



Coal: There's a "Bull Case" hiding around here somewhere

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All relevant disclosures and certifications can be found on page 12 of this report and on the research page at Stifel.com. ¹



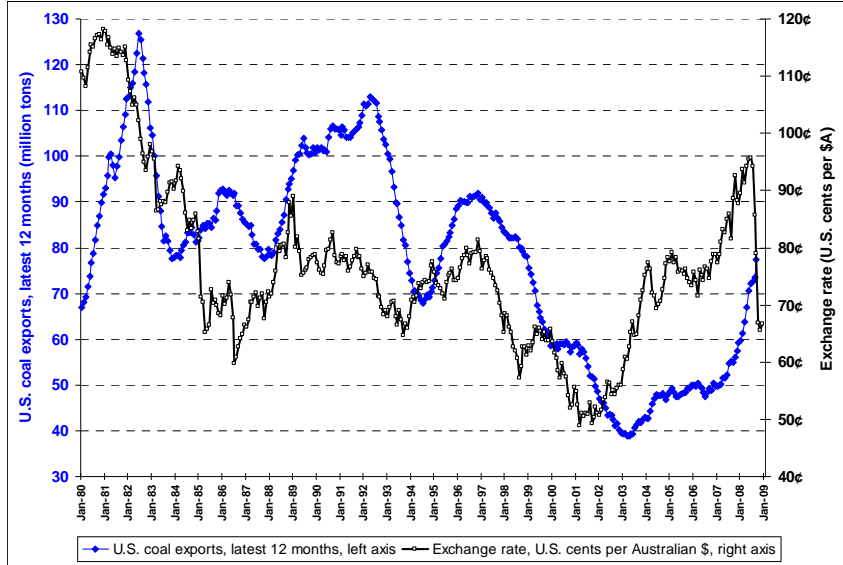
The Old Bull Case

(b. 2002; d. 2008)

- 1. Exports**
- 2. Expensive oil and gas**
- 3. Supply constraints**
- 4. Friendly political climate**
- 5. New power plants**

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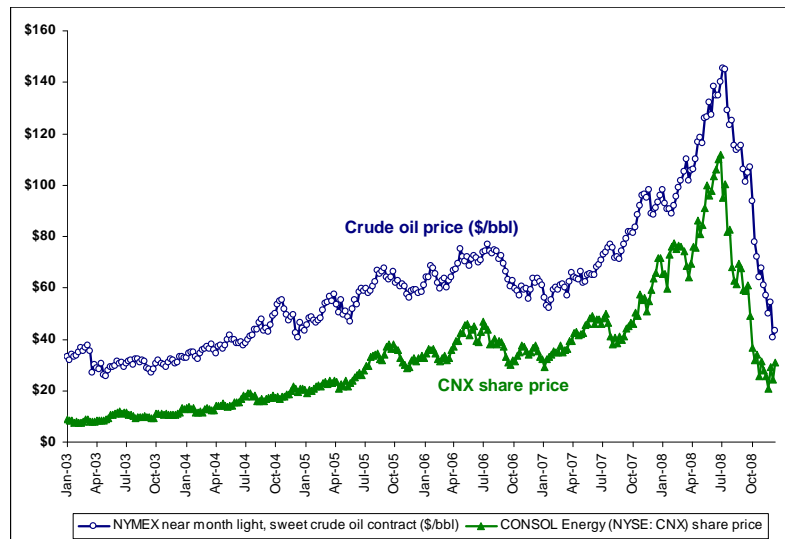
U.S. dollar rally + steel meltdown = 2009 export drop



Source: EIA for coal exports; Bloomberg for exchange rates.

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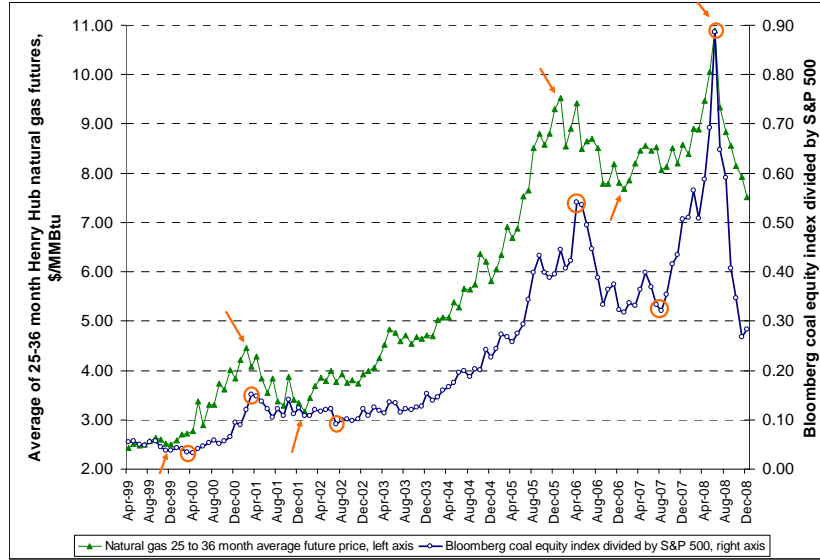
Oil prices vs. CNX since 2003. R-squared = 0.934



Source: Bloomberg. Past performance cannot and should not be used as an indicator of future performance.

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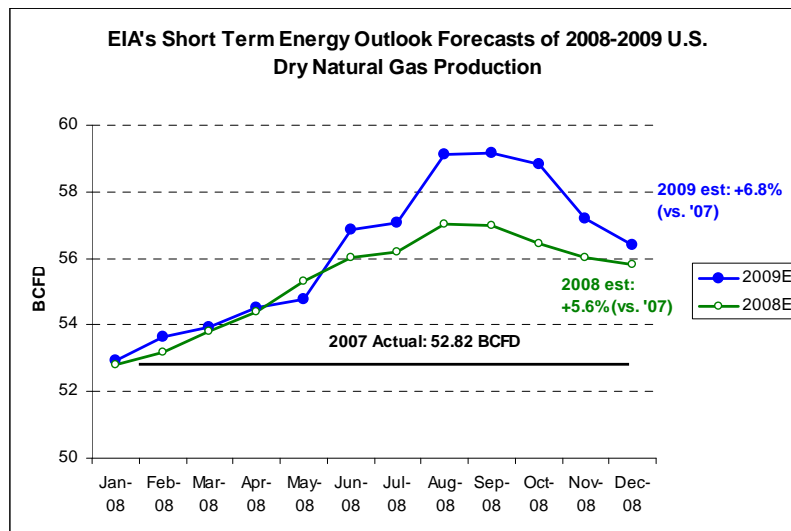
Rising natural gas prices supported coal's rally



Source: Bloomberg for NYMEX natural gas futures and coal equity index price. Past performance should not and cannot be used as an indicator of future performance.

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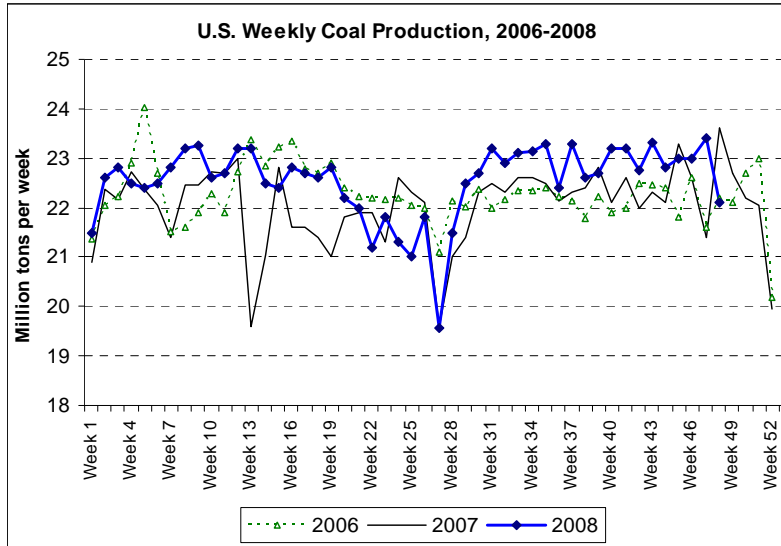
Fading U.S. gas production expectations for 2008-09.



Source: EIA Short Term Energy Outlook, Jan. 2008-Dec. 2008.

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Supply constraints? Production up 1.7% YTD



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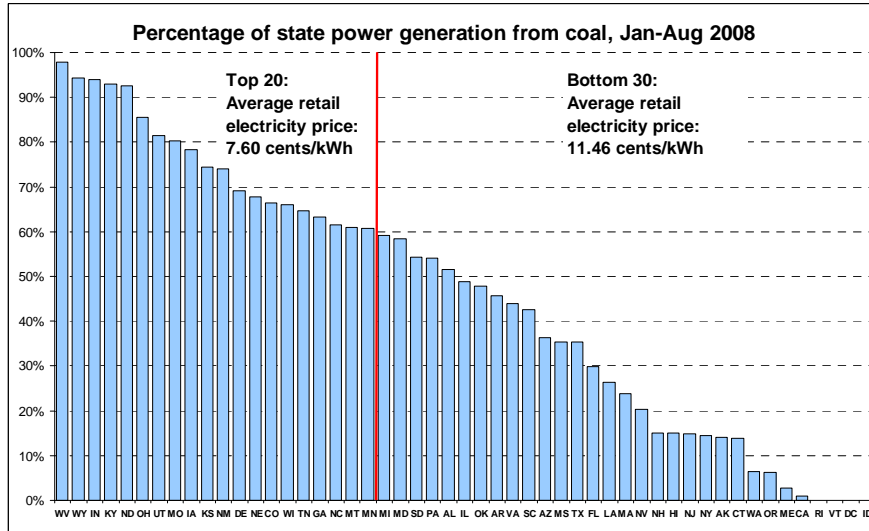
Supply/demand balance for U.S. coal - history and projection

(In million tons)	2000	2001	2002	2003	2004	2005	2006	2007	2008E	2009E	2010
Coal supply:											
Appalachian	419.4	431.2	396.2	376.1	389.9	396.7	391.2	377.1	389.5	374.0	??
Interior	143.5	146.9	146.6	146.0	146.0	149.2	151.4	146.6	142.5	146.8	
West	510.7	547.9	550.4	548.7	575.2	585.0	619.4	621.0	634.7	646.1	
Imports	12.5	19.8	16.9	25.0	27.3	30.5	36.2	36.3	34.1	36.7	
Refuse Recovery	-	1.8	1.0	1.0	1.0	0.7	0.8	0.8	0.8	0.8	
Total supply	1,086.1	1,147.6	1,111.1	1,096.8	1,139.4	1,162.1	1,199.0	1,181.8	1,201.6	1,204.3	
Coal demand:											
Electric power	985.8	964.4	977.5	1,005.1	1,016.3	1,037.5	1,026.6	1,046.4	1,035.9	1,043.2	
Coking coal	28.9	26.1	23.7	24.2	23.7	23.4	23.0	22.7	22.0	21.6	
Other industrial	65.2	65.3	60.7	61.3	62.2	60.3	59.5	56.5	54.2	53.7	
Exports:											
Steam coal	25.7	23.3	18.1	20.9	21.2	21.3	22.1	27.0	36.4	29.1	
Coking coal	32.8	25.4	21.5	22.1	26.8	28.7	27.5	32.2	40.9	32.7	
Total exports	58.5	48.7	39.6	43.0	48.0	50.0	49.6	59.2	77.3	61.8	
Other demand	4.1	4.4	4.4	4.2	5.1	4.7	3.2	3.2	3.2	3.2	
Total demand	1,142.5	1,108.9	1,105.9	1,137.8	1,155.3	1,175.9	1,161.9	1,188.0	1,192.7	1,183.5	
Net over (under) supply:	(56.4)	38.7	5.2	(41.0)	(15.9)	(13.8)	37.1	(6.2)	8.9	20.8	??

Source: EIA for supply/demand data 2001-2007; Stifel Nicolaus projections

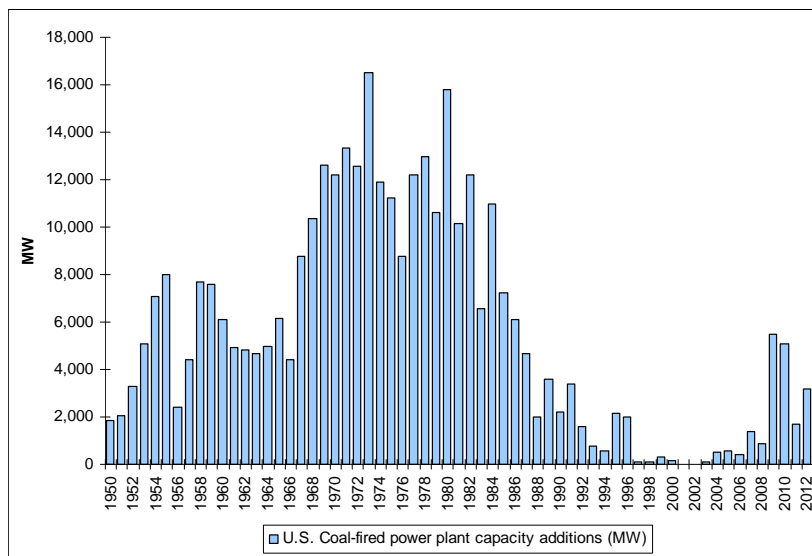
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Political support for coal: Not a D vs. R issue



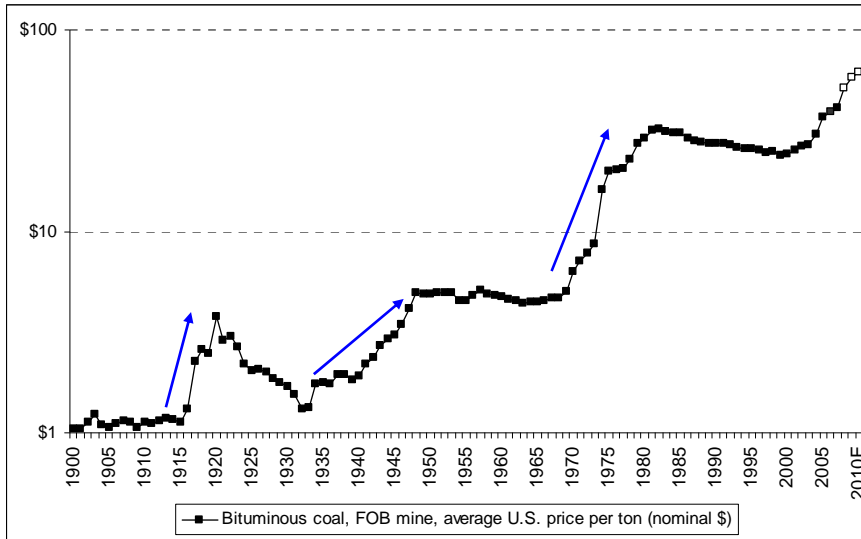
Source: EIA Electric Power Monthly

New coal power plants since 1950 + under construction



Source: EIA; NETL

Coal: In case of emergency...



Source: EIA, Census Bureau, Stifel Nicolaus estimates for 2008-2010.

Important Disclosures and Certifications

I, Paul Forward, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, Paul Forward, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.