ALIGN="bottom"> 19,257

Taxes Other Than Income

4,121 12,519 169,139 5,037 190,816

Total Costs

72,243 186,241 2,015,304 153,576 8,676 2,436,040

Earnings (Loss) Before Income Taxes

237,161 172,167 298,123 19,231 (319,163) 407,519

Income Tax Expense (Benefit)

(23,834) 66,387 77,680 6,731 126,964

Earnings (Loss) before Minority Interest

260,995 105,780 220,443 12,500 (319,163) 280,555

Minority Interest

(19,560) (19,560)

Net Income (Loss)

$260,995 $105,780 $220,443 $12,500 $(338,723) $260,995

Table of Contents

Cash Flow for the nine months ended September 30, 2008:

	Parent	CNX Gas	Guarantor	Non-Guarantor	Elimination	Consolidated
Net Cash Provided by Operating Activities	$ 55,236	$ 306,919	$ 316,874	$ 4,213	$	$ 683,242
Cash Flows from Investing Activities:						
Capital Expenditures	$ (6,964)	$ (406,180)	$ (325,441)	$ (1,421)	$	$ (740,006)
Investment in Equity Affiliates		1,081	(1,689)			(608)
Other Investing Activities		450	18,349			18,799
Net Cash Used in Investing Activities	$ (6,964)	$ (404,649)	$ (308,781)	$ (1,421)	$	$ (721,815)
Cash Flows from Financial Activities:						
Dividends Paid	$ (54,878)	$	$	$	$	$ (54,878)
Purchase of Common Stock	(85)					(85)
(Payments on) Proceeds from Short Term Borrowings	(35,200)	58,200				23,000
Other Financing Activities	38,182	10,598	(8,093)	(1,500)		39,187
Net Cash (Used in) Provided by Financing Activities	$ (51,981)	$ 68,798	$ (8,093)	$ (1,500)	$	$ 7,224

Cash Flow for the nine months ended September 30, 2007:

	Parent	CNX Gas	Guarantor	Non-Guarantor	Elimination	Consolidated
Net Cash Provided by Operating Activities	$ (161,115)	$ 211,075	$ 522,045	$ 24,030	$	$ 596,035
Cash Flows from Investing Activities:						
Capital Expenditures	$ (11,932)	$ (265,116)	$ (261,050)	$ (21,693)	$ 44,880	$ (514,911)
Acquistion of AMVEST			(296,659)			(296,659)
Investment in Equity Affiliates		(2,259)	(775)			(3,034)
Other Investing Activities		187	88,247		(44,880)	43,554
Net Cash Used in Investing Activities	$ (11,932)	$ (267,188)	$ (470,237)	$ (21,693)	$	$ (771,050)
Cash Flows from Financial Activities:						
Dividends Paid	$ (38,282)	$	$	$	$	$ (38,282)
Proceeds from Revolver	181,000					181,000
Purchase of Common Stock	(80,132)					(80,132)
Tax Benefit from Stock-Based Compensation	6,323	35				6,358
Payments on Long Term Notes			(45,000)			(45,000)
Other Financing Activities	7,005	7,308	(6,929)	(1,500)		5,884
Net Cash (Used in) Provided by Financing Activities	$ 75,914	$ 7,343	$ (51,929)	$ (1,500)	$	$ 29,828

Table of Contents

NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS:

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

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

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

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
General

Current forecasts by the U.S. Department of Energy estimate that worldwide energy demand will grow more than 55 percent by 2030 and that the two fastest growing supply segments are expected to be coal and natural gas, which are forecasted to grow approximately 74 percent and 63 percent, respectively. The company believes that the long-term fundamentals of population growth, a desire for improved living standards, and the need to build or repair critical infrastructure in many countries will keep demand for energy strong over the next several decades, despite indications that global economic growth is slowing in the face of a more challenging financial environment.

The impact of current economic conditions on global demand for coal and natural gas in the short-term is far from clear. For instance, the impact on price from a decline in demand for coal is likely to be offset by the continuing challenges of coal production globally. The Company believes that the long-term global demand for coal is very strong and developing countries will continue to grow at rates that will stretch global supplies of coal.

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

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

- The company has a significant amount of anticipated 2009 coal and gas production already committed for sale;
- The company s low-volatile metallurgical coal and its high Btu (British thermal units) steam coal are premium products that should command premium prices even in a weaker demand environment;
- The company expects to generate strong cash flows during the next 15 months, reflecting both higher priced tons entering the sales mix and the relatively low-cost position of both its coal and gas segments;
- The company s relatively low debt and strong liquidity position allows the company to maintain its reputation as a disciplined producer and to make adjustments to production should market conditions require it; and
- The company has the flexibility to defer or slow certain capital project outlays without undercutting the company s fundamental growth strategy.

During the second and third quarters, a number of factors impacted production, but no single factor dominated. Factors included: events such as roof falls on main line belt haulage; regulatory issues, particularly related to safety that impacted productivity and costs; technological issues, particularly the challenge of completing development of new longwall coal panels as rapidly as required; and geologic issues such as roof conditions and intrusion of rock into coal seams. We have made a number of important changes that, over the next six months, are expected to positively impact productivity and production. We have focused a lot of attention on the development issue because it is the key to getting the maximum efficiency from our longwall equipped mines.

The company has added crews and changed work schedules to increase longwall panel development; has worked with equipment manufacturers to develop better haulage systems for continuous mining machines to increase rates of advance in development sections of the mine; and is modifying mine plans in a number of longwall-equipped mines to increase the ratio of coal produced by the longwall equipment compared to that produced by the continuous miners.

Table of Contents

Some of the changes we have made, such as adding additional crews, should give us benefits very quickly, while things like mine plan modifications take several quarters to fully execute. However, over the next year, we expect the aggregate result of these actions will positively impact productivity.

Regulatory impacts on production are more difficult to manage. Most producers in the eastern U.S. are being impacted by government regulations and enforcement to a much greater extent than we saw only a few years ago. The pace with which government issues permits needed for on-going operations to continue mining has negatively impacted expected production, especially in Central Appalachia. Environmental groups in West Virginia and Kentucky have challenged state and U.S. Army Corps of Engineers permits for mountaintop mining on various grounds. The most recent challenges have focused on the adequacy of the Corp of Engineers analysis of impacts to streams and the adequacy of mitigation plans to compensate for stream impacts. In 2007, the U.S. District Court of the Southern District of West Virginia found other operators permits for mining in these areas to be deficient. The ruling is currently in appeals. The legal issues around these previously issued permits have delayed or prevented the issuance of new permits by the Corp of Engineers. Currently, CONSOL Energy s surface operations in these areas have not been impacted, but the delay or denial of additional permits could impact some or all of the surface operations within the next twelve to twenty-four months. In addition, the length of time needed to bring a new mine into production has increased by several years because of the increased time required to obtain necessary permits. New safety laws and regulations have impacted productivity at underground mines, although the company has not yet been able to ascertain the exact amount of the impact.

On October 3, 2008 the Emergency Economic Stabilization Act of 2008 (the Act) was signed into law. The Act contains a section that authorizes certain coal producers 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 Act requires that the U.S. Treasury pay a coal producer an amount equal to the BLET erroneously paid on export sales in prior years along with interest computed at the statutory rates.

CONSOL Energy estimates that it could receive refunds of BLET of approximately $25 million. The estimated interest to be received on BLET refunds is approximately $30 million. The claims for refund of BLET plus interest must be filed with the Internal Revenue Service (IRS) within 30 days of enactment of the Act. At this time, CONSOL Energy cannot be certain that it will receive the refund of BLET and related interest since technical guidance has not been issued by the IRS regarding the type of documentation required before it will approve the refund of BLET and the related payment of interest. As of September 30, 2008, no amounts have been recognized related to the potential BLET refunds.

Table of Contents

Results of Operations

Three Months Ended September 30, 2008 Compared with Three Months Ended September 30, 2007

Net Income

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Coal Sales Produced and Purchased	$ 780	$ 630	$ 150	23.8%
Produced Gas Sales	190	98	92	93.9%
Gas Royalty Interest	23	10	13	130.0%
Other Sales and Other Income	180	130	50	38.5%
Total Revenue and Other Income	1,173	868	305	35.1%
Coal Cost of Goods Sold Produced and Purchased	577	455	122	26.8%
Produced Gas Cost of Goods Sold	51	30	21	70.0%
Gas Royalty Interest costs of Goods Sold	21	9	12	133.3%
Other Cost of Goods Sold	114	150	(36)	(24.0)%
Total Cost of Goods Sold	763	644	119	18.5%
Depreciation, Depletion and Amortizaton	96	82	14	17.1%
Other	171	137	34	24.8%
Total Costs	1,030	863	167	19.4%
Earnings Before Income Taxes and Minority Interest	143	5	138	2760.0%
Income Tax Expense	41	5	36	720.0%
Earnings Before Minority Interest	102		102	100.0%
Minority Interest	12	5	7	140.0%
Net Income (Loss)	$ 90	$ (5)	$ 95	(1900.0)%

CONSOL Energy had net income of $90 million for the three months ended September 30, 2008 compared to a net loss of $5 million in the three months ended September 30, 2007. Net income for the 2008 period was improved in comparison to the 2007 period due to:

the 2007 period including a total of approximately $72 million of pre-tax expenses related to the July 2007 Buchanan Mine incident which idled the mine through March 2008;

higher average prices received for both coal and gas; and

higher volumes of gas produced.

These increases in net income were offset, in part, by increased unit cost of goods sold and other charges for both coal and gas.

See below for a more detailed description of variances noted. The unit costs described below are not necessarily indicative of future costs.

36

Table of Contents

Revenue

Revenue and other income increased due to the following items:

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Sales:				
Produced Coal	$ 751	$ 615	$ 136	22.1%
Purchased Coal	29	15	14	93.3%
Produced Gas	190	98	92	93.9%
Industrial Supplies	51	43	8	18.6%
Other	31	21	10	47.6%
Total Sales Outside	1,052	792	260	32.8%
Gas Royalty Interest	23	10	13	130.0%
Purchased Gas	2	1	1	100.0%
Freight Revenue	60	45	15	33.3%
Other Income	36	20	16	80.0%
Total Revenue and Other Income	$ 1,173	$ 868	$ 305	35.1%

The increase in company produced coal sales revenue during the 2008 period was due to higher average prices.

	2008 Period	2007 Period	Variance	Percentage Change
Produced Tons Sold (in millions)	14.9	15.0	(0.1)	(0.7)%
Average Sales Price Per Ton	$ 50.50	$ 40.99	$ 9.51	23.2%

The increase in the average sales prices of coal are the result of global coal fundamentals remaining strong. Concerns regarding the adequacy of global supplies of coal have strengthened both the international and domestic coal prices and have increased the opportunity for U.S. producers to increase exports of coal. During the quarter, CONSOL Energy saw a rise in both its Central Appalachian and Northern Appalachian coal prices. Eastern domestic utilities coal inventories are lower than expected and increased sales opportunities overseas have driven up the average sales prices for coal. Sales tons were down slightly in the period-to-period comparison due mainly to lower production from several Northern Appalachian underground longwall mines, offset, in part, by higher production from several Central Appalachian mines.

Purchased coal sales consist of revenues from processing third-party coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased from third-parties and sold directly to our customers. The increase of $14 million in company-purchased coal sales revenue was primarily due to an increase in demand in the period-to-period comparison.

The increase in produced gas sales revenue in the 2008 period compared to the 2007 period was primarily due to higher average sales price per thousand cubic feet sold and higher sales volumes.

	2008 Period	2007 Period	Variance	Percentage Change
Produced Gas Sales Volumes (in billion cubic feet)	19.5	14.3	5.2	36.4%
Average Sales Price Per thousand cubic feet	$ 9.72	$ 6.87	$ 2.85	41.5%

The increase in average sales price is the result of realizing general market price increases in the period-to-period comparison. CONSOL Energy periodically enters into various gas swap transactions that qualify as financial cash flow hedges. These gas swap transactions exist parallel to the underlying physical transactions. These financial hedges represented approximately 12.8 Bcf of our produced gas sales volumes for the three

Table of Contents

months ended September 30, 2008 at an average price of $9.44 per thousand cubic feet. In the prior year, these financial hedges represented approximately 4.7 Bcf at an average price of $8.00 per thousand cubic feet. Sales volumes increased as a result of additional wells coming online from our on-going drilling program.

The $8 million increase in revenues from the sale of industrial supplies was primarily due to increased sales volumes and higher sales prices.

The $10 million increase in other sales was attributable to increased revenues from barge towing and terminal services. The increase was primarily related to revenue generated from the barge towing operations having higher thru-put tons as well as higher average rates for services rendered compared to the prior year.

	2008 Period	2007 Period	Variance	Percentage Change
Gas Royalty Interest Sales Volumes (in billion cubic feet)	2.4	1.8	0.6	33.3%
Average Sales Price Per thousand cubic feet	$ 9.71	$ 5.81	$ 3.90	67.1%

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

	2008 Period	2007 Period	Variance	Percentage Change
Purchased Sales Volumes (in billion cubic feet)	0.2	0.1	0.1	100.0%
Average Sales Price Per thousand cubic feet	$ 10.20	$ 6.14	$ 4.06	66.1%

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

Freight revenue is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to which CONSOL Energy contractually provides transportation services. Freight revenue is the amount billed to customers for transportation costs incurred. Freight revenue has increased primarily due to an increase in freight rates for export tons. There were 2.0 million tons and 2.1 million tons of CONSOL Energy coal exported in the 2008 and 2007 periods, respectively.

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Gain on Sale of Assets	$ 9	$ 3	$ 6	200.0%
Reversal of unrealized losses on coal options	6		6	100.0%
Contract Towing	3	1	2	200.0%
Royalty Income	5	3	2	66.7%
Interest Income	1	2	(1)	(50.0)%
Other miscellaneous	12	11	1	9.1%
Total other income	$ 36	$ 20	$ 16	80.0%

Gain on sale of assets increased $6 million in the period-to-period comparison primarily due to the sale of an idled facility which included the transfer of the mine closing liabilities to the buyer. This transaction resulted in a pre-tax gain.

Mark-to-market adjustments for three free standing coal sales options resulted in approximately a $6 million reversal of unrealized losses which were previously recognized. The remaining unrealized loss will reverse as coal is purchased under these options or as the options expire.

Table of Contents

The $2 million increase in contract towing represents river towing services for third-parties which CONSOL Energy provides. CONSOL Energy has increased the amount of services provided to third-parties and has received higher rates in the 2008 period compared to the 2007 period.

Royalty income increased $2 million in the period-to-period comparison due to increased production by third-parties.

Interest income decreased $1 million in the period-to-period comparison due to lower cash balances throughout the 2008 period compared to the 2007 period. Lower cash balances were primarily the result of the July 2007 Buchanan Mine incident, higher capital expenditures in the 2008 period excluding acquisitions and general working capital uses.

Other miscellaneous income increased $1 million in the period-to-period comparison due to various miscellaneous transactions that occurred throughout both periods, none of which were individually material.

Costs

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Cost of Goods Sold and Other Charges				
Produced Coal	$ 545	$ 437	$ 108	24.7%
Purchased Coal	32	18	14	77.8%
Produced Gas	51	30	21	70.0%
Industrial Supplies	51	40	11	27.5%
Closed and Idle Mines	19	23	(4)	(17.4)%
Other	42	87	(45)	(51.7)%
Total Cost of Goods Sold and Other Charges Outside	740	635	105	16.5%
Gas Royalty Interest	21	9	12	133.3%
Purchased Gas	2		2	100.0%
Total Cost of Goods Sold	$ 763	$ 644	$ 119	18.5%

Increased cost of goods sold and other charges for company-produced coal were due mainly to a higher average unit cost per ton sold.

	2008 Period	2007 Period	Variance	Percentage Change
Produced Tons Sold (in millions)	14.9	15.0	(0.1)	(0.7)%
Average Cost of Goods Sold and Other Charges Per Ton	$ 36.64	$ 29.11	$ 7.53	25.9%

Table of Contents

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

Supply and maintenance costs have increased $3.46 per ton sold. The increase is attributable primarily to higher cost items used in the mining process, higher gas well plugging costs, higher roof control costs, higher fuel and explosive costs, and higher equipment maintenance costs. The increase in supply and maintenance costs also reflects the change in the mix of sales tons in the 2008 period compared to the 2007 period. Although sales tons remained relatively the same in the period-to-period comparison, a higher percentage of sales tons came from the higher cost Central Appalachian mines in the 2008 period. In the 2007 period, a higher percentage of tons came from the lower cost Northern Appalachian longwall mines.

The installation of higher grade seals and a higher number of seals being built in the 2008 period contributed to the increase in supply cost. The Mine Health and Safety Administration now requires older workings in many of CONSOL Energy mines to be sealed more quickly following the conclusion of mining than was historically the case. At several locations, the installed seals are also required to be stronger. The increase in strength of seals was required to better protect the active sections of the underground mines from explosions, fires or other situations that may occur inside the sealed areas. The installation of higher strength seals and a higher number of seals being completed in the quarter contributed to the increase in supply costs.

Gas well plugging costs are expenses related to plugging abandoned gas wells which CONSOL Energy does not own that are in front of the underground mining process. These wells have to be plugged in accordance with current safety regulations in order to mine through the well. CONSOL Energy has plugged more wells in the 2008 period than in the 2007 period, which has contributed to increased supply costs.

Higher roof control costs are attributable to higher usage of products used in the mining process due to mining conditions and additional development work. Development work by continuous mining machines requires more roof support products than are used in the area of the mine where extraction is done using a longwall mining system. Roof control costs have also increased due to higher usage of pumpable cribs which are more expensive per unit than the standard wooden crib support. The pumpable crib is a canvas cylinder hung from the roof and extending to the floor into which concrete is pumped. Because the pumpable crib allows concrete to be pumped to the roof level, it eliminates the need to use wood shims to tighten the concrete to the roof. The pumpable crib is quicker to install, enhances safety due to customized fit and minimizes the use of combustible products at underground locations. Also, roof control costs have increased in the 2008 period compared to the 2007 period due to approximately 20% inflation related to roof control products.

Higher fuel and explosive costs are due to the general increase of these commodities in the period to period comparison. Also, the AMVEST surface locations, which are the primary locations to incur these costs, were acquired on July 31, 2007 and therefore were included in the prior year period for only two months.

Higher equipment maintenance costs are also attributable to the AMVEST acquisition.

Labor costs have increased $1.53 per ton sold due to the effects of wage increases at the union and non-union mines from labor contracts which began in 2007. These contracts call for specified hourly wage increases in each year of the contract. Labor also increased due to the higher number of employees in the 2008 period compared to the 2007 period reflecting the utilization of new work schedules that require more manpower.

Other post employment benefit costs have increased $0.66 per ton sold primarily due to a change in the discount rate used to calculate the net periodic benefit costs. The weighted average discount rate for the 2008 period was 6.63% and was 6.00% in the 2007 period.

Table of Contents

Health & Retirement costs have increased $0.46 per ton sold due to additional contributions required to be made into employee benefit funds in 2008 compared to 2007 as a result of the five-year labor agreement with the United Mine Workers of America (UMWA) that commenced January 1, 2007. The contribution increase over 2007 was $1.27 per UMWA hour worked.

Royalty costs have increased $0.40 per ton sold due mainly to production mix. More tons were produced from leased coal in the 2008 period compared to the 2007 period. Increased average sales prices of coal also caused royalty costs to increase.

Subsidence costs have increased $0.39 per ton sold due to additional expenses related to settlement agreements entered into in the 2008 period between CONSOL Energy and the Pennsylvania Department of Environmental Protection (PA DEP). The settlement agreements stipulate additional work to be preformed on streams that were impacted by underground mining prior to the current regulation regarding stream disturbance.

In-transit costs have increased $0.28 per ton sold. In-transit costs result from the need to move coal from the point of extraction to the preparation plant in order to be processed for sale. These costs have increased due primarily to increased trucking expenses related to higher fuel costs as well as several locations in the current period operating in areas further away from the preparation plants.

Contract mining fees have increased $0.25 per ton sold primarily due to additional tons produced by contractors being sold in the 2008 period compared to the 2007 period. Also, the rate per ton produced paid to the contractors has increased in the period-to-period comparison.

Power costs have increased $0.22 per ton sold due primarily to Buchanan production being suspended in the 2007 period which caused a reduced amount of power to be used. Although Buchanan s production was suspended in the 2007 period, tons continued to be shipped from inventory so sales tons were not significantly reduced in the 2007 period. This caused the power rate per ton sold to be lower than normal in the 2007 period.

Various other costs decreased $0.12 per ton sold due to various items that occurred throughout both periods, none of which were individually material.

Purchased coal cost of goods sold consists of costs from processing purchased coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased and sold directly to the customer and costs for processing third-party coal in our preparation plants. The increase of $14 million in purchased coal cost of goods sold and other charges in the 2008 period was primarily due to higher volumes purchased.

Gas cost of goods sold and other charges increased due primarily to a 36.4% increase in volume of produced gas sold and a 23.9% increase in unit costs of goods sold and other charges.

	2008 Period	2007 Period	Variance	Percentage Change
Produced Gas Sales Volumes (in billion cubic feet)	19.5	14.3	5.2	36.4%
Average Cost Per thousand cubic feet	$ 2.59	$ 2.09	$ 0.50	23.9%

The increase in average cost per thousand cubic feet of gas sold was attributable to increased well service and maintenance costs, increased power costs and increased well closing liability costs. Well service costs increased approximately $0.29 per thousand cubic feet and are primarily attributable to higher material expenses, higher contract labor expenses and additional work on existing wells in the 2008 period in order to slow down expected rates of decline. Power costs increased $0.09 per thousand cubic feet. The increase is related to additional compressors being placed in service along the existing gathering systems in order to flow gas more efficiently. Well closing costs increased $0.05 per thousand cubic feet related to adjustments in the 2007 period related to well lives which resulted in a reduction to expense. The adjustment to well plugging liabilities in the 2008 period did not result in a significant adjustment. Produced gas cost of goods sold and other charges also increased $0.07 due to various other items which occurred throughout both periods, none of which were individually material.

Table of Contents

Industrial supplies cost of goods sold increased $11 million primarily due to additional volumes of merchandise sold to third-party customers and higher costs of items sold.

Closed and idle mine cost of goods sold decreased approximately $4 million in the 2008 period compared to the 2007 period. The decrease was primarily due to Shoemaker Mine, which was idled throughout the 2007 period, incurring approximately $7 million of cost of goods sold expenses to maintain the mine during the idled period. Shoemaker Mine was in production during the 2008 period and therefore did not incur any idle mine cost in the period. This reduction of idle mine cost was offset, in part, by a $2 million increase in mine closing, perpetual care water treatment and reclamation liabilities for closed and idled locations. These increased costs primarily related to adjustments to estimated payments used in engineering estimates to actual payments made for remediation work. Closed and idle mine cost of goods sold were also increased by $1 million related to various transactions which occurred throughout both periods, none of which were individually material.

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Incentive compensation	$ 9	$ (4)	$ 13	325.0%
Terminal/River operations	20	13	7	53.8%
Ward superfund site	3		3	100.0%
Moving related costs	3		3	100.0%
Stock-based compensation	3	4	(1)	(25.0)%
Buchanan roof collapse		69	(69)	(100.0)%
Miscellaneous	4	5	(1)	(20.0)%
	$ 42	$ 87	$ (45)	(51.7)%

The incentive compensation program is designed to increase compensation to eligible employees when CONSOL Energy reaches predetermined earnings targets and the employees reach predetermined performance targets. Incentive compensation expense increased $13 million due to the 2007 period including adjustments to the incentive compensation estimates related to achieving a reduced portion of net income compared to annual projections. The 2008 period did not include any of these adjustments.

Terminal/River operation charges have increased $7 million in the period-to-period comparison due to increased fuel charges resulting from higher fuel prices and increased operating hours. Costs also have increased due to the acquisition of Tri-River Fleeting on October 3, 2007, as well as higher thru-put volumes in the 2008 period.

The 2008 period includes expense of $3 million related to the Ward Transformer superfund site. In the 2008 period, revised estimates of total costs related to this site were received. The revised estimates indicate an increase in costs to remediate the site. See Note 10 Commitments and Contingencies in Item 1, Consolidated Financial Statements for more details.

Moving related costs of $3 million are related to the CEI corporation office relocation to a new site. The expenses include cost of relocation of office files and supplies, as well as costs for new office furniture which did not meet CEI capitalization criteria.

Stock-based compensation expense decreased $1 million as a result of lower performance share unit expense related to the decrease in market value of CNX Gas common stock. This decrease in stock-based compensation was offset, in part, by additional awards granted after the 2007 period.

In July 2007, production at the Buchanan Mine was suspended after several roof falls in previously mined areas damaged some of the ventilation controls inside the mine, requiring a general evacuation of the mine. We drilled bore holes and injected nitrogen in order to stabilize and evaluate the mine atmosphere which resulted in approximately $69 million of cost of goods sold and other charges.

Table of Contents

Miscellaneous cost of goods sold decreased $1 million due to various miscellaneous transactions that occurred throughout both periods, none of which were individually material.

	2008 Period	2007 Period	Variance	Percentage Change
Gas Royalty Interest Sales Volumes (in billion cubic feet)	2.4	1.8	0.6	33.3%
Average Cost Per thousand cubic feet	$ 8.93	$ 4.87	$ 4.06	83.4%

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

	2008 Period	2007 Period	Variance	Percentage Change
Purchased Sales Volumes (in billion cubic feet)	0.2	0.1	0.1	100.0%
Average Cost Per thousand cubic feet	$ 9.23	$ 4.78	$ 4.45	93.1%

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

Freight expense is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to whom CONSOL Energy contractually provides transportation. Freight expense is billed to customers and the revenue from such billing equals the transportation expense. Freight expense has increased primarily due to an increase in freight rates for export tons. There were 2.0 million tons and 2.1 million tons of CONSOL Energy coal exported in the 2008 and 2007 periods, respectively.

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Freight expense	$ 60	$ 45	$ 15	33.3%

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Wages, salaries and related benefits	$ 16	$ 14	$ 2	14.3%
Association assessments	3	1	2	200.0%
Professional, consulting and other purchased services	6	5	1	20.0%
Advertising and promotion	1	1		
Other	5	6	(1)	(16.7)%
Total Selling, General and Administrative	$ 31	$ 27	$ 4	14.8%

Wages, salaries and related benefits increased $2 million in the period-to-period comparison due to various increases in support staff throughout CONSOL Energy.

Association assessments have increased $2 million in the period-to-period comparison due to CONSOL Energy s participation in an industry organization, which has launched a program related to the promotion of coal as an energy solution. CONSOL Energy did not participate in this organization in the 2007 period.

Costs of professional, consulting and other purchased services increased $1 million due to various administrative projects throughout both periods, none of which were individually material.

Table of Contents

Advertising and promotion expenses remained consistent in the period-to-period comparison

Other selling, general and administrative costs decreased $1 million in the period-to-period comparison due to various transactions that occurred throughout both periods, none of which were individually material.

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Coal	$ 73	$ 65	$ 8	12.3%
Gas:				
Production	13	8	5	62.5%
Gathering	5	4	1	25.0%
Total Gas	18	12	6	50.0%
Other	5	5		
Total Depreciation, Depletion and Amortization	$ 96	$ 82	$ 14	17.1%

The increase in coal depreciation, depletion and amortization was primarily attributable to assets placed in service after the September 30, 2007 period. Depreciation, depletion and amortization expense also increased related to the assets purchased in the July 2007 acquisition of AMVEST.

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

Gathering depreciation, depletion and amortization is recorded on the straight-line method and increased slightly due to additional assets placed in service after the September 30, 2007 period.

Other depreciation remained consistent in the period-to-period comparison.

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Revolver	$ 2	$ 1	$ 1	100.0%
Interest on uncertain tax benefits	1		1	100.0%
Long-term secured notes	7	7		
Capitalized lease	2	2		
Other	(3)	(4)	1	(25.0)%
Total Interest Expense	$ 9	$ 6	$ 3	50.0%

Revolver interest expense is related to the amounts drawn on the credit facility, for both CONSOL Energy and CNX Gas throughout the 2008 period. There were no amounts drawn by CNX Gas on this facility in the 2007 period.

Interest on uncertain tax benefits increased $1 million due to higher balances of uncertain positions during the 2008 period.

Interest on long-term secured notes and capitalized lease interest remained consistent in the period-to-period comparison.

44

Table of Contents

Other interest increased $1 million due to various transactions that occurred throughout both periods, none of which were individually material.

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

	2008 Period	2007 Period	Dollar Variance	Percentage Change
Production taxes:				
Coal	$ 40	$ 33	$ 7	21.2%
Gas	6	3	3	100.0%
Total Production Taxes	46	36	10	27.8%
Other taxes:				
Coal	20	20		
Gas	1	1		
Other	3	3		
Total Other Taxes	24	24		
Total Taxes Other Than Income	$ 70	$ 60	$ 10	16.7%

Increased coal production taxes are primarily due to higher severance taxes and reclamation fee taxes attributable to the increase in average sales price for produced coal.

Gas production taxes increased $3 million due to higher severance taxes attributable to higher average sales prices for gas and higher gas sales volumes.

Other taxes for coal, gas and other have remained consistent in the period-to-period comparison.

Minority Interest

Minority interest represents 18.3% of CNX Gas net income which CONSOL Energy does not own.

Income Taxes

	2008 Period	2007 Period	Variance	Percentage Change
Earnings Before Income Taxes	$ 143	$ 5	$ 138	2760.0%
Tax Expense	$ 41	$ 5	$ 36	720.0%
Effective Income Tax Rate	28.6%	92.2%	(63.6)%	

CONSOL Energy s effective tax rate is sensitive to changes in the relationship between pre-tax earnings and percentage depletion. The proportion of coal pre-tax earnings and gas pre-tax earnings also impacts the benefit of percentage depletion on the effective tax rate. See Note 5 Income Taxes in Item 1, Consolidated Financial Statements of this Form 10-Q.

Table of Contents

Results of Operations

Nine Months Ended September 30, 2008 Compared with Nine Months Ended September 30, 2007

Net Income

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

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Coal Sales Produced and Purchased	$ 2,316	$ 2,026	$ 290	14.3%
Produced Gas Sales	497	311	186	59.8%
Gas Royalty Interest	62	37	25	67.6%
Gain on Sales of Assets	17	110	(93)	(84.5)%
Other Sales and Other Income	518	360	158	43.9%
Total Revenue and Other Income	3,410	2,844	566	19.9%
Coal Cost of Goods Sold Produced and Purchased	1,624	1,301	323	24.8%
Produced Gas Cost of Goods Sold	131	93	38	40.9%
Gas Royalty Interest costs of Goods Sold	59	32	27	84.4%
Other Cost of Goods Sold	371	355	16	4.5%
Total Cost of Goods Sold	2,185	1,781	404	22.7%
Other	788	655	133	20.3%
Total Costs	2,973	2,436	537	22.0%
Earnings Before Income Taxes and Minority Interest	437	408	29	7.1%
Income Tax Expense	138	127	11	8.7%
Earnings Before Minority Interest	299	281	18	6.4%
Minority Interest	33	20	13	65.0%
Net Income	$ 266	$ 261	$ 5	1.9%

CONSOL Energy had net income of $266 million for the nine months ended September 30, 2008 compared to $261 million in the nine months ended September 30, 2007. Net income for the year-to-date 2008 period increased in comparison to the year-to-date 2007 period due to:

- the 2007 period including a total of approximately $72 million of pre-tax expenses related to the Buchanan Mine incident that occurred in July 2007 which idled the mine through March 2008; the 2008 period includes approximately $21 million of pre-tax expenses related to this incident;

- higher average prices received for both coal and gas; and

- higher volumes of gas produced.

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

- an asset exchange and an asset sale in the year-to-date 2007 period that resulted in pretax income of approximately $100 million and net income of approximately $59 million;

- increased unit cost of goods sold and other charges for both coal and gas;

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

46

Table of Contents

Revenue

Revenue and other income increased due to the following items:

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Sales:				
Produced Coal	$ 2,234	$ 1,996	$ 238	11.9%
Purchased Coal	82	30	52	173.3%
Produced Gas	497	311	186	59.8%
Industrial Supplies	146	104	42	40.4%
Other	91	63	28	44.4%
Total Sales Outside	3,050	2,504	546	21.8%
Gas Royalty Interest	62	37	25	67.6%
Purchased Gas	7	3	4	133.3%
Freight Revenue	169	132	37	28.0%
Other Income	122	168	(46)	(27.4)%
Total Revenue and Other Income	$ 3,410	$ 2,844	$ 566	19.9%

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

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Produced Tons Sold (in millions)	47.5	49.0	(1.5)	(3.1)%
Average Sales Price Per Ton	$ 47.01	$ 40.74	$ 6.27	15.4%

Concerns regarding the adequacy of global supplies of coal have strengthened both the international and domestic coal prices and have increased the opportunity for U.S. producers to increase exports of coal. During the nine months ended September 30, 2008, CONSOL Energy has seen a rise in both its Central Appalachian and Northern Appalachian coal prices. Eastern domestic utilities coal inventories are lower than expected and increased sales opportunities overseas have driven up the average sales prices for coal. Sales of company-produced coal decreased in the period-to-period comparison due to lower production volumes. Lower production volumes were due to lower production at several Northern Appalachian underground mines, as well as lower production at the Buchanan Mine as a result of an adjusted mine plan and start up issues related to the July 2007 incident. These decreases in production were offset, in part, by production from the Central Appalachian AMVEST mines acquired on July 31, 2007.

Purchased coal sales consist of revenues from processing third-party coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased from third-parties and sold directly to our customers and revenues from processing third-party coal in our preparation plants. The increase of $52 million in company-purchased coal sales revenue was primarily due to an increase in volumes of purchased coal sold in the year-to-date period-to-period comparison.

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

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Produced Gas Sales Volumes (in billion cubic feet)	53.6	43.0	10.6	24.7%
Average Sales Price Per thousand cubic feet	$ 9.26	$ 7.23	$ 2.03	28.1%

Table of Contents

The increase in average sales price is the result of CNX Gas, a 81.7% subsidiary, realizing general market price increases in the year-to-date period-to-period comparison. CNX Gas periodically enters into various gas swap transactions that qualify as financial cash flow hedges. These gas swap transactions exist parallel to the underlying physical transactions. These financial hedges represented approximately 30.6 Bcf of our produced gas sales volumes for the nine months ended September 30, 2008 at an average price of $9.17 per Mcf. In the prior year, these financial hedges represented approximately 12.7 Bcf at an average price of $7.95 per Mcf. Sales volumes increased as a result of additional wells coming online from our on-going drilling program.

The $42 million increase in revenues from the sale of industrial supplies was primarily due to the July 2007 acquisition of Piping & Equipment, Inc. in addition to increased sales volumes and higher sales prices.

The $28 million increase in other sales was attributable to increased revenues from barge towing and terminal services. The increase was primarily related to revenue generated from the barge towing operations having higher average rates for services rendered compared to the prior year-to-date period. The barge towing operations have also increased thru-put tons and delivered tons in the year- to-date 2008 period. Increases in other sales revenues were also attributable to higher terminal services as a result of additional thru-put tons in the year-to-date 2008 period. The higher terminal revenues were offset, in part, due to services being suspended for approximately one month due to maintenance needed on a pier in Baltimore.

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Gas Royalty Interest Sales Volumes (in billion cubic feet)	6.1	5.4	0.7	13.0%
Average Sales Price Per thousand cubic feet	$ 10.07	$ 6.77	$ 3.30	48.7%

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

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Purchased Sales Volumes (in billion cubic feet)	0.7	0.5	0.2	40.0%
Average Sales Price Per thousand cubic feet	$ 9.22	$ 6.91	$ 2.31	33.4%

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

Freight revenue is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to which CONSOL Energy contractually provides transportation services. Freight revenue is the amount billed to customers for transportation costs incurred. Freight revenue has increased in the year-to-date period comparison due primarily to freight associated with AMVEST which was acquired on July 31, 2007. Freight revenue has also increased due to higher freight rates being charged for exported tons. There were 6.1 million tons and 6.5 million tons of coal exported by CONSOL Energy in the year-to-date 2008 and 2007 periods, respectively.

Table of Contents

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

	2008 Year to Date Period	**2007 Year to Date Period**	**Dollar Variance**	**Percentage Change**
Gain on sale of assets	$ 17	$ 110	$ (93)	(84.5)%
Unrealized losses on options	(14)		(14)	(100.0)%
Interest income	2	12	(10)	(83.3)%
Litigation settlement	1	5	(4)	(80.0)%
Royalty income	15	10	5	50.0%
Proceeds from relinquishment of mining rights	6		6	100.0%
Contract towing	8	2	6	300.0%
Business interruption proceeds	50		50	100.0%
Other miscellaneous	37	29	8	27.6%
Total other income	$ 122	$ 168	$ (46)	(27.4)%

Gain on sale of assets decreased $93 million in the year-to-date period-to-period comparison primarily due to two transactions that occurred in 2007. In June 2007, CONSOL Energy, through our 81.7% owned subsidiary CNX Gas, exchanged certain coal assets in Northern Appalachia to Peabody Energy for coalbed methane and gas rights, which resulted in a pretax gain of $50 million. Also, in June 2007, CONSOL Energy, through a subsidiary, sold the rights to certain western Kentucky coal in the Illinois Basin to Alliance Resource Partners, L.P. for $53 million. This transaction also resulted in a pretax gain of approximately $50 million. The year-to-date 2008 period reflects a sale of an idled facility which included the transfer of the mine closing liabilities to the buyer. This transaction resulted in a pretax gain of approximately $8 million. There was also a $1 million decrease in the year-to-date period-to-period comparison due to various transactions that occurred throughout both periods, none of which were individually material.

Mark-to-market adjustments for three free-standing coal sales options resulted in approximately $14 million of unrealized losses. The unrealized loss will reverse as coal is purchased under these options or as the options expire.

Interest income decreased $10 million in the period-to-period comparison due to lower cash balances throughout the 2008 year-to-date period compared to the 2007 year-to-date period. Lower cash balances were primarily the result of the purchase price paid for the July 31, 2007 acquisition of AMVEST, the June 2007 purchase of certain coalbed methane and gas rights from Peabody Energy and the July 2007 Buchanan Mine incident.

A litigation settlement with a coal customer in the 2007 year-to-date period resulted in $5 million of income. A litigation settlement with a royalty holder resulted in $1 million of income in the 2008 year-to-date period.

Royalty income increased $5 million in the year-to-date period-to-period comparison due to production of CONSOL Energy coal by a third-party commencing in August 2007.

In the nine months ended September 30, 2008, approximately $6 million was received from a third party in order for CONSOL Energy to relinquish the mining of certain in-place coal reserves.

The $6 million increase in contract towing services represents river towing services for third-parties which CONSOL Energy now provides. These services were minimal in the nine-months ended September 30, 2007.

In March 2008, CONSOL Energy received notice from its insurance carriers that $50 million would be paid as final settlement of the insurance claim related to the July 2007 Buchanan Mine incident, which idled the mine from July 2007 to mid-March 2008. The $50 million represents business interruption coverage which was

Table of Contents

recognized in other income; the coal segment recognized $42 million and the gas segment recognized $8 million. The final settlement brought the total amount recovered from insurance carriers to $75 million, the maximum allowed per covered event. No additional amounts related to the Buchanan roof caving event will be recovered. All proceeds from this insurance claim have been received.

Other miscellaneous income increased $8 million in the year-to-date period-to-period comparison due to various miscellaneous transactions that occurred throughout both periods, none of which were individually material.

Costs

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

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Cost of Goods Sold and Other Charges				
Produced Coal	$ 1,536	$ 1,261	$ 275	21.8%
Purchased Coal	88	40	48	120.0%
Produced Gas	131	93	38	40.9%
Industrial Supplies	145	100	45	45.0%
Closed and Idle Mines	59	79	(20)	(25.3)%
Other	159	173	(14)	(8.1)%
Total Sales Outside	2,118	1,746	372	21.3%
Gas Royalty Interest	59	32	27	84.4%
Purchased Gas	7	3	4	133.3%
Total Cost of Goods Sold	$ 2,184	$ 1,781	$ 403	22.6%

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

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Produced Tons Sold (in millions)	47.5	49.0	(1.5)	(3.1)%
Average Cost of Goods Sold and Other Charges Per Ton	$ 32.33	$ 25.74	$ 6.59	25.6%

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

Supply and maintenance costs have increased $2.95 per ton sold. Higher supply and maintenance costs were primarily due to higher cost items used in the mining process, higher gas well plugging costs, higher roof control costs, higher fuel and explosive costs, and higher equipment maintenance costs. The increase in supply and maintenance costs also reflects the change in the mix of sales tons in the 2008 period compared to the 2007 period. The decrease in production tons from the Northern Appalachian underground mines, was offset, in part, by higher production from the Central Appalachian mines, primarily due to the July 31, 2007 acquisition of AMVEST.

The installation of higher grade seals and a higher number of seals being built in the year-to-date 2008 period contributed to the increase in supply cost. The Mine Health and Safety Administration now requires older workings in many of CONSOL Energy mines to be sealed more quickly following the conclusion of mining than was historically the case. At several locations, the installed seals are also required to be stronger. The increase in strength of seals was required to better protect the active sections of the underground mines from explosions, fires, or

50

Table of Contents

other situations that may occur inside the sealed areas. The installation of higher strength seals and a higher number of seals being completed in the quarter contributed to the increase in supply costs.

Higher roof control costs are attributable to higher usage of products used in the mining process due to mining conditions and additional development work. Development work by continuous mining machines requires more roof support products than are used in the area of the mine where extraction is done using a longwall mining system. Roof control costs have also increased due to higher usage of pumpable cribs which are more expensive per unit than the standard wooden crib support. The pumpable crib is a canvas cylinder hung from the roof and extending to the floor into which concrete is pumped. Because the pumpable crib allows concrete to be pumped to the roof level, it eliminates the need to use wood shims to tighten the concrete to the roof. The pumpable crib is quicker to install, enhances safety due to customized fit and minimizes the use of combustible products at underground locations. Also, roof control costs have increased in the year-to-date 2008 period compared to the year-to-date 2007 period due to approximately 8% inflation related to roof control products.

Gas well plugging costs are expenses related to plugging abandoned gas wells which CONSOL Energy does not own that are in front of the underground mining process. These wells have to be plugged in accordance with current safety regulations in order to mine through. CONSOL Energy has plugged more wells in the 2008 period than in the 2007 period, which has contributed to increased supply costs.

Higher fuel and explosive costs are due to the general increase of these commodities in the period-to-period comparison. The AMVEST surface locations were acquired on July 31, 2007. These surface locations are a large consumer of these products.

Higher equipment maintenance costs are also attributable to the AMVEST July 31, 2007 acquisition.

Labor costs have increased $1.18 per ton sold due to the effects of wage increases at the union and non-union mines from labor contracts which began in 2007. These contracts call for specified hourly wage increases in each year of the contract. Labor also increased due to a higher number of employees in the 2008 period compared to the 2007 period somewhat due to the utilization of new work schedules requiring more manpower and operations trainees.

Other post employment benefit costs have increased $0.48 per ton sold primarily due to a change in the discount rate used to calculate the net periodic benefit costs. The weighted average discount rate for the 2008 period was 6.63% and was 6.00% in the 2007 period.

Combined Fund costs have increased $0.47 per ton sold due to the 2007 settlement with the Fund. In March 2007, CONSOL Energy entered into a settlement agreement with the Combined Fund that resolved all previous issues relating to the calculation of the payments. The total income, including interest, as a result of this settlement was approximately $33.4 million, of which approximately $28.1 million impacted cost of goods sold and other charges for produced coal.

Health & Retirement costs have increased $0.40 per ton sold due to additional contributions required to be made into employee benefit funds in 2008 compared to 2007 as a result of the five-year labor agreement with the United Mine Workers of America (UMWA) that commenced January 1, 2007. The contribution increase over 2007 was $1.27 per UMWA hour worked.

In-transit costs have increased $0.29 per ton sold. In-transit costs are costs to move coal from the point of extraction to the preparation plant in order to be processed for sale. These costs have increased due primarily to increased trucking expenses related to higher fuel costs as well as several locations in the current period operating in areas further away from the preparation plants.

Various other costs have increased $0.82 per ton sold due to various items that have occurred throughout both periods, none of which individually increased or decreased costs per ton sold.

Table of Contents

Purchased coal cost of goods sold consists of costs from processing purchased coal in our preparation plants for blending purposes to meet customer coal specifications, coal purchased and sold directly to customers and costs for processing third-party coal in our preparation plants. The increase of $48 million in purchased coal cost of goods sold and other charges in the year-to-date 2008 period was primarily due to higher volumes purchased.

Gas cost of goods sold and other charges increased due primarily to a 24.7% increase in volumes of produced gas sold and a 12.4% increase in unit costs of goods sold and other charges.

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Produced Gas Sales Volumes (in billion cubic feet)	53.6	43.0	10.6	24.7%
Average Cost Per thousand cubic feet	$ 2.44	$ 2.17	$ 0.27	12.4%

The increase in average cost per thousand cubic feet of gas sold per unit was primarily attributable to $0.16 per thousand cubic feet of higher service and maintenance costs, $0.06 per thousand cubic feet of higher gas well plugging costs and $0.08 per thousand cubic feet of higher various other costs, offset, in part, by $0.03 per thousand cubic feet of lower gathering and transportation costs. Higher service and maintenance costs per unit were related to additional work on existing wells in the year-to-date 2008 period in order to slow down expected rates of decline. These costs also include higher compression unit costs related to additional compressors being placed into service along the existing gathering systems in order to flow gas more efficiently. Higher well plugging liabilities in the year-to-date 2008 period were related to a 2007 adjustment related to well life which resulted in a reduction of expense. The 2008 period adjustment related to well plugging liabilities did not result in a significant adjustment. Higher fuel costs are a result of the market increase in prices. Other costs also increased due to various transactions that occurred throughout both periods, none of which were individually significant. These increased unit costs were offset, in part, by lower gathering and transportation unit costs in the year-to-date period-to-period comparison. Lower gathering and transportation unit costs were due primarily to additional gas volumes produced.

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

Closed and idle mine cost of goods sold decreased approximately $20 million in the year-to-date 2008 period compared to the year-to-date 2007 period. The decrease was primarily due to updated engineering surveys related to mine closing, perpetual care water treatment and reclamation liabilities for closed and idled locations resulting in $13 million of expense in the year-to-date 2008 period compared to $27 million of expense in the year-to-date 2007 period. The prior period survey adjustments related primarily to perpetual water treatment changes in estimates of water flows and increased hydrated lime costs. The decrease was also related to $8 million of lower cost of goods sold and other charges at Shoemaker Mine. Shoemaker resumed longwall production in May 2008, but was idled throughout the year-to-date 2007 period. These reductions to closed and idle mine cost of goods sold and other charges, were offset, in part by a $2 million increase in various other charges which occurred throughout both periods, none of which were individually significant.

52

Table of Contents

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

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Buchanan roof collapse	$ 16	$ 68	$ (52)	(76.5)%
Bank fees	4	7	(3)	(42.9)%
Stock-based compensation	19	20	(1)	(5.0)%
Ward superfund site	6	(1)	7	(700.0)%
Sales contract buy-outs	19		19	100.0%
Terminal/River operations	62	40	22	55.0%
Incentive compensation	25	25		
Miscellaneous	8	14	(6)	(42.9)%
	$ 159	$ 173	$ (14)	(8.1)%

In July 2007, production at the Buchanan Mine was suspended after several roof falls in previously mined areas damaged some of the ventilation controls inside the mine, requiring a general evacuation of the mine. In 2008, we have incurred approximately $16 million of cost of goods sold and other charges related to the Buchanan Mine event compared to $68 million in the prior year-to-date period. The mine resumed longwall production on March 17, 2008.

Bank fees have decreased $3 million in the year-to-date 2008 period primarily related to the changes made in the credit facility in the year-to-date 2007 period. Accelerated expenses of $2 million were recognized in the year-to-date 2007 period related to changes in the banks that support the credit facility. An additional $1 million of bank fees have been incurred in the year-to-date 2008 period related to the utilization of the credit facility in the year-to-date 2008 period.

Stock-based compensation expense decreased $1 million primarily as a result of a $4 million reduction in the performance share unit expense related to the decreased market value of CNX Gas common stock. The reduction was offset by $3 million increase in expenses related to additional awards granted to CONSOL Energy and CNX Gas employees in the year-to-date 2008 period.

The year-to-date 2008 period includes expense of $6 million related to the Ward Transformer superfund site. In the year-to-date 2008 period, revised estimates of total costs related to this site were received. The revised estimates indicate an increase in costs to remediate the site. See Note 10 Commitments and Contingencies of Item 1, of the Consolidated Financial Statements for more details.

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

Terminal/River operation charges have increased $22 million in the period-to-period comparison due to increased fuel charges resulting from higher fuel prices and increased operating hours. Costs also have increased due to the acquisition of Tri-River Fleeting on October 3, 2007, as well as higher thru-put volumes in the year-to-date 2008 period.

The incentive compensation program is designed to increase compensation to eligible employees when CONSOL Energy reaches predetermined earnings targets and the employees reach predetermined performance targets. Incentive compensation expense remained consistent in the period-to-period comparison.

Table of Contents

Miscellaneous cost of goods sold and other charges decreased $6 million due to various transactions which occurred throughout both periods, none of which were individually material.

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Gas Royalty Interest Sales Volumes (in billion cubic feet)	6.1	5.4	0.7	13.0%
Average Cost Per thousand cubic feet	$ 9.61	$ 5.82	$ 3.79	65.1%

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

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Purchased Sales Volumes (in billion cubic feet)	0.8	0.5	0.3	60.0%
Average Cost Per thousand cubic feet	$ 8.69	$ 6.10	$ 2.59	42.5%

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

Freight expense is based on weight of coal shipped, negotiated freight rates and method of transportation (i.e., rail, barge, truck, etc.) used for the customers to whom CONSOL Energy contractually provides transportation. Freight expense is billed to customers and the revenue from such billing equals the transportation expense. Freight expense has increased in the year-to-date period comparison due primarily to freight associated with AMVEST which was acquired on July 31, 2007. Freight expense has also increased due to higher freight rates being charged for exported tons. There were 6.1 million tons and 6.5 million tons of coal exported by CONSOL Energy in the year-to-date 2008 and 2007 period, respectively.

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Freight expense	$ 169	$ 132	$ 37	28.0%

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

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Wages, salaries and related benefits	$ 46	$ 38	$ 8	21.1%
Association assessments	7	2	5	250.0%
Advertising and promotion	4	3	1	33.3%
Professional, consulting and other purchased services	21	21		
Other	15	15		

Total Selling, General and Administrative	$ 93	$ 79	$ 14	17.7%

Wages, salaries and related benefits increased $8 million in the year-to-date period-to-period comparison due to additional staffing at our CNX Gas subsidiary, additional administrative staffing acquired in the July 2007 Piping & Equipment acquisition and various other increases in support staff throughout CONSOL Energy.

54

Table of Contents

Association assessments have increased $5 million in the year-to-date period-to-period comparison due to CONSOL Energy s participation in an industry organization which has launched a program related to the promotion of coal as an energy solution. CONSOL Energy did not participate in this organization in the year-to-date 2007 period.

Advertising and promotion expenses increased slightly in the year-to-date period-to-period comparison due to various additional promotions entered into throughout the current period.

Costs of professional, consulting and other purchased services remained consistent in the period-to-period comparison.

Other selling, general and administrative costs remained consistent in the period-to-period comparison.

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

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Coal	$ 219	$ 185	$ 34	18.4%
Gas:				
Production	35	22	13	59.1%
Gathering	14	13	1	7.7%
Total Gas	49	35	14	40.0%
Other	16	15	1	6.7%
Total Depreciation, Depletion and Amortization	$ 284	$ 235	$ 49	20.9%

The increase in coal depreciation, depletion and amortization was primarily attributable to additional expense related to the assets purchased in the July 2007 acquisition of AMVEST. The increase was also attributable to assets placed in service after September 30, 2007.

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

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

Other depreciation increased $1 million due to various items placed in service after September 30, 2007, none of which were individually material.

Interest expense increased in the year-to-date 2008 period compared to the year-to-date 2007 period due to the following items:

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Revolver	$ 8	$ 1	$ 7	700.0%
Interest on uncertain tax benefits	3	2	1	50.0%
Capitalized lease	5	5		

Long-term secured notes	20	22	(2)	(9.1)%
Other	(8)	(11)	3	(27.3)%
Total Interest Expense	$ 28	$ 19	$ 9	47.4%

55

Table of Contents

Revolver interest expense is related to the amounts drawn by CONSOL Energy and CNX Gas on the credit facility throughout the year-to- date 2008 period. There were no amounts drawn on this facility by CONSOL Energy until August in the year-to-date 2007 period. CNX Gas had no amounts drawn throughout all of the year-to-date 2007 period.

Interest on uncertain tax benefits increased $1 million due primarily to a higher balance of uncertain tax positions in the current period.

Capitalized lease interest expense remained consistent in the year-to-date period-to-period comparison.

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

Other interest increased $3 million due primarily to lower amounts of interest capitalized in the year-to-date 2008 period compared to the year-to-date 2007 period. Capitalized interest was lower in 2008 because capital expenditures which qualify for interest capitalization were lower. These lower expenditures were primarily related to the Robinson Run overland belt which was placed in service in September 30, 2007.

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

	2008 Year to Date Period	2007 Year to Date Period	Dollar Variance	Percentage Change
Production taxes:				
Coal	$ 123	$ 112	$ 11	9.8%
Gas	15	9	6	66.7%
Total Production Taxes	138	121	17	14.0%
Other taxes:				
Coal	63	58	5	8.6%
Gas	5	3	2	66.7%
Other	9	9		
Total Other Taxes	77	70	7	10.0%
Total Taxes Other Than Income	$ 215	$ 191	$ 24	12.6%

Increased coal production taxes are primarily due to higher severance taxes and reclamation fee taxes attributable to the increase in average sales price for produced coal. These improvements were offset, in part, by lower coal production volumes in the year-to-date period-to-period comparison.

Gas production taxes increased $6 million due to higher severance taxes attributable to higher average sales prices for gas and higher gas sales volumes.

The $5 million increase in other coal taxes is primarily due to higher payroll related taxes, higher property taxes and lower Virginia employment enhancement tax credits. Higher payroll related taxes were the result of additional employees in the year-to-date 2008 period and higher wages paid as discussed in the cost of goods sold and other cost section. Higher property taxes were related to additional properties acquired in the July 31, 2007 acquisition of AMVEST, as previously disclosed. Lower Virginia employment enhancement tax credit is due primarily to the decrease in Virginia production in the year-to-date period-to-period comparison.

Other gas taxes have increased $2 million primarily related to various miscellaneous transactions that occurred throughout both periods, none of which were individually significant.

Table of Contents

Other taxes have remained consistent in the year-to-date period-to-period comparison.

Income Taxes

	2008 Year to Date Period	2007 Year to Date Period	Variance	Percentage Change
Earnings Before Income Taxes	$ 438	$ 408	$ 30	7.4%
Tax Expense	$ 138	$ 127	$ 11	8.7%
Effective Income Tax Rate	31.6%	31.2%	0.4%	

CONSOL Energy s effective tax rate is sensitive to changes in the relationship between pre-tax earnings and percentage depletion. The proportion of coal pre-tax earnings and gas pre-tax earnings also impacts the benefit of percentage depletion on the effective tax rate. See Note 5 Income Taxes in Item 1, Consolidated Financial Statements of this Form 10-Q.

Minority Interest

Minority interest represents 18.3% of CNX Gas net income which CONSOL Energy does not own.

Liquidity and Capital Resources

CONSOL Energy generally has satisfied our working capital requirements and funded our capital expenditures and debt service obligations with cash generated from operations and proceeds from borrowings. We utilize a $1 billion senior secured credit facility which expires in 2012. The facility is secured by substantially all of the assets of CONSOL Energy and certain of its subsidiaries and collateral is shared equally and ratably with the holders of CONSOL Energy Inc. 7.875% bonds maturing in 2012. The agreement provides for the release of collateral at the request of CONSOL Energy upon the achievement of certain credit ratings. Fees and interest rate spreads are based on a ratio of financial covenant debt to twelve-month trailing earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), measured quarterly. The facility includes a minimum interest coverage ratio covenant of no less than 4.50 to 1.00, measured quarterly. The interest coverage ratio was 10.74 to 1.00 at September 30, 2008. The facility also includes a maximum leverage ratio covenant of not more than 3.25 to 1.00, measured quarterly. The leverage ratio was 1.63 to 1.00 at September 30, 2008. Affirmative and negative covenants in the facility limit our ability to dispose of assets, make investments, purchase or redeem CONSOL Energy common stock, pay dividends and merge with another corporation. At September 30, 2008, the facility had approximately $212 million drawn and $258 million of letters of credit outstanding, leaving $530 million of unused capacity. From time to time, CONSOL Energy is required to post financial assurances to satisfy contractual and other requirements generated in the normal course of business. Some of these assurances are posted to comply with federal, state or other government agencies statutes and regulations. We sometimes use letters of credit to satisfy these requirements and these letters of credit reduce our borrowing facility capacity.

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

CONSOL Energy and certain of our U.S. subsidiaries also participate in a receivables securitization facility for the sale on a continuous basis of eligible trade accounts receivable that will provide, on a revolving basis, up to $165 million of short-term funding. CONSOL Energy formed CNX Funding Corporation, a wholly owned,

Table of Contents

special purpose, bankruptcy-remote subsidiary, for the sole purpose of buying and selling eligible trade receivables generated by certain subsidiaries of CONSOL Energy. Under the receivables facility, CONSOL Energy and certain subsidiaries, irrevocably and without recourse, sell all of their eligible trade accounts receivable to CNX Funding Corporation. CNX Funding Corporation then sells, on a revolving basis, an undivided percentage interest in the pool of eligible trade accounts receivable to financial institutions and their affiliates, while maintaining a subordinated interest in a portion of the trade receivables. CONSOL Energy has agreed to continue servicing the sold receivables for the financial institutions for a fee based upon market rates for similar services. The cost of funds is consistent with commercial paper rates plus a charge for administrative services paid to the financial institution. At September 30, 2008, eligible accounts receivable totaled approximately $165 million. There was no subordinated retained interest at September 30, 2008. Accounts receivable totaling $165 million were removed from the consolidated balance sheet at September 30, 2008. There were no letters of credit outstanding against the facility at September 30, 2008.

In October 2005, CNX Gas, an 81.7% controlled and consolidated subsidiary of CONSOL Energy, entered into a five-year credit agreement with a group of commercial lenders. The credit agreement provides for a revolving credit facility providing an initial aggregate outstanding principal amount of up to $200 million, including borrowings and letters of credit. CNX Gas also has the ability to request an increase in aggregate outstanding principal amount to $300 million, including borrowings and letters of credit. The agreement contains a negative pledge provision, whereas CNX Gas assets cannot be used to secure other obligations. Fees and interest rate spreads are based on the percentage of facility utilization, measured quarterly. Covenants in the facility limit CNX Gas ability to dispose of assets, make investments, purchase or redeem CNX Gas stock, pay dividends and merge with another corporation. This facility includes a leverage ratio covenant of not more than 3.00 to 1.00, measured quarterly. This ratio was 0.32 to 1.00 at September 30, 2008. The facility also includes an interest coverage ratio covenant of no less than 3.00 to 1.00, measured quarterly. This ratio was 76.43 to 1.00 at September 30, 2008. At September 30, 2008, this facility had approximately $15 million of letters of credit issued and had $58 million of outstanding borrowings, leaving approximately $127 million of unused capacity. As a result of entering into the credit agreement, CNX Gas and their subsidiaries executed a Supplemental Indenture and as of October 21, 2005, and are also guarantors of CONSOL Energy s 7.875% bonds.

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

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

In order to manage the market risk exposure of volatile natural gas prices in the future, CONSOL Energy enters into various physical gas supply transactions with both gas marketers and end users for terms varying in length. CONSOL Energy has also entered into various gas swap transactions that qualify as financial cash flow hedge, which exist parallel to the underlying physical transactions. The fair value of these contracts was an asset of $106,994 at September 30, 2008. The ineffective portion of these contracts was insignificant to earnings in the

58

Table of Contents

nine months ended September 30, 2008. Hedge counterparties consists of commercial banks who participate in the revolving credit facility. These counterparties have maintained good credit profiles and no issues related to our hedge agreements have been encountered to date.

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

Cash Flows (in millions)

	Year to Date 2008	Year to Date 2007	Change
Cash flows from operating activities	$ 683	$ 596	$ 87
Cash used in investing activities	$ (722)	$ (771)	$ 49
Cash provided by financing activities	$ 7	$ 30	$ (23)

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

Operating cash flow increased in the 2008 period due to higher net income in the period-to-period comparison, lower contribution to the pension fund in the 2008 period, as well as various other changes in operating assets, operating liabilities, other assets and other liabilities which occurred throughout both periods.

Operating cash flow in the 2008 period included a $75 million cash receipt from insurance carriers related to the Buchanan incident, as previously disclosed.

Operating cash flows were lower in the 2008 period due to $74 million of reduced proceeds from the accounts receivable securitization program.

Operating cash flows were lower by approximately $23 million due to coal inventories. Coal inventories decreased 122 tons in the 2008 period. Coal inventories remained consistent in the 2007 period.

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

Total capital expenditures decreased $82 million to $740 million in the 2008 period compared to $822 million in the 2007 period. The decrease was attributable to $297 million of cash proceeds paid in the 2007 period for the acquisition of AMVEST. The decrease was offset, in part, by the $36 million cash proceeds paid for the acquisition of the 50% interest in Coalfield Pipeline and Knox Energy, LLC, which CNX Gas did not previously own. Increases in capital expenditures were also related to the expanded gas drilling program, as well as additional increases in capital spending throughout other segments.

The 2007 period included $10 million in cash proceeds paid to acquire CNX Gas common stock on the open market.

Proceeds from the sale of assets were $19 million in the 2008 period compared to $64 million in the 2007 period. Proceeds in the 2008 period were primarily related to the sale of the Mill Creek Mine. Proceeds in the 2007 period were primarily due to the $53 million of proceeds from the sale of certain western Kentucky coal reserves to Alliance Resource Partners, L.P.

Table of Contents

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

In the 2008 period, CONSOL Energy paid approximately $35 million of outstanding borrowings on the revolving credit facility. In the 2007 period, CONSOL Energy received approximately $181 million of proceeds from this facility. In the 2008 period, CONSOL Energy s 81.7% owned subsidiary, CNX Gas, received proceeds of $58 million from its revolving credit facility. There was no activity under the CNX Gas revolving credit facility in the 2007 period.

In the 2008 period, CONSOL Energy paid approximately $55 million of dividends compared to approximately $38 million in the 2007 period.

In the 2008 period, $23 million of cash was retained, compared to $6 million in the 2007 period, as a result of the tax deductibility of increases in the value of equity instruments issued under share-based payment arrangements that are not included in cost of goods sold on the financial statements.

$15 million of stock was issued in the 2008 period compared to $7 million issued in the 2007 period. Stock issuances in both periods were a result of stock option exercises and vesting of restricted stock units.

The following is a summary of our significant contractual obligations at September 30, 2008 (in thousands):

Payments due by Year

	Less Than 1 Year	1 3 Years	3-5 Years	More Than 5 Years	Total
Short-Term Notes Payable	$ 270,500	$	$	$	$ 270,500
Purchase Order Firm Commitments	9,786				9,786
Gas Firm Transportation Obligation	18,030	34,975	30,318	235,037	318,360
Long-Term Debt	10,296	57,927	331,205	22,500	421,928
Capital Lease Obligations	16,792	27,958	14,761	59,599	119,110
Operating Lease Obligations	45,403	72,391	40,893	135,661	294,348
Other Long-Term Liabilities (a)	355,436	606,806	507,138	2,193,521	3,662,901
Total Contractual Obligations (b)	$ 726,243	$ 800,057	$ 924,315	$ 2,646,318	$ 5,096,933

(a) Long-term liabilities include other post-employment benefits, work-related injuries and illnesses, defined benefit pension plans, mine reclamation and closure and other long-term liability costs.

(b) The significant obligation table does not include obligations to taxing authorities due to the uncertainty surrounding the ultimate settlement of amounts and timing of these obligations.

Debt

At September 30, 2008, CONSOL Energy had total long-term debt of $503 million outstanding, including the current portion of long-term debt of $21 million. This long-term debt consisted of:

An aggregate principal amount of $249 million of 7.875% notes ($250 million of 7.875% notes due in 2012, net of $1 million unamortized debt discount). The notes were issued at 99.174% of the principal amount. Interest on the notes is payable March 1 and September 1 of each year. Payment of the principal and premium, if any, and interest on the notes are guaranteed by most of

CONSOL Energy s subsidiaries. The notes are senior secured obligations and rank equally with all other secured indebtedness of the guarantors;

An aggregate principal amount of $103 million of two series of industrial revenue bonds which were issued to finance the Baltimore port facility and bear interest at 6.50% per annum and mature in 2010 and 2011;

$38 million in advance royalty commitments with an average interest rate of 6.66% per annum;

60

Table of Contents

An aggregate principal amount of $21 million on various notes with a weighted average interest rate of 6.11% at September 30, 2008. These notes were incurred by a variable interest entity that is fully consolidated in which CONSOL Energy holds no ownership interest;

An aggregate principal amount of $10 million on a variable rate note that bears interest at the prime rate, or 5.00% at September 30, 2008. This note was incurred by a variable interest entity that is fully consolidated in which CONSOL Energy holds a 49% ownership interest;

An aggregate principal amount of $82 million of capital leases with a weighted average interest rate of 7.16% per annum;

At September 30, 2008, CONSOL Energy also had $212 million of aggregate principal amounts of outstanding borrowings and approximately $258 million of letters of credit outstanding under the $1 billion senior secured revolving credit facility.

At September 30, 2008, CNX Gas, an 81.7% subsidiary, had $58 million of aggregate principal amounts of outstanding borrowings and approximately $15 million of letters of credit outstanding under its $200 million revolving credit facility.

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

Stockholders Equity and Dividends

CONSOL Energy had stockholders equity of $1,443 million at September 30, 2008 and $1,214 million at December 31, 2007. Stockholders equity increased primarily due to net income in the nine months ended September 30, 2008, changes in the cash flow hedges, the tax benefit from stock-based compensation and the issuance of treasury stock. These increases were offset by the declaration of dividends, the retirement of common stock purchased under the share repurchase program and changes in the actuarial long-term liability related to the cumulative effect of adopting the change in measurement date. See Consolidated Statements of Stockholders Equity.

Dividend information for the current year to date is as follows:

Declaration Date	Amount Per Share	Record Date	Payment Date
October 24, 2008	$ 0.10	November 5, 2008	November 21, 2008
August 1, 2008	$ 0.10	August 7, 2008	August 25, 2008
April 25, 2008	$ 0.10	May 6, 2008	May 27, 2008
January 30, 2008	$ 0.10	February 7, 2008	February 22, 2008

The declaration and payment of dividends by CONSOL Energy is subject to the discretion of CONSOL Energy s Board of Directors, and no assurance can be given that CONSOL Energy will pay dividends in the future. CONSOL Energy s Board of Directors determines whether dividends will be paid quarterly. The determination to pay dividends will depend upon, among other things, general business conditions, CONSOL Energy s financial results, contractual and legal restrictions regarding the payment of dividends by CONSOL Energy, planned investments by CONSOL Energy and such other factors as the Board of Directors deems relevant. Our credit facility limits our ability to pay dividends when our leverage ratio covenant is 2.50 to 1.00 or more or our availability is less than $100 million. The leverage ratio was 1.63 to 1.00 and our availability was approximately $530 million at September 30, 2008. The credit facility does not permit dividend payments in the event of default. There were no defaults in the nine months ended September 30, 2008.

Table of Contents

Off-Balance Sheet Transactions

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

Recent Accounting Pronouncements

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

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

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

Forward-Looking Statements

Various statements in this document, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934). The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. When we use the words believe, intend, expect, may, should, anticipate, could, would, will, estim project, or their negatives, or other similar expressions, the

62

Table of Contents

statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. The forward-looking statements in this document speak only as of the date of this document; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. These risks, uncertainties and contingencies include, but are not limited to, the following:

an extended decline in prices we receive for our coal and gas affecting our operating results and cash flows;

reliance on customers extending existing contracts or entering into new long-term contracts for coal;

reliance on major customers;

our inability to collect payments from customers if their creditworthiness declines;

the disruption of rail, barge and other systems that deliver our coal;

a loss of our competitive position because of the competitive nature of the coal industry and the gas industry, or a loss of our competitive position because of overcapacity in these industries impairing our profitability;

our inability to hire qualified people to meet replacement or expansion needs;

coal users switching to other fuels in order to comply with various environmental standards related to coal combustion;

the inability to produce a sufficient amount of coal to fulfill our customers requirements which could result in our customers initiating claims against us;

foreign currency fluctuations could adversely affect the competitiveness of our coal abroad;

the risks inherent in coal mining being subject to unexpected disruptions, including geological conditions, equipment failure, timing of completion of significant construction or repair of equipment, fires, accidents and weather conditions which could cause our results to deteriorate;

increases in the price of commodities used in our mining operations could impact our cost of production;

obtaining governmental permits and approvals for our operations;

the effects of proposals to regulate greenhouse gas emissions;

the effects of government regulation;

the effects of stringent federal and state employee health and safety regulations;

the effects of mine closing, reclamation and certain other liabilities;

uncertainties in estimating our economically recoverable coal and gas reserves;

we do not insure against all potential operating risks;

the outcomes of various legal proceedings, which proceedings are more fully described in our reports filed under the Securities Exchange Act of 1934;

increased exposure to employee related long-term liabilities;

our participation in multi-employer pension plans may expose us to obligations beyond the obligation to our employees;

lump-sum payments made to retiring salaried employees pursuant to our defined benefit pension plan;

our ability to comply with laws or regulations requiring that we obtain surety bonds for workers compensation and other statutory requirements;

63

Table of Contents

acquisitions that we recently have made or may make in the future including the accuracy of our assessment of the acquired businesses and their risks, achieving any anticipated synergies, integrating the acquisitions and unanticipated changes that could affect assumptions we may have made;

the anti-takeover effects of our rights plan could prevent a change of control;

risks in exploring for and producing gas;

new gas development projects and exploration for gas in areas where we have little or no proven gas reserves;

the disruption of pipeline systems which deliver our gas;

the availability of field services, equipment and personnel for drilling and producing gas;

replacing our natural gas reserves which if not replaced will cause our gas reserves and gas production to decline;

costs associated with perfecting title for gas rights in some of our properties;

location of a vast majority of our gas producing properties in three counties in southwestern Virginia, making us vulnerable to risks associated with having our gas production concentrated in one area;

other persons could have ownership rights in our advanced gas extraction techniques which could force us to cease using those techniques or pay royalties;

the coalbeds and other strata from which we produce methane gas frequently contain water and the gas often contains impurities that may hamper production;

our hedging activities may prevent us from benefiting from price increases and may expose us to other risks;

uncertainty in financial markets brings additional potential risks including declines in stock value, less availability and higher costs of additional credit streams, potential counterparty defaults and further commercial bank failures;

other factors discussed in our 2007 Form 10-K under Risk Factors on file at the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

Table of Contents

For a summary of accounting policies related to derivative instruments, see Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report Form 10-K for the year ended December 31, 2007.

Sensitivity analyses of the incremental effects on pre-tax income for the nine months ended September 30, 2008 of a hypothetical 10 percent and 25 percent change in natural gas prices for open derivative instruments as of September 30, 2008 are provided in the following table:

Incremental Decrease in Pre-tax Income Assuming a Hypothetical Price,

Exchange Rate or Interest Rate Change of:

	10%	25%
	(in millions)	
Natural Gas (a)	$ 58.1	$ 152.4

(a) CONSOL Energy remains at risk for possible changes in the market value of these derivative instruments; however, such risk should be offset by price changes in the underlying hedged item. CONSOL Energy entered into derivative instruments to convert the market prices related portions of the 2008 through 2010 anticipated sales of natural gas to fixed prices. The sensitivity analyses reflect an inverse relationship between increases in commodity prices and a benefit to earnings. The fair value of these contracts was a net gain of $66.3 million (net of $40.7 million of deferred tax) at September 30, 2008. We continually evaluate the portfolio of derivative commodity instruments and adjust the strategy to anticipated market conditions and risks accordingly.

CONSOL Energy is exposed to credit risk in the event of nonperformance by counterparties. The creditworthiness of counterparties is subject to continuing review. All of the counterparties to CONSOL Energy s natural gas derivative instruments also participate in CONSOL Energy s revolving credit facility. See Liquidity and Capital Resources section of Item 2 for further discussion of current capital markets.

CONSOL Energy s interest expense is sensitive to changes in the general level of interest rates in the United States. At September 30, 2008, CONSOL Energy had $494 million aggregate principal amount of debt outstanding under fixed-rate instruments and $280 million aggregate principal amount of debt outstanding under variable-rate instruments. CONSOL Energy s primary exposure to market risk for changes in interest rates relates to our revolving credit facility, under which there were $212 million of borrowings outstanding at September 30, 2008. CONSOL Energy s revolving credit facility bore interest at a weighted average rate of 3.69% per annum during the nine months ended September 30, 2008. Due to the level of borrowings against this facility in the nine months ended September 30, 2008, a 100 basis-point increase in the average rate for CONSOL Energy s revolving credit facility would not have significantly decreased net income for the period. CONSOL Energy s 81.7% subsidiary, CNX Gas, also had outstanding borrowings under their revolving credit facility which bears interest at a variable rate. CNX Gas facility had outstanding borrowings of $58 million at September 30, 2008 and bore interest at a weighted average rate of 3.83% per annum during the nine months ended September 30, 2008. Due to the level of borrowings against this facility in the nine months ended September 30, 2008, a 100 basis-point increase in the average rate for CNX Gas revolving credit facility would not have significantly decreased net income for the period.

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

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures. CONSOL Energy, under the supervision and with the participation of its management, including CONSOL Energy s principal executive officer and principal financial officer, evaluated the effectiveness of the Company s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this quarterly report on Form 10-Q. Based on that evaluation, CONSOL Energy s principal executive officer and principal financial officer have concluded that the Company s disclosure controls and procedures are effective as of September 30, 2008 to ensure that information required to be disclosed by CONSOL Energy in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by CONSOL Energy in such reports is accumulated and communicated to CONSOL Energy s management, including CONSOL Energy s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal controls over financial reporting. There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The first through sixteenth paragraphs of Note 10 Commitments and Contingencies in the notes to the Consolidated Financial Statements included in Item 1 of this Form 10-Q are incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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

Issuer purchases of equity securities (1):

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Share Repurchase Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (000 s omitted) (2)
As of September 9, 2008				$ 500,000
September 9 through September 30, 2008	1,188,500	39.05	1,188,500	$ 453,585
Total	1,188,500	39.05	1,188,500	$ 453,585

(1) On September 12, 2008 CONSOL Energy s Board of Directors announced a share repurchase program of up to $500 million of the company s common stock during a 24-month period beginning September 9, 2008 and ending August 31, 2010.

(2) Management cannot estimate the number of shares that will be repurchased prior to August 31, 2010 because purchases are made based on company outlook, business condition and current investment opportunity.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Index

10.1	Amendment No. 1 to Change in Control Severance Agreement, by and between CONSOL Energy Inc. and William J. Lyons, dated as of October 6, 2008.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
100	Form 10-Q for the quarterly period ended September 30, 2008 furnished in XBRL. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the financial information contained in the XBRL document is unaudited and these are not the official publicly filed financial statements of CONSOL Energy Inc. The purpose of submitting this XBRL formatted document is to test the related format and technology and, as a result, investors should continue to rely on the official filed version of the furnished document and not rely on this information in making investment decisions.

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSOL ENERGY INC.

Date: November 4, 2008

By: /s/ J. BRETT HARVEY
J. Brett Harvey,
President and Chief Executive Officer and Director
(Duly Authorized Officer and Principal Executive Officer)

By: /s/ WILLIAM J. LYONS
William J. Lyons,
Chief Financial Officer and Executive Vice President
(Duly Authorized Officer and Principal Financial and Accounting Officer)

69

Table of Contents

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