CONSOL Energy Inc
Form 10-Q
October 28, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009 or

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

For the transition period from _________ to _________

Commission File Number: 001-14901

CONSOL Energy Inc.

(Exact name of registrant as specified in its charter)

Delaware	**51-0337383**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
1000 CONSOL Drive Canonsburg, Pennsylvania	**15317-6506**
(Address of Principal Executive Offices)	**(Zip Code)**

(724) 485-4000

(Registrant s Telephone Number, Including Area Code)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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 x 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 Exchange Act).

Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date.

Class	Shares outstanding as of October 20, 2009
Common stock, $0.01 par value	180,832,493

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PART I

FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

CONSOL ENERGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Sales Outside	$ 1,022,617	$ 1,052,384	$ 3,167,002	$ 3,050,119
Sales Gas Royalty Interests	8,443	22,902	29,741	61,921
Sales Purchased Gas	1,471	1,674	4,102	6,860
Freight Outside	36,130	60,458	94,133	169,129
Other Income	25,856	35,688	88,855	121,704
Total Revenue and Other Income	1,094,517	1,173,106	3,383,833	3,409,733
Cost of Goods Sold and Other Operating Charges (exclusive of depreciation, depletion and amortization shown below)	707,256	740,063	2,017,735	2,117,526
Gas Royalty Interests Costs	6,268	21,040	23,317	58,994
Purchased Gas Costs	1,103	1,664	3,023	6,607
Freight Expense	36,130	60,458	94,133	169,129
Selling, General and Administrative Expense	31,642	31,406	98,084	92,520
Depreciation, Depletion and Amortization	109,965	96,288	323,659	284,791
Interest Expense	7,502	9,069	22,959	27,771
Taxes Other Than Income	66,146	69,688	214,457	214,593
Total Costs	966,012	1,029,676	2,797,367	2,971,931
Earnings Before Income Taxes	128,505	143,430	586,466	437,802
Income Taxes	35,219	41,014	169,370	138,365
Net Income	93,286	102,416	417,096	299,437
Less: Net Income Attributable to Noncontrolling Interest	(5,916)	(12,362)	(20,568)	(33,289)
Net Income Attributable to CONSOL Energy Inc. Shareholders	$ 87,370	$ 90,054	$ 396,528	$ 266,148
Basic Earnings Per Share	$ 0.48	$ 0.49	$ 2.20	$ 1.46
Dilutive Earnings Per Share	$ 0.48	$ 0.49	$ 2.17	$ 1.44
Weighted Average Number of Common Shares Outstanding:				
Basic	180,725,194	183,202,086	180,649,268	182,918,637

Dilutive	183,191,667	185,591,759	182,751,922	185,349,250
Dividends Paid Per Share	$ 0.10	$ 0.10	$ 0.30	$ 0.30

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

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CONSOL ENERGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	(Unaudited) September 30, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 32,402	$ 138,512
Accounts and Notes Receivable:		
Trade	169,036	221,729
Other Receivables	18,792	79,552
Inventories	310,539	227,810
Deferred Income Taxes	86,107	60,599
Recoverable Income Taxes	2,643	33,862
Prepaid Expenses	210,415	221,750
Total Current Assets	829,934	983,814
Property, Plant and Equipment:		
Property, Plant and Equipment	10,452,687	9,980,288
Less Accumulated Depreciation, Depletion and Amortization	4,471,096	4,214,316
Total Property, Plant and Equipment Net	5,981,591	5,765,972
Other Assets:		
Deferred Income Taxes	294,018	333,543
Investment in Affiliates	81,724	72,996
Other	131,670	214,133
Total Other Assets	507,412	620,672
TOTAL ASSETS	$ 7,318,937	$ 7,370,458

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

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CONSOL ENERGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	(Unaudited) September 30, 2009	December 31, 2008
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	$ 238,826	$ 385,197
Short-Term Notes Payable	409,950	557,700
Current Portion of Long-Term Debt	22,647	22,401
Other Accrued Liabilities	527,951	546,442
Total Current Liabilities	1,199,374	1,511,740
Long-Term Debt:		
Long-Term Debt	390,127	393,312
Capital Lease Obligations	64,565	75,039
Total Long-Term Debt	454,692	468,351
Deferred Credits and Other Liabilities:		
Postretirement Benefits Other Than Pensions	2,494,821	2,493,344
Pneumoconiosis Benefits	197,870	190,261
Mine Closing	395,795	404,629
Gas Well Closing	84,823	80,554
Workers Compensation	134,412	128,477
Salary Retirement	145,172	194,567
Reclamation	27,771	38,193
Other	156,880	185,996
Total Deferred Credits and Other Liabilities	3,637,544	3,716,021
Total Liabilities	5,291,610	5,696,112
Stockholders Equity:		
Common Stock, $.01 par value; 500,000,000 Shares Authorized, 183,014,426 Issued and 180,771,900 Outstanding at September 30, 2009; 183,014,426 Issued and 180,549,851 Outstanding at December 31, 2008	1,830	1,830
Preferred Stock, 15,000,000 Shares Authorized; None Issued and Outstanding		
Capital in Excess of Par Value	1,022,816	993,478
Retained Earnings	1,345,112	1,010,902
Other Comprehensive Loss	(501,140)	(461,900)
Common Stock in Treasury, at Cost 2,242,526 Shares at September 30, 2009 and 2,464,575 Shares at December 31, 2008	(74,671)	(82,123)
Total CONSOL Energy Inc. Stockholders Equity	1,793,947	1,462,187
Noncontrolling Interest	233,380	212,159
Total Equity	2,027,327	1,674,346
TOTAL LIABILITIES AND EQUITY	$ 7,318,937	$ 7,370,458

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

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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)	Other Compre-hensive Income (Loss)	Treasury Stock	Total CONSOL Energy, Inc. Stockholders Equity	Noncont-rolling Interest	Total Equity
Balance December 31, 2008	$ 1,830	$ 993,478	$ 1,010,902	$ (461,900)	$ (82,123)	$ 1,462,187	$ 212,159	$ 1,674,346
(Unaudited)								
Net Income			396,528			396,528	20,568	417,096
Treasury Rate Lock (Net of ($38) tax)				(62)		(62)		(62)
Actuarially Determined Long Term Liability Adjustments (Net of $175 tax)				288		288	15	303
Gas Cash Flow Hedge (Net of ($31,186) tax)				(39,466)		(39,466)	(7,897)	(47,363)
Comprehensive Income			396,528	(39,240)		357,288	12,686	369,974
Issuance of Treasury Stock			(8,111)		7,452	(659)		(659)
Issuance of CNX Gas Stock							148	148
Tax Benefit from Stock-Based Compensation		(18)				(18)	(10)	(28)
Amortization of Stock-Based Compensation Awards		25,234				25,234	15,985	41,219
Stock-Based Compensation Awards to CNX Gas		4,122				4,122	(3,434)	688
Net Change in Crown Drilling Noncontrolling Interest							(4,154)	(4,154)
Dividends ($0.30 per share)			(54,207)			(54,207)		(54,207)
Balance September 30, 2009	$ 1,830	$ 1,022,816	$ 1,345,112	$ (501,140)	$ (74,671)	$ 1,793,947	$ 233,380	$ 2,027,327

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

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CONSOL ENERGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30,	
	2009	2008
Operating Activities:		
Net Income	$ 417,096	$ 299,437
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation, Depletion and Amortization	323,659	284,791
Stock-based Compensation	30,873	18,911
Gain on the Sale of Assets	(13,033)	(16,586)
Amortization of Mineral Leases	3,444	3,467
Deferred Income Taxes	51,507	56,251
Equity in Earnings of Affiliates	(12,488)	(5,314)
Changes in Operating Assets:		
Accounts Receivable Securitization		39,600
Accounts and Notes Receivable	115,212	(75,530)
Inventories	(82,729)	(12,788)
Prepaid Expenses	(9,826)	(8,146)
Changes in Other Assets	799	14,166
Changes in Operating Liabilities:		
Accounts Payable	(80,546)	14,391
Other Operating Liabilities	5,275	29,554
Changes in Other Liabilities	(35,594)	39,741
Other	14,559	1,297
Net Cash Provided by Operating Activities	728,208	683,242
Investing Activities:		
Capital Expenditures	(689,119)	(740,006)
Net Investment in Equity Affiliates	3,760	(608)
Proceeds from Sale of Assets	70,415	18,799
Net Cash Used in Investing Activities	(614,944)	(721,815)
Financing Activities:		
Proceeds from (Payments on) Miscellaneous Borrowings	(16,443)	1,005
Proceeds from (Payments on) Short-Term Borrowings	(147,750)	23,000
Tax Benefit from Stock-Based Compensation	391	23,108
Dividends Paid	(54,207)	(54,878)
Issuance of Treasury Stock	1,135	15,074
Purchases of Common Stock		(85)
Noncontrolling Interest Member Distribution	(2,500)	
Net Cash Provided by (Used in) Financing Activities	(219,374)	7,224
Net Decrease in Cash and Cash Equivalents	(106,110)	(31,349)
Cash and Cash Equivalents at Beginning of Period	138,512	41,651

Cash and Cash Equivalents at End of Period	$ 32,402	$ 10,302

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

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CONSOL ENERGY INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009

(Dollars in thousands, except per share data)

NOTE 1 BASIS OF PRESENTATION:

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for future periods.

The balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all the notes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and related notes for the year ended December 31, 2008 included in CONSOL Energy s Form 10-K.

As required by the Noncontrolling Interest Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, effective January 1, 2009, CONSOL Energy modified the reporting of noncontrolling interests in the Consolidated Financial Statements. Additionally, certain reclassifications of prior period data have been made to conform to the three and nine months ended September 30, 2009 classifications required by the Noncontrolling Interest Topic of the FASB Accounting Standards Codification.

Basic earnings per share are computed by dividing net income by the weighted average shares outstanding during the reporting period. Dilutive earnings per share are computed similarly to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the effect of potential dilutive common shares outstanding during the period as required by the Stock Compensation Topic of the FASB Accounting Standards Codification. The number of additional shares is calculated by assuming that restricted stock units and performance share units were converted, and outstanding stock options were exercised and that the proceeds from such activity were used to acquire shares of common stock at the average market price during the reporting period. Options to purchase 447,333 and 1,650,125 shares of common stock were outstanding for the three and nine months ended September 30, 2009, respectively, but were not included in the computation of dilutive earnings per share because the effect would be antidilutive. Options to purchase 382,487 shares of common stock were outstanding for each of the three and nine months ended September 30, 2008 but were not included in the computation of dilutive earnings per share because the effect would be antidilutive. Unvested restricted stock units of 5,344 were outstanding for the nine months ended September 30, 2009, but were not included in the computation of dilutive earnings per share because the effect would be antidilutive. No unvested restricted stock units were outstanding for the three months ended September 30, 2009 that were not included in the computation of dilutive earnings per share. Additionally, no unvested restricted stock units were outstanding for either the three or nine months ended September 30, 2008 that were not included in the computation of dilutive earnings per share. Unvested performance share units of 36,352 were outstanding for each of the three and nine months ended September 30, 2009, but were not included in the computation of dilutive earnings per share because the effect would be antidilutive. Additionally, no unvested performance share units were outstanding for either the three or nine months ended September 30, 2008 that were not included in the computation of dilutive earnings per share.

Options exercised during the three months ended September 30, 2009 and 2008 were 23,958 shares and 17,678 shares, respectively. The weighted average exercise price per share of the options exercised during the three months ended September 30, 2009 and 2008 was $21.76 and $26.23, respectively. There were 81,045 options and 834,292 options exercised during the nine months ended September 30, 2009 and 2008, respectively.

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The weighted average exercise price per share of the options exercised during the nine months ended September 30, 2009 and 2008 was $14.66 and $18.08, respectively. There were 116,800 and 198,472 fully vested restricted stock awards released during the three and nine months ended September 30, 2009, respectively. Additionally, during the three and nine months ended September 30, 2008, there were 125,395 and 174,324 fully vested restricted stock awards released, respectively.

The computations for basic and dilutive earnings per share from continuing operations are as follows:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Net Income Attributable to CONSOL Energy Shareholders	$ 87,370	$ 90,054	$ 396,528	$ 266,148
Average shares of common stock outstanding:				
Basic	180,725,194	183,202,086	180,649,268	182,918,637
Effect of share based payments	2,466,473	2,389,673	2,102,654	2,430,613
Dilutive	183,191,667	185,591,759	182,751,922	185,349,250
Earnings per share:				
Basic	$ 0.48	$ 0.49	$ 2.20	$ 1.46
Dilutive	$ 0.48	$ 0.49	$ 2.17	$ 1.44

We have evaluated all subsequent events through October 28, 2009, the date the financial statements were issued. No material recognized or non-recognizable subsequent events were identified.

NOTE 2 ACQUISITIONS AND DISPOSITIONS:

In August 2009, CONSOL Energy completed the lease assignment of a subsidiary s previous headquarters. Total expense related to this transaction for the three and nine months ended September 30, 2009 was $676 and $1,500, respectively, which was recognized in Cost of Goods Sold and Other Operating Charges.

In August 2009, CONSOL Energy completed a sale/lease-back of longwall shields for Bailey Mine. Cash proceeds from the sale were $16,011, which was the same as our basis in the equipment. Accordingly, no gain or loss was recognized on the transaction. The lease has been accounted for as an operating lease. The lease term is five years.

In July 2009, CONSOL Energy, through a subsidiary, leased approximately 20,000 acres having Marcellus Shale potential from NiSource Energy Ventures, LLC, a subsidiary of Columbia Energy Group, for a cash payment of $8,275 which is included in capital expenditures in Cash Used in Investing Activities on the Consolidated Statement of Cash Flows. The purchase price for the transaction was principally allocated to gas properties and related development.

In June 2009, CONSOL Energy recognized the fair value of the remaining lease payments in the amount of $11,848 in accordance with the Exit or Disposal Cost Obligations topic of the Financial Accounting Standards Board Accounting Standards Codification related to the Company s previous headquarters. This liability has been recorded in Other Liabilities on the consolidated balance sheet at September 30, 2009. Total expense related to this transaction was $13,374, which was recognized in Cost of Goods Sold and Other Operating Charges. This amount includes the fair value of the remaining lease payments of $11,848 as well as the removal of a related asset of $1,526. Additionally, $5,832 was recognized in Other Income for the acceleration of a deferred gain associated with the initial sale-leaseback of the premises that occurred in 2005.

In February 2009, CONSOL Energy, through a subsidiary, completed a sale/lease-back of longwall shields for Bailey Mine. Cash proceeds from the sale were $42,282, which was the same as our basis in the equipment.

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Accordingly, no gain or loss was recognized on the transaction. The lease has been accounted for as an operating lease. The lease term is five years.

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 the consolidation topic of the Financial Accounting Standards Board Accounting Standards Codification by CONSOL Energy. The pro forma results for this acquisition are not material to CONSOL Energy s financial results.

In November 2008, CONSOL Energy, through a subsidiary, completed the acquisition of the assets 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 was $10,623 and was included in inventory on the Consolidated Balance Sheets as of the acquisition date. The pro forma results for this acquisition are not significant to CONSOL Energy s financial results.

In October 2008, CONSOL Energy s Board of Directors 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 price was allocated to property, plant and equipment. 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. CONSOL Energy did not purchase any additional shares of CNX Gas stock during the nine months ended September 30, 2009.

In July 2008, 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 gas properties and related development and gas gathering equipment. The sales agreement called for the transfer of approximately 5,600 leased acres and 30 oil and gas wells. 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 gas properties and related development and gas gathering equipment. 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 natural gas transportation company with operations in Tennessee. The pro forma results for this acquisition were not significant to CONSOL Energy s financial results.

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.

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NOTE 3 COMPONENTS OF PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS NET PERIODIC BENEFIT COSTS:

Components of net periodic costs for the three and nine months ended September 30 are as follows:

	Pension Benefits				Other Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
Service cost	$ 3,193	$ 2,438	$ 9,362	$ 7,314	$ 3,163	$ 2,639	$ 9,490	$ 7,916
Interest cost	8,918	8,257	26,659	24,771	37,862	39,958	113,588	119,878
Expected return on plan assets	(9,203)	(8,418)	(27,518)	(25,253)				
Amortization of prior service (credits)	(277)	(278)	(831)	(835)	(11,604)	(12,156)	(34,811)	(36,469)
Recognized net actuarial loss	5,566	4,182	16,697	12,546	12,590	15,376	37,768	46,128
Net periodic benefit cost	$ 8,197	$ 6,181	$ 24,369	$ 18,543	$ 42,011	$ 45,817	$ 126,035	$ 137,453

For the nine months ended September 30, 2009, $58,685 in contributions were paid to pension trusts and to pension benefits from operating cash flows. CONSOL Energy presently anticipates contributing a total of $65,600 to the pension trust in 2009.

We do not expect to contribute to the other post employment benefit plan in 2009. We intend to pay benefit claims as they become due. For the nine months ended September 30, 2009, $116,004 of other post-employment benefits have been paid.

NOTE 4 COMPONENTS OF COAL WORKERS PNEUMOCONIOSIS (CWP) AND WORKERS COMPENSATION NET PERIODIC BENEFIT COSTS:

Components of net periodic costs (benefits) for the three and nine months ended September 30 are as follows:

	CWP				Workers Compensation			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
Service cost	$ 1,769	$ 1,259	$ 5,306	$ 3,777	$ 7,099	$ 7,257	$ 21,296	$ 21,773
Interest cost	3,014	2,938	9,041	8,811	2,191	2,081	6,573	6,246
Amortization of actuarial gain	(5,080)	(6,028)	(15,239)	(18,083)	(1,050)	(1,235)	(3,150)	(3,704)
State administrative fees and insurance bond premiums					1,586	1,538	5,138	4,578
Legal and administrative costs	675	675	2,025	2,025	850	806	2,551	2,418
Net periodic cost (benefit)	$ 378	$ (1,156)	$ 1,133	$ (3,470)	$ 10,676	$ 10,447	$ 32,408	$ 31,311

CONSOL Energy does not expect to contribute to the CWP plan in 2009. We intend to pay benefit claims as they become due. For the nine months ended September 30, 2009, $8,398 of CWP benefit claims have been paid.

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CONSOL Energy does not expect to contribute to the workers compensation plan in 2009. We intend to pay benefit claims as they become due. For the nine months ended September 30, 2009, $26,689 of workers compensation benefits, state administrative fees and surety bond premiums have been paid.

NOTE 5 INCOME TAXES:

The following is a reconciliation, stated in dollars and as a percentage of pretax income, of the U.S. statutory federal income tax rate to CONSOL Energy s effective tax rate:

	For the Nine Months Ended September 30,			
	2009		2008	
	Amount	Percent	Amount	Percent
Statutory U.S. federal income tax rate	$ 205,263	35.0%	$ 153,231	35.0%
Excess tax depletion	(52,313)	(8.9)	(31,040)	(7.1)
Effect of Domestic Production Activities Deduction	(8,152)	(1.4)	(6,348)	(1.5)
Effect of Medicare Prescription Drug, Improvement and Modernization Act of 2003	1,543	0.3	963	0.2
Effect of Federal Tax Accrual to Tax Return Reconciling Adjustment	598	0.1	473	0.1
Net Effect of state tax	20,820	3.6	17,381	4.0
Other	1,611	0.2	3,705	0.9
Income Tax Expense / Effective Rate	$ 169,370	28.9%	$ 138,365	31.6%

The effective tax rate for the nine months ended September 30, 2009 and 2008 was calculated using the annual effective rate projection on recurring earnings and includes tax liabilities related to certain discrete transactions.

During the nine months ended September 30, 2009 and 2008, CONSOL Energy reduced its liability for unrecognized tax benefits by $15,711 and $7,899, respectively. The reduction in unrecognized tax benefits for the nine months ended September 30, 2009 was the result of the payment of Federal and state income tax deficiencies related to the Internal Revenue Service s (IRS) examination of the Company s 2004 and 2005 tax returns and the use of state operating loss carry forwards to reduce the anticipated state tax deficiencies arising from the IRS changes to taxable income for these years. The reduction in unrecognized tax benefits for the nine months ended September 30, 2008 was attributable to the successful resolution of certain tax issues raised by the IRS during its examination of the Company s 2004 and 2005 tax returns.

The total amounts of unrecognized tax benefits at September 30, 2009 and 2008 were $44,980 and $55,622, respectively. If these unrecognized tax benefits were recognized, approximately $14,657 and $12,376 would affect CONSOL Energy s effective tax rate for the nine months ended September 30, 2009 and 2008, respectively.

CONSOL Energy Inc. and its subsidiaries file income tax returns in the U.S. federal, various states, and Canadian tax 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 2002. The Internal Revenue Service has issued its audit report relating to the examination of CONSOL Energy s 2004 and 2005 U.S. income tax returns. During the nine months ended September 30, 2009, CONSOL Energy paid Federal and state income tax deficiencies of $12,798 and $608, respectively. The Federal and state income tax deficiencies paid as a result of the IRS examination of the Company s 2004 and 2005 tax returns had an insignificant impact on net income since the tax deficiencies are the result of changes in the timing of certain tax deductions. During the nine months ended September 30, 2009, CONSOL Energy classified various state unrecognized tax benefits of $4,800 as a current liability. The Company also classified interest expense relating to the various state unrecognized tax benefits of $2,445 as a current liability.

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CONSOL Energy recognizes interest accrued related to unrecognized tax benefits in its interest expense. As of September 30, 2009 and 2008, the Company reported an accrued interest liability relating to uncertain tax positions of $7,014 and $11,032, respectively. The accrued interest liability includes $1,085 and $2,527 of interest expense that is reflected in the Company s consolidated income statements for the nine months ended September 30, 2009 and 2008, respectively. During the nine months ended September 30, 2009, CONSOL Energy paid interest of $4,590 related to income tax deficiencies previously paid to the IRS as a result of its examinations of the Company s tax returns from 2002 through 2005.

CONSOL Energy recognizes penalties accrued related to unrecognized tax benefits in its income tax expense. At September 30, 2009, CONSOL Energy had no accrued penalties. At September 30, 2008, an accrued liability of approximately $1,200 was recognized.

NOTE 6 INVENTORIES:

Inventory components consist of the following:

	September 30, 2009	December 31, 2008
Coal	$ 173,413	$ 93,875
Merchandise for resale	50,589	43,074
Supplies	86,537	90,861
Total Inventories	$ 310,539	$ 227,810

Merchandise for resale is valued using the Last In First Out (LIFO) cost method. The excess of replacement cost of merchandise for resale inventories over carrying LIFO value was $12,413 and $14,716 at September 30, 2009 and December 31, 2008, respectively.

NOTE 7 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, on a revolving basis, up to $165,000. The facility also allows for the issuance of letters of credit against the $165,000 capacity. At September 30, 2009, 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 $705 and $2,474 for the three and nine months ended September 30, 2009, respectively. Costs associated with the receivables facility totaled $1,389 and $4,251 for the three and nine months ended September 30, 2008, respectively. These

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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 with the underlying liquidity agreement renewing annually each April.

At September 30, 2009 and 2008, eligible accounts receivable totaled approximately $165,000. There were no subordinated retained interests at September 30, 2009 and 2008. Accounts receivable totaling $165,000 were removed from the Consolidated Balance Sheets at September 30, 2009 and 2008. There was no change in the facility usage in the nine months ended September 30, 2009. CONSOL Energy s $39,600 increase in the accounts receivable securitization program for the nine months ended September 30, 2008 is reflected in cash flows from operating activities in the Consolidated Statement of Cash Flows.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT:

The components of property, plant and equipment are as follows:

	September 30, 2009	December 31, 2008
Coal & other plant and equipment	$ 4,730,002	$ 4,533,793
Coal properties and surface lands	1,258,562	1,264,920
Gas properties and related development	1,617,850	1,427,588
Gas gathering equipment	790,554	740,396
Airshafts	618,673	615,512
Leased coal lands	504,286	502,521
Mine development	558,598	527,991
Coal advance mining royalties	371,273	365,380
Gas advance royalties	2,889	2,187
Total property, plant and equipment	10,452,687	9,980,288
Less Accumulated depreciation, depletion and amortization	4,471,096	4,214,316
Total Net Property, Plant and Equipment	$ 5,981,591	$ 5,765,972

NOTE 9 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 covenant of no less than 4.50 to 1.00, measured quarterly. The interest coverage ratio was 26.54 to 1.00 at September 30, 2009. The facility also includes a maximum leverage ratio covenant of not more than 3.25 to 1.00, measured quarterly. The leverage ratio was 0.92 to 1.00 at September 30, 2009. 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 September 30, 2009, the $1,000,000 facility had $336,900 of borrowings outstanding and $267,776 of letters of credit outstanding, leaving $395,324 of capacity available for borrowings and the issuance of letters of credit. The facility bore a weighted average interest rate of 1.10% for the nine months ended September 30, 2009.

CNX Gas has a five-year $200,000 unsecured credit agreement which extends through October 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

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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 0.40 to 1.00 at September 30, 2009. The facility also includes a minimum interest coverage ratio covenant of no less than 3.00 to 1.00, measured quarterly. This ratio was 66.77 to 1.00 at September 30, 2009. At September 30, 2009, the CNX Gas credit agreement had $73,050 of borrowings outstanding and $14,933 of letters of credit outstanding, leaving $112,017 of capacity available for borrowings and the issuance of letters of credit. The facility bore a weighted average interest rate of 1.47% for the nine months ended September 30, 2009.

NOTE 10 COMMITMENTS AND CONTINGENCIES:

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 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 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. The matter is being reviewed by the Department of Environmental Protection (DEP). The DEP set specific dates for the submission of materials regarding the issue of causation. On August 3, 2009, the Company replied to several written inquiries from the DEP, as did the Commonwealth. The Company presented its views on why the damage was not subsidence-related on September 25, 2009, with the Commonwealth to do a presentation later in October. The DEP may issue its causation decision prior to year end. The Company has submitted extensive material, including comments from its mining expert, showing that longwall mining activity did not cause damage to the dam. If the DEP determines that there is causation, a second phase will be set to determine the remedy. As to the underlying claim, the Company believes it is not responsible for the damage to the dam and that numerous grounds exist upon which to attack the propriety of the claims. The Company intends to 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 22,500 asbestos claims in state courts in Pennsylvania, Ohio, West Virginia, Maryland, Mississippi, New Jersey and Illinois. 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,

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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 nine months ended September 30, 2009 and 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 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 have migrated onto adjacent properties.

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 $55,000. The current estimated cost of the most likely remediation plan for one of the additional areas discovered is approximately $10,000, although the removal action plan is not yet approved by the EPA. 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. Current estimates of the cost or potential range of cost for this area are not yet available.

There was $1,024 and $4,480 of expense recognized in Cost of Goods Sold and Other Operating Charges for the three and nine months ended September 30, 2009, respectively. CONSOL Energy funded $5,500 in the nine months ended September 30, 2009 to an independent trust established for this remediation. The remaining liability of $5,916 is reflected in Other Accrued Liabilities at September 30, 2009. As of April 30, 2009, CONSOL Energy and the other participating PRPs had asserted CERCLA cost recovery and contribution claims against approximately 225 nonparticipating PRPs to recover a share of the costs incurred and to be incurred to conduct the removal actions at the Ward Site. Those actions were filed in the United States District Court for the Eastern District of North Carolina. As of September 30, 2009, CONSOL Energy and the other participating PRPs had settled with some of those nonparticipating PRPs. The actions remain pending against the remaining nonparticipating PRPs. CONSOL Energy s portion of probable recoveries from settled claims is estimated to be $3,599. 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. 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

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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 (the 2008 Arbitration) against ICCC which makes similar claims relating to breach of the lease for water deposits and lost coal claims.

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 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. On June 13, 2006, the plaintiffs in the Yukon Action 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. DMME filed demurrers, but no hearing has been conducted since the DMME issued the permit in September 2006. On December 4, 2006, the plaintiffs in the Yukon Action nonsuited their respective Citizen Suits, and Buchanan County is expected to agree not to pursue its objections, subject to certain conditions, as part of the settlement of the Buchanan County license tax issues described below.

We believe that CCC has and continues to have the right to deposit mine water from Buchanan Mine into void spaces at nearby mines. We also believe DMME properly issued environmental permits to CCC authorizing it to deposit naturally accumulating water from the Buchanan Mine into VP3 and to discharge 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 deny all liability and intend to vigorously defend the action filed against them in connection with the removal and deposit of water from the Buchanan 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 a temporary or permanent 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 August 1, 2007, Bluestone Coal Corporation filed a lawsuit against the Company and its subsidiary, CNX Land Resources, in the United States District Court for the Southern District of West Virginia. The suit alleges that the Company breached a contract that allegedly provides Bluestone with an option to lease coal reserves within a seven-and-one-half mile radius of Bishop, WV and seeks damages of $1,200,000. The writing relied upon only refers to a right of first refusal, rather than an option. The lawsuit has been settled. The terms of the settlement are confidential, but include CONSOL Energy granting to Bluestone the option to acquire certain mining assets and reserves. The settlement did not materially impact the financial position, results of operations or cash flows of CONSOL Energy.

South Carolina Electric & Gas Company (SCE&G), a utility, has demanded arbitration, seeking $36,000 in damages against CONSOL of Kentucky and CONSOL Energy Sales Company. SCE&G claims it suffered damages in obtaining cover coal to replace coal which was not delivered in 2008 under a coal sales agreement. The Company counterclaimed against SCE&G for $9,400 for terminating coal shipments under the sales agreement which SCE&G had agreed could be made up in 2009. A hearing on the claims is scheduled for May 10, 2010. The named CONSOL Energy defendants deny all liability and intend to vigorously defend the action filed against them. However, if damages were awarded to SCE&G, the result may be material to the financial position, results of operations or cash flows of CONSOL Energy.

In September 2009, a fish kill occurred in Dunkard Creek, which is a creek with segments in both Pennsylvania and West Virginia. The fish kill was caused by the growth of golden brown algae in the creek, which appears to be an invasive species, not indigenous to the area. Our subsidiary, CCC, discharges water into Dunkard Creek, after treatment, from its Blacksville No. 2 Mine and from its Loveridge Mine. This water has levels of chlorides that are higher than West Virginia in-stream limits. CCC is subject to an Agreed Order with the West Virginia Department of Environmental Protection that sets forth a schedule for compliance with these in-stream chloride limits. The Dunkard Creek fish kill is being investigated by the West Virginia Department of Environmental Protection and the Pennsylvania Department of Environmental Protection. The U.S. Environmental Protection Agency is also involved. We are cooperating with the investigation. We do not believe that there is a connection between the fish kill and our discharge of water into Dunkard Creek, but the investigation of the matter is continuing. If such a causal connection were established or if we are required to comply with in-stream chloride limits on an accelerated basis, it is reasonably possible that the liabilities or costs to CONSOL Energy in the future with respect to these matters 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 CONSOL Energy and certain of its affiliates, including CNX Gas Company LLC, in the Circuit Court for the County of Tazewell, Virginia, The lawsuit alleges, among other things, that the defendants have violated the Virginia Antitrust Act in their dealings with GeoMet in southwest Virginia. The complaint, as amended, 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. 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 is cooperating with the Attorney General s investigation.

The Company is a party to a case filed in 2007 captioned Earl Kennedy (and others) v. CNX Gas and CONSOL Energy in the Court of Common Pleas of Greene County, Pennsylvania. The lawsuit alleges that CNX Gas and CONSOL Energy trespassed and converted gas and other minerals allegedly belonging to Mr. Kennedy in connection with wells drilled by CNX Gas. The complaint, as amended, seeks injunctive relief, including the removal of CNX Gas from the property, and compensatory damages of $20,000. The suit also sought to overturn existing law as to the ownership of coalbed methane in Pennsylvania, but that claim was dismissed by the court; the plaintiffs are seeking to appeal that dismissal. CNX Gas believes this lawsuit to be without merit and intends

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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.

In April 2005, Buchanan County, Virginia (through its Board of Supervisors and Commissioner of Revenue) filed a lawsuit against CNX Gas Company LLC in the Circuit Court of the County of Buchanan for the year 2002; the county has since filed and served three substantially similar cases for years 2003, 2004 and 2005. These cases have been consolidated. The complaint alleges that CNX Gas 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, CNX Gas 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. We believe that this litigation will settle on terms that will not have a material adverse impact on the financial position or the results of operations of CNX Gas.

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 was 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 nine months ended September 30, 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. 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.

In the nine months ended September 30, 2009, CONSOL Energy collected the BLET receivable and related interest in the amount of $59,723. Upon collection of the refunds, CONSOL Energy paid third parties $4,362. CONSOL Energy recognized $55,795 in the year ended December 31, 2008 that was included in Black Lung Excise Tax Refund in the Consolidated Statements of Income. In the nine months ended September 30, 2009, CONSOL Energy recognized additional income related to the collection of the receivable in the amount of $700 which was also reflected in Cost of Goods Sold and Other Operating Charges in the Consolidated Statements of Income. CONSOL Energy also recognized additional expense related to the collection of the receivable in the amount of $1,134 for the nine months ended September 30, 2009 that is included in Cost of Goods Sold and Other Operating Charges.

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At September 30, 2009, 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 of Commitment Expiration Per Period			
	Total Amounts Committed	Less Than 1 Year	1-3 Years	3-5 Years	Beyond 5 Years
Letters of Credit:					
Employee-Related	$ 192,434	$ 91,031	$ 101,403	$	$
Environmental	63,502	61,205	2,297		
Gas	14,933	14,933			
Other	11,914	250	11,664		
Total Letters of Credit	282,783	167,419	115,364		
Surety Bonds:					
Employee-Related	193,251	193,251			
Environmental	340,991	338,761	2,230		
Gas	4,434	4,295	139		
Other	10,652	10,468	184		
Total Surety Bonds	549,328	546,775	2,553		
Guarantees:					
Coal	116,637	71,549	40,526	1,593	2,969
Gas	33,112	30,012			3,100
Other	261,563	37,082	65,972	49,417	109,092
Total Guarantees	411,312	138,643	106,498	51,010	115,161
Total Commitments	$ 1,243,423	$ 852,837	$ 224,415	$ 51,010	$ 115,161

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. Surety bonds are typically renewed each year. However, the majority of the surety bonds are non-cancelable by the issuer, most notably for employee-related and environmental obligations.

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CONSOL Energy 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 September 30, 2009, the purchase obligations for each of the next five years and beyond were as follows:

Obligations Due	Amount
Less than 1 year	$ 67,991
1-3 years	61,937
3-5 years	50,079
More than 5 years	308,633
Total purchase obligations	$ 488,640

NOTE 11 DERIVATIVES:

CONSOL Energy enters into financial derivative instruments to manage our exposure to commodity price volatility. Our derivatives are accounted for under the Derivatives and Hedging Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. We measure each derivative instrument at fair value and record it on the balance sheet as either an asset or liability. Changes in the fair value of the 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. CONSOL Energy currently utilizes only cash flow hedges that are considered highly effective.

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 the fair values or the 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.

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.

CONSOL Energy has entered into forward and option contracts on various commodities to manage the price risk associated with the forecasted revenues from those commodities. The objective of these hedges is to reduce the variability of the cash flows associated with the forecasted revenues from the underlying commodities.

As of September 30, 2009, the total notional amount of the Company s outstanding natural gas forward contracts was 91.0 Bcf. These forward contracts are forecasted to settle through December 31, 2012 and to meet the criteria for cash flow hedge accounting. During the next twelve months, $77,836 of unrealized gain is expected to be reclassified from Other Comprehensive Income and into earnings. No gains or losses have been reclassified into earnings as a result of the discontinuance of cash flow hedges.

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The fair value of CONSOL Energy s derivative instruments at September 30, 2009 is as follows:

Consol Energy Fair Values of Derivative Instruments

	Asset Derivatives 2009		Liability Derivatives 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative designated as hedging instruments				
Natural Gas Price Swaps	Prepaid Expense	$ 128,153		
Natural Gas Price Swaps			Other Liabilities	$ 1,123
Total derivatives designated as hedging instruments		$ 128,153		$ 1,123

The Effect of Derivative Instruments on the Consolidated Statement of Income

for the Three Months Ended September 30, 2009

Derivative in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative 2009	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income 2009	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative 2009
Natural Gas Price Swaps	$ (27,907)	Outside Sales	$ 68,804	Outside Sales	$ (63)
Total	$ (27,907)		$ 68,804		$ (63)

The Effect of Derivative Instruments on the Consolidated Statement of Income

for the Nine Months Ended September 30, 2009

Derivative in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative 2009	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income 2009	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative 2009
Natural Gas Price Swaps	$ (137,247)	Outside Sales	$ 185,542	Outside Sales	$ (932)
Total	$ (137,247)		$ 185,542		$ (932)

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NOTE 12 OTHER COMPREHENSIVE INCOME:

Total comprehensive income, net of tax, for the nine months ended September 30, 2009 was as follows:

	Treasury Rate Lock	Change in Fair Value of Cash Flow Hedges	Adjustments for Actuarially Determined Liabilities	Accumulated Other Comprehensive Loss
Balance at December 31, 2008	$ 263	$ 102,625	$ (564,788)	$ (461,900)
Net increase in value of cash flow hedges		114,370		114,370
Reclassification of cash flow hedges from other comprehensive income to earnings		(153,836)		(153,836)
Current period change	(62)		288	226
Comprehensive Income (Loss)	201	63,159	(564,500)	(501,140)
Comprehensive Income (Loss) attributable to Noncontrolling Interest		(7,897)	15	(7,882)
Balance at September 30, 2009	$ 201	$ 55,262	$ (564,485)	$ (509,022)

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS:

The financial instruments measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at September 30, 2009		
Description	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Gas Cash Flow Hedges	$	$ 127,030	$

The Fair Value disclosure topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification requires the disclosure of the estimated fair value of financial instruments including those financial instruments for which the 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 for which the Fair Value option was not elected are as follows:

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 32,402	$ 32,402	$ 138,512	$ 138,512
Short-term notes payable	$ (409,950)	$ (409,950)	$ (557,700)	$ (557,700)
Long-term debt	$ (398,334)	$ (407,983)	$ (402,287)	$ (390,278)

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NOTE 14 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 nine months ended September 30, 2009, the Northern Appalachian aggregated segment includes the following mines: Blacksville #2, Robinson Run, McElroy, Loveridge, Bailey, Enlow Fork, Shoemaker and Mine 84. For the nine months ended September 30, 2009, the Central Appalachian aggregated segment includes the following mines: Jones Fork, the Fola Complex, the Miller Creek Complex and the Terry Eagle Complex. For the nine months ended September 30, 2009, the Metallurgical aggregated segment includes the Buchanan and Amonate mines. 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 classification is made up of the Company s 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. Certain reclassifications of 2008 segment information have been made to conform to the 2009 presentation. Reclassifications include changes between mines reflected in Central Appalachian and Other Coal segments to reflect the current aggregation criteria.

Industry segment results for the three months ended September 30, 2009:

	Northern Appalachian	Central Appalachian	Metallurgical	Other Coal	Total Coal	Gas	All Other	Corporate, Adjustments & Eliminations	Consolidated
Sales Outside	$ 594,134	$ 115,267	$ 63,185	$ 27,822	$ 800,408	$ 154,336	$ 67,873	$	$ 1,022,617
Sales Gas Royalty Interests						8,443			8,443
Sales Purchased Gas						1,471			1,471
Freight Outside				36,130	36,130				36,130
Intersegment Transfers						449	37,607	(38,056)	
Total Sales and Freight	$ 594,134	$ 115,267	$ 63,185	$ 63,952	$ 836,538	$ 164,699	$ 105,480	$ (38,056)	$ 1,068,661
Earnings (Loss) Before Income Taxes (A)	$ 109,961	$ 17,648	$ 22,181	$ (61,834)	$ 87,956	$ 57,315	$ 1,819	$ (18,585)	$ 128,505
Segment Assets (B)					$ 4,442,877	$ 2,137,337	$ 323,230	$ 415,493	$ 7,318,937
Depreciation, Depletion and Amortization					$ 73,960	$ 30,879	$ 5,126	$	$ 109,965
Capital expenditures					$ 140,518	$ 49,288	$ 2,894	$	$ 192,700

(A) Includes equity in earnings of unconsolidated affiliates of $1,552, $93 and $4,043 for Coal, Gas and All Other, respectively.
(B) Includes investments in unconsolidated equity affiliates of $11,502, $24,604 and $45,618 for Coal, Gas and All Other, respectively.

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Industry segment results for the three months ended September 30, 2008:

	Northern Appalachian	Central Appalachian	Metallurgical	Other Coal	Total Coal	Gas	All Other	Corporate, Adjustments & Eliminations	Consolidated
Sales Outside	$ 491,507	$ 141,472	$ 100,695	$ 46,773	$ 780,447	$ 189,689	$ 82,248	$	$ 1,052,384
Sales Gas Royalty Interests						22,902			22,902
Sales Purchased Gas						1,674			1,674
Freight Outside				60,458	60,458				60,458
Intersegment Transfers						1,510	34,893	(36,403)	
Total Sales and Freight	$ 491,507	$ 141,472	$ 100,695	$ 107,231	$ 840,905	$ 215,775	$ 117,141	$ (36,403)	$ 1,137,418
Earnings (Loss) Before Income Taxes (C)	$ 29,099	$ (6,498)	$ 49,775	$ (25,362)	$ 47,014	$ 114,214	$ 5,304	$ (23,102)	$ 143,430
Segment Assets (D)					$ 4,133,854	$ 1,854,067	$ 267,691	$ 450,119	$ 6,705,731
Depreciation, Depletion and Amortization					$ 73,517	$ 17,803	$ 4,968	$	$ 96,288
Capital expenditures					$ 122,372	$ 170,374	$ 10,983	$	$ 303,729

(C) Includes equity in earnings of unconsolidated affiliates of $589, $236 and $844 for Coal, Gas and All Other, respectively.
(D) Includes investments in unconsolidated equity affiliates of $7,304, $25,005 and $37,348 for Coal, Gas and All Other, respectively.

Industry segment results for the nine months ended September 30, 2009:

	Northern Appalachian	Central Appalachian	Metallurgical	Other Coal	Total Coal	Gas	All Other	Corporate, Adjustments & Eliminations	Consolidated
Sales Outside	$ 1,896,490	$ 367,148	$ 147,985	$ 89,887	$ 2,501,510	$ 467,000	$ 198,492	$	$ 3,167,002
Sales Gas Royalty Interests						29,741			29,741
Sales Purchased Gas						4,102			4,102
Freight Outside				94,133	94,133				94,133
Intersegment Transfers						991	112,790	(113,781)	
Total Sales and Freight	$ 1,896,490	$ 367,148	$ 147,985	$ 184,020	$ 2,595,643	$ 501,834	$ 311,282	$ (113,781)	$ 3,294,978
Earnings (Loss) Before Income Taxes (E)	$ 523,311	$ 40,010	$ 13,041	$ (123,039)	$ 453,323	$ 199,436	$ 7,750	$ (74,043)	$ 586,466
Segment Assets (F)					$ 4,442,877	$ 2,137,337	$ 323,230	$ 415,493	$ 7,318,937
Depreciation, Depletion and Amortization					$ 229,750	$ 78,581	$ 15,328	$	$ 323,659
Capital Expenditures					$ 413,414	$ 263,051	$ 12,654	$	$ 689,119

(E) Includes equity in earnings of unconsolidated affiliates of $4,026, $650 and $7,812 for Coal, Gas and All Other, respectively.
(F) Includes investments in unconsolidated equity affiliates of $11,502, $24,604 and $45,618 for Coal, Gas and All Other, respectively.

Industry segment results for the nine months ended September 30, 2008:

	Northern Appalachian	Central Appalachian	Metallurgical	Other Coal	Total Coal	Gas	All Other	Corporate, Adjustments & Eliminations	Consolidated
Sales Outside	$ 1,549,663	$ 398,779	$ 233,316	$ 134,007	$ 2,315,765	$ 496,563	$ 237,791	$	$ 3,050,119
Sales Gas Royalty Interests						61,921			61,921
Sales Purchased Gas						6,860			6,860
Freight Outside				169,129	169,129				169,129
Intersegment Transfers						6,096	104,220	(110,316)	
Total Sales and Freight	$ 1,549,663	$ 398,779	$ 233,316	$ 303,136	$ 2,484,894	$ 571,440	$ 342,011	$ (110,316)	$ 3,288,029
Earnings (Loss) Before Income Taxes (G)	$ 205,863	$ (16,459)	$ 97,237	$ (93,900)	$ 192,741	$ 295,245	$ 17,932	$ (68,116)	$ 437,802
Segment Assets (H)					$ 4,133,854	$ 1,854,067	$ 267,691	$ 450,119	$ 6,705,731
Depreciation, Depletion and Amortization					$ 219,648	$ 50,340	$ 14,803	$	$ 284,791
Capital Expenditures					$ 312,537	$ 406,180	$ 21,289	$	$ 740,006

(G) Includes equity in earnings of unconsolidated affiliates of $1,263, $352 and $3,699 for Coal, Gas and All Other, respectively.
(H) Includes investments in unconsolidated equity affiliates of $7,304, $25,005 and $37,348 for Coal, Gas and All Other, respectively.

Reconciliation of Segment Information to Consolidated Amounts:

Earnings Before Income Taxes:

	For the Three Months Ended September 30, 2009	2008	For the Nine Months Ended September 30, 2009	2008
Segment Earnings Before Income Taxes for total reportable business segments	$ 145,271	$ 161,228	$ 652,759	$ 487,986
Segment Earnings Before Income Taxes for all other businesses	1,819	5,304	7,750	17,932
Incentive Compensation (I)	(5,182)	(6,874)	(20,162)	(18,887)
Compensation from restricted stock unit grants, stock option expense and performance share unit expense (I)	(6,193)	(5,605)	(21,095)	(16,375)
Interest income (expense), net and other non-operating activity (I)	(7,210)	(10,623)	(22,396)	(32,854)
Corporate restructuring (I)			(2,847)	
Lease settlement (I)			(7,543)	
Earnings Before Income Taxes	$ 128,505	$ 143,430	$ 586,466	$ 437,802

	September 30, 2009	2008
Total Assets:		

Segment assets for total reportable business segments	$ 6,580,214	$ 5,987,921
Segment assets for all other businesses	323,230	267,691
Items excluded from segment assets:		
Cash and other investments (I)	31,943	7,610
Deferred tax assets	380,125	430,807
Recoverable income taxes	2,643	10,583
Bond issuance costs	782	1,119
Total Consolidated Assets	$ 7,318,937	$ 6,705,731

(I) Excludes amounts specifically related to the gas segment.

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NOTE 15 GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION:

The payment obligations under the $250,000, 7.875% 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. Certain reclassifications of 2008 guarantor information have been made to conform to the 2009 presentation.

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Income Statement for the three months ended September 30, 2009:

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
Sales Outside	$	$ 154,784	$ 819,117	$ 49,541	$ (825)	$ 1,022,617
Sales Purchased Gas		1,471				1,471
Sales Gas Royalty Interests		8,443				8,443
Freight Outside			36,130			36,130
Other Income	102,002	955	25,433	5,386	(107,920)	25,856
Total Revenue and Other Income	102,002	165,653	880,680	54,927	(108,745)	1,094,517
Cost of Goods Sold and Other Operating Charges	15,872	27,952	540,251	48,663	74,518	707,256
Purchased Gas Costs		1,103				1,103
Gas Royalty Interests Costs		6,279			(11)	6,268
Related Party Activity	3,331		34,123	325	(37,779)	
Freight Expense			36,130			36,130
Selling, General and Administrative Expense		37,600	29,523	311	(35,792)	31,642
Depreciation, Depletion and Amortization	3,511	30,879	74,919	656		109,965
Interest Expense	2,939	1,865	2,783	3	(88)	7,502
Taxes Other Than Income	1,484	2,549	61,458	655		66,146
Total Costs	27,137	108,227	779,187	50,613	848	966,012
Earnings (Loss) Before Income Taxes	74,865	57,426	101,493	4,314	(109,593)	128,505
Income Tax Expense (Benefit)	(12,505)	22,194	23,898	1,632		35,219
Net Income	87,370	35,232	77,595	2,682	(109,593)	93,286
Net Income Attributable to Noncontrolling Interest		238	(238)		(5,916)	(5,916)
Net Income Attributable to CONSOL Energy Inc. Shareholders	$ 87,370	$ 35,470	$ 77,357	$ 2,682	$ (115,509)	$ 87,370

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Balance Sheet at September 30, 2009:

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
Assets:						
Current Assets:						
Cash and Cash Equivalents	$ 25,095	$ 968	$ 6,339	$	$	$ 32,402
Accounts and Notes Receivable:						
Trade		27,833	127	141,076		169,036
Other	4,512	852	6,285	7,143		18,792
Inventories			259,950	50,589		310,539
Recoverable Income Taxes	5,252	(2,609)				2,643
Deferred Income Taxes	132,314	(46,207)				86,107
Prepaid Expenses	28,484	130,119	50,748	1,064		210,415
Total Current Assets	195,657	110,956	323,449	199,872		829,934
Property, Plant and Equipment:						
Property, Plant and Equipment	164,261	2,354,692	7,905,703	28,031		10,452,687
Less-Accumulated Depreciation, Depletion and Amortization	79,779	404,781	3,967,174	19,362		4,471,096
Property, Plant and Equipment Net	84,482	1,949,911	3,938,529	8,669		5,981,591
Other Assets:						
Deferred Income Taxes	641,329	(347,311)				294,018
Investment in Affiliates	4,351,664	24,604	839,563	2,225	(5,136,332)	81,724
Other	92,151	2,924	24,701	11,894		131,670
Total Other Assets	5,085,144	(319,783)	864,264	14,119	(5,136,332)	507,412
Total Assets	$ 5,365,283	$ 1,741,084	$ 5,126,242	$ 222,660	$ (5,136,332)	$ 7,318,937
Liabilities and Stockholders Equity:						
Current Liabilities:						
Accounts Payable	$ 83,800	$ 48,528	$ 94,993	$ 11,505	$	$ 238,826
Accounts Payable (Recoverable)- Related Parties	2,166,818	3,290	(2,294,099)	123,991		
Short-Term Notes Payable	336,900	73,050				409,950
Current Portion of Long-Term Debt	461	8,540	13,223	423		22,647
Other Accrued Liabilities	472,264	25,304	22,321	8,062		527,951
Total Current Liabilities	3,060,243	158,712	(2,163,562)	143,981		1,199,374
Long-Term Debt:	250,213	67,806	136,055	618		454,692
Deferred Credits and Other Liabilities:						
Postretirement Benefits Other Than Pensions		3,000	2,491,821			2,494,821
Pneumoconiosis			197,870			197,870
Mine Closing			395,795			395,795
Gas Well Closing		8,141	76,682			84,823
Workers Compensation			134,412			134,412
Salary Retirement	145,172					145,172
Reclamation			27,771			27,771
Other	115,708	30,621	10,551			156,880
Total Deferred Credits and Other Liabilities	260,880	41,762	3,334,902			3,637,544
Noncontrolling Interest		(4,154)	4,154		233,380	233,380
Stockholders Equity	1,793,947	1,476,958	3,814,693	78,061	(5,369,712)	1,793,947
Total Liabilities and Stockholders Equity	$ 5,365,283	$ 1,741,084	$ 5,126,242	$ 222,660	$ (5,136,332)	$ 7,318,937

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Income Satement for the three months ended September 30, 2008

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
Sales Outside	$	$ 191,199	$ 795,356	$ 68,416	$ (2,587)	$ 1,052,384
Sales Purchased Gas		1,674				1,674
Sales Gas Royalty Interests		22,902				22,902
Freight Outside			60,458			60,458
Other Income	110,447	1,172	25,543	10,131	(111,605)	35,688
Total Revenue and Other Income	110,447	216,947	881,357	78,547	(114,192)	1,173,106
Cost of Goods Sold and Other Operating Charges	22,266	38,309	536,109	31,299	112,080	740,063
Purchased Gas Costs		1,664				1,664
Gas Royalty Interests Costs		21,055			(15)	21,040
Related Party Activity	2,773		67,873	36,509	(107,155)	
Freight Expense			60,458			60,458
Selling, General and Administrative Expense		13,169	26,156	1,142	(9,061)	31,406
Depreciation, Depletion and Amortization	2,211	17,803	73,680	2,596	(2)	96,288
Interest Expense	3,314	2,412	3,292	135	(84)	9,069
Taxes Other Than Income	1,308	7,272	58,766	2,342		69,688
Total Costs	31,872	101,684	826,334	74,023	(4,237)	1,029,676
Earnings (Loss) Before Income Taxes	78,575	115,263	55,023	4,524	(109,955)	143,430
Income Tax Expense (Benefit)	(11,479)	48,160	2,622	1,711		41,014
Net Income	90,054	67,103	52,401	2,813	(109,955)	102,416
Net Income Attributable to Noncontrolling Interest		312	(312)		(12,362)	(12,362)
Net Income Attributable to CONSOL Energy Inc. Shareholders	$ 90,054	$ 67,415	$ 52,089	$ 2,813	$ (122,317)	$ 90,054

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Balance Sheet at December 31, 2008:

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	Non-Guarantors	Elimination	Consolidated
Assets:						
Current Assets:						
Cash and Cash Equivalents	$ 132,471	$ 1,926	$ 1,714	$ 2,401	$	$ 138,512
Accounts and Notes Receivable:						
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
Recoverable Income Taxes	3,560	30,302				33,862
Deferred Income Taxes	115,599	(55,000)				60,599
Prepaid Expenses	23,612	152,786	40,409	4,943		221,750
Total Current Assets	277,009	194,858	295,208	216,739		983,814
Property, Plant and Equipment:						
Property, Plant and Equipment	175,027	2,113,570	7,606,735	84,956		9,980,288
Less Accumulated Depreciation, Depletion and Amortization	71,781	322,470	3,793,378	26,687		4,214,316
Property, Plant and Equipment Net	103,246	1,791,100	3,813,357	58,269		5,765,972
Other Assets:						
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	58,811	34,521	43,548		214,133
Total Other Assets	4,476,259	(247,323)	965,229	44,650	(4,618,143)	620,672
Total Assets	$ 4,856,514	$ 1,738,635	$ 5,073,794	$ 319,658	$ (4,618,143)	$ 7,370,458
Liabilities and Stockholders Equity:						
Current Liabilities:						
Accounts Payable	$ 87,734	$ 100,565	$ 159,677	$ 37,221	$	$ 385,197
Accounts Payable (Recoverable)-Related Parties	1,853,629	2,234	(1,992,924)	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	410,086	42,089	84,417	9,850		546,442
Total Current Liabilities	2,837,922	226,050	(1,736,737)	184,505		1,511,740
Long-Term Debt:	252,145	74,682	140,956	568		468,351
Deferred Credits and Other Liabilities:						
Postretirement Benefits Other Than Pensions		2,728	2,490,616			2,493,344
Pneumoconiosis			190,261			190,261
Mine Closing						