

CONSOL Energy Inc
Form 10-Q
April 27, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-14901

CONSOL Energy Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of

Incorporation or Organization)

1000 CONSOL Drive

Canonsburg, Pennsylvania
(Address of Principal Executive Offices)

51-0337383
(IRS Employer

Identification No.)

15317-6506
(Zip Code)

(724) 485-4000

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(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

| Class | Shares outstanding as of April 17, 2009 |
|--------------------------------|---|
| Common stock, \$0.01 par value | 180,638,248 |

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FINANCIAL INFORMATION

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**PART II
OTHER INFORMATION**

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Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. CONDENSED FINANCIAL STATEMENTS****CONSOL ENERGY INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(Dollars in thousands, except per share data)**

| | Three Months Ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2009 | 2008 |
| Sales Outside | \$ 1,150,244 | \$ 886,325 |
| Sales Gas Royalty Interests | 12,632 | 16,504 |
| Sales Purchased Gas | 1,465 | 3,539 |
| Freight Outside | 30,916 | 44,744 |
| Other Income | 23,494 | 74,619 |
| Total Revenue and Other Income | 1,218,751 | 1,025,731 |
| Cost of Goods Sold and Other Operating Charges (exclusive of depreciation, depletion and amortization shown below) | 667,974 | 636,728 |
| Gas Royalty Interests Costs | 10,591 | 16,074 |
| Purchased Gas Costs | 1,530 | 3,421 |
| Freight Expense | 30,916 | 44,744 |
| Selling, General and Administrative Expense | 30,816 | 30,470 |
| Depreciation, Depletion and Amortization | 106,219 | 92,728 |
| Interest Expense | 8,512 | 10,176 |
| Taxes Other Than Income | 77,839 | 71,606 |
| Black Lung Excise Tax Refund | (352) | |
| Total Costs | 934,045 | 905,947 |
| Earnings Before Income Taxes | 284,706 | 119,784 |
| Income Taxes | 79,735 | 35,553 |
| Net Income | 204,971 | 84,231 |
| Less: Net Income Attributable to Noncontrolling Interest | (9,152) | (9,149) |
| Net Income Attributable to CONSOL Energy Inc. Shareholders | \$ 195,819 | \$ 75,082 |
| Basic Earnings Per Share | \$ 1.08 | \$ 0.41 |
| Diluted Earnings Per Share | \$ 1.08 | \$ 0.41 |
| Weighted Average Number of Common Shares Outstanding: | | |
| Basic | 180,576,479 | 182,572,985 |

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| | | |
|--------------------------|-------------|-------------|
| Dilutive | 182,150,090 | 185,192,551 |
| Dividends Paid Per Share | \$ 0.10 | \$ 0.10 |

The accompanying notes are an integral part of these financial statements.

Table of Contents**CONSOL ENERGY INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share data)

| | (Unaudited) March 31, 2009 | December 31, 2008 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 71,555 | \$ 138,512 |
| Accounts and Notes Receivable: | | |
| Trade | 259,879 | 221,729 |
| Other Receivables | 71,985 | 79,552 |
| Inventories | 277,676 | 227,810 |
| Deferred Income Taxes | 48,811 | 60,599 |
| Recoverable Income Taxes | | 33,862 |
| Prepaid Expenses | 269,092 | 221,750 |
| Total Current Assets | 998,998 | 983,814 |
| Property, Plant and Equipment: | | |
| Property, Plant and Equipment | 10,110,603 | 9,980,288 |
| Less Accumulated Depreciation, Depletion and Amortization | 4,269,952 | 4,214,316 |
| Total Property, Plant and Equipment Net | 5,840,651 | 5,765,972 |
| Other Assets: | | |
| Deferred Income Taxes | 310,590 | 333,543 |
| Investment in Affiliates | 75,637 | 72,996 |
| Other | 181,411 | 214,133 |
| Total Other Assets | 567,638 | 620,672 |
| TOTAL ASSETS | \$ 7,407,287 | \$ 7,370,458 |

The accompanying notes are an integral part of these financial statements.

Table of Contents**CONSOL ENERGY INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share data)

| | (Unaudited) March 31, 2009 | December 31, 2008 |
|---|----------------------------------|----------------------|
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 274,730 | \$ 385,197 |
| Short-Term Notes Payable | 520,400 | 557,700 |
| Current Portion of Long-Term Debt | 22,045 | 22,401 |
| Accrued Income Taxes | 28,913 | |
| Other Accrued Liabilities | 511,812 | 546,442 |
| Total Current Liabilities | 1,357,900 | 1,511,740 |
| Long-Term Debt: | | |
| Long-Term Debt | 393,019 | 393,312 |
| Capital Lease Obligations | 70,988 | 75,039 |
| Total Long-Term Debt | 464,007 | 468,351 |
| Deferred Credits and Other Liabilities: | | |
| Postretirement Benefits Other Than Pensions | 2,494,558 | 2,493,344 |
| Pneumoconiosis Benefits | 193,009 | 190,261 |
| Mine Closing | 418,827 | 404,629 |
| Workers Compensation | 130,345 | 128,477 |
| Salary Retirement | 188,638 | 194,567 |
| Reclamation | 19,867 | 38,193 |
| Other | 240,516 | 266,550 |
| Total Deferred Credits and Other Liabilities | 3,685,760 | 3,716,021 |
| Total Liabilities | 5,507,667 | 5,696,112 |
| Stockholders Equity: | | |
| Common Stock, \$.01 par value; 500,000,000 Shares Authorized, 183,014,426 Issued and 180,603,707 Outstanding at March 31, 2009; 183,014,426 Issued and 180,549,851 Outstanding at December 31, 2008 | 1,830 | 1,830 |
| Preferred Stock, 15,000,000 Shares Authorized; None Issued and Outstanding | | |
| Capital in Excess of Par Value | 1,002,682 | 993,478 |
| Retained Earnings | 1,186,324 | 1,010,902 |
| Other Comprehensive Loss | (436,503) | (461,900) |
| Common Stock in Treasury, at Cost 2,410,719 Shares at March 31, 2009 and 2,464,575 Shares at December 31, 2008 | (80,203) | (82,123) |
| Total CONSOL Energy Inc. Stockholders Equity | 1,674,130 | 1,462,187 |
| Noncontrolling Interest | 225,490 | 212,159 |
| Total Equity | 1,899,620 | 1,674,346 |
| TOTAL LIABILITIES AND EQUITY | \$ 7,407,287 | \$ 7,370,458 |

The accompanying notes are an integral part of these financial statements.

Table of Contents**CONSOL ENERGY INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Dollars in thousands, except per share data)

| | Common Stock | Capital in Excess of Par Value | Retained Earnings (Deficit) | Other Compre- hensive Income (Loss) | Treasury Stock | Total CONSOL Energy, Inc. Stockholders Equity | Noncont- rolling Interest | Total Equity |
|---|-----------------|--|-----------------------------------|---|-------------------|---|---------------------------------|-----------------|
| Balance December 31, 2008 | \$ 1,830 | \$ 993,478 | \$ 1,010,902 | \$ (461,900) | \$ (82,123) | \$ 1,462,187 | \$ 212,159 | \$ 1,674,346 |
| (Unaudited) | | | | | | | | |
| Net Income | | | 195,819 | | | 195,819 | 9,152 | 204,971 |
| Treasury Rate Lock (Net of (\$12) tax) | | | | (20) | | (20) | | (20) |
| FASB 158 Long-Term Liability Adjustment (Net of \$915 tax) | | | | 1,497 | | 1,497 | (4) | 1,493 |
| Gas Cash Flow Hedge (Net of \$18,295 tax) | | | | 23,920 | | 23,920 | 4,785 | 28,705 |
| Comprehensive Income | | | 195,819 | 25,397 | | 221,216 | 13,933 | 235,149 |
| Issuance of Treasury Stock | | | (2,337) | | 1,920 | (417) | | (417) |
| Tax Benefit from Stock-Based Compensation | | 140 | | | | 140 | | 140 |
| Amortization of Stock-Based Compensation Awards | | 8,786 | | | | 8,786 | 1,120 | 9,906 |
| Stock-Based Compensation Awards to CNX Gas | | 278 | | | | 278 | (278) | |
| Net Change in Crown Drilling Noncontrolling Interest | | | | | | | (1,444) | (1,444) |
| Dividends (\$0.10 per share) | | | | | | | | |