CONSOL Energy Inc
Form 10-K
February 10, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended December 31, 2010;

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	**51-0337383**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

CNX Center

1000 CONSOL Energy Drive

Canonsburg, PA 15317-6506

(Address of principal executive offices including zip code)

Registrant s telephone number including area code: 724-485-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock ($.01 par value)	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 x 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 Act). Yes ¨ No x

The aggregate market value of voting stock held by nonaffiliates of the registrant as of June 30, 2010, the last business day of the registrant s most recently completed second fiscal quarter, based on the closing price of the common stock on the New York Stock Exchange on such date was $7,615,554,265.

The number of shares outstanding of the registrant s common stock as of January 28, 2011 is 226,236,682 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of CONSOL Energy s Proxy Statement for the Annual Meeting of Shareholders to be held on May 4, 2011, are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III.

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FORWARD-LOOKING STATEMENTS

We are including the following cautionary statement in this Annual Report on Form 10-K to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of us. With the exception of historical matters, the matters discussed in this Annual Report on Form 10-K are forward-looking statements (as defined in Section 21E of the Exchange Act) that involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. When we use the words believe, intend, expect, may, should, anticipate, could, estimate, plan, pr their negatives, or other similar expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. The forward-looking statements in this Annual Report on Form 10-K speak only as of the date of this Annual Report on Form 10-K; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

- deterioration in economic conditions in any of the industries in which our customers operate, or sustained uncertainty in financial markets cause conditions we cannot predict;
- an extended decline in prices we receive for our coal and gas affecting our operating results and cash flows;
- our customers extending existing contracts or entering into new long-term contracts for coal;
- our reliance on major customers;
- our inability to collect payments from customers if their creditworthiness declines;
- the disruption of rail, barge, gathering, processing and transportation facilities and other systems that deliver our coal and gas to market;
- a loss of our competitive position because of the competitive nature of the coal and gas industries, or a loss of our competitive position because of overcapacity in these industries impairing our profitability;
- our ability to negotiate a new agreement with the United Mine Workers of America and our inability to maintain satisfactory labor relations;
- coal users switching to other fuels in order to comply with various environmental standards related to coal combustion emissions;
- the impact of potential, as well as any adopted regulations relating to greenhouse gas emissions on the demand for coal and natural gas, as well as the impact of any adopted regulations on our coal mining operations due to the venting of coalbed methane which occurs during mining;

foreign currency fluctuations could adversely affect the competitiveness of our coal abroad;

the risks inherent in coal and gas operations being subject to unexpected disruptions, including geological conditions, equipment failure, timing of completion of significant construction or repair of equipment, fires, explosions, accidents and weather conditions which could impact financial results;

our focus on new gas development projects and exploration for gas in areas where we have little or no proven gas reserves;

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decreases in the availability of, or increases in, the price of commodities and services used in our mining and gas operations, as well as our exposure under take or pay contracts we entered into with well service providers to obtain services of which if not used could impact our cost of production;

obtaining and renewing governmental permits and approvals for our coal and gas operations;

the effects of government regulation on the discharge into the water or air, and the disposal and clean-up of, hazardous substances and wastes generated during our coal and gas operations;

the effects of stringent federal and state employee health and safety regulations, including the ability of regulators to shut down a mine or well;

the potential for liabilities arising from environmental contamination or alleged environmental contamination in connection with our past or current coal and gas operations;

the effects of mine closing, reclamation, gas well closing and certain other liabilities;

uncertainties in estimating our economically recoverable coal and gas reserves;

costs associated with perfecting title for coal or gas rights on some of our properties;

the outcomes of various legal proceedings, which are more fully described in our reports filed under the Securities Exchange Act of 1934;

the impacts of various asbestos litigation claims;

increased exposure to employee related long-term liabilities;

increased exposure to multi-employer pension plan liabilities;

minimum funding requirements by the Pension Protection Act of 2006 (the Pension Act) coupled with the significant investment and plan asset losses suffered during the recent economic decline has exposed us to making additional required cash contributions to fund the pension benefit plans which we sponsor and the multi-employer pension benefit plans in which we participate;

lump sum payments made to retiring salaried employees pursuant to our defined benefit pension plan exceeding total service and interest cost in a plan year;

acquisitions that we recently have completed or may make in the future including the accuracy of our assessment of the acquired businesses and their risks, achieving any anticipated synergies, integrating the acquisitions and unanticipated changes that could affect assumptions we may have made and divestitures we anticipate may not occur or produce anticipated proceeds;

the anti-takeover effects of our rights plan could prevent a change of control;

increased exposure on our financial performance due to the degree we are leveraged;

replacing our natural gas reserves, which if not replaced, will cause our gas reserves and gas production to decline;

our ability to acquire water supplies needed for gas drilling, or our ability to dispose of water used or removed from strata in connection with our gas operations at a reasonable cost and within applicable environmental rules;

our hedging activities may prevent us from benefiting from price increases and may expose us to other risks;

other factors discussed in this 2010 Form 10-K under Risk Factors, as updated by any subsequent Form 10-Qs, which are on file at the Securities and Exchange Commission.

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Item 1. ***Business.***

CONSOL Energy s History

We are a multi-fuel energy producer and energy services provider primarily serving the electric power generation industry in the United States. The electric power industry generates over two-thirds of its output by burning coal or gas, the two fuels we produce. During the year ended December 31, 2010, we produced high-British thermal unit (Btu) bituminous coal from 13 mining complexes in the United States. Coal produced from our mines has a high-Btu content which creates more energy per unit when burned compared to coals with lower Btu content. As a result, coals with greater Btu content can be more efficient to use. We produce pipeline-quality coalbed methane gas from our coal properties in the Northern and the Central Appalachian basin, and oil and gas from properties in the Appalachian and Illinois Basins. We believe that the use of coal and gas will continue to be the principal way in which the United States generates its electricity.

Historically, we rank among the largest coal producers in the United States based upon total revenue, net income and operating cash flow. Our production of approximately 62 million tons of coal in 2010 accounted for approximately 6% of the total tons produced in the United States and almost 14% of the total tons produced east of the Mississippi River during 2010. We are one of the premier coal producers in the United States by several measures:

- We mine more high-Btu bituminous coal than any other United States producer;
- We are the largest coal producer east of the Mississippi River;
- We control the largest amount of recoverable coal reserves east of the Mississippi River;
- We control the second largest amount of recoverable coal reserves among United States coal producers; and
- We are the largest United States producer of coal from underground mines.

CONSOL Energy is a leader in developing unconventional gas resources. CONSOL Energy is an industry leader in the development of coalbed methane production in the Eastern United States and is also a leader in the development of the Marcellus shale. CONSOL Energy holds considerable positions in other unconventional plays including: Chattanooga, New Albany, Huron and Utica shales. We also hold a large position in conventional Appalachian assets from the acquisition of the Appalachian oil and gas exploration and production business of Dominion Resources, Inc. (Dominion Acquisition). Our position as a gas producer is highlighted by several measures:

- Our principal coalbed methane operations produce gas from coal seams (single layers or strata of coal) with a high gas content;
- We produced 127.9 billion cubic feet of gas in the year ended December 31, 2010;
- At December 31, 2010, we had 12,587 net producing wells; and
- We controlled approximately 3.7 trillion cubic feet of net proved reserves at December 31, 2010, of which 48% were coalbed methane reserves.

Additionally, we provide energy services, including river and dock services, terminal services, industrial supply services, coal waste disposal services and land resource management services.

CONSOL Energy was organized as a Delaware corporation in 1991. We use CONSOL Energy to refer to CONSOL Energy Inc. and our subsidiaries, unless the context otherwise requires.

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Industry Segments

CONSOL Energy has two principal business divisions: Coal and Gas. The principal activities of the Coal Division are mining, preparation and marketing of steam coal, sold primarily to the electric power generation industry, and metallurgical coal, sold to metal and coke producers. The Coal Division includes four reportable segments. These reportable segments are Steam, Low Volatile Metallurgical, High Volatile Metallurgical and Other Coal. Each of these reportable segments includes a number of operating segments (mines or type of coal sold). For the year ended December 31, 2010, the Steam coal aggregated segment includes the following mines: Bailey, Blacksville #2, Buchanan, Emery, Enlow Fork, Fola Complex, Loveridge, McElroy, Miller Creek Complex, Robinson Run and Shoemaker. For the year ended December 31, 2010, the Low Volatile Metallurgical coal aggregated segment includes the Buchanan mine. For the year ended December 31, 2010, the High Volatile Metallurgical coal aggregated segment includes: Bailey, Blacksville #2, Enlow Fork, Fola Complex and Emery coal sales. The Other Coal segment includes our purchased coal activities, idled mine activities, as well as various other activities assigned to the coal division but not allocated to each individual mine. The principal activity of the Gas division is to produce pipeline quality methane gas for sale primarily to gas wholesalers. The Gas Division includes four reportable segments. These reportable segments are Coalbed Methane, Marcellus, Conventional and Other Gas. The Other Gas segment includes our purchased gas activities as well as various other activities assigned to the gas division but not allocated to each individual well type. CONSOL Energy s All Other segment includes terminal services, river and dock services, industrial supply services and other business activities. Financial Information concerning industry segments, as defined by accounting principles generally accepted in the United States, for the years ended December 31, 2010, 2009 and 2008 is included in Note 25 Segment Information in the Notes to the Audited Consolidated Financial Statements in Item 8 of this Form 10-K and incorporated herein.

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Coal Operations

Mining Complexes

During the year ended December 31, 2010, CONSOL Energy had 13 active mining complexes, including two 49% equity affiliates, all located in the United States.

The following map provides the location of CONSOL Energy s operations by region:

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The following table provides the location of CONSOL Energy s mining complexes and the coal reserves associated with each.

CONSOL ENERGY MINING COMPLEXES

Proven and Probable Assigned and Accessible Coal Reserves as of December 31, 2010 and 2009

Mine/Reserve	Location	Reserve Class	Coal Seam	Average Seam Thickness (feet)	As Received Heat Value(1) (Btu/lb) Typical	Range		Recoverable Reserves(2) Owned (%)	Leased (%)	Tons in Millions 12/31/2010	Recoverable Reserves (tons in Millions) 12/31/2009
ASSIGNED OPERATING											
Steam Reserves											
Enlow Fork(4)	Enon, PA	Assigned	Pittsburgh	5.4	12,940	12,860	13,060	100%	%	38.7	48.9
		Accessible	Pittsburgh	5.3	12,900	12,830	13,000	79%	21%	197.9	197.9
Bailey(4)	Enon, PA	Assigned	Pittsburgh	5.7	12,950	12,860	13,060	44%	56%	112.3	74.5
		Accessible	Pittsburgh	5.6	12,900	12,830	13,000	90%	10%	334.3	382.8
McElroy	Glen Easton, WV	Assigned	Pittsburgh	5.7	12,570	12,450	12,650	100%	%	7.4	195.0
		Accessible	Pittsburgh	5.8	12,530	12,410	12,610	94%	6%	153.1	153.0
Shoemaker	Moundsville, WV	Assigned	Pittsburgh	5.6	12,200	11,700	12,300	100%	%	44.5	48.4
		Accessible	Pittsburgh	5.6	12,250	11,990	12,390	100%	%	27.8	27.8
Loveridge	Metz, WV	Assigned	Pittsburgh	7.5	13,050	12,850	13,150	81%	19%	32.0	37.9
		Accessible	Pittsburgh	7.6	13,000	12,820	13,100	95%	5%	13.6	13.6
Robinson Run	Shinnston, WV	Assigned	Pittsburgh	7.4	12,940	12,600	13,300	87%	13%	52.7	58.2
		Accessible	Pittsburgh	6.8	12,940	12,600	13,300	55%	45%	156.7	156.7
Blacksville #2(4)	Wana, WV	Assigned	Pittsburgh	6.7	13,050	12,800	13,150	85%	15%	24.7	29.1
		Accessible	Pittsburgh	6.9	13,000	12,800	13,100	99%	1%	16.5	16.5
Harrison Resources(3)	Cadiz, OH	Assigned	Multiple	4.5	11,570	11,350	11,850	100%	%	7.1	9.2
Amvest-Fola Complex(4)	Bickmore, WV	Assigned	Multiple	3.6	12,380	12,250	12,550	92%	8%	53.3	101.7
Miller Creek Complex	Delbarton, WV	Assigned	Multiple	8.0	12,000	11,600	12,650	15%	85%	9.0	10.0
Emery(4)	Emery Co., UT	Assigned	Ferron I	7.5	12,260	12,000	13,000	71%	29%	17.9	16.9
Metallurgical Reserves											
Buchanan	Mavisdale, VA	Assigned	Pocahontas 3	5.7	13,980	13,700	14,200	20%	80%	63.7	68.4
		Accessible	Pocahontas 3	6.0	13,930	13,650	14,150	10%	90%	37.0	37.0
Western Allegheny Knob Creek(3)	Young Township, PA	Assigned	Upper Kittaning	3.2	13,050	13,000	13,100	100%	%	2.4	
Total Assigned Operating and Accessible										**1,402.6**	**1,683.5**

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(1) The heat value shown for assigned reserves is based on the quality of coal mined and processed during the year ended December 31, 2010. The heat value shown for accessible reserves is based on the same mining and processing methods as for the assigned reserves with adjustments made based on the variability found in exploration drill core samples. The heat values given have been adjusted to include moisture that may be added during mining or processing and for dilution by rock lying above or below the coal seam.
(2) Recoverable reserves are calculated based on the area in which mineable coal exists, coal seam thickness and average density determined by laboratory testing of drill core samples. This calculation is adjusted to account for coal that will not be recovered during mining and for losses that occur if the coal is processed after mining. Reserve calculations do not include adjustments for moisture that may be added during mining or processing, nor do the calculations include adjustments for dilution from rock lying above or below the coal seam. Reserves are reported only for those coal seams that are controlled by ownership or leases.
(3) Harrison Resources and Western Allegheny Knob Creek are both equity affiliates in which CONSOL Energy owns a 49% interest. Reserves reported equal CONSOL Energy s 49% proportionate interest in Harrison Resources and Western Allegheny Knob Creek s reserves.
(4) A portion of these reserves contain metallurgical qualities and are currently being sold on the metallurgical market.

Excluded from the table above are approximately 233.6 million tons of reserves at December 31, 2010 that are assigned to projects that have not produced coal in 2010. These assigned reserves are in the Northern Appalachia (northern West Virginia and Pennsylvania), Central Appalachia (Virginia and eastern Kentucky) and Illinois Basin (Illinois) regions. These reserves are approximately 61% owned and 39% leased.

CONSOL Energy assigns coal reserves to each of our mining complexes. The amount of coal we assign to a mining complex generally is sufficient to support mining through the duration of our current mining permit. Under federal law, we must renew our mining permits every five years. All assigned reserves have their required permits or governmental approvals, or there is a high probability that these approvals will be secured.

In addition, our mining complexes may have access to additional reserves that have not yet been assigned. We refer to these reserves as accessible. Accessible reserves are proven and probable unassigned reserves that can be accessed by an existing mining complex, utilizing the existing infrastructure of the complex to mine and to process the coal in this area. Mining an accessible reserve does not require additional capital spending beyond that required to extend or to continue the normal progression of the mine, such as the sinking of airshafts or the construction of portal facilities.

Some reserves may be accessible by more than one mining complex because of the proximity of many of our mining complexes to one another. In the table above, the accessible reserves indicated for a mining complex are based on our review of current mining plans and it reflects our best judgment as to which mining complex is most likely to utilize the reserve.

Assigned and unassigned coal reserves are proven and probable reserves which are either owned or leased. The leases have terms extending up to 30 years and generally provide for renewal through the anticipated life of the associated mine. These renewals are exercisable by the payment of minimum royalties. Under current mining plans, assigned reserves reported will be mined out within the period of existing leases or within the time period of probable lease renewal periods.

Coal Reserves

At December 31, 2010, CONSOL Energy had an estimated 4.4 billion tons of proven and probable reserves. Reserves are the portion of the proven and probable tonnage that meet CONSOL Energy s economic criteria regarding mining height, preparation plant recovery, depth of overburden and stripping ratio. Generally, these reserves would be commercially mineable at year-end price and cost levels.

Reserves are defined in Securities and Exchange Commission (SEC) Industry Guide 7 as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven and probable coal reserves are defined by SEC Industry Guide 7 as follows:

Proven (Measured) Reserves Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so close and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

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Probable (Indicated) Reserves Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

Spacing of points of observation for confidence levels in reserve calculations is based on guidelines in U.S. Geological Survey Circular 891 (Coal Resource Classification System of the U.S. Geological Survey). Our estimates for proven reserves have the highest degree of geologic assurance. Estimates for proven reserves are based on points of observation that are equal to or less than 0.5 mile apart. Estimates for probable reserves have a moderate degree of geologic assurance and are computed from points of observation that are between 0.5 to 1.5 miles apart.

An exception is made concerning spacing of observation points with respect to our Pittsburgh coal seam reserves. Because of the well-known continuity of this seam, spacing requirements are 3,000 feet or less for proven reserves and between 3,000 and 8,000 feet for probable reserves.

CONSOL Energy s estimates of proven and probable reserves do not rely on isolated points of observation. Small pods of reserves based on a single observation point are not considered; continuity between observation points over a large area is necessary for proven or probable reserves.

Our reserve estimates are predicated on information obtained from our ongoing exploration drilling and in-mine sampling programs. Data including coal seam elevation, thickness, and, where samples are available, coal quality is entered into a computerized geological database. This information is then combined with data on ownership or control of the mineral and surface interests to determine the extent of reserves in a given area. Reserve estimates include mine recovery rates that reflect CONSOL Energy s experience in various types of underground and surface coal mines.

CONSOL Energy s reserve estimates are based on geological, engineering and market data assembled and analyzed by our staff of geologists and engineers located at individual mines, operations offices and at our principal office. The reserve estimates are reviewed and adjusted annually to reflect production of coal from reserves, analysis of new engineering and geological data, changes in property control, modification of mining methods and other factors. Information, including the quantity and quality of reserves, coal and surface control, and other information relating to CONSOL Energy s coal reserve and land holdings, is maintained through a system of interrelated computerized databases.

Our estimate of proven and probable coal reserves has been determined by CONSOL Energy s geologists and mining engineers. Our coal reserves are periodically reviewed by an independent third party consultant. The independent consultant has reviewed the procedures used by us to prepare our internal estimates, verified the accuracy of our property reserve estimates and retabulated reserve groups according to standard classifications of reliability.

CONSOL Energy s proven and probable coal reserves fall within the range of commercially marketed coals in the United States. The marketability of coal depends on its value-in-use for a particular application, and this is affected by coal quality, such as, sulfur content, ash and heating value. Modern power plant boiler design aspects can compensate for coal quality differences that occur. Therefore, any of CONSOL Energy s coals can be marketed for the electric power generation industry.

CONSOL Energy s reserves are located in northern Appalachia (63%), central Appalachia (13%), the mid-western United States (18%), the western United States (4%), and in western Canada (2%) at December 31, 2010.

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The following table sets forth our unassigned proven and probable reserves by region:

CONSOL Energy UNASSIGNED Recoverable Coal Reserves as of December 31, 2010 and 2009

Coal Producing Region	As Received Heat Value(1) (Btu/lb)		Recoverable Reserves(2) Owned (%)	Leased (%)	Tons in Millions 12/31/2010	Recoverable Reserves (tons in Millions) 12/31/2009
Northern Appalachia (Pennsylvania, Ohio, Northern West Virginia)	11,400	13,500	73%	27%	1,412.2	1,239.7
Central Appalachia (Virginia, Southern West Virginia, Eastern Kentucky)	11,900	14,200	45%	55%	327.7	301.4
Illinois Basin (Illinois, Western Kentucky, Indiana)	11,500	11,900	43%	57%	777.9	780.6
Western U.S. (Wyoming)		9,400	100%	%	169.1	169.1
Western Canada (Alberta)	12,400	12,900	%	100%	77.9	77.9
Total			61%	39%	2,764.8	2,568.7

(1) The heat value estimates for Northern Appalachian and Central Appalachian unassigned coal reserves include adjustments for moisture that may be added during mining or processing as well as for dilution by rock lying above or below the coal seam. The mining and processing methods currently in use are used for these estimates. The heat value estimates for the Illinois Basin, Western U.S. and Western Canada unassigned reserves are based primarily on exploration drill core data that may not include adjustments for moisture added during mining or processing or for dilution by rock lying above or below the coal seam.

(2) Recoverable reserves are calculated based on the area in which mineable coal exists, coal seam thickness, and average density determined by laboratory testing of drill core samples. This calculation is adjusted to account for coal that will not be recovered during mining and for losses that occur if the coal is processed after mining. Reserve calculations do not include adjustment for moisture that may be added during mining or processing, nor do the calculations include adjustments for dilution from rock lying above or below the coal seam.

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The following table summarizes our proven and probable reserves as of December 31, 2010 by region and type of coal or sulfur content (sulfur content per million British thermal units). Proven and probable reserves include both assigned and unassigned reserves. The table classifies bituminous coal by rank. Rank (High volatile A, B and C) of bituminous coals are classified on the basis of heat value. The table also classifies bituminous coals as medium and low volatile which are classified on the basis of fixed carbon and volatile matter. Coal is ranked by the degree of alteration it has undergone since the initial deposition of the organic material. The lowest ranked coal, lignite, has undergone less transformation than the highest ranked coal, anthracite. From the lowest to the highest rank, the coals are: lignite; sub-bituminous; bituminous and anthracite. The ranking is determined by measuring the fixed carbon to volatile matter ratio and the heat content of the coal. As rank increases, the amount of fixed carbon increases, volatile matter decreases, and heat content increases. Bituminous coals are further characterized by the amount of volatile matter present. Bituminous coals with high volatile matter content are also ranked. High volatile A bituminous coals have higher heat content than high volatile C bituminous coals. These characterizations of coal allow a user to predict the behavior of a coal when burned in a boiler to produce heat or when it is heated in the absence of oxygen to produce coke for steel production.

CONSOL Energy Proven and Probable Recoverable Coal Reserves

By Producing Region and Product (In Millions of Tons) As of December 31, 2010

	£1.20 lbs. S02/MMBtu			>1.20 £ 2.50 lbs. S02/MMBtu			> 2.50 lbs. S02/MMBtu				Percentage
By Region	Low Btu	Med Btu	High Btu	Low Btu	Med Btu	High Btu	Low Btu	Med Btu	High Btu	Total	By Region
Northern Appalachia:											
Metallurgical:											
High Vol A Bituminous						164.7				164.7	3.7%
Steam:											
High Vol A Bituminous						111.3	62.2	119.6	2,279.2	2,572.3	58.4%
Low Vol Bituminous						33.6				33.6	0.8%
Region Total						309.6	62.2	119.6	2,279.2	2,770.6	62.9%
Central Appalachia:											
Metallurgical:											
High Vol A Bituminous		3.0	53.6			2.8			1.3	60.7	1.4%
Med Vol Bituminous			110.0			2.9				112.9	2.6%
Low Vol Bituminous			119.8			26.2				146.0	3.3%
Steam:											
High Vol A Bituminous	26.3	71.8	4.5	32.8	26.3	62.2		1.1	3.6	228.6	5.2%
Region Total	26.3	74.8	287.9	32.8	26.3	94.1		1.1	4.9	548.2	12.5%
Midwest-Illinois Basin:											
Steam:											
High Vol B Bituminous					79.3			457.9		537.2	12.2%
High Vol C Bituminous					159.5		108.3			267.8	6.1%
Region Total					238.8		108.3	457.9		805.0	18.3%
Northern Powder River Basin:											
Steam:											
Sub Bituminous B			169.1							169.1	3.8%
Region Total			169.1							169.1	3.8%
Utah-Emery Field:											
Steam:											
High Vol B Bituminous		17.9			12.3					30.2	0.7%
Region Total		17.9			12.3					30.2	0.7%
Western Canada:											
Metallurgical:											
Med Vol Bituminous	30.2	47.7								77.9	1.8%
Region Total	30.2	47.7								77.9	1.8%

Total Company	56.5	140.4	457.0	32.8	277.4	403.7	170.5	578.6	2,284.1	4,401.0	100.0%
Percent of Total	1.3%	3.2%	10.4%	0.7%	6.3%	9.2%	3.9%	13.1%	51.9%	100.0%	

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The following table classifies CONSOL Energy coals by rank, projected sulfur dioxide emissions and heating value (British thermal units per pound). The table also classifies bituminous coals as medium and low volatile which is based on fixed carbon and volatile matter.

CONSOL Energy Proven and Probable Recoverable Coal Reserves

By Product (In Millions of Tons) As of December 31, 2010

	£1.20 lbs. S02/MMBtu			>1.20 £ 2.50 lbs. S02/MMBtu			> 2.50 lbs. S02/MMBtu				
By Product	**Low Btu**	**Med Btu**	**High Btu**	**Low Btu**	**Med Btu**	**High Btu**	**Low Btu**	**Med Btu**	**High Btu**	**Total**	**Percentage By Product**
Metallurgical:											
High Vol A Bituminous		3.0	53.6			167.5			1.3	225.4	5.1%
Med Vol Bituminous	30.2	47.7	110.0			2.9				190.8	4.3%
Low Vol Bituminous			119.8			26.2				146.0	3.3%
Total Metallurgical	30.2	50.7	283.4			196.6			1.3	562.2	12.7%
Steam:											
High Vol A Bituminous	26.3	71.8	4.5	32.8	26.3	173.5	62.2	120.7	2,282.8	2,800.9	63.6%
High Vol B Bituminous		17.9			91.6			457.9		567.4	12.9%
High Vol C Bituminous					159.5		108.3			267.8	6.1%
Low Vol Bituminous						33.6				33.6	0.9%
Sub Bituminous B			169.1							169.1	3.8%
Total Steam	26.3	89.7	173.6	32.8	277.4	207.1	170.5	578.6	2,282.8	3,838.8	87.3%
Total	56.5	140.4	457.0	32.8	277.4						