CONSOL Energy Inc
Form 11-K
June 23, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from

Commission file number: 001-14901

A. Full title of the plan and the address of the plan, if different from that of issuer named below:

CONSOL Energy Inc. Investment Plan for Salaried Employees

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CONSOL Energy Inc.

CNX Center

1000 CONSOL Energy Drive

Canonsburg, PA 15317

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

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CONSOL Energy Inc.

Investment Plan for

Salaried Employees

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December 31, 2010 and 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees, Investment Plan Committee, Audit Committee, and Participants of CONSOL Energy Inc. Investment Plan for Salaried Employees

We have audited the accompanying statement of net assets available for benefits of CONSOL Energy Inc. Investment Plan for Salaried Employees (the Plan) as of December 31, 2010, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010, and the changes in net assets available for benefits for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Assets Held for Investment Purposes at End of Year as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ ParenteBeard, LLC

Pittsburgh, Pennsylvania

June 23, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ McCrory & McDowell LLC

Pittsburgh, Pennsylvania

June 25, 2010

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Statements of Net Assets Available for Benefits

(in thousands of dollars)	December 31 2010	2009
ASSETS		
Investments at Fair Value		
Stable Value Fund	$ 606,905	$ 595,800
Interests in Registered Investment Companies	257,178	216,886
Collective Trusts	52,928	44,696
E.I. DuPont de Nemours & Company Common Stock	43,881	33,314
CONSOL Stock Fund	188,764	154,827
CNX Stock Fund	0	26,551
Daimler Chrysler AG Common Stock	0	39
	1,149,656	1,072,113
Receivables		
Due from Broker for Securities Sold	591	985
Accrued Interest and Dividends	1	0
Notes Receivable from Participants	17,798	15,772
	18,390	16,757
Cash	485	277
Net Assets Reflecting All Investments at Fair Value	1,168,531	1,089,147
Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts	(20,656)	(11,414)
NET ASSETS AVAILABLE FOR BENEFITS	**$ 1,147,875**	**$ 1,077,733**

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

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Statement of Changes in Net Assets Available for Benefits

(in thousands of dollars)		For the Year Ended December 31, 2010
Additions to Net Assets Attributable to:		
Contributions:		
Participants Contributions	$	40,330
Participants Rollovers		26,972
Employer		25,670
		92,972
Interest Income from Participants Notes Receivable		864
Investment Income:		
Interest and Dividends		9,136
Net Appreciation in Fair Value of Investments		79,419
		88,555
Total Additions		182,391
Deductions from Net Assets Attributed to:		
Benefits Paid to Participants		112,127
Administrative Expense		122
Total Deductions		112,249
Net Increase		70,142
Net Assets Available for Benefits		
Beginning of Year		1,077,733
END OF YEAR	**$**	**1,147,875**

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

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

1. DESCRIPTION OF PLAN

The following brief description of CONSOL Energy Inc. Investment Plan for Salaried Employees (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan s provisions.

General The Plan is a defined-contribution plan established in 1953. Salaried, operations and maintenance, production and maintenance, and warehouse and maintenance employees of CONSOL Energy Inc. and participating employers (CONSOL Energy or the Company) are eligible to participate in the Plan on the first day of the first full pay period following the start of regular full-time employment. In addition, casual employees are eligible to participate in the Plan upon completion of 1,000 or more hours of service within a 12 consecutive month period, commencing on the employee s employment date or reemployment date. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

During 2010 and 2009, the Plan offered CONSOL Energy common stock (CONSOL Stock Fund) as an investment option to Plan participants. The CONSOL Stock Fund is an Employee Stock Ownership Plan (ESOP), whereby participants in the Plan are given the opportunity to elect to receive cash for dividends declared on CONSOL Energy stock. If a participant does not make an election, the dividends are reinvested in the CONSOL stock fund. In addition, prior to June 1, 2010, the Plan offered CNX Gas Corporation (CNX Gas) common stock (CNX Stock Fund) as an investment option that was also part of the Plan s ESOP. On June 1, 2010, the Company announced that it completed the acquisition of CNX Gas pursuant to a completed tender offer and short-form merger in which CNX Gas became a wholly owned subsidiary of the Company. As a result of this merger, CNX Gas common stock is no longer traded on the New York Stock Exchange and the CNX Stock Fund was eliminated as an investment option in the Plan.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

1. DESCRIPTION OF PLAN (Continued)

Contributions Each year participants can, with certain restrictions, contribute a maximum of 75% of eligible compensation to the Plan. Newly eligible employees automatically become participants in the Plan beginning with the first payroll deduction following forty-five days of employment (as defined by the Plan) and contribute at the rate of 6% of eligible compensation (4% for employees of Fairmont Supply Company and its subsidiaries, participating employers in the Plan that are a qualified separate line of business), unless the participant elects not to contribute. A participant may also designate from 1% to 75% (not to exceed $10,000) of any quarterly or annual incentive compensation payment as a supplemental contribution. Contributions may be made with before-tax or after-tax dollars.

CONSOL Energy matches these contributions (excluding deferrals of incentive compensation payments), dollar for dollar, up to 6% of eligible compensation (fifty cents on every dollar up to 12% of eligible compensation for employees of Fairmont Supply Company and its subsidiaries). Company matching contributions for certain participants of the Plan are considered nonforfeitable, safe-harbor contributions within the meaning of that term under the final Internal Revenue Code (the Code) 401(k) and 401(m) regulations.

In addition, certain eligible employees of Fairmont Supply Company and its subsidiaries receive qualified non-elective contributions equal to $1,500 per year. Certain eligible employees of CNX Gas also receive qualified non-elective contributions equal to 3% of eligible compensation. The Company may also make discretionary contributions to the Plan ranging from 1% to 4% of eligible compensation for eligible employees (as defined by the Plan). There were no such discretionary contributions made by the Company for the years ending December 31, 2010 and 2009. Total contributions credited to a participant s account (employee and employer, exclusive of catch-up contributions) may not exceed $49,000 per year for the years 2010 and 2009, respectively.

Participant Accounts Each participant s account is credited with the participant s contributions and allocations of the Company s contributions and Plan investment earnings and is charged with an allocation of administrative expenses and Plan investment losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s account.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

1. DESCRIPTION OF PLAN (Continued)

Investment Options Upon enrollment in the Plan, a participant may direct employee and Company contributions in any of the funds included in the supplemental schedule of assets held for investment purposes at end of year, except for Alliance Bernstein International Value Fund, Alger Mid Cap Growth Fund, Hotchkis & Wiley Mid Cap Value Fund (all effective May 17, 2011, see Note 9), E.I. DuPont de Nemours & Company (DuPont) Common Stock, and Fidelity Investments Low Price Stock Fund. These investment options are no longer available to Plan participants. In addition, the CNX Stock Fund and Daimler Chrysler AG (Daimler) Common Stock were eliminated as investments options in the Plan in June 2010.

Vesting Participants are immediately vested in their voluntary contributions, the Company s matching contributions, and any qualified non-elective contributions or discretionary contributions made by the Company plus actual earnings (losses) thereon.

Notes Receivable from Participants Participants may borrow up to one-half of their account balances subject to certain minimum and maximum loan limitations. Such loans are repayable over periods of 12 to 60 months (120 months maximum if for the purchase of a principal residence), are secured by the balance in the participant s account, and bear an interest rate equal to the average rate charged by selected major banks for secured personal loans. Principal and interest are paid ratably through payroll deductions. Interest rates ranged from 3.25% to 9.25% at December 31, 2010.

Payment of Benefits Participants who retire from active service may elect to defer withdrawals until April 1 of the calendar year following the year in which the participant attains age 70 $^{1}/2$. They may also elect an option to have their account distributed over a period of not less than two years or more than a period which would pay the account balance during the participant s actuarial life in either a fixed or variable amount. Before-tax deposits may be withdrawn only in the event of a participant s retirement, death, termination, attainment of age 59$^{1}/2$ or defined hardship. At December 31, 2010 and 2009, approximately $729,000 and $280,000 was payable to withdrawing participants, respectively.

Plan Termination Although it has not expressed any intent to do so, CONSOL Energy has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The financial statements of the Plan are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

The statements of net assets available for benefits presents the fair value of the fully benefit-responsive investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Investment Valuation and Income Recognition The Plan s investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Gains and losses on the sale of DuPont, Daimler, CONSOL Energy and CNX Gas common stock are based on the average cost of the securities sold. Net appreciation includes the Plan s gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest on notes receivable from participants is recognized over the term of the notes and is calculated using a simple-interest method on principal amounts. If the participant does not make a loan repayment on at least a quarterly basis, the Plan administrator will consider the loan to be in default on the last day of the calendar quarter following the calendar quarter in which the last payment was due, and reclassified as a distribution based upon the terms of the Plan document.

Payment of Benefits Benefits are recorded when paid.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Expenses Expenses incurred in connection with the operation of the Plan with regard to the purchase and sale of investments and certain trustee and professional fees are paid by the Plan. Other administrative expenses are paid by CONSOL Energy at no cost to the Plan.

Use of Estimates The preparation of financial statements in conformity with US GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties The Plan invests in various investment securities. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

ESOP The Plan has a provision whereby participants may invest a portion or all of their account in Company stock. In accordance with the Code, if the Company stock held in a participant s account is or becomes not readily tradable on an established market, then any participant who is otherwise entitled to a distribution from the Plan shall have the right to require the Company stock in their respective ESOP account be repurchased by the Company, which is classified as a put option. Participants who elect to invest their account balance in Company stock shall have voting rights commensurate with their shares and participants shall be fully vested at all times in dividends paid on the acquired Company stock. A participant shall have the right to diversify stock in their accounts pursuant to the provisions of the Plan document. At December 31, 2010 and 2009, and from the period since inception of the ESOP, there were no Company contributions in the form of stock.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements In January 2010, the Financial Accounting Standards Board (FASB) issued new guidance which expanded the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) fair value measurement disclosures for each class of assets and liabilities and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009, except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The partial adoption of this guidance did not have a material effect on the Plan s net assets available for benefits, changes in net assets available or benefits, or related disclosures.

In September 2010, the FASB issued guidance which requires participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and to also be classified as notes receivable from participants. Previously, loans were measured at fair value and classified as investments. This guidance is effective for fiscal years ending after December 15, 2010 and is required to be applied retrospectively. The adoption of this guidance did not have a material effect on the Plan s net assets available for benefits or the changes in net assets available for benefits. Participant loans have been reclassified to notes receivable from participants as of December 31, 2009.

In May 2011, the FASB issued guidance to provide a consistent definition of fair value and ensure that the fair value and measurement disclosure requirements are similar between US GAAP and International Financial Reporting Standards. This guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning after December 15, 2011, with early adoption prohibited. The new guidance will require prospective application. The Plan is currently evaluating the effect that the provisions of this pronouncement will have on its financial statements.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

3. CONTRACTS WITH INSURANCE COMPANIES

The Plan has direct holdings of fully benefit-responsive investment contracts in its CONSOL Energy Inc. Stable Value Fund (Stable Value Fund or SVF). The SVF is comprised of guaranteed investment contracts (GIC), separate account portfolios (SAP), and synthetic GICs (SYN), all of which are held with multiple insurance companies and banks. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their SVF investment at contract value for Plan permitted benefit payments. Certain events may limit the ability of the Plan to transact at contract value with the issuer. Such events include amendments to Plan documents (including complete or partial Plan termination or merger with another plan), changes to the Plan s prohibition on competing investment options or deletion of equity wash provisions, bankruptcy of the Company or other Plan sponsor events (i.e. divestitures or spin-offs of a subsidiary, location closings or layoffs) that cause a significant withdrawal from the Plan, or failure of the Plan to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan administrator does not believe that any events which would limit the Plan s ability to transact at contract value with participants are probable of occurring. Additionally, there are no reserves against contract value for credit risk of the contract issuers or otherwise.

Based on certain events specified in the fully benefit-responsive investment contracts (i.e. GICs, SAPs and SYNs), both the Plan and issuers of such investment contracts are permitted to terminate the investment contracts. If applicable, such terminations can occur prior to the scheduled maturity date.

Examples of termination events that permit issuers to terminate investment contracts include the following:

The Plan sponsor s receipt of a final determination notice from the Internal Revenue Service that the Plan does not qualify under Section 401(a) of the Code.

The Plan ceases to be exempt from federal income taxation under section 501(a) of the Code.

The Plan or its representative breaches material obligations under the investment contract such as failure to satisfy its fee payment obligations or failure to follow the contract s equity wash provisions.

The Plan or its representatives makes a material misrepresentation.

The Plan makes a material amendment to the Plan (including complete or partial termination or merger with another plan) and/or the amendment adversely impacts the issuer.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

3. CONTRACTS WITH INSURANCE COMPANIES (Continued)

The Plan, without the issuer s consent, attempts to assign its interest in the investment contract.

The balance of the contract value is zero or immaterial.

Mutual consent.

The termination event is not cured within a reasonable time period, i.e., 30 days.

For SYNs, additional termination events include but are not limited to the following:

The investment manager of the underlying securities is replaced without the prior written consent of the issuer.

The underlying securities are managed in a way that does not comply with the investment guidelines.

For GICs, the contract value is adjusted to reflect a discounted value based on surrender charges and other penalties at termination. For SAPs and SYNs, termination is at market value of the underlying securities less unpaid issuer fees or charges. If the termination event is not material based on industry standards, it may be possible for the Plan to exercise its right to require the issuer that initiated the termination to extend the investment contract for a period no greater than what it takes to immunize the underlying securities and/or it may be possible to replace the issuer of a SYN that terminates with another SYN issuer. Both options help maintain stable contract value.

The aggregate crediting rates for all contracts as of December 31, 2010 and 2009 were 3.50% and 3.89%, respectively. Contract or crediting rates for GICs are negotiated with the issuer and are effective for the life of the contract. The contract or crediting rates for SAPs and SYNs are reset either four times or six times per year and are based on the performance of the portfolio of assets underlying these contracts. Inputs used to determine the crediting rate include each contract s current yield-to-maturity, duration, and market value relative to contract value. All contracts have a guaranteed rate of at least 0% or higher with respect to determining interest rate resets. If future crediting rates increase or decrease, the adjustment from fair value to contract value would change in the same direction. The average market value yield of the SVF based on the actual earnings of the underlying assets was approximately 5.89% and 9.64% in 2010 and 2009, respectively. The average yield of the SVF based on the actual interest rate credited to participants accounts in 2010 and 2009 was approximately 3.55% and 3.97%, respectively.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

3. CONTRACTS WITH INSURANCE COMPANIES (Continued)

Participants investing in the SVF or collective trusts are assigned units at the time of investment based on the net asset value per unit.

4. FAIR VALUE MEASUREMENTS

US GAAP for fair value measurements provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or other inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset s or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

4. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

Stable Value Fund The SVF is comprised of a short-term investment fund in addition to GICs, SAPs and SYNs, all of which are held with multiple insurance companies and banks. These fully benefit-responsive contracts are valued at fair value on the statements of net assets available for benefits and are credited with actual earnings on the underlying investments and charges for participant withdrawals and administrative expenses. The following disclosures provide information about the nature of the investments in the SVF and how fair value of these investments is measured.

U.S. Government Security Fund This security is a short-term investment fund (i.e. money market fund) designed to provide daily liquidity to the SVF and is stated at cost, which approximates fair value. The fund seeks to preserve a net asset value of $1 per share and can be validated with a sufficient level of market activity and therefore, is classified within Level 1 of the fair value hierarchy.

Guaranteed Investment Contracts The insurer maintains the assets (underlying portfolio owned by insurer) of the GIC in a general account. GICs are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations (similar to weighted average life) considering the credit-worthiness of the issuer and have been classified within Level 2 of the fair value hierarchy.

Separate Account Portfolios SAPs are comprised of two components, an underlying pool of assets and a wrap contract. The insurer owns the individual underlying assets and the wrap contract (similar to a GIC); however, the assets in a SAP are maintained in a separate account, fully fenced-off from the general assets of the insurer. Fair value of SAPs are determined by the market values of the underlying securities and the value of the wrap using observable market data by the insurer as of the valuation date, which approximates fair value. SAPs are classified within Level 2 of the fair value hierarchy.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

4. FAIR VALUE MEASUREMENTS (Continued)

Synthetic GICs SYNs are comprised of an underlying pool of assets (owned by the Plan) and a wrap contract. The individual investments in a SYN are valued at represented quoted market prices when available. Short-term investment funds are stated at amortized cost, which approximates fair value (Level 1). Fixed income collective trusts invest in high quality fixed income securities across the short, intermediate, and core sectors, and are valued at the net asset value per share on the valuation date (Level 2). Other fixed income funds include liquid government debt securities that are valued using the observable closing price reported in the active market in which the bond is traded (Level 1), and corporate bonds valued by a pricing service based on market transactions for comparable securities of issuers with similar credit ratings (Level 2). In addition, there is one fixed income fund that is valued at fair value based on certain security price validations and a review based on unobservable inputs and is therefore classified within Level 3 of the fair value hierarchy. Any accrued interest on the underlying investments in the SYNs is also included as a component of the fair value of those investments. At December 31, 2010, the fair value of the wrap is determined by taking the difference between the actual wrap fee of the contract and the price at which the wrapper would issue an identical contract under current market conditions. That change in fees is applied to the year-end book value of the contract to determine the wrap contract s fair value. At December 31, 2009, the fair value of the wrap was determined using a discounted cash flow model which considered recent rebids, discount rates, and the duration of the underlying portfolio. Wrap contracts generally change the investment characteristics of underlying securities (such as corporate debt or U.S. government securities) to those of GICs. The wrap contract provides that benefit-responsive transactions may be processed at contract or face value. Benefit-responsive distributions are generally defined as a withdrawal due to a participant s retirement, disability, or death, or participant-directed transfers, in accordance with the terms of the Plan (see Note 3).

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

4. FAIR VALUE MEASUREMENTS (Continued)

Interests in Registered Investment Companies The shares of registered investment companies are valued at quoted market prices, which represent the net asset value of the shares held in such funds. Each of these funds is considered an open ended interest in a registered investment company and valued using a market approach. Fair value is based on a daily net asset value that can be validated with a sufficient level of observable activity (i.e. purchases and sales at net asset value) and therefore these interests in registered investment companies have been classified within Level 1 of the fair value hierarchy.

Collective Trusts Collective trusts are valued at the net asset values per unit as determined by the collective trusts as of the valuation date, which approximates fair value. Collective trusts are not available in an exchange and active market, however, the fair value is determined based on the underlying investments as traded in an exchange and active market. Collective trusts held by the Plan provide for daily redemptions by the Plan at reported net asset value with no advance notice requirement. The Plan is permitted to redeem investment units at net asset value on the measurement date. Due in part to the units of the collective trusts not being actively traded, the fair value measurements have been classified within Level 2 of the fair value hierarchy.

Common Stocks and Common Stock Funds DuPont Common Stock, CONSOL Stock Fund, and the fair value of CNX Stock Fund and Daimler Common Stock held by the Plan on December 31, 2009, are stated at fair value as quoted on a recognized securities exchange and are valued at the last reported sales price on the last business day of the respective Plan year. As a result, the fair value measurements of these investments have been classified within Level 1 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

4. FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan s assets at fair value as of December 31, 2010 and 2009:

(in thousands of dollars)	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Stable Value Fund:				
Guaranteed Investment Contracts	$ 0	$ 53,389	$ 0	$ 53,389
Separate Account Portfolios	0	102,806	0	102,806
U.S. Government Security Fund	27,383	0	0	27,383
Fixed Income Collective Trusts	0	312,103	0	312,103
Other Fixed Income Funds	27,305	45,469	80	72,854
Short-Term Investment Funds	38,305	7	0	38,312
Wrap Contracts	0	56	0	56
Common Stock Other	0	2	0	2
Total Stable Value Fund	92,993	513,832	80	606,905
Registered Investment Companies:				
Foreign Large-Cap Value Fund	861	0	0	861
Foreign Large-Cap Blend Funds	52,093	0	0	52,093
Mid-Cap Growth Funds	41,194	0	0	41,194
Mid-Cap Blend Fund	8,766	0	0	8,766
Mid-Cap Value Fund	18,911	0	0	18,911
Intermediate-Term Fixed Income Funds	53,797	0	0	53,797
Large-Cap Blend Fund	39,878	0	0	39,878
Large-Cap Value Fund	23,934	0	0	23,934
Large-Cap Growth Fund	17,744	0	0	17,744
Total Registered Investment Companies	257,178	0	0	257,178
Collective Trusts:				
Mid-Cap Blend Fund	0	12,643	0	12,643
Index Fund	0	40,285	0	40,285
Total Collective Trusts	0	52,928	0	52,928
Common Stock:				
E.I. DuPont de Nemours & Company	43,881	0	0	43,881
CONSOL Stock Fund	188,764	0	0	188,764
Total Assets at Fair Value	**$ 582,816**	**$ 566,760**	**$ 80**	**$ 1,149,656**

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

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December 31, 2010 and 2009

4. FAIR VALUE MEASUREMENTS (Continued)

(in thousands of dollars)	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Stable Value Fund:				
Guaranteed Investment Contracts	$ 0	$ 68,009	$ 0	$ 68,009
U.S. Government Security Fund	11,973	0	0	11,973
Fixed Income Mutual Fund	86,098	0	0	86,098
Fixed Income Collective Trusts	0	350,355	0	350,355
Other Fixed Income Funds	0	38,204	88	38,292
Short-Term Investment Fund	0	36,262	0	36,262
Wrap Contracts	0	4,811	0	4,811
Total Stable Value Fund	98,071	497,641	88	595,800
Registered Investment Companies:				
Foreign Large-Cap Value Fund	899	0	0	899
Foreign Large-Cap Blend Funds	44,022	0	0	44,022
Mid-Cap Growth Funds	30,545	0	0	30,545
Mid-Cap Blend Fund	8,069	0	0	8,069
Mid-Cap Value Fund	14,715	0	0	14,715
Intermediate-Term Fixed Income Funds	48,364	0	0	48,364
Large-Cap Blend Fund	30,379	0	0	30,379
Large-Cap Value Fund	22,147	0	0	22,147
Large-Cap Growth Fund	17,746	0	0	17,746
Total Registered Investment Companies	216,886	0	0	216,886
Collective Trusts:				
Mid-Cap Blend Fund	0	7,520	0	7,520
Index Fund	0	37,176	0	37,176
Total Collective Trusts	0	44,696	0	44,696
Common Stock:				
E.I. DuPont de Nemours & Company	33,314	0	0	33,314
CONSOL Stock Fund	154,827	0	0	154,827
CNX Stock Fund	26,551	0	0	26,551
Daimler Chrysler AG	39	0	0	39
Total Assets at Fair Value	**$ 529,688**	**$ 542,337**	**$ 88**	**$ 1,072,113**

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

Notes to Financial Statements

December 31, 2010 and 2009

4. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth a summary of changes in the fair value of the Plan s Level 3 asset for the year ended December 31, 2010:

(in thousands of dollars)	Level 3 Assets For the Year Ended December 31, 2010 Stable Value Fund-Other Fixed Income Funds	
Balance, Beginning of Year	$	88
Unrealized Losses Relating to Instruments Still Held at the Reporting Date		(2)
Purchases, Sales, Issuances and Settlements Net		(6)
Balance, End of Year	**$**	**80**
Amount of Total Losses for the Period Attributable to the Change in Unrealized Losses Relating to Assets Still Held at the Reporting Date	**$**	**(2)**

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net appreciation in fair value of investments in the statement of changes in net assets available for benefits.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfers from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. The Plan reclassified certain underlying SYN assets totaling approximately $14,300,000 from Level 2 to Level 1 within the fair value hierarchy because certain significant inputs became observable more frequently due to increased market activity and increased liquidity of these investments during the year ended December 31, 2010.

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

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5. INVESTMENTS

The following presents individual investments that represent 5% or more of the Plan s net assets available for benefits at December 31:

(in thousands of dollars)	2010	2009
CONSOL Stock Fund	$ 188,764	$ 154,827
*Metropolitan Life Insurance Co. (SAP)	64,604	0 **
*Jennison Intermediate Core Bond Fund	62,561	0 **
*Prudential Core Cons. Inter. Bond Fund	61,443	0 **
*PIMCO Low Duration Fund	0 **	86,098
*GEM Trust Short Duration	71,283	74,099
*GEM Trust Risk-Controlled 2	27,544 **	73,667
*GEM Trust Opportunistic 1	8,009 **	60,284
*GEM Trust Opportunistic 2	33,982 **	77,588
*GEM Trust Opportunistic 3	47,281 **	64,718

* These investments are included in the Stable Value Fund.

** For comparative purposes only. Amount does not exceed 5% of net assets available for benefits.

During 2010 the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by approximately $79,419,000 as follows:

(in thousands of dollars)	Net Appreciation (Depreciation) in Fair Value of Investments
Stable Value Fund	$ 20,171
Registered Investment Companies	25,127
Common Stock:	
E.I. DuPont de Nemours & Company	14,606
CONSOL Stock Fund	3,756
CNX Stock Fund	8,164
Daimler Chrysler AG	(1)
Collective Trusts	7,596
	$ 79,419

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CONSOL ENERGY INC. INVESTMENT PLAN FOR SALARIED EMPLOYEES

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5. INVESTMENTS (Continued)

The SVF is a separate account held by the Plan. The investment contracts are entered into based on an evaluation of the credit risk of the contract issuers and/or third party guarantors. Collateral is generally not provided. The SVF includes traditional GICs and SAPs as well as SYNs. SYNs provide for a return on principal over a specified period of time through the use of underlying assets and a benefit responsive wrap contract issued by a third party. Included in the contract value of SYNs is approximately $(18,300,000) and $(3,900,000) at December 31, 2010 and 2009, respectively, attributable to wrap contract providers representing the amounts by which the value of contracts are less than the value of the underlying assets.

The following reflects the adjustment between the underlying securities and the insurance contract values in the SVF:

	December 31	
(in thousands of dollars)	2010	2009
Investments at Fair Value	$ 606,849	$ 590,989
Wrap Contracts (at Fair Value)	56	4,811
	606,905	595,800
Adjustment from Fair Value to Contract Value	(20,656)	(11,414)
Investments at Contract Value	**$ 586,249**	**$ 584,386**

The composition of assets of the SVF at contract value as of December 31, 2010 and 2009 are as follows:

(in thousands of dollars)	2010	2009
Synthetic Guaranteed Investment Contracts	$ 404,932	$ 507,139
Separate Account Portfolios	103,360	0
Guaranteed Investment Contracts	49,299	