

CONSOL ENERGY INC
Form 425
February 20, 2008

2008 Morgan Stanley
Basic Materials Conference
February 20, 2008
New York
Filed by CONSOL Energy Inc.

Pursuant
to
Rule
425
under
the
Securities
Act
of
1933
and
deemed
filed
pursuant
to
Rule
14a-12
and
Rule
14d-2(b) of
the
Securities
Exchange
Act
of
1934
Subject
Company:
CNX
Gas
Corporation
Commission
File
No.
001-32723

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Cautionary Statements
Some statements in this presentation contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may relate to, among other things, future performance generally, business development activities, future capital expenditures, financing

sources
and
availability
and
the
effects
of
regulation
and
competition.

In addition, this presentation contains certain financial measures, such as EBIT and EBITDA. As required by Securities and Exchange Commission Regulation G, reconciliations of these measures to amounts reported in CONSOL Energy's consolidated financial statements are provided in its quarterly earnings releases.

**IMPORTANT
INFORMATION:**

In
connection
with
the
proposed
exchange
offer
to
the
stockholders
of
CNX
Gas
Corporation,
CONSOL
Energy
expects
to
file
a
registration
statement
on
Form
S-4
containing
an
exchange
offer
prospectus
and
related
materials
with

the
Securities
and
Exchange
Commission.
INVESTORS
AND
SECURITY
HOLDERS
OF
CNX
GAS
CORPORATION
ARE
URGED
TO
READ
THE
EXCHANGE
OFFER
PROSPECTUS
AND
THE
OTHER
RELEVANT
MATERIALS
WHEN
THEY
BECOME
AVAILABLE
BECAUSE
THEY
WILL
CONTAIN
IMPORTANT
INFORMATION
ABOUT
THE
OFFER
AND
CONSOL
Energy.
Investors
and
security
holders
may
obtain
a
free

copy
of
the
exchange
offer
prospectus
and
other
relevant
materials
(when
they
become
available)
and
other
documents
filed
by
CONSOL
Energy
with
the
commission
at
the
commission's
web
site,
www.sec.gov.
Copies
of
the
exchange
offer
prospectus
and
other
relevant
documents
(when
they
become
available)
may
also
be
obtained
without
charge

from
CONSOL
Energy.
Requests
to
CONSOL
Energy
should
be
made
in
writing
to
Thomas
F.
Hoffman,
Senior
Vice
President
-
External
Affairs,
CONSOL
Energy
Inc.,
1800
Washington
Road,
Pittsburgh,
PA
15241,
or
by
email
at
tomhoffman@consolenergy.com.

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CONSOL Energy's Assets
Coal Reserves

Large, contiguous blocks owned-in fee

Heat content

Location

Transportation

River transportation subsidiary

Dual rail access at several mines

Coal export terminal

Gas Company

4
World
World
United States
World
Energy Demand Today
453 QBtu

/ Year

81% Fossil Energy

703 QBtu

/ Year

82% Fossil Energy

Energy Demand 2030

124 QBtu/Year

84% Fossil Energy

101 QBtu/Year

85% Fossil Energy

+24%

+55%

Global Long-Term Demand for Energy

Source: DOE NETL

5
Domestic Electricity Generation Forecast
AEO 08 (early release)
0
500
1,000
1,500

2,000
2,500
3,000
3,500
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030

55.4%
55.4%

Petroleum

Petroleum

Coal

Coal

Natural gas

Natural gas

Renewables

Renewables

Nuclear

Nuclear

14.0%

17.5%

17.5%

11.6%

11.6%

1.2%

1.2%

48.6%

48.6%

Source: DOE NETL

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Largest Coal Reserve Holder East of MS. River
Northern Appalachia

Reserves ~ 2.7 billion tons

Production: 52.9 million tons

Central Appalachia

Reserves ~ 800 million tons

Production: 10.7 million tons

Illinois Basin

Reserves ~ 700 million tons

PRB

Reserves ~ 300 million tons

*

2007

production

includes

1.0

million

tons

from

Emery,

UT.

Reserves

include

31

mmt

assigned

to

UT

and

129

mmt

assigned

to

Western

Canada.

Profile of CONSOL Coal*

Reserves ~ 4.5 BNt

2007 Production: 64.6 Mt

Avg. Reserve Life: 25+ years

Operating Mine Complexes: 15

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Coal Reserves Owned-in-fee ~ 77 QBtu

Advantages of ownership:

Leverage to higher pricing

Ability

to
forecast
and
control
future
costs

no
LBA
payments
Coal Reserves
Approx.
Approx.
Company
(billions of tons)
% Owned
Qbtu Owned
CONSOL Energy
4.5
70%
76.9

Peabody (excl. Patriot)
8.8
42%
70.2

Patriot Coal
1.2
55%
16.5

Foundation Coal
1.6
45%
15.1

Massey Energy
2.3
18%
10.4

Arch Coal
2.9
13%
9.0

Alpha Natural Resources
0.5
5%

0.6

Source: Company filings with the Securities and Exchange Commission.

QBtu calculated using an estimated Btu average that is dependent on coal basin ownership mix.

8
Heating Value ~ 99% of Production is High-Btu
8,400
13,000
12,500
8,800
11,500

0
5,000
10,000
15,000
PRB
PRB
ILB
CAPP
NAPP
Btu s per pound of coal
Approx. 80% of CONSOL s coal production
Approx. 19% of CONSOL s coal production
* Remaining 1% of production includes approximately 1.0 million tons from Emery, UT.

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Close Proximity to Scrubbed Customers

By 2012, ~ 142 gigawatts

scrubbed East of MS. River

60 generating units

within 50 miles of CONSOL s

Pitt8 coal reserves

CONSOL's Assets in Appalachia

Producing Complexes: 14

Reserves: 3.5 billion tons

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Scrubber Builds Are Being Completed

Since 2006, CONSOL has signed 6 multi-year, multi-million ton agreements with domestic customers that in aggregate ~ 250 million tons of high-Btu coal

62%

28%

10%

Thru 12/31/08

2009-2010

2011+

Percentage of Gigawatts Scrubbed by Year

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NAPP Pricing Has Converged with CAPP

Source: EIA

Why the convergence?

1. Sulfur disadvantage

no longer exists

2. Stockpiles low in NAPP

3. Met customers

shopping for NAPP coal

Source: EIA

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Up Cycle Just Beginning for Steam Coal?

API #2 to ARA

\$-

\$20

\$40

\$60

\$80

\$100

\$120

\$140

Last up cycle for coal ~ 2 years

Current price ~ \$134 for
delivery in first half of 2009

API #2 to ARA (\$/metric tonne)

110

\$

130

\$

150

\$

Implied pricing of 3.4# NAPP (\$/short ton)

57

\$

72

\$

87

\$

*assumes vessel rate to ARA of \$35

13
100% Ownership of Coal Export Terminal
Largest exporter of coal in the U.S.
Served by two rail lines

Norfolk Southern

CSX Transport
Capacity

Practical: 12 million tons
Export Terminal at the Port of Baltimore
Export Terminal at the Port of Baltimore
Ground storage

1.2 million tons
Coal exports

For 2007, approx. 6.9 mm tons

For 2008, up another ~25%
Countries served

Denmark, England, France, Germany, Ireland, Portugal

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Forecast: Coal Exports Up 20 million tons in 2 years

Coal Exports

69.6

57.6

49.6

0

20,000
40,000
60,000
80,000
100,000
120,000

Sources: EIA, PIRA. Estimates include steam and metallurgical coal.

15
Unpriced Volumes Ability to Capitalize on Up Cycle
33.4
4.5
53.1
5.1
62.8

5.2
0
20
40
60
2009
2010
2011
Unpriced Steam Coal
Unpriced Low-Vol Met Coal
2009
2010
2011
Production Guidance
70
74
76.6
80.6
76.7
80.7
(mm of Tons)

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Appalachian Brownfield Opportunities

Potential to grow Appalachian production through brownfield expansion by ~ 25 million tons

over next 10 years

Longwall Face Extensions

Birch

Shoemaker
Additional Longwalls

17
Margin Focused and Production Disciplined
\$2.45
\$6.91
\$10
\$15
\$20

\$25
\$30
\$35
\$40
2001
2002
2003
2004
2005
2006
2007
60
64
68
72
76
80
Avg. Production Cost
Coal Margin
Coal Production
\$35.61
\$24.66
\$26.76
\$27.61
\$30.06
\$38.99
Avg. Realized Pricing
\$40.66
As of December 31, 2007

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River Transportation Subsidiary

Assets on the inland waterways of Northern Appalachia

750 Barges

25 Tow Boats

5 Harbor Boats

24+ Million tons per year capability

Alicia Dock

19
Transportation Flexibility at Mines
(Millions of tons)
2006
Northern Appalachia
Production
CSX

NS
Barge
Rail-to-Barge
Enlow Fork
10.7
X
X
X
McElroy
10.5
X
Bailey
10.2
X
X
X
Loveridge
6.4
X
X
X
Robinson Run
5.7
X
X
Blacksville
5.0
X
X
X
Mine 84
3.5
X
X
Shoemaker
1.0
X
X
Central Appalachia
Buchanan (metallurgical)
5.0
X
X
Amvest (~10% metallurgical)
4.9
X
X
X
Jones Fork
3.1

X

X

Mill Creek

2.1

X

X

Southern WV Resources

1.2

X

X

Miller Creek

0.9

X

X

Amonate (metallurgical)

0.5

X

X

Western U.S.

Emery

1.1

Railroads

Truck-to-Rail

Coal Delivery Options

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Unique Investment Proposition

Coal Reserves

Large, contiguous blocks owned-in fee

Location

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Coal export terminal

Gas Company

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