

CONSOL ENERGY INC
Form 425
February 05, 2008

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

Edgar Filing: CONSOL ENERGY INC - Form 425

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

2

Cautionary Statements and Safe Harbor Disclosure

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

Various
statements

in
this
document,
including
those
that
express
a
belief,
expectation,
or
intention,
as
well
as
those
that
are
not
statements
of
historical
fact, are forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934 and the Private Securities
1995). The forward-looking statements may include projections and estimates concerning the timing and success of specific projects
relating
to
the
timing
of
and
satisfaction
of
conditions
to
the
exchange
offer
and
merger
with
CNX
Gas
and
whether
any
of
the
anticipated
benefits
of

the transaction will be realized), our future production, revenues, income and capital spending. When we describe strategy that involves making forward-looking statements. The forward-looking statements in this document speak only as of the date of this document; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have made forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. For additional information, please refer to the "Risk Factors" section of our Registration Statement on Form S-4 to be filed with the Securities and Exchange Commission with respect to the exchange offer, which is being made under "Risk Factors," as updated by any subsequent Form 10-Qs, which are on file at the Securities and Exchange Commission.

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

INVESTORS

AND

SECURITY

HOLDERS

OF

CNX

GAS CORPORATION ARE URGED TO READ THE EXCHANGE OFFER PROSPECTUS AND THE

OTHER

RELEVANT

MATERIALS

WHEN

THEY

BECOME

AVAILABLE

BECAUSE

THEY

WILL

CONTAIN

IMPORTANT

INFORMATION

ABOUT

THE

OFFER

AND

CONSOL

Energy.

Investors

and

security

holders

may

obtain

a

free

copy

of

the

exchange

offer

prospectus

and

other

relevant

materials

(when

they

become

available)

and
other
documents
filed
by
CONSOL
Energy
with
the
commission
at
the
commission's
website,
www.sec.gov.
Copies
of
the
exchange
offer
prospectus
and
other
relevant
documents
(when
they
become
available)
may
also
be
obtained
without
charge
from
CONSOL
Energy.
Requests
to
CONSOL
Energy
should
be
made
in
writing
to
Thomas
F.

Hoffman,
Senior
Vice
President

-

External
Affairs,
CONSOL
Energy
Inc.,
1800
Washington

Road, Pittsburgh, PA 15241, or by email at tomhoffman@consolenergy.com.

3
CONSOL Energy's Advantages
Coal Reserves

Large, contiguous blocks owned-in fee

Heat content

Location

Transportation

River transportation subsidiary

Dual rail access at most mines

Coal export terminal

Gas Company

4

Largest Coal Reserve Holder East of MS. River
Northern Appalachia

Reserves ~ 2.7 billion tons

Production: 57.0 million tons
Central Appalachia

Reserves ~ 800 million tons

Production: 10.9 million tons
Illinois Basin

Reserves ~ 700 million tons
PRB

Reserves ~ 300 million tons

*

2007

production
includes

1.0
million
tons
from
Emery,
UT.

Reserves
include

31
mmt
assigned

to
UT

and
129

mmt
assigned

to
Western
Canada.

Profile of CONSOL Coal*

Reserves ~ 4.5 BNt

2007 Production: 64.6 Mt

Avg. Reserve Life: 25+ years

Operating Mine Complexes: 15

5

Reserves Owned-in-fee

Advantages of ownership:

Leverage to higher pricing

Ability

to
forecast
and
control
future
costs

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

4.5
70%
Patriot Coal
1.2
55%

Foundation Coal
1.6
45%
Peabody excl. Patriot
8.8
42%

Massey Energy
2.3
18%
Arch Coal
2.9
13%

Alpha Natural Resources
0.5
5%

Source: Company filings with the Securities and Exchange Commission

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

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

7

Close Proximity to Customers

By year-end 2012, approx. 142

gigawatts

East of MS. River

are scheduled to be scrubbed

149% increase

in market

opportunity

Nearly 60 generating units

are within 50 miles

of

CONSOL's Pitt8 coal reserves

How the numbers stack up:

8

Percentage of Gigawatts Scrubbed by Year

Since 2006, CONSOL has signed 6 multi-year, multi-million ton agreements with

domestic

customers

that

in

aggregate
~
250
million
tons
of
high-Btu
coal
62%
28%
10%
Thru 12/31/08
2009-2010
2011+

9
NAPP Pricing Has Converged with CAPP
Source: EIA

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

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

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

We Energies
(Wisconsin)
Overseas

12
100% Ownership of Export Terminal
Largest exporter of coal in the U.S.
Only E. Coast terminal served by two rail lines

Norfolk Southern

CSX Transport
Capacity

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

1.2 million tons
Coal exports

For
2007,
approx.
6.9
mm
tons

For 2008, up another ~25%
Countries served

Denmark, England, France, Germany, Ireland, Portugal

13

Up Cycle Just Beginning?

API #2 to ARA

\$-

\$20

\$40

\$60

\$80

\$100

\$120

\$140

Last up cycle for coal ~ 2 years

Current price ~ \$130 for
delivery in first half of 2009

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

110

\$

130

\$

150

\$

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

57

\$

72

\$

87

\$

*assumes vessel rate to ARA of \$35

14

Forecast: Coal Exports Up 20 million tons in 2 years

Coal Exports

69.6

57.6

49.6

0

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

Sources: EIA, PIRA, company estimates.

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

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

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

16
Ability to Capitalize on Up Cycle
33.4
4.5
53.1
5.1
62.8

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

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

expansion
by
~
25
million
tons
over
next
10
years

18
River Transportation Subsidiary
Assets
on
the
inland
waterways

of
Northern
Appalachia
750 Barges
25 Tow Boats
5 Harbor Boats
24+ Million tons per year capability
Alicia Dock

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

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

X

X

Mill Creek

2.1

X

X

Southern WV Resources

1.2

X

X

Miller Creek

0.9

X

X

Amonate (metallurgical)

0.5

X

X

Western U.S.

Emery

1.1

Railroads

Truck-to-Rail

Coal Delivery Options

20

Unique Investment Proposition

Coal Reserves

Large, contiguous blocks owned-in fee

Location

Transportation

River transportation subsidiary

Coal export terminal

Gas Company

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

Safe Harbor Disclosure

Forward-Looking Statements

Various statements in this document, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995). The forward-looking statements may include projections and estimates concerning

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

of conditions to the exchange offer and merger with CNX Gas and whether any of the anticipated benefits of the transaction will be realized), our future production, revenues, income and capital spending. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. The forward-looking statements in this document speak only as of the date of this document; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events.

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

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

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

INVESTORS
AND
SECURITY
HOLDERS
OF
CNX
GAS

CORPORATION ARE URGED TO READ THE EXCHANGE OFFER PROSPECTUS AND THE OTHER RELEVANT MATERIALS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION THE OFFER AND CONSOL

Energy.
Investors
and
security
holders
may
obtain

a
free
copy
of
the
exchange
offer
prospectus

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

Energy
should
be
made
in
writing
to
Thomas
F.
Hoffman,
Senior
Vice
President

-
External
Affairs,
CONSOL
Energy

Inc.,
1800
Washington
Road,
Pittsburgh,
PA
15241,
or
by
email
at
tomhoffman@consolenergy.com.