

CONSOL ENERGY INC  
Form DEF 14A  
March 27, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement.
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**
- Definitive Proxy Statement.
- Definitive Additional Materials.
- Soliciting Material Pursuant to §240.14a-12.

**CONSOL Energy Inc.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

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**CONSOL Energy Inc.**  
**1800 Washington Road**  
**Pittsburgh, Pennsylvania 15241-1405**  
**Telephone (412) 831-4000**  
**Annual Meeting of Shareholders**  
**to be held on April 29, 2008**

Dear Shareholder:

You are cordially invited to attend CONSOL Energy Inc.'s 2008 Annual Meeting of Shareholders on April 29, 2008, at 10 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Earhart Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231.

The enclosed Notice of Annual Meeting and the Proxy Statement describe the various matters to be acted upon during the meeting. In addition, there will be a report on the state of CONSOL Energy Inc.'s business and an opportunity for you to ask questions on subjects related to CONSOL Energy Inc.'s operations.

Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by internet (as described in the enclosed instructions, if applicable), or by completing and returning the enclosed proxy card or voting instruction card.

If you need assistance, please contact CONSOL Energy Inc.'s Investor Relations Office at 412-831-4000. Both our Annual Report to Shareholders and our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, accompany these enclosures.

The Annual Meeting gives us an opportunity to review CONSOL Energy Inc.'s results and discuss the steps CONSOL Energy Inc. has taken to assure a strong performance in the future. We appreciate your ownership of CONSOL Energy Inc., and I hope you will be able to join us at this year's Annual Meeting.

Sincerely,

John Whitmire

*Chairman of the Board*

March 27, 2008

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**CONSOL Energy Inc.**

**1800 Washington Road**

**Pittsburgh, PA 15241-1405**

**Telephone (412) 831-4000**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 29, 2008**

Notice is hereby given that the Annual Meeting of Shareholders of CONSOL Energy Inc. will be held on April 29, 2008, at 10 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Earhart Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania for the following purposes:

1. To elect directors to hold office in accordance with the Third Amended and Restated Bylaws of CONSOL Energy Inc.;
2. To ratify the selection of Ernst & Young LLP, an independent registered public accounting firm, as the independent auditor of CONSOL Energy Inc. for the fiscal year ending December 31, 2008;
3. To consider an act upon a proposal to approve the CONSOL Energy Inc. Executive Annual Incentive Plan; and
4. If properly presented, to consider and vote upon a joint shareholder proposal regarding climate change.

By resolution of the Board of Directors, we have fixed the close of business on March 5, 2008, as the record date for determining the shareholders of CONSOL Energy Inc. entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof.

If you do not expect to attend the Annual Meeting in person, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope, which requires no additional postage if mailed in the United States. Your prompt response will be helpful and your cooperation is appreciated. If you attend the meeting, you may withdraw your proxy and vote in person, if you so choose.

**IMPORTANT NOTICE: REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 29, 2008:**

The Proxy Statement, Annual Report on Form 10-K and related materials are available at <http://ww3.ics.adp.com/streetlink/cnx>.

Sincerely,

P. Jerome Richey

*General Counsel and Secretary*

March 27, 2008

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**CONSOL Energy Inc.**

**CONSOL Plaza**

**1800 Washington Road**

**Pittsburgh, PA 15241**

**INFORMATION ABOUT THE ANNUAL MEETING**

March 27, 2008

The enclosed proxy is being solicited by the Board of Directors (the Board) of CONSOL Energy Inc. (CONSOL Energy or the Corporation) to be voted at the Annual Meeting of Shareholders to be held on April 29, 2008, at 10:00 a.m., Eastern Time, at the Hyatt Regency Pittsburgh International Airport, Earhart Room, 1111 Airport Boulevard, Pittsburgh, Pennsylvania 15231 (the Annual Meeting).

The specific proposals to be considered, and voted upon, at the Annual Meeting are summarized in the Notice of Annual Meeting of Shareholders. Each proposal is described in more detail in this Proxy Statement.

***Voting***

The persons named as proxies on the accompanying proxy card have informed CONSOL Energy of their intention, if no contrary instructions are given, to vote the shares represented by such proxies:

in favor of the election as directors of CONSOL Energy of those persons nominated in this Proxy Statement to hold office in accordance with the Third Amended and Restated Bylaws of CONSOL Energy;

in favor of the ratification of the selection of Ernst & Young LLP, an independent registered public accounting firm, as the independent auditor of CONSOL Energy for the fiscal year ending December 31, 2008;

in favor of the adoption of the CONSOL Energy Inc. Executive Annual Incentive Plan;

against the joint shareholder proposal regarding climate change; and

in accordance with their judgment, on any other matters which may properly come before the Annual Meeting.

The Board does not know of any business to be brought before the Annual Meeting other than as indicated in the Notice of Annual Meeting of Shareholders.

***Annual Report***

CONSOL Energy's Annual Report to Shareholders and Annual Report on Form 10-K are being mailed to shareholders together with this Proxy Statement on or about March 27, 2008 to holders of record, as of March 5, 2008, of CONSOL Energy common stock.

***Record Date and Vote Required for Approval***

The record date with respect to this solicitation is March 5, 2008. All holders of record of CONSOL Energy common stock as of the close of business on March 5, 2008 are entitled to vote at the Annual Meeting and any adjournment or postponement thereof. As of March 5, 2008, the

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Corporation had 182,750,175 shares of common stock outstanding. Each share of common stock is entitled to one vote. Shareholders do not have cumulative voting rights. The holders of a majority of the outstanding shares of common stock of the Corporation entitled to vote generally in the election of directors, represented in person or by proxy, will constitute a quorum at a meeting of shareholders, except in certain limited circumstances. Election of directors at all meetings of the shareholders at

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which directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the affirmative votes of a plurality of the votes cast is required for the election of directors. Except as otherwise provided by law, CONSOL Energy's Certificate of Incorporation or Third Amended and Restated Bylaws, on all other matters, the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on the matter is required for approval. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on non-routine proposals, such as the shareholder proposal, although they may vote their clients' shares on the election of directors and the ratification of Ernst & Young LLP, an independent registered public accounting firm, to serve as the independent auditor. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained. Abstentions have the same effect as votes against the matter. Proxies received but marked as abstentions and broker non-votes will be counted for quorum purposes.

The voting instruction form also serves as the voting instruction for the trustees who hold shares of record for participants in the CONSOL Energy Inc. Investment Plan for Salaried Employees. If voting instructions representing shares in this plan are not received, those shares will remain unvoted.

### ***Revocation of Proxy***

A proxy may be revoked by a shareholder at any time prior to the time that the proxy is exercised by delivery to the Corporate Secretary of a notice of revocation or a properly executed proxy bearing a later date. If a proxy is properly executed and is not revoked by the shareholder, the shares it represents will be voted at the meeting in accordance with the instructions from the shareholder. If the proxy card is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of the Board. Attendance at the meeting without a request to revoke a proxy will not effectively revoke a previously executed and delivered proxy.

### ***Proxy Solicitation***

All costs relating to the solicitation of proxies will be borne by CONSOL Energy. Georgeson Inc. has been retained by CONSOL Energy to aid in the solicitation of proxies, at an estimated cost of \$8,000 plus reimbursement of out-of-pocket expenses. Proxies may also be solicited by officers, directors and employees personally, by mail, or by telephone, facsimile transmission or other electronic means. On request, CONSOL Energy will pay brokers and other persons holding shares of common stock in their names or in those of their nominees for their reasonable expenses in sending soliciting material to, and seeking instructions from, their principals.

### ***Secrecy in Voting***

As a matter of policy, proxies, ballots and voting tabulations that identify individual shareholders are held confidential by CONSOL Energy. Such documents are available for examination only by the inspectors of election and certain employees who assist in the tabulation of the vote. The identity of the vote of any shareholder is not disclosed except as may be necessary to meet legal requirements.

### ***Attendance at the Meeting***

Subject to space availability, all shareholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration will begin at 10 a.m. Those who attend may be asked to present valid picture identification, such as a driver's license or passport, and may be issued a ticket for admission to the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting. Please also note that if shares are held in street name (that is, through a broker or other nominee), a copy of a brokerage statement reflecting stock ownership as of the record date must be provided during check-in at the registration desk at the Annual Meeting.

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CONSOL Energy will provide to any shareholder, without charge and upon the written request of the shareholder, a copy (without exhibits, unless otherwise requested) of CONSOL Energy's Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission (the SEC) for CONSOL Energy's fiscal year ended December 31, 2007. Any such request should be directed to CONSOL Energy Inc., Investor Relations Department, 1800 Washington Road, Pittsburgh, PA 15241-1405.

**BOARD OF DIRECTORS AND COMPENSATION INFORMATION**

**BOARD OF DIRECTORS AND ITS COMMITTEES**

***Board of Directors***

The business and affairs of CONSOL Energy are under the direction of our Board. Our Board is currently comprised of ten members. Those members are John Whitmire, James E. Altmeyer, Sr., William E. Davis, Raj K. Gupta, Patricia A. Hammick, David C. Hardesty, Jr., J. Brett Harvey, John T. Mills, William P. Powell, and Joseph T. Williams. We do not have a policy regarding directors' attendance at the Annual Meeting of Shareholders; however, directors are encouraged to attend. All but one of the members of our Board attended the 2007 Annual Meeting of Shareholders.

***Committees of the Board of Directors***

Our Board has four standing committees: Audit, Compensation, Nominating and Corporate Governance, and Finance. Current charters for each committee are available on the Corporate Governance section of CONSOL Energy's website at [www.consolenergy.com](http://www.consolenergy.com). Actions taken by our committees are reported to the full Board. On February 19, 2008, the Board determined that all members of each of the Audit, Compensation and Nominating and Corporate Governance Committees are independent under the current listing standards of the New York Stock Exchange. See *Determination of Director Independence* on page 21 for additional information regarding the Board's independence determinations of its members.

***Audit Committee***

Our Audit Committee, which currently consists of four directors, provides assistance to our Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, financial reporting, internal control and compliance functions of the Corporation and its subsidiaries. Our Audit Committee employs an independent registered public accounting firm to audit the financial statements of CONSOL Energy and its subsidiaries and perform other assigned duties. Further, our Audit Committee provides general oversight with respect to the accounting principles employed in financial reporting and the adequacy of CONSOL Energy's internal controls. In discharging its responsibilities, our Audit Committee may rely on the reports, findings and representations of the Corporation's auditors, legal counsel, and responsible officers. Our Board has determined that all members of the Audit Committee are financially literate within the meaning of SEC rules and under the current listing standards of the New York Stock Exchange. Our Board has also determined that Mr. Gupta qualifies as an audit committee financial expert. A copy of the audit committee's report for the 2007 fiscal year is set forth in this Proxy Statement.

***Compensation Committee***

Our Compensation Committee, which currently consists of four directors, establishes executive compensation policies consistent with corporate objectives and shareholder interests. Our Compensation Committee also reviews the performance of executive officers and establishes, adjusts and awards compensation, including incentive-based compensation, as more fully discussed below. In addition, our Compensation Committee generally is responsible for:

establishing and periodically reviewing our compensation philosophy and the adequacy of compensation plans and programs for directors, executive officers and other Corporation employees;

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overseeing our compensation plans;

reviewing and monitoring management development and succession plans and activities;

overseeing executive employment contracts, special retirement benefits, severance, change in control arrangements or similar plans;

reviewing and recommending to our Board the compensation of our non-employee directors for their service as directors; and

oversight of the outside consultant engaged by the Compensation Committee.

Our Compensation Committee's charter generally permits it to delegate authority, duties and responsibilities or functions to one or more members of the Compensation Committee or to the Corporation's officers other than for matters which laws or listing standards prohibit delegation. Under our Equity Incentive Plan (the Plan), our Compensation Committee is also permitted to delegate its power and authority to our officers. In February 2008, the Compensation Committee authorized our Chief Executive Officer to grant up to 380,000 shares (underlying stock option or restricted stock unit awards) to our non-executive employees in compliance with the terms and conditions of such delegation, the plan and applicable law and regulation.

Our Compensation Committee annually reviews the compensation of non-employee directors, including the Chairman of the Board, and the principles upon which their compensation is determined, and annually reports to our Board how the non-employee directors' compensation practices compare with those of other similarly situated public corporations and, if the Compensation Committee deems it appropriate, recommends changes to our director compensation practices to our Board for approval.

Outside consulting firms retained by our Compensation Committee and management also provide assistance to the Compensation Committee in making its compensation-related decisions. In 2007, our Compensation Committee directly engaged Mercer (US) Inc. ( Mercer ) and Deloitte Consulting LLP ( Deloitte ) to assist with an evaluation of our compensation program for executive officers and directors. The scope of our consultants' work for the Compensation Committee was substantially the same and they were directed to, among other matters:

develop a relevant peer group of companies;

benchmark the components of our compensation program with the peer group;

assist our Compensation Committee with the development of performance goals related to the Long-Term Incentive Program under the Plan;

assess our stock ownership guidelines applicable to our directors and executive officers;

assess the overall competitiveness of our compensation program;

assess Board compensation relative to the same peer group used to benchmark executive compensation and make recommendations based on the market analysis; and

assist in calculating the estimated potential tax gross-up for named executives.

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The compensation committee of the board of directors of CNX Gas Corporation, a publicly-traded subsidiary of CONSOL Energy ( CNX Gas ), separately retained in 2007 Mercer and Deloitte to perform executive and director compensation services for that company. See the CNX Gas proxy statement filed on March 19, 2008, for a description of the scope of work performed by those firms for that company.

Our Compensation Committee has a charter, which is available on the Corporation s website at [www.consolenergy.com](http://www.consolenergy.com). For additional information regarding the Compensation Committee s processes and procedures for the consideration and determination of executive officer compensation, see *Compensation Discussion and Analysis* on page 23.

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*Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee, which currently consists of four directors, is responsible for recommending to the Board nominees for election of directors at the Annual Meeting or appointment of directors in the event of any vacancy, generally monitoring CONSOL Energy's corporate governance system and performing any other functions or duties deemed appropriate by the Board. In making director recommendations, the Nominating and Corporate Governance Committee will consider nominations submitted by shareholders. See *Additional Matters* on page 88 for more information on submitting director nominations.

The Nominating and Corporate Governance Committee reviews with our Board the size, function, and needs of the Board and, in doing so, takes into account that the Board as a whole should have competency in the following areas:

industry knowledge;

accounting and finance;

business judgment;

management;

leadership;

international markets;

business strategy;

crisis management;

corporate governance; and

risk management.

Our Board also seeks members from diverse backgrounds so that it consists of members with a broad spectrum of experience and expertise and with a reputation for integrity. Directors must have experience in positions with a high degree of responsibility and leadership experience in the companies or institutions with which they are or have been affiliated. Directors are selected based upon contributions that they can make to CONSOL Energy. The Nominating and Corporate Governance Committee's process for identifying and evaluating director nominees is as follows:

determines what types of backgrounds, skills, and attributes of Board members are needed to help strengthen and balance it, taking into account the competencies described above;

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at appropriate times, actively seeks individuals qualified to become members of the Board; and

evaluates and recommends to our Board the slate of nominees for directors to be elected by the shareholders at CONSOL Energy's next annual meeting of shareholders.

Recommendations include a review by the Nominating and Corporate Governance Committee of the contribution of fellow directors, as well as the qualifications of new nominees.

### ***Finance Committee***

The Finance Committee, which currently consists of four directors, monitors and provides advice and counsel to our Board and management regarding our asset mix, potential mergers and acquisitions, capital structure and policies,

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financial position and policies, financing activities, compliance with debt covenants, dividend policies and material investments and contracts. No member of the Finance Committee may be an officer or employee of CONSOL Energy or any of our subsidiaries.

### ***Corporate Governance Web Page and Available Documents***

We maintain a corporate governance page on our website at [www.consolenergy.com](http://www.consolenergy.com) that includes information about our corporate governance. The following documents are currently included on the website:

CONSOL Energy Corporate Governance Guidelines;

CONSOL Energy Code of Director Business Conduct and Ethics;

CONSOL Energy Code of Employee Business Conduct and Ethics, which covers all employees of CONSOL Energy, including executive employees; and

Charters of the Audit, Nominating and Corporate Governance, Compensation, and Finance Committees.

We will also provide a printed copy of these documents if you contact the Investor Relations department in writing at CONSOL Energy Inc., 1800 Washington Road, Pittsburgh, Pennsylvania 15241-1405.

### ***Compensation Committee Interlocks and Insider Participation***

During 2007, the members of the Compensation Committee were Messrs. Powell, Altmeyer, Mills and Ms. Hammick.

Mr. Altmeyer, a member of the Board (and the Chair of the compensation committee of the CNX Gas board of directors (which we refer to as the CNX Gas Board)), has a brother who is a member of Phillips, Gardill, Kaiser & Altmeyer, PLLC, a small twelve attorney law firm based in Wheeling, West Virginia. The Corporation and CNX Gas paid this law firm approximately \$372,100 and \$96,424, respectively, in 2007 for workmen's compensation, litigation and land-related legal services, which amount represented approximately less than 2.0% and 0.5% of total legal fees paid by the Corporation and CNX Gas respectively to all law firms retained in 2007. CONSOL Energy engaged Phillips Gardill Kaiser & Altmeyer PLLC many years prior to Mr. Altmeyer becoming a member of the Board.

### ***Membership and Meetings of the Board of Directors and its Committees***

All of the incumbent directors attended no fewer than 85% of the sum of:

the total number of meetings held by our Board (held during the period for which he or she was a director during 2007); and

the total number of meetings held by all committees of our Board on which he or she served (during the period that he or she served).

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Current committee membership and the number of meetings of the full Board and its committees are shown in the following table:

	<b>Board of Directors</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Corporate Governance Committee</b>	<b>Finance Committee</b>
John Whitmire <sup>(1)</sup>	Chair	-	-	-	-
James E. Altmeyer, Sr.	Member	Member	Member	-	-
William E. Davis	Member	Member	-	Chair	-
Raj K. Gupta	Member	Chair	-	-	Member
Patricia A. Hammick	Member	-	Member	Member	-
David C. Hardesty, Jr.	Member	-	-	Member	Member
J. Brett Harvey	Member	-	-	-	-
William P. Powell	Member	-	Chair	-	Member
Joseph T. Williams	Member	-	-	Member	Chair
John T. Mills	Member	Member	Member	-	-
Number of 2007 Meetings	9 <sup>(2)</sup>	12	9	3	8

(1) Mr. Whitmire serves *ex officio*, meaning, as Chairman of the Board of CONSOL Energy, he attends and participates in meetings of the committees of the Board but is not a voting member of such committees.

(2) Of the 9 Board meetings, 6 were Regularly Scheduled and 3 were Special Meetings. During 2007, the non-management directors held 5 executive sessions of the Board. The presiding director for these sessions was the Chairman of the Board.

**Communication with the Board of Directors**

Shareholders and other interested persons who wish to communicate with the Board may do so by writing to it and should address their communications to the attention of the Corporate Secretary at CONSOL Energy Inc., 1800 Washington Road, Pittsburgh, PA 15241-1405 or by sending an e-mail to [directors@consolenergy.com](mailto:directors@consolenergy.com). The Corporate Secretary will relay all such communication to the Board in its entirety or individual directors (as appropriate) at the next regularly scheduled Board meeting (or earlier as necessary). In accordance with instructions from the Board, the Corporate Secretary reviews all correspondence, organizes the communications for review by the Board and delivers communications to the full Board or individual directors, as appropriate. In the ordinary course, the Corporate Secretary does not deliver certain items that are unrelated to the Board's duties, such as spam, junk mail, mass mailings, solicitations, resumes and job inquiries. Communications that are intended specifically for the chairman, the independent directors or the non-management directors should be sent to the street address or e-mail address noted above, to the attention of the chairman. Information concerning communications with the Board also is contained on CONSOL Energy's website at [www.consolenergy.com](http://www.consolenergy.com).

**Table of Contents****DIRECTOR COMPENSATION TABLE - 2007**

The following table sets forth the compensation of the Board for the 2007 fiscal year:

<b>Name<sup>(1)</sup></b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards<sup>(2)</sup></b>	<b>Option Awards<sup>(3)</sup></b>	<b>Non-Equity Incentive Plan Compensation</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings</b>	<b>All Other Compensation</b>	<b>Total</b>
John Whitmire	\$100,000 <sup>(4)</sup>	\$225,000 <sup>(13)</sup>	\$ 8,956	-	-	\$30,000 <sup>(5)</sup>	\$ 363,956
James E. Altmeyer, Sr.	\$179,667 <sup>(6)</sup>	\$110,288 <sup>(14)</sup>	\$34,298 <sup>(15)</sup>	-	-	-	\$ 324,253
William E. Davis	\$ 96,084	\$ 33,058	\$25,970	-	-	-	\$ 155,112
Raj K. Gupta	\$184,250 <sup>(7)</sup>	\$126,971 <sup>(16)</sup>	\$35,130 <sup>(17)</sup>	-	-	-	\$ 346,351
Patricia A. Hammick	\$ 74,167	\$ 33,058 <sup>(8)</sup>	\$28,793	-	-	\$31,872 <sup>(20)</sup>	\$ 167,890
David C. Hardesty, Jr.	\$ 74,667	\$ 33,058 <sup>(9)</sup>	\$31,687	-	-	-	\$ 139,412
John T. Mills	\$100,917	\$ 33,058	\$33,976	-	-	-	\$ 167,951
William P. Powell							