

CONSOL ENERGY INC
Form POS AM
February 28, 2005
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As filed with the Securities and Exchange Commission on February 28, 2005

Registration No. 333-109974

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1 ON

FORM S-3

TO FORM S-1 REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CONSOL ENERGY INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0337383
(I.R.S. Employer
Identification No.)

Consol Plaza

1800 Washington Road

Pittsburgh, PA 15241-1421

(412) 831-4000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

William J. Lyons

Chief Financial Officer

CONSOL Energy Inc.

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Consol Plaza

1800 Washington Road

Pittsburgh, PA 15241-1421

(412) 831-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

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1251 Avenue of the Americas

New York, New York 10020

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file an amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Post Effective Amendment No. 1 on Form S-3 is being filed to convert the Registration Statement on Form S-1 (No. 333-109974), as amended, into a Registration Statement on Form S-3.

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This information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities where the offer or sale is not permitted.

PROSPECTUS

Subject to Completion, Dated February , 2005

CONSOL ENERGY INC.

35,304,060 shares of common stock

We are furnishing this document to allow the selling stockholders identified in this prospectus to sell up to an aggregate of 35,304,060 shares of our common stock. The selling stockholders may sell these shares from time to time in underwritten offerings, in regular brokerage transactions, in transactions directly with market makers or in privately negotiated transactions.

We will not receive any of the proceeds from the sale of the shares by the selling stockholders. The selling stockholders will pay all brokers or underwriters' discounts and commissions, transfer taxes, and fees and disbursements of any counsel to the selling stockholders, if any.

Our common stock is listed on the New York Stock Exchange under the symbol CNX . On February 24, 2005, the last reported sales price of our common stock as reported on the New York Stock Exchange was \$43.55 per share.

We urge you to read carefully the Risk Factors section beginning on page 2 where we describe specific risks associated with an investment in our company and these securities before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February , 2005

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As permitted under the rules of the Securities and Exchange Commission, this prospectus incorporates important business information about Consol Energy Inc. that is contained in documents that we file with the Securities and Exchange Commission but that are not included in or delivered with this prospectus. You may obtain copies of these documents, without charge, from the website maintained by the Securities and Exchange Commission at www.sec.gov, as well as other sources. See [Where You Can Find More Information](#).

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with different information. This prospectus does not constitute an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or the documents incorporated by reference is accurate as of any date other than the date on the front of those documents.

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PROSPECTUS SUMMARY

You should read the entire prospectus, including the information set forth in Risk Factors, and all the information incorporated by reference, before making an investment decision.

CONSOL Energy

We are a multi-fuel energy producer and energy services provider that primarily serves the electric power generation industry in the United States. That industry generates approximately two-thirds of its output by burning coal or gas, the two fuels we produce. At December 31, 2004, we produce high-Btu bituminous coal from 17 mining complexes in the United States. Coal produced from our mines has a high-Btu content which creates more energy per unit when burned compared to coals with lower Btu content. As a result, coals with greater Btu content can be more efficient to use. We also produce pipeline-quality coalbed methane gas from our coal properties in Pennsylvania, Virginia and West Virginia and conventional gas from our properties in Tennessee and Virginia. We believe that the use of coal and gas to generate electricity will grow as demand for power increases.

Historically, we rank among the largest coal producers in the United States based upon total revenue, net income and operating cash flow. Our production of approximately 68 million tons of coal in 2004 accounted for approximately 6% of the total tons produced in the United States and approximately 14% of the total tons produced east of the Mississippi River during 2004. We are one of the premier coal producers in the United States by several measures:

We mine more high-Btu bituminous coal than any other United States producer;

We are the largest coal producer east of the Mississippi River;

We are one of the largest exporters of coal from the United States;

We have the second largest amount of recoverable coal reserves among United States coal producers; and

We are the largest United States producer of coal from underground mines.

We also rank as one of the largest coalbed methane gas companies in the United States based on both our proved reserves and our current daily production. Our position as a gas producer is highlighted by several measures:

Our principal coalbed methane operations produce gas from coal seams with a high gas content;

We currently have approximately 156 million cubic feet of gross average daily production;

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At December 31, 2004, we operated more than 1,825 wells connected by approximately 885 miles of gathering lines and associated infrastructure;

Our facilities have the capacity to transport 250 million cubic feet of gas per day; and

We controlled one of the largest coalbed methane reserve bases among publicly traded oil and gas companies in the United States with approximately 1.0 trillion cubic feet of net proved reserves of gas at December 31, 2004.

Additionally, we provide energy services, including terminal services, industrial supply services and coal waste disposal services.

CONSOL Energy was organized as a Delaware corporation in 1991. Our address is CONSOL Plaza, 1800 Washington Road, Pittsburgh, Pennsylvania 15241-1421 and our telephone number is (412) 831-4000.

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RISK FACTORS

Investing in our securities will be subject to risks, including risks inherent in our business. The value of your investment may decline and could result in a loss. You should carefully consider the following factors as well as other information contained or incorporated by reference in this prospectus before deciding to invest in our securities.

Disruption of rail, barge and other systems that deliver CONSOL Energy's coal, or of pipeline systems that deliver CONSOL Energy's gas, or an increase in transportation costs for either product could make our coal or gas less competitive.

Coal producers depend upon rail, barge, trucking, overland conveyor and other systems to provide access to markets. Disruption of transportation services because of weather-related problems, strikes, lock-outs or other events could temporarily impair our ability to supply coal to customers and adversely affect its profitability. Transportation costs represent a significant portion of the delivered cost of coal and, as a result, the cost of delivery is a critical factor in a customer's purchasing decision. Increases in transportation costs could make our coal less competitive.

The marketability of our gas production partly depends on the availability, proximity and capacity of pipeline systems owned by third parties. Changes in access to pipelines or increased costs of procuring transportation on pipeline systems could adversely affect our operations.

We require a skilled workforce to run our business. If we cannot hire qualified people to meet replacement or expansion needs, we may not be able to achieve planned results.

Most of our workforce is comprised of people with technical skills related to the production of coal and gas. Fifty-five percent of our workforce is 50 years of age or older. Based on our experience, we expect a high percentage of our employees to retire between now and the end of the decade. This will require us to conduct an expanded and sustained effort to recruit new employees to replace those who retire and to fill new jobs as we grow our business. Some areas of Appalachia, most notably in eastern Kentucky, currently have a shortage of skilled labor. Because we have operations in this area, the shortage could make it more difficult to meet our manpower needs and therefore, our results may be adversely affected.

Coal mining is subject to conditions or events beyond CONSOL Energy's control, which could cause its quarterly or annual results to deteriorate.

CONSOL Energy's coal mining operations are predominantly underground mines. These mines are subject to conditions or events beyond CONSOL Energy's control that could disrupt operations, affect production and the cost of mining at particular mines for varying lengths of time and have a significant impact on our operating results. These conditions or events have included:

variations in thickness of the layer, or seam, of coal;

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amounts of rock and other natural materials intruding into the coal seam and other geological conditions that could affect the stability of the roof and the side walls of the mine;

equipment failures or repair;

fires and other accidents; and

weather conditions.

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CONSOL Energy faces numerous uncertainties in estimating its economically recoverable coal reserves, and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs and decreased profitability.

There are numerous uncertainties inherent in estimating quantities and values of economically recoverable coal reserves, including many factors beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Information about our reserves consists of estimates based on engineering, economic and geological data assembled and analyzed by our staff. None of our coal reserve estimates has been reviewed by independent experts.

Some of the factors and assumptions which impact economically recoverable reserve estimates include:

geological conditions;

historical production from the area compared with production from other producing areas;

the assumed effects of regulations and taxes by governmental agencies;

assumptions governing future prices; and

future operating costs, including the cost of raw materials, especially metal products.

Each of these factors may in fact vary considerably from the assumptions used in estimating reserves. For these reasons, estimates of the economically recoverable quantities of coal attributable to a particular group of properties, and classifications of these reserves based on risk of recovery and estimates of future net cash flows, may vary substantially. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and these variances may be material. As a result, our estimates may not accurately reflect its actual reserves.

The exploration for, and production of, gas is an uncertain process with many risks.

The exploration for and production of gas involves numerous risks. The cost of drilling, completing and operating wells for coalbed methane or other gas is often uncertain, and a number of factors can delay or prevent drilling operations or production, including:

unexpected drilling conditions;

shortages or delays in the availability of drilling rigs and the delivery of equipment;

pressure or irregularities in formations;

equipment failures or repairs;

fires or other accidents;

adverse weather conditions;

water in the coal beds;

pipeline ruptures or spills; and

inadequate pipeline capacity to transport gas.

CONSOL Energy's future drilling activities may not be successful, and we cannot be sure that our drilling success rates will not decline. Unsuccessful drilling activities could result in higher costs without any corresponding revenues. Also, CONSOL Energy may not be able to obtain any options or lease rights in potential drilling locations that it identifies which, among other things, could prevent it from producing gas at potential drilling locations.

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CONSOL Energy must obtain governmental permits and approvals for mining operations, which can be a costly and time consuming process and result in restrictions on its operations.

Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in the commencement or continuation of exploration or production operations. For example, CONSOL Energy often is required to prepare and present to federal, state and local authorities data pertaining to the effect or impact that proposed exploration for or production of coal may have on the environment. Further, the public may comment on and otherwise engage in the permitting process, including through intervention in the courts. Accordingly, the permits CONSOL Energy needs may not be issued, or if issued, may not be issued in a timely fashion, or may involve requirements which restrict our ability to conduct its mining operations or to do so profitably.

Competition within the coal and within the gas industry may adversely affect our ability to sell our products, or a loss of our competitive position because of overcapacity in these industries could adversely affect pricing which could impair our profitability.

CONSOL Energy competes with coal producers in various regions of the United States and with some foreign coal producers for domestic sales primarily to power generators. CONSOL Energy also competes with both domestic and foreign coal producers for sales in international markets. Demand for our coal by our principal customers is affected by the delivered price of competing coals, other fuel supplies and alternative generating sources, including nuclear, natural gas, oil and renewable energy sources, such as hydroelectric power. CONSOL Energy sells coal to foreign electricity generators and to the more specialized metallurgical coal market, both of which are significantly affected by international demand and competition.

During the mid-1970s and early 1980s, a growing coal market and increased demand for coal attracted new investors to the coal industry, spurred the development of new mines and resulted in added production capacity throughout the industry, all of which led to increased competition and lower coal prices. Recent increases in coal prices could encourage the development of expanded capacity by new or existing coal producers. Any resulting overcapacity could reduce coal prices and therefore reduce our revenues.

We compete against many gas producers who are larger and better financed than we are. If demand for gas falls or prices are lower, we may not be able to compete profitably against these larger competitors. In 2002, gas prices were much lower than current prices because mild weather conditions reduced demand and led to oversupply of natural gas.

A significant decline in the prices CONSOL Energy receives for its coal and gas could adversely affect our operating results and cash flows.

CONSOL Energy's results of operations are highly dependent upon the prices it receives for its coal and gas, which are closely linked to consumption patterns of the electric generation industry and certain industrial and residential patterns where gas is the principal fuel. Extended or substantial price declines for coal or gas would adversely affect our operating results for future periods and our ability to generate cash flows necessary to improve productivity and expand operations. For example, in 2002, demand for coal and natural gas decreased because of the warm winters in the northeastern United States. This resulted in increased inventories that caused prices to decrease.

CONSOL Energy may not be able to produce sufficient amounts of coal to fulfill its customers' requirements, which could harm our customer relationships.

CONSOL Energy may not be able to produce sufficient amounts of coal to meet customer demand, including amounts that it is required to deliver under long-term contracts. CONSOL Energy's inability to satisfy its contractual obligations could result in its customers initiating claims against us. Our inability to satisfy demand could otherwise harm our relationships with our customers.

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If customers do not extend existing contracts or enter into new long-term contracts for coal, the stability and profitability of CONSOL Energy's operations could be affected.

During the twelve months ended December 31, 2004, approximately 95% of the coal CONSOL Energy produced was sold under long-term contracts (contracts with terms of one year or more). If a substantial portion of CONSOL Energy's long-term contracts are modified or terminated or if force majeure are exercised, CONSOL Energy would be adversely affected if it is unable to replace the contracts or if new contracts were not at the same level of profitability. The profitability of our long-term coal supply contracts depends on a variety of factors, which vary from contract to contract and fluctuate during the contract term, and includes our production costs and other factors. Price changes, if any, provided in long-term supply contracts are not intended to reflect our cost increases, and therefore increases in its costs may reduce the our profit margins. In addition, in periods of declining market prices, provisions for adjustment or renegotiation of prices and other provisions may increase the our exposure to short-term coal price volatility. As a result, CONSOL Energy may not be able to obtain long-term agreements at favorable prices (compared to either market conditions, as they may change from time to time, or our cost structure) and long-term contracts may not contribute to our profitability.

The loss of, or significant reduction in, purchases by our largest customers could adversely affect our revenues.

For the year ended December 31, 2004, we derived approximately 25% of our total revenues from sales to our three largest customers. At December 31, 2004, we had approximately 20 coal and gas supply agreements with these customers that expire at various times from 2005 to 2022. We are currently discussing the extension of existing agreements or entering into new long-term agreements with some of these customers, but these negotiations may not be successful and those customers may not continue to purchase coal and gas from us under long-term coal supply agreements. If any one of these three customers were to significantly reduce their purchases of coal from us, or if we were unable to sell coal to them on terms as favorable to us as the terms under our current agreements, our financial condition and results of operations could suffer materially.

Our ability to collect payments from our customers could be impaired if their creditworthiness declines.

Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. Our customer base is changing with deregulation as utilities sell their power plants to their non-regulated affiliates or third parties. These new power plant owners may have credit ratings that are below investment grade. In addition, the creditworthiness of certain of our customers and trading counterparties has deteriorated over the last few years due to lower than anticipated demand for energy and volatility in the traded energy markets in 2002. If deterioration of the creditworthiness of electric power generator customers or other trading counterparties continues, our \$125 million accounts receivable securitization program and our business could be adversely affected.

The characteristics of coal may make it difficult for coal users to comply with various environmental standards, which are continually under review by international, federal and state agencies, related to coal combustion. As a result, they may switch to other fuels, which would affect the volume of CONSOL Energy's sales.

Coal contains impurities, including sulfur, mercury, chlorine and other elements or compounds, many of which are released into the air when coal is burned. Stricter environmental regulations of emissions from coal-fired electric generating plants could increase the costs of using coal thereby reducing demand for coal as a fuel source, the volume of our coal sales and price. Stricter regulations could make coal a less attractive fuel alternative in the planning and building of utility power plants in the future.

For example, in order to meet the federal Clean Air Act limits for sulfur dioxide emissions from electric power plants, coal users may need to install scrubbers, use sulfur dioxide emission allowances (some of which they may purchase), blend high sulfur coal with low sulfur coal or switch to other fuels. Each option has

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limitations. Lower sulfur coal may be more costly to purchase on an energy basis than higher sulfur coal depending on mining and transportation costs. The cost of installing scrubbers is significant and emission allowances may become more expensive as their availability declines. Switching to other fuels may require expensive modification of existing plants. Because higher sulfur coal currently accounts for a significant portion of CONSOL Energy's sales, the extent to which power generators switch to low-sulfur fuel could materially affect us if it cannot offset the cost of sulfur removal by lowering the delivered costs of our higher sulfur coals on an energy equivalent basis.

Proposed reductions in emissions of mercury, sulfur dioxides, nitrogen oxides, particulate matter or greenhouse gases may require the installation of additional costly control technology or the implementation of other measures, including trading of emission allowances and switching to other fuels. For example, the Environmental Protection Agency recently proposed separate regulations to establish mercury emission limits nationwide and to reduce the interstate transport of fine particulate matter and ozone through reductions in sulfur dioxides and nitrogen oxides through the eastern United States. The Environmental Protection Agency continues to require reduction of nitrogen oxide emissions in 22 eastern states and the District of Columbia and will require reduction of particulate matter emissions over the next several years for areas that do not meet air quality standards for fine particulates. In addition, Congress and several states are now considering legislation to further control air emissions of multiple pollutants from electric generating facilities and other large emitters. These new and proposed reductions will make it more costly to operate coal-fired plants and could make coal a less attractive fuel alternative to the planning and building of utility power plants in the future. To the extent that any new or proposed requirements affect our customers, this could adversely affect its operations and results.

Also, numerous proposals have been made at the international, national and state levels that are intended to limit or capture emissions of greenhouse gases, such as carbon dioxide. If comprehensive legislation focusing on greenhouse gas emissions is enacted by the United States or individual states, it could have the effect of restricting the use of coal. Other efforts to reduce emissions of greenhouse gases also may affect the use of fossil fuels, particularly coal, as an energy source.

Government laws, regulations and other legal requirements relating to protection of the environment and health and safety matters increase CONSOL Energy's costs of doing business for active operations, both coal and gas, and may restrict its operations.

CONSOL Energy is subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local, as well as foreign authorities relating to protection of the environment and health and safety matters, including those legal requirements that govern discharges of substances into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, groundwater quality and availability, plant and wildlife protection, reclamation and restoration of mining properties after mining is completed and control of surface subsidence from underground mining. Complying with these requirements, including the terms of our permits, has had, and will continue to have, a significant effect on its costs of operations and competitive position. In addition, CONSOL Energy could incur substantial costs, including clean up costs, fines and civil or criminal sanctions and third party damage claims for personal injury, property damage, wrongful death, or exposure to hazardous substances, as a result of violations of or liabilities under environmental laws.

For example, the federal Clean Water Act and corresponding state laws affect coal mining operations by imposing restrictions on discharges into regulated waters or precluding mining that might impact regulated waters. Permits requiring regular monitoring and compliance with effluent limitations and reporting requirements govern the discharge of pollutants into regulated waters. New requirements under the Clean Water Act and corresponding state laws could cause us to incur significant additional costs that adversely affect our operating results or may prevent us from being able to mine portions of our reserves.

In addition, CONSOL Energy incurs and will continue to incur significant costs associated with the investigation and remediation of environmental contamination under the federal Comprehensive Environmental

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Response, Compensation, and Liability Act or the Superfund and similar state statutes and has been named as a potentially responsible party at Superfund sites in the past.

CONSOL Energy may need additional financing in order for it to fund its operations, capital expenditures, potential acquisitions and to meet other obligations.

Cash generated by operations may not be sufficient to fund our planned capital expenditures, to provide the collateral necessary to meet workers compensation and other post employment benefits performance obligations or to fund potential acquisitions. CONSOL Energy, along with other participants in the coal industry, has been informed by insurance companies that they no longer will provide surety bonds for workers compensation and other post employment benefits without collateral. As a result, CONSOL Energy has satisfied these obligations by providing letters of credit or other assurances of payment. However, the issuance of letters of credit under our bank credit facilities reduces amounts that it can borrow under its bank credit facilities for other purposes, including to fund operations and capital expenditures. For these and other reasons, CONSOL Energy may need additional financing. CONSOL Energy cannot be certain that it will be able to raise additional financing, as required, or that any financing, if available, will be on terms acceptable to us. Debt financing would increase our interest expense, reducing operating results, and could include covenants that are more restrictive than those in our current financings, including limitations on the payment of dividends and on the incurrence of additional debt. The issuance of additional equity could be dilutive to CONSOL Energy's existing stockholders. If CONSOL Energy cannot obtain financing, it could reduce capital expenditures, particularly for expansion projects. Such a reduction in spending for these projects, however, could adversely affect future performance.

CONSOL Energy reported losses in past periods and CONSOL Energy may incur losses in future periods.

CONSOL Energy reported a net loss of \$7.8 million in the twelve months ended December 31, 2003. CONSOL Energy reported net income of \$199 million for the twelve months ended December 31, 2004. Although CONSOL Energy reported net income for the twelve months ended December 31, 2002, the six months ended December 31, 2001 and the twelve months ended June 30, 2001, net income was attributable to income tax benefits in the periods ended December 31, 2002 and 2001 and benefited substantially from an export sales excise tax resolution in the twelve months ended June 30, 2001. For the twelve months ended December 31, 2003 and 2002 and the six months ended December 31, 2001, CONSOL Energy incurred losses before income tax benefits of \$33.5 million, \$40.4 million and \$19.6 million, respectively. CONSOL Energy's results reflect a number of factors in each period. For example, a decrease in tons of coal produced and tons of coal sold as a result of higher than usual customer inventory levels, decreased average sales price for gas in the industrial sector and lower demand for gas during the 2001-2002 winter heating season resulted in high levels of gas storage. During the fourth quarter of 2003, results were adversely affected by production problems at a number of mines. These and other conditions, including conditions beyond our control, could continue to affect our business, and we may incur losses in the future.

CONSOL Energy has significant reclamation and mine closure obligations. If the assumptions underlying our accruals are materially inaccurate, we could be required to expend greater amounts than anticipated.

The Surface Mining Control and Reclamation Act establishes operational, reclamation and closure standards for all aspects of surface mining as well as most aspects of deep mining. CONSOL Energy accrues for the costs of current mine disturbance and of final mine closure, including the cost of treating mine water discharge where necessary. Estimates of our total reclamation and mine-closing liabilities, which are based upon permit requirements and our experience, were \$365 million at December 31, 2004. The amounts recorded are dependent upon a number of variables, including the estimated future retirement costs, estimated proven reserves, assumptions involving profit margins, inflation rates, and the assumed credit-adjusted risk-free interest rates. Furthermore, these obligations are unfunded. If these accruals are insufficient or our liability in a particular year is greater than currently anticipated, our future operating results could be adversely affected.

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If CONSOL Energy is unable to comply with restrictions imposed by its senior credit facility a default under these agreements could occur.

CONSOL Energy's senior credit facility imposes a number of restrictions on it. A failure to comply with these restrictions could adversely affect CONSOL Energy's ability to borrow under its senior credit facility or result in an event of default under these agreements and its other debt. The senior credit facility contains financial and other covenants that create limitations on its ability to, among other things, borrow the full amount under its senior credit facility or incur additional debt, and requires CONSOL Energy to maintain various financial ratios and comply with various other financial covenants. These financial covenants include a funded debt ratio that requires that CONSOL Energy maintain a ratio of total indebtedness for borrowed money as of the last day of each quarter to total earnings before interest, taxes, depreciation and amortization, excluding any extraordinary gains or losses for the four quarters ended on that date of not more than 3.0 to 1.0 and a ratio for the last four consecutive quarters of total earnings before interest, taxes, depreciation, amortization and excluding any extraordinary gains or losses, to total interest payable (including amortization of debt discount) on indebtedness for borrowed money of not less than 4.5 to 1.0. A covenant also limits capital expenditures to \$550 million for each of the fiscal years ending December 31, 2005 and 2006. CONSOL Energy's ability to comply with these restrictions depends upon its operating results, and it may be unable to comply with these covenants and other restrictions in its senior credit facility. In the event of a default, CONSOL Energy's lenders could terminate their commitments and declare all amounts borrowed, together with accrued interest and fees, immediately due and payable. If this were to occur, CONSOL Energy might not be able to pay these amounts or it might be forced to seek an amendment to its debt agreements, which could make the terms of these agreements more onerous. Failure to comply with these restrictions, even if waived by CONSOL Energy's bank lenders, also could adversely affect its credit ratings, which could increase the costs of its debt financings and impair its ability to obtain additional debt financing.

CONSOL Energy has significant obligations for long-term employee benefits for which it accrues based upon assumptions which, if inaccurate, could result in it being required to expend greater amounts than anticipated.

CONSOL Energy provides various long-term employee benefits to inactive and retired employees. We accrue amounts for these obligations. At December 31, 2004, the current and non-current portions of these obligations included:

post retirement medical and life insurance (\$1.7 billion);

coal workers' black lung benefits (\$441 million);

salaried retirement benefits (\$117 million); and

workers' compensation (\$196 million).

However, if our assumptions are inaccurate, we could be required to expend greater amounts than anticipated. These obligations are unfunded, except for salaried retirement benefits, of which approximately 56% was funded at December 31, 2004. In addition, several states in which we operate consider changes in workers' compensation and black lung laws from time to time. Such changes, if enacted, could increase our benefit expense.

If lump sum payments made to retiring salaried employees pursuant to CONSOL Energy's defined benefit pension plan exceed the total of the service cost and the interest cost in a plan year, CONSOL Energy would need to make an adjustment to operating results equaling the unrecognized actuarial gain or loss resulting from each individual who received a lump sum payment in that year, which may result in an

adjustment that could materially reduce operating results.

CONSOL Energy's defined benefit pension plan for salaried employees allows such employees to receive a lump-sum distribution in lieu of annual payments when they retire from CONSOL Energy. Statement of

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Financial Accounting Standards No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans for the Terminations Benefits, requires that if the lump-sum distributions made for a plan year, which for CONSOL Energy is October 1 to September 30, exceed the total of the service cost and interest cost for the plan year, CONSOL Energy would need to recognize for that year's results of operations an adjustment equaling the unrecognized actuarial gain or loss resulting from each individual who received a lump sum in that year. If lump sum payments exceed the total of the service cost and the interest cost, the adjustment could materially reduce operating results.

Fairmont Supply Company, a subsidiary of CONSOL Energy, is a co-defendant in various asbestos litigation cases which could result in making payments in the future that are material.

One of CONSOL Energy's subsidiaries, Fairmont Supply Company, which distributes industrial supplies, currently is named as a defendant in approximately 25,100 asbestos claims in state courts in Pennsylvania, Ohio, West Virginia, Maryland, New Jersey and Mississippi. Because a very small percentage of products manufactured by third parties and supplied by Fairmont in the past may have contained asbestos and many of the pending claims are part of mass complaints filed by hundreds of plaintiffs against a hundred or more defendants, it has been difficult for Fairmont to determine how many of the cases actually involve valid claims or plaintiffs who were actually exposed to asbestos-containing products supplied by Fairmont. In addition, while Fairmont may be entitled to indemnity or contribution in certain jurisdictions from manufacturers of identified products, the availability of such indemnity or contribution is unclear at this time and, in recent years, some of the manufacturers named as defendants in these actions have sought protection from these claims under bankruptcy laws. Fairmont has no insurance coverage with respect to these asbestos cases. To date, payments by Fairmont with respect to asbestos cases have not been material. However, payments in the future with respect to pending or future asbestos cases could be material to our financial position, results of operations or cash flows of CONSOL Energy.

Various federal or state laws and regulations require CONSOL Energy to obtain surety bonds or to provide other assurance of payment for certain of our long-term liabilities including mine closure or reclamation costs, workers' compensation and other post employment benefits.

Federal and state laws require us to obtain surety bonds or provide other assurances to secure payment of certain long-term obligations including mine closure or reclamation costs, federal and state workers' compensation costs, coal leases and other miscellaneous obligations. It has become increasingly difficult for us to secure new surety bonds or renew such bonds without posting collateral. CONSOL Energy has satisfied its obligations under these statutes and regulations by providing letters of credit or other assurances of payment. However, letters of credit can be significantly more costly to us than surety bonds. The issuance of letters of credit under our bank credit facility also reduces amounts that it can borrow under its bank credit facility for other purposes.

CONSOL Energy and certain of its officers are defendants in class action lawsuits alleging the defendants issued false and misleading statements to the public that could result in CONSOL Energy making substantial payments.

On October 21, 2003, a complaint was filed in the United States District Court for the Western District of Pennsylvania on behalf of Seth Moorhead against CONSOL Energy, J. Brett Harvey and William J. Lyons. The complaint alleges, among other things, that the defendants violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated under the Exchange Act and that during the period between January 24, 2002 and July 18, 2002 the defendants issued false and misleading statements to the public that failed to disclose or misrepresented the following, among other things: (a) that CONSOL Energy utilized an aggressive approach regarding its spot market sales by reserving 20% of its production to that market, and that by increasing its exposure to the spot market, CONSOL Energy was subjecting itself to increased risk and uncertainty as the price and demand for coal could be volatile; (b) that CONSOL Energy was experiencing difficulty selling the production that it had allocated to the spot market, and,

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nonetheless, CONSOL Energy maintained its production levels which caused its coal inventory to increase; (c) that CONSOL Energy's increasing coal inventory was causing its expenses to rise dramatically, thereby weakening our financial condition; and (d) that based on the foregoing, defendants' positive statements regarding CONSOL Energy's earnings and prospects were lacking in a reasonable basis at all times and therefore were materially false and misleading. The complaint asks the court to (1) award unspecified damages to plaintiff and (2) award plaintiff reasonable costs and expenses incurred in connection with this action, including counsel fees and expert fees. Another class action complaint has been filed in the United States District Court for the Western District of Pennsylvania against CONSOL Energy and certain officers and directors. CONSOL Energy has not yet been served with that complaint. If CONSOL Energy is not successful in defending one or more of these lawsuits it may have to make substantial payments to the plaintiffs.

CONSOL Energy is a holding company and conducts substantially all of its operations through subsidiaries. Our ability to service debt and pay dividends to holders of our common stock will depend upon us receiving distributions or similar payments from its subsidiaries. Dividends are discretionary.

Because substantially all of CONSOL Energy's operations are conducted through subsidiaries, our cash flow and, therefore, our ability to service debt and pay dividends to holders of our common stock primarily depends upon the earnings of our subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, CONSOL Energy. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory or contractual restrictions, will be contingent upon the earnings of those subsidiaries and subject to various business considerations.

CONSOL Energy's rights plan may have anti-takeover effects that could prevent a change of control.

On December 19, 2003, CONSOL Energy adopted a rights plan which, in certain circumstances, including a person or group acquiring, or the commencement of a tender or exchange offer that would result in a person or group acquiring, beneficial ownership of more than 15% of the outstanding shares of CONSOL Energy common stock, would entitle each right holder to receive, upon exercise of the right, shares of CONSOL Energy common stock having a value equal to twice the right exercise price. For example, at an exercise price of \$80 per right, each right not otherwise voided would entitle its holders to purchase \$160 worth of shares of CONSOL Energy common stock for \$80. Assuming that shares of CONSOL Energy common stock had a per share value of \$16 at such time, the holder of each right would be entitled to purchase ten shares of CONSOL Energy common stock for \$80, or a price of \$8 per share, one half its then market price. This and other provisions of CONSOL Energy's rights plan could make it more difficult for a third party to acquire us, which could hinder stockholders' ability to receive a premium for CONSOL Energy stock over the prevailing market prices.

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FORWARD-LOOKING STATEMENTS

Some statements in this prospectus or any prospectus supplement, and the documents incorporated by reference in this prospectus or any prospectus supplement are known as forward-looking statements, as that term is used in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may relate to, among other things, future performance generally, business development activities, future capital expenditures, financing sources and availability and the effects of regulation and competition.

When we use the words believe, intend, expect, may, will, should, anticipate, could, estimate, plan, predict, project, or similar expressions, the 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.

We warn you that forward-looking statements are only predictions. Actual events or results may differ as a result of risks that we face, including those set forth in the sections of this prospectus called Risk Factors. Those are representative of factors that could affect the outcome of the forward-looking statements. These and the other factors discussed elsewhere in this prospectus or any prospectus supplement and the documents incorporated by reference in them are not necessarily all of the important factors that could cause our results to differ materially from those expressed in our forward-looking statements. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update them.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the common stock described in this prospectus.

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The selling stockholders may from time to time offer and sell pursuant to this prospectus any or all of the shares of common stock. The term selling stockholders includes the holders listed below and the beneficial owners of the shares and their transferees, pledges, donees or other successors.

The information set forth in the following table is based upon information provided by each selling stockholder.

Name	Common stock beneficially owned prior to the offering	Common Stock Offered in this Offering	Common stock beneficially owned after the offering (1)	
			Number	Percent of Class
Alford Turman	550	550		
Alice R. Hudspeth Regular	2,000	2,000		
Alice Rainey Hudspeth, Trustee U/W/O, John Bradshaw Rainey Jr. Trust, Dated 12/05-1995	3,600	3,600		
Alpha Q Trust	1,676	1,676		
Anchorwatch & Co.	3,700,000	3,700,000		
Ann B. Wilson	1,800	1,800		
Avast & Co.	1,231,600	617,000	614,600	*
Balboa Fund LP	69,826	65,000	4,826	*
Balboa Fund LTD	91,434	85,000	6,434	*
Banzai Offshore Fund Ltd	100,295	100,295		
Banzai Partners LP	85,000	85,000		
Barnett L. Gershen	3,700	3,700		
Bear Stearns Sec. Corp. custodian, Edward J. Nusrala, IRA	2,000	2,000		
Bear Stearns Sec. Corp., Custodian: Emerson Partners	20,000	20,000		
Bear Stearns Sec. Corp., Custodian: J. Steven Emerson	30,000	30,000		
Bear Stearns Sec. Corp., Custodian: J. Steven Emerson IRA II	175,000	175,000		
Bear Stearns Sec. Corp., Custodian: J. Steven Emerson ROTH IRA	75,000	75,000		
Bell Jones & Quinlisk Profit Sharing Plan	930	930		
Bill Ham	6,500	6,500		
BJC Health Care Services-Master Custodial Trust	50,019	50,019		
BJC Health Care Services-Pension Plan	21,421	21,421		
Bost & Co FBO Raytheon Master Pension	12,500	12,500		
Brookstone Corporation ESP FBO Stephen J. Dishman	600	600		
Canterbury/Westchester SMID Cap Value Fund	28,720	28,720		
Capital Crossover Partners LP	90,000	90,000		
CastleRock Fund, Ltd.	21,591	21,591		
Catequil Energy Overseas Partners Ltd	97,800	97,800		
Catequil Energy Partners L.P.	52,200	52,200		
Catequil Overseas Partners Ltd	370,865	370,865		
Catequil Partners L.P.	179,135	179,135		
CCHS Retirement Plan	55,000	55,000		

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<u>Name</u>	<u>Common stock beneficially owned prior to the offering</u>	<u>Common Stock Offered in this Offering</u>	<u>Common stock beneficially owned after the offering (1)</u>	
			<u>Number</u>	<u>Percent of Class</u>
CEBT Comingled Employee Benefit Trust - Capital Structure Arbitrage	11,190	11,190		
Charles O. Requadt & Julie K. Requadt JTEN	3,600	3,600		