

CONSOL ENERGY INC  
Form 425  
February 05, 2008

2008 Credit Suisse Energy Summit  
February 5, 2008  
Vail, CO  
Filed by CONSOL Energy Inc.  
Pursuant to Rule 425 under the Securities Act of 1933

Edgar Filing: CONSOL ENERGY INC - Form 425

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

2

**Cautionary Statements and Safe Harbor Disclosure**

This presentation contains certain financial measures, such as EBIT and EBITDA. As required by Securities and Exchange Commission rules, reconciliations of these measures to amounts reported in CONSOL Energy's consolidated financial statements are provided in the accompanying financial statement releases.

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 and the Private Securities  
1995). The forward-looking statements may include projections and estimates concerning the timing and success of specific projects  
relating  
to  
the  
timing  
of  
and  
satisfaction  
of  
conditions  
to  
the  
exchange  
offer  
and  
merger  
with  
CNX  
Gas  
and  
whether  
any  
of  
the  
anticipated  
benefits  
of

the transaction will be realized), our future production, revenues, income and capital spending. When we describe strategy that involves 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 made forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. For additional information, please refer to the "Risk Factors" section of our Registration Statement on Form S-4 to be filed with the Securities and Exchange Commission with respect to the exchange offer, which is incorporated by reference into this prospectus, as updated by any subsequent Form 10-Qs, which are on file at the Securities and Exchange Commission.

IMPORTANT INFORMATION: In connection with the proposed exchange offer to the stockholders of CNX Gas Corporation file a registration statement on Form S-4 containing an exchange offer prospectus and related materials with the Securities and

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  
website,  
[www.sec.gov](http://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](mailto:tomhoffman@consolenergy.com).



3  
CONSOL Energy's Advantages  
Coal Reserves  
  
Large, contiguous blocks owned-in fee  
  
Heat content

Location

Transportation

River transportation subsidiary

Dual rail access at most mines

Coal export terminal

Gas Company



4

Largest Coal Reserve Holder East of MS. River  
Northern Appalachia

Reserves ~ 2.7 billion tons

Production: 57.0 million tons  
Central Appalachia

Reserves ~ 800 million tons

Production: 10.9 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

5

Reserves Owned-in-fee

Advantages of ownership:

Leverage to higher pricing

Ability

to  
forecast  
and  
control  
future  
costs

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

4.5  
70%  
Patriot Coal

1.2  
55%  
Foundation Coal

1.6  
45%  
Peabody excl. Patriot

8.8  
42%  
Massey Energy

2.3  
18%  
Arch Coal

2.9  
13%  
Alpha Natural Resources

0.5  
5%

Source: Company filings with the Securities and Exchange Commission

6  
Heating Value  
8,400  
13,000  
12,500  
8,800  
11,500



0  
5,000  
10,000  
15,000  
PRB  
PRB  
ILB  
CAPP  
NAPP  
18  
Btu s per pound of coal  
Approx. 80% of CONSOL s coal production

7

Close Proximity to Customers

By year-end 2012, approx. 142

gigawatts

East of MS. River

are scheduled to be scrubbed

149% increase

in market

opportunity

Nearly 60 generating units

are within 50 miles

of

CONSOL's Pitt8 coal reserves

How the numbers stack up:

8

Percentage of Gigawatts Scrubbed by Year

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+

9  
NAPP Pricing Has Converged with CAPP  
Source: EIA

10  
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



11  
Our Coal is Traveling Farther  
Export  
Duke  
(North Carolina)  
Santee Cooper  
(South Carolina)

We Energies  
(Wisconsin)  
Overseas

12  
100% Ownership of Export Terminal  
Largest exporter of coal in the U.S.  
Only E. Coast terminal 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





13

Up Cycle Just Beginning?

API #2 to ARA

\$-

\$20

\$40

\$60

\$80

\$100

\$120

\$140

Last up cycle for coal ~ 2 years

Current price ~ \$130 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



14

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, company estimates.

15  
Long-Term Demand for Coal (Thru 2030)  
OECD Coal Consumption by Region  
0  
10  
20  
30

40  
50  
60  
70  
North America  
OECD Europe  
OECD Asia  
Total OECD  
1980  
2004  
2015  
2030  
World Coal Consumption  
0  
50  
100  
150  
200  
250  
1980  
1984  
1988  
1992  
1996  
2000  
2004  
2008  
2012  
2016  
2020  
2024  
2028  
OECD  
Non-OECD  
Total  
Coal Consumption in China by Sector  
0  
20  
40  
60  
80  
100  
Electricity  
Industrial  
Other Sectors  
Total  
2004  
2015  
2030  
Non-OECD Coal Consumption

0  
20  
40  
60  
80  
100  
120  
140  
160  
Non-OECD  
Europe/Eurasia  
Non-OECD Asia  
Other Non-OECD  
Total Non-OECD  
1980  
2004  
2015  
2030  
Quadrillion Btu

16  
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)

17  
Appalachian Brownfield Opportunities  
Longwall Face Extensions  
Birch  
Shoemaker  
Additional Longwalls  
Potential to grow Appalachian production through brownfield



expansion  
by  
~  
25  
million  
tons  
over  
next  
10  
years

18  
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  
(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

20

Unique Investment Proposition

Coal Reserves

Large, contiguous blocks owned-in fee

Location

Transportation

River transportation subsidiary

Coal export terminal

Gas Company



2008 Credit Suisse Energy Summit  
February 5, 2008  
Vail, CO

Safe Harbor Disclosure

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 and the Private Securities Litigation Reform Act of 1995). The forward-looking statements may include projections and estimates concerning

the  
timing  
and  
success  
of  
specific  
projects  
(including  
statements  
relating  
to  
the  
timing  
of  
and  
satisfaction

of conditions to the exchange offer and merger with CNX Gas and whether any of the anticipated benefits of the transaction will be realized), our future production, revenues, income and capital spending. 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.

While  
our  
management  
considers  
these  
expectations  
and  
assumptions  
to  
be  
reasonable,

they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. For additional information, please see our 2006 Form 10-K under "Risk Factors," as updated by any subsequent Form 10-Qs, which are on file at the Securities and Exchange Commission and to be set forth in our Registration Statement on Form S-4 to be filed with the Securities and Exchange Commission with respect to the exchange offer to CNX Gas' stockholders.

**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 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 website, [www.sec.gov](http://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](mailto:tomhoffman@consolenergy.com).