

CONSOL ENERGY INC
Form DEF 14A
March 30, 2007
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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 ☒ x

Filed by a Party other than the Registrant ☐ ..

Check the appropriate box:

- | | | | |
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| <input type="checkbox"/> .. | Preliminary Proxy Statement. | <input type="checkbox"/> .. | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)). |
| <input checked="" type="checkbox"/> x | Definitive Proxy Statement. | | |
| <input type="checkbox"/> .. | Definitive Additional Materials. | | |
| <input type="checkbox"/> .. | 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)

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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 May 1, 2007

Dear Shareholder:

You are cordially invited to attend CONSOL Energy Inc.'s 2007 Annual Meeting of Shareholders on May 1, 2007, 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, 2006, 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, 2007

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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 MAY 1, 2007

Notice is hereby given that the Annual Meeting of Shareholders of CONSOL Energy Inc. will be held on May 1, 2007, 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 Second Amended and Restated Bylaws of CONSOL Energy Inc.;
2. To ratify the anticipated selection of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as the independent auditor of CONSOL Energy Inc. for the fiscal year ending December 31, 2007;
3. To approve an amendment to the CONSOL Energy Inc. Equity Incentive Plan;
4. If properly presented, to consider and vote upon a shareholder proposal; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

By resolution of the Board of Directors, we have fixed the close of business on March 7, 2007, 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.

Sincerely,

P. Jerome Richey
General Counsel and Secretary

March 27, 2007

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CONSOL Energy Inc.

CONSOL Plaza

1800 Washington Road

Pittsburgh, PA 15241

PROXY STATEMENT

March 27, 2007

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 May 1, 2007, at 10 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 Second Amended and Restated Bylaws of CONSOL Energy;

in favor of the ratification of the anticipated selection of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as the independent auditor of CONSOL Energy for the fiscal year ending December 31, 2007;

in favor of the amendment to the CONSOL Energy Inc. Equity Incentive Plan;

against the shareholder proposal; 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, 2007 to holders of record, as of March 7, 2007, of CONSOL Energy common stock.

Record Date and Vote Required for Approval

The record date with respect to this solicitation is March 7, 2007. All holders of record of CONSOL Energy common stock as of the close of business on March 7, 2007 are entitled to vote at the Annual Meeting and any adjournment or postponement thereof. As of March 7, 2007, the Corporation had 182,204,281 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

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shareholders at 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 Second Amended and Restated Bylaws, on all other matters, including approval of the amendment to the Corporation's Equity Incentive Plan, 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 proposed amendments to our Equity Incentive Plan and the shareholder proposal, although they may vote their clients' shares on the election of directors and the ratification of PricewaterhouseCoopers LLP as independent registered public accounting firm. 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 \$7,500 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 9 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

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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.

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, 2006. Any such request should be directed to CONSOL Energy Inc., Investor Relations Department, 1800 Washington Road, Pittsburgh, PA 15241-1405. Neither the Annual Report on Form 10-K nor the Annual Report to Shareholders is part of the proxy solicitation materials.

GENERAL INFORMATION

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The 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. On March 9, 2006, our Board increased the number of members to serve on it from nine to ten. John T. Mills joined the Board on March 9, 2006 to fill its tenth seat. We do not have a policy regarding directors' attendance at the Annual Meeting of Shareholders; however, directors are encouraged to attend. All of the members of our Board attended the 2006 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. Actions taken by our committees are reported to the full Board. On February 20, 2007, 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* section of this proxy statement 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 2006 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

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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;

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, our Compensation Committee is also permitted to delegate its power and authority to our officers. In February 2007, the Compensation Committee authorized our Chief Executive Officer to grant up to 780,000 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 2006, our Compensation Committee directly engaged Mercer Human Resource Consulting, and, upon authorization of the Compensation Committee, our management retained Towers Perrin HR Services, to assist with an evaluation of our compensation program for executive officers and directors. Our consultants were directed to:

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 CONSOL Energy Variable Long-Term Incentive Compensation Award of our Chief Executive Officer;

assist our Compensation Committee with the development of 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;

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

assist in evaluating retirement benefits for our key employees, and in connection with this evaluation, assist with the design and development of a supplemental early retirement plan for our key employees, which was adopted by us, effective January 1, 2007.

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Our Compensation Committee has a charter, which is available on the Corporation's website at www.consolenergy.com. For additional information regarding Compensation Committee's processes and procedures for the consideration and determination of executive officer compensation, see *Compensation Discussion and Analysis* section of this proxy statement.

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 *Shareholder Proposals* section of this proxy statement 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:

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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;

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. Mr. Mills, who joined the Board in March 2006, was initially recommended as a candidate by Russel Reynolds Associates, Inc., which was retained in 2005 to assist the Board in identifying and selecting candidates for service on the Corporation's Board.

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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, 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 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 2006, the members of the Compensation Committee were Messrs. Powell, Altmeyer, Mills (starting March 9, 2006), Hardesty (until March 9, 2006) and Ms. Hammick.

In 2004, we made a five-year pledge of a total of \$200,000 to the West Virginia University Foundation Incorporated (the Foundation), a not-for-profit corporation that is a legally separate entity from West Virginia University Mr. Hardesty's employer. The Foundation receives and administers gifts for the benefit of West Virginia University of which Mr. Hardesty is the President. The pledge was made as part of a capital campaign to benefit West Virginia University's College of Engineering and Mineral Resources. We also occasionally make cash gifts to the Foundation. The aggregate cash gifts made by us to the Foundation and West Virginia University for the fiscal year 2006 (including payments made pursuant to the pledge) was approximately \$62,500. Additionally, we have, in arms-length transactions, paid West Virginia University and its related entities for conferences, technical training and classes for employees, as well as acquired football and basketball tickets and made payments with respect to other minor items. The aggregate of these other payments for 2006 was approximately \$64,533. We anticipate that we will contribute approximately \$88,000 to the Foundation and West Virginia University in 2007. CONSOL Energy regularly made contributions to West Virginia University and its affiliates prior to Mr. Hardesty becoming a member of the Board.

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 law firm based in Wheeling, West Virginia. We paid this law firm approximately \$377,816 in 2006 for various legal services. Additionally, CONSOL Energy hired Phillips Gardill Kaiser & Altmeyer PLLC several 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 83% of the sum of:

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the total number of meetings held by our Board (held during the period for which he or she was a director during 2006); 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:

				Nominating and Corporate	
	Board of	Audit	Compensation	Governance	Finance
	Directors	Committee	Committee	Committee	Committee
John Whitmire ⁽¹⁾	Chair				
James E. Altmeyer, Sr.	Member	Member	Member		
William E. Davis	Member	Member		Chair	
Raj K. Gupta ⁽²⁾	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 2006 Meetings	12 ⁽³⁾	14 ⁽³⁾	9 ⁽³⁾	5 ⁽³⁾	10 ⁽³⁾

(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) The Board has determined that Mr. Gupta is independent and qualifies as the audit committee financial expert within the meaning of SEC regulations.

(3) Of the 12 Board meetings, 6 were Regularly Scheduled and 6 were Special Meetings.

During 2006, the non-management directors held 6 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. 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.

Table of Contents**Compensation of Directors****DIRECTOR COMPENSATION - 2006**

The following table sets forth the compensation of the Board for the 2006 fiscal year:

Name ⁽¹⁾	Fees Earned or Paid in Cash	Stock Awards ⁽²⁾	Option Awards ⁽³⁾	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
John Whitmire	\$ 180,388 ⁽⁴⁾	\$ 225,086 ⁽¹²⁾	\$ 8,037			\$ 30,000 ⁽⁵⁾	\$ 443,511
James E. Altmeyer, Sr.	\$ 172,750 ⁽⁶⁾	\$ 68,341 ⁽¹³⁾	\$ 34,963 ⁽¹⁴⁾				\$ 276,054
William E. Davis	\$ 107,250	\$ 9,447	\$ 33,207				\$ 149,904
Raj K. Gupta	\$ 157,000 ⁽⁷⁾	\$ 68,341 ⁽⁸⁾⁽¹³⁾	\$ 36,751 ⁽¹⁵⁾				
Patricia A. Hammick	\$ 84,500	\$ 9,447 ⁽⁹⁾	\$ 31,300				\$ 125,247
David C. Hardesty, Jr.	\$ 84,250	\$ 9,447 ⁽¹⁰⁾	\$ 27,030				\$ 120,727
John T. Mills	\$ 94,417	\$ 9,447	\$ 25,985				\$ 129,849
William P. Powell	\$ 93,250	\$ 9,447	\$ 29,406				\$ 132,103
Joseph T. Williams	\$ 113,896 ⁽¹¹⁾	\$ 9,447	\$ 41,533 ⁽¹⁶⁾				\$ 164,876

(1) Mr. Harvey is a member of the Boards of Directors of CONSOL Energy and CNX Gas Corporation, a subsidiary of CONSOL Energy (CNX Gas). Mr. Harvey's compensation is reported in the Summary Compensation Table and other tables sections of this proxy statement. As an employee of CONSOL Energy, he does not receive any additional compensation in connection with his service on the Boards of Directors of CONSOL Energy and CNX Gas.

(2) The values set forth in this column are based on the compensation cost recognized in 2006 for financial statement reporting purposes and computed in accordance with FAS 123R (disregarding any estimate of forfeitures related to service-based vesting conditions) and relate to equity awards granted by CONSOL Energy and CNX Gas. The compensation cost for CONSOL Energy and CNX Gas is computed based upon the closing price of that company's stock on the date of grant. The values reflect the accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executives.

With respect to CONSOL Energy stock awards: (i) the aggregate grant date fair value for 2006 stock awards for each director was \$42,512, other than for Mr. Whitmire for which it was \$225,086; (ii) each director (other than Mr. Whitmire) had 967 restricted stock units outstanding as of December 31, 2006; and (iii) Messrs. Whitmire and Gupta had 5,133 and 2,304 deferred stock units, respectively, outstanding as of December 31, 2006.

With respect to CNX Gas stock awards: (x) the aggregate grant date fair value for 2006 stock awards was \$25,023 for each of Messrs. Altmeyer and Gupta; and (y) Messrs. Altmeyer and Gupta each had 7,545 restricted stock units outstanding as of December 31, 2006.

(3) The values set forth in this column are based on the compensation cost recognized in 2006 for financial statement reporting purposes and computed in accordance with FAS 123R (disregarding any estimate of forfeitures related to service-based vesting conditions) and relate to option awards granted by CONSOL Energy and CNX Gas. The compensation cost for CONSOL Energy and CNX Gas is computed using the Black-Scholes option pricing model.

A discussion of the relevant assumptions made in the valuation of the CONSOL Energy option awards is stated in CONSOL Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (Note 19 to the Audited Consolidated Financial Statements). The values reflect the accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executives. With respect to CONSOL Energy, the aggregate grant date fair value for 2006 option awards was \$46,696 for each director other than for Mr. Mills for which it was \$106,712 and for Mr. Whitmire for which it was

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\$8,954. As of December 31, 2006 with respect to CONSOL Energy, the aggregate number of options outstanding was: (i) 15,962 for each of Messrs. Altmeyer, Davis, Gupta, Powell and Williams; (ii) 19,154 for Mr. Whitmire; (iii) 30,962 for Ms. Hammick; (iv) 8,070 for Mr. Hardesty; and (v) 8,592 for Mr. Mills.

With respect to the CNX Gas option awards granted in 2006, the weighted average assumptions to recognize compensation cost in 2006 for financial purposes are: (x) for 2006 grants: fair value of grants \$9.83, risk free interest rate 4.65%, expected volatility 32.39% and expected term 4.5 years; and (y) for 2005 grants: fair value of grants \$5.34, risk free interest rate 4.28%, expected volatility 36.54% and expected term 4.5 years. The aggregate grant date fair value for the CNX Gas 2006 option awards for Mr. Williams was \$60,005, and the aggregate CNX Gas options outstanding were 2,544 for each of Messrs. Altmeyer and Gupta and 7,184 for Mr. Williams.

- (4) On February 21, 2006, the Board, upon the unanimous recommendation of the Compensation Committee, agreed to pay a one-time special director fee in the amount of \$80,388 to reimburse Mr. Whitmire for additional costs, expenses and interest charges incurred as a result of an error in the Corporation's administration of his deferred fees under the CONSOL Energy Inc. 1999 Directors Deferred Compensation Plan, as amended.
- (5) Mr. Whitmire is also provided clerical support by CONSOL Energy at an annual cost not to exceed \$30,000, which for 2006 totaled \$30,000.
- (6) Mr. Altmeyer's fees include \$110,250 for service on CONSOL Energy's Board, which was paid by CONSOL Energy, and \$62,500 for service on the CNX Gas Board, which was paid by CNX Gas.
- (7) Mr. Gupta's fees include \$103,000 for service on CONSOL Energy's Board, which was paid by CONSOL Energy, and \$54,000 for service on the CNX Gas Board, which was paid by CNX Gas. Pursuant to the CONSOL Energy Equity Incentive Plan, Mr. Gupta elected to receive 454 deferred stock units in lieu of \$20,000 of his cash annual retainer for the 2006 Board year (that is for the 12 months starting May 2006) for CONSOL Energy, however only \$18,333 of this amount for the 2006 fiscal year is included in the above table. Additionally, Mr. Gupta elected to defer \$79,667 of his 2006 Board fees into the CONSOL Energy Directors Deferred Fee Plan. Please see *Understanding Our Director Compensation Table* for a description of the Directors Deferred Fee Plan and deferred stock units granted under our Equity Incentive Plan.
- (8) Mr. Gupta elected to defer until August 1, 2011, 100% (or 964 restricted stock units) of his restricted stock unit award granted on May 2, 2006. Starting on August 1, 2011, shares underlying the restricted stock unit award will be delivered in successive equal annual installments over a five year period.
- (9) Ms. Hammick elected to defer until termination of service 100% (or 964 restricted stock units) of her restricted stock unit award granted on May 2, 2006. Upon termination of service, all of the shares underlying this restricted stock unit award will be delivered to her.
- (10) Mr. Hardesty elected to defer until August 1, 2011, 100% (or 964 restricted stock units) of his restricted stock unit award granted on May 2, 2006. Starting on August 1, 2011, shares underlying the restricted stock unit award will be delivered to him in successive equal annual installments over a five year period.
- (11) Mr. Williams' fees include \$90,750 for service on CONSOL Energy's Board, which was paid by CONSOL Energy, and \$23,146 for service on the CNX Gas Board.
- (12) Mr. Whitmire elected to receive 5,104 deferred stock units in lieu of \$225,000 of common stock of CONSOL Energy. Please see *Understanding Our Director Compensation Table* for a description of deferred stock units granted under our Equity Incentive Plan.
- (13) Amount represents \$9,447 of expense relating to CONSOL Energy stock awards and \$58,894 of expense relating to CNX Gas stock awards.
- (14) Amount represents \$29,406 of expense relating to CONSOL Energy option awards and \$5,557 of expense relating to CNX Gas option awards.
- (15) Amount represents \$31,194 of expense relating to CONSOL Energy option awards and \$5,557 of expense relating to CNX Gas option awards.
- (16) Amount represents \$33,199 of expense relating to CONSOL Energy option awards and \$8,334 of expense relating to CNX Gas option awards.

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UNDERSTANDING OUR DIRECTOR COMPENSATION TABLE

CONSOL Energy Annual Fees

Non-employee members of the Board received the following compensation in 2006: an annual retainer fee of \$40,000, a Board meeting fee of \$2,000 per meeting attended, committee meeting fee (excluding Audit Committee meetings) of \$1,500 per meeting attended, an Audit Committee meeting fee of \$2,500 per meeting attended, an annual committee chair retainer (excluding Audit Committee chair retainer) of \$5,000, an Audit Committee Chair Retainer of \$10,000, an annual equity award of \$85,000 (divided into equal dollar amounts worth of stock options and restricted stock units), and an initial election equity award of \$60,000 (stock options). The annual cash fees are paid in quarterly installments. In October 2006, the Board determined that the initial equity award of \$60,000 and annual equity award of \$85,000 would be paid completely in restricted stock units going forward (as opposed to fifty percent in options and fifty percent in restricted stock units). This reallocation was based on a review of market trends and a desire to provide stronger alignment with shareholder interests. Members of our Board who are employees of CONSOL Energy or any of its subsidiaries are not compensated for service on the Board or on any of its committees.

CONSOL Energy Stock Options

Upon initial election to our Board, each director (prior to October 2006) received a nonqualified stock option to acquire shares of the Corporation's common stock. Effective as of the date of the Corporation's annual meeting at which directors are elected or reelected to our Board, each director who had not received an initial grant since the immediately preceding annual meeting of the Corporation's shareholders received a nonqualified stock option to acquire shares of the Corporation's common stock.

The exercise price per share of each nonqualified stock option award granted to a director shall be the fair market value of the Corporation's common stock on the grant date. Options vest ratably and become exercisable in one-third increments on each anniversary of the grant date. Subject to the provisions of the particular nonqualified stock option agreement and the Corporation's Equity Incentive Plan, the holder of the option may exercise all or any part of the vested portion of the option at any time prior to the tenth anniversary of the date of grant, which is the expiration date.

If the director ceases to be a director of the Corporation on account of death, disability or retirement at normal retirement age for directors, all unvested option awards immediately vest and become exercisable and remain exercisable until the normal expiration of the option award. If the director is terminated for any other reason other than cause, unvested option awards are forfeited and vested option awards remain exercisable for three months following the termination date. If the director is terminated for cause, all options, whether vested or not, are forfeited as of the termination date. See *CONSOL Energy Equity Incentive Plan Definitions* section of this proxy statement for definitions of cause, disability, and retirement under the Corporation's Equity Incentive Plan.

CONSOL Energy Deferred Stock Units

Our Board may grant deferred stock units to directors who are not employees of CONSOL Energy or any of its affiliates, referred to as eligible directors, in lieu of all or any portion of the annual retainer otherwise payable to the eligible directors. Under the terms of our Equity Incentive Plan, the Board may permit a director to elect to receive deferred stock units in lieu of all or any portion of the annual retainer or meeting fees otherwise payable to an eligible director in cash, or to defer receipt of shares or cash to be paid pursuant to deferred stock units. The deferred stock units have dividend equivalent rights. Deferred stock units that have vested are paid following the earlier of: the director's termination of service as a director of the Corporation; or the date elected by the director on his or her payment date election form previously filed with the Corporation.

A director is not entitled to shareholder rights, including voting rights and actual dividend rights, with respect to the shares subject to an award until the director becomes the record holder of the shares following their actual issuance. Should a regular cash dividend be declared on the Corporation's common stock at a time when the

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director holds deferred stock units, he or she will be entitled to dividend equivalent payments equal to the cash dividends declared on the shares. Dividend equivalents are converted into additional deferred stock units based on a pre-established formula. The additional deferred stock units resulting from this calculation will be subject to the same terms and conditions as the deferred stock units subject to the award.

If the director ceases to be a director on account of death, disability, or retirement at normal retirement age for directors, all unvested deferred stock units granted to a director will automatically vest and become non-forfeitable. If the director is terminated for cause or ceases to provide services for any reason other than death, disability or retirement at a normal age, all unvested deferred stock units and any rights to the underlying shares are immediately forfeited for no consideration. In addition, in the event of a termination for cause or a breach of the proprietary information covenant discussed above, the director will also forfeit all of his or her right, title and interest in and to any shares which have vested under their award. See *CONSOL Energy Equity Incentive Plan Definitions* section of this Proxy Statement for definitions of cause, disability, and retirement under our Equity Incentive Plan.

CONSOL Energy Restricted Stock Units

The restricted stock unit awards entitle a director to receive shares of the Corporation's common stock in a series of installments over his or her period of continued service with us. Each unit represents the right to receive one share of common stock following the vesting date of that unit. Each award of restricted stock units entitles a director to three successive equal annual installments upon his or her completion of each year of continued service with us over the three-year period measured from the award date (subject to any deferral election that may have been made with respect to the payment of such shares).

As with the deferred stock units, a director is not entitled to shareholder rights until the director becomes the record holder of the shares following their actual issuance. Should a regular cash dividend be declared on our common stock at a time when unissued shares of common stock are subject to an award, then the number of shares subject to the award will automatically be increased by an amount determined in accordance with a pre-established formula. The additional shares resulting from this calculation will be subject to the same terms and conditions as the unissued shares of common stock to which they relate under the award.

If the director ceases to be a director on account of death, disability or retirement at normal retirement age (as defined in our Equity Incentive Plan) for directors, all shares subject to an award will vest automatically and be delivered to the director immediately, or as soon as administratively practical thereafter (but in no event later than the 15th day of the third month following that date). If the director is terminated for cause (as defined in our Equity Incentive Plan) or ceases to provide services for any reason other than death, disability or retirement at a normal age, the director's award will be cancelled with respect to any unvested shares, and the number of restricted stock units will be reduced accordingly. The director will then cease to have any rights or entitlements to receive any shares of common stock under those cancelled units. In addition, in the event of a termination for cause or a breach of the proprietary information covenant, the director will also forfeit all of his or her right, title and interest in and to any shares which have vested under their award and which are either held by him or her at that time or are otherwise subject to deferred issuance. See *CONSOL Energy Equity Incentive Plan Definitions* section of this proxy statement for definitions of cause, disability, and retirement under our Equity Incentive Plan.

As a condition to a director's right and entitlement to receive shares subject to an award, the director must agree to abide by the terms and conditions of the proprietary information covenant and must return Corporation materials also as described above. See *Deferred Stock Unit Awarded under the CONSOL Energy Equity Incentive Plan* section of this proxy statement for a description of the proprietary information covenant.

CONSOL Energy Chairman Agreement with Mr. Whitmire

We entered into an agreement with Mr. Whitmire on February 22, 1999 pursuant to which he was engaged as the non-executive Chairman of our Board, subject to election by our shareholders. In order to more formally and

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completely document his duties and responsibilities as Chairman, as well as his compensation arrangements, a new agreement was entered into with him as of April 27, 2004. Under the terms of this agreement, Mr. Whitmire receives annual compensation as follows:

\$100,000, in quarterly installments;

shares of common stock having a fair market value of \$225,000 on the grant date (with which Mr. Whitmire may elect, in lieu of the grant, to be credited with equivalent vested stock units payable in the form of shares at the end of the agreed deferral period and, if Mr. Whitmire elects to defer, he will also be credited with dividend equivalent amounts on such stock units equal to the dividends declared on an equivalent number of shares of stock, with the dividend equivalent amounts being deemed to have been reinvested in additional stock units to be credited to Mr. Whitmire and paid at the end of the deferral period); and

stock options having a fair market value of \$25,000 on the grant date (such options will (a) have an exercise price equal to the fair market value of our stock on the grant date, (b) be fully vested and exercisable upon the grant date, and (c) be subject to the terms of our Equity Incentive Plan and the applicable grant agreement).

The above-described compensation will be in lieu of any and all cash, equity or other compensation to which other Board members are entitled to receive in connection with their service on our Board. In addition, Mr. Whitmire is provided clerical support by us at an annual cost not to exceed \$30,000 and is reimbursed for business expenses for performing his duties for the Corporation.

Mr. Whitmire's term of service as Chairman will continue until the earlier of the date on which he ceases to serve as a member of our Board for any reason, or the date on which he ceases to serve as Chairman, while remaining a member of our Board. Mr. Whitmire's service as Chairman may be terminated by either Mr. Whitmire or us, with or without cause (as defined in this agreement), on at least 90 days prior written notice to the other party or by mutual consent of the parties and provided, further, that the service period will terminate immediately and automatically upon Mr. Whitmire's death or permanent disability or incapacity, as determined in the good faith judgment of our Board.

In the event that Mr. Whitmire's service as Chairman terminates other than for cause during a service year, then he will thereafter receive no additional cash compensation under the agreement but he will retain his entire grant of stock and options for the service year in which the termination occurs. If, following such termination, he remains on our Board, he will thereafter be entitled to compensation as is provided by us to our other non-employee directors; provided that for the remainder of that service year, he will not be entitled to any additional stock or option grants by virtue of non-Chairman Board service. In the event Mr. Whitmire's service as Chairman (and tenure on our Board) is terminated for cause during a service year, he will receive no additional cash compensation and, in addition, he will be required to return to us a pro-rated amount of the stock he was granted as compensation for the applicable service year and a pro-rated amount of options granted for such service year will be cancelled and no longer be exercisable thereafter (provided, however, that if these options have been exercised, the stock received by him upon exercise will be returned to us and the exercise price refunded and, in addition, if he has sold any of the stock (beyond the amount required to pay the exercise price) he will be required to return to us the proceeds from such sale (net of the exercise price)).

CONSOL Energy Directors Deferred Compensation Plan

The CONSOL Energy Directors Deferred Compensation Plan was adopted on October 25, 1999. The CONSOL Energy Directors Deferred Compensation Plan permits members of our Board to defer all or a portion of any Board fees, such as the annual retainer, meeting fees or other amounts earned for services performed as a member of our Board and allows each participant's earnings under the plan to be based on the performance of specified authorized hypothetical investments that participants may periodically designate. These hypothetical investment options may include hypothetical investments in CONSOL Energy's common stock. The CONSOL Energy Directors Deferred Compensation Plan is an unfunded and unsecured liability of CONSOL Energy, and

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benefits will be paid from our general assets. Accordingly, participants are general unsecured creditors of the Corporation with respect to the benefits. Currently, Mr. Whitmire is the only participant in the CONSOL Energy Directors Deferred Compensation Plan.

CONSOL Energy Directors Deferred Fee Plan

The CONSOL Energy Directors Deferred Fee Plan was adopted on July 20, 2004 to allow non-employee directors of the Corporation to defer payment of all or a portion of their annual cash board retainer and director meeting fees. Participation is at the election of the particular director and, upon the Corporation receiving a deferral agreement from a director, we will establish an account on behalf of such person which will be credited with the deferred fees. Previously, the account of each participant was credited, on a quarterly basis, with interest based on the interest rate in effect on the last day of the applicable quarter. On February 21, 2006, our Board approved an amendment to the CONSOL Energy Directors Deferred Fee Plan which provides that a participant's account will be adjusted by an amount equal to the amount that would have been earned (or lost) if amounts deferred under the plan had been invested in hypothetical investments designated by the participant based on a list of hypothetical investments provided by the plan administrator from time to time or, in the event that a participant fails to designate such hypothetical investments, the participant's account shall earn interest as provided in the plan. These hypothetical investment options may include hypothetical investments in our common stock. Earnings will be credited to the participant's account quarterly. The amount payable to a director participant will be paid in cash as soon as administratively practicable after the earlier of: the director's termination of service as a director; or the date elected by such director which must be at least two years after the end of the plan year for which fees are deferred. The CONSOL Energy Directors Deferred Fee Plan is an unfunded and unsecured liability of the Corporation, and benefits will be paid from our general assets. Accordingly, participants are general unsecured creditors of the Corporation with respect to the benefits. Currently, Mr. Gupta is the only participant in the Directors Deferred Fee Plan.

CNX Gas Annual Fees and Awards

Prior to November 1, 2006, non-employee directors of CNX Gas were entitled to receive the following compensation: for the non-executive chairman of CNX Gas Board, an annual fee of \$80,000; for all other CNX Gas directors, an annual fee of \$25,000; an attendance fee of \$1,500 for each meeting of the CNX Gas Board; an annual fee of \$5,000 to CNX Gas audit committee chairman; a fee of \$1,000 for each meeting of the CNX Gas audit committee attended; an annual fee of \$3,000 to the chairmen of each of CNX Gas compensation committee, nominating and corporate governance committee, and finance committee; a fee of \$1,000 for each meeting of CNX Gas compensation committee, nominating and corporate governance committee, and finance committee attended; for the non-executive chairman of the CNX Gas Board, an annual grant of CNX Gas stock options and restricted stock units with an aggregate dollar value of \$200,000 (payable 50% in the form of stock options and 50% in the form of restricted stock units); for all other CNX Gas directors, an annual grant of CNX Gas stock options and restricted stock units with an aggregate dollar value of \$50,000 (payable 50% in the form of stock options and 50% in the form of restricted stock units); reimbursement of customary and usual travel expenses and continuing director educational expenses; and if first appointed to the CNX Gas Board of directors after January 18, 2006 (the effective date of the CNX Gas Registration Statement on Form S-1), an initial award grant with an aggregate dollar value of \$40,000 (payable in the form of stock options) upon election to the board.

On October 11, 2006, upon the recommendation of CNX Gas compensation committee, the CNX Gas Board approved some changes to the compensation arrangements for CNX Gas non-employee directors, which became effective as of November 1, 2006 on a prospective basis. The changes were as follows: the annual fee for directors other than the non-executive chairman of the CNX Gas Board increased to \$35,000; the annual fee to the CNX Gas audit committee chairman increased to \$10,000; the annual fee paid to each chairman of CNX Gas compensation committee, nominating and corporate governance committee, and finance committee increased to \$5,000; an initial award grant of CNX Gas restricted stock units with an aggregate dollar value of \$60,000 upon election to the CNX Gas Board; and an annual award grant of CNX Gas restricted stock units with an aggregate dollar value of \$70,000. The annual cash fees are paid in quarterly installments to CNX Gas non-employee directors.

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In light of the fact the equity compensation award changes outlined above were under review at the time of appointment of Mr. Williams to the CNX Gas Board, the CNX Gas Board approved the grant to Mr. Williams of an additional option to purchase CNX Gas common stock with an aggregate dollar value of \$20,000 (using a Black-Scholes value determined as of the grant date of such option) under CNX Gas Equity Incentive Plan, in consideration for his service as a director.

CNX Gas Stock Options

The exercise price per share of each nonqualified stock option award granted to a CNX Gas director is the fair market value of CNX Gas common stock on the grant date. Options vest and become exercisable in one-third increments on each of the first three anniversaries of the grant date. Subject to the provisions of the particular nonqualified stock option agreement and CNX Gas Equity Incentive Plan, the holder of the option may exercise all or any part of the vested portion of the option at any time prior to the tenth anniversary of the grant date. See *CNX Gas Equity Award Agreements* section of this proxy statement for a discussion of the effects of termination and change in control on the CNX Gas nonqualified stock options.

CNX Gas Restricted Stock Units

CNX Gas restricted stock unit awards entitle a CNX Gas director to receive shares of CNX Gas common stock in a series of installments over their period of continued service with the CNX Gas. Each unit represents the right to receive one share of common stock following the vesting date of that unit. CNX Gas directors are entitled to three successive equal annual installments upon their completion of each year of continued service with CNX Gas over the 3-year period measured from the award date.

A CNX Gas director is not entitled to shareholder rights until the CNX Gas director becomes the record holder of the shares following their actual issuance. Should a regular cash dividend be declared on CNX Gas common stock at a time when unissued shares of common stock are subject to an award, then the number of shares subject to the award will automatically be increased by an amount determined in accordance with a pre-established formula. The additional shares resulting from this calculation will be subject to the same terms and conditions as the unissued shares of common stock to which they relate under the award. See *CNX Gas Equity Award Agreements* section of this proxy statement for a discussion of the effects of termination and change in control on the CNX Gas restricted stock award units.

CONSOL Energy Stock Ownership Guidelines for Directors

Our Compensation Committee retained outside compensation consultants to assist it with determining whether the Compensation Committee should institute stock ownership guidelines for our directors. The compensation consultants reviewed:

our director ownership levels compared to the director ownership levels of our peers;

market practices concerning stock ownership guidelines; and

our directors' current ownership levels relative to past and projected equity grants.

After a review of the compensation consultants' analyses of our historic equity program relative to our peers, our Board, in October 2005 and upon recommendation of the Compensation Committee, adopted stock ownership guidelines for the Directors to further align their interests with our shareholders and ensure that they maintain an appropriate financial stake in CONSOL Energy. The stock ownership guidelines provide, among other things, that directors hold CONSOL Energy common stock (not including shares issuable upon the exercise of options) equal to five times the annual Board retainer on or before the fifth anniversary of becoming a Board member.

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The following table sets forth information with respect to beneficial ownership of the Corporation's common stock by:

beneficial owners of more than five percent of CONSOL Energy's common stock as of December 31, 2006, based upon information filed with the SEC; and

each director and each nominee for director, each executive officer named in the Summary Compensation Table set forth below, and all directors and executive officers of the Corporation as a group, based on information known to the Corporation as of March 1, 2007.

Amounts shown include options that are currently exercisable or that may become exercisable within 60 days and deferred stock units and restricted stock units which may vest within 60 days. Unless otherwise indicated, the named person has the sole voting and dispositive powers with respect to shares of CONSOL Energy common stock set forth opposite such person's name.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership⁽¹⁾	Percent of Class
Capital Research and Management Company ⁽²⁾ 333 South Hope Street, 55 th Floor Los Angeles, CA 90071	18,651,400	10.2%
FMR Corp ⁽³⁾ 82 Devonshire Street Boston, MA 02109	12,978,613	7.1%
Blackrock Inc. ⁽⁴⁾ 40 East 52 nd Street New York, NY 10022	10,487,073	5.7%
T. Rowe Price Associates, Inc. ⁽⁵⁾ 100 E. Pratt Street Baltimore, MD 21202	9,962,403	5.4%
J. Brett Harvey ⁽⁶⁾⁽⁷⁾	835,201	*
Ronald E. Smith ⁽⁶⁾	467,269	*
Peter B. Lilly ⁽⁶⁾	220,445	*
William J. Lyons ⁽⁶⁾	154,948	*
Nicholas J. DeIuliis ⁽⁶⁾	15,049	*
John Whitmire ⁽⁶⁾⁽⁸⁾	52,737	*
David C. Hardesty, Jr. ⁽⁶⁾	3,778	*
Patricia A. Hammick ⁽⁶⁾	14,752	*
Raj K. Gupta ⁽⁶⁾⁽⁸⁾	15,592	*
William E. Davis ⁽⁶⁾	12,998	*
Joseph T. Williams ⁽⁶⁾	12,998	*
James E. Altmeyer, Sr. ⁽⁶⁾⁽⁹⁾	18,798	*
William P. Powell ⁽⁶⁾	10,998	*
John T. Mills ⁽⁶⁾	17,876	*
All directors and executive officers as a group (17) ⁽⁶⁾	1,909,998	*

* Indicates less than one percent (1%) ownership.

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- (1) As of March 1, 2007, there were 182,166,506 shares of CONSOL Energy common stock outstanding.
- (2) Based on a Schedule 13G/A, filed with the SEC on February 12, 2007. The filing was made by Capital Research and Management Company and the Growth Fund of America, Inc., both of which are investment advisers registered under Section 203 of the Investment Advisers Act of 1940. Capital Research and Management Company is deemed to be the beneficial owner of, and have sole dispositive power with respect to, 18,651,400 shares, and is deemed to have sole voting power with respect to 395,000 shares, as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The Growth Fund of America, Inc., which is advised by Capital Research and Management Company, is the beneficial owner of 10,856,400 shares, for which it also possesses sole voting power.
- (3) Based on a Schedule 13G/A filed by FMR Corp. with the SEC on February 14, 2007. Edward C. Johnson 3d and FMR Corp., through their control of the direct or indirect wholly-owned subsidiaries set forth below, each has sole power to dispose of the shares owned by said entities. Fidelity Management & Research Company, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of 12,698,067 shares. Fidelity Management Trust Company, a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is deemed to be the beneficial owner of 5,700 shares. Edward C. Johnson 3d and FMR Corp. have sole voting power over these shares. Strategic Advisers, Inc., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of 1,360 shares. Pyramis Global Investors, LLC, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of 43,900 shares. Pyramis Global Advisors Trust Company, a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is deemed to be the beneficial owner of 229,586 shares. Edward C. Johnson 3d and FMR Corp. have sole voting power with respect to shares beneficially owned by both Pyramis entities.
- (4) Based on a Schedule 13G filed by Blackrock, Inc on February 13, 2007. BlackRock Inc., as a parent holding company for a number of investment management subsidiaries, is deemed to be the beneficial owner of, and have shared voting and dispositive power with respect to, 10,487,073 shares. The following subsidiaries of BlackRock, Inc. are investment advisors which hold shares of our common stock: BlackRock Advisors LLC, BlackRock Asset Management UK Ltd, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Investment Management LLC, BlackRock (Channel Islands) Ltd, BlackRock Japan Co. Ltd, BlackRock Investment Management UK Ltd and State Street Research & Management Co.
- (5) Based on a Schedule 13G filed by T. Rowe Price Associates, Inc. on February 13, 2007. T. Rowe Price Associates, Inc., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of, and have sole dispositive power with respect to, 9,962,403 shares. T. Rowe Price Associates, Inc. is deemed to have sole voting power with respect to 2,314,300 of the shares.
- (6) Includes shares issuable pursuant to options that are currently exercisable (or may become exercisable on or before May 1, 2007) as follows: Mr. Harvey, 741,727; Mr. Smith, 440,461; Mr. Lilly, 197,252; Mr. Lyons, 138,634; Mr. DeIuliis, 15,040; Mr. Whitmire, 19,154; Ms. Hammick, 6,666; Mr. Williams, 6,998; Mr. Altmeyer, 9,666; Mr. Davis, 6,998; Mr. Powell, 6,998; Mr. Gupta, 6,998; Mr. Mills 1,876; Mr. Hardesty 1,702, and for all directors and executive officers as a group, 1,650,870.

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- (7) Includes 2,000 shares of common stock owned by Mr. Harvey's spouse. Mr. Harvey disclaims beneficial ownership of such shares, and the inclusion of such shares shall not be an admission that the reporting person is the beneficial owner for purposes of Section 16 under the Securities Exchange Act of 1934.
- (8) Includes 5,143 and 2,310 deferred stock units held by Messrs. Whitmire and Gupta, respectively.
- (9) Includes 1,600 shares of common stock held in a trust established for the benefit of Mr. Altmeyer's spouse. Mr. Altmeyer disclaims beneficial ownership of such shares, and the inclusion of such shares shall not be an admission that the reporting person is the beneficial owner for purposes of Section 16 under the Securities Exchange Act of 1934.

Brokerage account agreements may grant security interests in securities held at the broker to secure payment and performance obligations of the brokerage account holder in the ordinary course. Shares shown in the table for the directors and executive officers may be subject to this type of security interest.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

CONSOL Energy's directors and its executive officers are required under Section 16(a) of the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership of CONSOL Energy common stock with the SEC and the New York Stock Exchange. Based upon a review of filings with the SEC, written representations that no other reports were required, and on CONSOL Energy's records, CONSOL Energy believes that during 2006, all Section 16(a) filing requirements applicable to its executive officers and directors were complied with, except for the following: J. Brett Harvey filed an amended Form 4 on April 3, 2006, to correct the total number of shares reportable under a Form 4 filed February 28, 2006; and Raj Gupta filed an untimely Form 4 on June 27, 2006 reporting deferred stock units and restricted stock units accrued for shares acquired through IRA accounts with automatic dividend reinvestment features.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

The nominees for election as directors are identified as follows. Each director holds office until the next annual election of directors at the Annual Meeting and until the director's successor is elected and qualified. All nominees are current members of the Board. If any nominee should for any reason become unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may designate following recommendation by the Nominating and Corporate Governance Committee, or the Board may reduce the number of directors to eliminate the vacancy. The following contains information concerning the nominees, including their recent employment, positions with CONSOL Energy, other directorships, and age as of March 27, 2007.

Biographies of Directors

John Whitmire

Chairman of the Board, age 66

John Whitmire has served as Chairman of the Board of CONSOL Energy since March 3, 1999. Mr. Whitmire currently serves *ex officio* on the Audit, Compensation, Finance and Nominating and Corporate Governance Committees. Mr. Whitmire is also a director of Global Santa Fe Corporation and El Paso Corporation, both New York Stock Exchange listed companies. Prior to his election, Mr. Whitmire was the chairman of the board and chief executive officer of Union Texas Petroleum Holdings, Inc.

J. Brett Harvey

President, Chief Executive Officer and Director, age 56

J. Brett Harvey has been President and Chief Executive Officer and a director of CONSOL Energy since January 1998. He has been a director of CNX Gas since June 30, 2005, the date of its formation and serves as a member of its compensation and nominating and corporate governance committees. Mr. Harvey is a member of the board of directors of the Bituminous Coal Operators' Association and a member of the executive committee and the board of the Center for Energy & Economic Development, and in December 2005, Mr. Harvey was elected to the board of directors of Barrick Gold Corporation, a company listed on the New York Stock Exchange and the Toronto Stock Exchange.

James E. Altmeyer, Sr.

Director, age 68

James E. Altmeyer, Sr. has been a director of CONSOL Energy since November 2003 and a director of CNX Gas since June 30, 2005, the date of its formation. He currently serves as a member of the Audit and Compensation Committees of CONSOL Energy. He also serves as chairman of the compensation committee and as a member of the audit and compensation committees of CNX Gas. Mr. Altmeyer was President and Chief Executive Officer of Altmeyer Funeral Homes, Inc. of West Virginia, Ohio, and Virginia from 1972 through 2007, and is currently the Chairman. Since 1987, Mr. Altmeyer has served on the board of directors of WesBanco, Inc., a Nasdaq listed multi-state bank holding company with offices in Pennsylvania, West Virginia and Ohio, and currently serves on its audit committee.

William E. Davis

Director, age 65

William E. Davis joined the Board in January 2004. He currently serves as Chairman of the Nominating and Corporate Governance Committee and as a member of the Audit Committee. Mr. Davis has been a director of Abitibi Consolidated Inc., a New York Stock Exchange and Toronto Stock Exchange listed company, since April 2003. Mr. Davis was the Chairman of the Board of Directors and Chief Executive Officer of Niagara Mohawk Power Corporation, an electricity and natural gas utility located in upstate New York from May 1993 to February 2002. Following the sale of Niagara Mohawk in February 2002 and until his retirement in April 2003, Mr. Davis served as Chairman of National Grid USA and as an executive director of National Grid (UK).

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Raj K. Gupta

Director, age 64

Raj K. Gupta has been a director of CONSOL Energy since February 2004 and a director of CNX Gas since June 30, 2005, the date of its formation. He currently serves as Chairman of the Audit Committee and as a member of the Finance Committee. He also serves as chairman of the finance committee and as a member of the audit committee of CNX Gas. Mr. Gupta currently works as an independent management consultant. Mr. Gupta held various management positions since 1965-2000 with Phillips Petroleum Company, an International integrated oil and gas company now part of ConocoPhillips, including Vice President of Strategic Planning, managing growth and globalization efforts in South America, China, the middle East and the former Soviet Union.

Patricia A. Hammick

Director, age 60

Patricia A. Hammick has served on the Board since June 2001. She currently serves on the Nominating and Corporate Governance and Compensation Committees. Mrs. Hammick is currently lead independent director of Dynegy, Inc., an independent power producer and a New York Stock Exchange listed company. Since January 2007, she has also been a director of SNC Lavalin Group, Inc. (SNC), a company engaged in engineering and construction, infrastructure ownership and management, and facilities and operations management, which is listed on the Toronto Stock Exchange. She serves as a member of SNC's audit and health, safety & environment committees. She is also a member of the National Association of Corporate Directors and was an adjunct professor in graduate studies at The George Washington University from 2001-2003.

David C. Hardesty, Jr.

Director, age 61

David C. Hardesty, Jr. joined the Board in October 2005. He currently serves as a member of the Nominating and Corporate Governance and Finance Committees. Mr. Hardesty has been President of West Virginia University (WVU) since 1995. In addition, Mr. Hardesty serves as the permanent chair of WVU's affiliated research corporation, teaching hospital and the hospital's parent health care system of hospitals. Prior to his career in academia, Mr. Hardesty was a partner in the law firm of Bowles Rice McDavid Graff & Love in Charleston, West Virginia, where he specialized in state and local taxation, corporate and banking law and administrative law. He currently serves on the National Security Higher Education Advisory Board.

John T. Mills

Director, age 59

John T. Mills joined the Board in March 2006. Mr. Mills currently serves as a member of the Audit and the Compensation Committees. Mr. Mills was the Chief Financial Officer of Marathon Oil Corporation from January 2002 until his retirement in December 2003. Since September 2004, Mr. Mills has served as the Chairman of the Board of Directors of Horizon Offshore, Inc., a marine construction company listed on the Nasdaq National Market and headquartered in Houston, Texas.

William P. Powell

Director, age 51

William P. Powell has served on the Board since January 2004. He currently serves as Chairman of the Compensation Committee and as a member of the Finance Committee. Mr. Powell has been a managing director of Williams Street Advisors, a New York City-based merchant banking boutique since May 2001. Mr. Powell has been a director of Cytec Industries, a New York Stock Exchange listed company, where he chairs the governance committee and has served on the audit committee since 1993. Mr. Powell has also served on the board of directors of International Executive Service Corp since 1999.

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Joseph T. Williams

Director, age 69

Joseph T. Williams has been a director of CONSOL Energy since January 2004 and a director of CNX Gas since July 10, 2006. He currently serves as Chairman of the Finance Committee and a member of the Nominating and Corporate Governance Committee. He also serves as a member of the nominating and corporate governance committee and finance committee of CNX Gas. Mr. Williams is a retired oil and natural gas industry executive who has held positions as chairman or Chief Executive Officer or both for NASDAQ, American, and New York Stock Exchange listed companies.

Certain Relationships and Related Party Transactions

Our Audit Committee's charter was recently amended to provide that the Audit Committee must review, and, if appropriate, approve or ratify all transactions between us (including our subsidiaries, other than our public subsidiary, CNX Gas Corporation, and its subsidiaries) and any related persons that are required to be reported under the SEC's related regulation (Regulation S-K, Item 404). Our Audit Committee recently adopted a written Related Party Policy and Procedures for the review and approval or ratification of related party transactions with directors, nominees for director and executive officers. A copy of the policy is available on our website at www.consolenergy.com. Under the policy, prior to entering into a related person transaction, a director, nominee or executive officer is to notify our chief financial officer and general counsel of the material facts regarding it. If our chief financial officer and general counsel determine that the proposed transaction is a related person transaction, it is presented to our Audit Committee (or if it is not practicable or desirable to wait until the next Audit Committee meeting, to the chairman of the Audit Committee) for approval. The Audit Committee will consider all relevant facts and circumstances including the terms of the transaction and terms that would be available to unrelated parties, the benefits to us, and, if it involves an independent director, any impact on independence. The Audit Committee will also inform our Nominating and Corporate Governance Committee of any related party transactions involving directors or nominees. Since the SEC's related party regulation also applies to directors and executive officers family members as well as entities in which they may be deemed to have an indirect material interest, it is possible that related person transactions could occur without a director or executive officer being aware of them and bringing them to us for approval. When we become aware of a related person transaction that has not been previously approved, the policy provides that it will be presented to our Audit Committee for ratification or other action. The policy also provides that our Audit Committee will review on an annual basis ongoing related person transactions having a remaining term of more than six months or a remaining amount in excess of \$120,000. The transactions referred to above that were described in *Compensation Committee Interlocks and Insider Participation* were ratified under this policy. We also require that officers and directors complete director and officer questionnaires annually and that they adhere to written codes of business conduct and ethics regarding various topics including conflicts of interest, loans from the Company, the receipt of gifts, service in outside organizations, political activity and corporate opportunities; officers and directors certify compliance with these codes in writing each year. With respect to CNX Gas, its audit committee's charter deals with its review, and, if appropriate, approval or ratification of transactions between it (including its subsidiaries) and related persons that are required to be reported by it under the SEC's related party regulation.

For a description of relationships and related transactions, see *Compensation Committee Interlocks and Insider Participation* section of this proxy statement.

Determination of Director Independence

Our Board is required under the New York Stock Exchange rules to affirmatively determine the independence of each director and to disclose this determination in the proxy statement for each annual meeting of shareholders of CONSOL Energy. Based on the independence standards set forth in our Corporate Governance Guidelines which are described below, our Board at its meeting held on February 20, 2007, determined that all non-employee directors (*i.e.*, all directors except J. Brett Harvey) had no material relationship with CONSOL Energy (either

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directly or indirectly, including as a partner, shareholder, or officer of an organization that has a relationship with CONSOL Energy) and are independent under our Corporate Governance Guidelines and the corporate governance rules of the New York Stock Exchange codified in Section 303A of the NYSE Listed Company Manual. The Board considered the transactions described in *Compensation Committee Interlocks and Insider Participation* section of this proxy statement with respect to Messrs. Hardesty and Altmeyer. The Board approved Mr. Hardesty stepping down as a member of the Corporation's Compensation Committee, and becoming a member of the Corporation's Nominating and Corporate Governance Committee. In addition, each member of the Audit Committee meets the heightened independence standards required for audit committee members under the NSYE listing standards.

The Board established the following standards for determining director independence in our Corporate Governance Guidelines, which are available on the Corporate Governance section of the Corporation's website at www.consolenergy.com.

A director will not be deemed independent if:

- (i) the director is, or has been within the previous three years, employed by CONSOL Energy, or an immediate family member is, or has been within the previous three years, an executive officer of CONSOL Energy; provided, that employment as an interim Chairman or CEO or other executive officer shall not disqualify a director from being considered independent following that employment;
- (ii) the director or an immediate family member has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from CONSOL Energy, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, that compensation received by a director for former service as an interim Chairman or CEO or other executive officer need not be considered in determining independence under this paragraph (ii) and provided, further, that compensation received by an immediate family member for service as an employee of CONSOL Energy (other than an executive officer) need not be considered in determining independence under this paragraph (ii);
- (iii) (A) the director or an immediate family member is a current partner of the firm that is CONSOL Energy's internal auditor or external auditor (each an Audit Firm); (B) the director is a current employee of an Audit Firm; (C) the director has an immediate family member who is a current employee of an Audit Firm and who participates in such Audit Firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was, within the previous three years (but is no longer), a partner or employee of an Audit Firm and personally worked on CONSOL Energy's audit within that time;
- (iv) the director or an immediate family member is, or has been within the previous three years, employed as an executive officer of another company where any of CONSOL Energy's present executive officers at the same time serves or served on such company's compensation (or equivalent) committee of the board of directors; or
- (v) the director is a current employee, or an immediate family member is an executive officer, of a company that has made payments to, or received payments from, CONSOL Energy for property or services in an amount which, in any of the previous three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues. For purposes of the foregoing, both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year; and
- (vi) for members of the audit committee only: other than in the capacity as a member of the audit committee, the Board, or any other committee of the Board, the director (A) does not accept, directly or indirectly, any consulting, advisory, or other compensatory fee from CONSOL Energy, provided that compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with CONSOL Energy (provided that such

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compensation is not contingent in any way on continued service), or (B) is not an affiliated person of CONSOL Energy.

Immediate family members of a director are the director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who share such person's home. When applying the look-back period referenced in clauses (i) - (v) above, directors need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

Executive Officer has the meaning specified for the term officer in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

Any related person transaction required to be disclosed under SEC Regulation S-K, Item 404, shall be considered in determining the independence of a director or nominee.

Required Vote

As more fully set forth in Section 2.9 of CONSOL Energy's Second Amended and Restated Bylaws, the affirmative vote of a plurality of the votes cast at the Annual Meeting shall elect directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR

THE ABOVE-NAMED NOMINEES FOR THE BOARD OF DIRECTORS.

EXECUTIVE COMPENSATION AND STOCK OPTION INFORMATION

COMPENSATION DISCUSSION AND ANALYSIS

One of the primary objectives of our Compensation Committee is to attract and retain talented individuals to manage and lead CONSOL Energy. Accordingly, our Compensation Committee is responsible for determining the compensation of our executive officers, and in the case of our Chief Executive Officer, recommending his compensation to the independent members of the Board for final approval.

The five individuals identified in the Summary Compensation Table of this proxy statement comprise our named executives. Three of our named executives are employees of CONSOL Energy and two of our named executives are employees of CONSOL Energy's publicly-traded subsidiary - CNX Gas. The three employees of CONSOL Energy include our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, and their compensation is determined by our Compensation Committee (as described above). The two employees of CNX Gas include its Chief Executive Officer and the Chief Operating Officer, and their compensation is determined by the compensation committee of the CNX Gas Board, except that the independent members of the CNX Gas Board must approve, upon recommendation of its compensation committee, the compensation of its Chief Executive Officer.

The following Compensation Discussion and Analysis describes the material elements of CONSOL Energy's compensation programs for the three named executives who are CONSOL Energy employees and not the two named executives who are CNX Gas employees. For informational purposes only, please refer to the CNX Gas proxy statement filed in March 2007 regarding details of the CNX Gas compensation programs.

Objectives of Our Executive Compensation Program

We believe that the quality, skills and dedication of our named executives are critical factors affecting the long-term value of CONSOL Energy. The objectives of our compensation program are as follows:

promote the achievement by CONSOL Energy of annual and long-term performance objectives;

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provide incentives for our named executives to achieve performance goals;

reward our named executives for the achievement of performance goals;

align our named executives' interests with CONSOL Energy's and its shareholders' success; and

provide compensation opportunities that will attract and retain superior executive personnel who will make significant contributions to CONSOL Energy's short-term and long-term success.

In 2006, it was the philosophy of our Board generally to set base salary and the annual incentive awards at the median range of salaries and bonuses paid by a selected peer group of companies. Through the use of long-term compensation, such as equity, executive officers have the opportunity to receive total compensation, including base salary, annual incentive awards and long-term incentives, at the top quartile of the same peer group of companies if performance warrants such a payout.

In February 2007, the Compensation Committee and the Board modified the Corporation's philosophy regarding executive compensation in order to more accurately depict the Compensation Committee's pay-for-performance philosophy and document the multiple factors considered in establishing compensation levels. The Compensation Committee relies on its own judgment in setting each executive officer's compensation and not on any rigid guidelines or formula. Key factors affecting the Compensation Committee's compensation judgments include:

the nature and scope of an executive's responsibilities;

an executive officer's performance (including contribution to CONSOL Energy's financial results); and

an outside compensation consultant's report(s) on survey and/or proxy data for compensation paid to executives with similar responsibilities in other companies.

Elements of Our Executive Compensation Program

The Compensation Committee seeks to achieve the objectives referenced above through the following elements of our 2006 executive compensation program:

Base salary

Cash compensation under the Short-Term Incentive Compensation Plan

(which we call the "Short-Term Plan")

Equity compensation under the Equity Incentive Plan

- Restricted Stock Units
- Options

Retirement benefits

- Employee Retirement Plan (which we call the "Pension Plan")

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- Retirement Restoration Plan (which we call the Restoration Plan)
- Supplemental Retirement Plan (which we call the SERP)

Other post-employment compensation

- Employment Agreements
- Change in Control Agreements
- Severance Pay Plan

Perquisites

Role of Outside Compensation Consultants

The Compensation Committee has engaged outside compensation consulting firms to assist it with the development of our compensation program, and these consultants, whether engaged by the Compensation Committee or management, work for the Compensation Committee in coordination with management.

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The Compensation Committee looks to the outside compensation consultants to review the elements of our compensation program and recommend any modifications thereto, including the appropriate mix of short-term and long-term incentives, based on the consultants' review of the market practices of a peer group of companies (which are selected by the consultant and after discussions with the Compensation Committee and management, approved by the Compensation Committee). The Compensation Committee also uses the compensation consultants' benchmarking studies to determine the market pay practices of similarly-situated executives to our named executives in the peer group. The Compensation Committee's policy is to use the data prepared and presented by the outside compensation consultants as a reference point. Actual compensation may be higher or lower than the compensation for executives in similar positions at comparable companies.

Prior to June 2006, the peer group used, for benchmarking purposes, was composed of 21 coal mining and other mining and energy companies:

Allegheny Energy Inc.	Commercial Metals Co.
Ameren Corp.	Equitable Resources Inc.
American Electric Power	Foundation Coal Holdings Inc.
Anadarko Petroleum Corp.	Freeport-McMoRan Copper & Gold Inc.
Apache Corp.	Kerr-McGee Corp.
Arch Coal Inc.	Massey Energy Co.
Barrick Gold Corp.	Newmont Mining Corp.
BJ Services Co.	Peabody Energy Corp.
Burlington Resources Inc.	Phelps Dodge Corp.
Cleveland-Cliffs Inc.	USG Corp.
	Vulcan Materials Co.

The Compensation Committee requested that the consultants assess the competitiveness of compensation delivered to the named executives by each element of what we refer to as "Total Direct Compensation" - salary, short-term cash incentive compensation and long-term equity incentive compensation. In May 2006, this peer group served as a guide to establishing and approving compensation for the named executives.

In June 2006, the Compensation Committee, after discussions with the outside compensation consultants, modified the peer group to include 12 companies that are more closely aligned with CONSOL Energy relative to customer base, labor market and capital resources (which we collectively refer to as the "Compensation Study Peer Group"):

Allegheny Energy Inc.	Foundation Coal Holdings Inc.
Alpha Natural Resources, Inc.	Kerr-McGee Corp.
Apache Corp.	Massey Energy Co.
Arch Coal Inc.	Peabody Energy Corp.
Barrick Gold Corp.	Teco Energy Inc.
Equitable Resources Inc.	Vectren Corp.

The Compensation Committee analyzed proxy statement data of the above companies based on pay rank and functional job match to our named executives, and survey data for all positions in the study.

In 2007, the outside compensation consultants indicated that Kerr-McGee Corp. would be removed from the Compensation Study Peer Group for purposes of analyzing 2007 market data since it merged with Anadarko Petroleum in 2006 and is no longer analogous to CONSOL Energy.

Considerations of the Compensation Committee

To establish compensation for a particular executive officer, the Corporation's human resources personnel make an initial assessment and submit it to our Chief Executive Officer for further review (except in the case of the

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Chief Executive Officer's compensation). This assessment considers (among other things) relevant industry salary practices, the position's complexity and level of responsibility, its importance to us in relation to other executive positions, and the competitiveness of an executive officer's total compensation. Our Chief Executive Officer makes appropriate changes to this assessment based on his determination of such named executive's past performance. The Compensation Committee then reviews:

our Chief Executive Officer's compensation recommendations;

our Chief Executive Officer's evaluation of each named executive's performance; and

the benchmarking studies compiled by the outside compensation consultants for market context.

From this information, the Compensation Committee approves, in consultation with the outside compensation consultant and the Chief Executive Officer, the amount of each executive officer's annual base salary, bonus and long-term incentive compensation.

To establish compensation for our Chief Executive Officer, the Compensation Committee reviews:

the benchmarking study and compensation recommendation compiled by the outside compensation consultant; and

the Chief Executive Officer's self-evaluation of his performance in light of the prior year's goals and objectives.

Based on this information, the Compensation Committee recommends, and the independent members of the Board approve, his salary, bonus and long-term incentive compensation.

The Compensation Committee's current intent is to perform at least annually a strategic review of our named executives' overall compensation packages to determine whether they provide adequate incentives and motivation and whether they adequately compensate our executive officers relative to comparable officers in other companies with which we compete for executives. Our Compensation Committee's most recent overall compensation review occurred in February 2007. Our Chief Executive Officer and our Chief Financial Officer typically attend all or a portion of the Compensation Committee meetings. However, the named executives are not present during that portion of the meeting in which their compensation is approved.

Base Salary

The objectives of base salary are to provide fixed compensation necessary to attract and retain key executives and to offset the cyclicalities in our business that may impact variable pay year-to-year. Factors considered in establishing base salaries include competitiveness with external market data, internal worth and value assigned to the named executive's role and responsibilities at CONSOL, and individual executive skill and performance.

The Compensation Committee determined the base salaries of our named executives in May 2006 after the 2005 proxy data became available for CONSOL Energy's peer companies. The Compensation Committee recommended, and the independent members of the Board approved, an annual base salary of \$978,000 for our Chief Executive Officer. Further, the Compensation Committee approved annual base salaries of \$429,000 for our Chief Financial Officer and \$550,000 for our Chief Operating Officer. The salaries approved for 2007 for these named executives are materially consistent with those approved for 2006.

Short-Term Incentive Cash Compensation

We designed the Short-Term Plan to deliver greater cash awards when CONSOL Energy and the employees are successful in achieving established targets and pays less when CONSOL Energy and/or the employee falls short of these targets. The Short-Term Plan is also designed to give the Compensation Committee, or in the case of our Chief Executive Officer, the Board, the flexibility and discretion to make annual incentive awards that are

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comparable to those found in the marketplace in which CONSOL Energy competes for executive and other employee talent when warranted based on performance.

To be eligible for an annual award, the named executive must be an active, full-time, employee on December 31, have worked for at least three months of that same year and be an active employee on the date the annual award is distributed unless the named executive is an early, normal, or incapacity retiree then the named executive must only be an active full time employee on December 31.

The Short-Term Plan provides annual awards to our named executives (and other eligible employees) who receive cash payments in the event first, CONSOL Energy achieves a minimum net income threshold and second, the individual and/or CONSOL Energy performance targets are achieved for the applicable year. The Compensation Committee sets a minimum net income threshold for CONSOL Energy and, for 2006, the minimum net income threshold was set at \$80 million. The minimum net income threshold for CONSOL Energy is based upon an annual budget developed by management which, after discussion and review with management, the Finance Committee of the Board and the Board approve. Subject to CONSOL Energy achieving the net income threshold described above, the award amounts to be paid under the Short-Term Plan are approved by the Board, in the case of our Chief Executive Officer, and by the Compensation Committee in consultation with our Chief Executive Officer, in the case of the other named executives. These amounts are based on the following formula:

Base Salary	x Opportunity	x Annual Incentive	= Annual Award
As of December 31 for	Percentage	Compensation Factor	Payment
the most recent fiscal			

year-end

The incentive compensation opportunity percentage is job-grade specific and expressed as a percentage of base salary. The Opportunity Percentage is a market-based target which is established for each participant's position by the independent members of the Board, in the case of our Chief Executive Officer, and by the Compensation Committee, after consultation with the Chief Executive Officer, in the case of the other named executives. For 2006, these targets were set at 100%, 65%, and 65% for each of our Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer, respectively.

The Annual Incentive Compensation Award Factor is a two-part formula: (i) the individual performance target and (ii) the CONSOL Energy performance target. We measure each one independently such that if one target is not achieved, an opportunity exists for the other target to be achieved and result in an annual award payment. The scores may range from 70-200% for each target, with a 100% score indicating achievement of a target and a higher score (up to 200%) indicating that the target was exceeded. If the minimum score of 70% is not reached for a target, a score of zero will be recorded for that target.

For 2006, our Chief Executive Officer listed the following as his chief performance goals and objectives:

improving safety by decreasing the incidents per hour worked;

negotiating a mutually satisfactory long term commitment with the United Mine Workers of America (the UMWA);

achieving CONSOL Energy's profit objective targets and other efficiencies in the use of capital (all of which were derived directly from the Board approved plan for the year); and

developing a detailed workforce succession plan.

When these performance targets were established, the Compensation Committee believed that it was reasonably likely that such targets would be met. In February 2007, the Compensation Committee and the independent members of the Board reviewed and evaluated the Chief Executive

Officer's self-assessment in light of his stated goals and objectives and agreed to a performance score that was above target.

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In the case of our Chief Financial Officer and Chief Operating Officer, their individual performance targets were based on position-specific target goals developed by our Chief Executive Officer. In February 2007, our Chief Executive Officer reviewed and discussed with the Compensation Committee his assessment of the Chief Financial Officer's and the Chief Operating Officer's performances in 2006 relative to their goals. Our Compensation Committee then agreed to performance scores for our named executives that were above target.

In 2006, the CONSOL Energy performance target was based on the profit objective net income. The net income profit objective is derived directly from the Board approved plan for the year. When this target was established, the Compensation Committee believed that it was reasonably likely that such target would be met.

In May 2006, the following 2006 potential payouts under the Short-Term Plan were determined by the Compensation Committee (and the independent members of the Board with respect to the Chief Executive Officer) for each named executive: \$978,000 for our Chief Executive Officer, \$278,850 for our Chief Financial Officer and \$357,500 for our Chief Operating Officer. These amounts were established, in part, based on the Compensation Committee's review of the 2005 proxy data of CONSOL Energy's peers and the recommendations of the outside compensation consultants. In February 2007, the Compensation Committee approved short-term incentive compensation awards for individuals, including named executives. The Compensation Committee authorized the payment of annual incentive (i.e., bonus) awards to Messrs. Harvey, Lyons and Lilly, which are set forth in the *Summary Compensation Table*.

The Short-Term Plan is administered by the Compensation Committee. J. Brett Harvey, as President and Chief Executive Officer of the Corporation, with the assistance of the Vice President of Human Resources and staff, perform administrative functions, determine award amounts for non-executives and make recommendations to the Compensation Committee. The Compensation Committee considers and approves all awards to named executives.

Long-Term Incentive Equity Compensation

The objectives of our long-term incentive compensation program are, among other things, to:

attract and retain our employees;

motivate our employees by means of performance-related incentives to achieve long-range performance goals; and

enable our employees to participate in the long-term growth and financial success of CONSOL Energy, its shareholders and other stakeholders.

Options and Restricted Stock Units

To achieve the long-term incentive objectives described above, the Compensation Committee, who has the authority to administer the Equity Incentive Plan, makes annual awards of non-qualified options to purchase our common stock and restricted stock units (along with associated dividend equivalent rights that automatically increase an award in the event the Corporation declares a cash dividend) to our named executives. These stock option and restricted stock unit awards vest ratably over a four-year period in order to enhance our retention objective. In February 2007, the Compensation Committee modified the vesting period from a four-year period to a three-year period to ensure consistency with the administration of all of CONSOL Energy's long-term equity incentive awards.

Other material terms of the awards also help us achieve the above-described objectives. The stock option and restricted stock unit awards provide that, upon a change in control, the unvested portion of the awards will vest. In the event of potential change in control transaction, this provision will accomplish the following:

motivate executives to take actions that are in the best interests of CONSOL Energy and its shareholders; and

reduce the distraction regarding the impact of such a transaction on the personal situation of the executives.

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Additionally, our award agreements contain confidentiality provisions, and two-year non-competition and non-solicitation provisions, which protect our business (e.g., by causing a forfeiture of awards if a named executive violates these covenants). See the *Equity Award Agreements* section of this proxy statement for a more detailed description of the restrictive covenant provision for options and restricted stock unit awards and the effects of employment termination or a change in control.

We base the exercise price of our option awards on the closing market price of CONSOL Energy's common stock on the grant date, and the number of shares issuable upon the exercise of such options is determined by use of a Black-Scholes formula developed by an outside compensation consultant. The term of the option may not exceed ten years from the grant date.

In 2006, the Compensation Committee chose to allocate the value of the annual equity awards fifty percent (50%) in options to purchase CONSOL Energy's common stock and fifty percent (50%) in restricted stock units. The Compensation Committee believes that combined grants of stock options and restricted stock units will provide a balance for our named executives between risk and potential reward consistent with the Compensation Committee's review of market trends of our peers, which generally use a mix of restricted stock or units, stock options and performance shares/units.

For information regarding the value and number of non-qualified stock options and restricted stock unit awards granted to our named executives in 2006, see the *Summary Compensation Table* and the *Grants of Plan-Based Awards Table* in this proxy statement.

Historically, equity awards were granted at the time of our annual shareholders meeting. However, starting in 2007, the Compensation Committee has determined to change the timing of CONSOL Energy's annual equity awards. The Compensation Committee has decided that the timing of these awards should occur closer to the end of the year in which performance occurred, and therefore, such awards will be granted (when and as appropriate) at the first regularly scheduled Compensation Committee and Board meetings in which comprehensive compensation packages are approved. By doing so, equity awards will be more closely timed with the review of performance that is conducted for each named executive. The equity awards approved for 2007 for these named executives are materially consistent in value with the awards approved for 2006. However, the mix of equity now includes LTIP units (as described below).

Variable Long-Term Incentive Compensation Award for Chief Executive Officer.

The purpose of the Variable Long-Term Incentive Compensation Award (which we call the LTIC) is to reward superior results if our Chief Executive Officer achieves key performance goals. In 2005, the Compensation Committee developed a variable long-term incentive compensation award, which was payable in stock options and restricted stock units in 2006 to our Chief Executive Officer, if he attained specified performance goals in 2005. The payout of this award is included in the *Summary Compensation Table* and the *Grants of Plan-Based Awards Table* of this proxy statement.

The Compensation Committee retained outside compensation consultants to assist in the Compensation Committee's assessment of whether a similar compensatory award should be made to our Chief Executive Officer in 2006. In June 2006, the Compensation Committee reviewed a peer group study prepared by the outside compensation consultants. After a review and several discussions of that study, the Compensation Committee determined that the LTIC should be adopted as an incentive tool for 2006 performance on the part of our Chief Executive Officer. Based on the review of recommendations made to the Compensation Committee by the outside compensation consultant, the independent members of the Board, upon recommendation of the Compensation Committee, granted our Chief Executive Officer an opportunity to receive LTIC in an amount not to exceed \$1,000,000 (payable in options and restricted stock units of equal dollar value) for his 2006 performance. Additionally, the Board reserved the discretion to grant all or any portion of the award if any or none of the performance goals were achieved during the performance period. The determination of whether any performance goal has been achieved, and any portion of the equity award earned, will be made by the Board, which determination is final, binding and conclusive.

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The LTIC performance goals for the year ended December 31, 2006 were as follows:

improving safety by decreasing incident rates per 200,000 man hours;

developing a more detailed succession plan for key positions;

negotiating a mutually satisfactory long-term agreement with the UMWA;

attaining operating cash flow consistent with the profit objective previously approved by the Board; and

achieving total shareholder return with dividend reinvestment being at a specified percentile of our peers.

When these goals were established, the Compensation Committee believed that it was reasonably likely that such goals would be met. If at the time of the performance review of the Chief Executive Officer, the independent members of our Board determined that our Chief Executive Officer achieved any of the above-described performance goals during the performance period, he would be entitled to a pro rata portion of the award. Additionally, our Board reserved the discretion to grant all or any portion of the award if any or none of the performance goals were achieved during the performance period.

In February 2007, the independent members of our Board, upon the recommendation of the Compensation Committee, determined that our Chief Executive Officer had successfully achieved the following targets:

improving safety by decreasing the incident rate and severity rate relative to 2005;

developing a more detailed succession plan for key employees;

negotiating a mutually satisfactory long-term agreement with the UMWA; and

achieving total shareholder return with dividend reinvestment being at a specified percentile of our peers in the coal industry.

Although the target relative to attaining operating cash flow was not met, the independent members of our Board still granted a portion of the award corresponding to this target as there were certain legitimate business reasons (including but not limited to stock option accounting reclassification) for not obtaining the target. The aggregate LTIC award earned by Mr. Harvey amounted to \$960,000, based on his achievement of the above-referenced performance targets. In light of the foregoing, the independent members of our Board granted to our Chief Executive Officer an option to purchase 41,163 shares of CONSOL Energy common stock and 13,773 restricted stock units.

These options and restricted stock units were granted under our Equity Incentive Plan, and are subject to the terms and conditions, including vesting restrictions, contained in the Corporation's standard nonqualified stock option agreement and restricted stock unit award agreement, which are discussed above. Options were valued using the Black-Scholes option valuation methodology. The exercise price of any options and the value of any shares underlying restricted stock units issued in satisfaction of the equity award were based on the fair market value of the our common stock on the grant date as provided under the terms of our Equity Incentive Plan.

Long-Term Incentive Performance Program.

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In February 2007, the Compensation Committee determined that CONSOL Energy's long-term incentive compensation program should further align itself with the interests of shareholders in addition to linking executive compensation more closely with CONSOL Energy's financial performance (consistent with market trends of moving away from stock options in favor of performance-based long-term incentive plans). In furtherance of this principle, the Compensation Committee implemented a long-term incentive performance program (which we call the LTIP). With respect to total long-term incentive compensation, the Compensation Committee determined that target long-term incentive expected value would be derived 1/3 from stock options, 1/3 from restricted stock units and 1/3 from the LTIP (assuming target performance is achieved).

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The Compensation Committee retained outside compensation consultants to assist it in designing an LTIP that would address the Compensation Committee's objectives. In connection with developing the LTIP, the outside compensation consultants provided the Compensation Committee with general energy sector compensation data from published compensation surveys and proxy data of the Compensation Study Peer Group. The data reflected the use of different long-term incentive programs and the pay magnitude in terms of both target opportunity and actual payouts. Among the Compensation Study Peer Group, CONSOL Energy ranked fifth in terms of market capitalization (as of April 2006) and fourth in terms of revenues (based on 2005 revenue).

The LTIP, as approved by the Board upon recommendation of the Compensation Committee, provides each named executive and the other executives with a number of performance share units, including dividend rights (hereinafter referred to as "units"). The number of units is equal to the target cash value of the award as so determined for an executive, divided by the average closing price of a share of CONSOL Energy's common stock on the grant date. The units represent a contingent right to receive one share of CONSOL Energy common stock to the extent such unit is earned and becomes payable pursuant to the terms of the LTIP. The total number of units ultimately earned, if any, by a named executive will be based on the following criteria (each weighted equally) over a three-year performance period:

total shareholder return (that is, stock price appreciation/depreciation plus the compounding effect of reinvested dividends) compared to the companies in the Shareholder Return Peer Group (defined below); and

CONSOL Energy's cumulative EBITDA.

As implemented, the LTIP provides a more significant compensation opportunity for superior performance - that is, participants have the opportunity to earn up to 200% of their target award if total shareholder return and EBITDA exceed a maximum performance threshold. Conversely, if performance is below a minimum performance threshold, no award will be paid at the end of the performance period. When threshold, target and maximum performance goals were established, the Compensation Committee believed that it was reasonably likely that such goals would be met at target levels.

The performance share unit award agreements include a change in control provision which provides that in the event of a change in control of CONSOL Energy, the units will accelerate their vesting to target. The value of these awards will be determined as of the closing date of the transaction with the closing date of such transaction being deemed the last day of the performance period and performance calculated on that date as if the target levels had been achieved in accordance with the LTIP's formula. In addition to the rationale utilized in the event of a change in control relative to stock option and restricted stock awards (as described above), the Compensation Committee approved this term so that if management created value for the shareholders in connection with a change in control transaction, the named executives would also participate and be rewarded for creating that value as contemplated by the LTIP. If a named executive's employment with CONSOL Energy or any affiliate is terminated:

on or after the date the named executive has reached the age of 55 by reason of an Early Retirement or Incapacity Retirement;

by reason of a Normal Retirement;

on account of death or Disability (other than an Incapacity Retirement); or

by reason of a reduction in force as specified and implemented by the Company, prior to the payment date or the change in control payment date, as applicable, the named executive shall be entitled to retain his or her units and receive payment therefore to the extent earned and payable under the LTIP program.

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However, in the case of a Disability, the named executive shall only be entitled to retain a prorated portion of the units determined at the end of the performance period and based on the number of complete months that the

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named executive work in the performance period. If named executive's employment with CONSOL Energy or any affiliate is terminated for any other reason, including by the named executive voluntarily, or by CONSOL Energy with Cause or without Cause (other than in connection with a reduction in force as explained above), prior to the payment date or the change in control payment date, as applicable, the units awarded to the named executive shall be cancelled and forfeited. Any payments due a deceased named executive shall be paid to his estate as provided herein after the end of the Performance Period.

The Shareholder Return Peer Group (as referenced above) is comprised of the following 31 companies:

Alliance Resource Partners, L.P.	International Coal Group Inc.
Alpha Natural Resources, Inc.	James River Coal Company
Anadarko Petroleum Corporation	Massey Energy Company
Apache Corporation	Newfield Exploration Company
Arch Coal Inc.	Nexen Inc.
Cabot Oil & Gas Corporation	Noble Energy Inc.
Callon Petroleum Co/DE	Peabody Energy Corporation
Chesapeake Energy Corporation	Penn Virginia Corporation
Cimarex Energy Co.	Pioneer Natural Resources Company
Comstock Resources Inc.	Pogo Producing Company
Denbury Resources Inc.	Rio Tinto Group (GBR) - ADR
Devon Energy Corporation	St. Mary Land & Explor Company
Encana Corporation	Stone Energy Corporation
EOG Resources, Inc.	Ultra Petroleum Corporation
Foundation Coal Holdings Inc.	Westmoreland Coal Company
The Houston Exploration Co.	

We effectively compete with these companies for capital in the market, and how well we perform in that competition is measured by our total shareholder return relative to the total shareholder return of these 31 companies.

In making awards under the LTIP, the Compensation Committee established a long-term incentive opportunity for each named executive. In making these determinations, the Compensation Committee considered:

the expected value of long-term awards paid to executives in similar positions in the Compensation Study Peer Group;

the recommendations of the consultant based on market data;

in the case of our executive officers other than our Chief Executive Officer, the recommendation of our Chief Executive Officer;

the performance of each officer over the last year;

the internal value of each officer to CONSOL Energy;

the potential value of the awards to named executives under different stock price and relative peer group performance scenarios; and

the estimated total cost of the plan from an accounting point of view, including the accounting treatment of the plan.

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Based on the foregoing, the Compensation Committee awarded units under the LTIP, effective February 20, 2007, to our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and other executives which are set forth in the Performance Share Awards Table in the *Proposal No. 3 - Approval Of Amendment To CONSOL Energy Inc. Equity Incentive Plan* section of this proxy statement. The grants of unit awards to our named executives are set forth in the *Performance Share Awards* section of this proxy statement.

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Stock Ownership Guidelines for Executives.

The Compensation Committee retained outside compensation consultants to assist it with determining whether the Compensation Committee should institute stock ownership guidelines for our officers. The compensation consultants reviewed: our executive ownership levels compared to the executive ownership levels of our peers; market practices concerning stock ownership guidelines; and our executives' current ownership levels relative to past and projected equity grants. After a review of the compensation consultants' analyses of our historic equity program relative to our peers, CONSOL Energy's Board, in June 2006 and upon recommendation of the Compensation Committee, adopted stock ownership guidelines for our officers to further align their interests with our shareholders and ensure that they maintain an appropriate financial stake in CONSOL Energy. The stock ownership guidelines provide, among other things, that the named executives hold the following amounts of CONSOL Energy common stock (not including shares issuable upon the exercise of options) in five years from the date of adoption: for the Chief Executive Officer, an amount equal in value to five times base salary; and for each of the Chief Operating Officer and Chief Financial Officer, an amount equal in value to three times base salary.

Retirement Benefits (Pension Plan, Restoration Plan and SERP)

In 2005 and 2006, the Compensation Committee studied CONSOL Energy's retirement plans (the Pension Plan and the Restoration Plan) with the assistance of the outside compensation consultants. The Compensation Committee reviewed a market study prepared by an outside compensation consultant which surveyed 86 pension plans of energy and mining industry companies to determine market practices with retirement benefit plans and to develop an overall retirement benefit program which was consistent with such market practices. The Compensation Committee determined, after that review, that CONSOL Energy's cumulative retirement benefits for the named executives were below the median of the peer group.

In April 2005, the Board, after discussions with, and upon the recommendation of, the Compensation Committee, amended the Pension Plan, to, among other matters, increase the mandatory retirement age for executives and those in high policy-making positions and modify the benefit formulas applicable to participants' future accrual of benefits under the plan. The modification to the benefit formula reduced the benefits offered to all employees and also eliminated the lump sum feature of the Pension Plan for benefits accruing after December 31, 2005. The Compensation Committee retained outside compensation consultants to review the impact of this modification to the Pension Plan on the Restoration Plan, which provides some employees (including our named executives) with supplemental retirement benefits that are otherwise linked to and limited by the Pension Plan due to statutory limitations applicable to the Pension Plan. In October 2006, the consultants advised the Compensation Committee that, without amending the Restoration Plan or adopting a supplemental retirement plan, the amendment to the Pension Plan (effective January 1, 2006) would result (over time) in an inadequate retirement benefit being provided to the named executives and other executives eligible to receive a supplemental retirement benefit for the following reasons:

The Pension Plan amendment reduced the defined benefit component of total retirement benefits to a level that was not competitive with industry and peer practices for executives (on a total benefit basis); and

The Pension Plan amendment caused retirement benefits for executives to be disproportionately lower than those for non-executives when stated as a percentage of the final average pay.

After a review of the Restoration Plan and based on an outside compensation consultant's analysis and recommendations, our Compensation Committee determined in December 2006 that it was advisable to restore benefits offered to certain levels of employees through the adoption of the SERP. The SERP, unlike the Restoration Plan, is independent of the Pension Plan formula. Benefits under the SERP are calculated by taking 50% of the average of the highest five consecutive annual compensation amounts (including short-term incentive compensation payments), and multiplying by a service fraction (as explained in the *CONSOL Energy Supplemental Retirement Plan* section of this proxy statement).

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In light of the foregoing, the Compensation Committee recommended to our Board, and our Board authorized, that the Restoration Plan be frozen effective December 31, 2006, for CONSOL Energy employees and that the Restoration Plan be replaced prospectively with the SERP effective January 1, 2007. The objective of the SERP is to promote the interests of CONSOL Energy and our shareholders by facilitating the attraction and retention of key employees vital to our success. CNX Gas employees will not participate in the SERP.

Additional details regarding the Pension Plan, the Restoration Plan and the SERP are more fully described in *Understanding Our Pension Benefits Table*.

Other Post-Employment Compensation

In addition to the above-described programs, we maintain other agreements and plans to enable us to retain executive talent by providing these executives with benefits in the event their employment is terminated without cause or in connection with a change in control, among other circumstances. The following is a description of these plans, agreements and arrangements:

Employment Agreement with the Chief Executive Officer.

On June 3, 2005, our Chief Executive Officer entered into an employment agreement with CONSOL Energy which supersedes Mr. Harvey's employment agreement with CONSOL Energy dated December 11, 1997, as amended. The employment agreement has a term of three years, unless sooner terminated, and is automatically extended for additional one year terms thereafter.

Under the employment agreement, Mr. Harvey received an initial annual base salary of \$850,000. The employment agreement further provides that he is eligible to participate in an annual bonus plan on terms established from time to time by the Board. His annual target bonus under that plan will not be less than 100% of his then current base salary. During the term of the employment agreement, he is also eligible to participate in any Corporation long-term incentive plan, and in all employee benefit and fringe benefit plans and arrangements made available by the Corporation to its executives and key management employees upon the terms and subject to the conditions set forth in the applicable plan or arrangement.

The employment agreement provides, among other matters, that if our Chief Executive Officer resigns for good reason (as defined in the employment agreement) or is terminated without cause (as defined in the employment agreement) and in each such case he enters into a general release of claims reasonably satisfactory to us, he is entitled to receive, among other severance payments and benefits, an amount equal to two times his then current base salary and two times the target annual bonus amount (subject to his compliance with the confidentiality, non-competition and non-solicitation restrictions set forth in the employment agreement). The confidentiality provisions survive the termination of his employment with us and the non-competition and non-solicitation provisions survive for a period of two years following the termination of his employment.

Additionally, the employment agreement provides our Chief Executive Officer with service credit for eleven additional years of service under the Pension Plan and our retiree medical plan, which benefits represent his years of service at PacifiCorp Energy Inc. and its affiliates; and provided further that if this credit cannot be provided under the Pension Plan, CONSOL Energy will provide these benefits under a supplemental retirement plan. The amount of unreduced retirement benefits payable to Mr. Harvey (i.e., amount owed to him at normal retirement age) from PacifiCorp Energy Inc. will be deducted from benefits paid by the Corporation to Mr. Harvey under the Restoration Plan or the SERP, as applicable. Credited service was negotiated and agreed to with our Chief Executive Officer in 1997, as an inducement for him to leave PacifiCorp and join our company as its Chief Executive Officer, and was re-affirmed in the 2005 employment agreement. In connection with Mr. Harvey's employment agreement, our Compensation Committee retained an outside consulting firm and also retained counsel to advise the Compensation Committee.

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Employment Agreement with our Chief Operating Officer.

On October 2, 2002, the Corporation entered into an agreement with Mr. Lilly to induce him to join the Corporation. The employment agreement provides for:

an initial annual base salary of \$380,000;

with respect to the Short-Term Plan, an annual compensation opportunity which was initially set at 65% of his base salary;

a stock option grant to purchase 80,000 shares of the Corporation's common stock (vesting ratably over a four-year period);

participation in the Corporation's severance pay plan based on the years of his total industry service with one week of pay under the plan equal to each full year of industry service with a maximum of 25 weeks; and

and other benefits including, without limitation, a vehicle allowance, country club membership and standard employee benefits offered by the Corporation to its employees.

In addition, the Corporation agreed, as consideration for Mr. Lilly's lost compensation resulting from his resignation from the board of directors of Penn Virginia Resources, LLC and of Penn Virginia Corporation (as a condition to his employment with the Corporation), to pay him \$400,000 in four equal installments, with each installment to be made annually on the anniversary date of his employment with the Corporation commencing on October 28, 2003 and ending on October 28, 2006. Mr. Lilly is also entitled to credited service from August 1, 1977 with respect to retiree medical benefits under The CONSOL Energy Inc. Comprehensive Medical Expense Benefits Plan For Salaried Employees.

Change in Control Agreements with our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

We have entered into Change in Control Agreements with each of our named executives (which we refer to as "CIC Agreements"). The rationales for these agreements are the same as those described above with respect to the change in control provisions in our equity award agreements. Under the CIC Agreements, each named executive will receive severance benefits if such named executive's employment is terminated or constructively terminated after, or in connection with, a change in control (as defined in the respective CIC Agreements) if such named executive enters into a general release of claims reasonably satisfactory to us. Under these circumstances, these named executives would be entitled to, among other severance payments and benefits, a lump sum cash payment equal to a multiple of base pay plus a multiple of incentive pay, and stock options and other types of equity grants would accelerate and vest. To protect our business interests, the CIC Agreements also contain confidentiality obligations, a one-year non-competition covenant and a two-year non-solicitation covenant. The terms of these agreements are more fully described in "Potential Payments Upon Termination or Change in Control" section of this proxy statement.

Change in Control Agreements with CNX Gas - Chief Executive Officer and Chief Operating Officer.

In connection with the sale of approximately 18.5% of CNX Gas to investors in 2005, the Compensation Committee reviewed with CONSOL Energy's executive officers information regarding the potential cost of entering into change in control agreements with key employees of CNX Gas if a change in control triggering event occurred (including cost by individual agreement, total cost with respect to all agreements and market analysis of such costs). After consideration of this information, our Compensation Committee determined that the potential costs were consistent with market practice and such agreements were approved and authorized by the Compensation Committee. Through these agreements, CONSOL Energy and CNX Gas wanted to ensure the retention and smooth transition of executive officers of CONSOL Energy to CNX Gas by providing them with agreements substantially similar to the CONSOL Energy CIC Agreements.

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CONSOL Energy and CNX Gas entered into change in control agreements (CNX Gas CIC Agreements) with several CNX Gas key employees, including CNX Gas Chief Executive Officer and Chief Operating Officer. Under the CNX Gas CIC Agreements, each of the CNX Gas named executives will receive severance benefits if his employment is terminated or constructively terminated after, or in connection with, a change in control (as defined in these agreements). Under these circumstances, the CNX Gas named executives would receive, among other severance payments and benefits:

a lump sum cash payment equal to a multiple of base pay plus a multiple of incentive pay;

stock options and other types of equity grants would accelerate and vest; and

a gross-up payment for certain types of income taxes.

To protect CONSOL Energy's and CNX Gas's business interests, the CNX Gas CIC Agreements also contain confidentiality obligations, a one-year non-competition covenant and a two-year non-solicitation covenant. These agreements require that the key employees enter into a general release of claims reasonably satisfactory to us. The terms of the CNX Gas CIC Agreements are more fully described in *Potential Payments Upon Termination and Change in Control* section of this proxy statement.

In order to cause CNX Gas to recruit top executive talent, we provided in the CNX Gas CIC Agreement of its Chief Executive Officer the right for us to re-employ him in the event of a change in control of CNX Gas.

Severance Pay Plan.

Our named executives are eligible to receive benefits under our Severance Pay Plan for Salaried Employees (hereinafter referred to as the Severance Pay Plan), which is more fully described under the section titled *Potential Payments Upon Termination or Change in Control*. This plan is maintained by us primarily for employee retention purposes and provides payment to eligible employees who are terminated because of a reduction in work force or because of being replaced by employees returning from leaves of absence. All full-time salaried employees of CONSOL Energy and its subsidiaries are eligible for coverage under the plan under the terms and conditions provided therein. In the event of a termination of a named executive's employment with CONSOL Energy, other than under the circumstances described in their respective change in control agreements, for cause or due to resignation, such named executive would be entitled to one week's compensation from CONSOL Energy for each completed full year of continuous service with CONSOL Energy and its subsidiaries up to a maximum of 25 weeks of compensation during such named executive's lifetime.

Perquisites

We provide our named executives and other senior officers with perquisites that we believe are reasonable, competitive and consistent with CONSOL Energy's compensation program. We believe that our perquisites help us recruit and retain our named executives and senior officers. Our principal perquisite programs are personal use of the corporate aircraft in accordance with the terms and conditions of the Aircraft Policy, country club memberships, financial planning assistance, a vehicle allowance and certain associated tax gross-ups. These programs are more fully described in the footnotes to the Summary Compensation Table and *Understanding Our Summary Compensation and Grants of Plan-Based Awards Tables*.

Tax Considerations

The Compensation Committee has considered the impact of the applicable tax laws with respect to compensation paid to named executives under CONSOL Energy's plans, arrangements and agreements. As described below, in some instances, applicable tax laws impose potential penalties on such compensation and/or result in a loss of deduction to CONSOL Energy for such compensation.

Section 409A.

Participation in, and compensation paid under, CONSOL Energy's plans, arrangements and agreements may, in some instances, result in the deferral of compensation that is subject to the requirements of Section 409A of the

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federal income tax laws. To date, the U.S. Treasury Department and Internal Revenue Service have issued only preliminary guidance regarding the impact of Section 409A on CONSOL Energy's plans, arrangements and agreements. Generally, to the extent that CONSOL Energy's plans, arrangements and agreements fail to meet requirements under Section 409A, compensation earned thereunder may be subject to immediate taxation and tax penalties. It is the intent of CONSOL Energy that the CONSOL Energy's plans, arrangements and agreements will be structured and administered in a manner that complies with the requirements of Section 409A.

Section 162(m).

With some exceptions, Section 162(m) of the federal income tax laws limits CONSOL Energy's deduction for compensation in excess of \$1 million paid to certain covered employees (generally our Chief Executive Officer and four next highest-paid executive officers). Compensation paid to covered employees is not subject to the deduction limitation if it is considered qualified performance-based compensation within the meaning of Section 162(m) of the Code. The Compensation Committee reserves the discretion to provide compensation that is both market and performance-based. Awards under the Short-Term Plan generally do not satisfy the criteria of being performance-based awards under Section 162(m), and, therefore, may not qualify for deduction. Certain awards under the Equity Incentive Plan, such as stock options and performance units awarded under the LTIP, are intended to qualify for deduction under Section 162(m). Other types of awards such as time-based restricted stock units, however, are not considered performance-based and may not be deductible under Section 162(m). While the Compensation Committee considers the tax impact of any compensation arrangement, the Compensation Committee evaluates such impact in light of our overall compensation objectives. The Compensation Committee reserves the right to approve non-deductible compensation if the Compensation Committee believes it is in the best interests of our shareholders. Additionally, if any provision of a plan or award that is intended to be performance-based, within the meaning of Section 162(m), is later found to not satisfy the conditions of Section 162(m), CONSOL Energy's ability to deduct such compensation may be limited.

Change in Control Tax Gross-Up.

If a change in control of CONSOL Energy causes compensation, including performance-based compensation, or awards, including but not limited to options or restricted stock units, to be paid or result in accelerating the vesting, a disqualified individual could, in some cases, be considered to have received parachute payments within the meaning of Section 4999 and Section 280G of the federal income tax laws. Pursuant to Section 4999, a disqualified individual can be subject to a 20% excise tax on excess parachute payments. Similarly, under Section 280G, CONSOL Energy is denied a deduction for excess parachute payments. As indicated above, CONSOL Energy and CNX Gas have entered into change in control agreements whereby, if it is determined that any payment or distribution by CONSOL Energy to or for the disqualified person's benefit would constitute an excess parachute payment, CONSOL Energy will pay to the disqualified person a gross-up payment, subject to certain limitations, such that the net amount retained by the disqualified person after deduction of any excise tax imposed under Section 4999, and any tax imposed upon the gross-up payment, will be equal to such payments or distributions. Gross-up payments will not be deductible by CONSOL Energy. In connection with incorporating gross-up provisions in the CIC agreements, the Compensation Committee determined that such payments were consistent with general market practice.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with CONSOL Energy's management and, based upon such review and discussion, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this Proxy Statement. The Compensation Committee's charter is available on our website at www.consolenergy.com.

Members of the Compensation Committee:

William P. Powell, Chairman

Patricia A. Hammick

James E. Altmeyer, Sr.

John T. Mills

The foregoing Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of CONSOL Energy under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Corporation specifically incorporates the Report by reference therein.

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The following table discloses the compensation for Mr. Harvey, the principal executive officer of CONSOL Energy, William J. Lyons, the principal financial officer of CONSOL Energy, and the other three most highly compensated executive officers of CONSOL Energy or its subsidiaries who were serving as executive officers at the fiscal year ended December 31, 2006 and whose total annual compensation (excluding items described in the column entitled *Change in Pension Value and Nonqualified Deferred Compensation Earnings*) exceeded \$100,000.

Name and Principal Position	Year	Salary	Stock Awards ⁽¹⁾	Option Awards ⁽²⁾	Non-Equity Incentive Plan Compensation ⁽³⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁴⁾	All Other Compensation	Total
J. Brett Harvey ⁽⁵⁾ President and Chief Executive Officer	2006	\$ 956,192	\$ 3,085,407 ₍₆₎₍₈₎	\$ 3,314,455 ₍₇₎₍₈₎	\$ 1,450,000	\$ 1,351,608	\$ 121,143 ₍₉₎	\$ 10,278,805
William J. Lyons ⁽¹⁰⁾ Chief Financial Officer	2006	\$ 418,615	\$ 637,582 ₍₁₁₎₍₁₂₎	\$ 670,265 ₍₁₂₎	\$ 400,000	\$ 702,070	\$ 44,694 ₍₁₃₎	\$ 2,873,226
Peter B. Lilly Chief Operating Officer	2006	\$ 541,346	\$ 493,438 ₍₁₄₎	\$ 589,050	\$ 500,000	\$ 111,505	\$ 167,290 ₍₁₅₎	\$ 2,402,629
Nicholas J. DeIuliis ⁽¹⁶⁾ President and Chief Executive Officer - CNX Gas	2006	\$ 432,692	\$ 346,503 ₍₂₂₎	\$ 826,849 ₍₁₇₎	\$ 747,000	\$ 171,225	\$ 55,528 ₍₁₈₎	\$ 2,579,797
Ronald E. Smith ⁽¹⁶⁾ Executive Vice President & Chief Operating Officer - CNX Gas	2006	\$ 393,077	\$ 1,117,065 ₍₂₀₎₍₂₃₎	\$ 1,443,439 ₍₁₉₎₍₂₀₎	\$ 490,500	\$ 577,859	\$ 38,273 ₍₂₁₎	\$ 4,060,213

- (1) The values set forth in this column are based on the compensation cost recognized in 2006 for financial statement reporting purposes and computed in accordance with FAS 123R. Pursuant to the SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The compensation cost for CONSOL Energy and CNX Gas is computed based upon the closing price of that company's stock on the date of grant. These amounts reflect the accounting expense for these awards, and do not correspond to the actual value that will be recognized by the named executives.
- (2) The values set forth in this column are based on the compensation cost recognized in 2006 for financial statement reporting purposes and computed in accordance with FAS 123R. Pursuant to the SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. With respect to the CONSOL Energy equity awards, a discussion of the relevant assumptions made in the valuation of these awards is stated in CONSOL Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (Note 19 to the Audited Consolidated Financial Statements). With respect to the CNX Gas awards, the following assumptions were used to recognize compensation cost in 2006 for financial statement purposes: (A) for 2006 grants: fair value of grants \$9.83, risk free interest rate 4.65%, expected volatility 32.39% and expected term 4.5 years; and (B) for 2005 grants: fair value of grants \$5.34, risk free interest rate 4.28%, expected volatility 36.54% and expected term 4.5 years.
- (3) Includes bonuses earned in 2006, regardless of when paid. Under the CONSOL Energy and CNX Gas Short-Term Incentive Compensation Plans, the relevant performance measures for the cash awards are satisfied in 2006 and thus reportable in 2006, even though payments are made, if any, in 2007.
- (4) Amounts reflect the actuarial increase in the present value of the named executive's benefits under the Pension Plan and Restoration Plan for Messrs. Harvey, Lilly and Lyons, and under these plans and the CNX Gas Retirement Plan for Messrs. DeIuliis and Smith. This increase includes amounts which the named executive may not be entitled to receive such as unvested amounts. Amounts determined using the interest rate and mortality assumptions consistent

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- with those used in CONSOL Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (Note 16 to the Audited Consolidated Financial Statements).
- (5) Mr. Harvey does not receive any compensation from CONSOL Energy or CNX Gas in connection with his service as a director on each of their respective Boards of Directors.
 - (6) Mr. Harvey elected to defer until retirement 50% (or 21,372 restricted stock units) of a restricted stock unit award granted to him on May 2, 2006. For more information, please see the *Nonqualified Deferred Compensation Table*. Additionally, the amount does not include 13,773 restricted stock units which were earned by Mr. Harvey in 2006 under the 2006 Variable Long-Term Incentive Compensation Award and were granted to him on February 20, 2007 under our Equity Incentive Plan.
 - (7) This amount does not include options to purchase 41,163 shares of CONSOL Energy common stock which were earned by Mr. Harvey in 2006 under the 2006 Variable Long-Term Incentive Compensation Award and were granted to him on February 20, 2007 under our Equity Incentive Plan.
 - (8) Under the early retirement provisions of our stock option award and restricted stock agreements, Mr. Harvey is eligible for early retirement in which case the unvested portion of his outstanding awards will continue to vest and, in the case of his options, become exercisable even if he terminates employment with us. As a result of the early retirement provisions contained in Mr. Harvey's award agreements, the Corporation is required, under FAS 123R, to report the full grant date fair value of the awards granted to him in 2006 for financial statement reporting purposes. This value is set forth in the column.
 - (9) Personal benefits include an annual vehicle allowance, annual physical exam, country club membership, financial planning and certain associated tax gross ups. The total also includes \$13,200 in matching contributions made by CONSOL Energy under its 401(k) plan and \$55,837 for air travel on the Corporation's airplane, plus associated tax gross up of \$2,060. The aggregate incremental cost of Mr. Harvey's personal use of the corporate aircraft is determined on a per flight basis and includes the cost of fuel used, the cost of onboard catering, landing fees, trip related hangar and parking costs, crew expenses (including hotel lodging and meals) and other variable costs specifically incurred. On occasion, Mr. Harvey had one or more family members accompanying him on the airplane.
 - (10) Mr. Lyons does not receive any compensation from CONSOL Energy or CNX Gas in connection with his service as a director on the CNX Gas Board.
 - (11) Mr. Lyons elected to defer until retirement 100% (or 10,500 restricted stock units) of a restricted stock unit award granted on May 2, 2006 under our Equity Incentive Plan. For more information, please see the *Nonqualified Deferred Compensation Table*.
 - (12) Under the early retirement provisions of our stock option and restricted stock award agreements, Mr. Lyons is eligible for early retirement in which case the unvested portion of his outstanding awards will continue to vest and, in the case of his options, become exercisable even if he terminates employment with us. As a result of the early retirement provisions contained in Mr. Lyons' award agreements, the Corporation is required, under FAS 123R, to report the full grant date fair value of the awards granted to him in 2006 for financial statement reporting purposes. This value is set forth in the column.
 - (13) Personal benefits include an annual vehicle allowance, annual physical exam, financial planning, air travel and certain associated tax gross ups. The total also includes \$13,200 in matching contributions made by CONSOL Energy under its 401(k) plan. On one occasion, Mr. Lyons had one family member accompanying him on the airplane.
 - (14) Mr. Lilly elected to defer until retirement 100% (or 14,354 restricted stock units) of a restricted stock unit award granted on May 2, 2006 under our Equity Incentive Plan. For more information, please see the *Nonqualified Deferred Compensation Table*.
 - (15) Personal benefits include an annual vehicle allowance, annual physical exam, country club membership, financial planning, air travel on the Corporation's airplane, certain associated tax gross ups and an award for excellence in safety. The total amount also includes (a) \$100,000 out of a total of \$400,000 paid as consideration to Mr. Lilly for lost compensation resulting from his resignation from the boards of directors of Penn Virginia Resources, LLC and of Penn Virginia Corporation (as a condition to his employment with us), which was paid in four (4) equal installments, with each installment made annually on the anniversary date of his employment with CONSOL Energy commencing on October 28, 2003 and ending on

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