the quarter ended June 30, 2005, filed on August 3, 2005.
  - 4.6 Supplemental Indenture No. 4 dated as of August 8, 2005, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 10.78 to Form 8-K filed on August 12, 2005.
  - 4.7 Supplemental Indenture No. 5 dated as of October 21, 2005, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 10.21 to Amendment No. 2 to the Form S-1 for CNX Gas Corporation, filed on October 27, 2005.
  - 4.8 Supplemental Indenture No. 6 dated as of August 2, 2006, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.8 to Form 10-Q for the quarter ended September 30, 2006, filed on November 2, 2006.
  - 4.9 Supplemental Indenture No. 7 dated as of March 12, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.9 to Form 10-Q for the quarter ended September 31, 2007, filed on April 30, 2007.
  - 4.10 Supplemental Indenture No. 8 dated as of May 7, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.10 to Form 10-Q for the quarter ended June 30, 2007, filed on August 1, 2007.
  - 4.11 Supplemental Indenture No. 9 dated as of September 6, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 24, 2007.

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- 4.12 Supplemental Indenture No. 10 dated as of November 12, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.12 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 4.13 Supplemental Indenture No. 11 dated as of June 3, 2008, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.13 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 4.14 Supplemental Indenture No. 12 dated as of July 28, 2008, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.14 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.1 Purchase and Sale Agreement, dated as of April 30, 2003, by and among CONSOL Energy Inc., CONSOL Sales Company, CONSOL of Kentucky Inc., CONSOL Pennsylvania Coal Company, Consolidation Coal Company, Island Creek Coal Company, Windsor Coal Company, McElroy Coal Company, Keystone Coal Mining Corporation, Eighty-Four Mining Company, CNX Gas Company LLC, CNX Marine Terminals Inc. and CNX Funding Corporation, incorporated by reference to Exhibit 10.30 to Form 10-Q for the quarter ended June 30, 2003, filed on August 13, 2003.
- 10.2 Form of Director Indemnification Agreement for all existing members of the Board of Directors (and which Agreement will also be used for any future members of the Board of Directors), incorporated by reference to Exhibit 10.40 to Form 10-Q for the quarter ended September 30, 2003, filed on November 19, 2003.
- 10.3 Change in Control Agreement by and between CONSOL Energy Inc. and J. Brett Harvey.
- 10.4 Change in Control Agreement by and between CONSOL Energy Inc. and William J. Lyons.
- 10.5 Change in Control Agreement by and between CONSOL Energy Inc. and Peter B. Lilly.
- 10.6 Change in Control Agreement by and between CONSOL Energy Inc. and P. Jerome Richey.
- 10.7 Change in Control Agreement by and between CONSOL Energy Inc. and Nicholas J. DeLuliis.
- 10.8 Change in Control Agreement by and between CONSOL Energy Inc. and Robert Pusateri.
- 10.9 Amendment No. 1 to Registration Rights Agreement, dated February 20, 2004, by and among, CONSOL Energy Inc., and Friedman, Billings, Ramsey & Co., Inc, incorporated by reference to Exhibit 10.52 to Form S-1 (file no. 333-113775), filed on March 19, 2004.
- 10.10 Chairman's Agreement (as Amended and Restated), incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ending June 30, 2008, filed on August 5, 2008.
- 10.11 Form of Director Deferred Stock Unit Grant Agreement, incorporated by reference to Exhibit 10.95 to the Form 8-K filed on May 8, 2006.
- 10.12 Executive Officer Term Sheet with P. Jerome Richey
- 10.13 Equity Incentive Plan, As Amended and Restated on February 19, 2008, effective May 3, 2005, incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.14 Employment Agreement, dated December 2, 2008, between CONSOL Energy Inc. and J. Brett Harvey.
- 10.15 Master Separation Agreement, by and among CONSOL Energy Inc., CNX Gas Corporation and each of their respective subsidiaries, dated as of August 1, 2005, incorporated by reference to Exhibit 10.69 to the Form 8-K filed on August 12, 2005.

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- 10.16 Master Cooperation and Safety Agreement, by and among CONSOL Energy Inc., CNX Gas Corporation and each of their respective subsidiaries, dated as of August 1, 2005, incorporated by reference to Exhibit 10.70 to the Form 8-K filed on August 12, 2005.
- 10.17 Services Agreement, by and among CONSOL Energy Inc., CNX Gas Corporation, and the subsidiaries of CNX Gas Corporation, dated as of August 1, 2005, incorporated by reference to Exhibit 10.71 to the Form 8-K filed on August 12, 2005.
- 10.18 Tax Sharing Agreement, by and between CONSOL Energy Inc. and CNX Gas Corporation, dated as of August 1, 2005, incorporated by reference to Exhibit 10.72 to the Form 8-K filed on August 12, 2005.
- 10.19 Intercompany Revolving Credit Agreement, by and between CONSOL Energy Inc. and CNX Gas Corporation, dated as of August 1, 2005, incorporated by reference to Exhibit 10.73 to the Form 8-K filed on August 12, 2005.
- 10.20 Master Lease dated August 1, 2005 by and between CONSOL Energy Inc. and certain of its subsidiaries and CNX Gas Company LLC, incorporated by reference to Exhibit 10.74 to the Form 8-K filed on August 12, 2005.
- 10.21 Originator Release by and among CONSOL Energy Inc., certain of its subsidiaries and certain banking parties dated as of August 8, 2005, incorporated by reference to Exhibit 10.77 to the Form 8-K filed on August 12, 2005.
- 10.22 Summary of Employment Terms of Nicholas J. DeIuliis, incorporated by reference to Exhibit 10.80 to the Form 8-K filed on August 19, 2005.
- 10.23 Credit Agreement, by and among CNX Gas Corporation, the lender parties thereto, and PNC Bank National Association and Citibank, N.A., as agents, dated as of October 7, 2005, incorporated by reference to Exhibit 10.82 to the Form 8-K filed on October 13, 2005.
- 10.24 Non-Employee Director Option Grant Notice, as amended, incorporated by reference to Exhibit 10.84 to the Form 8-K filed on October 24, 2005.
- 10.25 Agreement, dated October 2, 2002 between CONSOL Energy Inc. and Peter B. Lilly, incorporated by reference to Exhibit 10.89 to Form 10-K for the year ended December 31, 2005 (file no. 001-14901). filed on March 15, 2006.
- 10.26 Form Of Non-Qualified Stock Option Award Agreement For Employees, incorporated by reference to Exhibit 10.26 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.27 Form Of Restricted Stock Unit Award Agreement For CONSOL Employees, incorporated by reference to Exhibit 10.28 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.28 Form Of Restricted Stock Unit Award Agreement For Directors, incorporated by reference to Exhibit 10.30 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.29 Form of Change in Control Agreement for Nicholas J. DeIuliis, incorporated by reference to Exhibit 10.61 to Amendment No. 1 to the Registration Statement on Form S-1 (file no. 333-127483) filed on September 29, 2005 by CNX Gas Corporation.
- 10.30 Amended and Restated Retirement Restoration Plan of CONSOL Energy Inc.
- 10.31 First Amendment to Purchase and Sale Agreement dated as of April 30, 2007, entered into among CONSOL Energy Inc., CONSOL Energy Sales Company, CONSOL of Kentucky Inc., CONSOL Pennsylvania Coal Company, Consolidation Coal Company, Island Creek Coal Company, Windsor Coal Company, McElroy Coal Company, Keystone Coal Mining Corporation, Eighty-Four Mining Company and CNX Marine Terminals Inc., each an “Originator” and CNX Funding Corporation, incorporated by reference to Exhibit 10.31 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.

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- 10.32 Second Amendment to Purchase and Sale Agreement dated as of November 16, 2007, entered into among CONSOL Energy Inc. (“*CONSOL Energy*”), CONSOL Energy Sales Company, CONSOL of Kentucky Inc., Consol Pennsylvania Coal Company LLC, Consolidation Coal Company, Island Creek Coal Company, McElroy Coal Company, Keystone Coal Mining Corporation, Eighty-Four Mining Company and CNX Marine Terminals Inc. (each an “*Existing Originator*”) and collectively the “*Existing Originators*”), Fola Coal Company, LLC., Little Eagle Coal Company, LLC., Mon River Towing, Inc., Terry Eagle Coal Company, LLC., Tri-River Fleeting Harbor Service, Inc., and Twin Rivers Towing Company (each, a “*New Originator*” and collectively the “*New Originators*”; the Existing Originators and the New Originators, each an “*Originator*” and collectively, the “*Originators*”), Windsor Coal Company (the “*Released Originator*”) and CNX Funding Corporation, incorporated by reference to Exhibit 10.32 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.33 Amended and Restated Receivable Purchase Agreement, dated as of April 30, 2007, by and among CNX Funding Corporation, CONSOL Energy Inc., CONSOL Energy Sales Company, CONSOL of Kentucky Inc., CONSOL Pennsylvania Coal Company, Consolidation Coal Company, Island Creek Coal Company, Windsor Coal Company, McElroy Coal Company, Keystone Coal Mining Corporation, Eighty-Four Mining Company, CNX Marine Terminals Inc., Market Street Funding LLC, Liberty Street Funding LLC, PNC Bank, National Association, and the Bank of Nova Scotia, incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.34 First Amendment to Amended and Restated Receivables Purchase Agreement (this “*Amendment*”), dated as of May 9, 2007, entered into among CNX Funding Corporation, CONSOL Energy Inc., as the initial Servicer, the Conduit Purchasers listed on the signature pages of the Amendment, the Purchaser Agents listed on the signature pages of the Amendment, the LC Participants listed on the signature pages of the Amendment and PNC Bank, National Association, as Administrator and as LC Bank, incorporated by reference to Exhibit 10.34 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.35 Second Amendment to Amended and Restated Receivables Purchase Agreement (this “*Amendment*”), dated as of July 27, 2007, entered into among CNX Funding Corporation, CONSOL Energy Inc., as the initial Servicer (in such capacity, the “*Servicer*”), the Conduit Purchasers listed on the signature pages of the Amendment, the Purchaser Agents listed on the signature pages of the Amendment, the LC Participants listed on the signature pages of the Amendment and PNC Bank, National Association, as Administrator and as LC Bank, incorporated by reference to Exhibit 10.35 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.36 Third Amendment to Amended and Restated Receivables Purchase Agreement (this “*Amendment*”), dated as of November 16, 2007, entered into among CNX Funding Corporation, CONSOL Energy Inc., as the initial Servicer, the various new sub-servicers listed on the signature pages of the Amendment, the Conduit Purchasers listed on the signature pages of the Amendment, the Purchaser Agents listed on the signature pages of the Amendment, the LC Participants listed on the signature pages hereto and PNC Bank, National Association, as Administrator and as LC Bank, incorporated by reference to Exhibit 10.36 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.37 Amended and Restated Credit Agreement, dated as of June 27, 2007 by and among CONSOL Energy Inc., the Guarantors (as defined therein), the Lenders (as defined therein), The Bank of Nova Scotia, Bank of America, N.A., and Union Bank of California, N.A., each in its capacity as a co-syndication agent, and PNC Bank, National Association and Citicorp North America, Inc., in their capacity as co-administrative agents for the Lenders under the Agreement, incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 3, 2007, incorporated by reference to Exhibit 10.37 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.

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- 10.38 Amended and Restated Collateral Trust Agreement (“Agreement”) dated as of June 27, 2007, by and among CONSOL Energy Inc., (the “Borrower”), certain subsidiaries of the Borrower which have joined the Agreement, Wilmington Trust Company, not in its individual capacity but solely as corporate trustee, and David A. Vanaskey, not in his individual capacity but solely as individual trustee, as trustees for the Secured Parties, incorporated by reference to Exhibit 10.38 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.39 Continuing Agreement of Guaranty and Suretyship (“*Guaranty*”), dated as of June 30, 2004, jointly and severally given by each of the undersigned thereto and each of the other Persons which become Guarantors thereunder from time to time (each a “*Guarantor*” and collectively the “*Guarantors*”) in favor of PNC Bank, National Association, as paying agent for the Lenders (the “*Paying Agent*”), in connection with that certain Credit Agreement as defined therein, incorporated by reference to Exhibit 10.39 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.40 Amended and Restated Pledge Agreement, dated as of June 27, 2007 made and entered into by each of the pledgors listed on the signature pages thereto and each of the other persons and entities that become bound thereby from time to time by joinder, assumption, or otherwise, and Wilmington Trust Company, not in its individual capacity but solely as collateral trustee for the equal and ratable benefit of the Secured Parties (as defined therein) pursuant to the Collateral Trust Agreement, incorporated by reference to Exhibit 10.40 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.41 Amended and Restated Security Agreement dated as of June 27, 2007, entered into by and between CONSOL Energy Inc., and each of the other parties listed on the signature pages thereto and each of the other persons and entities that become bound thereby from time to time by joinder, assumption or otherwise, and Wilmington Trust Company, not in its individual capacity but solely as the collateral trustee for the equal and ratable benefit of the Secured Parties pursuant to the Collateral Trust Agreement, incorporated by reference to Exhibit 10.41 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.42 2008 STIC Plan, incorporated by reference to Exhibit 10.5 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.43 Amended and Restated Long-Term Incentive Program (2007-09), incorporated by reference to Exhibit 10.43 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.44 Time Sharing Agreement, dated as of May 1, 2007, by and between CONSOL Energy Inc. and J. Brett Harvey, incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 7, 2007.
- 10.45 Letter Agreement, effective as of July 25, 2007, by and between CONSOL Energy Inc. and Ronald E. Smith, incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 31, 2007.
- 10.46 Letter Agreement, dated August 24, 2007, by and between CONSOL Energy Inc. and Nicholas J. DeFulius, incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 24, 2007.
- 10.47 Agreement, dated September 12, 2007, by and between CONSOL Energy Inc. and Bart Hyita, regarding CONSOL Energy Inc. Supplemental Retirement Plan, incorporated by reference to Exhibit 10.112 of Form 10-Q for the quarter ended September 30, 2007, filed on November 1, 2007.
- 10.48 Summary of Non-Employee Director Compensation, incorporated by reference to Exhibit 10.111 of Form 10-Q for the quarter ended September 30, 2007, filed on November 1, 2007.
- 10.49 Directors’ Deferred Fee Plan (2004 Plan) (Amended and Restated on December 4, 2007), incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.50 Hypothetical Investment Election Form Relating to Directors’ Deferred Fee Plan, incorporated by reference to Exhibit 10.50 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.

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- 10.51 Directors Deferred Compensation Plan (1999 Plan), incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.52 Hypothetical Investment Election Form Relating to Directors' Deferred Compensation Plan, incorporated by reference to Exhibit 10.53 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.53 Amended and Restated Supplemental Retirement Plan of CONSOL Energy Inc. effective January 1, 2007, incorporated by reference to Exhibit 10.54 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.54 Trust Agreement (Amended and Restated on March 20, 2008) (1999 Directors Deferred Compensation Plan), incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.55 Trust Agreement (Amended and Restated on March 20, 2008) (2004 Directors Deferred Fee Plan), incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.56 Long-Term Incentive Program (2008 - 2010), incorporated by reference to Exhibit 10.6 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.57 Executive Annual Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 1, 2008.
- 10.58 Amendment No. 1 To The Master Cooperation And Safety Agreement, incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 2, 2008.
- 10.59 First Amendment to Amended and Restated Credit Agreement.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 14.1 Code of Employee Business Conduct, incorporated by reference to Exhibit 14.1 to Form 8-K filed on December 5, 2008.
- 21 Subsidiaries of CONSOL Energy Inc.
- 23.1 Consent of Ernst & Young LLP
- 23.2 Consent of PricewaterhouseCoopers LLP.
- 23.3 Consent of Ralph E. Davis Associates, Inc.
- 23.4 Consent of Schlumberger Data and Consulting Services
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## **Supplemental Information**

No annual report or proxy material has been sent to shareholders of CONSOL Energy at the time of filing of this Form 10-K. An annual report will be sent to shareholders subsequent to the filing of this Form 10-K. Said annual report will be forwarded to the commission when the same are sent to shareholders of CONSOL Energy.

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.



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- (A)(1) Financial Statements Contained in Item 8 hereof.
- (A)(2) Financial Statement Schedule—Schedule II Valuation and qualifying accounts.
- 3.1 Restated Certificate of Incorporation of CONSOL Energy Inc. incorporated by reference to Exhibit 3.1 to Form 8-K filed on May 8, 2006.
- 3.2 Third Amended and Restated Bylaws dated as of May 1, 2007 incorporated by reference to Exhibit 3.2 to Form 8-K filed on May 7, 2007.
- 4.1 Indenture, dated March 7, 2002, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.1 to Form 10-K for the transition period of July 31, 2001 to December 31, 2001 (file no. 001-14901), filed on March 29, 2002 (“Form 10-K”).
- 4.2 Supplemental Indenture No. 1, dated March 7, 2002, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.2 to Form 10-K for the transition period of July 31, 2001 to December 31, 2001 (file no. 001-14901), filed on March 29, 2002.
- 4.3 Rights Agreement, dated as of December 22, 2003, between CONSOL Energy Inc., and Equiserve Trust Company, N.A., as Rights Agent, incorporated by reference to Exhibit 4 to Form 8-K filed on December 22, 2003.
- 4.4 Supplemental Indenture No. 2, dated as of September 30, 2003, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.2 to Form 10-Q for the quarter ended November 30, 2003, filed on November 19, 2003.
- 4.5 Supplemental Indenture No. 3 dated as of April 15, 2005, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.4 to Form 10-Q for the quarter ended June 30, 2005, filed on August 3, 2005.
- 4.6 Supplemental Indenture No. 4 dated as of August 8, 2005, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 10.78 to Form 8-K filed on August 12, 2005.
- 4.7 Supplemental Indenture No. 5 dated as of October 21, 2005, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 10.21 to Amendment No. 2 to the Form S-1 for CNX Gas Corporation, filed on October 27, 2005.
- 4.8 Supplemental Indenture No. 6 dated as of August 2, 2006, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.8 to Form 10-Q for the quarter ended September 30, 2006, filed on November 2, 2006.
- 4.9 Supplemental Indenture No. 7 dated as of March 12, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.9 to Form 10-Q for the quarter ended September 31, 2007, filed on April 30, 2007.
- 4.10 Supplemental Indenture No. 8 dated as of May 7, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc., and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.10 to Form 10-Q for the quarter ended June 30, 2007, filed on August 1, 2007.
- 4.11 Supplemental Indenture No. 9 dated as of September 6, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 24, 2007.

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- 4.12 Supplemental Indenture No. 10 dated as of November 12, 2007, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.12 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 4.13 Supplemental Indenture No. 11 dated as of June 3, 2008, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.13 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 4.14 Supplemental Indenture No. 12 dated as of July 28, 2008, among CONSOL Energy Inc., certain subsidiaries of CONSOL Energy Inc. and The Bank of Nova Scotia Trust Company of New York, as trustee, incorporated by reference to Exhibit 4.14 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.1 Purchase and Sale Agreement, dated as of April 30, 2003, by and among CONSOL Energy Inc., CONSOL Sales Company, CONSOL of Kentucky Inc., CONSOL Pennsylvania Coal Company, Consolidation Coal Company, Island Creek Coal Company, Windsor Coal Company, McElroy Coal Company, Keystone Coal Mining Corporation, Eighty-Four Mining Company, CNX Gas Company LLC, CNX Marine Terminals Inc. and CNX Funding Corporation, incorporated by reference to Exhibit 10.30 to Form 10-Q for the quarter ended June 30, 2003, filed on August 13, 2003.
- 10.2 Form of Director Indemnification Agreement for all existing members of the Board of Directors (and which Agreement will also be used for any future members of the Board of Directors), incorporated by reference to Exhibit 10.40 to Form 10-Q for the quarter ended September 30, 2003, filed on November 19, 2003.
- 10.3 Change in Control Agreement by and between CONSOL Energy Inc. and J. Brett Harvey.
- 10.4 Change in Control Agreement by and between CONSOL Energy Inc. and William J. Lyons.
- 10.5 Change in Control Agreement by and between CONSOL Energy Inc. and Peter B. Lilly.
- 10.6 Change in Control Agreement by and between CONSOL Energy Inc. and P. Jerome Richey.
- 10.7 Change in Control Agreement by and between CONSOL Energy Inc. and Nicholas J. DeLuliis.
- 10.8 Change in Control Agreement by and between CONSOL Energy Inc. and Robert Pusateri.
- 10.9 Amendment No. 1 to Registration Rights Agreement, dated February 20, 2004, by and among, CONSOL Energy Inc., and Friedman, Billings, Ramsey & Co., Inc , incorporated by reference to Exhibit 10.52 to Form S-1 (file no. 333-113775), filed on March 19, 2004.
- 10.10 Chairman's Agreement (as Amended and Restated), incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ending June 30, 2008, filed on August 5, 2008.
- 10.11 Form of Director Deferred Stock Unit Grant Agreement, incorporated by reference to Exhibit 10.95 to the Form 8-K filed on May 8, 2006.
- 10.12 Executive Officer Term Sheet with P. Jerome Richey
- 10.13 Equity Incentive Plan, As Amended and Restated on February 19, 2008, effective May 3, 2005, incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.14 Employment Agreement, dated December 2, 2008, between CONSOL Energy Inc. and J. Brett Harvey.
- 10.15 Master Separation Agreement, by and among CONSOL Energy Inc., CNX Gas Corporation and each of their respective subsidiaries, dated as of August 1, 2005, incorporated by reference to Exhibit 10.69 to the Form 8-K filed on August 12, 2005.

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- 10.16 Master Cooperation and Safety Agreement, by and among CONSOL Energy Inc., CNX Gas Corporation and each of their respective subsidiaries, dated as of August 1, 2005, incorporated by reference to Exhibit 10.70 to the Form 8-K filed on August 12, 2005.
- 10.17 Services Agreement, by and among CONSOL Energy Inc., CNX Gas Corporation, and the subsidiaries of CNX Gas Corporation, dated as of August 1, 2005, incorporated by reference to Exhibit 10.71 to the Form 8-K filed on August 12, 2005.
- 10.18 Tax Sharing Agreement, by and between CONSOL Energy Inc. and CNX Gas Corporation, dated as of August 1, 2005, incorporated by reference to Exhibit 10.72 to the Form 8-K filed on August 12, 2005.
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- 10.20 Master Lease dated August 1, 2005 by and between CONSOL Energy Inc. and certain of its subsidiaries and CNX Gas Company LLC, incorporated by reference to Exhibit 10.74 to the Form 8-K filed on August 12, 2005.
- 10.21 Originator Release by and among CONSOL Energy Inc., certain of its subsidiaries and certain banking parties dated as of August 8, 2005, incorporated by reference to Exhibit 10.77 to the Form 8-K filed on August 12, 2005.
- 10.22 Summary of Employment Terms of Nicholas J. DeIulius, incorporated by reference to Exhibit 10.80 to the Form 8-K filed on August 19, 2005.
- 10.23 Credit Agreement, by and among CNX Gas Corporation, the lender parties thereto, and PNC Bank National Association and Citibank, N.A., as agents, dated as of October 7, 2005, incorporated by reference to Exhibit 10.82 to the Form 8-K filed on October 13, 2005.
- 10.24 Non-Employee Director Option Grant Notice, as amended, incorporated by reference to Exhibit 10.84 to the Form 8-K filed on October 24, 2005.
- 10.25 Agreement, dated October 2, 2002 between CONSOL Energy Inc. and Peter B. Lilly, incorporated by reference to Exhibit 10.89 to Form 10-K for the year ended December 31, 2005 (file no. 001-14901). filed on March 15, 2006.
- 10.26 Form Of Non-Qualified Stock Option Award Agreement For Employees, incorporated by reference to Exhibit 10.26 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.27 Form Of Restricted Stock Unit Award Agreement For CONSOL Employees, incorporated by reference to Exhibit 10.28 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.28 Form Of Restricted Stock Unit Award Agreement For Directors, incorporated by reference to Exhibit 10.30 to the Registration Statement on Form S-4 (file no. 333-149442) filed on February 28, 2008.
- 10.29 Form of Change in Control Agreement for Nicholas J. DeIulius, incorporated by reference to Exhibit 10.61 to Amendment No. 1 to the Registration Statement on Form S-1 (file no. 333-127483) filed on September 29, 2005 by CNX Gas Corporation.
- 10.30 Amended and Restated Retirement Restoration Plan of CONSOL Energy Inc.
- 10.31 First Amendment to Purchase and Sale Agreement dated as of April 30, 2007, entered into among CONSOL Energy Inc., CONSOL Energy Sales Company, CONSOL of Kentucky Inc., CONSOL Pennsylvania Coal Company, Consolidation Coal Company, Island Creek Coal Company, Windsor Coal Company, McElroy Coal Company, Keystone Coal Mining Corporation, Eighty-Four Mining Company and CNX Marine Terminals Inc., each an “Originator” and CNX Funding Corporation, incorporated by reference to Exhibit 10.31 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.

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- 10.33 Amended and Restated Receivable Purchase Agreement, dated as of April 30, 2007, by and among CNX Funding Corporation, CONSOL Energy Inc., CONSOL Energy Sales Company, CONSOL of Kentucky Inc., CONSOL Pennsylvania Coal Company, Consolidation Coal Company, Island Creek Coal Company, Windsor Coal Company, McElroy Coal Company, Keystone Coal Mining Corporation, Eighty-Four Mining Company, CNX Marine Terminals Inc., Market Street Funding LLC, Liberty Street Funding LLC, PNC Bank, National Association, and the Bank of Nova Scotia, incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.34 First Amendment to Amended and Restated Receivables Purchase Agreement (this “*Amendment*”), dated as of May 9, 2007, entered into among CNX Funding Corporation, CONSOL Energy Inc., as the initial Servicer, the Conduit Purchasers listed on the signature pages of the Amendment, the Purchaser Agents listed on the signature pages of the Amendment, the LC Participants listed on the signature pages of the Amendment and PNC Bank, National Association, as Administrator and as LC Bank, incorporated by reference to Exhibit 10.34 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.35 Second Amendment to Amended and Restated Receivables Purchase Agreement (this “*Amendment*”), dated as of July 27, 2007, entered into among CNX Funding Corporation, CONSOL Energy Inc., as the initial Servicer (in such capacity, the “*Servicer*”), the Conduit Purchasers listed on the signature pages of the Amendment, the Purchaser Agents listed on the signature pages of the Amendment, the LC Participants listed on the signature pages of the Amendment and PNC Bank, National Association, as Administrator and as LC Bank, incorporated by reference to Exhibit 10.35 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.36 Third Amendment to Amended and Restated Receivables Purchase Agreement (this “*Amendment*”), dated as of November 16, 2007, entered into among CNX Funding Corporation, CONSOL Energy Inc., as the initial Servicer, the various new sub-servicers listed on the signature pages of the Amendment, the Conduit Purchasers listed on the signature pages of the Amendment, the Purchaser Agents listed on the signature pages of the Amendment, the LC Participants listed on the signature pages hereto and PNC Bank, National Association, as Administrator and as LC Bank, incorporated by reference to Exhibit 10.36 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.37 Amended and Restated Credit Agreement, dated as of June 27, 2007 by and among CONSOL Energy Inc., the Guarantors (as defined therein), the Lenders (as defined therein), The Bank of Nova Scotia, Bank of America, N.A., and Union Bank of California, N.A., each in its capacity as a co-syndication agent, and PNC Bank, National Association and Citicorp North America, Inc., in their capacity as co-administrative agents for the Lenders under the Agreement, incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 3, 2007, incorporated by reference to Exhibit 10.37 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.

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- 10.38 Amended and Restated Collateral Trust Agreement (“Agreement”) dated as of June 27, 2007, by and among CONSOL Energy Inc., (the “Borrower”), certain subsidiaries of the Borrower which have joined the Agreement, Wilmington Trust Company, not in its individual capacity but solely as corporate trustee, and David A. Vanaskey, not in his individual capacity but solely as individual trustee, as trustees for the Secured Parties, incorporated by reference to Exhibit 10.38 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.39 Continuing Agreement of Guaranty and Suretyship (“*Guaranty*”), dated as of June 30, 2004, jointly and severally given by each of the undersigned thereto and each of the other Persons which become Guarantors thereunder from time to time (each a “*Guarantor*” and collectively the “*Guarantors*”) in favor of PNC Bank, National Association, as paying agent for the Lenders (the “*Paying Agent*”), in connection with that certain Credit Agreement as defined therein, incorporated by reference to Exhibit 10.39 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.40 Amended and Restated Pledge Agreement, dated as of June 27, 2007 made and entered into by each of the pledgors listed on the signature pages thereto and each of the other persons and entities that become bound thereby from time to time by joinder, assumption, or otherwise, and Wilmington Trust Company, not in its individual capacity but solely as collateral trustee for the equal and ratable benefit of the Secured Parties (as defined therein) pursuant to the Collateral Trust Agreement, incorporated by reference to Exhibit 10.40 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.41 Amended and Restated Security Agreement dated as of June 27, 2007, entered into by and between CONSOL Energy Inc., and each of the other parties listed on the signature pages thereto and each of the other persons and entities that become bound thereby from time to time by joinder, assumption or otherwise, and Wilmington Trust Company, not in its individual capacity but solely as the collateral trustee for the equal and ratable benefit of the Secured Parties pursuant to the Collateral Trust Agreement, incorporated by reference to Exhibit 10.41 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.42 2008 STIC Plan, incorporated by reference to Exhibit 10.5 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.43 Amended and Restated Long-Term Incentive Program (2007-09), incorporated by reference to Exhibit 10.43 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
- 10.44 Time Sharing Agreement, dated as of May 1, 2007, by and between CONSOL Energy Inc. and J. Brett Harvey, incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 7, 2007.
- 10.45 Letter Agreement, effective as of July 25, 2007, by and between CONSOL Energy Inc. and Ronald E. Smith, incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 31, 2007.
- 10.46 Letter Agreement, dated August 24, 2007, by and between CONSOL Energy Inc. and Nicholas J. DeIuliis, incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 24, 2007.
- 10.47 Agreement, dated September 12, 2007, by and between CONSOL Energy Inc. and Bart Hyita, regarding CONSOL Energy Inc. Supplemental Retirement Plan, incorporated by reference to Exhibit 10.112 of Form 10-Q for the quarter ended September 30, 2007, filed on November 1, 2007.
- 10.48 Summary of Non-Employee Director Compensation, incorporated by reference to Exhibit 10.111 of Form 10-Q for the quarter ended September 30, 2007, filed on November 1, 2007.
- 10.49 Directors’ Deferred Fee Plan (2004 Plan) (Amended and Restated on December 4, 2007), incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
- 10.50 Hypothetical Investment Election Form Relating to Directors’ Deferred Fee Plan, incorporated by reference to Exhibit 10.50 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.

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10.51	Directors Deferred Compensation Plan (1999 Plan), incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
10.52	Hypothetical Investment Election Form Relating to Directors' Deferred Compensation Plan, incorporated by reference to Exhibit 10.53 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
10.53	Amended and Restated Supplemental Retirement Plan of CONSOL Energy Inc. effective January 1, 2007, incorporated by reference to Exhibit 10.54 to Form 10-K for the year ended December 31, 2007 (file no. 001-14901), filed on February 19, 2008.
10.54	Trust Agreement (Amended and Restated on March 20, 2008) (1999 Directors Deferred Compensation Plan), incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
10.55	Trust Agreement (Amended and Restated on March 20, 2008) (2004 Directors Deferred Fee Plan), incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
10.56	Long-Term Incentive Program (2008 - 2010), incorporated by reference to Exhibit 10.6 to Form 10-Q for the quarter ending March 31, 2008, filed on April 30, 2008.
10.57	Executive Annual Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed on May 1, 2008.
10.58	Amendment No. 1 To The Master Cooperation And Safety Agreement, incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 2, 2008.
10.59	First Amendment to Amended and Restated Credit Agreement.
12	Computation of Ratio of Earnings to Fixed Charges.
14.1	Code of Employee Business Conduct, incorporated by reference to Exhibit 14.1 to Form 8-K filed on December 5, 2008.
21	Subsidiaries of CONSOL Energy Inc.
23.1	Consent of Ernst & Young LLP
23.2	Consent of PricewaterhouseCoopers LLP.
23.3	Consent of Ralph E. Davis Associates, Inc.
23.4	Consent of Schlumberger Data and Consulting Services
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## **Supplemental Information**

No annual report or proxy material has been sent to shareholders of CONSOL Energy at the time of filing of this Form 10-K. An annual report will be sent to shareholders subsequent to the filing of this Form 10-K. Said annual report will be forwarded to the commission when the same are sent to shareholders of CONSOL Energy.

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

CONSOL ENERGY INC. AND SUBSIDIARIES  
Valuation and Qualifying Accounts  
(Dollars in thousands)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at End of Period</u>
		<u>Charged to Expense</u>	<u>Charged to Deferred Tax Asset</u>	<u>Release of Valuation Allowance</u>	
State operating loss carry-forwards	\$ 36,785	\$ —	\$ —	\$ (2,071)	\$ 34,714
Deferred deductible temporary differences	23,123	—	3,061	—	26,184
	<u>\$59,908</u>	<u>\$ —</u>	<u>\$ 3,061</u>	<u>\$ (2,071)</u>	<u>\$ 60,898</u>

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), dated as of December 2, 2008 (the "Effective Date"), is made between CONSOL Energy Inc., CNX Center, 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317, a Delaware corporation (the "Company"), and J. Brett Harvey (the "Executive").

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, in consideration of the Executive's continued employment with the Company and the Executive's agreement to waive certain rights he may have to receive severance compensation and benefits under any applicable Company severance plan or policy, as set forth below, the Company desires to provide the Executive with certain compensation and benefits set forth in this Agreement in order to ameliorate the financial and career impact on the Executive in the event the Executive's employment with the Company is terminated for a reason related to a Change in Control; and

WHEREAS, the Executive agrees to waive any rights he may have under any Company severance plan or policy with respect to severance compensation and benefits in the event the Executive's employment with the Company is terminated as the result of an Involuntary Termination Associated With a Change in Control (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Base Pay" means the greater of (i) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately preceding the Executive's Termination Date, or (ii) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control.

(b) "Board" means the Board of Directors of the Company. If the Executive is also a member of the Board, then in the case of any provision hereof that requires action by, or a determination of, the Board in connection with this Agreement, it is understood that such provision refers to the members of the Board other than the Executive.

(c) "Cause" means a determination by the Board that the Executive has committed any of the following acts:

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(i) the Executive has been convicted of, or the Executive has pleaded guilty or nolo contendere to, (x) any felony, or (y) any misdemeanor involving fraud, embezzlement or theft; or

(ii) the Executive has wrongfully disclosed material confidential information of the Company or any Subsidiary, has intentionally violated any material express provision of the Company's code of conduct for executives and management employees (as in effect on the date of the Change in Control), or has intentionally failed or refused to perform any of his material assigned duties for the Company; and any such failure or refusal has been demonstrably and materially harmful to the Company.

Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for "Cause" under this subsection (ii) unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than the majority of the members of the Board plus one member, finding that, in the good faith opinion of the Board, the Executive has committed an act constituting "Cause," as herein defined, and specifying the particulars thereof in detail. Prior to any such determination, the Executive shall be provided with reasonable notice of such pending determination and the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), shall be provided with the opportunity to be heard before the Board makes any such determination. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence of any of the following events:

(i) the acquisition after the date hereof by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 25% of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (D) any acquisition of Voting Stock of the Company by an underwriter holding securities of the Company in connection with a public offering thereof, or (E) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) individuals who constitute the Board as of the Effective Date (the "Incumbent Board," as modified by this Section 1(d)(ii)), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) will be deemed to have then been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation of the Company or a direct or indirect wholly owned subsidiary thereof, a sale or other disposition

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(whether by sale, taxable or nontaxable exchange, formation of a joint venture or otherwise) of all or substantially all of the assets of the Company, or other transaction involving the Company (each, a “Business Combination”), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person other than the Company beneficially owns 25% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (disregarding all “acquisitions” described in subsections (A) - (C) of Section 1 (d) (i)), and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(e) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(f) “Code” means the Internal Revenue Code of 1986, as amended.

(g) “Consultancy Period” and “Consultancy Position” shall have the respective meanings assigned to those terms in Section 2(d) hereof.

(h) “Constructive Termination Associated With a Change in Control” means the termination of the Executive’s employment with the Company by the Executive as a result of the occurrence without the Executive’s written consent of one of the following events:

(i) a material adverse change in the Executive’s position with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise) (but excluding any loss of any position with a Subsidiary with respect to which the Executive is not separately compensated) as compared to the Executive’s position with the Company (and/or a Subsidiary) immediately prior to the Change in Control;

(ii) (A) a material reduction in the Executive’s annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control; (B) a material reduction in the Executive’s Target Bonus opportunity in effect immediately prior to the Change in Control; or (C) a material reduction in the level of Employee Benefits provided to the Executive immediately prior to the Change in Control (excluding any reduction that is generally applicable to all or substantially all salaried Company employees);

(iii) a material adverse change in circumstances has occurred following a Change in Control, including, without limitation, a material change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive unable to carry out, has materially hindered the Executive’s performance of, or has caused the Executive to suffer a material reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control; a good faith determination by the

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Executive (that a material adverse change has occurred) will be conclusive and binding upon the parties hereto unless otherwise shown by the Company to be not in good faith);

(iv) in connection with the liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, the Company breached this Agreement by not requiring the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) to assume all duties and obligations of the Company under this Agreement pursuant to Section 14(a); or

(v) the relocation of the Executive's principal work location (other than in connection with a relocation contemplated by the Company as of the date hereof or pursuant to organizational changes in accordance with past practice) to a location that increases the Executive's normal work commute by fifty (50) miles or more as compared to the Executive's normal work commute immediately prior to the Change in Control (excluding in the case of an Executive who is a Vice President/General Manager of Coal Operations, a transfer to a comparable position at another Company or Subsidiary mining facility), or that the Executive's required travel away from his office in the course of discharging his responsibilities or duties of his job is materially increased as compared to that which was required of the Executive in any of the three (3) full years immediately prior to the Change in Control.

Without limiting the generality or effect of the foregoing, the Executive shall have no right to terminate employment in a Constructive Termination Associated With a Change in Control in connection with an event described above unless (A) the Executive provides written notice to the Company within one month of the occurrence of such event that identifies such event with particularity, and (B) the Company fails to correct such event within thirty (30) days after receipt of such notice from the Executive, and (C) such termination must occur within sixty (60) days after the expiration of the failure of the Company to correct the event.

In no event shall the termination of the Executive's employment with the Company on account of the Executive's death or Disability or because the Executive engaged in conduct constituting Cause be deemed to be a Constructive Termination Associated With a Change in Control.

(i) "Disability" means the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive.

(j) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including, without limitation, any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies that may exist as of a Change in Control or any successor policies, plans or arrangements that provide substantially similar perquisites or benefits.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Incentive Pay" means the greater of: (i) the Executive's Target Bonus for which the Executive was eligible during the period that includes the Termination Date, or (ii) the average of the annual bonuses paid by the Company to the Executive for the three years prior to the year that includes

the Termination Date. For purposes of this definition, “Target Bonus” means 100% of the amount established under the CONSOL Energy Inc. Executive Annual Incentive Plan, and any other annual bonus, applicable incentive, commission or other sales incentive compensation, or comparable incentive payment opportunity which, in the sole discretion of the Company, is deemed to constitute a Target Bonus, in addition to Base Pay, for which the Executive was eligible to receive, but did not receive prior to his Termination Date, in regard to services rendered in the year covered by the Executive’s Termination Date and which is to be made pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto. For purposes of this definition, “Incentive Pay” does not include any stock option, stock appreciation, stock purchase, restricted stock, the CONSOL Energy Inc. Long-Term Incentive Programs or similar plan, program, arrangement or grant, one time bonus or payment (including, but not limited to, any sign-on bonus), any amounts contributed by the Company for the benefit of the Executive to any qualified or nonqualified deferred compensation plan, whether or not provided under an arrangement described in the prior sentence, or any amounts designated by the parties as amounts other than Incentive Pay.

(m) “Involuntary Termination Associated With a Change in Control” means the termination of the Executive’s employment related to a Change in Control: (i) involuntarily by the Company for any reason other than Cause, the Executive’s death or the Executive’s Disability, or (ii) on account of a Constructive Termination Associated With a Change in Control.

(n) “Restricted Business” means any business function with a direct competitor of the Company that is substantially similar to the business function performed by the Executive with the Company immediately prior to his Termination Date.

(o) “Restricted Territory” means the counties, towns, cities or states of any country in which the Company operates or does business.

(p) “Subsidiary” means any Company controlled affiliate.

(q) “Termination Date” means the last day of the Executive’s employment with the Company.

(r) “Termination of Employment” means, except as provided in the following sentence and subject to the provisions of Section 19(b), the termination of the Executive’s active employment relationship with the Company on account of an Involuntary Termination Associated With a Change in Control. For purposes of the non-solicitation provision of Section 10 of this Agreement, the term “Termination of Employment” shall mean the termination of the Executive’s employment relationship with the Company for any reason.

(s) “Voting Stock” means securities entitled to vote generally in the election of directors.

## 2. Termination Associated With a Change in Control.

(a) Involuntary Termination Associated With a Change in Control. In the event the Executive’s employment is terminated after, or in connection with, a Change in Control, on account of (i) an Involuntary Termination Associated With a Change in Control within the two year period after the Change in Control, or (ii) an involuntary termination by the Company (other than for Cause or due to the Executive’s death or Disability) that (A) occurs not more than three (3) months prior to the date on which a Change in Control occurs, or (B) is requested by a third party who initiates a Change in Control, the Executive shall be entitled to the benefits provided in subsection (b) of this Section 2. For purposes of subsection 2(a)(ii)(B) above, to be eligible to receive amounts described in Section 2(b) below, a Change in Control must be consummated within the twelve (12) month period following the Executive’s

Termination Date, except in circumstances pursuant to which the consummation of the Change in Control is delayed, through no failure of the Company or the third person, by a governmental or regulatory authority or agency with jurisdiction over the matter, or as a result of other similar circumstances where a third party approval is necessary and is delayed. In such a circumstance, the remainder of the twelve (12) month period shall be tolled and shall recommence upon termination of the delaying event.

(b) Compensation and Benefits Upon Involuntary Termination Associated With a Change in Control. In the event a termination described in subsection (a) of this Section 2 occurs, and subject to the Executive's compliance with the provisions of Section 4 hereof, the Company shall pay and provide to the Executive after his Termination Date:

(i) A lump sum cash payment equal to (A) 3.0 times Base Pay, plus (B) 3.0 times Incentive Pay.

(ii) The Executive shall receive a pro rated payment of his Incentive Pay for the year in which his Termination of Employment occurs. The pro rated payment shall be based on the Executive's Incentive Pay as of the Executive's Termination Date, multiplied by a fraction, the numerator of which is the number of days during which the Executive was employed by the Company in the year of his termination and the denominator of which is 365.

(iii) For the thirty-six (36) month period immediately following the Date of Termination or, if later, the closing dates for the Change in Control:

(1) If the Executive elects COBRA Continuation Coverage, the Executive shall continue to participate in all medical, dental and vision insurance plans he was participating in on the Termination Date, and the Company shall pay the applicable premium. During the applicable period of coverage described in the foregoing sentences, the Executive shall be entitled to benefits on substantially the same basis and cost as would have otherwise been provided had the Executive not separated from service. To the extent that such benefits are available under the above-referenced benefit plans and the Executive had such coverage immediately prior to termination of employment, such continuation of benefits for the Executive shall also cover the Executive's dependents for so long as the Executive is receiving benefits under this paragraph (iv). The COBRA Continuation Period for medical and dental insurance under this paragraph (iv) shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally 18 months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan. For purposes of this Agreement, (1) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and (2) "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of this Agreement which shall commence on the first day of the calendar month following the month in which the date of termination falls and generally shall continue for an 18 month period.

(2) Following the conclusion of the 18 month COBRA period described above, the Company will provide coverage as follows:

(A) If the relevant plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Executive, then the Company will continue to provide coverage under the plan for an additional 18 months and will annually impute income to the Executive for the fair market value of the premium.

(B) If, however, any such plan does not permit the continued participation following the end of the COBRA Continuation Period as contemplated above, then the

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Company will reimburse the Executive for the actual cost to the Executive of any individual health insurance policy obtained by Employee in accordance with the procedures set forth in subsection (iv) below.

(iv) If the Executive would have been eligible for post-retirement medical and dental coverage had he retired from employment during the period of 36 months following his Termination Date, but is not so eligible as the result of his termination, then, at the conclusion of the benefit continuation period described in (iii) above, the Company shall take all commercially reasonable efforts to provide the Executive with additional continued group medical and dental coverage comparable to that which would have been available to him from time to time under the Company's post-retirement medical and dental benefit program, for as long as such coverage would have been available under such program. It is specifically acknowledged by the Executive that if such coverage is provided under a Company sponsored self insured plan, it will be provided on an after-tax basis and the Executive will have income imputed to him annually equal to the fair market value of the premium. If this coverage cannot be provided by the Company, (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), then as an alternative, the Company will reimburse the Executive in lieu of such coverage an amount equal to the Executive's actual and reasonable after-tax cost of continuing comparable coverage.

Reimbursement to the Executive pursuant to subsections (iii) or (iv) above will be available only to the extent that (1) such expense is actually incurred for any particular calendar year and reasonably substantiated; (2) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Executive; (3) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (4) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, no reimbursement will be provided for under subsection (iii) for any expense incurred following the additional 18 months or for any expense which relates to coverage after such date.

(v) A lump sum cash payment equal to the total amount that the Executive would have received under the Company's 401(k) plan as a Company match if the Executive was eligible to participate in the Company's 401(k) plan for the 36 month period after his Termination Date and he contributed the maximum amount to the plan for the match. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vi) A lump sum cash payment equal to the difference between the present value of the Executive's accrued pension benefits at his Termination Date under the Company's qualified defined benefit plan and (if eligible) any plan or plans sponsored by the Company providing nonqualified retirement benefits (which currently includes the CONSOL Energy Inc. Supplemental Retirement Plan and The Retirement Restoration Plan of CONSOL Energy Inc.) (the qualified and nonqualified plans together being referred to as the "pension plans") and the present value of the accrued pension benefits to which the Executive would have been entitled under the pension plans if the Executive had continued participation in those plans for the 36 month period after his Termination Date. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vii) A lump sum cash payment of \$25,000 in order to cover the cost of outplacement assistance services for the Executive and other expenses associated with seeking another employment position.

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(viii) The Executive shall receive any amounts earned, accrued or owing but not yet paid to the Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

(ix) All payments under this subsection 2(b) will be made in a lump sum no later than 60 days after the date of termination (or, if later, the closing date of the Change in Control, as applicable); provided, however, that the benefits due under subsections (iii) and (iv) shall be provided as specified thereunder.

(c) Vesting of Equity Rights. Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all stock options, stock appreciation rights, restricted stock, restricted stock units and other equity rights held by the Executive will become fully vested and/or exercisable, as the case may be, on the date on which the Change in Control occurs, and all stock options or stock appreciation rights held by the Executive shall remain exercisable for the period set forth in the award agreement covering the options or rights.

(d) Consultancy Period Option. In the case of any Involuntary Termination Associated With a Change in Control, the Company may, in its sole discretion, elect to require reasonable cooperation from the Executive following the Executive's Termination Date for a period (the "Consultancy Period") not to exceed 36 months. In the event that the Company so elects, the Executive shall, during the pendency of the Consultancy Period, be available from time to time, at the request of the Company's Chairman of the Board or Chief Executive Officer, to provide advice and assistance concerning (i) the transition of the Executive's duties and responsibilities to any successor to his position, and (ii) any other matters concerning the Company's corporate, business and financial affairs which are consistent with the Executive's expertise and experience. Such advice and assistance may, at the Executive's option, be provided either in person or by telephone or videoconference. In no event shall the Company request, nor shall the Executive be required to provide more than five (5) hours of consulting services per work week, nor to provide such services other than during normal Company business hours. The Executive shall be reimbursed by the Company for any reasonable expenses incurred in connection with the performance of such services, subject to compliance with the Company's standard policies and procedures regarding reimbursement of expenses. The Executive shall be permitted, during the Consultancy Period, to engage in other business and personal activities; provided, that such activities are not inconsistent with the Executive's duties under Sections 9 and 10 hereof.

3. Termination of Employment on Account of Disability, Cause or Death. Notwithstanding anything in this Agreement to the contrary, if the Executive's employment terminates on account of Disability, the Executive shall be entitled to receive disability benefits under any disability program maintained by the Company that covers the Executive, and the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof. If the Executive's employment terminates on account of Cause or because of his death, the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof.

4. Release. To receive the consideration described in Sections 2(b) of this Agreement, the Executive must sign a Separation of Employment and General Release Agreement, substantially in the form attached hereto as Annex A (the "Release"), deliver the signed Release to the Company's General Counsel 30 days (unless a longer period is required by law), and not revoke the Release within the seven-day revocation period provided for in the Release.

5. Enforcement. Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant

period in the Eastern Edition of The Wall Street Journal. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

6. Certain Additional Payments by the Company.

(a) The provisions of this Section 6 shall apply notwithstanding anything in this Agreement or any other agreement to the contrary. Subject to subsection (b) below, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a “Payment”), would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, the Company shall pay the Executive an additional amount (the “Gross-Up Payment”) such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income tax, employment tax, excise tax and other tax imposed upon the Gross-Up Payment, shall be equal to the Payment.

(b) Notwithstanding subsection (a), and notwithstanding any other provisions of this Agreement to the contrary, if the net after-tax benefit to the Executive of receiving the Gross-Up Payment does not exceed the Safe Harbor Amount (as defined below) by more than 10% (as compared to the net-after tax benefit to the Executive resulting from elimination of the Gross-Up Payment and reduction of the Payments to the Safe Harbor Amount), then (i) the Company shall not pay the Executive the Gross-Up Payment, and (ii) the provisions of subsection (c) below shall apply. The term “Safe Harbor Amount” means the maximum dollar amount of parachute payments that may be paid to the Executive under Section 280G of the Code without imposition of an excise tax under Section 4999 of the Code.

(c) The provisions of this subsection (c) shall apply only if the Company is not required to pay the Executive a Gross-Up Payment as a result of subsection (b) above. If the Company is not required to pay the Executive a Gross-Up Payment as a result of the provisions of subsection (b), the Company will apply a limitation on the Payment amount as set forth below (a “Parachute Cap”) as follows: The aggregate present value of the Payments under Section 2(b) of this Agreement (“Agreement Payments”) shall be reduced (but not below zero) to the Reduced Amount; provided, however, that any such reduction shall be applied to Agreement Payments that do not constitute deferred compensation and are exempt or otherwise excepted from coverage under Section 409A (but excluding stock options or other stock rights). The “Reduced Amount” shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be subject to the limitation of deduction under Section 280G of the Code. For purposes of this Section 6, “present value” shall be determined in accordance with Section 280G(d)(4) of the Code.

(d) Except as set forth in the next sentence, all determinations to be made under this Section 6 shall be made by the nationally recognized independent public accounting firm used by the Company immediately prior to the Change in Control (“Accounting Firm”), which Accounting Firm shall provide its determinations and any supporting calculations to the Company and the Executive within ten days of the Executive’s Termination Date. The value of the Executive’s non-competition covenant under Section 10(a) of this Agreement shall be determined by independent appraisal by a nationally-recognized business valuation firm acceptable to both the Executive and the Company, and a portion of the Agreement Payments shall, to the extent of that appraised value, be specifically allocated as reasonable compensation for such non-competition covenant and shall not be treated as a parachute payment. If any Gross-Up Payment is required to be made, the Company shall make the Gross-Up Payment within ten days after receiving the Accounting Firm’s calculations, but in no event later than the end of the Executive’s taxable year following the Executive’s taxable year in which the Executive remits the related taxes. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive.

(e) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 6 shall be borne solely by the Company.

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7. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise. Notwithstanding anything to the contrary contained herein, as a condition to accepting benefits provided hereunder, the Executive will be required to waive, and will be deemed to have waived, any other right or entitlement to severance or termination benefits from the Company or its Subsidiaries.

8. Legal Fees and Expenses. In the event of a Change in Control, it is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if a Change in Control occurs and it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive under Section 2 of this Agreement, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer or employee of the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection, the Company and the Executive agree that a confidential relationship will exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted frivolously, in bad faith or with no colorable claim of success. Such fees and expenses will be paid by the Company as they are incurred by the Executive, but in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the Executive incurs the fees and expenses. In addition, no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year, and the right to this reimbursement is not subject to liquidation or exchange for another benefit.

9. Confidentiality. The Executive hereby covenants and agrees that, except as specifically requested or directed by the Company, he will not disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information (as defined below) of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by the Executive's breach of this Section 9) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, consulting solutions and processes, and all other secrets and all other information of a confidential or proprietary nature which is protected by the Uniform Trade Secrets Act. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 9 will not apply (i) in the course of the business of and for the benefit of the Company, (ii) if such

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confidential or proprietary information has become, through no fault of the Executive, generally known to the public, or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

10. Covenants Not to Compete and Not to Solicit. In the event of the Executive's Termination of Employment, the Company's obligations to provide the payments and benefits set forth in Section 2 shall be expressly conditioned upon the Executive's compliance with the covenants not to compete and not to solicit as provided herein. In the event the Executive breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Section 2 shall cease, without prejudice to any other remedies that may be available to the Company.

(a) Covenant Not to Compete. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of one (1) year following the Executive's Termination Date, the Executive shall not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in a financing, operation, management or control of, any person, firm, corporation or business that is a Restricted Business in a Restricted Territory without the prior written consent of the Board. For this purpose, ownership of no more than 5% of the outstanding Voting Stock of a publicly traded corporation shall not constitute a violation of this provision.

(b) Covenant Not to Solicit. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of two (2) years following the Executive's Termination Date, the Executive shall not: (i) solicit, encourage or take any other action which is intended to induce any other employee of the Company to terminate his employment with the Company; or (ii) interfere in any manner with the contractual or employment relationship between the Company and any such employee of the Company. The foregoing shall not prohibit the Executive or any entity with which the Executive may be affiliated from hiring a former employee of the Company; provided, that such hiring results exclusively from such former employee's affirmative response to a general recruitment effort.

(c) Interpretation. The covenants contained herein are intended to be construed as a series of separate covenants, one for each county, town, city and state or other political subdivision of a Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding subsections. If, in any judicial proceeding, the court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in such subsections, then such unenforceable covenant (or such part) shall be deemed to be eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced.

(d) Reasonableness. In the event that the provisions of this Section 10 shall ever be deemed to exceed the time, scope or geographic limitations permitted by applicable laws, then such provisions shall be reformed to the maximum time, scope or geographic limitations, as the case may be, permitted by applicable laws.

11. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control.

12. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

13. Term of Agreement. The term of this Agreement shall commence on the Effective Date hereof and shall continue until December 31, 2008; provided, however, that commencing on January 1, 2009, and each January 1 thereafter, the term of this Agreement shall automatically be extended until the following December 31 unless the Company gives notice not later than October 31 of the preceding year that it does not wish to extend this Agreement; and provided, further, that regardless of any such notice by the Company, this Agreement shall continue in effect for a period of 24 months beyond the term provided herein if a Change in Control of the Company occurs during the period that this Agreement is in effect.

14. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees. This Agreement will supersede the provisions of any employment or other agreement between the Executive and the Company that relate to any matter that is also the subject of this Agreement, and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 14(a) and (b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 14(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

15. Notices. For all purposes of this Agreement, all communications, including without limitation, notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed by the recipient), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized courier service for overnight/next-day delivery, such as FedEx, UPS, or the United States Postal Service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflict of laws of such Commonwealth.

17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

18. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto. Whenever used herein, the masculine includes the feminine.

19. Code Section 409A.

(a) If any benefit provided under this Agreement is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed.)

(b) Severance benefits are payable only if the Executive is involuntarily terminated by the Company as provided under this Agreement. For purposes of the Agreement, the Executive shall be considered to have experienced a termination of employment only if the Executive has terminated employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Executive has terminated employment will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

(c) For purposes of Section 409A, each severance benefit payment shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment that is scheduled to be made on or before March 15th of the calendar year following the calendar year containing the Executive's termination date (or, if later, the closing date of the Change in Control) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii). The Executive shall have no right to designate the date of any payment under this Agreement.

(d) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on permissible distribution event and at a specified time consistent with Section 409A of the Code. The Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account or a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if

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earlier, the death of the Executive) if the Executive is a “specified employee” (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Company). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the 6-month anniversary of the date of termination.

20. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties’ respective rights and obligations under Sections 2, 6, 8, 9, and 10 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment for any reason whatsoever.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

*[Remainder of Page Intentionally Left Blank]*

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*[Signature Page for Change In Control Agreement]*

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered December 21, 2008, but effective as of the date first above written.

CONSOL Energy Inc.

By:

/s/ John Whitmire

Name: John Whitmire  
Title: Chairman

J. Brett Harvey

/s/ J. Brett Harvey

SEPARATION OF EMPLOYMENT AND GENERAL RELEASE AGREEMENT

THIS SEPARATION OF EMPLOYMENT AGREEMENT AND GENERAL RELEASE (the "Agreement") is made as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between CONSOL Energy Inc. (the "Company") and \_\_\_\_\_ (the "Executive").

WHEREAS, the Executive formerly was employed by the Company as \_\_\_\_\_; and

WHEREAS, the Executive and Company entered into a Change in Control Severance Agreement, dated \_\_\_\_\_, 200\_\_, (the "Severance Agreement") which provides for certain payments and benefits in the event that the Executive's employment is terminated on account of a reason set forth in the Severance Agreement; and

WHEREAS, the Executive's employment with the Company was terminated for reasons that qualify the Executive to receive certain payments and benefits, as set forth in Section 2(b) of the Severance Agreement, subject to, among other things, the Executive's execution of this Agreement.

NOW, THEREFORE, for and in consideration of the Company's commitments in Section 2(b) of the Severance Agreement, the Executive and the Company hereby agree as follows:

1. (a) The Executive does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, subsidiaries and parents, and its and their respective officers, directors, employees, and agents, and its and their respective successors and assigns, heirs, executors, and administrators, as well as the current and former fiduciaries of any pension, welfare, or other benefit plans applicable to the employees or former employees of the Company, and the current and former welfare and other benefit plans sponsored by the Company (collectively, "Releasees") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Executive ever had, now has, or hereafter may have, whether known or unknown, or which the Executive's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from the beginning of time to the date the Executive signs this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Executive's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Worker Readjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Employee Retirement Income Security Act of 1974, the Pennsylvania Human Relations Act, and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort.

(b) Although Paragraph 1(a) is intended to be a general release, it is understood and agreed that Paragraph 1(a) excludes claims related to the Executive's right to receive the payments and benefits described in Section 2(b) of the Severance Agreement, as well as claims under any statute or common law that the Executive is legally barred from releasing, such as the Executive's entitlement to vested pension benefits.

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(c) Nothing herein is intended to or shall preclude the Executive from filing a charge with any appropriate federal, state or local government agency and/or cooperating with said agency in its investigation. The Executive, however, explicitly waives any right to file a personal lawsuit or receive monetary damages that the agency may recover against the Releasees, without regard as to who brought any said complaint or charge. Employee further agrees that to the extent any relief, including monetary relief, is awarded in any such proceeding, all amounts paid as consideration under Section 2(b) of the Separation Agreement shall be a setoff and credit against any such award to the fullest extent permitted by law.

(d) The Executive represents and agrees by signing below that the Executive has not been denied any leave or benefit requested, has received the appropriate pay for all hours worked for the Company, and has no known workplace injuries or occupational diseases.

(e) To the fullest extent permitted by law, the Executive represents and affirms that (i) [ **other than** \_\_\_\_\_,] the Executive has not filed or caused to be filed on the Executive's behalf any claim for relief against any Releasee and, to the best of the Executive's knowledge and belief, no outstanding claims for relief have been filed or asserted against the Company or any Releasee on the Executive's behalf; and (ii) [ **other than** \_\_\_\_\_,] the Executive has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company, to any member of the Company's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. The Executive agrees to promptly dismiss with prejudice all claims for relief filed before the date the Executive signs this Agreement.

2. The Company, for and in consideration of the commitments of the Executive as set forth in this Agreement, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Executive from all claims, demands or causes of action arising out of facts or occurrences prior to the date of this Agreement, but only to the extent the Company knows or reasonably should know of such facts or occurrence and only to the extent such claim, demand or cause of action relates to a violation of applicable law or the performance of the Executive's duties with the Company; provided, however, that this release of claims shall not in any case be effective with respect to any claim by the Company alleging a breach of the Executive's obligations under this Agreement. [Note: The Company and the Executive may, but shall not be required to mutually agree on a case-by-case basis at the time of the signing of this release to include the foregoing provision, or a substantially similar provision, to this Agreement.

3. The Executive further agrees and recognizes that the Executive's employment relationship with the Company has been permanently severed, that the Executive shall not seek employment with the Company or any affiliated entity at any time in the future, and that the Company has no obligation to employ the Executive in the future.

4. The Executive further agrees that the Executive will not disparage or subvert the Company, or make any statement reflecting negatively on the Releasees including, but not limited to, statements relating to the operation or management of the Company, the Executive's employment and the termination of the Executive's employment, irrespective of the truthfulness or falsity of such statement.

5. The Executive acknowledges that if the Executive had not executed this Agreement containing a release of all claims, the Executive would not have been entitled to the payments and benefits set forth in Section 2(b) of the Severance Agreement.

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6. This Agreement contains the entire agreement between the Company and the Executive relating to the subject matter hereof. No prior or contemporaneous oral or written agreements or representations may be offered to alter the terms of this Agreement. To the extent Employee has entered into other agreements with the Company that are not in conflict with this Agreement, including, but not limited to the Severance Agreement, the terms of this Agreement shall not supersede, but shall be in addition to such other agreements.

7. The Executive agrees not to disclose the terms of this Agreement or the Severance Agreement to anyone, except the Executive's spouse, attorney and, as necessary, tax/financial advisor. Likewise, the Company agrees that the terms of this Agreement will not be disclosed except as may be necessary to obtain approval or authorization to fulfill its obligations hereunder or as required by law. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

8. The Executive represents that the Executive has returned to the Company and does not presently have in the Executive's possession or control any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Executive's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Executive while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. In addition, the Executive has or will promptly return in good condition any other Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops and computers. At the Executive's request, the Company will make reasonable arrangements to transfer cellular phone numbers and personal fax numbers to the Executive.

9. Nothing in this Agreement shall prohibit or restrict the Executive from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

10. The parties agree and acknowledge that the agreement by the Company described herein, and the release of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Executive.

11. The Executive agrees and recognizes that should the Executive breach any of the obligations or covenants set forth in Section 10 of the Severance Agreement, the Company will have no further obligation to provide the Executive with the consideration set in Section 2(b) of the Severance Agreement, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Notwithstanding the foregoing, the Executive acknowledges that if the Executive breaches Section 10 of the Severance Agreement, and if the Company's terminates or recovers any of the payments or benefits provided under Section 2(b) of the Severance Agreement (as provided for in Section 10 of the Severance Agreement), the release provided by Section 1 of this Agreement shall remain valid and enforceable.

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12. The Executive further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

13. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

14. The Executive certifies and acknowledges as follows:

(a) That the Executive has read the terms of this Agreement, and that the Executive understands its terms and effects, including the fact that the Executive has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Executive's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Executive has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Executive acknowledges is adequate and satisfactory to him and which the Executive acknowledges is in addition to any other benefits to which the Executive is otherwise entitled; and

(c) That the Executive has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement; and

(d) That the Executive does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided the Executive with a period of [ **twenty-one (21)** ] or [ **forty-five (45)** ] days within which to consider this Agreement, and that the Executive has signed on the date indicated below after concluding that this Separation of Employment Agreement and General Release is satisfactory; and

(f) The Executive acknowledges that this Agreement may be revoked by within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Executive, this Agreement will be deemed null and void and the Company will have no obligations hereunder or under Section 2(b) of the Separation Agreement.

[SIGNATURE PAGE FOLLOWS]

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Intending to be legally bound hereby, the Executive and the Company executed the foregoing Separation of Employment Agreement and General Release  
this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Executive J. Brett Harvey

CONSOL Energy Inc.

By: \_\_\_\_\_  
Name:  
Title:

Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), dated as of December 2, 2008 (the "Effective Date"), is made between CONSOL Energy Inc., CNX Center, 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317, a Delaware corporation (the "Company"), and William Lyons (the "Executive").

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, in consideration of the Executive's continued employment with the Company and the Executive's agreement to waive certain rights he may have to receive severance compensation and benefits under any applicable Company severance plan or policy, as set forth below, the Company desires to provide the Executive with certain compensation and benefits set forth in this Agreement in order to ameliorate the financial and career impact on the Executive in the event the Executive's employment with the Company is terminated for a reason related to a Change in Control; and

WHEREAS, the Executive agrees to waive any rights he may have under any Company severance plan or policy with respect to severance compensation and benefits in the event the Executive's employment with the Company is terminated as the result of an Involuntary Termination Associated With a Change in Control (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Base Pay" means the greater of (i) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately preceding the Executive's Termination Date, or (ii) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control.

(b) "Board" means the Board of Directors of the Company. If the Executive is also a member of the Board, then in the case of any provision hereof that requires action by, or a determination of, the Board in connection with this Agreement, it is understood that such provision refers to the members of the Board other than the Executive.

(c) "Cause" means a determination by the Board that the Executive has committed any of the following acts:

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(i) the Executive has been convicted of, or the Executive has pleaded guilty or nolo contendere to, (x) any felony, or (y) any misdemeanor involving fraud, embezzlement or theft; or

(ii) the Executive has wrongfully disclosed material confidential information of the Company or any Subsidiary, has intentionally violated any material express provision of the Company's code of conduct for executives and management employees (as in effect on the date of the Change in Control), or has intentionally failed or refused to perform any of his material assigned duties for the Company; and any such failure or refusal has been demonstrably and materially harmful to the Company.

Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for "Cause" under this subsection (ii) unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than the majority of the members of the Board plus one member, finding that, in the good faith opinion of the Board, the Executive has committed an act constituting "Cause," as herein defined, and specifying the particulars thereof in detail. Prior to any such determination, the Executive shall be provided with reasonable notice of such pending determination and the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), shall be provided with the opportunity to be heard before the Board makes any such determination. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence of any of the following events:

(i) the acquisition after the date hereof by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 25% of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (D) any acquisition of Voting Stock of the Company by an underwriter holding securities of the Company in connection with a public offering thereof, or (E) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) individuals who constitute the Board as of the Effective Date (the "Incumbent Board," as modified by this Section 1(d)(ii)), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) will be deemed to have then been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation of the Company or a direct or indirect wholly owned subsidiary thereof, a sale or other disposition

(whether by sale, taxable or nontaxable exchange, formation of a joint venture or otherwise) of all or substantially all of the assets of the Company, or other transaction involving the Company (each, a “Business Combination”), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person other than the Company beneficially owns 25% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (disregarding all “acquisitions” described in subsections (A) - (C) of Section 1 (d) (i)), and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(e) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(f) “Code” means the Internal Revenue Code of 1986, as amended.

(g) “Consultancy Period” and “Consultancy Position” shall have the respective meanings assigned to those terms in Section 2(d) hereof.

(h) “Constructive Termination Associated With a Change in Control” means the termination of the Executive’s employment with the Company by the Executive as a result of the occurrence without the Executive’s written consent of one of the following events:

(i) a material adverse change in the Executive’s position with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise) (but excluding any loss of any position with a Subsidiary with respect to which the Executive is not separately compensated) as compared to the Executive’s position with the Company (and/or a Subsidiary) immediately prior to the Change in Control;

(ii) (A) a material reduction in the Executive’s annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control; (B) a material reduction in the Executive’s Target Bonus opportunity in effect immediately prior to the Change in Control; or (C) a material reduction in the level of Employee Benefits provided to the Executive immediately prior to the Change in Control (excluding any reduction that is generally applicable to all or substantially all salaried Company employees);

(iii) a material adverse change in circumstances has occurred following a Change in Control, including, without limitation, a material change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive unable to carry out, has materially hindered the Executive’s performance of, or has caused the Executive to suffer a material reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control; a good faith determination by the Executive (that a material adverse change has occurred) will be conclusive and binding upon the parties hereto unless otherwise shown by the Company to be not in good faith);

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(iv) in connection with the liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, the Company breached this Agreement by not requiring the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) to assume all duties and obligations of the Company under this Agreement pursuant to Section 14(a); or

(v) the relocation of the Executive's principal work location (other than in connection with a relocation contemplated by the Company as of the date hereof or pursuant to organizational changes in accordance with past practice) to a location that increases the Executive's normal work commute by fifty (50) miles or more as compared to the Executive's normal work commute immediately prior to the Change in Control (excluding in the case of an Executive who is a Vice President/General Manager of Coal Operations, a transfer to a comparable position at another Company or Subsidiary mining facility), or that the Executive's required travel away from his office in the course of discharging his responsibilities or duties of his job is materially increased as compared to that which was required of the Executive in any of the three (3) full years immediately prior to the Change in Control.

Without limiting the generality or effect of the foregoing, the Executive shall have no right to terminate employment in a Constructive Termination Associated With a Change in Control in connection with an event described above unless (A) the Executive provides written notice to the Company within one month of the occurrence of such event that identifies such event with particularity, and (B) the Company fails to correct such event within thirty (30) days after receipt of such notice from the Executive, and (C) such termination must occur within sixty (60) days after the expiration of the failure of the Company to correct the event.

In no event shall the termination of the Executive's employment with the Company on account of the Executive's death or Disability or because the Executive engaged in conduct constituting Cause be deemed to be a Constructive Termination Associated With a Change in Control.

(i) "Disability" means the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive.

(j) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including, without limitation, any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies that may exist as of a Change in Control or any successor policies, plans or arrangements that provide substantially similar perquisites or benefits.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Incentive Pay" means the greater of: (i) the Executive's Target Bonus for which the Executive was eligible during the period that includes the Termination Date, or (ii) the average of the annual bonuses paid by the Company to the Executive for the three years prior to the year that includes

the Termination Date. For purposes of this definition, “Target Bonus” means 100% of the amount established under the CONSOL Energy Inc. Executive Annual Incentive Plan, and any other annual bonus, applicable incentive, commission or other sales incentive compensation, or comparable incentive payment opportunity which, in the sole discretion of the Company, is deemed to constitute a Target Bonus, in addition to Base Pay, for which the Executive was eligible to receive, but did not receive prior to his Termination Date, in regard to services rendered in the year covered by the Executive’s Termination Date and which is to be made pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto. For purposes of this definition, “Incentive Pay” does not include any stock option, stock appreciation, stock purchase, restricted stock, the CONSOL Energy Inc. Long-Term Incentive Programs or similar plan, program, arrangement or grant, one time bonus or payment (including, but not limited to, any sign-on bonus), any amounts contributed by the Company for the benefit of the Executive to any qualified or nonqualified deferred compensation plan, whether or not provided under an arrangement described in the prior sentence, or any amounts designated by the parties as amounts other than Incentive Pay.

(m) “Involuntary Termination Associated With a Change in Control” means the termination of the Executive’s employment related to a Change in Control: (i) involuntarily by the Company for any reason other than Cause, the Executive’s death or the Executive’s Disability, or (ii) on account of a Constructive Termination Associated With a Change in Control.

(n) “Restricted Business” means any business function with a direct competitor of the Company that is substantially similar to the business function performed by the Executive with the Company immediately prior to his Termination Date.

(o) “Restricted Territory” means the counties, towns, cities or states of any country in which the Company operates or does business.

(p) “Subsidiary” means any Company controlled affiliate.

(q) “Termination Date” means the last day of the Executive’s employment with the Company.

(r) “Termination of Employment” means, except as provided in the following sentence and subject to the provisions of Section 19(b), the termination of the Executive’s active employment relationship with the Company on account of an Involuntary Termination Associated With a Change in Control. For purposes of the non-solicitation provision of Section 10 of this Agreement, the term “Termination of Employment” shall mean the termination of the Executive’s employment relationship with the Company for any reason.

(s) “Voting Stock” means securities entitled to vote generally in the election of directors.

## 2. Termination Associated With a Change in Control.

(a) Involuntary Termination Associated With a Change in Control. In the event the Executive’s employment is terminated after, or in connection with, a Change in Control, on account of (i) an Involuntary Termination Associated With a Change in Control within the two year period after the Change in Control, or (ii) an involuntary termination by the Company (other than for Cause or due to the Executive’s death or Disability) that (A) occurs not more than three (3) months prior to the date on which a Change in Control occurs, or (B) is requested by a third party who initiates a Change in Control, the Executive shall be entitled to the benefits provided in subsection (b) of this Section 2. For purposes of subsection 2(a)(ii)(B) above, to be eligible to receive amounts described in Section 2(b) below, a Change in Control must be consummated within the twelve (12) month period following the Executive’s

Termination Date, except in circumstances pursuant to which the consummation of the Change in Control is delayed, through no failure of the Company or the third person, by a governmental or regulatory authority or agency with jurisdiction over the matter, or as a result of other similar circumstances where a third party approval is necessary and is delayed. In such a circumstance, the remainder of the twelve (12) month period shall be tolled and shall recommence upon termination of the delaying event.

(b) Compensation and Benefits Upon Involuntary Termination Associated With a Change in Control. In the event a termination described in subsection (a) of this Section 2 occurs, and subject to the Executive's compliance with the provisions of Section 4 hereof, the Company shall pay and provide to the Executive after his Termination Date:

(i) A lump sum cash payment equal to (A) 2.5 times Base Pay, plus (B) 2.5 times Incentive Pay.

(ii) The Executive shall receive a pro rated payment of his Incentive Pay for the year in which his Termination of Employment occurs. The pro rated payment shall be based on the Executive's Incentive Pay as of the Executive's Termination Date, multiplied by a fraction, the numerator of which is the number of days during which the Executive was employed by the Company in the year of his termination and the denominator of which is 365.

(iii) For the twenty-four (24) month period immediately following the Date of Termination or, if later, the closing dates for the Change in Control:

(1) If the Executive elects COBRA Continuation Coverage, the Executive shall continue to participate in all medical, dental and vision insurance plans he was participating in on the Termination Date, and the Company shall pay the applicable premium. During the applicable period of coverage described in the foregoing sentences, the Executive shall be entitled to benefits on substantially the same basis and cost as would have otherwise been provided had the Executive not separated from service. To the extent that such benefits are available under the above-referenced benefit plans and the Executive had such coverage immediately prior to termination of employment, such continuation of benefits for the Executive shall also cover the Executive's dependents for so long as the Executive is receiving benefits under this paragraph (iv). The COBRA Continuation Period for medical and dental insurance under this paragraph (iv) shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally 18 months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan. For purposes of this Agreement, (1) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and (2) "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of this Agreement which shall commence on the first day of the calendar month following the month in which the date of termination falls and generally shall continue for an 18 month period.

(2) Following the conclusion of the 18 month COBRA period described above, the Company will provide coverage as follows:

(A) If the relevant plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Executive, then the Company will continue to provide coverage under the plan for an additional six (6) months and will annually impute income to the Executive for the fair market value of the premium.

(B) If, however, any such plan does not permit the continued participation following the end of the COBRA Continuation Period as contemplated above, then the

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Company will reimburse the Executive for the actual cost to the Executive of any individual health insurance policy obtained by Employee in accordance with the procedures set forth in subsection (iv) below.

(iv) If the Executive would have been eligible for post-retirement medical and dental coverage had he retired from employment during the period of twenty-four (24) months following his Termination Date, but is not so eligible as the result of his termination, then, at the conclusion of the benefit continuation period described in (iii) above, the Company shall take all commercially reasonable efforts to provide the Executive with additional continued group medical and dental coverage comparable to that which would have been available to him from time to time under the Company's post-retirement medical and dental benefit program, for as long as such coverage would have been available under such program. It is specifically acknowledged by the Executive that if such coverage is provided under a Company sponsored self insured plan, it will be provided on an after-tax basis and the Executive will have income imputed to him annually equal to the fair market value of the premium. If this coverage cannot be provided by the Company, (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), then as an alternative, the Company will reimburse the Executive in lieu of such coverage an amount equal to the Executive's actual and reasonable after-tax cost of continuing comparable coverage.

Reimbursement to the Executive pursuant to subsections (iii) or (iv) above will be available only to the extent that (1) such expense is actually incurred for any particular calendar year and reasonably substantiated; (2) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Executive; (3) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (4) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, no reimbursement will be provided for under subsection (iii) for any expense incurred following the additional six (6) months or for any expense which relates to coverage after such date.

(v) A lump sum cash payment equal to the total amount that the Executive would have received under the Company's 401(k) plan as a Company match if the Executive was eligible to participate in the Company's 401(k) plan for the thirty (30) month period after his Termination Date and he contributed the maximum amount to the plan for the match. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vi) A lump sum cash payment equal to the difference between the present value of the Executive's accrued pension benefits at his Termination Date under the Company's qualified defined benefit plan and (if eligible) any plan or plans sponsored by the Company providing nonqualified retirement benefits (which currently includes the CONSOL Energy Inc. Supplemental Retirement Plan and The Retirement Restoration Plan of CONSOL Energy Inc.) (the qualified and nonqualified plans together being referred to as the "pension plans") and the present value of the accrued pension benefits to which the Executive would have been entitled under the pension plans if the Executive had continued participation in those plans for the thirty (30) month period after his Termination Date. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vii) A lump sum cash payment of \$25,000 in order to cover the cost of outplacement assistance services for the Executive and other expenses associated with seeking another employment position.

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(viii) The Executive shall receive any amounts earned, accrued or owing but not yet paid to the Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

(ix) All payments under this subsection 2(b) will be made in a lump sum no later than 60 days after the date of termination (or, if later, the closing date of the Change in Control, as applicable); provided, however, that the benefits due under subsections (iii) and (iv) shall be provided as specified thereunder.

(c) Vesting of Equity Rights. Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all stock options, stock appreciation rights, restricted stock, restricted stock units and other equity rights held by the Executive will become fully vested and/or exercisable, as the case may be, on the date on which the Change in Control occurs, and all stock options or stock appreciation rights held by the Executive shall remain exercisable for the period set forth in the award agreement covering the options or rights.

(d) Consultancy Period Option. In the case of any Involuntary Termination Associated With a Change in Control, the Company may, in its sole discretion, elect to require reasonable cooperation from the Executive following the Executive's Termination Date for a period (the "Consultancy Period") not to exceed 24 months. In the event that the Company so elects, the Executive shall, during the pendency of the Consultancy Period, be available from time to time, at the request of the Company's Chairman of the Board or Chief Executive Officer, to provide advice and assistance concerning (i) the transition of the Executive's duties and responsibilities to any successor to his position, and (ii) any other matters concerning the Company's corporate, business and financial affairs which are consistent with the Executive's expertise and experience. Such advice and assistance may, at the Executive's option, be provided either in person or by telephone or videoconference. In no event shall the Company request, nor shall the Executive be required to provide more than five (5) hours of consulting services per work week, nor to provide such services other than during normal Company business hours. The Executive shall be reimbursed by the Company for any reasonable expenses incurred in connection with the performance of such services, subject to compliance with the Company's standard policies and procedures regarding reimbursement of expenses. The Executive shall be permitted, during the Consultancy Period, to engage in other business and personal activities; provided, that such activities are not inconsistent with the Executive's duties under Sections 9 and 10 hereof.

3. Termination of Employment on Account of Disability, Cause or Death. Notwithstanding anything in this Agreement to the contrary, if the Executive's employment terminates on account of Disability, the Executive shall be entitled to receive disability benefits under any disability program maintained by the Company that covers the Executive, and the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof. If the Executive's employment terminates on account of Cause or because of his death, the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof.

4. Release. To receive the consideration described in Sections 2(b) of this Agreement, the Executive must sign a Separation of Employment and General Release Agreement, substantially in the form attached hereto as Annex A (the "Release"), deliver the signed Release to the Company's General Counsel 30 days (unless a longer period is required by law), and not revoke the Release within the seven-day revocation period provided for in the Release.

5. Enforcement. Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant period in the Eastern Edition of The Wall Street Journal. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

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6. Certain Additional Payments by the Company.

(a) The provisions of this Section 6 shall apply notwithstanding anything in this Agreement or any other agreement to the contrary. Subject to subsection (b) below, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a “Payment”), would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, the Company shall pay the Executive an additional amount (the “Gross-Up Payment”) such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income tax, employment tax, excise tax and other tax imposed upon the Gross-Up Payment, shall be equal to the Payment.

(b) Notwithstanding subsection (a), and notwithstanding any other provisions of this Agreement to the contrary, if the net after-tax benefit to the Executive of receiving the Gross-Up Payment does not exceed the Safe Harbor Amount (as defined below) by more than 10% (as compared to the net-after tax benefit to the Executive resulting from elimination of the Gross-Up Payment and reduction of the Payments to the Safe Harbor Amount), then (i) the Company shall not pay the Executive the Gross-Up Payment, and (ii) the provisions of subsection (c) below shall apply. The term “Safe Harbor Amount” means the maximum dollar amount of parachute payments that may be paid to the Executive under Section 280G of the Code without imposition of an excise tax under Section 4999 of the Code.

(c) The provisions of this subsection (c) shall apply only if the Company is not required to pay the Executive a Gross-Up Payment as a result of subsection (b) above. If the Company is not required to pay the Executive a Gross-Up Payment as a result of the provisions of subsection (b), the Company will apply a limitation on the Payment amount as set forth below (a “Parachute Cap”) as follows: The aggregate present value of the Payments under Section 2(b) of this Agreement (“Agreement Payments”) shall be reduced (but not below zero) to the Reduced Amount; provided, however, that any such reduction shall be applied to Agreement Payments that do not constitute deferred compensation and are exempt or otherwise excepted from coverage under Section 409A (but excluding stock options or other stock rights). The “Reduced Amount” shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be subject to the limitation of deduction under Section 280G of the Code. For purposes of this Section 6, “present value” shall be determined in accordance with Section 280G(d)(4) of the Code.

(d) Except as set forth in the next sentence, all determinations to be made under this Section 6 shall be made by the nationally recognized independent public accounting firm used by the Company immediately prior to the Change in Control (“Accounting Firm”), which Accounting Firm shall provide its determinations and any supporting calculations to the Company and the Executive within ten days of the Executive’s Termination Date. The value of the Executive’s non-competition covenant under Section 10(a) of this Agreement shall be determined by independent appraisal by a nationally-recognized business valuation firm acceptable to both the Executive and the Company, and a portion of the Agreement Payments shall, to the extent of that appraised value, be specifically allocated as reasonable compensation for such non-competition covenant and shall not be treated as a parachute payment. If any Gross-Up Payment is required to be made, the Company shall make the Gross-Up Payment within ten days after receiving the Accounting Firm’s calculations, but in no event later than the end of the Executive’s taxable year following the Executive’s taxable year in which the Executive remits the related taxes. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive.

(e) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 6 shall be borne solely by the Company.

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7. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise. Notwithstanding anything to the contrary contained herein, as a condition to accepting benefits provided hereunder, the Executive will be required to waive, and will be deemed to have waived, any other right or entitlement to severance or termination benefits from the Company or its Subsidiaries.

8. Legal Fees and Expenses. In the event of a Change in Control, it is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if a Change in Control occurs and it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive under Section 2 of this Agreement, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer or employee of the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection, the Company and the Executive agree that a confidential relationship will exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted frivolously, in bad faith or with no colorable claim of success. Such fees and expenses will be paid by the Company as they are incurred by the Executive, but in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the Executive incurs the fees and expenses. In addition, no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year, and the right to this reimbursement is not subject to liquidation or exchange for another benefit.

9. Confidentiality. The Executive hereby covenants and agrees that, except as specifically requested or directed by the Company, he will not disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information (as defined below) of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by the Executive's breach of this Section 9) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, consulting solutions and processes, and all other secrets and all other information of a confidential or proprietary nature which is protected by the Uniform Trade Secrets Act. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 9 will not apply (i) in the course of the business of and for the benefit of the Company, (ii) if such

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confidential or proprietary information has become, through no fault of the Executive, generally known to the public, or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

10. Covenants Not to Compete and Not to Solicit. In the event of the Executive's Termination of Employment, the Company's obligations to provide the payments and benefits set forth in Section 2 shall be expressly conditioned upon the Executive's compliance with the covenants not to compete and not to solicit as provided herein. In the event the Executive breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Section 2 shall cease, without prejudice to any other remedies that may be available to the Company.

(a) Covenant Not to Compete. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of one (1) year following the Executive's Termination Date, the Executive shall not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in a financing, operation, management or control of, any person, firm, corporation or business that is a Restricted Business in a Restricted Territory without the prior written consent of the Board. For this purpose, ownership of no more than 5% of the outstanding Voting Stock of a publicly traded corporation shall not constitute a violation of this provision.

(b) Covenant Not to Solicit. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of two (2) years following the Executive's Termination Date, the Executive shall not: (i) solicit, encourage or take any other action which is intended to induce any other employee of the Company to terminate his employment with the Company; or (ii) interfere in any manner with the contractual or employment relationship between the Company and any such employee of the Company. The foregoing shall not prohibit the Executive or any entity with which the Executive may be affiliated from hiring a former employee of the Company; provided, that such hiring results exclusively from such former employee's affirmative response to a general recruitment effort.

(c) Interpretation. The covenants contained herein are intended to be construed as a series of separate covenants, one for each county, town, city and state or other political subdivision of a Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding subsections. If, in any judicial proceeding, the court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in such subsections, then such unenforceable covenant (or such part) shall be deemed to be eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced.

(d) Reasonableness. In the event that the provisions of this Section 10 shall ever be deemed to exceed the time, scope or geographic limitations permitted by applicable laws, then such provisions shall be reformed to the maximum time, scope or geographic limitations, as the case may be, permitted by applicable laws.

11. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control.

12. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

13. Term of Agreement. The term of this Agreement shall commence on the Effective Date hereof and shall continue until December 31, 2008; provided, however, that commencing on January 1, 2009, and each January 1 thereafter, the term of this Agreement shall automatically be extended until the following December 31 unless the Company gives notice not later than October 31 of the preceding year that it does not wish to extend this Agreement; and provided, further, that regardless of any such notice by the Company, this Agreement shall continue in effect for a period of 24 months beyond the term provided herein if a Change in Control of the Company occurs during the period that this Agreement is in effect.

14. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees. This Agreement will supersede the provisions of any employment or other agreement between the Executive and the Company that relate to any matter that is also the subject of this Agreement, and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 14(a) and (b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 14(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

15. Notices. For all purposes of this Agreement, all communications, including without limitation, notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed by the recipient), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized courier service for overnight/next-day delivery, such as FedEx, UPS, or the United States Postal Service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflict of laws of such Commonwealth.

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17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

18. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto. Whenever used herein, the masculine includes the feminine.

19. Code Section 409A.

(a) If any benefit provided under this Agreement is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed.)

(b) Severance benefits are payable only if the Executive is involuntarily terminated by the Company as provided under this Agreement. For purposes of the Agreement, the Executive shall be considered to have experienced a termination of employment only if the Executive has terminated employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Executive has terminated employment will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

(c) For purposes of Section 409A, each severance benefit payment shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment that is scheduled to be made on or before March 15th of the calendar year following the calendar year containing the Executive's termination date (or, if later, the closing date of the Change in Control) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii). The Executive shall have no right to designate the date of any payment under this Agreement.

(d) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on permissible distribution event and at a specified time consistent with Section 409A of the Code. The Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account or a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if

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earlier, the death of the Executive ) if the Executive is a “specified employee” (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Company). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the 6-month anniversary of the date of termination.

20. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties’ respective rights and obligations under Sections 2, 6, 8, 9, and 10 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment for any reason whatsoever.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

*[Remainder of Page Intentionally Left Blank]*

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*[Signature Page for Change In Control Agreement]*

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered December 18, 2008, but effective as of the date first above written.

CONSOL Energy Inc.

By:

/s/ J. Brett Harvey

Name: J. Brett Harvey

Title: President and Chief Executive Officer

William Lyons

/s/ William Lyons

SEPARATION OF EMPLOYMENT AND GENERAL RELEASE AGREEMENT

THIS SEPARATION OF EMPLOYMENT AGREEMENT AND GENERAL RELEASE (the "Agreement") is made as of this \_\_\_ day of \_\_\_\_\_, \_\_\_ by and between CONSOL Energy Inc. (the "Company") and \_\_\_\_\_ (the "Executive").

WHEREAS, the Executive formerly was employed by the Company as \_\_\_\_\_; and

WHEREAS, the Executive and Company entered into a Change in Control Severance Agreement, dated \_\_\_\_\_, 200\_, (the "Severance Agreement") which provides for certain payments and benefits in the event that the Executive's employment is terminated on account of a reason set forth in the Severance Agreement; and

WHEREAS, the Executive's employment with the Company was terminated for reasons that qualify the Executive to receive certain payments and benefits, as set forth in Section 2(b) of the Severance Agreement, subject to, among other things, the Executive's execution of this Agreement.

NOW, THEREFORE, for and in consideration of the Company's commitments in Section 2(b) of the Severance Agreement, the Executive and the Company hereby agree as follows:

1. (a) The Executive does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, subsidiaries and parents, and its and their respective officers, directors, employees, and agents, and its and their respective successors and assigns, heirs, executors, and administrators, as well as the current and former fiduciaries of any pension, welfare, or other benefit plans applicable to the employees or former employees of the Company, and the current and former welfare and other benefit plans sponsored by the Company (collectively, "Releasees") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Executive ever had, now has, or hereafter may have, whether known or unknown, or which the Executive's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from the beginning of time to the date the Executive signs this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Executive's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Worker Readjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Employee Retirement Income Security Act of 1974, the Pennsylvania Human Relations Act, and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort.

(b) Although Paragraph 1(a) is intended to be a general release, it is understood and agreed that Paragraph 1(a) excludes claims related to the Executive's right to receive the payments and benefits described in Section 2(b) of the Severance Agreement, as well as claims under any statute or common law that the Executive is legally barred from releasing, such as the Executive's entitlement to vested pension benefits.

(c) Nothing herein is intended to or shall preclude the Executive from filing a charge with any appropriate federal, state or local government agency and/or cooperating with said agency in its investigation. The Executive, however, explicitly waives any right to file a personal lawsuit or receive monetary damages that the agency may recover against the Releasees, without regard as to who brought any said complaint or charge. Employee further agrees that to the extent any relief, including monetary relief, is awarded in any such proceeding, all amounts paid as consideration under Section 2(b) of the Separation Agreement shall be a setoff and credit against any such award to the fullest extent permitted by law.

(d) The Executive represents and agrees by signing below that the Executive has not been denied any leave or benefit requested, has received the appropriate pay for all hours worked for the Company, and has no known workplace injuries or occupational diseases.

(e) To the fullest extent permitted by law, the Executive represents and affirms that (i) [ **other than** \_\_\_\_\_,] the Executive has not filed or caused to be filed on the Executive's behalf any claim for relief against any Releasee and, to the best of the Executive's knowledge and belief, no outstanding claims for relief have been filed or asserted against the Company or any Releasee on the Executive's behalf; and (ii) [ **other than** \_\_\_\_\_,] the Executive has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company, to any member of the Company's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. The Executive agrees to promptly dismiss with prejudice all claims for relief filed before the date the Executive signs this Agreement.

2. The Company, for and in consideration of the commitments of the Executive as set forth in this Agreement, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Executive from all claims, demands or causes of action arising out of facts or occurrences prior to the date of this Agreement, but only to the extent the Company knows or reasonably should know of such facts or occurrence and only to the extent such claim, demand or cause of action relates to a violation of applicable law or the performance of the Executive's duties with the Company; provided, however, that this release of claims shall not in any case be effective with respect to any claim by the Company alleging a breach of the Executive's obligations under this Agreement. [Note: The Company and the Executive may, but shall not be required to mutually agree on a case-by-case basis at the time of the signing of this release to include the foregoing provision, or a substantially similar provision, to this Agreement.

3. The Executive further agrees and recognizes that the Executive's employment relationship with the Company has been permanently severed, that the Executive shall not seek employment with the Company or any affiliated entity at any time in the future, and that the Company has no obligation to employ the Executive in the future.

4. The Executive further agrees that the Executive will not disparage or subvert the Company, or make any statement reflecting negatively on the Releasees including, but not limited to, statements relating to the operation or management of the Company, the Executive's employment and the termination of the Executive's employment, irrespective of the truthfulness or falsity of such statement.

5. The Executive acknowledges that if the Executive had not executed this Agreement containing a release of all claims, the Executive would not have been entitled to the payments and benefits set forth in Section 2(b) of the Severance Agreement.

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6. This Agreement contains the entire agreement between the Company and the Executive relating to the subject matter hereof. No prior or contemporaneous oral or written agreements or representations may be offered to alter the terms of this Agreement. To the extent Employee has entered into other agreements with the Company that are not in conflict with this Agreement, including, but not limited to the Severance Agreement, the terms of this Agreement shall not supersede, but shall be in addition to such other agreements.

7. The Executive agrees not to disclose the terms of this Agreement or the Severance Agreement to anyone, except the Executive's spouse, attorney and, as necessary, tax/financial advisor. Likewise, the Company agrees that the terms of this Agreement will not be disclosed except as may be necessary to obtain approval or authorization to fulfill its obligations hereunder or as required by law. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

8. The Executive represents that the Executive has returned to the Company and does not presently have in the Executive's possession or control any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Executive's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Executive while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. In addition, the Executive has or will promptly return in good condition any other Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops and computers. At the Executive's request, the Company will make reasonable arrangements to transfer cellular phone numbers and personal fax numbers to the Executive.

9. Nothing in this Agreement shall prohibit or restrict the Executive from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

10. The parties agree and acknowledge that the agreement by the Company described herein, and the release of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Executive.

11. The Executive agrees and recognizes that should the Executive breach any of the obligations or covenants set forth in Section 10 of the Severance Agreement, the Company will have no further obligation to provide the Executive with the consideration set in Section 2(b) of the Severance Agreement, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Notwithstanding the foregoing, the Executive acknowledges that if the Executive breaches Section 10 of the Severance Agreement, and if the Company's terminates or recovers any of the payments or benefits provided under Section 2(b) of the Severance Agreement (as provided for in Section 10 of the Severance Agreement), the release provided by Section 1 of this Agreement shall remain valid and enforceable.

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12. The Executive further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

13. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

14. The Executive certifies and acknowledges as follows:

(a) That the Executive has read the terms of this Agreement, and that the Executive understands its terms and effects, including the fact that the Executive has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Executive's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Executive has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Executive acknowledges is adequate and satisfactory to him and which the Executive acknowledges is in addition to any other benefits to which the Executive is otherwise entitled; and

(c) That the Executive has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement; and

(d) That the Executive does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided the Executive with a period of [ **twenty-one (21)** ] or [ **forty-five (45)** ] days within which to consider this Agreement, and that the Executive has signed on the date indicated below after concluding that this Separation of Employment Agreement and General Release is satisfactory; and

(f) The Executive acknowledges that this Agreement may be revoked by within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Executive, this Agreement will be deemed null and void and the Company will have no obligations hereunder or under Section 2(b) of the Separation Agreement.

[SIGNATURE PAGE FOLLOWS]

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Intending to be legally bound hereby, the Executive and the Company executed the foregoing Separation of Employment Agreement and General Release this \_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Executive

Witness: \_\_\_\_\_

CONSOL Energy Inc.

By: \_\_\_\_\_  
Name:  
Title:

Witness: \_\_\_\_\_

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), dated as of December 2, 2008 (the "Effective Date"), is made between CONSOL Energy Inc., CNX Center, 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317, a Delaware corporation (the "Company"), and Peter Lilly (the "Executive").

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, in consideration of the Executive's continued employment with the Company and the Executive's agreement to waive certain rights he may have to receive severance compensation and benefits under any applicable Company severance plan or policy, as set forth below, the Company desires to provide the Executive with certain compensation and benefits set forth in this Agreement in order to ameliorate the financial and career impact on the Executive in the event the Executive's employment with the Company is terminated for a reason related to a Change in Control; and

WHEREAS, the Executive agrees to waive any rights he may have under any Company severance plan or policy with respect to severance compensation and benefits in the event the Executive's employment with the Company is terminated as the result of an Involuntary Termination Associated With a Change in Control (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Base Pay" means the greater of (i) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately preceding the Executive's Termination Date, or (ii) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control.

(b) "Board" means the Board of Directors of the Company. If the Executive is also a member of the Board, then in the case of any provision hereof that requires action by, or a determination of, the Board in connection with this Agreement, it is understood that such provision refers to the members of the Board other than the Executive.

(c) "Cause" means a determination by the Board that the Executive has committed any of the following acts:

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(i) the Executive has been convicted of, or the Executive has pleaded guilty or nolo contendere to, (x) any felony, or (y) any misdemeanor involving fraud, embezzlement or theft; or

(ii) the Executive has wrongfully disclosed material confidential information of the Company or any Subsidiary, has intentionally violated any material express provision of the Company's code of conduct for executives and management employees (as in effect on the date of the Change in Control), or has intentionally failed or refused to perform any of his material assigned duties for the Company; and any such failure or refusal has been demonstrably and materially harmful to the Company.

Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for "Cause" under this subsection (ii) unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than the majority of the members of the Board plus one member, finding that, in the good faith opinion of the Board, the Executive has committed an act constituting "Cause," as herein defined, and specifying the particulars thereof in detail. Prior to any such determination, the Executive shall be provided with reasonable notice of such pending determination and the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), shall be provided with the opportunity to be heard before the Board makes any such determination. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence of any of the following events:

(i) the acquisition after the date hereof by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 25% of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (D) any acquisition of Voting Stock of the Company by an underwriter holding securities of the Company in connection with a public offering thereof, or (E) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) individuals who constitute the Board as of the Effective Date (the "Incumbent Board," as modified by this Section 1(d)(ii)), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) will be deemed to have then been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation of the Company or a direct or indirect wholly owned subsidiary thereof, a sale or other disposition

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(whether by sale, taxable or nontaxable exchange, formation of a joint venture or otherwise) of all or substantially all of the assets of the Company, or other transaction involving the Company (each, a “Business Combination”), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person other than the Company beneficially owns 25% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (disregarding all “acquisitions” described in subsections (A)—(C) of Section 1 (d) (i)), and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(e) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(f) “Code” means the Internal Revenue Code of 1986, as amended.

(g) “Consultancy Period” and “Consultancy Position” shall have the respective meanings assigned to those terms in Section 2(d) hereof.

(h) “Constructive Termination Associated With a Change in Control” means the termination of the Executive’s employment with the Company by the Executive as a result of the occurrence without the Executive’s written consent of one of the following events:

(i) a material adverse change in the Executive’s position with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise) (but excluding any loss of any position with a Subsidiary with respect to which the Executive is not separately compensated) as compared to the Executive’s position with the Company (and/or a Subsidiary) immediately prior to the Change in Control;

(ii) (A) a material reduction in the Executive’s annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control; (B) a material reduction in the Executive’s Target Bonus opportunity in effect immediately prior to the Change in Control; or (C) a material reduction in the level of Employee Benefits provided to the Executive immediately prior to the Change in Control (excluding any reduction that is generally applicable to all or substantially all salaried Company employees);

(iii) a material adverse change in circumstances has occurred following a Change in Control, including, without limitation, a material change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive unable to carry out, has materially hindered the Executive’s performance of, or has caused the Executive to suffer a material reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control; a good faith determination by the

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Executive (that a material adverse change has occurred) will be conclusive and binding upon the parties hereto unless otherwise shown by the Company to be not in good faith);

(iv) in connection with the liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, the Company breached this Agreement by not requiring the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) to assume all duties and obligations of the Company under this Agreement pursuant to Section 14(a); or

(v) the relocation of the Executive's principal work location (other than in connection with a relocation contemplated by the Company as of the date hereof or pursuant to organizational changes in accordance with past practice) to a location that increases the Executive's normal work commute by fifty (50) miles or more as compared to the Executive's normal work commute immediately prior to the Change in Control (excluding in the case of an Executive who is a Vice President/General Manager of Coal Operations, a transfer to a comparable position at another Company or Subsidiary mining facility), or that the Executive's required travel away from his office in the course of discharging his responsibilities or duties of his job is materially increased as compared to that which was required of the Executive in any of the three (3) full years immediately prior to the Change in Control.

Without limiting the generality or effect of the foregoing, the Executive shall have no right to terminate employment in a Constructive Termination Associated With a Change in Control in connection with an event described above unless (A) the Executive provides written notice to the Company within one month of the occurrence of such event that identifies such event with particularity, and (B) the Company fails to correct such event within thirty (30) days after receipt of such notice from the Executive, and (C) such termination must occur within sixty (60) days after the expiration of the failure of the Company to correct the event.

In no event shall the termination of the Executive's employment with the Company on account of the Executive's death or Disability or because the Executive engaged in conduct constituting Cause be deemed to be a Constructive Termination Associated With a Change in Control.

(i) "Disability" means the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive.

(j) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including, without limitation, any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies that may exist as of a Change in Control or any successor policies, plans or arrangements that provide substantially similar perquisites or benefits.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Incentive Pay" means the greater of: (i) the Executive's Target Bonus for which the Executive was eligible during the period that includes the Termination Date, or (ii) the average of the annual bonuses paid by the Company to the Executive for the three years prior to the year that includes

the Termination Date. For purposes of this definition, "Target Bonus" means 100% of the amount established under the CONSOL Energy Inc. Executive Annual Incentive Plan, and any other annual bonus, applicable incentive, commission or other sales incentive compensation, or comparable incentive payment opportunity which, in the sole discretion of the Company, is deemed to constitute a Target Bonus, in addition to Base Pay, for which the Executive was eligible to receive, but did not receive prior to his Termination Date, in regard to services rendered in the year covered by the Executive's Termination Date and which is to be made pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto. For purposes of this definition, "Incentive Pay" does not include any stock option, stock appreciation, stock purchase, restricted stock, the CONSOL Energy Inc. Long-Term Incentive Programs or similar plan, program, arrangement or grant, one time bonus or payment (including, but not limited to, any sign-on bonus), any amounts contributed by the Company for the benefit of the Executive to any qualified or nonqualified deferred compensation plan, whether or not provided under an arrangement described in the prior sentence, or any amounts designated by the parties as amounts other than Incentive Pay.

(m) "Involuntary Termination Associated With a Change in Control" means the termination of the Executive's employment related to a Change in Control: (i) involuntarily by the Company for any reason other than Cause, the Executive's death or the Executive's Disability, or (ii) on account of a Constructive Termination Associated With a Change in Control.

(n) "Restricted Business" means any business function with a direct competitor of the Company that is substantially similar to the business function performed by the Executive with the Company immediately prior to his Termination Date.

(o) "Restricted Territory" means the counties, towns, cities or states of any country in which the Company operates or does business.

(p) "Subsidiary" means any Company controlled affiliate.

(q) "Termination Date" means the last day of the Executive's employment with the Company.

(r) "Termination of Employment" means, except as provided in the following sentence and subject to the provisions of Section 19(b), the termination of the Executive's active employment relationship with the Company on account of an Involuntary Termination Associated With a Change in Control. For purposes of the non-solicitation provision of Section 10 of this Agreement, the term "Termination of Employment" shall mean the termination of the Executive's employment relationship with the Company for any reason.

(s) "Voting Stock" means securities entitled to vote generally in the election of directors.

## 2. Termination Associated With a Change in Control.

(a) Involuntary Termination Associated With a Change in Control. In the event the Executive's employment is terminated after, or in connection with, a Change in Control, on account of (i) an Involuntary Termination Associated With a Change in Control within the two year period after the Change in Control, or (ii) an involuntary termination by the Company (other than for Cause or due to the Executive's death or Disability) that (A) occurs not more than three (3) months prior to the date on which a Change in Control occurs, or (B) is requested by a third party who initiates a Change in Control, the Executive shall be entitled to the benefits provided in subsection (b) of this Section 2. For purposes of subsection 2(a)(ii)(B) above, to be eligible to receive amounts described in Section 2(b) below, a Change in Control must be consummated within the twelve (12) month period following the Executive's

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Termination Date, except in circumstances pursuant to which the consummation of the Change in Control is delayed, through no failure of the Company or the third person, by a governmental or regulatory authority or agency with jurisdiction over the matter, or as a result of other similar circumstances where a third party approval is necessary and is delayed. In such a circumstance, the remainder of the twelve (12) month period shall be tolled and shall recommence upon termination of the delaying event.

(b) Compensation and Benefits Upon Involuntary Termination Associated With a Change in Control. In the event a termination described in subsection (a) of this Section 2 occurs, and subject to the Executive's compliance with the provisions of Section 4 hereof, the Company shall pay and provide to the Executive after his Termination Date:

(i) A lump sum cash payment equal to (A) 2.5 times Base Pay, plus (B) 2.5 times Incentive Pay.

(ii) The Executive shall receive a pro rated payment of his Incentive Pay for the year in which his Termination of Employment occurs. The pro rated payment shall be based on the Executive's Incentive Pay as of the Executive's Termination Date, multiplied by a fraction, the numerator of which is the number of days during which the Executive was employed by the Company in the year of his termination and the denominator of which is 365.

(iii) For the thirty (30) month period immediately following the Date of Termination or, if later, the closing dates for the Change in Control:

(1) If the Executive elects COBRA Continuation Coverage, the Executive shall continue to participate in all medical, dental and vision insurance plans he was participating in on the Termination Date, and the Company shall pay the applicable premium. During the applicable period of coverage described in the foregoing sentences, the Executive shall be entitled to benefits on substantially the same basis and cost as would have otherwise been provided had the Executive not separated from service. To the extent that such benefits are available under the above-referenced benefit plans and the Executive had such coverage immediately prior to termination of employment, such continuation of benefits for the Executive shall also cover the Executive's dependents for so long as the Executive is receiving benefits under this paragraph (iv). The COBRA Continuation Period for medical and dental insurance under this paragraph (iv) shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally 18 months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan. For purposes of this Agreement, (1) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and (2) "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of this Agreement which shall commence on the first day of the calendar month following the month in which the date of termination falls and generally shall continue for an 18 month period.

(2) Following the conclusion of the 18 month COBRA period described above, the Company will provide coverage as follows:

(A) If the relevant plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Executive, then the Company will continue to provide coverage under the plan for an additional twelve (12) months and will annually impute income to the Executive for the fair market value of the premium.

(B) If, however, any such plan does not permit the continued participation following the end of the COBRA Continuation Period as contemplated above, then the

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Company will reimburse the Executive for the actual cost to the Executive of any individual health insurance policy obtained by Employee in accordance with the procedures set forth in subsection (iv) below.

(iv) If the Executive would have been eligible for post-retirement medical and dental coverage had he retired from employment during the period of thirty (30) months following his Termination Date, but is not so eligible as the result of his termination, then, at the conclusion of the benefit continuation period described in (iii) above, the Company shall take all commercially reasonable efforts to provide the Executive with additional continued group medical and dental coverage comparable to that which would have been available to him from time to time under the Company's post-retirement medical and dental benefit program, for as long as such coverage would have been available under such program. It is specifically acknowledged by the Executive that if such coverage is provided under a Company sponsored self insured plan, it will be provided on an after-tax basis and the Executive will have income imputed to him annually equal to the fair market value of the premium. If this coverage cannot be provided by the Company, (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), then as an alternative, the Company will reimburse the Executive in lieu of such coverage an amount equal to the Executive's actual and reasonable after-tax cost of continuing comparable coverage.

Reimbursement to the Executive pursuant to subsections (iii) or (iv) above will be available only to the extent that (1) such expense is actually incurred for any particular calendar year and reasonably substantiated; (2) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Executive; (3) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (4) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, no reimbursement will be provided for under subsection (iii) for any expense incurred following the additional twelve (12) months or for any expense which relates to coverage after such date.

(v) A lump sum cash payment equal to the total amount that the Executive would have received under the Company's 401(k) plan as a Company match if the Executive was eligible to participate in the Company's 401(k) plan for the thirty (30) month period after his Termination Date and he contributed the maximum amount to the plan for the match. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vi) A lump sum cash payment equal to the difference between the present value of the Executive's accrued pension benefits at his Termination Date under the Company's qualified defined benefit plan and (if eligible) any plan or plans sponsored by the Company providing nonqualified retirement benefits (which currently includes the CONSOL Energy Inc. Supplemental Retirement Plan and The Retirement Restoration Plan of CONSOL Energy Inc.) (the qualified and nonqualified plans together being referred to as the "pension plans") and the present value of the accrued pension benefits to which the Executive would have been entitled under the pension plans if the Executive had continued participation in those plans for the thirty (30) month period after his Termination Date. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vii) A lump sum cash payment of \$25,000 in order to cover the cost of outplacement assistance services for the Executive and other expenses associated with seeking another employment position.

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(viii) The Executive shall receive any amounts earned, accrued or owing but not yet paid to the Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

(ix) All payments under this subsection 2(b) will be made in a lump sum no later than 60 days after the date of termination (or, if later, the closing date of the Change in Control, as applicable); provided, however, that the benefits due under subsections (iii) and (iv) shall be provided as specified thereunder.

(c) Vesting of Equity Rights. Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all stock options, stock appreciation rights, restricted stock, restricted stock units and other equity rights held by the Executive will become fully vested and/or exercisable, as the case may be, on the date on which the Change in Control occurs, and all stock options or stock appreciation rights held by the Executive shall remain exercisable for the period set forth in the award agreement covering the options or rights.

(d) Consultancy Period Option. In the case of any Involuntary Termination Associated With a Change in Control, the Company may, in its sole discretion, elect to require reasonable cooperation from the Executive following the Executive's Termination Date for a period (the "Consultancy Period") not to exceed 30 months. In the event that the Company so elects, the Executive shall, during the pendency of the Consultancy Period, be available from time to time, at the request of the Company's Chairman of the Board or Chief Executive Officer, to provide advice and assistance concerning (i) the transition of the Executive's duties and responsibilities to any successor to his position, and (ii) any other matters concerning the Company's corporate, business and financial affairs which are consistent with the Executive's expertise and experience. Such advice and assistance may, at the Executive's option, be provided either in person or by telephone or videoconference. In no event shall the Company request, nor shall the Executive be required to provide more than five (5) hours of consulting services per work week, nor to provide such services other than during normal Company business hours. The Executive shall be reimbursed by the Company for any reasonable expenses incurred in connection with the performance of such services, subject to compliance with the Company's standard policies and procedures regarding reimbursement of expenses. The Executive shall be permitted, during the Consultancy Period, to engage in other business and personal activities; provided, that such activities are not inconsistent with the Executive's duties under Sections 9 and 10 hereof.

3. Termination of Employment on Account of Disability, Cause or Death. Notwithstanding anything in this Agreement to the contrary, if the Executive's employment terminates on account of Disability, the Executive shall be entitled to receive disability benefits under any disability program maintained by the Company that covers the Executive, and the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof. If the Executive's employment terminates on account of Cause or because of his death, the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof.

4. Release. To receive the consideration described in Sections 2(b) of this Agreement, the Executive must sign a Separation of Employment and General Release Agreement, substantially in the form attached hereto as Annex A (the "Release"), deliver the signed Release to the Company's General Counsel 30 days (unless a longer period is required by law), and not revoke the Release within the seven-day revocation period provided for in the Release.

5. Enforcement. Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant

period in the Eastern Edition of The Wall Street Journal. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

6. Certain Additional Payments by the Company.

(a) The provisions of this Section 6 shall apply notwithstanding anything in this Agreement or any other agreement to the contrary. Subject to subsection (b) below, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a “Payment”), would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, the Company shall pay the Executive an additional amount (the “Gross-Up Payment”) such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income tax, employment tax, excise tax and other tax imposed upon the Gross-Up Payment, shall be equal to the Payment.

(b) Notwithstanding subsection (a), and notwithstanding any other provisions of this Agreement to the contrary, if the net after-tax benefit to the Executive of receiving the Gross-Up Payment does not exceed the Safe Harbor Amount (as defined below) by more than 10% (as compared to the net-after tax benefit to the Executive resulting from elimination of the Gross-Up Payment and reduction of the Payments to the Safe Harbor Amount), then (i) the Company shall not pay the Executive the Gross-Up Payment, and (ii) the provisions of subsection (c) below shall apply. The term “Safe Harbor Amount” means the maximum dollar amount of parachute payments that may be paid to the Executive under Section 280G of the Code without imposition of an excise tax under Section 4999 of the Code.

(c) The provisions of this subsection (c) shall apply only if the Company is not required to pay the Executive a Gross-Up Payment as a result of subsection (b) above. If the Company is not required to pay the Executive a Gross-Up Payment as a result of the provisions of subsection (b), the Company will apply a limitation on the Payment amount as set forth below (a “Parachute Cap”) as follows: The aggregate present value of the Payments under Section 2(b) of this Agreement (“Agreement Payments”) shall be reduced (but not below zero) to the Reduced Amount; provided, however, that any such reduction shall be applied to Agreement Payments that do not constitute deferred compensation and are exempt or otherwise excepted from coverage under Section 409A (but excluding stock options or other stock rights). The “Reduced Amount” shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be subject to the limitation of deduction under Section 280G of the Code. For purposes of this Section 6, “present value” shall be determined in accordance with Section 280G(d)(4) of the Code.

(d) Except as set forth in the next sentence, all determinations to be made under this Section 6 shall be made by the nationally recognized independent public accounting firm used by the Company immediately prior to the Change in Control (“Accounting Firm”), which Accounting Firm shall provide its determinations and any supporting calculations to the Company and the Executive within ten days of the Executive’s Termination Date. The value of the Executive’s non-competition covenant under Section 10(a) of this Agreement shall be determined by independent appraisal by a nationally-recognized business valuation firm acceptable to both the Executive and the Company, and a portion of the Agreement Payments shall, to the extent of that appraised value, be specifically allocated as reasonable compensation for such non-competition covenant and shall not be treated as a parachute payment. If any Gross-Up Payment is required to be made, the Company shall make the Gross-Up Payment within ten days after receiving the Accounting Firm’s calculations, but in no event later than the end of the Executive’s taxable year following the Executive’s taxable year in which the Executive remits the related taxes. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive.

(e) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 6 shall be borne solely by the Company.

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7. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise. Notwithstanding anything to the contrary contained herein, as a condition to accepting benefits provided hereunder, the Executive will be required to waive, and will be deemed to have waived, any other right or entitlement to severance or termination benefits from the Company or its Subsidiaries.

8. Legal Fees and Expenses. In the event of a Change in Control, it is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if a Change in Control occurs and it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive under Section 2 of this Agreement, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer or employee of the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection, the Company and the Executive agree that a confidential relationship will exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted frivolously, in bad faith or with no colorable claim of success. Such fees and expenses will be paid by the Company as they are incurred by the Executive, but in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the Executive incurs the fees and expenses. In addition, no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year, and the right to this reimbursement is not subject to liquidation or exchange for another benefit.

9. Confidentiality. The Executive hereby covenants and agrees that, except as specifically requested or directed by the Company, he will not disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information (as defined below) of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by the Executive's breach of this Section 9) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, consulting solutions and processes, and all other secrets and all other information of a confidential or proprietary nature which is protected by the Uniform Trade Secrets Act. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 9 will not apply (i) in the course of the business of and for the benefit of the Company, (ii) if such

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confidential or proprietary information has become, through no fault of the Executive, generally known to the public, or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

10. Covenants Not to Compete and Not to Solicit. In the event of the Executive's Termination of Employment, the Company's obligations to provide the payments and benefits set forth in Section 2 shall be expressly conditioned upon the Executive's compliance with the covenants not to compete and not to solicit as provided herein. In the event the Executive breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Section 2 shall cease, without prejudice to any other remedies that may be available to the Company.

(a) Covenant Not to Compete. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of one (1) year following the Executive's Termination Date, the Executive shall not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in a financing, operation, management or control of, any person, firm, corporation or business that is a Restricted Business in a Restricted Territory without the prior written consent of the Board. For this purpose, ownership of no more than 5% of the outstanding Voting Stock of a publicly traded corporation shall not constitute a violation of this provision.

(b) Covenant Not to Solicit. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of two (2) years following the Executive's Termination Date, the Executive shall not: (i) solicit, encourage or take any other action which is intended to induce any other employee of the Company to terminate his employment with the Company; or (ii) interfere in any manner with the contractual or employment relationship between the Company and any such employee of the Company. The foregoing shall not prohibit the Executive or any entity with which the Executive may be affiliated from hiring a former employee of the Company; provided, that such hiring results exclusively from such former employee's affirmative response to a general recruitment effort.

(c) Interpretation. The covenants contained herein are intended to be construed as a series of separate covenants, one for each county, town, city and state or other political subdivision of a Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding subsections. If, in any judicial proceeding, the court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in such subsections, then such unenforceable covenant (or such part) shall be deemed to be eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced.

(d) Reasonableness. In the event that the provisions of this Section 10 shall ever be deemed to exceed the time, scope or geographic limitations permitted by applicable laws, then such provisions shall be reformed to the maximum time, scope or geographic limitations, as the case may be, permitted by applicable laws.

11. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control.

12. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

13. Term of Agreement. The term of this Agreement shall commence on the Effective Date hereof and shall continue until December 31, 2008; provided, however, that commencing on January 1, 2009, and each January 1 thereafter, the term of this Agreement shall automatically be extended until the following December 31 unless the Company gives notice not later than October 31 of the preceding year that it does not wish to extend this Agreement; and provided, further, that regardless of any such notice by the Company, this Agreement shall continue in effect for a period of 24 months beyond the term provided herein if a Change in Control of the Company occurs during the period that this Agreement is in effect.

14. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees. This Agreement will supersede the provisions of any employment or other agreement between the Executive and the Company that relate to any matter that is also the subject of this Agreement, and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 14(a) and (b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 14(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

15. Notices. For all purposes of this Agreement, all communications, including without limitation, notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed by the recipient), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized courier service for overnight/next-day delivery, such as FedEx, UPS, or the United States Postal Service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflict of laws of such Commonwealth.

17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

18. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto. Whenever used herein, the masculine includes the feminine.

19. Code Section 409A.

(a) If any benefit provided under this Agreement is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed.)

(b) Severance benefits are payable only if the Executive is involuntarily terminated by the Company as provided under this Agreement. For purposes of the Agreement, the Executive shall be considered to have experienced a termination of employment only if the Executive has terminated employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Executive has terminated employment will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

(c) For purposes of Section 409A, each severance benefit payment shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment that is scheduled to be made on or before March 15th of the calendar year following the calendar year containing the Executive's termination date (or, if later, the closing date of the Change in Control) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii). The Executive shall have no right to designate the date of any payment under this Agreement.

(d) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on permissible distribution event and at a specified time consistent with Section 409A of the Code. The Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account or a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if

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earlier, the death of the Executive ) if the Executive is a “specified employee” (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Company). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the 6-month anniversary of the date of termination.

20. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties’ respective rights and obligations under Sections 2, 6, 8, 9, and 10 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment for any reason whatsoever.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

*[Remainder of Page Intentionally Left Blank]*

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*[Signature Page for Change In Control Agreement]*

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered December 18, 2008, but effective as of the date first above written.

CONSOL Energy Inc.

By:

/s/ J. Brett Harvey

Name: J. Brett Harvey

Title: President and Chief Executive Officer

Peter Lilly

/s/ Peter Lilly

SEPARATION OF EMPLOYMENT AND GENERAL RELEASE AGREEMENT

THIS SEPARATION OF EMPLOYMENT AGREEMENT AND GENERAL RELEASE (the "Agreement") is made as of this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between CONSOL Energy Inc. (the "Company") and \_\_\_\_\_ (the "Executive").

WHEREAS, the Executive formerly was employed by the Company as \_\_\_\_\_; and

WHEREAS, the Executive and Company entered into a Change in Control Severance Agreement, dated \_\_\_\_\_, 200\_\_\_\_, (the "Severance Agreement") which provides for certain payments and benefits in the event that the Executive's employment is terminated on account of a reason set forth in the Severance Agreement; and

WHEREAS, the Executive's employment with the Company was terminated for reasons that qualify the Executive to receive certain payments and benefits, as set forth in Section 2(b) of the Severance Agreement, subject to, among other things, the Executive's execution of this Agreement.

NOW, THEREFORE, for and in consideration of the Company's commitments in Section 2(b) of the Severance Agreement, the Executive and the Company hereby agree as follows:

1. (a) The Executive does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, subsidiaries and parents, and its and their respective officers, directors, employees, and agents, and its and their respective successors and assigns, heirs, executors, and administrators, as well as the current and former fiduciaries of any pension, welfare, or other benefit plans applicable to the employees or former employees of the Company, and the current and former welfare and other benefit plans sponsored by the Company (collectively, "Releasees") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Executive ever had, now has, or hereafter may have, whether known or unknown, or which the Executive's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from the beginning of time to the date the Executive signs this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Executive's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Worker Readjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Employee Retirement Income Security Act of 1974, the Pennsylvania Human Relations Act, and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort.

(b) Although Paragraph 1(a) is intended to be a general release, it is understood and agreed that Paragraph 1(a) excludes claims related to the Executive's right to receive the payments and benefits described in Section 2(b) of the Severance Agreement, as well as claims under any statute or common law that the Executive is legally barred from releasing, such as the Executive's entitlement to vested pension benefits.

(c) Nothing herein is intended to or shall preclude the Executive from filing a charge with any appropriate federal, state or local government agency and/or cooperating with said agency in its investigation. The Executive, however, explicitly waives any right to file a personal lawsuit or receive monetary damages that the agency may recover against the Releasees, without regard as to who brought any said complaint or charge. Employee further agrees that to the extent any relief, including monetary relief, is awarded in any such proceeding, all amounts paid as consideration under Section 2(b) of the Separation Agreement shall be a setoff and credit against any such award to the fullest extent permitted by law.

(d) The Executive represents and agrees by signing below that the Executive has not been denied any leave or benefit requested, has received the appropriate pay for all hours worked for the Company, and has no known workplace injuries or occupational diseases.

(e) To the fullest extent permitted by law, the Executive represents and affirms that (i) [ **other than** \_\_\_\_\_, ] the Executive has not filed or caused to be filed on the Executive's behalf any claim for relief against any Releasee and, to the best of the Executive's knowledge and belief, no outstanding claims for relief have been filed or asserted against the Company or any Releasee on the Executive's behalf; and (ii) [ **other than** \_\_\_\_\_, ] the Executive has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company, to any member of the Company's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. The Executive agrees to promptly dismiss with prejudice all claims for relief filed before the date the Executive signs this Agreement.

2. The Company, for and in consideration of the commitments of the Executive as set forth in this Agreement, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Executive from all claims, demands or causes of action arising out of facts or occurrences prior to the date of this Agreement, but only to the extent the Company knows or reasonably should know of such facts or occurrence and only to the extent such claim, demand or cause of action relates to a violation of applicable law or the performance of the Executive's duties with the Company; provided, however, that this release of claims shall not in any case be effective with respect to any claim by the Company alleging a breach of the Executive's obligations under this Agreement. [Note: The Company and the Executive may, but shall not be required to mutually agree on a case-by-case basis at the time of the signing of this release to include the foregoing provision, or a substantially similar provision, to this Agreement.

3. The Executive further agrees and recognizes that the Executive's employment relationship with the Company has been permanently severed, that the Executive shall not seek employment with the Company or any affiliated entity at any time in the future, and that the Company has no obligation to employ the Executive in the future.

4. The Executive further agrees that the Executive will not disparage or subvert the Company, or make any statement reflecting negatively on the Releasees including, but not limited to, statements relating to the operation or management of the Company, the Executive's employment and the termination of the Executive's employment, irrespective of the truthfulness or falsity of such statement.

5. The Executive acknowledges that if the Executive had not executed this Agreement containing a release of all claims, the Executive would not have been entitled to the payments and benefits set forth in Section 2(b) of the Severance Agreement.

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6. This Agreement contains the entire agreement between the Company and the Executive relating to the subject matter hereof. No prior or contemporaneous oral or written agreements or representations may be offered to alter the terms of this Agreement. To the extent Employee has entered into other agreements with the Company that are not in conflict with this Agreement, including, but not limited to the Severance Agreement, the terms of this Agreement shall not supersede, but shall be in addition to such other agreements.

7. The Executive agrees not to disclose the terms of this Agreement or the Severance Agreement to anyone, except the Executive's spouse, attorney and, as necessary, tax/financial advisor. Likewise, the Company agrees that the terms of this Agreement will not be disclosed except as may be necessary to obtain approval or authorization to fulfill its obligations hereunder or as required by law. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

8. The Executive represents that the Executive has returned to the Company and does not presently have in the Executive's possession or control any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Executive's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Executive while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. In addition, the Executive has or will promptly return in good condition any other Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops and computers. At the Executive's request, the Company will make reasonable arrangements to transfer cellular phone numbers and personal fax numbers to the Executive.

9. Nothing in this Agreement shall prohibit or restrict the Executive from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

10. The parties agree and acknowledge that the agreement by the Company described herein, and the release of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Executive.

11. The Executive agrees and recognizes that should the Executive breach any of the obligations or covenants set forth in Section 10 of the Severance Agreement, the Company will have no further obligation to provide the Executive with the consideration set in Section 2(b) of the Severance Agreement, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Notwithstanding the foregoing, the Executive acknowledges that if the Executive breaches Section 10 of the Severance Agreement, and if the Company's terminates or recovers any of the payments or benefits provided under Section 2(b) of the Severance Agreement (as provided for in Section 10 of the Severance Agreement), the release provided by Section 1 of this Agreement shall remain valid and enforceable.

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12. The Executive further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

13. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

14. The Executive certifies and acknowledges as follows:

(a) That the Executive has read the terms of this Agreement, and that the Executive understands its terms and effects, including the fact that the Executive has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Executive's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Executive has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Executive acknowledges is adequate and satisfactory to him and which the Executive acknowledges is in addition to any other benefits to which the Executive is otherwise entitled; and

(c) That the Executive has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement; and

(d) That the Executive does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided the Executive with a period of [ **twenty-one (21)** ] or [ **forty-five (45)** ] days within which to consider this Agreement, and that the Executive has signed on the date indicated below after concluding that this Separation of Employment Agreement and General Release is satisfactory; and

(f) The Executive acknowledges that this Agreement may be revoked by within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Executive, this Agreement will be deemed null and void and the Company will have no obligations hereunder or under Section 2(b) of the Separation Agreement.

*[SIGNATURE PAGE FOLLOWS]*

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Intending to be legally bound hereby, the Executive and the Company executed the foregoing Separation of Employment Agreement and General Release  
this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Executive

Witness: \_\_\_\_\_

CONSOL Energy Inc.

By: \_\_\_\_\_  
Name:  
Title:

Witness: \_\_\_\_\_

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this “Agreement”), dated as of December 2, 2008 (the “Effective Date”), is made between CONSOL Energy Inc., CNX Center, 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317, a Delaware corporation (the “Company”), and Jerome P. Richey (“Executive”).

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company; and

WHEREAS, the Board of Directors of the Company (the “Board”) recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company’s management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, in consideration of the Executive’s continued employment with the Company and the Executive’s agreement to waive certain rights he may have to receive severance compensation and benefits under any applicable Company severance plan or policy, as set forth below, the Company desires to provide the Executive with certain compensation and benefits set forth in this Agreement in order to ameliorate the financial and career impact on the Executive in the event the Executive’s employment with the Company is terminated for a reason related to a Change in Control; and

WHEREAS, the Executive agrees to waive any rights he may have under any Company severance plan or policy with respect to severance compensation and benefits in the event the Executive’s employment with the Company is terminated as the result of an Involuntary Termination Associated With a Change in Control (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) “Base Pay” means the greater of (i) the Executive’s annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately preceding the Executive’s Termination Date, or (ii) the Executive’s annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control.

(b) “Board” means the Board of Directors of the Company. If the Executive is also a member of the Board, then in the case of any provision hereof that requires action by, or a determination of, the Board in connection with this Agreement, it is understood that such provision refers to the members of the Board other than the Executive.

(c) “Cause” means a determination by the Board that the Executive has committed any of the following acts:

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(i) the Executive has been convicted of, or the Executive has pleaded guilty or nolo contendere to, (x) any felony, or (y) any misdemeanor involving fraud, embezzlement or theft; or

(ii) the Executive has wrongfully disclosed material confidential information of the Company or any Subsidiary, has intentionally violated any material express provision of the Company's code of conduct for executives and management employees (as in effect on the date of the Change in Control), or has intentionally failed or refused to perform any of his material assigned duties for the Company; and any such failure or refusal has been demonstrably and materially harmful to the Company.

Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for "Cause" under this subsection (ii) unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than the majority of the members of the Board plus one member, finding that, in the good faith opinion of the Board, the Executive has committed an act constituting "Cause," as herein defined, and specifying the particulars thereof in detail. Prior to any such determination, the Executive shall be provided with reasonable notice of such pending determination and the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), shall be provided with the opportunity to be heard before the Board makes any such determination. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence of any of the following events:

(i) the acquisition after the date hereof by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 25% of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (D) any acquisition of Voting Stock of the Company by an underwriter holding securities of the Company in connection with a public offering thereof, or (E) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) individuals who constitute the Board as of the Effective Date (the "Incumbent Board," as modified by this Section 1(d)(ii)), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) will be deemed to have then been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation of the Company or a direct or indirect wholly owned subsidiary thereof, a sale or other disposition

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(whether by sale, taxable or nontaxable exchange, formation of a joint venture or otherwise) of all or substantially all of the assets of the Company, or other transaction involving the Company (each, a “Business Combination”), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person other than the Company beneficially owns 25% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (disregarding all “acquisitions” described in subsections (A) - (C) of Section 1 (d) (i)), and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(e) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(f) “Code” means the Internal Revenue Code of 1986, as amended.

(g) “Consultancy Period” and “Consultancy Position” shall have the respective meanings assigned to those terms in Section 2(d) hereof.

(h) “Constructive Termination Associated With a Change in Control” means the termination of the Executive’s employment with the Company by the Executive as a result of the occurrence without the Executive’s written consent of one of the following events:

(i) a material adverse change in the Executive’s position with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise) (but excluding any loss of any position with a Subsidiary with respect to which the Executive is not separately compensated) as compared to the Executive’s position with the Company (and/or a Subsidiary) immediately prior to the Change in Control;

(ii) (A) a material reduction in the Executive’s annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control; (B) a material reduction in the Executive’s Target Bonus opportunity in effect immediately prior to the Change in Control; or (C) a material reduction in the level of Employee Benefits provided to the Executive immediately prior to the Change in Control (excluding any reduction that is generally applicable to all or substantially all salaried Company employees);

(iii) a material adverse change in circumstances has occurred following a Change in Control, including, without limitation, a material change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive unable to carry out, has materially hindered the Executive’s performance of, or has caused the Executive to suffer a material reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control; a good faith determination by the

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Executive (that a material adverse change has occurred) will be conclusive and binding upon the parties hereto unless otherwise shown by the Company to be not in good faith);

(iv) in connection with the liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, the Company breached this Agreement by not requiring the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) to assume all duties and obligations of the Company under this Agreement pursuant to Section 14(a); or

(v) the relocation of the Executive's principal work location (other than in connection with a relocation contemplated by the Company as of the date hereof or pursuant to organizational changes in accordance with past practice) to a location that increases the Executive's normal work commute by fifty (50) miles or more as compared to the Executive's normal work commute immediately prior to the Change in Control (excluding in the case of an Executive who is a Vice President/General Manager of Coal Operations, a transfer to a comparable position at another Company or Subsidiary mining facility), or that the Executive's required travel away from his office in the course of discharging his responsibilities or duties of his job is materially increased as compared to that which was required of the Executive in any of the three (3) full years immediately prior to the Change in Control.

Without limiting the generality or effect of the foregoing, the Executive shall have no right to terminate employment in a Constructive Termination Associated With a Change in Control in connection with an event described above unless (A) the Executive provides written notice to the Company within one month of the occurrence of such event that identifies such event with particularity, and (B) the Company fails to correct such event within thirty (30) days after receipt of such notice from the Executive, and (C) such termination must occur within sixty (60) days after the expiration of the failure of the Company to correct the event.

In no event shall the termination of the Executive's employment with the Company on account of the Executive's death or Disability or because the Executive engaged in conduct constituting Cause be deemed to be a Constructive Termination Associated With a Change in Control.

(i) "Disability" means the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive.

(j) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including, without limitation, any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies that may exist as of a Change in Control or any successor policies, plans or arrangements that provide substantially similar perquisites or benefits.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Incentive Pay" means the greater of: (i) the Executive's Target Bonus for which the Executive was eligible during the period that includes the Termination Date, or (ii) the average of the annual bonuses paid by the Company to the Executive for the three years prior to the year that includes

the Termination Date. For purposes of this definition, “Target Bonus” means 100% of the amount established under the CONSOL Energy Inc. Executive Annual Incentive Plan, and any other annual bonus, applicable incentive, commission or other sales incentive compensation, or comparable incentive payment opportunity which, in the sole discretion of the Company, is deemed to constitute a Target Bonus, in addition to Base Pay, for which the Executive was eligible to receive, but did not receive prior to his Termination Date, in regard to services rendered in the year covered by the Executive’s Termination Date and which is to be made pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto. For purposes of this definition, “Incentive Pay” does not include any stock option, stock appreciation, stock purchase, restricted stock, the CONSOL Energy Inc. Long-Term Incentive Programs or similar plan, program, arrangement or grant, one time bonus or payment (including, but not limited to, any sign-on bonus), any amounts contributed by the Company for the benefit of the Executive to any qualified or nonqualified deferred compensation plan, whether or not provided under an arrangement described in the prior sentence, or any amounts designated by the parties as amounts other than Incentive Pay.

(m) “Involuntary Termination Associated With a Change in Control” means the termination of the Executive’s employment related to a Change in Control: (i) involuntarily by the Company for any reason other than Cause, the Executive’s death or the Executive’s Disability, or (ii) on account of a Constructive Termination Associated With a Change in Control.

(n) “Restricted Business” means any business function with a direct competitor of the Company that is substantially similar to the business function performed by the Executive with the Company immediately prior to his Termination Date.

(o) “Restricted Territory” means the counties, towns, cities or states of any country in which the Company operates or does business.

(p) “Subsidiary” means any Company controlled affiliate.

(q) “Termination Date” means the last day of the Executive’s employment with the Company.

(r) “Termination of Employment” means, except as provided in the following sentence and subject to the provisions of Section 19(b), the termination of the Executive’s active employment relationship with the Company on account of an Involuntary Termination Associated With a Change in Control. For purposes of the non-solicitation provision of Section 10 of this Agreement, the term “Termination of Employment” shall mean the termination of the Executive’s employment relationship with the Company for any reason.

(s) “Voting Stock” means securities entitled to vote generally in the election of directors.

## 2. Termination Associated With a Change in Control.

(a) Involuntary Termination Associated With a Change in Control. In the event the Executive’s employment is terminated after, or in connection with, a Change in Control, on account of (i) an Involuntary Termination Associated With a Change in Control within the two year period after the Change in Control, or (ii) an involuntary termination by the Company (other than for Cause or due to the Executive’s death or Disability) that (A) occurs not more than three (3) months prior to the date on which a Change in Control occurs, or (B) is requested by a third party who initiates a Change in Control, the Executive shall be entitled to the benefits provided in subsection (b) of this Section 2. For purposes of subsection 2(a)(ii)(B) above, to be eligible to receive amounts described in Section 2(b) below, a Change in Control must be consummated within the twelve (12) month period following the Executive’s

Termination Date, except in circumstances pursuant to which the consummation of the Change in Control is delayed, through no failure of the Company or the third person, by a governmental or regulatory authority or agency with jurisdiction over the matter, or as a result of other similar circumstances where a third party approval is necessary and is delayed. In such a circumstance, the remainder of the twelve (12) month period shall be tolled and shall recommence upon termination of the delaying event.

(b) Compensation and Benefits Upon Involuntary Termination Associated With a Change in Control. In the event a termination described in subsection (a) of this Section 2 occurs, and subject to the Executive's compliance with the provisions of Section 4 hereof, the Company shall pay and provide to the Executive after his Termination Date:

(i) A lump sum cash payment equal to (A) 2.0 times Base Pay, plus (B) 2.0 times Incentive Pay.

(ii) The Executive shall receive a pro rated payment of his Incentive Pay for the year in which his Termination of Employment occurs. The pro rated payment shall be based on the Executive's Incentive Pay as of the Executive's Termination Date, multiplied by a fraction, the numerator of which is the number of days during which the Executive was employed by the Company in the year of his termination and the denominator of which is 365.

(iii) For the twenty-four (24) month period immediately following the Date of Termination or, if later, the closing dates for the Change in Control:

(1) If the Executive elects COBRA Continuation Coverage, the Executive shall continue to participate in all medical, dental and vision insurance plans he was participating in on the Termination Date, and the Company shall pay the applicable premium. During the applicable period of coverage described in the foregoing sentences, the Executive shall be entitled to benefits on substantially the same basis and cost as would have otherwise been provided had the Executive not separated from service. To the extent that such benefits are available under the above-referenced benefit plans and the Executive had such coverage immediately prior to termination of employment, such continuation of benefits for the Executive shall also cover the Executive's dependents for so long as the Executive is receiving benefits under this paragraph (iv). The COBRA Continuation Period for medical and dental insurance under this paragraph (iv) shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally 18 months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan. For purposes of this Agreement, (1) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and (2) "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of this Agreement which shall commence on the first day of the calendar month following the month in which the date of termination falls and generally shall continue for an 18 month period.

(2) Following the conclusion of the 18 month COBRA period described above, the Company will provide coverage as follows:

(A) If the relevant plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Executive, then the Company will continue to provide coverage under the plan for an additional six (6) months and will annually impute income to the Executive for the fair market value of the premium.

(B) If, however, any such plan does not permit the continued participation following the end of the COBRA Continuation Period as contemplated above, then the

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Company will reimburse the Executive for the actual cost to the Executive of any individual health insurance policy obtained by Employee in accordance with the procedures set forth in subsection (iv) below.

(iv) If the Executive would have been eligible for post-retirement medical and dental coverage had he retired from employment during the period of twenty four (24) months following his Termination Date, but is not so eligible as the result of his termination, then, at the conclusion of the benefit continuation period described in (iii) above, the Company shall take all commercially reasonable efforts to provide the Executive with additional continued group medical and dental coverage comparable to that which would have been available to him from time to time under the Company's post-retirement medical and dental benefit program, for as long as such coverage would have been available under such program. It is specifically acknowledged by the Executive that if such coverage is provided under a Company sponsored self insured plan, it will be provided on an after-tax basis and the Executive will have income imputed to him annually equal to the fair market value of the premium. If this coverage cannot be provided by the Company, (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), then as an alternative, the Company will reimburse the Executive in lieu of such coverage an amount equal to the Executive's actual and reasonable after-tax cost of continuing comparable coverage.

Reimbursement to the Executive pursuant to subsections (iii) or (iv) above will be available only to the extent that (1) such expense is actually incurred for any particular calendar year and reasonably substantiated; (2) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Executive; (3) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (4) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, no reimbursement will be provided for under subsection (iii) for any expense incurred following the additional six (6) months or for any expense which relates to coverage after such date.

(v) A lump sum cash payment equal to the total amount that the Executive would have received under the Company's 401(k) plan as a Company match if the Executive was eligible to participate in the Company's 401(k) plan for the twenty-four 24 month period after his Termination Date and he contributed the maximum amount to the plan for the match. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vi) A lump sum cash payment equal to the difference between the present value of the Executive's accrued pension benefits at his Termination Date under the Company's qualified defined benefit plan and (if eligible) any plan or plans sponsored by the Company providing nonqualified retirement benefits (which currently includes the CONSOL Energy Inc. Supplemental Retirement Plan and The Retirement Restoration Plan of CONSOL Energy Inc.) (the qualified and nonqualified plans together being referred to as the "pension plans") and the present value of the accrued pension benefits to which the Executive would have been entitled under the pension plans if the Executive had continued participation in those plans for the twenty-four 24 month period after his Termination Date. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vii) A lump sum cash payment of \$25,000 in order to cover the cost of outplacement assistance services for the Executive and other expenses associated with seeking another employment position.

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(viii) The Executive shall receive any amounts earned, accrued or owing but not yet paid to the Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

(ix) All payments under this subsection 2(b) will be made in a lump sum no later than 60 days after the date of termination (or, if later, the closing date of the Change in Control, as applicable); provided, however, that the benefits due under subsections (iii) and (iv) shall be provided as specified thereunder.

(c) Vesting of Equity Rights. Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all stock options, stock appreciation rights, restricted stock, restricted stock units and other equity rights held by the Executive will become fully vested and/or exercisable, as the case may be, on the date on which the Change in Control occurs, and all stock options or stock appreciation rights held by the Executive shall remain exercisable for the period set forth in the award agreement covering the options or rights.

(d) Consultancy Period Option. In the case of any Involuntary Termination Associated With a Change in Control, the Company may, in its sole discretion, elect to require reasonable cooperation from the Executive following the Executive's Termination Date for a period (the "Consultancy Period") not to exceed 24 months. In the event that the Company so elects, the Executive shall, during the pendency of the Consultancy Period, be available from time to time, at the request of the Company's Chairman of the Board or Chief Executive Officer, to provide advice and assistance concerning (i) the transition of the Executive's duties and responsibilities to any successor to his position, and (ii) any other matters concerning the Company's corporate, business and financial affairs which are consistent with the Executive's expertise and experience. Such advice and assistance may, at the Executive's option, be provided either in person or by telephone or videoconference. In no event shall the Company request, nor shall the Executive be required to provide more than five (5) hours of consulting services per work week, nor to provide such services other than during normal Company business hours. The Executive shall be reimbursed by the Company for any reasonable expenses incurred in connection with the performance of such services, subject to compliance with the Company's standard policies and procedures regarding reimbursement of expenses. The Executive shall be permitted, during the Consultancy Period, to engage in other business and personal activities; provided, that such activities are not inconsistent with the Executive's duties under Sections 9 and 10 hereof.

3. Termination of Employment on Account of Disability, Cause or Death. Notwithstanding anything in this Agreement to the contrary, if the Executive's employment terminates on account of Disability, the Executive shall be entitled to receive disability benefits under any disability program maintained by the Company that covers the Executive, and the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof. If the Executive's employment terminates on account of Cause or because of his death, the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof.

4. Release. To receive the consideration described in Sections 2(b) of this Agreement, the Executive must sign a Separation of Employment and General Release Agreement, substantially in the form attached hereto as Annex A (the "Release"), deliver the signed Release to the Company's General Counsel 30 days (unless a longer period is required by law), and not revoke the Release within the seven-day revocation period provided for in the Release.

5. Enforcement. Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant

period in the Eastern Edition of The Wall Street Journal. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

6. Certain Additional Payments by the Company.

(a) The provisions of this Section 6 shall apply notwithstanding anything in this Agreement or any other agreement to the contrary. Subject to subsection (b) below, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a “Payment”), would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, the Company shall pay the Executive an additional amount (the “Gross-Up Payment”) such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income tax, employment tax, excise tax and other tax imposed upon the Gross-Up Payment, shall be equal to the Payment.

(b) Notwithstanding subsection (a), and notwithstanding any other provisions of this Agreement to the contrary, if the net after-tax benefit to the Executive of receiving the Gross-Up Payment does not exceed the Safe Harbor Amount (as defined below) by more than 10% (as compared to the net-after tax benefit to the Executive resulting from elimination of the Gross-Up Payment and reduction of the Payments to the Safe Harbor Amount), then (i) the Company shall not pay the Executive the Gross-Up Payment, and (ii) the provisions of subsection (c) below shall apply. The term “Safe Harbor Amount” means the maximum dollar amount of parachute payments that may be paid to the Executive under Section 280G of the Code without imposition of an excise tax under Section 4999 of the Code.

(c) The provisions of this subsection (c) shall apply only if the Company is not required to pay the Executive a Gross-Up Payment as a result of subsection (b) above. If the Company is not required to pay the Executive a Gross-Up Payment as a result of the provisions of subsection (b), the Company will apply a limitation on the Payment amount as set forth below (a “Parachute Cap”) as follows: The aggregate present value of the Payments under Section 2(b) of this Agreement (“Agreement Payments”) shall be reduced (but not below zero) to the Reduced Amount; provided, however, that any such reduction shall be applied to Agreement Payments that do not constitute deferred compensation and are exempt or otherwise excepted from coverage under Section 409A (but excluding stock options or other stock rights). The “Reduced Amount” shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be subject to the limitation of deduction under Section 280G of the Code. For purposes of this Section 6, “present value” shall be determined in accordance with Section 280G(d)(4) of the Code.

(d) Except as set forth in the next sentence, all determinations to be made under this Section 6 shall be made by the nationally recognized independent public accounting firm used by the Company immediately prior to the Change in Control (“Accounting Firm”), which Accounting Firm shall provide its determinations and any supporting calculations to the Company and the Executive within ten days of the Executive’s Termination Date. The value of the Executive’s non-competition covenant under Section 10(a) of this Agreement shall be determined by independent appraisal by a nationally-recognized business valuation firm acceptable to both the Executive and the Company, and a portion of the Agreement Payments shall, to the extent of that appraised value, be specifically allocated as reasonable compensation for such non-competition covenant and shall not be treated as a parachute payment. If any Gross-Up Payment is required to be made, the Company shall make the Gross-Up Payment within ten days after receiving the Accounting Firm’s calculations, but in no event later than the end of the Executive’s taxable year following the Executive’s taxable year in which the Executive remits the related taxes. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive.

(e) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 6 shall be borne solely by the Company.

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7. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise. Notwithstanding anything to the contrary contained herein, as a condition to accepting benefits provided hereunder, the Executive will be required to waive, and will be deemed to have waived, any other right or entitlement to severance or termination benefits from the Company or its Subsidiaries.

8. Legal Fees and Expenses. In the event of a Change in Control, it is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if a Change in Control occurs and it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive under Section 2 of this Agreement, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer or employee of the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection, the Company and the Executive agree that a confidential relationship will exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted frivolously, in bad faith or with no colorable claim of success. Such fees and expenses will be paid by the Company as they are incurred by the Executive, but in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the Executive incurs the fees and expenses. In addition, no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year, and the right to this reimbursement is not subject to liquidation or exchange for another benefit.

9. Confidentiality. The Executive hereby covenants and agrees that, except as specifically requested or directed by the Company, he will not disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information (as defined below) of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by the Executive's breach of this Section 9) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, consulting solutions and processes, and all other secrets and all other information of a confidential or proprietary nature which is protected by the Uniform Trade Secrets Act. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 9 will not apply (i) in the course of the business of and for the benefit of the Company, (ii) if such

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confidential or proprietary information has become, through no fault of the Executive, generally known to the public, or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

10. Covenants Not to Compete and Not to Solicit. In the event of the Executive's Termination of Employment, the Company's obligations to provide the payments and benefits set forth in Section 2 shall be expressly conditioned upon the Executive's compliance with the covenants not to compete and not to solicit as provided herein. In the event the Executive breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Section 2 shall cease, without prejudice to any other remedies that may be available to the Company.

(a) Covenant Not to Compete. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of one (1) year following the Executive's Termination Date, the Executive shall not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in a financing, operation, management or control of, any person, firm, corporation or business that is a Restricted Business in a Restricted Territory without the prior written consent of the Board. For this purpose, ownership of no more than 5% of the outstanding Voting Stock of a publicly traded corporation shall not constitute a violation of this provision.

(b) Covenant Not to Solicit. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of two (2) years following the Executive's Termination Date, the Executive shall not: (i) solicit, encourage or take any other action which is intended to induce any other employee of the Company to terminate his employment with the Company; or (ii) interfere in any manner with the contractual or employment relationship between the Company and any such employee of the Company. The foregoing shall not prohibit the Executive or any entity with which the Executive may be affiliated from hiring a former employee of the Company; provided, that such hiring results exclusively from such former employee's affirmative response to a general recruitment effort.

(c) Interpretation. The covenants contained herein are intended to be construed as a series of separate covenants, one for each county, town, city and state or other political subdivision of a Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding subsections. If, in any judicial proceeding, the court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in such subsections, then such unenforceable covenant (or such part) shall be deemed to be eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced.

(d) Reasonableness. In the event that the provisions of this Section 10 shall ever be deemed to exceed the time, scope or geographic limitations permitted by applicable laws, then such provisions shall be reformed to the maximum time, scope or geographic limitations, as the case may be, permitted by applicable laws.

11. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control.

12. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

13. Term of Agreement. The term of this Agreement shall commence on the Effective Date hereof and shall continue until December 31, 2008; provided, however, that commencing on January 1, 2009, and each January 1 thereafter, the term of this Agreement shall automatically be extended until the following December 31 unless the Company gives notice not later than October 31 of the preceding year that it does not wish to extend this Agreement; and provided, further, that regardless of any such notice by the Company, this Agreement shall continue in effect for a period of 24 months beyond the term provided herein if a Change in Control of the Company occurs during the period that this Agreement is in effect.

14. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees. This Agreement will supersede the provisions of any employment or other agreement between the Executive and the Company that relate to any matter that is also the subject of this Agreement, and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 14(a) and (b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 14(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

15. Notices. For all purposes of this Agreement, all communications, including without limitation, notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed by the recipient), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized courier service for overnight/next-day delivery, such as FedEx, UPS, or the United States Postal Service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflict of laws of such Commonwealth.

17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

18. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto. Whenever used herein, the masculine includes the feminine.

19. Code Section 409A.

(a) If any benefit provided under this Agreement is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed.)

(b) Severance benefits are payable only if the Executive is involuntarily terminated by the Company as provided under this Agreement. For purposes of the Agreement, the Executive shall be considered to have experienced a termination of employment only if the Executive has terminated employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Executive has terminated employment will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

(c) For purposes of Section 409A, each severance benefit payment shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment that is scheduled to be made on or before March 15th of the calendar year following the calendar year containing the Executive's termination date (or, if later, the closing date of the Change in Control) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii). The Executive shall have no right to designate the date of any payment under this Agreement.

(d) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on permissible distribution event and at a specified time consistent with Section 409A of the Code. The Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account or a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if

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earlier, the death of the Executive ) if the Executive is a “specified employee” (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Company). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the 6-month anniversary of the date of termination.

20. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties’ respective rights and obligations under Sections 2, 6, 8, 9, and 10 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment for any reason whatsoever.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

*[Remainder of Page Intentionally Left Blank]*

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*[Signature Page for Change In Control Agreement]*

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered December \_\_\_, 2008, but effective as of the date first above written.

CONSOL Energy Inc.

By:

/s/ J. Brett Harvey

Name: J. Brett Harvey

Title: President and Chief Executive Officer

Jerome P. Richey

/s/ Jerome P. Richey

SEPARATION OF EMPLOYMENT AND GENERAL RELEASE AGREEMENT

THIS SEPARATION OF EMPLOYMENT AGREEMENT AND GENERAL RELEASE (the "Agreement") is made as of this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between CONSOL Energy Inc. (the "Company") and \_\_\_\_\_ (the "Executive").

WHEREAS, the Executive formerly was employed by the Company as \_\_\_\_\_; and

WHEREAS, the Executive and Company entered into a Change in Control Severance Agreement, dated \_\_\_\_\_, 200\_, (the "Severance Agreement") which provides for certain payments and benefits in the event that the Executive's employment is terminated on account of a reason set forth in the Severance Agreement; and

WHEREAS, the Executive's employment with the Company was terminated for reasons that qualify the Executive to receive certain payments and benefits, as set forth in Section 2(b) of the Severance Agreement, subject to, among other things, the Executive's execution of this Agreement.

NOW, THEREFORE, for and in consideration of the Company's commitments in Section 2(b) of the Severance Agreement, the Executive and the Company hereby agree as follows:

1. (a) The Executive does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, subsidiaries and parents, and its and their respective officers, directors, employees, and agents, and its and their respective successors and assigns, heirs, executors, and administrators, as well as the current and former fiduciaries of any pension, welfare, or other benefit plans applicable to the employees or former employees of the Company, and the current and former welfare and other benefit plans sponsored by the Company (collectively, "Releasees") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Executive ever had, now has, or hereafter may have, whether known or unknown, or which the Executive's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from the beginning of time to the date the Executive signs this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Executive's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Worker Readjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Employee Retirement Income Security Act of 1974, the Pennsylvania Human Relations Act, and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort.

(b) Although Paragraph 1(a) is intended to be a general release, it is understood and agreed that Paragraph 1(a) excludes claims related to the Executive's right to receive the payments and benefits described in Section 2(b) of the Severance Agreement, as well as claims under any statute or common law that the Executive is legally barred from releasing, such as the Executive's entitlement to vested pension benefits.

(c) Nothing herein is intended to or shall preclude the Executive from filing a charge with any appropriate federal, state or local government agency and/or cooperating with said agency in its investigation. The Executive, however, explicitly waives any right to file a personal lawsuit or receive monetary damages that the agency may recover against the Releasees, without regard as to who brought any said complaint or charge. Employee further agrees that to the extent any relief, including monetary relief, is awarded in any such proceeding, all amounts paid as consideration under Section 2(b) of the Separation Agreement shall be a setoff and credit against any such award to the fullest extent permitted by law.

(d) The Executive represents and agrees by signing below that the Executive has not been denied any leave or benefit requested, has received the appropriate pay for all hours worked for the Company, and has no known workplace injuries or occupational diseases.

(e) To the fullest extent permitted by law, the Executive represents and affirms that (i) [ **other than** \_\_\_\_\_,] the Executive has not filed or caused to be filed on the Executive's behalf any claim for relief against any Releasee and, to the best of the Executive's knowledge and belief, no outstanding claims for relief have been filed or asserted against the Company or any Releasee on the Executive's behalf; and (ii) [ **other than** \_\_\_\_\_,] the Executive has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company, to any member of the Company's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. The Executive agrees to promptly dismiss with prejudice all claims for relief filed before the date the Executive signs this Agreement.

2. The Company, for and in consideration of the commitments of the Executive as set forth in this Agreement, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Executive from all claims, demands or causes of action arising out of facts or occurrences prior to the date of this Agreement, but only to the extent the Company knows or reasonably should know of such facts or occurrence and only to the extent such claim, demand or cause of action relates to a violation of applicable law or the performance of the Executive's duties with the Company; provided, however, that this release of claims shall not in any case be effective with respect to any claim by the Company alleging a breach of the Executive's obligations under this Agreement. [Note: The Company and the Executive may, but shall not be required to mutually agree on a case-by-case basis at the time of the signing of this release to include the foregoing provision, or a substantially similar provision, to this Agreement.

3. The Executive further agrees and recognizes that the Executive's employment relationship with the Company has been permanently severed, that the Executive shall not seek employment with the Company or any affiliated entity at any time in the future, and that the Company has no obligation to employ the Executive in the future.

4. The Executive further agrees that the Executive will not disparage or subvert the Company, or make any statement reflecting negatively on the Releasees including, but not limited to, statements relating to the operation or management of the Company, the Executive's employment and the termination of the Executive's employment, irrespective of the truthfulness or falsity of such statement.

5. The Executive acknowledges that if the Executive had not executed this Agreement containing a release of all claims, the Executive would not have been entitled to the payments and benefits set forth in Section 2(b) of the Severance Agreement.

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6. This Agreement contains the entire agreement between the Company and the Executive relating to the subject matter hereof. No prior or contemporaneous oral or written agreements or representations may be offered to alter the terms of this Agreement. To the extent Employee has entered into other agreements with the Company that are not in conflict with this Agreement, including, but not limited to the Severance Agreement, the terms of this Agreement shall not supersede, but shall be in addition to such other agreements.

7. The Executive agrees not to disclose the terms of this Agreement or the Severance Agreement to anyone, except the Executive's spouse, attorney and, as necessary, tax/financial advisor. Likewise, the Company agrees that the terms of this Agreement will not be disclosed except as may be necessary to obtain approval or authorization to fulfill its obligations hereunder or as required by law. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

8. The Executive represents that the Executive has returned to the Company and does not presently have in the Executive's possession or control any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Executive's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Executive while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. In addition, the Executive has or will promptly return in good condition any other Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops and computers. At the Executive's request, the Company will make reasonable arrangements to transfer cellular phone numbers and personal fax numbers to the Executive.

9. Nothing in this Agreement shall prohibit or restrict the Executive from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

10. The parties agree and acknowledge that the agreement by the Company described herein, and the release of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Executive.

11. The Executive agrees and recognizes that should the Executive breach any of the obligations or covenants set forth in Section 10 of the Severance Agreement, the Company will have no further obligation to provide the Executive with the consideration set in Section 2(b) of the Severance Agreement, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Notwithstanding the foregoing, the Executive acknowledges that if the Executive breaches Section 10 of the Severance Agreement, and if the Company's terminates or recovers any of the payments or benefits provided under Section 2(b) of the Severance Agreement (as provided for in Section 10 of the Severance Agreement), the release provided by Section 1 of this Agreement shall remain valid and enforceable.

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12. The Executive further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

13. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

14. The Executive certifies and acknowledges as follows:

(a) That the Executive has read the terms of this Agreement, and that the Executive understands its terms and effects, including the fact that the Executive has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Executive's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Executive has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Executive acknowledges is adequate and satisfactory to him and which the Executive acknowledges is in addition to any other benefits to which the Executive is otherwise entitled; and

(c) That the Executive has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement; and

(d) That the Executive does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided the Executive with a period of [ **twenty-one (21)** ] or [ **forty-five (45)** ] days within which to consider this Agreement, and that the Executive has signed on the date indicated below after concluding that this Separation of Employment Agreement and General Release is satisfactory; and

(f) The Executive acknowledges that this Agreement may be revoked by within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Executive, this Agreement will be deemed null and void and the Company will have no obligations hereunder or under Section 2(b) of the Separation Agreement.

[SIGNATURE PAGE FOLLOWS]

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Intending to be legally bound hereby, the Executive and the Company executed the foregoing Separation of Employment Agreement and General Release this \_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Executive

Witness: \_\_\_\_\_

CONSOL Energy Inc.

By: \_\_\_\_\_  
Name:  
Title:

Witness: \_\_\_\_\_

**CHANGE IN CONTROL SEVERANCE AGREEMENT**

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), dated as of December 30, 2008 (the "Effective Date"), is made by and among CNX Gas Corporation, 5 Penn Center, West, Suite 401, Pittsburgh, Pennsylvania, 15276, a Delaware corporation (the "Company"), CONSOL Energy, Inc., CNX Center, 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania, 15317, a Delaware corporation ("CONSOL"), and Nicholas J. DeLuliis (the "Executive").

## WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company and CONSOL; and

WHEREAS, the Board (as defined below) and the board of directors of CONSOL (the "CONSOL Board") recognize that the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company, CONSOL and their respective stockholders; and

WHEREAS, the Board and the CONSOL Board have determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, in consideration of the Executive's continued employment with the Company and the Executive's agreement to waive certain rights he may have to receive severance compensation and benefits under any applicable severance plan or policy, as set forth below, the Company and CONSOL desire to provide the Executive with certain compensation and benefits set forth in this Agreement in order to ameliorate the financial and career impact on the Executive in the event the Executive's employment is terminated for a reason related to a Change in Control; and

WHEREAS, the Executive agrees to waive any rights he may have under any severance plan or policy in which the Executive is entitled to participate with respect to severance compensation and benefits in the event the Executive's employment with the Company is terminated as the result of an Involuntary Termination Associated With a Change in Control (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company, CONSOL and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

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(a) "Base Pay" means the greater of (i) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately preceding the Executive's Termination Date, or (ii) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control.

(b) "Board" means the Board of Directors of the Company. If the Executive is also a member of the Board, then in the case of any provision hereof that requires action by, or a determination of, the Board in connection with this Agreement, it is understood that such provision refers to the members of the Board other than the Executive.

(c) "Cause" means a determination by the Board that the Executive has committed any of the following acts:

(i) the Executive has been convicted of, or the Executive has pleaded guilty or nolo contendere to, (x) any felony, or (y) any misdemeanor involving fraud, embezzlement or theft; or

(ii) the Executive has wrongfully disclosed material confidential information of the Company, a Subsidiary, or CONSOL and/or its subsidiaries, has intentionally violated any material express provision of the Company's code of conduct for executives and management employees (as in effect on the date of the Change in Control), or has intentionally failed or refused to perform any of his material assigned duties for the Company, and any such failure or refusal has been demonstrably and materially harmful to the Company.

Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for "Cause" under this subsection (ii) unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than the majority of the members of the Board plus one member, finding that, in the good faith opinion of the Board, the Executive has committed an act constituting "Cause," as herein defined, and specifying the particulars thereof in detail. Prior to any such determination, the Executive shall be provided with reasonable notice of such pending determination and the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), shall be provided with the opportunity to be heard before the Board makes any such determination. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence of any of the following events:

(i) the acquisition after the date hereof by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 25% of the combined voting

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power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company and/or CONSOL and any of their respective subsidiaries of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company, a Subsidiary, or CONSOL and/or its subsidiaries, (D) any acquisition of Voting Stock of the Company by an underwriter holding securities of the Company in connection with a public offering thereof, or (E) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) other than at a time when CONSOL and/or its subsidiaries beneficially own more than 50% of the total Voting Stock of the Company, individuals who constitute the Board as of the Effective Date (the "Incumbent Board," as modified by this Section 1(d)(ii)), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) will be deemed to have then been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation of the Company or a direct or indirect wholly owned subsidiary thereof, a sale or other disposition (whether by sale, taxable or nontaxable exchange, formation of a joint venture or otherwise) of all or substantially all of the assets of the Company, or other transaction involving the Company (each, a "Business Combination"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (B) no Person other than the Company and/or CONSOL and/or their respective subsidiaries beneficially owns 25% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent

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corporation thereof (disregarding all “acquisitions” described in subsections (A) - (C) of Section 1(d)(i)), and (C) other than at a time when CONSOL and/or its subsidiaries beneficially own more than 50% of the total Voting Stock of the Company, at least a majority of the members of the board of directors of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination;

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii); or

(v) other than at a time when CONSOL and/or its subsidiaries beneficially own less than 50% of the total Voting Stock of the Company, a Change in Control of CONSOL.

(e) “Change in Control of CONSOL” means the occurrence of any of the following events:

(i) the acquisition after the date hereof by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 25% of the combined voting power of the then outstanding Voting Stock of CONSOL; provided, however, that for purposes of this Section 1(e)(i), the following acquisitions will not constitute a Change in Control of CONSOL: (A) any issuance of Voting Stock of CONSOL directly from CONSOL that is approved by the Incumbent Board of CONSOL (as defined in Section 1(e)(ii), below), (B) any acquisition by CONSOL and/or its subsidiaries of Voting Stock of CONSOL, (C) any acquisition of Voting Stock of CONSOL by any employee benefit plan (or related trust) sponsored or maintained by CONSOL and/or its subsidiaries, (D) any acquisition of Voting Stock of CONSOL by an underwriter holding securities of CONSOL in connection with a public offering thereof, or (E) any acquisition of Voting Stock of CONSOL by any Person pursuant to a Business Combination of CONSOL that complies with clauses (A), (B) and (C) of Section 1(e)(iii), below; or

(ii) individuals who constitute the CONSOL Board as of the Effective Date (the “Incumbent Board of CONSOL,” as modified by this Section 1(e)(ii)), cease for any reason to constitute at least a majority of the CONSOL Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CONSOL’s stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board of CONSOL (either by a specific vote or by approval of the proxy statement of CONSOL in which such person is named as a nominee for director, without objection to such nomination) will be deemed to have then been a member of the Incumbent Board of CONSOL, but excluding, for this purpose,

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any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the CONSOL Board; or

(iii) consummation of a reorganization, merger or consolidation of CONSOL, a sale or other disposition (whether by sale, taxable or nontaxable exchange, formation of a joint venture or otherwise) of all or substantially all of the assets of CONSOL, or other transaction involving CONSOL (each, a "Business Combination of CONSOL"), unless, in each case, immediately following such Business Combination of CONSOL, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of CONSOL immediately prior to such Business Combination of CONSOL beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination of CONSOL or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns CONSOL or all or substantially all of CONSOL's assets either directly or through one or more subsidiaries), (B) no Person other than CONSOL beneficially owns 25% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination of CONSOL or any direct or indirect parent corporation thereof (disregarding all "acquisitions" described in subsections (A) - (C) of Section 1 (e) (i)), and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination of CONSOL or any direct or indirect parent corporation thereof were members of the Incumbent Board of CONSOL at the time of the execution of the initial agreement or of the action of the CONSOL Board providing for such Business Combination of CONSOL; or

(iv) approval by the stockholders of CONSOL of a complete liquidation or dissolution of CONSOL, except pursuant to a Business Combination of CONSOL that complies with clauses (A), (B) and (C) of Section 1(e)(iii).

(f) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Consultancy Period" shall have the meaning assigned to such term in Section 2(d) hereof.

(i) "Constructive Termination Associated With a Change in Control" means the termination of the Executive's employment with the Company by the Executive as a result of the occurrence without the Executive's written consent of one of the following events:

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(i) a material adverse change in the Executive's position with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise) (but excluding any loss of any position with a Subsidiary with respect to which the Executive is not separately compensated) as compared to the Executive's position with the Company (and/or a Subsidiary) immediately prior to the Change in Control;

(ii) (A) a material reduction in the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control; (B) a material reduction in the Executive's Target Bonus opportunity in effect immediately prior to the Change in Control; or (C) a material reduction in the level of Employee Benefits provided to the Executive immediately prior to the Change in Control (excluding any reduction that is generally applicable to all or substantially all salaried Company employees);

(iii) a material adverse change in circumstances has occurred following a Change in Control, including, without limitation, a material change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive unable to carry out, has materially hindered the Executive's performance of, or has caused the Executive to suffer a material reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control; a good faith determination by the Executive (that a material adverse change has occurred) will be conclusive and binding upon the parties hereto unless otherwise shown by the Company to be not in good faith);

(iv) in connection with the liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, the Company breached this Agreement by not requiring the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) to assume all duties and obligations of the Company under this Agreement pursuant to Section 14(a); or

(v) the relocation of the Executive's principal work location (other than in connection with a relocation contemplated by the Company as of the date hereof or pursuant to organizational changes in accordance with past practice) to a location that increases the Executive's normal work commute by fifty (50) miles or more as compared to the Executive's normal work commute immediately prior to the Change in Control, or that the Executive's required travel away from his office in the course of discharging his responsibilities or duties of his job is materially increased as compared to that which was required of the Executive in any of the three (3) full years immediately prior to the Change in Control.

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Without limiting the generality or effect of the foregoing, the Executive shall have no right to terminate employment in a Constructive Termination Associated With a Change in Control in connection with an event described above unless (A) the Executive provides written notice to the Company within one (1) month of the occurrence of such event that identifies such event with particularity, (B) the Company fails to correct such event within thirty (30) days after receipt of such notice from the Executive and (C) such termination must occur within sixty (60) days after the expiration of the failure of the Company to correct the event.

In no event shall the termination of the Executive's employment with the Company on account of the Executive's death or Disability or because the Executive engaged in conduct constituting Cause be deemed to be a Constructive Termination Associated With a Change in Control.

(j) "Disability" means the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive.

(k) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including, without limitation, any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured), disability, salary continuation, expense reimbursement and other employee benefit policies that may exist as of a Change in Control or any successor policies, plans or arrangements that provide substantially similar perquisites or benefits.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Incentive Pay" means the greater of: (i) the Executive's Target Bonus for which the Executive was eligible during the period that includes the Termination Date, or (ii) the average of the annual bonuses paid by the Company to the Executive for the three years prior to the year that includes the Termination Date. For purposes of this definition, "Target Bonus" means 100% of the amount established under the Company's short-term incentive compensation program, if any, for the Executive, and any other annual bonus, applicable incentive, commission or other sales incentive compensation, or comparable incentive payment opportunity which, in the sole discretion of the Company, is deemed to constitute a Target Bonus, in addition to Base Pay, for which the Executive was eligible to receive, but did not receive prior to his Termination Date, in regard to services rendered in the year covered by the Executive's Termination Date and which is to be made pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) in which the Executive is eligible to participate. For purposes of this definition, "Incentive Pay" does not include any stock option, stock appreciation, stock purchase,

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restricted stock or similar plan, program, arrangement or grant, one time bonus or payment (including, but not limited to, any sign-on bonus), any amounts contributed by the Company for the benefit of the Executive to any qualified or nonqualified deferred compensation plan, whether or not provided under an arrangement described in the prior sentence, or any amounts designated by the parties as amounts other than Incentive Pay.

(n) "Involuntary Termination Associated With a Change in Control" means the termination of the Executive's employment related to a Change in Control: (i) involuntarily by the Company (and any Subsidiary) for any reason other than Cause, the Executive's death or the Executive's Disability, or (ii) on account of a Constructive Termination Associated With a Change in Control.

(o) "Restricted Business" means any business function with a direct competitor of the Company that is substantially similar to the business function performed by the Executive with the Company immediately prior to his Termination Date.

(p) "Restricted Territory" means the counties, towns, cities or states of any country in which the Company operates or does business.

(q) "Subsidiary" means any Company controlled affiliate.

(r) "Termination Date" means the last day of the Executive's employment with the Company (and any Subsidiary).

(s) "Termination of Employment" means, except as provided in the following sentence and subject to the provisions of Section 19(b), the termination of the Executive's active employment relationship with the Company on account of an Involuntary Termination Associated With a Change in Control. For purposes of the non-solicitation provision of Section 10 of this Agreement, the term "Termination of Employment" shall mean the termination of the Executive's employment relationship with the Company for any reason (or with CONSOL and/or its subsidiaries if the Executive is reemployed by CONSOL and/or its subsidiaries pursuant to Section 2(e)).

(t) "Voting Stock" means securities entitled to vote generally in the election of directors.

## 2. Termination Associated With a Change in Control.

(a) Involuntary Termination Associated With a Change in Control. In the event the Executive's employment is terminated after, or in connection with, a Change in Control, on account of (i) an Involuntary Termination Associated With a Change in Control within the two year period after the Change in Control, or (ii) an involuntary termination by the Company (other than for Cause, due to the Executive's death or Disability) that (A) occurs not more than three (3) months prior to the date on which a Change in Control occurs, or (B) is requested by a third party who initiates a Change in Control, the Executive shall be entitled to such benefits as provided under the provisions of subsection (b) of this Section 2. For purposes of subsection 2(a)(ii)(B) above, to be

eligible to receive amounts described in Section 2(b) below, a Change in Control must be consummated within the twelve (12) month period following the Executive's Termination Date, except in circumstances pursuant to which the consummation of the Change in Control is delayed, through no failure of the Company or the third person, by a governmental or regulatory authority or agency with jurisdiction over the matter, or as a result of other similar circumstances where third party approval is necessary and is delayed. In such a circumstance, the remainder of the twelve (12) month period shall be tolled and shall recommence upon termination of the delaying event.

(b) Compensation and Benefits Upon Involuntary Termination Associated With a Change in Control. In the event a termination described in subsection (a) of this Section 2 occurs, and subject to the Executive's compliance with the provisions of Section 4 hereof, the Company shall pay and provide to the Executive after his Termination Date:

(i) A lump sum cash payment equal to (A) two and one-half (2.5) times Base Pay, plus (B) two and one-half (2.5) times Incentive Pay.

(ii) The Executive shall receive a pro rated payment of his Incentive Pay for the year in which his Termination of Employment occurs. The pro rated payment shall be based on the Executive's Incentive Pay as of the Executive's Termination Date, multiplied by a fraction, the numerator of which is the number of days during which the Executive was employed by the Company in the year of his termination and the denominator of which is 365.

(iii) For the thirty (30) month period immediately following the Termination Date or, if later, the date of the Change in Control:

(1) If the Executive elects COBRA continuation coverage, the Executive shall continue to participate in all medical, dental and vision insurance plans he was participating in on the Termination Date, and the Company shall pay the applicable premium. During the applicable period of coverage described in the foregoing sentences, the Executive shall be entitled to benefits on substantially the same basis and cost as would have otherwise been provided had the Executive not separated from service. To the extent that such benefits are available under the above-referenced benefit plans and the Executive had such coverage immediately prior to the Termination Date, such continuation of benefits for the Executive shall also cover the Executive's dependents for so long as the Executive is receiving benefits under this paragraph (iii). The COBRA Continuation Period for medical and dental insurance under this paragraph (iii) shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally eighteen (18) months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan. For purposes of this Agreement, "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of this Agreement which shall commence on the first day of the calendar month

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following the month in which the Termination Date falls and generally shall continue for an 18-month period.

(2) Following the conclusion of the 18-month COBRA period described above, the Company will provide coverage as follows :

(A) If the relevant plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Executive, then the Company will continue to provide coverage under the plan for an additional twelve (12) months and will annually impute income to the Executive for the fair market value of the premium.

(B) If, however, any such plan does not permit the continued participation following the end of the COBRA Continuation Period as contemplated above, then the Company will reimburse the Executive for the actual cost to the Executive of any individual health insurance policy obtained by Employee in accordance with the procedures set forth in subsection (iv) below.

(iv) If the Executive would have been eligible for post-retirement medical and dental coverage had he retired from employment during the period of thirty (30) months following his Termination Date, but is not so eligible as a result of his termination, then, at the conclusion of the benefit continuation period described in (iii) above, the Company shall take all commercially reasonable efforts to provide the Executive with additional continued group medical and dental coverage comparable to that which would have been available to him from time to time under the Company's post-retirement medical and dental benefit program, for as long as such coverage would have been available under such program. It is specifically acknowledged by the Executive that if such coverage is provided under a Company sponsored self-insured plan, it will be provided on an after-tax basis and the Executive will have income imputed to him annually equal to the fair market value of the premium. If this coverage cannot be provided by the Company, (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), then as an alternative, the Company will reimburse the Executive in lieu of such coverage an amount equal to the Executive's actual and reasonable after-tax cost of continuing comparable coverage.

Reimbursement to the Executive pursuant to subsections (iii) or (iv) above will be available only to the extent that (1) such expense is actually incurred for any particular calendar year and reasonably substantiated; (2) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Executive; (3) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (4) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, under subsection (iii) no reimbursement will be provided for any expense incurred following the

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additional twelve (12) months or for any expense which relates to coverage after such date.

(v) A lump sum cash payment equal to the total amount that the Executive would have received under the Company's 401(k) plan as a Company match if the Executive was eligible to participate in the Company's 401(k) plan for the thirty (30) month period after his Termination Date and he contributed the maximum amount to the plan for the match. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vi) A lump sum cash payment equal to the difference between the present value of the Executive's accrued pension benefits at his Termination Date under the Company's qualified defined benefit plan and (if eligible) its pension restoration plan (together, the "pension plans") and the present value of the accrued pension benefits to which the Executive would have been entitled under the pension plans if the Executive had continued participation in those plans for the thirty (30) month period after his Termination Date. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vii) A lump sum cash payment of \$25,000 in order to cover the cost of outplacement assistance services for the Executive and other expenses associated with seeking another employment position.

(viii) The Executive shall receive any amounts earned, accrued or owing but not yet paid to the Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

(ix) All payments under this subsection 2(b) will be made in a lump sum no later than sixty (60) days after the Termination Date (or, if later, the date of the Change in Control, as applicable); provided, however, that the benefits due under subsections (iii) and (iv) shall be provided as specified thereunder.

(c) Vesting of Equity Rights. Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all stock options, stock appreciation rights, restricted stock, restricted stock units and other equity rights awarded by the Company and/or CONSOL and held by the Executive will become fully vested and/or exercisable, as the case may be, on the date on which the Change in Control occurs, and all such stock options or stock appreciation rights held by the Executive shall remain exercisable for the period set forth in the award agreement covering the options or rights.

(d) Consultancy Period Option. Except in the event CONSOL exercises its reemployment rights set forth in Section 2(e) hereof, if any Involuntary Termination Associated With a Change in Control occurs, the Company may, in its sole discretion, elect to require reasonable cooperation from the Executive following the Executive's Termination Date for a period (the "Consultancy Period") not to exceed twenty-four (24) months. In the event that the Company so elects, the Executive shall, during the pendency of the Consultancy Period, be available from time to time, at the request of the Company's Chairman of the Board or Chief Executive Officer, to provide advice and assistance concerning (i) the transition of the Executive's duties and responsibilities to any successor to his position, and (ii) any other matters concerning the Company's corporate, business and financial affairs which are consistent with the Executive's expertise and experience. Such advice and assistance may, at the Executive's option, be provided either in person or by telephone or videoconference. In no event shall the Company request, nor shall the Executive be required to provide more than five (5) hours of consulting services per work week, nor to provide such services other than during normal Company business hours. The Executive shall be reimbursed by the Company for any reasonable expenses incurred in connection with the performance of such services, subject to compliance with the Company's standard policies and procedures regarding reimbursement of expenses. The Executive shall be permitted, during the Consultancy Period, to engage in other business and personal activities; provided, that such activities are not inconsistent with the Executive's duties under Sections 9 and 10 hereof.

(e) CONSOL Reemployment Option. In the case of any Involuntary Termination Associated With a Change in Control (other than a Change in Control within the meaning of Section 1(d)(v)), CONSOL may, in its sole discretion, elect on or before the 30th day following the Executive's Termination Date, to reemploy the Executive, effective as of the Executive's Termination Date, on a full-time basis in a salaried employment position. In the event that CONSOL elects to reemploy the Executive as described above, then the Executive shall be entitled to receive generally comparable annual base salary, Incentive Pay and Employee Benefits from CONSOL for a period not extending beyond the two-year anniversary of the Change in Control (the "Reemployment Period"). If the Executive refuses or fails to accept CONSOL's offer of reemployment, subject to such terms, conditions and agreements as CONSOL may require, the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof.

Upon any such reemployment, the Executive hereby agrees that (i) no compensation and benefits shall be payable to the Executive under this Agreement except for CONSOL's obligations under this Section 2(e) during the Reemployment Period, and (ii) the Executive shall agree to terminate this Agreement with the Company and CONSOL (except as provided in Section 20 hereof) and execute a change in control agreement and a noncompete, nonsolicitation and nondisclosure agreement in such form(s) satisfactory to, and provided by, CONSOL. In the event that CONSOL subsequently terminates the Executive during the Reemployment Period, CONSOL shall pay to the Executive the benefits provided under Section 2(b) (as determined on the date of the Change in Control); provided, however, that (i) the amount payable upon the Executive's termination under (b)(i) and (b)(ii) above shall be reduced by the amount of

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salary and incentive pay received by the Executive during the Reemployment Period, and (ii) the periods applicable under (b)(iii), (b)(iv), (b)(v) and (b)(vi) above shall be reduced by the number of months the Executive was employed by CONSOL during the Reemployment Period.

3. Termination of Employment on Account of Disability, Cause or Death. Notwithstanding anything in this Agreement to the contrary, if the Executive's employment terminates on account of Disability, the Executive shall be entitled to receive disability benefits under any disability program maintained by the Company that covers the Executive, and the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof. If the Executive's employment terminates on account of Cause or because of his death, the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof.

4. Release. To receive the consideration described in Section 2(b) of this Agreement, the Executive must sign a Separation of Employment and General Release Agreement, substantially in the form attached hereto as Annex A (the "Release"), deliver the signed Release to the Company's General Counsel within thirty (30) days (unless a longer period is required by law) and not revoke the Release within the seven-day revocation period provided for in the Release. In the event that CONSOL elects to reemploy the Executive as contemplated in Section 2(e), then the payment of compensation, incentive pay and benefits contemplated under Sections 2(b) and 2(e) shall be subject, at CONSOL's election, to the Executive's execution and non-revocation of a Release at the time his Reemployment Period commences and the Executive's renewal of such Release, and non-revocation of such renewal, at the time of any subsequent termination during the Reemployment Period.

5. Enforcement. Without limiting the rights of the Executive at law or in equity, if the Company or CONSOL fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant period in the Eastern Edition of The Wall Street Journal. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

6. Certain Additional Payments by the Company.

(a) The provisions of this Section 6 shall apply notwithstanding anything in this Agreement or any other agreement to the contrary. Subject to subsection (b) below, in the event that it shall be determined that any payment or distribution to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the Company shall pay the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income tax, employment tax,

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excise tax and other tax imposed upon the Gross-Up Payment, shall be equal to the Payment.

(b) Notwithstanding subsection (a), and notwithstanding any other provisions of this Agreement to the contrary, if the net after-tax benefit to the Executive of receiving the Gross-Up Payment does not exceed the Safe Harbor Amount (as defined below) by more than 10% (as compared to the net-after tax benefit to the Executive resulting from elimination of the Gross-Up Payment and reduction of the Payments to the Safe Harbor Amount), then (i) the Company shall not pay the Executive the Gross-Up Payment, and (ii) the provisions of subsection (c) below shall apply. The term "Safe Harbor Amount" means the maximum dollar amount of parachute payments that may be paid to the Executive under Section 280G of the Code without imposition of an excise tax under Section 4999 of the Code.

(c) The provisions of this subsection (c) shall apply only if the Company is not required to pay the Executive a Gross-Up Payment as a result of subsection (b) above. If the Company is not required to pay the Executive a Gross-Up Payment as a result of the provisions of subsection (b), the Company will apply a limitation on the Payment amount as set forth below (a "Parachute Cap") as follows: The aggregate present value of the Payments under Section 2(b) of this Agreement ("Agreement Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be subject to the limitation of deduction under Section 280G of the Code. For purposes of this Section 6, "present value" shall be determined in accordance with Section 280G(d)(4) of the Code.

(d) Except as set forth in the next sentence, all determinations to be made under this Section 6 shall be made by the nationally recognized independent public accounting firm used by the Company immediately prior to the Change in Control ("Accounting Firm"), which Accounting Firm shall provide its determinations and any supporting calculations to the Company and the Executive within ten (10) days of the Executive's Termination Date. The value of the Executive's non-competition covenant under Section 10(a) of this Agreement shall be determined by independent appraisal by a nationally-recognized business valuation firm acceptable to both the Executive and the Company, and a portion of the Agreement Payments shall, to the extent of that appraised value, be specifically allocated as reasonable compensation for such non-competition covenant and shall not be treated as a parachute payment. If any Gross-Up Payment is required to be made, the Company shall make the Gross-Up Payment within ten (10) days after receiving the Accounting Firm's calculations, but in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the Executive remits the related taxes. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive.

(e) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 6 shall be borne solely by the Company.

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7. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise. Notwithstanding anything to the contrary contained herein, as a condition to accepting benefits provided hereunder, the Executive will be required to waive, and will be deemed to have waived, any other right or entitlement to severance or termination benefits from the Company, its Subsidiaries, CONSOL and/or its subsidiaries.

8. Legal Fees and Expenses. In the event of a Change in Control, it is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if a Change in Control occurs and it should appear to the Executive that the Company or any other person has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive under Section 2 of this Agreement, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer or employee of the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection, the Company and the Executive agree that a confidential relationship will exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted frivolously, in bad faith or with no colorable claim of success. Such fees and expenses will be paid by the Company as they are incurred by the Executive, but in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the Executive incurs the fees and expenses. In addition, no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year, and the right to this reimbursement is not subject to liquidation or exchange for another benefit.

9. Confidentiality. The Executive hereby covenants and agrees that, except as specifically requested or directed by the Company, he will not disclose to any person not employed by the Company, or use in connection with engaging in competition with the

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Company, any confidential or proprietary information (as defined below) of the Company. For purposes of this Agreement, the term “confidential or proprietary information” will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by the Executive’s breach of this Section 9) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company’s financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, consulting solutions and processes, and all other secrets and all other information of a confidential or proprietary nature which is protected by the Uniform Trade Secrets Act. For purposes of this Section 9, the term “Company” will also include CONSOL, and its subsidiaries, and any Subsidiary (collectively, the “Restricted Group”). The foregoing obligations imposed by this Section 9 will not apply (i) in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information has become, through no fault of the Executive, generally known to the public, or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

10. Covenants Not to Compete and Not to Solicit. In the event of the Executive’s Termination of Employment, the Company’s obligations to provide the payments and benefits set forth in Section 2 shall be expressly conditioned upon the Executive’s compliance with the covenants not to compete and not to solicit as provided herein. In the event the Executive breaches his obligations to the Company as provided herein, the Company’s obligations to provide the payments and benefits set forth in Section 2 shall cease, without prejudice to any other remedies that may be available to the Company. For purposes of this Section 10 and the definition of “Restricted Business” and “Restricted Territory” as used herein, the term “Company” will also include CONSOL, and its subsidiaries, and any Subsidiary

(a) Covenant Not to Compete. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of one (1) year following the Executive’s Termination Date, the Executive shall not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in a financing, operation, management or control of, any person, firm, corporation or business that is a Restricted Business in a Restricted Territory without the prior written consent of the Board. For this purpose, ownership of no more than 5% of the outstanding Voting Stock of a publicly traded corporation shall not constitute a violation of this provision.

(b) Covenant Not to Solicit. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of two (2) years following the Executive’s Termination Date, the Executive shall not: (i) solicit, encourage or take any other action which is intended to induce any other employee of the Company to terminate his employment with the Company; or (ii) interfere in any manner with the contractual or employment relationship between the Company and any such employee of the Company. The foregoing shall not prohibit the Executive or any entity with which the Executive may be affiliated from hiring a former employee of the Company; provided, that such

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hiring results exclusively from such former employee's affirmative response to a general recruitment effort.

(c) Interpretation. The covenants contained herein are intended to be construed as a series of separate covenants, one for each county, town, city and state or other political subdivision of a Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding subsections. If, in any judicial proceeding, the court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in such subsections, then such unenforceable covenant (or such part) shall be deemed to be eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced.

(d) Reasonableness. In the event that the provisions of this Section 10 shall ever be deemed to exceed the time, scope or geographic limitations permitted by applicable laws, then such provisions shall be reformed to the maximum time, scope or geographic limitations, as the case may be, permitted by applicable laws.

11. Employment Rights. Nothing expressed or implied in this Agreement will create any (i) right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control, or (ii) duty on the part of CONSOL to reemploy the Executive following any Change in Control.

12. Withholding of Taxes. The Company, CONSOL and their respective subsidiaries may withhold from any amounts payable under this Agreement all federal, state, city or other taxes required to be withheld pursuant to any applicable law, regulation or ruling.

13. Term of Agreement. The term of this Agreement shall commence on the Effective Date hereof and shall continue until December 31, 2008; provided, however, that commencing on January 1, 2009, and each January 1 thereafter, the term of this Agreement shall automatically be extended until the following December 31, unless the Company gives notice not later than October 31 of the preceding year that it does not wish to extend this Agreement; and provided, further, that regardless of any such notice by the Company, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the term provided herein if a Change in Control of the Company occurs during the period that this Agreement is in effect unless otherwise terminated sooner as provided herein.

14. Successors and Binding Agreement.

(a) The Company and CONSOL will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company or CONSOL, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company or CONSOL would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company, CONSOL and any successor to the Company or CONSOL, including without limitation any persons

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acquiring directly or indirectly all or substantially all of the business or assets of the Company or CONSOL whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the “Company” and/or “CONSOL” for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company or CONSOL.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees. This Agreement will supersede the provisions of any employment or other agreement between the Executive, the Company and/or CONSOL that relate to any matter that is also the subject of this Agreement and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 14(a) and (b). Without limiting the generality or effect of the foregoing, the Executive’s right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive’s will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 14(c), the Company and CONSOL will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

15. Notices. For all purposes of this Agreement, all communications, including without limitation, notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed by the recipient), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized courier service for overnight/next-day delivery, such as FedEx, UPS, or the United States Postal Service, addressed to the Company and CONSOL (to the attention of the Secretary of the Company/CONSOL) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflict of laws of such Commonwealth.

17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

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18. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive, the Company and CONSOL. No waiver by any party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto. Whenever used herein, the masculine includes the feminine.

19. Section 409A.

(a) If any benefit provided under this Agreement is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed).

(b) Severance benefits are payable only if the Executive is involuntarily terminated by the Company as provided under this Agreement. For purposes of this Agreement, the Executive shall be considered to have experienced a termination of employment only if the Executive has terminated employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1), (2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Executive has terminated employment will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

(c) For purposes of Section 409A, each severance benefit payment shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment that is scheduled to be made on or before March 15th of the calendar year following the calendar year containing the Executive's Termination Date (or, if later, the date of the Change in Control) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii). The Executive shall have no right to designate the date of any payment under this Agreement.

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(d) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on permissible distribution event and at a specified time consistent with Section 409A of the Code. The Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account or a termination of employment, such payment shall be delayed for a period of six (6) months after the Termination Date (or, if earlier, the death of the Executive ) if the Executive is a “specified employee” (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Company). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the 6-month anniversary of the Termination Date.

20. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties’ respective rights and obligations under Sections 2, 6, 8, 9, and 10 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment for any reason whatsoever.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

*(Remainder of Page Intentionally Blank)*

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

CNX Gas Corporation

By: /s/ Stephen W. Johnson  
Name: Stephen W. Johnson  
Title: Executive Vice President, General Counsel and  
Secretary

CONSOL Energy, Inc.

By: /s/ J. Brett Harvey  
Name: J. Brett Harvey  
Title: President and Chief Executive Officer

Nicholas J. DeIuliis

/s/ Nicholas J. DeIuliis

SEPARATION OF EMPLOYMENT AND GENERAL RELEASE AGREEMENT

THIS SEPARATION OF EMPLOYMENT AND GENERAL RELEASE AGREEMENT (this "Agreement") is made as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ and \_\_\_\_\_ (collectively the "Company") and \_\_\_\_\_ (the "Executive").

WHEREAS, the Executive formerly was employed by the Company as and \_\_\_\_\_;

WHEREAS, the Executive and Company entered into a Change in Control Severance Agreement, dated \_\_\_\_\_, 200\_\_\_\_, (the "Severance Agreement") which provides for certain payments and benefits in the event that the Executive's employment is terminated on account of a reason set forth in the Severance Agreement; and

WHEREAS, the Executive's employment with the Company was terminated for reasons that qualify the Executive to receive certain payments and benefits, as set forth in Section 2(b) [or 2(e)] of the Severance Agreement, subject to, among other things, the Executive's execution of this Agreement.

NOW, THEREFORE, for and in consideration of the Company's commitments in Section 2(b) [and 2(e)] of the Severance Agreement, and intending to be legally bound, the Executive and the Company hereby agree as follows:

1. (a) The Executive does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, subsidiaries and parents, and its and their respective officers, directors, employees, and agents, and its and their respective successors and assigns, heirs, executors, and administrators, as well as the current and former fiduciaries of any pension, welfare, or other benefit plans applicable to the employees or former employees of the Company, and the current and former welfare and other benefit plans sponsored by the Company (collectively, "Releasees") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Executive ever had, now has, or hereafter may have, whether known or unknown, or which the Executive's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from the beginning of time to the date the Executive signs this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Executive's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Worker Readjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Employee Retirement Income Security Act of 1974, the Pennsylvania Human Relations Act, and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort.

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(b) Although Paragraph 1(a) is intended to be a general release, it is understood and agreed that Paragraph 1(a) excludes claims related to the Executive's right to receive the payments and benefits described in Section 2(b) [and 2(e)] of the Severance Agreement, as well as claims under any statute or common law that the Executive is legally barred from releasing, such as the Executive's entitlement to vested pension benefits.

(c) Nothing herein is intended to or shall preclude the Executive from filing a charge with any appropriate federal, state or local government agency and/or cooperating with said agency in its investigation. The Executive, however, explicitly waives any right to file a personal lawsuit or receive monetary damages that the agency may recover against the Releasees, without regard as to who brought any said complaint or charge. Employee further agrees that to the extent any relief, including monetary relief, is awarded in any such proceeding, all amounts paid as consideration under Section 2(b) [or 2(e)] of the Separation Agreement shall be a setoff and credit against any such award to the fullest extent permitted by law.

(d) The Executive represents and agrees by signing below that the Executive has not been denied any leave or benefit requested, has received the appropriate pay for all hours worked for the Company, and has no known workplace injuries or occupational diseases.

(e) To the fullest extent permitted by law, the Executive represents and affirms that (i) [ **other than \_\_\_\_\_**,] the Executive has not filed or caused to be filed on the Executive's behalf any claim for relief against any Releasee and, to the best of the Executive's knowledge and belief, no outstanding claims for relief have been filed or asserted against the Company or any Releasee on the Executive's behalf; and (ii) [ **other than \_\_\_\_\_**,] the Executive has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company, to any member of the Company's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. The Executive agrees to promptly dismiss with prejudice all claims for relief filed before the date the Executive signs this Agreement.

2. The Company does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Executive from all claims, demands or causes of action arising out of facts or occurrences prior to the date of this Agreement, but only to the extent the Company knows or reasonably should know of such facts or occurrence and only to the extent such claim, demand or cause of action relates to a violation of applicable law or the performance of the Executive's duties with the Company; provided, however, that this release of claims shall not in any case be effective with respect to any claim by the Company alleging a breach of the Executive's obligations under this Agreement. [Note: The Company and the Executive may, but shall not be required to mutually agree on a case-by-case basis at the time of the signing of this release to include the foregoing provision, or a substantially similar provision, to this Agreement.]

3. The Executive further agrees and recognizes that the Executive's employment relationship with the Company has been permanently severed, that the Executive shall not seek employment with the Company or any affiliated entity at any time in the future, and that the Company has no obligation to employ the Executive in the future.

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4. The Executive further agrees that the Executive will not disparage or subvert the Company, or make any statement reflecting negatively on the Releasees including, but not limited to, statements relating to the operation or management of the Company, the Executive's employment and the termination of the Executive's employment, irrespective of the truthfulness or falsity of such statement.

5. The Executive acknowledges that if the Executive had not executed this Agreement containing a release of all claims, the Executive would not have been entitled to the payments and benefits set forth in Section 2(b) [or 2(e)] of the Severance Agreement.

6. This Agreement contains the entire agreement between the Company and the Executive relating to the subject matter hereof. No prior or contemporaneous oral or written agreements or representations may be offered to alter the terms of this Agreement. To the extent Employee has entered into other agreements with the Company that are not in conflict with this Agreement, including, but not limited to the Severance Agreement, the terms of this Agreement shall not supersede, but shall be in addition to such other agreements.

7. The Executive agrees not to disclose the terms of this Agreement or the Severance Agreement to anyone, except the Executive's spouse, attorney and, as necessary, tax/financial advisor. Likewise, the Company agrees that the terms of this Agreement will not be disclosed except as may be necessary to obtain approval or authorization to fulfill its obligations hereunder or as required by law. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

8. The Executive represents that the Executive has returned to the Company and does not presently have in the Executive's possession or control any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Executive's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Executive while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. In addition, the Executive has or will promptly return in good condition any other Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops and computers. At the Executive's request, the Company will make reasonable arrangements to transfer cellular phone numbers and personal fax numbers to the Executive.

9. Nothing in this Agreement shall prohibit or restrict the Executive from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or

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municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

10. The parties agree and acknowledge that the agreement by the Company described herein, and the release of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Executive.

11. The Executive agrees and recognizes that should the Executive breach any of the obligations or covenants set forth in Section 10 of the Severance Agreement, the Company will have no further obligation to provide the Executive with the consideration set forth in Section 2(b) [or 2(e)] of the Severance Agreement, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Notwithstanding the foregoing, the Executive acknowledges that if the Executive breaches Section 10 of the Severance Agreement, and if the Company terminates or recovers any of the payments or benefits provided under Section 2(b) [or 2(e)] of the Severance Agreement (as provided for in Section 10 of the Severance Agreement), the release provided by Section 1 of this Agreement shall remain valid and enforceable.

12. The Executive further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

13. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

14. The Executive certifies and acknowledges as follows:

(a) That the Executive has read the terms of this Agreement, and that the Executive understands its terms and effects, including the fact that the Executive has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Executive's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Executive has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Executive acknowledges is adequate and satisfactory to him and which the Executive acknowledges is in addition to any other benefits to which the Executive is otherwise entitled; and

(c) That the Executive has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement; and

(d) That the Executive does not waive rights or claims that may arise after the date this Agreement is executed; and

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(e) That the Company has provided the Executive with a period of [ **twenty-one (21)** ] or [ **forty-five (45)** ] days within which to consider this Agreement, and that the Executive has signed on the date indicated below after concluding that this Agreement is satisfactory; and

(f) The Executive acknowledges that this Agreement may be revoked within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Executive, this Agreement will be deemed null and void and the Company will have no obligations hereunder or under Section 2(b) [or 2(e)] of the Severance Agreement.

Intending to be legally bound hereby, the Executive and the Company executed the foregoing Separation of Employment and General Release Agreement this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Executive

Witness: \_\_\_\_\_

[Insert Company Name]

By: \_\_\_\_\_  
Name:  
Title:

Witness: \_\_\_\_\_

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), dated as of December 2, 2008 (the "Effective Date"), is made between CONSOL Energy Inc., CNX Center, 1000 CONSOL Energy Drive, Canonsburg, Pennsylvania 15317, a Delaware corporation (the "Company"), and Robert Pusateri (the "Executive").

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined below) exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, in consideration of the Executive's continued employment with the Company and the Executive's agreement to waive certain rights he may have to receive severance compensation and benefits under any applicable Company severance plan or policy, as set forth below, the Company desires to provide the Executive with certain compensation and benefits set forth in this Agreement in order to ameliorate the financial and career impact on the Executive in the event the Executive's employment with the Company is terminated for a reason related to a Change in Control; and

WHEREAS, the Executive agrees to waive any rights he may have under any Company severance plan or policy with respect to severance compensation and benefits in the event the Executive's employment with the Company is terminated as the result of an Involuntary Termination Associated With a Change in Control (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Base Pay" means the greater of (i) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately preceding the Executive's Termination Date, or (ii) the Executive's annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control.

(b) "Board" means the Board of Directors of the Company. If the Executive is also a member of the Board, then in the case of any provision hereof that requires action by, or a determination of, the Board in connection with this Agreement, it is understood that such provision refers to the members of the Board other than the Executive.

(c) "Cause" means a determination by the Board that the Executive has committed any of the following acts:

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(i) the Executive has been convicted of, or the Executive has pleaded guilty or nolo contendere to, (A) any felony, or (B) any misdemeanor involving fraud, embezzlement or theft; or

(ii) the Executive has wrongfully disclosed material confidential information of the Company or any Subsidiary, has intentionally violated any material express provision of the Company's code of conduct for executives and management employees (as in effect on the date of the Change in Control), or has intentionally failed or refused to perform any of his material assigned duties for the Company; and any such failure or refusal has been demonstrably and materially harmful to the Company.

Notwithstanding the foregoing, the Executive will not be deemed to have been terminated for "Cause" under this subsection (ii) unless and until there has been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than the majority of the members of the Board plus one member, finding that, in the good faith opinion of the Board, the Executive has committed an act constituting "Cause," as herein defined, and specifying the particulars thereof in detail. Prior to any such determination, the Executive shall be provided with reasonable notice of such pending determination and the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), shall be provided with the opportunity to be heard before the Board makes any such determination. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence of any of the following events:

(i) the acquisition after the date hereof by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 25% of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions will not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (D) any acquisition of Voting Stock of the Company by an underwriter holding securities of the Company in connection with a public offering thereof, or (E) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) individuals who constitute the Board as of the Effective Date (the "Incumbent Board," as modified by this Section 1(d)(ii)), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) will be deemed to have then been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation of the Company or a direct or indirect wholly owned subsidiary thereof, a sale or other disposition

(whether by sale, taxable or nontaxable exchange, formation of a joint venture or otherwise) of all or substantially all of the assets of the Company, or other transaction involving the Company (each, a “Business Combination”), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person other than the Company beneficially owns 25% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof (disregarding all “acquisitions” described in subsections (A) - (C) of Section 1 (d)(i)), and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(e) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(f) “Code” means the Internal Revenue Code of 1986, as amended.

(g) “Consultancy Period” and “Consultancy Position” shall have the respective meanings assigned to those terms in Section 2(d) hereof.

(h) “Constructive Termination Associated With a Change in Control” means the termination of the Executive’s employment with the Company by the Executive as a result of the occurrence without the Executive’s written consent of one of the following events:

(i) a material adverse change in the Executive’s position with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise) (but excluding any loss of any position with a Subsidiary with respect to which the Executive is not separately compensated) as compared to the Executive’s position with the Company (and/or a Subsidiary) immediately prior to the Change in Control;

(ii) (A) a material reduction in the Executive’s annual base salary rate, exclusive of bonuses, commissions and other Incentive Pay, as in effect immediately prior to the Change in Control; (B) a material reduction in the Executive’s Target Bonus opportunity in effect immediately prior to the Change in Control; or (C) a material reduction in the level of Employee Benefits provided to the Executive immediately prior to the Change in Control (excluding any reduction that is generally applicable to all or substantially all salaried Company employees);

(iii) a material adverse change in circumstances has occurred following a Change in Control, including, without limitation, a material change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive unable to carry out, has materially hindered the Executive’s performance of, or has caused the Executive to suffer a material reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control; a good faith determination by the

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Executive (that a material adverse change has occurred) will be conclusive and binding upon the parties hereto unless otherwise shown by the Company to be not in good faith);

(iv) in connection with the liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, the Company breached this Agreement by not requiring the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) to assume all duties and obligations of the Company under this Agreement pursuant to Section 14(a); or

(v) the relocation of the Executive's principal work location (other than in connection with a relocation contemplated by the Company as of the date hereof or pursuant to organizational changes in accordance with past practice) to a location that increases the Executive's normal work commute by fifty (50) miles or more as compared to the Executive's normal work commute immediately prior to the Change in Control (excluding in the case of an Executive who is a Vice President/General Manager of Coal Operations, a transfer to a comparable position at another Company or Subsidiary mining facility), or that the Executive's required travel away from his office in the course of discharging his responsibilities or duties of his job is materially increased as compared to that which was required of the Executive in any of the three (3) full years immediately prior to the Change in Control.

Without limiting the generality or effect of the foregoing, the Executive shall have no right to terminate employment in a Constructive Termination Associated With a Change in Control in connection with an event described above unless (A) the Executive provides written notice to the Company within one month of the occurrence of such event that identifies such event with particularity, and (B) the Company fails to correct such event within thirty (30) days after receipt of such notice from the Executive, and (C) such termination must occur within sixty (60) days after the expiration of the failure of the Company to correct the event.

In no event shall the termination of the Executive's employment with the Company on account of the Executive's death or Disability or because the Executive engaged in conduct constituting Cause be deemed to be a Constructive Termination Associated With a Change in Control.

(i) "Disability" means the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive.

(j) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including, without limitation, any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies that may exist as of a Change in Control or any successor policies, plans or arrangements that provide substantially similar perquisites or benefits.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Incentive Pay" means the greater of: (i) the Executive's Target Bonus for which the Executive was eligible during the period that includes the Termination Date, or (ii) the average of the annual bonuses paid by the Company to the Executive for the three years prior to the year that includes

the Termination Date. For purposes of this definition, "Target Bonus" means 100% of the amount established under the CONSOL Energy Inc. Executive Annual Incentive Plan, and any other annual bonus, applicable incentive, commission or other sales incentive compensation, or comparable incentive payment opportunity which, in the sole discretion of the Company, is deemed to constitute a Target Bonus, in addition to Base Pay, for which the Executive was eligible to receive, but did not receive prior to his Termination Date, in regard to services rendered in the year covered by the Executive's Termination Date and which is to be made pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto. For purposes of this definition, "Incentive Pay" does not include any stock option, stock appreciation, stock purchase, restricted stock, the CONSOL Energy Inc. Long-Term Incentive Programs or similar plan, program, arrangement or grant, one time bonus or payment (including, but not limited to, any sign-on bonus), any amounts contributed by the Company for the benefit of the Executive to any qualified or nonqualified deferred compensation plan, whether or not provided under an arrangement described in the prior sentence, or any amounts designated by the parties as amounts other than Incentive Pay.

(m) "Involuntary Termination Associated With a Change in Control" means the termination of the Executive's employment related to a Change in Control: (i) involuntarily by the Company for any reason other than Cause, the Executive's death or the Executive's Disability, or (ii) on account of a Constructive Termination Associated With a Change in Control.

(n) "Restricted Business" means any business function with a direct competitor of the Company that is substantially similar to the business function performed by the Executive with the Company immediately prior to his Termination Date.

(o) "Restricted Territory" means the counties, towns, cities or states of any country in which the Company operates or does business.

(p) "Subsidiary" means any Company controlled affiliate.

(q) "Termination Date" means the last day of the Executive's employment with the Company.

(r) "Termination of Employment" means, except as provided in the following sentence and subject to the provisions of Section 19(b), the termination of the Executive's active employment relationship with the Company on account of an Involuntary Termination Associated With a Change in Control. For purposes of the non-solicitation provision of Section 10 of this Agreement, the term "Termination of Employment" shall mean the termination of the Executive's employment relationship with the Company for any reason.

(s) "Voting Stock" means securities entitled to vote generally in the election of directors.

## 2. Termination Associated With a Change in Control.

(a) Involuntary Termination Associated With a Change in Control. In the event the Executive's employment is terminated after, or in connection with, a Change in Control, on account of (i) an Involuntary Termination Associated With a Change in Control within the two year period after the Change in Control, or (ii) an involuntary termination by the Company (other than for Cause or due to the Executive's death or Disability) that (A) occurs not more than three (3) months prior to the date on which a Change in Control occurs, or (B) is requested by a third party who initiates a Change in Control, the Executive shall be entitled to the benefits provided in subsection (b) of this Section 2. For purposes of subsection 2(a)(ii)(B) above, to be eligible to receive amounts described in Section 2(b) below, a Change in Control must be consummated within the twelve (12) month period following the Executive's

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Termination Date, except in circumstances pursuant to which the consummation of the Change in Control is delayed, through no failure of the Company or the third person, by a governmental or regulatory authority or agency with jurisdiction over the matter, or as a result of other similar circumstances where a third party approval is necessary and is delayed. In such a circumstance, the remainder of the twelve (12) month period shall be tolled and shall recommence upon termination of the delaying event.

(b) Compensation and Benefits Upon Involuntary Termination Associated With a Change in Control. In the event a termination described in subsection (a) of this Section 2 occurs, and subject to the Executive's compliance with the provisions of Section 4 hereof, the Company shall pay and provide to the Executive after his Termination Date:

(i) A lump sum cash payment equal to (A) 2.0 times Base Pay, plus (B) 2.0 times Incentive Pay.

(ii) The Executive shall receive a pro rated payment of his Incentive Pay for the year in which his Termination of Employment occurs. The pro rated payment shall be based on the Executive's Incentive Pay as of the Executive's Termination Date, multiplied by a fraction, the numerator of which is the number of days during which the Executive was employed by the Company in the year of his termination and the denominator of which is 365.

(iii) For the eighteen (18)-month period immediately following the Date of Termination or, if later, the closing dates for the Change in Control:

(1) If the Executive elects COBRA Continuation Coverage, the Executive shall continue to participate in all medical, dental and vision insurance plans he was participating in on the Termination Date, and the Company shall pay the applicable premium. During the applicable period of coverage described in the foregoing sentences, the Executive shall be entitled to benefits on substantially the same basis and cost as would have otherwise been provided had the Executive not separated from service. To the extent that such benefits are available under the above-referenced benefit plans and the Executive had such coverage immediately prior to termination of employment, such continuation of benefits for the Executive shall also cover the Executive's dependents for so long as the Executive is receiving benefits under this paragraph (iii). The COBRA Continuation Period for medical and dental insurance under this paragraph (iii) shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally 18 months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan. For purposes of this Agreement, (1) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and (2) "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of this Agreement which shall commence on the first day of the calendar month following the month in which the date of termination falls and generally shall continue for an 18 month period.

(iv) If the Executive would have been eligible for post-retirement medical and dental coverage had he retired from employment during the period of eighteen (18) months following his Termination Date, but is not so eligible as the result of his termination, then, at the conclusion of the benefit continuation period described in (iii) above, the Company shall take all commercially reasonable efforts to provide the Executive with additional continued group medical and dental coverage comparable to that which would have been available to him from time to time under the Company's post-retirement medical and dental benefit program, for as long as such coverage would have been available under such program. It is specifically acknowledged by the Executive that if such coverage is provided under a Company sponsored self insured plan, it will be provided on an after-tax basis and the Executive will have income imputed to him

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annually equal to the fair market value of the premium. If this coverage cannot be provided by the Company, (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), then as an alternative, the Company will reimburse the Executive in lieu of such coverage an amount equal to the Executive's actual and reasonable after-tax cost of continuing comparable coverage.

Reimbursement to the Executive pursuant to subsections (iii) or (iv) above will be available only to the extent that (1) such expense is actually incurred for any particular calendar year and reasonably substantiated; (2) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Executive; (3) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (4) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, under subsection (iii), no reimbursement will be provided for any expense incurred following the eighteen (18) months or for any expense which relates to coverage after such date.

(v) A lump sum cash payment equal to the total amount that the Executive would have received under the Company's 401(k) plan as a Company match if the Executive was eligible to participate in the Company's 401(k) plan for the twenty-four (24) -month period after his Termination Date and he contributed the maximum amount to the plan for the match. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vi) A lump sum cash payment equal to the difference between the present value of the Executive's accrued pension benefits at his Termination Date under the Company's qualified defined benefit plan and (if eligible) any plan or plans sponsored by the Company providing nonqualified retirement benefits (which currently includes the CONSOL Energy Inc. Supplemental Retirement Plan and The Retirement Restoration Plan of CONSOL Energy Inc.) (the qualified and nonqualified plans together being referred to as the "pension plans") and the present value of the accrued pension benefits to which the Executive would have been entitled under the pension plans if the Executive had continued participation in those plans for the twenty-four (24) -month period after his Termination Date. Such amount shall be determined based on the assumption that the Executive would have received annual Base Pay plus Incentive Pay during such period in the amounts set forth in Sections 2(b)(i) and (ii) above.

(vii) A lump sum cash payment of \$25,000 in order to cover the cost of outplacement assistance services for the Executive and other expenses associated with seeking another employment position.

(viii) The Executive shall receive any amounts earned, accrued or owing but not yet paid to the Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company.

(ix) All payments under this subsection 2(b) will be made in a lump sum no later than 60 days after the date of termination (or, if later, the closing date of the Change in Control, as applicable); provided, however, that the benefits due under subsections (iii) and (iv) shall be provided as specified thereunder.

(c) Vesting of Equity Rights. Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all stock options, stock appreciation rights, restricted stock, restricted stock units and other equity rights held by the Executive will become fully vested and/or exercisable, as the case may be, on the date on which the

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Change in Control occurs, and all stock options or stock appreciation rights held by the Executive shall remain exercisable for the period set forth in the award agreement covering the options or rights.

(d) Consultancy Period Option. In the case of any Involuntary Termination Associated With a Change in Control, the Company may, in its sole discretion, elect to require reasonable cooperation from the Executive following the Executive's Termination Date for a period (the "Consultancy Period") not to exceed eighteen (18) months. In the event that the Company so elects, the Executive shall, during the pendency of the Consultancy Period, be available from time to time, at the request of the Company's Chairman of the Board or Chief Executive Officer, to provide advice and assistance concerning (i) the transition of the Executive's duties and responsibilities to any successor to his position, and (ii) any other matters concerning the Company's corporate, business and financial affairs which are consistent with the Executive's expertise and experience. Such advice and assistance may, at the Executive's option, be provided either in person or by telephone or videoconference. In no event shall the Company request, nor shall the Executive be required to provide more than five (5) hours of consulting services per work week, nor to provide such services other than during normal Company business hours. The Executive shall be reimbursed by the Company for any reasonable expenses incurred in connection with the performance of such services, subject to compliance with the Company's standard policies and procedures regarding reimbursement of expenses. The Executive shall be permitted, during the Consultancy Period, to engage in other business and personal activities; provided, that such activities are not inconsistent with the Executive's duties under Sections 9 and 10 hereof.

3. Termination of Employment on Account of Disability, Cause or Death. Notwithstanding anything in this Agreement to the contrary, if the Executive's employment terminates on account of Disability, the Executive shall be entitled to receive disability benefits under any disability program maintained by the Company that covers the Executive, and the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof. If the Executive's employment terminates on account of Cause or because of his death, the Executive shall not be considered to have terminated employment under this Agreement and shall not receive benefits pursuant to Section 2 hereof.

4. Release. To receive the consideration described in Sections 2(b) of this Agreement, the Executive must sign a Separation of Employment and General Release Agreement, substantially in the form attached hereto as Annex A (the "Release"), deliver the signed Release to the Company's General Counsel within thirty (30) days (unless a longer period is required by law), and not revoke the Release within the seven-day revocation period provided for in the Release.

5. Enforcement. Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant period in the Eastern Edition of The Wall Street Journal. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

6. Limit on Payments by the Company.

(a) The provisions of this Section 6 shall apply notwithstanding anything in this Agreement or any other agreement to the contrary. In the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, Company will apply a limitation on the Payment amount as set forth below (a "Parachute Cap") as follows: The aggregate present value of the Payments under Section 2(b) of this Agreement ("Agreement Payments") shall be reduced (but not below zero) to the Reduced Amount; provided, however, that any such reduction shall be applied to Agreement Payments that do not constitute deferred compensation and are exempt or

otherwise excepted from coverage under Section 409A (but excluding stock options or other stock rights). The “Reduced Amount” shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be subject to the limitation of deduction under Section 280G of the Code. For purposes of this Section 6, “present value” shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) Except as set forth in the next sentence, all determinations to be made under this Section 6 shall be made by the nationally recognized independent public accounting firm used by the Company immediately prior to the Change in Control (“Accounting Firm”), which Accounting Firm shall provide its determinations and any supporting calculations to the Company and the Executive within ten (10) days of the Executive’s Termination Date. The value of the Executive’s non-competition covenant under Section 10(a) of this Agreement shall be determined by independent appraisal by a nationally-recognized business valuation firm acceptable to both the Executive and the Company, and a portion of the Agreement Payments shall, to the extent of that appraised value, be specifically allocated as reasonable compensation for such non-competition covenant and shall not be treated as a parachute payment. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive.

(c) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 6 shall be borne solely by the Company.

7. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise. Notwithstanding anything to the contrary contained herein, as a condition to accepting benefits provided hereunder, the Executive will be required to waive, and will be deemed to have waived, any other right or entitlement to severance or termination benefits from the Company or its Subsidiaries.

8. Legal Fees and Expenses. In the event of a Change in Control, it is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive’s rights under this Agreement by litigation or otherwise because the cost and expense thereof would detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if a Change in Control occurs and it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive under Section 2 of this Agreement, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive’s choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer or employee of the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive’s entering into an attorney-client relationship with such counsel, and in that connection, the Company and the Executive agree that a confidential relationship will exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys’ and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not

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acted frivolously, in bad faith or with no colorable claim of success. Such fees and expenses will be paid by the Company as they are incurred by the Executive, but in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the Executive incurs the fees and expenses. In addition, no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year, and the right to this reimbursement is not subject to liquidation or exchange for another benefit.

9. Confidentiality. The Executive hereby covenants and agrees that, except as specifically requested or directed by the Company, he will not disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information (as defined below) of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by the Executive's breach of this Section 9) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, consulting solutions and processes, and all other secrets and all other information of a confidential or proprietary nature which is protected by the Uniform Trade Secrets Act. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 9 will not apply (i) in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information has become, through no fault of the Executive, generally known to the public, or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

10. Covenants Not to Compete and Not to Solicit. In the event of the Executive's Termination of Employment, the Company's obligations to provide the payments and benefits set forth in Section 2 shall be expressly conditioned upon the Executive's compliance with the covenants not to compete and not to solicit as provided herein. In the event the Executive breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Section 2 shall cease, without prejudice to any other remedies that may be available to the Company.

(a) Covenant Not to Compete. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of one (1) year following the Executive's Termination Date, the Executive shall not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in a financing, operation, management or control of, any person, firm, corporation or business that is a Restricted Business in a Restricted Territory without the prior written consent of the Board. For this purpose, ownership of no more than 5% of the outstanding Voting Stock of a publicly traded corporation shall not constitute a violation of this provision.

(b) Covenant Not to Solicit. If the Executive is receiving payments and benefits under Section 2 above (or subsequently becomes entitled thereto because of a termination described in Section 2(a)(ii)), then, for a period of two (2) years following the Executive's Termination Date, the Executive shall not: (i) solicit, encourage or take any other action which is intended to induce any other employee of the Company to terminate his employment with the Company; or (ii) interfere in any manner with the contractual or employment relationship between the Company and any such employee of the Company. The foregoing shall not prohibit the Executive or any entity with which the Executive may be affiliated from hiring a former employee of the Company; provided, that such hiring results exclusively from such former employee's affirmative response to a general recruitment effort.

(c) Interpretation. The covenants contained herein are intended to be construed as a series of separate covenants, one for each county, town, city and state or other political subdivision of a

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Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding subsections. If, in any judicial proceeding, the court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in such subsections, then such unenforceable covenant (or such part) shall be deemed to be eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced.

(d) Reasonableness. In the event that the provisions of this Section 10 shall ever be deemed to exceed the time, scope or geographic limitations permitted by applicable laws, then such provisions shall be reformed to the maximum time, scope or geographic limitations, as the case may be, permitted by applicable laws.

11. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control.

12. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

13. Term of Agreement. The term of this Agreement shall commence on the Effective Date hereof and shall continue until December 31, 2008; provided, however, that commencing on January 1, 2009, and each January 1 thereafter, the term of this Agreement shall automatically be extended until the following December 31, unless the Company gives notice not later than October 31 of the preceding year that it does not wish to extend this Agreement; and provided, further, that regardless of any such notice by the Company, this Agreement shall continue in effect for a period of eighteen (18) months beyond the term provided herein if a Change in Control of the Company occurs during the period that this Agreement is in effect.

14. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees. This Agreement will supersede the provisions of any employment or other agreement between the Executive and the Company that relate to any matter that is also the subject of this Agreement, and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 14(a) and (b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any

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attempted assignment or transfer contrary to this Section 14(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

15. Notices. For all purposes of this Agreement, all communications, including without limitation, notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed by the recipient), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized courier service for overnight/next-day delivery, such as FedEx, UPS, or the United States Postal Service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

16. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflict of laws of such Commonwealth.

17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

18. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto. Whenever used herein, the masculine includes the feminine.

19. Code Section 409A.

(a) If any benefit provided under this Agreement is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed).

(b) Severance benefits are payable only if the Executive is involuntarily terminated by the Company as provided under this Agreement. For purposes of the Agreement, the Executive shall be considered to have experienced a termination of employment only if the Executive has terminated employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1), (2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Executive has terminated employment will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

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(c) For purposes of Section 409A, each severance benefit payment shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) each payment that is scheduled to be made on or before March 15th of the calendar year following the calendar year containing the Executive's termination date (or, if later, the closing date of the Change in Control) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii). The Executive shall have no right to designate the date of any payment under this Agreement.

(d) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on permissible distribution event and at a specified time consistent with Section 409A of the Code. The Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account or a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if earlier, the death of the Executive) if the Executive is a "specified employee" (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Company). Any payment that would otherwise have been due or owing during such six-month period will be paid immediately following the end of the six-month period in the month following the month containing the six (6)-month anniversary of the date of termination.

20. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 2, 6, 8, 9, and 10 will survive any termination or expiration of this Agreement or the termination of the Executive's employment for any reason whatsoever.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

*[Remainder of Page Intentionally Left Blank]*

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*[Signature Page for Change In Control Agreement]*

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered January 16, 2009, but effective as of the date first above written.

CONSOL Energy Inc.

By:

/s/ J. Brett Harvey

Name: J. Brett Harvey

Title: President and Chief Executive Officer

Robert Pusateri

/s/ Robert Pusateri

SEPARATION OF EMPLOYMENT AND GENERAL RELEASE AGREEMENT

THIS SEPARATION OF EMPLOYMENT AGREEMENT AND GENERAL RELEASE (the "Agreement") is made as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between CONSOL Energy Inc. (the "Company") and \_\_\_\_\_ (the "Executive").

WHEREAS, the Executive formerly was employed by the Company as \_\_\_\_\_; and

WHEREAS, the Executive and Company entered into a Change in Control Severance Agreement, dated \_\_\_\_\_, 200\_, (the "Severance Agreement") which provides for certain payments and benefits in the event that the Executive's employment is terminated on account of a reason set forth in the Severance Agreement; and

WHEREAS, the Executive's employment with the Company was terminated for reasons that qualify the Executive to receive certain payments and benefits, as set forth in Section 2(b) of the Severance Agreement, subject to, among other things, the Executive's execution of this Agreement.

NOW, THEREFORE, for and in consideration of the Company's commitments in Section 2(b) of the Severance Agreement, the Executive and the Company hereby agree as follows:

1. (a) The Executive does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, subsidiaries and parents, and its and their respective officers, directors, employees, and agents, and its and their respective successors and assigns, heirs, executors, and administrators, as well as the current and former fiduciaries of any pension, welfare, or other benefit plans applicable to the employees or former employees of the Company, and the current and former welfare and other benefit plans sponsored by the Company (collectively, "Releases") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Executive ever had, now has, or hereafter may have, whether known or unknown, or which the Executive's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from the beginning of time to the date the Executive signs this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Executive's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Worker Readjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, the Employee Retirement Income Security Act of 1974, the Pennsylvania Human Relations Act, and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort.

(b) Although Paragraph 1(a) is intended to be a general release, it is understood and agreed that Paragraph 1(a) excludes claims related to the Executive's right to receive the payments and benefits described in Section 2(b) of the Severance Agreement, as well as claims under any statute or common law that the Executive is legally barred from releasing, such as the Executive's entitlement to vested pension benefits.

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(c) Nothing herein is intended to or shall preclude the Executive from filing a charge with any appropriate federal, state or local government agency and/or cooperating with said agency in its investigation. The Executive, however, explicitly waives any right to file a personal lawsuit or receive monetary damages that the agency may recover against the Releasees, without regard as to who brought any said complaint or charge. Employee further agrees that to the extent any relief, including monetary relief, is awarded in any such proceeding, all amounts paid as consideration under Section 2(b) of the Separation Agreement shall be a setoff and credit against any such award to the fullest extent permitted by law.

(d) The Executive represents and agrees by signing below that the Executive has not been denied any leave or benefit requested, has received the appropriate pay for all hours worked for the Company, and has no known workplace injuries or occupational diseases.

(e) To the fullest extent permitted by law, the Executive represents and affirms that (i) [ **other than** \_\_\_\_\_,] the Executive has not filed or caused to be filed on the Executive's behalf any claim for relief against any Releasee and, to the best of the Executive's knowledge and belief, no outstanding claims for relief have been filed or asserted against the Company or any Releasee on the Executive's behalf; and (ii) [ **other than** \_\_\_\_\_,] the Executive has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company, to any member of the Company's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. The Executive agrees to promptly dismiss with prejudice all claims for relief filed before the date the Executive signs this Agreement.

2. The Company, for and in consideration of the commitments of the Executive as set forth in this Agreement, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Executive from all claims, demands or causes of action arising out of facts or occurrences prior to the date of this Agreement, but only to the extent the Company knows or reasonably should know of such facts or occurrence and only to the extent such claim, demand or cause of action relates to a violation of applicable law or the performance of the Executive's duties with the Company; provided, however, that this release of claims shall not in any case be effective with respect to any claim by the Company alleging a breach of the Executive's obligations under this Agreement. [Note: The Company and the Executive may, but shall not be required to mutually agree on a case-by-case basis at the time of the signing of this release to include the foregoing provision, or a substantially similar provision, to this Agreement.

3. The Executive further agrees and recognizes that the Executive's employment relationship with the Company has been permanently severed, that the Executive shall not seek employment with the Company or any affiliated entity at any time in the future, and that the Company has no obligation to employ the Executive in the future.

4. The Executive further agrees that the Executive will not disparage or subvert the Company, or make any statement reflecting negatively on the Releasees including, but not limited to, statements relating to the operation or management of the Company, the Executive's employment and the termination of the Executive's employment, irrespective of the truthfulness or falsity of such statement.

5. The Executive acknowledges that if the Executive had not executed this Agreement containing a release of all claims, the Executive would not have been entitled to the payments and benefits set forth in Section 2(b) of the Severance Agreement.

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6. This Agreement contains the entire agreement between the Company and the Executive relating to the subject matter hereof. No prior or contemporaneous oral or written agreements or representations may be offered to alter the terms of this Agreement. To the extent Employee has entered into other agreements with the Company that are not in conflict with this Agreement, including, but not limited to the Severance Agreement, the terms of this Agreement shall not supersede, but shall be in addition to such other agreements.

7. The Executive agrees not to disclose the terms of this Agreement or the Severance Agreement to anyone, except the Executive's spouse, attorney and, as necessary, tax/financial advisor. Likewise, the Company agrees that the terms of this Agreement will not be disclosed except as may be necessary to obtain approval or authorization to fulfill its obligations hereunder or as required by law. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

8. The Executive represents that the Executive has returned to the Company and does not presently have in the Executive's possession or control any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Executive's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Executive while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. In addition, the Executive has or will promptly return in good condition any other Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops and computers. At the Executive's request, the Company will make reasonable arrangements to transfer cellular phone numbers and personal fax numbers to the Executive.

9. Nothing in this Agreement shall prohibit or restrict the Executive from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

10. The parties agree and acknowledge that the agreement by the Company described herein, and the release of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Executive.

11. The Executive agrees and recognizes that should the Executive breach any of the obligations or covenants set forth in Section 10 of the Severance Agreement, the Company will have no further obligation to provide the Executive with the consideration set in Section 2(b) of the Severance Agreement, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Notwithstanding the foregoing, the Executive acknowledges that if the Executive breaches Section 10 of the Severance Agreement, and if the Company's terminates or recovers any of the payments or benefits provided under Section 2(b) of the Severance Agreement (as provided for in Section 10 of the Severance Agreement), the release provided by Section 1 of this Agreement shall remain valid and enforceable.

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12. The Executive further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

13. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

14. The Executive certifies and acknowledges as follows:

(a) That the Executive has read the terms of this Agreement, and that the Executive understands its terms and effects, including the fact that the Executive has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Executive's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Executive has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Executive acknowledges is adequate and satisfactory to him and which the Executive acknowledges is in addition to any other benefits to which the Executive is otherwise entitled; and

(c) That the Executive has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement; and

(d) That the Executive does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided the Executive with a period of [ **twenty-one (21)** ] or [ **forty-five (45)** ] days within which to consider this Agreement, and that the Executive has signed on the date indicated below after concluding that this Separation of Employment Agreement and General Release is satisfactory; and

(f) The Executive acknowledges that this Agreement may be revoked by within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Executive, this Agreement will be deemed null and void and the Company will have no obligations hereunder or under Section 2(b) of the Separation Agreement.

[SIGNATURE PAGE FOLLOWS]

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Intending to be legally bound hereby, the Executive and the Company executed the foregoing Separation of Employment Agreement and General Release this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_ Witness: \_\_\_\_\_  
Executive

CONSOL Energy Inc.

By: \_\_\_\_\_ Witness: \_\_\_\_\_  
Name:  
Title:

**Addendum to Jerry Richey's Offer Letter**

This Addendum is made this 18th day of December, 2008 between CONSOL Energy and P. Jerome Richey.

WHEREAS, the parties previously entered into an offer letter agreement dated February 11, 2005 ("Offer Letter"); and

WHEREAS, the parties wish to clarify certain provisions of the Offer Letter solely with regard to complying with Section 409A of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Section 8 of the Offer Letter is amended by deleting the last sentence thereof and inserting the following provision at the end of such Section:

"In order to receive the severance payment, you must execute, and not revoke, a general release of all claims in a form acceptable to CONSOL Energy within thirty (30) days of your termination date. The cash portion of the severance payment will be paid in a lump sum within sixty days of your termination date after the release becomes effective."

2. The following new Section 11 is hereby added to the Offer Letter:

"Section 409A: Severance benefits are payable only if you are involuntarily terminated by the Employer without cause as provided under this Offer Letter. For purposes of the Offer Letter, you shall be considered to have experienced a termination of employment only if your employment has terminated with CONSOL Energy and all of its controlled group members within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A") Severance payments are scheduled to be made following your termination date and within the applicable 2 1/2 month period specified in Treas. Reg. § 1.409A-1(b)(4) and are intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4). Short-term disability benefits are excluded from Section 409A. You shall have no right to designate the date of any payment under this Offer Letter. Notwithstanding any provision of this Offer Letter to the contrary, to the extent the timing of any severance benefit payment due under this Offer Letter was modified pursuant to the transition guidance provided by the IRS concerning the time and form of payment, any such modification shall only apply to amounts that would not otherwise be payable in 2008 and may not cause an amount to be paid in 2008 that would not otherwise be paid in 2008. To the extent any such payment can not be made in 2008 under the transition guidance, such payment will be made in January 2009."

CONSOL ENERGY, INC.

/s/ J. Brett Harvey  
J. Brett Harvey  
President and Chief Executive Officer

Dated: December 18, 2008

Agreed to:

/s/ P. Jerome Richey  
P. Jerome Richey  
Senior Vice President, General Counsel & Corporate Secretary

Dated: December 18, 2008

**EMPLOYMENT AGREEMENT**

EMPLOYMENT AGREEMENT (“Agreement”) originally dated as of June 3, 2005 and amended as of December 2, 2008 between CONSOL Energy Inc., a Delaware corporation (the “Company”), and J. Brett Harvey (the “Executive”).

WHEREAS, the Executive presently serves as a Director on the Company’s Board of Directors (the “Board”) and is employed as the President and Chief Executive Officer of the Company;

WHEREAS, the Executive and the Company entered into the Letter Agreement, dated December 11, 1997, and subsequently amended April 5, 2000, relating to the terms and conditions of Executive’s employment and service as a Director of the Company (the “Letter Agreement”), and entered into an employment agreement, dated as of June 3, 2005 (the “Original Employment Agreement”);

WHEREAS, the Company and the Executive entered into a Change in Control Severance Agreement, dated as of July 21, 2003 (as subsequently amended, the “Change in Control Agreement”);

WHEREAS, the Company and the Executive desire to amend and restate the Original Employment Agreement solely to ensure compliance with the requirements of Section 409A of Internal Revenue Code of 1986, as amended;

WHEREAS, the Board recognizes that the Executive’s contribution to the growth and success of the Company has been substantial and the Board desires to provide for the continued employment of the Executive and to make certain changes in the Executive’s employment arrangements with the Company which the Board has determined will reinforce and encourage the continued attention and dedication to the Company of the Executive as a member of the Company’s management, in the best interests of the Company and its stockholders; and

WHEREAS, the Executive is willing to commit himself to continue to serve the Company, on the terms and conditions herein provided.

In order to effect the foregoing, the Company and the Executive wish to enter into this Agreement on the terms and conditions set forth below. Accordingly, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

## ARTICLE 1

## DEFINITIONS

SECTION 1.01. *Definitions.* For purposes of this Agreement, the following terms have the meanings set forth below:

“**Affiliate**” means (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company has a significant equity interest, and (iii) an affiliate of the Company as defined in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended.

“**Base Salary**” has the meaning set forth in Section 4.01.

“**Cause**” means (a) gross negligence in the performance of the Executive’s duties which results in material financial harm to the Company; (b) the Executive’s conviction of, or plea of guilty or nolo contendere to, (i) any felony, or (ii) any misdemeanor involving fraud, embezzlement or theft; (c) the Executive’s intentional failure or refusal to perform his duties and responsibilities with the Company, without the same being corrected within fifteen (15) days after being given written notice thereof; (d) the material breach by the Executive of any of the covenants contained in Articles 6 or 7 of this Agreement; (e) the Executive’s willful

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violation of any material provision of the Company's code of conduct for executives and management employees; or (f) the Executive's willful engagement in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise. The Executive may be terminated for Cause hereunder only by majority vote of all members of the Board (other than the Executive), which vote is communicated to the Executive in writing.

**"COBRA"** has the meaning set forth in Section 5.05.

**"COBRA Continuation Period"** has the meaning set forth in Section 5.05.

**"Code"** means the Internal Revenue Code of 1986, as amended.

**"Date of Termination"** has the meaning set forth in Section 5.07.

**"Employment Period"** has the meaning set forth in Section 2.01.

**"Good Reason"** means, without the Executive's written consent, (a) the material diminution of the Executive's duties or responsibilities, including the assignment of any duties and responsibilities materially inconsistent with his position; (b) a material reduction in the Executive's Base Salary; (c) a material reduction in the Executive's annual target bonus opportunity (excluding any reduction that is generally applicable to all or substantially all executive officers of the Company); (d) a material reduction in the overall level of employee benefits (including long-term incentive opportunities) provided to the Executive (excluding any reduction that is generally applicable to all or substantially all executive officers of the Company); (e) the Company breaches this Agreement by failing to obtain a written assumption of this Agreement by any person acquiring all or substantially all of the assets of the Company prior to such acquisition; (f) the relocation of the Executive's principal work location to a location more than fifty (50) miles from Pittsburgh, Pennsylvania; or (g) the Company giving the Executive notice of nonextension of the term of this Agreement in accordance with Section 5.01 solely at either the end of the initial three year term or the end of the first one year extension of the term under Section 5.01 (but, for the avoidance of doubt, not at the end of any further extension of the term). Notwithstanding the forgoing, in order for the Executive to terminate for Good Reason: (a) the Executive must give written notice to the Company of his intention to terminate his employment for Good Reason within sixty (60) days after the event or omission which constitutes Good Reason, and any failure to give such written notice within such period will result in a waiver by the Executive of his right to terminate for Good Reason as a result of such act or omission, (b) the event must remain uncorrected by the Company for thirty (30) days following such notice (the "Notice Period"), and (C) such termination must occur within sixty (60) days after the expiration of the Notice Period.

**"Notice of Termination"** has the meaning set forth in Section 5.06.

**"Person"** shall have the meaning ascribed to such term in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d).

**"Permanent Disability"** means the Executive becomes permanently disabled within the meaning of the long term disability plan of the Company applicable to the Executive under circumstances whereby the Executive is entitled to receive immediate benefits thereunder.

**"Reimbursable Expenses"** has the meaning set forth in Section 4.05. In addition, any Reimbursable Expense shall be made only in accordance with the following conditions:

(a) The reimbursement of any eligible expense shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred; and

(b) The right to reimbursement shall not be subject to liquidation or exchange for another benefit.

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“**Release**” has the meaning set forth in Section 5.02.

“**Restricted Territory**” means the counties, towns, cities, states or other political subdivisions of any country in which the Company or its Affiliates operates or does business.

“**Start Date**” has the meaning set forth in Section 2.01.

ARTICLE 2  
EMPLOYMENT

SECTION 2.01. *Employment.* The Company shall continue to employ the Executive, and the Executive shall continue employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning June 3, 2005 (the date of the beginning of such period to be referred to herein as the “Start Date”) and ending as provided in Section 5.01 (the “Employment Period”).

ARTICLE 3  
POSITION AND DUTIES

SECTION 3.01. *Position and Duties.* During the Employment Period, the Executive shall continue to serve as President and Chief Executive Officer of the Company and will be nominated for re-election to the Board. In such capacity, the Executive shall have such responsibilities, powers and duties as may from time to time be prescribed by the Board; provided that such responsibilities, powers and duties are substantially consistent with those customarily assigned to individuals serving in such positions at comparable companies or as may be reasonably required by the conduct of the business of the Company. During the Employment Period, the Executive shall devote substantially all of his working time and efforts to the business and affairs of the Company and its subsidiaries. The Executive shall not directly or indirectly render any services of a business, commercial or professional nature to any other Person or organization, whether for compensation or otherwise, without the prior written consent of the Company; provided, however, that nothing in this Agreement shall preclude the Executive from managing his personal investments or serving as a director of a not-for-profit organization, so long as such activities do not interfere with the Executive’s performance of his duties hereunder.

ARTICLE 4  
BASE SALARY AND BENEFITS

SECTION 4.01. *Base Salary.* During the Employment Period, the Executive’s base salary will be not less than \$ **1,000,000** per annum (the “Base Salary”). The Base Salary will be payable in accordance with the normal payroll practices of the Company. Annually, during the Employment Period, the Board shall review with the Executive his job performance and compensation, and if deemed appropriate by the Board, in its discretion, the Executive’s Base Salary may be increased but not decreased and, if so increased, such adjusted Base Salary shall become the new Base Salary and shall not thereafter during the Employment Period be decreased.

SECTION 4.02. *Bonuses.* During the Employment Period, in addition to the Base Salary, the Executive shall be eligible to participate in an annual bonus plan on terms established from time to time by the Board; provided, however, that (i) the Executive’s target annual bonus will be not less than 100% of his Base Salary, and (ii) the Executive’s bonus will be paid at the same time as bonuses are paid for other senior executive officers.

SECTION 4.03. *Long Term Incentive Plans.* During the Employment Period, the Executive shall be eligible to participate in any long term incentive compensation plan maintained by the Company on the terms established from time to time by the Board or the Compensation Committee of the Board, as applicable.

SECTION 4.04. *Benefits.* During the Employment Term, the Executive shall be entitled to participate in all employee benefit and fringe benefit plans and arrangements made available by the Company to its executives and key management employees upon the terms and subject to the conditions set forth in the applicable plan or arrangement; provided, however, that the Executive will be credited with eleven (11) years of additional service credit under the Company's Employee Retirement Plan (the "ERP") and the Company's retiree medical plan, representing the Executive's years of service at PacifiCorp Energy Inc. and its affiliates ("PacifiCorp"); provided, further however, that, to the extent such additional service credit cannot be provided under the ERP, the Company shall provide such benefits under a supplemental retirement plan. Notwithstanding the foregoing, there shall be deducted from the benefits payable to the Executive under the ERP or a supplemental retirement plan an amount equal to the pension benefits payable to the Executive pursuant to any pension benefit plans of PacifiCorp. The Executive will be entitled to a maximum of five (5) weeks of paid vacation annually during the Employment Period.

SECTION 4.05. *Expenses.* The Company shall reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses ("Reimbursable Expenses"), subject to the Company's requirements with respect to reporting and documentation of expenses. In addition, the Company shall reimburse the Executive for all reasonable expenses incurred by him for legal advice in finalizing this Agreement, subject to a maximum of \$5,000.

## ARTICLE 5

### TERM AND TERMINATION

SECTION 5.01. *Term.* The Employment Period will terminate on the third anniversary of the Start Date unless further extended or sooner terminated as hereinafter provided. Commencing on the third anniversary of the Start Date and on each anniversary thereafter, the Employment Period will automatically be extended for one (1) additional year, unless not later than ninety (90) days immediately preceding such anniversary, the Company or the Executive shall have given written notice to the other that it does not wish to extend the Agreement.

SECTION 5.02. *Termination for Good Reason or Without Cause.* If the Employment Period shall be terminated prior to the expiration of the third anniversary of the Start Date (or the end of the Employment Period as extended pursuant to Section 5.01) (a) by the Executive for Good Reason, or (b) by the Company without Cause, provided the Executive has delivered a signed Release of claims reasonably satisfactory to the Company (the "Release") to the Company's General Counsel within thirty (30) days of the Date of Termination and not revoked the Release within the seven-day revocation period provided for in the Release, the Executive shall be paid solely (i) Base Salary through the Date of Termination and any annual bonus awarded in accordance with the Company's bonus program but not yet paid; (ii) an amount equal to two (2) times the Base Salary and two (2) times the target annual bonus amount, provided that the Executive shall be entitled to any unpaid amounts only if the Executive has not breached and does not breach the provisions of Sections 6.01 and 7.01 hereof; (iii) a pro-rata portion of the Executive's target bonus for the year of termination, calculated by reference to the number of days during the bonus year during which he was employed by the Company; (iv) payment for all accrued, but unused, vacation time through the Date of Termination; (v) payment for reasonable outplacement assistance services actually incurred by the Executive associated with seeking another employment position within 12 months of the Date of Termination; and (vi) promptly following any such termination, the Executive shall be reimbursed all Reimbursable Expenses incurred by the Executive prior to such termination. The amounts described in clauses (i), (ii), and (iv) above will be paid in a single lump sum within ten (10) days after the Date of Termination; provided, however, that no amount shall be paid until expiration of the 7-day statutory revocation period with respect to the release referred to in this Section 5.02 above. The amount described in

clause (iii) shall be paid in accordance with the terms of the applicable plan subject to the attainment of the performance goals applicable to such bonus award. The amount described in clause (v) shall be paid no later than the end of the calendar year following the year in which such expense is incurred by the Executive. The terms of all Company restricted stock units, stock options and other equity based awards will be as set forth in the applicable award agreements, and medical benefits shall be as provided in Section 5.05 below. The Executive's entitlements under any other benefit plan or program shall be as determined thereunder, except that severance benefits shall not be payable under any other plan or program. Notwithstanding the foregoing, if a termination of employment results in severance benefits being paid under the Change in Control Agreement (or any successor thereto), no amounts or benefits will be paid to the Executive under this Section 5.02 or 5.05.

**SECTION 5.03. *Termination Due to Death or Permanent Disability.*** If the Employment Period shall be terminated prior to the expiration of the third anniversary of the Start Date (or the end of the Employment Period as extended pursuant to Section 5.01) due to the Executive's death or Permanent Disability, the Executive (or his heirs, estate or legal representative) shall be entitled solely to (i) Base Salary through the Date of Termination and any annual bonus awarded in accordance with the Company's bonus program but not yet paid; (ii) a pro-rata portion of the Executive's target bonus for the year of termination, calculated by reference to the number of days during the bonus year during which he was employed by the Company; (iii) payment for all accrued, but unused, vacation time through the Date of Termination; and (iv) promptly following any such termination, the Executive (or his heirs, estate or legal representative) shall be reimbursed all Reimbursable Expenses incurred by the Executive prior to such termination. The amounts described in clauses (i), (ii) and (iii) above will be paid in a single lump sum within ten (10) days after the Date of Termination. The terms of all Company restricted stock units, stock options and other equity based awards will be as set forth in the applicable award agreements, and the Executive's entitlements under any other benefit plan or program shall be as determined thereunder.

**SECTION 5.04. *Termination for Cause or Other Than Good Reason.*** If the Employment Period shall be terminated prior to the expiration of the third anniversary of the Start Date (or the end of the Employment Period as extended pursuant to Section 5.01) (a) by the Company for Cause, or (b) by the Executive other than for Good Reason and not due to the Executive's death or Permanent Disability, the Executive shall be entitled, within ten (10) days following the Date of Termination, to receive solely (i) the Base Salary through the Date of Termination; (ii) payment for all accrued, but unused, vacation time through the Date of Termination; and (iii) reimbursement of all Reimbursable Expenses incurred by the Executive prior to such termination. The Executive's rights under any benefit plan or program shall be as set forth thereunder.

**SECTION 5.05. *Medical Benefits.*** (a) If the Employment Period is terminated as a result of a termination of employment as specified in Section 5.02, the Executive and his dependents shall continue to receive his medical insurance benefits from the Company, on terms substantially comparable to the terms of the Company's medical plan, for a period equal to the lesser of (x) twenty four (24) months following the Date of Termination or (y) until the Executive is provided by another employer with benefits substantially comparable (with no preexisting condition limitations) to the benefits provided by the Company's medical plan. For purposes of enforcing this offset provision, the Executive shall have a duty to promptly inform the Company in writing as to the terms and conditions of any medical benefits provided in connection with any subsequent employment. Notwithstanding the foregoing, the benefits provided in this Section 5.05 shall not in any way modify, limit, or waive any rights the Executive or his dependents may have with respect to any retiree or other post-employment medical benefits, it being agreed that this Section 5.05 provides a minimum amount of coverage that must be provided, and not a replacement of any coverage to which the Executive or his dependents may otherwise be entitled.

(b) The benefits set forth under Section 5.05(a) will be provided as follows:

(1) The first eighteen months will be available through COBRA. If the Executive elects COBRA continuation coverage, the Executive shall continue to participate in all medical insurance plans he was participating on the Date of Termination, and the Company shall pay the applicable premium. To the extent that Executive had dependent coverage immediately prior to

termination of employment, such continuation of benefits for Executive shall also cover Executive's dependents for so long as Executive is receiving benefits under this paragraph and such dependents remain eligible. The COBRA Continuation Period for medical insurance under this paragraph shall be deemed to run concurrent with the continuation period federally mandated by COBRA (generally 18 months), or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the medical plan. For purposes of this Agreement, (a) "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and (b) "**COBRA Continuation Period**" shall mean the continuation period for medical insurance to be provided under the terms of this Agreement which shall commence on the first day of the calendar month following the month in which the date of termination falls and generally shall continue for an 18-month period.

(2) Following the conclusion of the 18 month COBRA Continuation Period described above, the Company will provide coverage as follows:

a) If the relevant medical plan is self insured (within the meaning of Code Section 105(h)), and such plan permits coverage for the Executive, then the Company will continue to provide coverage under the plan for an additional six (6) months and will annually impute income to the Executive for the fair market value of the premium.

b) If, however, the plan does not permit the continued participation following the end of the COBRA Continuation Period as contemplated above, then the Company will reimburse Executive for the actual cost to Executive of any individual medical insurance policy obtained by Executive in accordance with the procedures set forth in subsection (3) below.

(3) Reimbursement to the Executive pursuant to subsection (b) above will be available only to the extent that (a) such expense is actually incurred for any particular calendar year and reasonably substantiated; (b) reimbursement shall be made no later than the end of the calendar year following the year in which such expense is incurred by the Executive; (c) no reimbursement provided for any expense incurred in one taxable year will affect the amount available in another taxable year; and (d) the right to this reimbursement is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing, no reimbursement will be provided for any expense incurred following the additional six (6) months, or for any expense that relates to coverage after such date or the original 24 month period contemplated by Section 5.05(a).

SECTION 5.06. *Notice of Termination.* Any termination by the Company for Permanent Disability or Cause or without Cause or by the Executive with or without Good Reason shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "**Notice of Termination**" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provision indicated.

SECTION 5.07. *Date of Termination.* "**Date of Termination**" shall mean (a) if the Employment Period is terminated as a result of a Permanent Disability, the next business day after a Notice of Termination is given following the Permanent Disability; (b) if the Employment Period is terminated as a result of death, the date of death; and (c) if the Employment Period is terminated for any other reason, the later of the date the Notice of Termination is given or the end of any applicable correction period except as otherwise specifically provided herein.

SECTION 5.08. *No Duty to Mitigate.* The Executive shall have no duty to seek new employment or other duty to mitigate following a termination of employment as described in Section 5.02 above, and no compensation or benefits described in Section 5.02 shall be subject to reduction or offset on account of any subsequent compensation, other than as provided in Section 5.05.

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SECTION 5.09. *Release*. Notwithstanding any other provision hereof, the Executive shall not be required by the Release to release claims that the Executive may have against the Company for reimbursement of ordinary and necessary business expenses incurred by him during the course of his employment, claims that arise after the effective date of the Release, any rights the Executive may have to enforce Sections 5.02 of this Agreement, and claims for which the Executive is entitled to be indemnified under the Company's charter, by-laws or under applicable law or pursuant to the Company's directors' and officer's liability insurance policies.

## ARTICLE 6

### CONFIDENTIAL INFORMATION

SECTION 6.01. *Confidential Information and Trade Secrets*. The Executive and the Company agree that certain materials, including, but not limited to, information, data and other materials relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion credit and financial data, manufacturing processes, financial methods, plans or the business and affairs of the Company and its Affiliates, constitute proprietary confidential information and trade secrets. Accordingly, the Executive will not at any time during or after the Executive's employment with the Company disclose or use for the Executive's own benefit or purposes or the benefit or purposes of any Person, other than the Company and any of its Affiliates, any proprietary confidential information or trade secrets. The foregoing obligations imposed by this Section 6.01 will not apply (i) in the course of the business of and for the benefit of the Company, (ii) if such information has become, through no fault of the Executive, generally known to the public, or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement). The Executive agrees that upon termination of employment with the Company for any reason, the Executive will immediately return to the Company all memoranda, books, paper, plans, information, letters and other data, and all copies thereof or therefrom, which in any way relate to the business of the Company and its Affiliates. The Executive further agrees that the Executive will not retain or use for the Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or any of its Affiliates.

## ARTICLE 7

### NONCOMPETITION

SECTION 7.01. *Noncompetition*. (a) The Executive acknowledges and recognizes the highly competitive nature of the business of the Company and its Affiliates and accordingly agrees that during the term of the Executive's employment and for a period of two (2) years after the termination thereof:

(i) the Executive will not directly or indirectly engage in any business which is in competition with any line of business conducted by the Company or any of its Affiliates, including, but not limited to, where such engagement is as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 1% of the outstanding capital stock of a publicly traded corporation), consultant, advisor, agent or sales representative, in any Restricted Territory;

(ii) the Executive will not perform or solicit the performance of services for any customer or client of the Company or any of its Affiliates;

(iii) the Executive will not directly or indirectly induce any employee of the Company or any of its Affiliates to (1) engage in any activity or conduct which is prohibited pursuant to this Section 7.01, or (2) terminate such employee's employment with the Company or any of its Affiliates. Moreover, the Executive will not directly or indirectly employ or offer employment (in connection with any business which is in competition with any line of business conducted by the Company or any of its Affiliates) to any person who was employed by the Company or any of its Affiliates unless such person shall have ceased to be employed by the Company or any of its Affiliates for a period of at least twelve (12) months; and

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(iv) the Executive will not directly or indirectly assist others in engaging in any of the activities which are prohibited under clauses (i)-(iii) of this Section 7.01(a) above.

(b) The covenant contained in Section 7.01(a)(i) above is intended to be construed as a series of separate covenants, one for each county, town, city and state or other political subdivision of a Restricted Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in the preceding subsections. If, in any judicial proceeding, the court shall refuse to enforce any of the separate covenants (or any part thereof) deemed included in such subsections, then such unenforceable covenant (or such part) shall be deemed to be eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced.

(c) It is expressly understood and agreed that although the Executive and the Company consider the restrictions contained in this Section 7.01 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

## ARTICLE 8

### EQUITABLE RELIEF

SECTION 8.01. *Equitable Relief.* The Executive acknowledges that (a) the covenants contained in Sections 6.01 and 7.01 hereof are reasonable, (b) the Executive's services are unique, and (c) a breach or threatened breach by him of any of his covenants and agreements with the Company contained in Sections 6.01 or 7.01 hereof could cause irreparable harm to the Company for which it would have no adequate remedy at law. Accordingly, and in addition to any remedies which the Company may have at law, in the event of an actual or threatened breach by the Executive of his covenants and agreements contained in Sections 6.01 or 7.01 hereof, the Company shall be entitled as a matter of right to an injunction, without a requirement to post bond, out of any court of competent jurisdiction, restraining any violation or further violation of such promises by the Executive or the Executive's employees, partners or agents.

## ARTICLE 9

### INDEMNIFICATION

SECTION 9.01. (a) *Indemnification.* The Company agrees that if the Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, the Executive shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by applicable law and the Company's certificate of incorporation or bylaws, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of the Executive's heirs, executors and administrators.

(b) *D&O Insurance*. During the Employment Period, the Company shall keep in place a directors' and officers' liability insurance policy (or policies) providing comprehensive coverage to the Executive to the same extent that the Company provides such coverage for any other officer or director of the Company and, after the expiration of the Employment Period, the Executive shall be entitled to such coverage to the same extent that the Company provides such coverage for any other current or former officer or director of the Company.

## ARTICLE 10

### MISCELLANEOUS

SECTION 10.01. *Remedies*. The Company will have all rights and remedies set forth in this Agreement, all rights and remedies which the Company has been granted at any time under any other agreement or contract and all of the rights which the Company has under any law. The Company will be entitled to enforce such rights specifically, without posting a bond or other security, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

SECTION 10.02. *Consent to Amendments*. The provisions of this Agreement may be amended or waived only by a written agreement executed and delivered by the Company and the Executive. No other course of dealing between the parties to this Agreement or any delay in exercising any rights hereunder will operate as a waiver of any rights of any such parties. Notwithstanding the foregoing or any provisions of this Agreement to the contrary, the Company may at any time, with the consent of the Executive, modify or amend any provision of this Agreement or take any other action, to the extent necessary or advisable to ensure that this Agreement complies with or is exempt from Section 409A of the Code and that any payments or benefits under this Agreement are not subject to interest and penalties under Section 409A of the Code.

SECTION 10.03. *Successors and Assigns*. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not, provided that the Executive may not assign his rights or delegate his obligations under this Agreement without the written consent of the Company and the Company may assign this Agreement only to a successor to all or substantially all of its assets.

SECTION 10.04. *Severability*. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

SECTION 10.05. *Counterparts*. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all of which counterparts taken together will constitute one and the same agreement.

SECTION 10.06. *Descriptive Headings*. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

SECTION 10.07. *Notices*. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given when delivered personally to the recipient, two (2) business days after the date when sent to the recipient by reputable express courier service (charges prepaid) or four (4) business days after the date when mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications will be sent to the Executive and to the Company at the addresses set forth below.

If to the Executive:            To the last address delivered to the Company by the Executive in the manner set forth herein.

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If to the Company: CONSOL Energy Inc.  
CNX Center  
1000 CONSOL Energy Drive  
Canonsburg, PA 15317  
Attn: Compensation Committee

Copies of notices to the Company shall also be sent to:

Cahill Gordon & Reindel  
80 Pine Street  
New York, NY 10005  
Attn: Glenn J. Waldrip, Jr., Esq.

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

SECTION 10.08. *Withholding.* The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

SECTION 10.09. *No Third Party Beneficiary.* This Agreement will not confer any rights or remedies upon any person other than the Company, the Executive and their respective heirs, executors, successors and assigns.

SECTION 10.10. *Entire Agreement.* This Agreement constitutes the entire agreement among the parties and supersedes any prior understandings, agreements or representations by or among the parties, written or oral, that may have related in any way to the subject matter hereof, including, without limitation, the Letter Agreement and Original Employment Agreement. Notwithstanding the foregoing, the Change in Control Agreement shall continue in full force and effect, in accordance with its terms.

SECTION 10.11. *Legal Fees and Expenses.* In the event that the Executive institutes any legal action to enforce his rights under, or to recover damages for breach of this Agreement, the Executive, if he is the prevailing party, shall be entitled to recover from the Company reasonable attorneys' fees and disbursements incurred by him. Such fees and expenses will be paid by the Company in no event later than the end of the Executive's taxable year following the Executive's taxable year in which the fees and expenses become due by reason of the Executive being the prevailing party.

SECTION 10.12. *Construction.* The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party. Any reference to any federal, state, local or foreign statute or law will be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The use of the word "**including**" in this Agreement means "including without limitation" and is intended by the parties to be by way of example rather than limitation.

SECTION 10.13. *Survival.* Sections 5.02, 5.03, 5.04, 5.05, 5.08, 6.01, 7.01, 8.01, 9.01 and Article 10 hereof will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period, and the Agreement shall otherwise remain in full force to the extent necessary to enforce any rights and obligations arising hereunder during the Employment Period.

SECTION 10.14. *GOVERNING LAW.* ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS AGREEMENT WILL BE GOVERNED BY THE INTERNAL LAW OF PENNSYLVANIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

SECTION 10.15. *Internal Revenue Code Section 409A.*

(a) If any benefit provided under this Agreement is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Agreement shall be administered, interpreted and construed in a manner necessary to comply with Section 409A and the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed.)

(b) For purposes of the Agreement, the Executive shall be considered to have experienced a termination of employment only if the Executive has terminated employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether the Executive has terminated employment will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A of the Code.

(c) For purposes of Section 409A, each severance benefit payment shall be treated as a separate payment. Each payment under this Agreement is intended to be excepted from Section 409A to the maximum extent provided under Section 409A as follows: (i) the Employee’s termination date and within the applicable 2 1/2 month period specified in Treas. Reg. § 1.409A-1(b)(4) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); (ii) post-termination medical benefits are intended to be excepted under the medical benefits exceptions as specified in Treas. Reg. § 1.409A-1(b)(9)(v)(B); and (iii) to the extent payments are made as a result of an involuntary separation, each payment that is not otherwise excepted under the short-term deferral exception or medical benefits exception is intended to be excepted under the involuntary pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii). The Executive shall have no right to designate the date of any payment under this Agreement.

(d) With respect to payments subject to Section 409A of the Code (and not excepted therefrom), if any, it is intended that each payment is paid on a permissible distribution event and at a specified time consistent with Section 409A of the Code. The Company reserves the right to accelerate and/or defer any payment to the extent permitted and consistent with Section 409A. Notwithstanding any provision of this Agreement to the contrary, to the extent that a payment hereunder is subject to Section 409A of the Code (and not excepted therefrom) and payable on account or a termination of employment, such payment shall be delayed for a period of six months after the date of termination (or, if earlier, the death of the Executive ) if the Executive is a “specified employee” (as defined in Section 409A of the Code and determined in accordance with the procedures established by the Company). Any payment that would otherwise have been due or owing during such 6-month period will be paid immediately following the end of the 6-month period in the month following the month containing the 6-month anniversary of the date of termination.

*[remainder of page intentionally left blank]*

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*[Signature Page for B. Harvey Employment Agreement]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

CONSOL ENERGY INC.

By:

/s/ William P. Powell

Printed Name: William P. Powell

Title: Chairman of Compensation Committee

Dated: December 21, 2008

/s/ J. Brett Harvey

J. Brett Harvey

Dated: December 18, 2008

**RETIREMENT RESTORATION PLAN OF CONSOL ENERGY INC.  
AS AMENDED AND RESTATED EFFECTIVE DECEMBER 2, 2008**

Section I. Introduction and Purpose

A. Introduction. The Retirement Restoration Plan of CONSOL Energy Inc. (“CONSOL”), amended and restated effective as of December 2, 2008 (the “Plan”), is an unfunded deferred compensation plan for the benefit of a select group of management or highly compensated employees. Therefore, it is intended that the Plan will be exempt from Parts 2, 3, and 4 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). This Plan was frozen as of December 31, 2006.

B. Purpose.

1. Retirement Restoration Benefit feature: The purpose of this feature of the Plan is to provide each member of the CONSOL Energy Inc. Employee Retirement Plan (“Retirement Plan”) all benefits otherwise payable in accordance with the terms thereof, but for the limitation on maximum benefits set forth in Section 3.1 of the Retirement Plan.

2. Retirement Restoration Compensation feature: The purpose of this feature of the Plan is to provide each member of the Retirement Plan who was a participant in the Incentive Compensation Plan of Conoco Inc. under which awards were granted on and after January 1, 1981, and the Incentive Compensation Plan of E. I. du Pont de Nemours and Company, and the Incentive Compensation Plan of CONSOL Energy Inc. and such other Incentive Plan (“ICP Plan”) as may from time to time be in effect in substitution therefor and in which members of the Retirement Plan shall participate, all benefits to which the participant would be entitled compensation, as defined in the Retirement Plan, included the annual awards (or in the case of a member of the Retirement Plan who did not have an Hour of Service on or after April 1, 1995, one-half of such awards) granted to the member under the ICP Plan then in effect.

3. Retirement Restoration Enhancement feature: The purpose of this feature of the Plan is to provide each member of the Retirement Plan who was not eligible for benefits under the Temporary Retirement/Termination Incentive Program due to salary grade and who is approved for retirement enhancement by the President and Chief Executive Officer of CONSOL Energy Inc. or a person to whom he delegates this authority, retirement benefits provided for in the Retirement Plan under the terms of the Temporary Retirement/Termination Incentive Program, but without the limitations on salary grade and election date.

Section II. Eligibility for Benefits and Amounts of Benefits

Eligibility in this Plan is limited to individuals who meet the definition of “Member” as set forth in Section 10A.12 of the Retirement Plan or “Active Member” as set forth in Section 11A.4 of the Retirement Plan. Notwithstanding anything to the contrary contained herein, no individual who became a “Member” as set forth in Section 11A.15 of the Retirement Plan as a result of the merger of the Rochester & Pittsburgh Coal Company Pension Plan into the Retirement Plan, effective December 31, 1998, shall be entitled to any benefit under this Plan if such individual was not an employee of CONSOL Energy Inc. on December 31, 1998.

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A. Retirement Restoration Benefit feature: All members of the Retirement Plan who would otherwise be entitled to benefits from the Retirement Plan in accordance with the terms thereof, but for the limitation on maximum benefits set forth in Section 3.1 of the Retirement Plan and the limitation on the amount of compensation taken into consideration set forth in Section 10A.6(e), 10E.2(a), 10E.2(f), 10G.2(d) and 11A.9 of the Retirement Plan, shall be paid such benefits under this feature.

B. Retirement Restoration Compensation feature: All members of the Retirement Plan, who are entitled to benefits from the Retirement Plan in accordance with the terms thereof, shall be paid benefits under this feature in an amount equal to the amount of benefits which would have been paid to the members pursuant to Section 10 and/or Section 11, if applicable, of the Retirement Plan if compensation, as defined in Section 10A.6(a), included the annual awards (or in the case of a member of the Retirement Plan who did not have an Hour of Service on or after April 1, 1995, one-half of such award(s) granted to members on or after January 1, 1981, under the ICP Plan(s). Anything to the contrary notwithstanding, all members of the Retirement Plan who would otherwise be entitled to benefits from this Plan, pursuant to the preceding sentence, shall be paid such benefits only to the extent that compensation, as defined in Section 10A.6 of the Retirement Plan, does not include the annual awards (or in the case of a member of the Retirement Plan who did not have an Hour of Service on or after April 1, 1995, one-half of such awards) granted to members on or after January 1, 1981, under the ICP Plan(s).

C. Retirement Restoration Enhancement feature: Each member of the Retirement Plan, who was not eligible for benefits under the Temporary Retirement/Termination Incentive Program due to salary grade and who is approved for Retirement Enhancement by the President and Chief Executive Officer of CONSOL Energy Inc. or a person to whom he delegates this authority, shall be paid benefits under this feature that would have been paid pursuant to the Retirement Plan, the Retirement Restoration Benefit feature of this Plan, and the Retirement Restoration Compensation feature of this Plan, enhanced under the terms of the Temporary Retirement/Termination Incentive Program, but without the limitations on salary grade and election date, less any benefit payable under the Retirement Plan, the Retirement Restoration Benefit feature of this Plan, and the Retirement Restoration Compensation feature of this Plan.

D. Notwithstanding anything in this Plan to the contrary, no Member that is employed by CNX Gas Corporation or any of its subsidiaries will be eligible to accrue benefits hereunder after December 31, 2005. Compensation and service after such date will not be counted for purposes of this Plan. The amount of the benefit will be calculated on the freeze date with reference to the amount of benefits under the Qualified Plan on the freeze date.

E. Notwithstanding anything in this Plan to contrary, no person will become a Member in the Plan after December 31, 2006. In addition, no benefits will accrue to any former or existing Member after December 31, 2006. Compensation and service after such date will not be counted for purposes of this Plan. The amount of the benefit will be calculated on the freeze date with reference to the amount of benefits under the Qualified Plan on the freeze date.

### Section III. Payment of Benefits

A. This Plan shall be an unfunded Plan, and payments of benefits pursuant to this Plan shall be made from the general assets of CONSOL Energy Inc.

B. Benefits paid under this Plan to a participant or designated beneficiary shall be paid in the form of a single life annuity, or in any of the forms detailed in Section 10D.3(a) or 10D.3(b) of the Retirement Plan in an amount actuarially equivalent to such single life annuity. The receipt of benefits may be

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deferred in accordance with procedures established by the Retirement Board. Elections regarding the form and payment of benefits shall be made independent of any election under the Retirement Plan and in such manner and at such time as the Retirement Board prescribes.

C. A participant's benefits under this Plan shall be determined as of the termination of the participant's employment with CONSOL Energy Inc. in accordance with the terms of the Plan as in effect at the time such distribution commenced; provided, however, that the provisions of this Section III.C. shall not be construed in any manner to create any additional rights or affect the amount of benefits payable under this Plan to a participant or designated beneficiary, as applicable, and shall not be construed as a limitation on the provisions of Section III.E

D. Benefits payable under this Plan shall begin to be paid within a reasonable time after the amount of a participant's benefits pursuant to this Plan has been established. Notwithstanding the preceding sentence, participants who retire pursuant to Section 10E.4(b)(iii) of the Retirement Plan, even if Section 10D.8A were applicable to such participants, cannot begin to receive the benefits payable under this Plan until the end of the first calendar month following age 50.

E. Notwithstanding the foregoing, in order to comply with Code Section 409A, all distributions of benefits accrued and vested under this Plan as of December 31, 2006 will be paid as a lump sum. Benefits will be paid not later than 30 days following the later to occur of: (i) the end of the month following the month in which the Member turns age 50, or (ii) the end of the month following the month in which the Member incurs a Separation from Service. The benefit will be calculated and actuarially reduced, as necessary (using assumptions specified in the Qualified Plan), based on the Member's benefit being initially expressed as a single life annuity payable commencing on the Member's Normal Retirement Date

F. Notwithstanding the foregoing or any Plan provision to the contrary, distributions to Specified Employees upon Separation From Service shall not be made before the date that is 6 months after the date of Separation From Service (or, if earlier, the date of death of the participant). Benefits will be paid in a lump sum following the 6-month delay. This section shall apply only to those benefits to which Code Section 409A has application; for example, it would not apply to any benefits that were earned and vested prior to January 1, 2005 as determined under Code Section 409A and the guidance issued thereunder. For purposes hereof, Specified Employee means a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of the Company and its Subsidiaries, as defined in the regulations issued under Code Section 409A, as determined in accordance with the procedures established by the Company.

G. "Separation from Service" shall mean a participant's death, retirement or other termination of employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code. For purposes hereof, the determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. § 1.414(c)-2. Whether a participant has a Separation from Service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under Section 409A.

#### Section IV. Beneficiaries

A. Beneficiaries under this Plan shall be named in accordance with procedures adopted by the Retirement Board.

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- B. Notwithstanding anything to the contrary contained herein or in the Retirement Plan, a participant or beneficiary who is awaiting a lump-sum payment may, until death, change the beneficiary designated to receive benefits under this Plan.
  - C. In no event shall any change in beneficiary pursuant to Section IV(b) affect the amount of benefits payable under this Plan.

#### Section V. Administration

- A. The Plan shall be administered by the Retirement Board as defined in Section 1.17 of the Retirement Plan.
- B. The Retirement Board shall have the discretionary power to interpret the Plan, establish rules for the administration of the Plan, and make all other determinations necessary or desirable for the Plan's administration.
- C. The decision of the Retirement Board on any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive and binding on the Company, the Participant and any and all interested parties.

#### Section VI. Claims Procedures.

A member or beneficiary may claim any benefit to which he or she is entitled under this Plan by a written notice to the Retirement Board. If a claim is denied, it must be denied within 90 calendar days after receipt of the claim and shall be and be contained in a written notice. If additional time is needed to process the claim, the Retirement Board shall provide the member with notice of the extension prior to the termination of the initial ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Retirement Board expects to make the benefit determination. Any notice of a denial of benefits shall advise the member of the specific reason or reasons for the denial, the specific provisions of the Plan on which the denial is based, any additional material or information necessary for the member or beneficiary to perfect his or her claim and an explanation of why such material or information is necessary, and the steps which the member must take to have his claim for benefit reviewed.

In the event of a denial or partial denial of such claim, the member or beneficiary may file a written request for a full and fair review of his or her claim by the Retirement Board and submit a written statement regarding issues relative to his or her claim. Such written request for review of his or her claim must be filed with the Retirement Board within sixty (60) calendar days after written notice of the denial or partial denial is received by the member.

Within sixty (60) calendar days following receipt of such review request, the Retirement Board will provide the member or beneficiary with a written notice of its decision after a full and fair hearing of the issue. Such written notice shall set forth the specific reasons and specific Plan provisions on which it based its decision. If additional time is needed to process the claim review, the Retirement Board shall provide the member or beneficiary with notice of the extension prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Retirement Board expects to make the benefit determination.

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Within sixty (60) calendar days following receipt of such review request, the Retirement Board will provide the member or beneficiary with a written notice of its decision after a full and fair hearing of the issue. Such written notice shall set forth the specific reasons and specific Plan provisions on which it based its decision. If additional time is needed to process the claim review, the Retirement Board shall provide the member or beneficiary with notice of the extension prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Retirement Board expects to make the benefit determination.

All notices by the Retirement Board denying a claim for benefits and all decisions on requests for a review of the denial of a claim for benefits, shall be written in a manner calculated to be understood by the member or beneficiary filing the claim or requesting the review.

In the event of a denial or partial denial of a member's or beneficiaries claim upon review, the member beneficiary may commence civil action under ERISA section 502(a) within one hundred and eighty (180) calendar days after written notice of the denial or partial denial is received by the member or beneficiary. If such member or beneficiary falls to bring civil action within the aforementioned one hundred and eighty (180) calendar days, he shall be foreclosed from commencing any civil action at any future date.

#### Section VII. Amendment, Suspension, Termination

- A. The Compensation Committee of the Board of Directors of CONSOL Energy Inc. may, at any time, amend, suspend, or terminate this Plan.
- B. The Compensation Committee of the Board of Directors of CONSOL Energy Inc. may, at any time, delegate its authority to amend, suspend or terminate the Plan to such officers of CONSOL Energy Inc. as determined by the Compensation Committee

#### Section VIII. Miscellaneous

- A. The Plan is not a contract of employment, and shall not be construed to confer on any member the right to be retained in the employ of CONSOL Energy Inc.
- B. CONSOL Energy Inc. shall have the right to deduct from cash payments to be made under the Plan any required withholding taxes.
- C. The Plan shall be governed by the laws of the Commonwealth of Pennsylvania.
- D. This document and any amendments contain all of the terms and provisions of the entire Plan. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the invalid or illegal provision had never been inserted. CONSOL Energy Inc. shall have the right to correct and remedy such questions of illegality or invalidity by amendment as provided in the Plan.
- E. Notwithstanding any provision of the Plan to the contrary, if any benefit provided under this Plan is subject to the provisions of Section 409A of the Code and the regulations issued thereunder, the provisions of the Plan shall be administered, interpreted and construed in a manner intended to comply with Section 409A, the regulations issued thereunder or an exception thereto (or disregarded to the extent such provision cannot be so administered, interpreted or construed). Notwithstanding the foregoing or any provision of the Plan to the contrary, CONSOL may at any time (without the consent of any participant) modify, amend or terminate any or all of the provisions of this Plan to the extent necessary or

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advisable to conform the provisions of the Plan with Section 409A of the Code, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment or termination of this Plan shall adversely affect the rights of a participant under the Plan. It is intended that distribution events authorized under the Plan qualify as permissible distribution events for purposes of Section 409A of the Code, and the Plan shall be interpreted and construed accordingly in order to comply with Section 409A of the Code, the regulations and other binding guidance promulgated thereunder. The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under Section 409A. Notwithstanding any provision of the Plan to the contrary, in no event shall the Committee or Retirement Board (or any member thereof), or the Company (or its employees, officers, directors or affiliates) have any liability to any participant (or any other person) due to the failure of the Plan to satisfy the requirements of Section 409A or any other applicable law.

F. Notwithstanding anything to the contrary contained herein and with respect to deferred compensation benefits that were earned and vested under this Plan prior to January 1, 2005 (as determined under Section 409A, “Grandfathered Benefits”), no amendment or modification to the Plan shall be interpreted or construed in a manner, that would cause Grandfathered Benefits payable under the Plan to become subject to Section 409A. The Plan provisions applicable to Grandfathered Benefits shall be administered and interpreted in a manner intended to ensure that Grandfathered Benefits payable under the Plan remain exempt from Section 409A.

**FIRST AMENDMENT TO  
AMENDED AND RESTATED CREDIT AGREEMENT**

THIS FIRST AMENDMENT, dated as of October 24, 2008 (this "Amendment"), to AMENDED AND RESTATED CREDIT AGREEMENT, dated as of June 27, 2007 (the "Credit Agreement"; capitalized terms used but not defined herein shall have the meanings given them in the Credit Agreement) is made by and among CONSOL Energy Inc. (the "Borrower"), on behalf of the Loan Parties, the Required Lenders, PNC Bank, National Association and Citicorp North America, Inc., as co-administrative agents and PNC Bank, National Association, as paying agent (the "Paying Agent").

WITNESSETH

WHEREAS, pursuant to Section 6.1.8.2 of the Credit Agreement, none of the Loan Parties is permitted to purchase any margin stock with proceeds of the Loans; and

WHEREAS, the Borrower, on behalf of the Loan Parties, desires to, and the Required Lenders and the Paying Agent have agreed to, amend Section 6.1.8.2 to allow any Loan Party to purchase any margin stock with proceeds of the Loans, so long as such purchase does not violate or conflict with the regulations of the Board of Governors of the Federal Reserve System.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and agreements herein contained and intending to be legally bound hereby, covenant and agree as follows:

1. Amendment to Credit Agreement. Section 6.1.8.2 [Margin Stock] of the Credit Agreement is hereby amended and restated in its entirety as follows:

"None of the Loan Parties engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan has been or will be used for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System, and the Borrower shall assist the Lenders, as reasonably requested by the Paying Agent, with the Lenders' compliance with Regulation U as such compliance relates to the Borrower and the Loans, including by providing the Paying Agent with all documents, forms and certificates reasonably requested by the Paying Agent in relation thereto, including delivering to the Paying Agent a Federal Reserve Form U-1 with Parts I and II completed, in form and substance reasonably satisfactory to the Paying Agent, concurrently with the first request for a Loan after October 15, 2008, and thereafter providing any amendments thereto as may be required by Law."

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2. Condition Precedent. The effectiveness of this Amendment is expressly conditioned upon satisfaction of the conditions set forth in items (a) and (b) below being satisfied to the satisfaction of the Paying Agent:

(a) The Paying Agent shall have received from the Borrower, each Loan Party, and the Required Lenders an executed original of this Amendment in form and substance satisfactory to the Paying Agent.

(b) The Loan Parties shall have delivered a completed and fully executed Federal Reserve Form U-1 [Statement of Purpose for an Extension of Credit Secured by Margin Stock] confirming that the Loans will not be used, in whole or in part, to purchase or carry margin stock except as permitted under Regulation U.

3. Incorporation into Agreements. The terms, provisions, representations, warranties and covenants set forth herein shall be incorporated into the Credit Agreement by this reference. All terms, provisions, representations, warranties and covenants set forth herein shall be a part of the Credit Agreement as if originally contained therein.

4. Full Force and Effect. Except as expressly modified by this Amendment, all of the terms, conditions, representations, warranties and covenants contained in the Loan Documents shall continue in full force and effect, including without limitation, all liens and security interests granted pursuant to the Loan Documents.

5. Counterparts. This Amendment may be executed by different parties hereto in any number of separate counterparts, each of which, when so executed and delivered shall be an original and all such counterparts shall together constitute one and the same instrument.

6. Severability. If any term of this Amendment or any application thereof shall be held to be invalid, illegal or unenforceable, the validity of other terms of this Amendment or any other application of such term shall in no way be affected thereby.

7. Entire Agreement. This Amendment sets forth the entire agreement and understanding of the parties with respect to the amendment to the Credit Agreement contemplated hereby and supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to such amendment. No representation, promise, inducement or statement of intention has been made by any party that is not embodied in this Amendment, and no party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth herein.

8. Governing Law. This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the Commonwealth of Pennsylvania applicable to contracts made and to be performed in said Commonwealth.

**[SIGNATURES APPEAR ON FOLLOWING PAGES]**

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this First Amendment to Amended and Restated Credit Agreement as of the day and year first above written with the intention that it constitutes a sealed instrument.

**BORROWER:**

**CONSOL ENERGY INC.**, on behalf of each of  
the Loan Parties

By: /s/ John M. Reilly

Name: John M. Reilly

Title: Vice President and Treasurer

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**CITICORP NORTH AMERICA, INC.**,  
individually and as Co-Administrative Agent

By: /s/ Raymond A. Dunning

Name: Raymond G. Dunning

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**PNC BANK, NATIONAL ASSOCIATION,**  
individually, as Co-Administrative Agent and as  
Paying Agent

By: /s/ Richard C. Munsick

Name: Richard C. Munsick

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**THE BANK OF NOVA SCOTIA**

By: /s/ Thane Rattew

Name: Thane Rattew

Title: Managing Director

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**BANK OF AMERICA, N.A.**

By: /s/ Stephen J. Hoffman

Name: Stephen J. Hoffman

Title: Managing Director

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**THE ROYAL BANK OF SCOTLAND PLC**

By: \_\_\_\_\_

Name:

Title:

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**UNION BANK OF CALIFORNIA, N.A.**

By: /s/ Bryan P. Read

Name: Bryan P. Read

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**WACHOVIA BANK, NATIONAL ASSOCIATION**

By: /s/ Jonathan R. Richardson

Name: Jonathan R. Richardson

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**BAYERISCHE LANDESBANK, NEW YORK  
BRANCH**

By: /s/ Annette Schmidt

Name: Annette Schmidt

Title: First Vice President

By: /s/ John Gregory

Name: John Gregory

Title: First Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**BMO CAPITAL MARKETS FINANCING, INC.**

By: /s/ Ian M Plester

Name: Ian M Plester

Title: Director

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[SIGNATURE PAGE TO FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT]

**LENDER:**

**BNP PARIBAS**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**CALYON NEW YORK BRANCH**

By: /s/ Joseph Philbin

Name: Joseph Philbin

Title: Director

By: /s/ Blake Wright

Name: Blake Wright

Title: Managing Director

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**FIRST COMMONWEALTH BANK**

By: /s/ C. Forrest Tefft

Name: C. Forrest Tefft

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**NATIONAL CITY BANK**

By: /s/ Susan J. Dimmick

Name: Susan J. Dimmick

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**SOVEREIGN BANK**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Linda Meyer

Name: Linda Meyer

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**FIFTH THIRD BANK**

By: /s/ Jim Janovsky

Name: Jim Janovsky

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**THE HUNTINGTON NATIONAL BANK**

By: /s/ W. Christopher Kohler

Name: W. Christopher Kohler

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**US BANK NATIONAL ASSOCIATION**

By: /s/ Patrick McGraw

Name: Patrick McGraw

Title: Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**SUMITOMO MITSUI BANKING CORPORATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**KEYBANK NATIONAL ASSOCIATION**

By: /s/ Bryon Pike

Name: Bryon Pike

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**THE BANK OF TOKYO-MITSUBISHI UFJ LTD, NEW  
YORK BRANCH**

By: /s/ Maria Ferradas

Name: Maria Ferradas

Title: Authorized Signatory

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**FIRST NATIONAL BANK OF PENNSYLVANIA**

By: /s/ John L. Hayes

Name: John L. Hayes

Title: Senior Vice President

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**[SIGNATURE PAGE TO FIRST AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT]**

**LENDER:**

**RAYMOND JAMES BANK, FSB**

By: /s/ Andrew D. Hahn

Name: Andrew D. Hahn

Title: Senior Vice President

**Computation of Ratio of Earnings to Fixed Charges**  
(In thousands)

	Years Ended December 31,				
	2008	2007	2006	2005	2004
<b>Earnings:</b>					
Income from continuing operations before income taxes	\$ 725,595	\$ 428,957	\$ 550,920	\$ 654,684	\$ 82,563
Fixed charges, as shown below	69,402	61,336	50,227	42,979	49,349
Equity in income of investees	(11,140)	(6,551)	(1,201)	(2,850)	4,317
Minority Interest – Gas	(43,191)	(25,038)	(29,608)	(9,484)	—
Adjusted Earnings	<u>\$ 740,666</u>	<u>\$ 458,704</u>	<u>\$ 570,338</u>	<u>\$ 685,329</u>	<u>\$ 136,229</u>
<b>Fixed charges:</b>					
Interest on indebtedness, expensed or capitalized	\$ 48,345	\$ 45,414	\$ 35,818	\$ 31,903	\$ 40,180
Interest within rent expense	21,057	15,922	14,409	11,076	9,169
Total Fixed Charges	<u>\$ 69,402</u>	<u>\$ 61,336</u>	<u>\$ 50,227</u>	<u>\$ 42,979</u>	<u>\$ 49,349</u>
Ratio of Earnings to Fixed Charges	<u>10.67</u>	<u>7.48</u>	<u>11.36</u>	<u>15.95</u>	<u>2.76</u>

**CONSOL Energy Inc.**

## CORPORATE DIRECTORY

As of January 31, 2008

*(In alphabetical order reflecting correct capitalization)*

AMVEST Coal & Rail, LLC.	Fairmont Supply Company
AMVEST Coal Sales, Inc.	Fola Coal Company, LLC.
AMVEST Corporation	FutureGen Industrial Alliance, Inc.
AMVEST Gas Resources, Inc.	Glamorgan Coal Company, LLC.
AMVEST Mineral Services, Inc.	Harrison Resources, LLC
AMVEST Minerals Company, LLC.	Helvetia Coal Company
AMVEST Oil & Gas, Inc.	Island Creek Coal Company
AMVEST West Virginia Coal, LLC.	Keystone Coal Mining Corporation
Braxton-Clay Land & Mineral, Inc.	Knox Energy, LLC.
Buchanan Generation, LLC	Laurel Run Mining Company
Cardinal States Gathering Company	Leatherwood, Inc.
Cargo Dockers Ltd.	Little Eagle Coal Company, LLC.
Central Ohio Coal Company	McElroy Coal Company
CNX Funding Corporation	Mon River Towing, Inc.
CNX Gas Company LLC	Mon-View, LLC
CNX Gas Corporation	MTB, Inc.
CNX Land Resources Inc.	Nicholas-Clay Land & Mineral, Inc.
CNX Marine Terminals Inc. (formerly Consolidation Coal Sales Company)	Peters Creek Mineral Services, Inc.
Coalfield Pipeline Company	Piping and Equipment, Inc.
Conrhein Coal Company	Reserve Coal Properties Company
CONSOL Docks Inc.	Rochester & Pittsburgh Coal Company
CONSOL Energy Canada Ltd.	Southern Ohio Coal Company
CONSOL Energy Inc.	Southern West Virginia Energy, LLC
CONSOL Energy Sales Company (formerly CONSOL Sales Company)	Southern West Virginia Resources, LLC
CONSOL Financial Inc.	Supply Chain Management LLC
CONSOL Godefroid Europe S.A.	TEAGLE Company, LLC.
CONSOL of Canada Inc.	TECPART Corporation
CONSOL of Central Pennsylvania LLC	Terra Firma Company
CONSOL of Kentucky Inc.	Terry Eagle Coal Company, LLC.
CONSOL of Ohio LLC	Terry Eagle Limited Partnership
CONSOL of WV LLC	Twin Rivers Towing Company
CONSOL of Wyoming LLC	Vaughan Railroad Company
Consol Pennsylvania Coal Company LLC (formerly Consol Pennsylvania Coal Company)	Western Allegheny Energy, LLC
Consolidation Coal Company	Windsor Coal Company
Eighty-Four Mining Company	Wolfpen Knob Development Company
	Youngs Creek Mining Company, LLC

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-151292) of CONSOL Energy Inc. and in the related Prospectus and Registration Statements Form S-8 (File No. 333-126057, File No. 333-126056, File No. 333-113973 and File No. 333-87545) of CONSOL Energy, Inc. of our reports dated February 17, 2009, with respect to the consolidated financial statements and schedule of CONSOL Energy, Inc., and the effectiveness of internal control over financial reporting of CONSOL Energy, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ Ernst & Young, LLP  
Pittsburgh, Pennsylvania  
February 17, 2009

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-126057, File No. 333-126056, File No. 333-113973 and File No. 333-87545) Form S-3 (file no. 333-151292) and Form S-4 (file no. 333-149442), that incorporate by reference such Form 10-K, of CONSOL Energy Inc. of our report dated February 18, 2008 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Pittsburgh, Pennsylvania  
February 17, 2009



**Data & Consulting Services  
Division of Schlumberger Technology Corporation**



1310 Commerce Drive  
Park Ridge 1  
Pittsburgh, PA 15275-1011  
Tel: 412-787-5403  
Fax: 412-787-2906

**CONSENT OF DATA & CONSULTING SERVICES DIVISION OF SCHLUMBERGER TECHNOLOGY  
CORPORATION**

As independent petroleum engineers, we hereby consent to (a) the use of our reserve reports relating to the proved reserves of gas and oil (including coalbed methane) of CONSOL Energy Inc. as of December 31, 2008, 2007, 2006, 2005, and 2004 and as of March 31, 2005, and (b) the references to us as experts, in each case, in (x) CONSOL Energy Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, and (y) all of CONSOL Energy Inc.'s current and future registration statements filed with the U.S. Securities and Exchange Commission (including all pre-effective and post-effective amendments thereto), including without limitation Registration Statements on Form S-8 (file no. 333-126057, file no. 333-126056, file no. 333-113973 and file no. 333-87545), Form S-3 (file no. 333-151292) and Form S-4, that incorporate by reference such Form 10-K.

We further wish to advise that we are not employed on a contingent basis and that at the time of the preparation of our report, as well as at present, neither Data & Consulting Services Division of Schlumberger Technology Corporation nor any of its employees had, or now has, a substantial interest in CONSOL Energy Inc. or any of its subsidiaries, as a holder of its securities, promoter, underwriter, voting trustee, director, officer or employee.

DATA & CONSULTING SERVICES  
DIVISION OF SCHLUMBERGER TECHNOLOGY CORPORATION

By: /s/ Charles M. Boyer II, PG

Charles M. Boyer II, PG  
Operations Manager

Date: February 5, 2009

## CERTIFICATIONS

I, J. Brett Harvey, certify that:

(1) I have reviewed this annual report on Form 10-K of CONSOL Energy Inc.;

(2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange of Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

d. Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2009

/s/ J. BRETT HARVEY

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**J. Brett Harvey**  
**President, Chief Executive Officer and Director**

## CERTIFICATIONS

I, William J. Lyons, certify that:

(1) I have reviewed this annual report on Form 10-K of CONSOL Energy Inc.;

(2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange of Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

d. Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2009

/s/ WILLIAM J. LYONS

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**William J. Lyons**  
**Chief Financial Officer and Executive Vice President**

**CERTIFICATIONS**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,**  
**18 U.S.C. Section 1350**

I, J. Brett Harvey, President and Chief Executive Officer (principal executive officer) of CONSOL Energy Inc. (the "Registrant"), certify that to my knowledge, based upon a review of the Annual Report on Form 10-K for the period ended December 31, 2008, of the Registrant (the "Report"):

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: February 17, 2009

/s/ J. BRETT HARVEY

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**J. Brett Harvey**  
**President, Chief Executive Officer and Director**

**CERTIFICATIONS**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,**  
**18 U.S.C. Section 1350**

I, William J. Lyons, Chief Financial Officer (principal financial officer) of CONSOL Energy Inc. (the "Registrant"), certify that to my knowledge, based upon a review of the Annual Report on Form 10-K for the period ended December 31, 2008, of the Registrant (the "Report"):

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: February 17, 2009

/s/ WILLIAM J. LYONS

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**William J. Lyons**  
**Chief Financial Officer and Executive Vice President**