

CONSOL Energy Inc  
Form 10-Q  
July 29, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended June 30, 2016

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

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CONSOL Energy Inc.

(Exact name of registrant as specified in its charter)

Delaware 51-0337383  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1000 CONSOL Energy Drive  
Canonsburg, PA 15317-6506  
(724) 485-4000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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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 July 15, 2016

Common stock, \$0.01 par value 229,435,607

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The following are abbreviations of certain measurement terms commonly used in the oil and gas industry and included within this Form 10-Q:

Bbl - One stock tank barrel, or 42 U.S. gallons liquid volume, used in reference to oil or other liquid hydrocarbons.

Bcf - One billion cubic feet of natural gas.

Bcfe - One billion cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.

Btu - One British thermal unit.

Mbbls - One thousand barrels of oil or other liquid hydrocarbons.

Mcf - One thousand cubic feet of natural gas.

Mcfe - One thousand cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.

MMbtu - One million British Thermal units.

MMcfe - One million cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.

NGL - Natural gas liquids.

Tcfe - One trillion cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.

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## PART I : FINANCIAL INFORMATION

## ITEM 1. CONDENSED FINANCIAL STATEMENTS

CONSOL ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

| (Dollars in thousands, except per share data)<br>(Unaudited) | Three Months Ended |            | Six Months Ended |            |
|--|--------------------|------------|------------------|------------|
|  | June 30,           | June 30,   | June 30,         | June 30,   |
|  | 2016               | 2015       | 2016             | 2015       |
| Revenues and Other Income:                                   |                    |            |                  |            |
| Natural Gas, NGLs and Oil Sales                              | \$167,933          | \$159,654  | \$349,188        | \$384,092  |
| (Loss) Gain on Commodity Derivative Instruments              | (199,380 )         | 17,322     | (144,320 )       | 107,467    |
| Coal Sales   | 251,166            | 318,995    | 477,330          | 705,021    |
| Other Outside Sales  | 8,059              | 6,337      | 15,768           | 19,467     |
| Purchased Gas Sales  | 7,929              | 1,517      | 16,547           | 5,114      |
| Freight-Outside Coal   | 11,447             | 2,750      | 24,557           | 7,768      |
| Miscellaneous Other Income                                   | 33,032             | 34,687     | 81,163           | 71,208     |
| Gain (Loss) on Sale of Assets                                | 5,614              | 4,312      | (1,662 )         | 6,286      |
| Total Revenue and Other Income                               | 285,800            | 545,574    | 818,571          | 1,306,423  |
| Costs and Expenses:  |                    |            |                  |            |
| Exploration and Production Costs                             |                    |            |                  |            |
| Lease Operating Expense                                      | 23,655             | 29,521     | 51,394           | 66,777     |
| Transportation, Gathering and Compression                    | 90,983             | 83,196     | 184,957          | 158,717    |
| Production, Ad Valorem, and Other Fees                       | 6,402              | 6,938      | 14,705           | 16,130     |
| Depreciation, Depletion and Amortization                     | 105,151            | 89,850     | 210,866          | 177,294    |
| Exploration and Production Related Other Costs               | 2,823              | 2,324      | 5,231            | 4,364      |
| Purchased Gas Costs  | 8,884              | 1,061      | 16,752           | 4,018      |
| Other Corporate Expenses                                     | 30,656             | 20,622     | 58,350           | 39,718     |
| Impairment of Exploration and Production Properties          | —                  | 828,905    | —                | 828,905    |
| Selling, General, and Administrative Costs                   | 16,175             | 21,070     | 33,738           | 42,894     |
| Total Exploration and Production Costs                       | 284,729            | 1,083,487  | 575,993          | 1,338,817  |
| Coal Costs   |                    |            |                  |            |
| Operating and Other Costs                                    | 217,465            | 213,022    | 401,834          | 474,765    |
| Depreciation, Depletion and Amortization                     | 30,069             | 48,280     | 79,342           | 102,982    |
| Freight Expense  | 11,447             | 2,750      | 24,557           | 7,768      |
| Selling, General, and Administrative Costs                   | 6,174              | 6,147      | 10,660           | 12,678     |
| Other Corporate Expenses                                     | 4,355              | 10,207     | 7,498            | 16,282     |
| Total Coal Costs   | 269,510            | 280,406    | 523,891          | 614,475    |
| Other Costs  |                    |            |                  |            |
| Miscellaneous Operating Expense                              | 17,497             | 14,045     | 20,686           | 24,420     |
| Depreciation, Depletion and Amortization                     | 1                  | 5          | 1                | 12         |
| Loss on Debt Extinguishment                                  | —                  | 17         | —                | 67,751     |
| Interest Expense   | 47,427             | 46,506     | 97,292           | 101,627    |
| Total Other Costs  | 64,925             | 60,573     | 117,979          | 193,810    |
| Total Costs And Expenses                                     | 619,164            | 1,424,466  | 1,217,863        | 2,147,102  |
| Loss From Continuing Operations Before Income Tax            | (333,364 )         | (878,892 ) | (399,292 )       | (840,679 ) |
| Income Taxes   | (100,354 )         | (301,669 ) | (123,571 )       | (316,652 ) |
| Loss From Continuing Operations                              | (233,010 )         | (577,223 ) | (275,721 )       | (524,027 ) |
| Loss From Discontinued Operations, net                       | (235,639 )         | (26,078 )  | (289,391 )       | (244 )     |
| Net Loss   | (468,649 )         | (603,301 ) | (565,112 )       | (524,271 ) |

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|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| Less: Net Income Attributable to Noncontrolling Interest | 1,179       | —           | 2,293       | —           |
| Net Loss Attributable to CONSOL Energy Shareholders      | \$(469,828) | \$(603,301) | \$(567,405) | \$(524,271) |

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

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CONSOL ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(CONTINUED)

| (Dollars in thousands, except per share data)<br>(Unaudited) | Three Months Ended |           | Six Months Ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | June 30,<br>2016   | 2015      | June 30,<br>2016 | 2015      |
| Loss Per Share   |                    |           |                  |           |
| Basic  |                    |           |                  |           |
| Loss from Continuing Operations                              | \$(1.02)           | \$(2.52 ) | \$(1.21 )        | \$(2.29 ) |
| Loss from Discontinued Operations                            | (1.03 )            | (0.12 )   | (1.26 )          | —         |
| Total Basic Loss Per Share                                   | \$(2.05)           | \$(2.64 ) | \$(2.47 )        | \$(2.29 ) |
| Dilutive   |                    |           |                  |           |
| Loss from Continuing Operations                              | \$(1.02)           | \$(2.52 ) | \$(1.21 )        | \$(2.29 ) |
| Loss from Discontinued Operations                            | (1.03 )            | (0.12 )   | (1.26 )          | —         |
| Total Dilutive Loss Per Share                                | \$(2.05)           | \$(2.64 ) | \$(2.47 )        | \$(2.29 ) |
| Dividends Paid Per Share                                     | \$—                | \$0.0625  | \$0.0100         | \$0.1250  |

CONSOL ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Dollars in thousands)<br>(Unaudited)   | Three Months Ended |              | Six Months Ended |              |
|---|--------------------|--------------|------------------|--------------|
|   | June 30,<br>2016   | 2015         | June 30,<br>2016 | 2015         |
| Net Loss  | \$ (468,649)       | \$ (603,301) | \$ (565,112)     | \$ (524,271) |
| Other Comprehensive Loss:   |                    |              |                  |              |
| Actuarially Determined Long-Term Liability Adjustments (Net of tax: (\$5,008), (\$4,875), (\$4,326), (\$4,785)) | 8,045              | 9,467        | 5,561            | 9,318        |
| Reclassification of Cash Flow Hedges from OCI to Earnings (Net of tax: \$6,521, \$12,103, \$12,145, \$23,316)   | (11,203 )          | (20,804 )    | (21,017 )        | (40,118 )    |
| Other Comprehensive Loss  | (3,158 )           | (11,337 )    | (15,456 )        | (30,800 )    |
| Comprehensive Loss  | (471,807 )         | (614,638 )   | (580,568 )       | (555,071 )   |
| Less: Net Income Attributable to Noncontrolling Interests   | 1,179              | —            | 2,293            | —            |
| Comprehensive Loss Attributable to CONSOL Energy Inc. Shareholders  | \$(472,986)        | \$(614,638)  | \$(582,861)      | \$(555,071)  |

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





CONSOL ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

| (Dollars in thousands)  | (Unaudited)        |                         |
|---|--------------------|-------------------------|
|   | June 30,<br>2016   | December<br>31,<br>2015 |
| <b>ASSETS</b>   |                    |                         |
| Current Assets:   |                    |                         |
| Cash and Cash Equivalents                                     | \$97,626           | \$72,574                |
| Accounts and Notes Receivable:                                |                    |                         |
| Trade   | 153,977            | 151,383                 |
| Other Receivables   | 94,125             | 121,735                 |
| Inventories   | 60,818             | 66,792                  |
| Recoverable Income Taxes                                      | —                  | 13,887                  |
| Prepaid Expenses  | 103,526            | 297,287                 |
| Current Assets of Discontinued Operations                     | 16,168             | 81,106                  |
| Total Current Assets  | 526,240            | 804,764                 |
| Property, Plant and Equipment:                                |                    |                         |
| Property, Plant and Equipment                                 | 13,866,137         | 13,794,907              |
| Less—Accumulated Depreciation, Depletion and Amortization     | 5,360,046          | 5,062,201               |
| Property, Plant and Equipment of Discontinued Operations, Net | 103,085            | 936,670                 |
| Total Property, Plant and Equipment—Net                       | 8,609,176          | 9,669,376               |
| Other Assets:   |                    |                         |
| Deferred Income Taxes   | 175,929            | —                       |
| Investment in Affiliates                                      | 256,167            | 237,330                 |
| Other   | 214,079            | 214,388                 |
| Other Assets of Discontinued Operations                       | 3,166              | 4,044                   |
| Total Other Assets  | 649,341            | 455,762                 |
| <b>TOTAL ASSETS</b>   | <b>\$9,784,757</b> | <b>\$10,929,902</b>     |

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

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CONSOL ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

| (Dollars in thousands, except per share data)  | (Unaudited)        |                      |
|--|--------------------|----------------------|
|  | June 30,<br>2016   | December 31,<br>2015 |
| <b>LIABILITIES AND EQUITY</b>  |                    |                      |
| Current Liabilities:   |                    |                      |
| Accounts Payable   | \$171,359          | \$250,609            |
| Current Portion of Long-Term Debt  | 4,368              | 4,988                |
| Short-Term Notes Payable   | 466,000            | 952,000              |
| Accrued Income Taxes   | 5,459              | —                    |
| Other Accrued Liabilities  | 479,255            | 421,827              |
| Current Liabilities of Discontinued Operations   | 24,938             | 51,514               |
| Total Current Liabilities  | 1,151,379          | 1,680,938            |
| Long-Term Debt:  |                    |                      |
| Long-Term Debt   | 2,723,004          | 2,708,320            |
| Capital Lease Obligations  | 31,494             | 34,884               |
| Long-Term Debt of Discontinued Operations  | 1,254              | 5,001                |
| Total Long-Term Debt   | 2,755,752          | 2,748,205            |
| Deferred Credits and Other Liabilities:  |                    |                      |
| Deferred Income Taxes  | —                  | 74,629               |
| Postretirement Benefits Other Than Pensions  | 619,220            | 630,892              |
| Pneumoconiosis Benefits  | 117,984            | 111,903              |
| Mine Closing   | 214,344            | 227,339              |
| Gas Well Closing   | 164,195            | 163,842              |
| Workers' Compensation  | 68,687             | 69,812               |
| Salary Retirement  | 87,321             | 91,596               |
| Reclamation  | 246                | 25                   |
| Other  | 244,354            | 166,957              |
| Deferred Credits and Other Liabilities of Discontinued Operations  | 89,845             | 107,988              |
| Total Deferred Credits and Other Liabilities   | 1,606,196          | 1,644,983            |
| <b>TOTAL LIABILITIES</b>   | <b>5,513,327</b>   | <b>6,074,126</b>     |
| Stockholders' Equity:  |                    |                      |
| Common Stock, \$.01 Par Value; 500,000,000 Shares Authorized, 229,433,854 Issued and Outstanding at June 30, 2016; 229,054,236 Issued and Outstanding at December 31, 2015 | 2,298              | 2,294                |
| Capital in Excess of Par Value   | 2,445,840          | 2,435,497            |
| Preferred Stock, 15,000,000 shares authorized, None issued and outstanding   | —                  | —                    |
| Retained Earnings  | 2,008,514          | 2,579,834            |
| Accumulated Other Comprehensive Loss   | (331,054)          | (315,598)            |
| Total CONSOL Energy Inc. Stockholders' Equity  | 4,125,598          | 4,702,027            |
| Noncontrolling Interest  | 145,832            | 153,749              |
| <b>TOTAL EQUITY</b>  | <b>4,271,430</b>   | <b>4,855,776</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>\$9,784,757</b> | <b>\$10,929,902</b>  |

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

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CONSOL ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

| (Dollars in thousands,<br>except per share data)      | Common<br>Stock | Capital in<br>Excess<br>of Par<br>Value | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>CONSOL<br>Energy Inc.<br>Stockholders'<br>Equity | Non-<br>Controlling<br>Interest | Total<br>Equity |
|---|-----------------|---|----------------------|---|---|---------------------------------|-----------------|
| Balance at December 31,<br>2015<br>(Unaudited)        | \$ 2,294        | \$ 2,435,497                            | \$ 2,579,834         | \$ (315,598 )                                 | \$ 4,702,027  | \$ 153,749                      | \$ 4,855,776    |
| Net (Loss) Income                                     | —               | —                                       | (567,405 )           | —   | (567,405 )  | 2,293                           | (565,112 )      |
| Other Comprehensive Loss                              | —               | —                                       | —                    | (15,456 )                                     | (15,456 )   | —                               | (15,456 )       |
| Comprehensive (Loss)<br>Income                        | —               | —                                       | (567,405 )           | (15,456 )                                     | (582,861 )  | 2,293                           | (580,568 )      |
| Issuance of Common<br>Stock                           | 4               | —                                       | —                    | —   | 4   | —                               | 4               |
| Treasury Stock Activity                               | —               | —                                       | (1,621 )             | —   | (1,621 )  | —                               | (1,621 )        |
| Tax Cost From<br>Stock-Based<br>Compensation          | —               | (5,096 )                                | —                    | —   | (5,096 )  | —                               | (5,096 )        |
| Amortization of<br>Stock-Based<br>Compensation Awards | —               | 15,439                                  | —                    | —   | 15,439  | 615                             | 16,054          |
| Distributions to<br>Noncontrolling Interest           | —               | —                                       | —                    | —   | —   | (10,825 )                       | (10,825 )       |
| Dividends (\$0.01 per<br>share)                       | —               | —                                       | (2,294 )             | —   | (2,294 )  | —                               | (2,294 )        |
| Balance at June 30, 2016                              | \$ 2,298        | \$ 2,445,840                            | \$ 2,008,514         | \$ (331,054 )                                 | \$ 4,125,598  | \$ 145,832                      | \$ 4,271,430    |

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

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CONSOL ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

Operating Activities:

Net Loss

Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities:

Net Loss from Discontinued Operations

Depreciation, Depletion and Amortization

Impairment of Exploration and Production Properties

Non-Cash Other Post-Employment Benefits

Stock-Based Compensation

Loss (Gain) on Sale of Assets

Loss on Debt Extinguishment

Loss (Gain) on Commodity Derivative Instruments

Net Cash Received in Settlement of Commodity Derivative Instruments

Deferred Income Taxes

Equity in Earnings of Affiliates

Return on Equity Investment

Changes in Operating Assets:

Accounts and Notes Receivable

Inventories

Prepaid Expenses

Changes in Other Assets

Changes in Operating Liabilities:

Accounts Payable

Accrued Interest

Other Operating Liabilities

Changes in Other Liabilities

Other

Net Cash Provided by Continuing Operating Activities

Net Cash Provided by Discontinued Operating Activities

Net Cash Provided by Operating Activities

Investing Activities:

Capital Expenditures

Proceeds from Sales of Assets

Net Investments in Equity Affiliates

Net Cash Used in Continuing Investing Activities

Net Cash Provided by (Used in) Discontinued Investing Activities

Net Cash Provided by (Used in) Investing Activities

Financing Activities:

(Payments on) Proceeds from Short-Term Borrowings

Payments on Miscellaneous Borrowings

Payments on Long-Term Notes, including Redemption Premium

Net Proceeds from Revolver - CNX Coal Resources LP

Distributions to Noncontrolling Interest

Proceeds from Securitization Facility

Proceeds from Issuance of Long-Term Notes

Tax Benefit from Stock-Based Compensation

Six Months Ended

June 30,

2016 2015

\$(565,112) \$(524,271)

289,391 244

290,209 280,288

— 828,905

— (50,925 )

16,054 14,129

1,662 (6,286 )

— 67,751

144,320 (107,467 )

164,666 72,399

(124,516 ) (312,234 )

(25,884 ) (23,250 )

9,192 8,162

18,101 93,180

(7,947 ) (8,118 )

47,136 83,570

(15,298 ) 16,943

(45,781 ) (93,870 )

(807 ) 26,149

(14,069 ) (118,056 )

15,343 (56,340 )

9,648 56,800

206,308 247,703

17,433 46,512

223,741 294,215

(115,257 ) (616,484 )

18,284 6,931

(5,578 ) (43,761 )

(102,551 ) (653,314 )

394,511 (19,301 )

291,960 (672,615 )

(486,000 ) 1,058,000

(4,459 ) (4,029 )

— (1,263,719)

13,000 —

(10,825 ) —

— 38,669

— 492,760

— 198

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|  |            |            |
|--|------------|------------|
| Dividends Paid   | (2,294 )   | (28,711 )  |
| Issuance of Common Stock                                       | 4          | 8,288      |
| Purchases of Treasury Stock                                    | —          | (71,674 )  |
| Debt Issuance and Financing Fees                               | —          | (18,257 )  |
| Net Cash (Used in) Provided by Continuing Financing Activities | (490,574 ) | 211,525    |
| Net Cash Used in Discontinued Financing Activities             | (75 )      | (83 )      |
| Net Cash (Used in) Provided by Financing Activities            | (490,649 ) | 211,442    |
| Net Increase (Decrease) in Cash and Cash Equivalents           | 25,052     | (166,958 ) |
| Cash and Cash Equivalents at Beginning of Period               | 72,574     | 176,985    |
| Cash and Cash Equivalents at End of Period                     | \$97,626   | \$10,027   |

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



CONSOL ENERGY INC. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands, except per share data)

NOTE 1—BASIS OF PRESENTATION:

The accompanying Unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for future periods.

The Consolidated Balance Sheet at December 31, 2015 has been derived from the Audited Consolidated Financial Statements at that date but does not include all the notes required by generally accepted accounting principles for complete financial statements. For further information, refer to the Consolidated Financial Statements and related notes for the year ended December 31, 2015 included in CONSOL Energy Inc.'s Annual Report on Form 10-K.

During the six months ended June 30, 2016, CONSOL Energy Inc. ("CONSOL Energy" or "the Company") made certain adjustments to the financial statements to reflect the sale of the Buchanan Mine, which is now reflected under "discontinued operations." Additionally, CONSOL Energy made reclassifications within its financial statements to better align the Company's financial reporting with its peer group. These reclassifications impacted the "Lease Operating Expense", "Transportation, Gathering and Compression," "Direct Administrative and Selling," "Production Royalty Interests and Purchased Gas Sales," "Production Royalty Interests and Purchased Gas Costs," "Operating and Other Costs" and "Selling, General and Administrative" line items on the Company's Consolidated Statements of Income. These changes are reflected in CONSOL Energy's current and historic Consolidated Statements of Income, with no effect on previously reported net income or stockholders' equity.

During the quarter ended June 30, 2016, CONSOL Energy's Board of Directors approved the sale of the Fola and Miller Creek Mining Complexes. The Company was actively marketing these mines for sale, and believed the transaction would close within twelve months. As such, the expected sale caused the Company to classify these assets as held for sale in discontinued operations on CONSOL Energy's Consolidated Balance Sheets, include the results of operations in discontinued operations on the Consolidated Statements of Income and cash flows from discontinued operations in the Consolidated Statements of Cash Flow. See Note 2 - Discontinued Operations for more information.

Basic earnings per share are computed by dividing net income attributable to CONSOL Energy Shareholders by the weighted average shares outstanding during the reporting period. Dilutive earnings per share are computed similarly to basic earnings per share, except that the weighted average shares outstanding are increased to include additional shares from stock options, performance stock options, restricted stock units and performance share units, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and performance share options were exercised, that outstanding restricted stock units and performance share units were released, and that the proceeds from such activities were used to acquire shares of common stock at the average market price during the reporting period. CONSOL Energy includes the impact of pro forma deferred tax assets in determining potential windfalls and shortfalls for purposes of calculating assumed proceeds under the treasury stock method.

The table below sets forth the share-based awards that have been excluded from the computation of the diluted earnings per share because their effect would be anti-dilutive:

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|   | For the Three<br>Months Ended<br>June 30,<br>2016 |           | For the Six<br>Months Ended<br>June 30,<br>2015 |           |
|---|---|-----------|---|-----------|
| Anti-Dilutive Options                   | 6,348,667   | 6,348,667 | 6,348,667                                       | 6,348,667 |
| Anti-Dilutive Restricted Stock Units    | 802,804   | 802,804   | 802,804   | 802,804   |
| Anti-Dilutive Performance Share Units   | 87,076  | 87,076    | 87,076  | 87,076    |
| Anti-Dilutive Performance Stock Options | 87,076  | 87,076    | 87,076  | 87,076    |

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The table below sets forth the share-based awards that have been exercised or released:

|                         | For the Three<br>Months<br>Ended June<br>30,<br>2016 |         | For the Six<br>Months Ended<br>June 30,<br>2015 |           |
|-------------------------|--|---------|---|-----------|
| Options                 | —  | 287,592 | —   | 363,620   |
| Restricted Stock Units  | 83,710   | 107,149 | 568,390   | 406,507   |
| Performance Share Units | —  | —       | —   | 497,134   |
|                         | 83,710   | 107,149 | 568,390   | 1,007,261 |

No options were exercised during the three and six months ended June 30, 2016. The weighted average exercise price per share of the options exercised during the three and six months ended June 30, 2015 was \$22.78.

The computations for basic and dilutive earnings per share are as follows:

|   | For the Three Months Ended<br>June 30,<br>2016 |              | For the Six Months Ended June<br>30,<br>2015 |              |
|---|--|--------------|--|--------------|
| Loss from Continuing Operations                         | \$ (233,010)                                   | \$ (577,223) | \$ (275,721)                                 | \$ (524,027) |
| Loss from Discontinued Operations                       | (235,639 )                                     | (26,078 )    | (289,391 )                                   | (244 )       |
| Net Loss  | \$ (468,649)                                   | \$ (603,301) | \$ (565,112)                                 | \$ (524,271) |
| Net Income Attributable to Noncontrolling Interest      | 1,179  | —            | 2,293  | —            |
| Net Loss Attributable to CONSOL Energy<br>Shareholders  | \$ (469,828)                                   | \$ (603,301) | \$ (567,405)                                 | \$ (524,271) |
| Weighted Average Shares of Common Stock<br>Outstanding: |  |              |  |              |
| Basic   | 229,409,325                                    | 228,928,803  | 229,334,277                                  | 229,329,382  |
| Effect of Stock-Based Compensation Awards<br>Dilutive   | —  | —            | —  | —            |
|   | 229,409,325                                    | 228,928,803  | 229,334,277                                  | 229,329,382  |
| Loss per Share:   |  |              |  |              |
| Basic (Continuing Operations)                           | \$ (1.02 )                                     | \$ (2.52 )   | \$ (1.21 )                                   | \$ (2.29 )   |
| Basic (Discontinued Operations)                         | (1.03 )  | (0.12 )      | (1.26 )                                      | —            |
| Total Basic   | \$ (2.05 )                                     | \$ (2.64 )   | \$ (2.47 )                                   | \$ (2.29 )   |
| Dilutive (Continuing Operations)                        | \$ (1.02 )                                     | \$ (2.52 )   | \$ (1.21 )                                   | \$ (2.29 )   |
| Dilutive (Discontinued Operations)                      | (1.03 )  | (0.12 )      | (1.26 )                                      | —            |
| Total Dilutive  | \$ (2.05 )                                     | \$ (2.64 )   | \$ (2.47 )                                   | \$ (2.29 )   |

Changes in Accumulated Other Comprehensive Loss by component, net of tax, were as follows:

|   | Gains on<br>Cash Flow<br>Hedges | Postretirement<br>Benefits | Total        |
|---|---------------------------------|----------------------------|--------------|
| Balance at December 31, 2015                                      | \$ 43,470                       | \$ (359,068)               | \$ (315,598) |
| Other Comprehensive Loss before Reclassifications                 | —                               | (9,046 )                   | (9,046 )     |
| Amounts reclassified from Accumulated Other Comprehensive<br>Loss | (21,017 )                       | 14,607                     | (6,410 )     |
| Current period Other Comprehensive (Loss) Income                  | (21,017 )                       | 5,561                      | (15,456 )    |
| Balance at June 30, 2016  | \$ 22,453                       | \$ (353,507)               | \$ (331,054) |



The following table shows the reclassification of adjustments out of Accumulated Other Comprehensive Loss:

|  | For the Three Months<br>Ended June 30, |             | For the Six Months<br>Ended June 30, |             |
|--|--|-------------|--------------------------------------|-------------|
|  | 2016                                   | 2015        | 2016                                 | 2015        |
| Derivative Instruments (Note 14)   |  |             |                                      |             |
| Natural Gas Price Swaps and Options  | \$ (17,724)                            | \$ (32,907) | \$ (33,162)                          | \$ (63,434) |
| Tax Expense  | 6,521                                  | 12,103      | 12,145                               | 23,316      |
| Net of Tax   | \$ (11,203)                            | \$ (20,804) | \$ (21,017)                          | \$ (40,118) |
| Actuarially Determined Long-Term Liability Adjustments* (Note 5<br>and Note 6) |  |             |                                      |             |
| Amortization of Prior Service Costs  | \$ (148 )                              | \$ (54,495) | \$ (295 )                            | \$ (69,308) |
| Recognized Net Actuarial Loss  | 5,706                                  | 24,169      | 11,217                               | 38,742      |
| Settlement Loss  | 13,696                                 | —           | 13,696                               | —           |
| Total  | 19,254                                 | (30,326 )   | 24,618                               | (30,566 )   |
| Tax (Benefit) Expense  | (7,178 )                               | 11,398      | (9,196 )                             | 11,488      |
| Net of Tax   | \$ 12,076                              | \$ (18,928) | \$ 15,422                            | \$ (19,078) |

\*Excludes amounts related to the remeasurement of the Actuarially Determined Long-Term Liabilities. Also excludes \$815, net of tax, of reclassifications out of Accumulated Other Comprehensive Income related to discontinued operations for the six months ended June 30, 2016.

#### NOTE 2—DISCONTINUED OPERATIONS:

At June 30, 2016, CONSOL Energy's Board of Directors had approved the sale of the Fola and Miller Creek mining complexes. In addition, the Company was actively marketing these mines and believed the transaction would close within twelve months (See Note 21 - Subsequent Events for more information). As such, the expected sale caused the Company to classify these assets as held for sale in "discontinued operations" on CONSOL Energy's Consolidated Balance Sheets, to include the results of operations in discontinued operations in the Consolidated Statement of Income and cash flows from discontinued operations in the Consolidated Statements of Cash Flow. In accordance with the accounting guidance for Property, Plant and Equipment, assets held for sale are measured at the lower of the carrying value or fair value less costs to sell. Upon meeting the assets held for sale criteria, the Company determined the carrying value of the Fola and Miller Creek mining complexes exceeded the fair value less costs to sell. As a result, an impairment charge of \$355,681 was recorded during the three months ended June 30, 2016. This impairment is included in the Loss from Discontinued Operations, net in the accompanying Consolidated Statements of Income.

On March 31, 2016, CONSOL Energy completed the sale of its membership interests in CONSOL Buchanan Mining Company, LLC (BMC), which owned and operated the Buchanan Mine located in Mavisdale, Virginia; various assets relating to the Amonate Mining Complex located in Amonate, Virginia; Russell County, Virginia coal reserves and Pangburn Shaner Fallowfield coal reserves located in Southwestern, Pennsylvania to Coronado IV LLC ("Coronado"). Various CONSOL Energy assets were excluded from the sale including coalbed methane, natural gas and minerals other than coal, current assets of BMC, certain coal seams, certain surface rights, and the Amonate Preparation Plant. Coronado assumed only specified liabilities and various CONSOL Energy liabilities were excluded and not assumed. The excluded liabilities included BMC's indebtedness, trade payables and liabilities arising prior to closing, as well as the liabilities of the subsidiaries other than BMC which are parties to the sale. In addition, the buyer agreed to pay CONSOL Energy for Buchanan Mine coal sold outside the U.S. and Canada during the five years following closing a royalty of 20% of any excess of the gross sales price per ton over the following amounts: (1) year one, \$75.00 per ton; (2) year two, \$78.75 per ton; (3) year three, \$82.69 per ton; (4) year four, \$86.82 per ton; (5) year five, \$91.16 per ton. At closing, the parties entered into several agreements including, among others, agreements relating to the

coordination and conduct of gas operations at the mines, an option to purchase the Amonate Preparation Plant and transition services. Cash proceeds of \$402,799 were received at closing and are included in Net Cash Provided by Discontinued Investing Activities on the Consolidated Statements of Cash Flow. The net loss on the sale was \$38,364 and was included in Loss from Discontinued Operations, net on the Consolidated Statements of Income.

For all periods presented in the accompanying Consolidated Statements of Income, the sale of BMC along with the various other assets are classified as discontinued operations. The Fola and Miller Creek Mining Complexes were classified as held for sale in discontinued operations.

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The following table details selected financial information for the divested business included within discontinued operations and the businesses that are held for sale in discontinued operations:

|  | For the Three Months |            | For the Six Months |            |
|--|----------------------|------------|--------------------|------------|
|  | Ended June 30,       |            | Ended June 30,     |            |
|  | 2016                 | 2015       | 2016               | 2015       |
| Coal Sales                               | \$19,411             | \$95,484   | \$95,930           | \$206,124  |
| Freight-Outside Coal                     | 5                    | 1,501      | 1,017              | 3,008      |
| Miscellaneous Other Income               | 2                    | 20         | 33                 | 31         |
| Gain (Loss) on Sale of Assets            | 100                  | 3          | (38,253 )          | 194        |
| Total Revenue and Other Income           | \$19,518             | \$97,008   | \$58,727           | \$209,357  |
| Total Coal Costs                         | 26,547               | 113,347    | 115,780            | 210,481    |
| Loss From Operations Before Income Taxes | \$(7,029 )           | \$(16,339) | \$(57,053 )        | \$(1,124 ) |
| Impairment on Assets Held for Sale       | 355,681              | —          | 355,681            | —          |
| Income Tax (Benefit) Expense             | (127,071 )           | 9,739      | (123,343 )         | (880 )     |
| Loss From Discontinued Operations, net   | \$(235,639)          | \$(26,078) | \$(289,391)        | \$(244 )   |

The major classes of assets and liabilities of discontinued operations and held for sale in discontinued operations are as follows:

|  | June 30,  | December 31, |
|--|-----------|--------------|
|  | 2016      | 2015         |
| Assets:                                      |           |              |
| Accounts Receivable - Trade                  | \$10,672  | \$ 49,125    |
| Inventories                                  | 5,422     | 30,646       |
| Prepaid Expense                              | 9         | 970          |
| Other Current Assets                         | 65        | 365          |
| Total Current Assets                         | \$16,168  | \$ 81,106    |
| Property, Plant and Equipment, Net           | 103,085   | 936,670      |
| Other Assets                                 | 3,166     | 4,044        |
| Total Assets of Discontinued Operations      | \$122,419 | \$ 1,021,820 |
| Liabilities:                                 |           |              |
| Accounts Payable                             | \$5,177   | \$ 20,786    |
| Other Current Liabilities                    | 19,761    | 30,728       |
| Total Current Liabilities                    | \$24,938  | \$ 51,514    |
| Long Term Debt                               | 1,254     | 5,001        |
| Pneumoconiosis Benefits                      | —         | 1,129        |
| Mine Closing                                 | 61,329    | 71,941       |
| Reclamation                                  | 28,516    | 34,126       |
| Other liabilities                            | —         | 792          |
| Total Liabilities of Discontinued Operations | \$116,037 | \$ 164,503   |

NOTE 3—ACQUISITIONS AND DISPOSITIONS:

In December 2014, CNX Gas Company LLC (CNX Gas Company), a wholly-owned subsidiary of CONSOL Energy, finalized an agreement with Columbia Energy Ventures (CEVCO) to sublease from CEVCO approximately 20,000 acres of Utica Shale and Upper Devonian gas rights in Greene and Washington Counties in Pennsylvania and Marshall and Ohio Counties in West Virginia. Up-front bonus consideration of up to \$96,106 will be paid by CONSOL Energy over a five year period, as drilling occurs, in addition to royalties, of which \$49,533 was recorded in Other Current Liabilities and \$40,286 was recorded on a discounted basis in Other Long-Term Liabilities. CONSOL Energy did not make a payment to CEVCO in the six months ended June 30, 2016 while \$15,216 of payments were

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made for the six months ended June 30, 2015. At June 30, 2016, the amounts recorded in Other Current Liabilities and Other Long-Term Liabilities were \$9,000 and \$28,682, respectively. At December 31, 2015, the amounts recorded in Other Current Liabilities and Other Long-Term Liabilities were \$8,349 and \$29,333, respectively.



## NOTE 4—MISCELLANEOUS OTHER INCOME:

|  | Three Months |          | Six Months |          |
|--|--------------|----------|------------|----------|
|  | Ended        |          | Ended      |          |
|  | June 30,     |          | June 30,   |          |
|  | 2016         | 2015     | 2016       | 2015     |
| Rental Income                            | \$9,079      | \$9,406  | \$18,275   | \$18,998 |
| Equity in Earnings of Affiliates - CONE  | 8,205        | 9,381    | 22,556     | 17,037   |
| Coal Contract Buyout                     | 6,288        | —        | 6,288      | —        |
| Gathering Revenue                        | 2,648        | 1,393    | 5,396      | 5,953    |
| Royalty Income - Coal                    | 2,423        | 3,602    | 4,653      | 8,142    |
| Right of Way Issuance                    | 2,070        | 5,422    | 17,803     | 7,950    |
| Equity in Earnings of Affiliates - Other | 1,014        | 2,546    | 3,328      | 6,213    |
| Interest Income                          | 547          | 364      | 761        | 1,507    |
| Other                                    | 758          | 2,573    | 2,103      | 5,408    |
| Total Miscellaneous Other Income         | \$33,032     | \$34,687 | \$81,163   | \$71,208 |

## NOTE 5—COMPONENTS OF PENSION AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS NET PERIODIC BENEFIT COSTS:

Components of net periodic benefit costs are as follows:

|                                       | Pension Benefits |          |              |           | Other Post-Employment Benefits |            |                    |            |
|---------------------------------------|------------------|----------|--------------|-----------|--------------------------------|------------|--------------------|------------|
|                                       | For the Three    |          | For the Six  |           | For the Three                  |            | For the Six Months |            |
|                                       | Months Ended     |          | Months Ended |           | Months Ended June              |            | Ended June 30,     |            |
|                                       | June 30,         |          | June 30,     |           | 30,                            |            | 30,                |            |
|                                       | 2016             | 2015     | 2016         | 2015      | 2016                           | 2015       | 2016               | 2015       |
| Service Cost                          | \$482            | \$2,350  | \$963        | \$4,700   | \$—                            | \$—        | \$—                | \$—        |
| Interest Cost                         | 6,841            | 8,580    | 13,683       | 17,160    | 6,060                          | 6,889      | 12,121             | 13,884     |
| Expected Return on Plan Assets        | (11,869 )        | (12,690) | (23,738)     | (25,379 ) | —                              | —          | —                  | —          |
| Amortization of Prior Service Credits | (148 )           | (176 )   | (295 )       | (352 )    | —                              | (54,320 )  | —                  | (68,956 )  |
| Recognized net Actuarial Loss         | 2,116            | 6,940    | 4,232        | 13,880    | 4,792                          | 18,522     | 9,584              | 27,448     |
| Settlement Loss                       | 13,696           | —        | 13,696       | —         | —                              | —          | —                  | —          |
| Net Periodic Benefit Cost (Credit)    | \$11,118         | \$5,004  | \$8,541      | \$10,009  | \$10,852                       | \$(28,909) | \$21,705           | \$(27,624) |

According to the Defined Benefit Plans Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, if the lump sum distributions made during a plan year, which for CONSOL Energy is January 1 to December 31, exceed the total of the projected service cost and interest cost for the plan year, settlement accounting is required. Lump sum payments exceeded this threshold during the three and six months ended June 30, 2016. Accordingly, CONSOL Energy recognized settlement expense of \$13,696 for the three and six months ended June 30, 2016 in Other Costs - Miscellaneous Operating Expense in the Consolidated Statements of Income. The settlement charges represented a pro rata portion of the net unrecognized loss based on the percentage reduction in the projected benefit obligation due to the lump sum payments. The settlement charges also resulted in a remeasurement of the pension plan, which increased the pension liability by \$6,203. The remeasurement on June 30, 2016 used a discount rate of 3.73%, a decrease from 4.50% used at December 31, 2015. The settlement and corresponding remeasurement of the pension plan resulted in a decrease of \$4,558 in Other Comprehensive Loss, net of \$2,935 in deferred taxes.

For the six months ended June 30, 2016 and 2015, \$1,307 and \$2,521 was paid to the pension trust from operating cash flows, respectively. Additional contributions to the pension trust are not expected to be material for the remainder of 2016.

CONSOL Energy does not expect to contribute to the other post-employment benefit plan in 2016. The Company intends to pay benefit claims as they become due. For the six months ended June 30, 2016 and 2015, \$23,312 and \$26,935 of other post-employment benefits have been paid, respectively.

**NOTE 6—COMPONENTS OF COAL WORKERS' PNEUMOCONIOSIS (CWP) AND WORKERS' COMPENSATION NET PERIODIC BENEFIT COSTS:**

Components of net periodic benefit costs are as follows:

|   | CWP                                      |          |  |          | Workers' Compensation                    |         |  |         |
|---|--|----------|--|----------|--|---------|--|---------|
|   | For the Three Months Ended June 30, 2016 |          | For the Six Months Ended June 30, 2015 |          | For the Three Months Ended June 30, 2016 |         | For the Six Months Ended June 30, 2015 |         |
| Service Cost                            | \$1,041                                  | \$1,623  | \$2,244                                | \$3,246  | \$1,904                                  | \$2,347 | \$3,809                                | \$4,695 |
| Interest Cost                           | 1,053                                    | 1,279    | 2,176                                  | 2,558    | 638                                      | 799     | 1,275                                  | 1,597   |
| Amortization of Actuarial Gain          | (1,188 )                                 | (1,394 ) | (2,571 )                               | (2,788 ) | (101 )                                   | (8 )    | (202 )                                 | (15 )   |
| State Administrative Fees and Insurance | —  | —        | —                                      | —        | 968                                      | 973     | 1,699                                  | 1,876   |
| Bond Premiums                           | —  | —        | (1,307 )                               | —        | —  | —       | —                                      | —       |
| Curtailment Gain                        | —  | —        | (1,307 )                               | —        | —  | —       | —                                      | —       |
| Net Periodic Benefit Cost               | \$906                                    | \$1,508  | \$542                                  | \$3,016  | \$3,409                                  | \$4,111 | \$6,581                                | \$8,153 |

Expense (income) attributable to discontinued operations included in the CWP net periodic cost above was \$305 for the three months ended June 30, 2015, and \$(1,290) and \$380 for the six months ended June 30, 2016 and 2015, respectively.

On March 31, 2016, CONSOL Energy completed the sale of its membership interests in BMC (See Note 2 - Discontinued Operations). As a result of the sale, certain obligations of the CWP plan were transferred the buyer. This transfer triggered a curtailment gain of \$1,307. The curtailment resulted in a plan remeasurement increasing plan liabilities by \$5,014, net of \$2,700 deferred tax at March 31, 2016.

CONSOL Energy does not expect to contribute to the CWP plan in 2016. The Company intends to pay benefit claims as they become due. For the six months ended June 30, 2016 and 2015, \$5,600 and \$5,293 of CWP benefit claims have been paid, respectively.

CONSOL Energy does not expect to contribute to the workers' compensation plan in 2016. The Company intends to pay benefit claims as they become due. For the six months ended June 30, 2016 and 2015, \$8,075 and \$8,821 of workers' compensation benefits, state administrative fees and surety bond premiums have been paid, respectively.

**NOTE 7—INCOME TAXES:**

The effective tax rate for the three and six months ended June 30, 2016 was 30.0% and 30.8%, respectively. The effective tax rate is different from the U.S. federal statutory rate of 35% primarily due to charges to record state valuation allowances and the effects of the 2010-2013 Federal tax audit still in progress, partially offset by a larger anticipated book loss and the income tax benefit for excess percentage depletion.

The effective tax rate for the three and six months ended June 30, 2015 was 34.3% and 37.7%, respectively. The effective tax rate is different from the U.S. federal statutory rate of 35% primarily due to impairment charges recorded in June 2015. In addition, as the Company's loss for the six months ended June 30, 2015 exceeded the anticipated ordinary loss for the full year, the tax benefit recognized for the six months ended June 30, 2015 was limited to the amount that would be recognized if the year-to-date ordinary loss were the anticipated ordinary loss for the full year. Another item contributing to the benefit is the deduction for percentage depletion in excess of cost depletion related to the Company's coal operations.

The total amount of uncertain tax positions at June 30, 2016 and December 31, 2015 was \$15,536 and \$12,702, respectively. If these uncertain tax positions were recognized, approximately \$2,834 would affect CONSOL Energy's effective tax rate at June 30, 2016. There would be no effect on the Company's effective tax rate at December 31, 2015. There was an increase of \$2,834 to the liability for unrecognized tax benefits during the six months ended

June 30, 2016.

CONSOL Energy recognizes interest accrued related to uncertain tax positions in interest expense. As of June 30, 2016 and December 31, 2015, the Company reported an accrued interest liability relating to uncertain tax positions of \$180 and \$53, respectively, in Other Current Liabilities on the Consolidated Balance Sheet. The accrued interest liability includes \$127 of accrued interest expense that is reflected in the Company's Consolidated Statements of Income for the six months ended June 30, 2016.

CONSOL Energy recognizes penalties accrued related to uncertain tax positions in its income tax expense. As of June 30, 2016 and December 31, 2015, CONSOL Energy had no accrued liabilities for tax penalties related to uncertain tax positions.

CONSOL Energy and its subsidiaries file federal income tax returns with the United States and returns within various states and Canadian jurisdictions. With few exceptions, the Company is no longer subject to United States federal, state, local, or non-U.S. income tax examinations by tax authorities for the years before 2010. The Company expects the Internal Revenue Service to conclude its audit of tax years 2010 through 2013 in the third quarter of 2016.

NOTE 8—INVENTORIES:

Inventory components consist of the following:

|                   | June 30, December 31, |           |
|-------------------|-----------------------|-----------|
|                   | 2016                  | 2015      |
| Coal              | \$2,975               | \$ 4,660  |
| Supplies          | 57,843                | 62,132    |
| Total Inventories | \$60,818              | \$ 66,792 |

Inventories are stated at the lower of cost or net realizable value. The cost of coal inventories is determined by the first-in, first-out (FIFO) method. Coal inventory costs include labor, supplies, equipment costs, operating overhead, depreciation, depletion and amortization, and other related costs. The cost of supplies inventory is determined by the average cost method and includes operating and maintenance supplies to be used in our natural gas and coal operations.

NOTE 9—ACCOUNTS RECEIVABLE SECURITIZATION:

CONSOL Energy and certain of its U.S. subsidiaries were party to a trade accounts receivable facility with financial institutions for the sale on a continuous basis of eligible trade accounts receivable. This facility was terminated on July 7, 2015.

CNX Funding Corporation, a wholly owned, special purpose, bankruptcy-remote subsidiary, bought and sold eligible trade receivables generated by certain subsidiaries of CONSOL Energy. Under the receivables facility, CONSOL Energy and certain subsidiaries, irrevocably and without recourse, sold all of their eligible trade accounts receivable to CNX Funding Corporation, who in turn sold these receivables to financial institutions and their affiliates, while maintaining a subordinated interest in a portion of the pool of trade receivables. This retained interest, which was included in Accounts and Notes Receivable-Trade in the Consolidated Balance Sheets, was recorded at fair value. Due to a short average collection cycle for such receivables, CONSOL Energy's collection experience history and the composition of the designated pool of trade accounts receivable that were part of this program, the fair value of its retained interest approximated the total amount of the designated pool of accounts receivable. CONSOL Energy serviced the sold trade receivables for the financial institutions for a fee based upon market rates for similar services. In accordance with the Transfers and Servicing Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, CONSOL Energy recorded transactions under the securitization facility as secured borrowings on the Consolidated Balance Sheets. The pledge of collateral was reported as Accounts Receivable - Securitized and the borrowings were classified as debt in Borrowings under Securitization Facility. The cost of funds under this facility was based upon LIBOR and commercial paper rates, plus a charge for administrative services paid to the financial institution. Costs associated with the receivables facility totaled \$207 and \$403 for the three and six months ended June 30, 2015, respectively. These costs were recorded as financing fees which are included in Other Costs - Miscellaneous Operating Expense in the Consolidated Statements of Income.

## NOTE 10—PROPERTY, PLANT AND EQUIPMENT:

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| E&P Property, Plant and Equipment   |                  |                      |
| Intangible drilling cost  | \$3,491,437      | \$3,452,989          |
| Proved gas properties   | 1,928,917        | 1,922,602            |
| Unproved gas properties   | 1,422,991        | 1,421,083            |
| Gas gathering equipment   | 1,128,278        | 1,147,173            |
| Gas wells and related equipment   | 819,408          | 785,744              |
| Other gas assets  | 127,645          | 125,691              |
| Gas advance royalties   | 15,278           | 19,745               |
| Total E&P Property, Plant and Equipment                                   | \$8,933,954      | \$8,875,027          |
| Less: Accumulated Depreciation, Depletion and Amortization                | 2,902,470        | 2,695,674            |
| Total E&P Property, Plant and Equipment - Net                             | \$6,031,484      | \$6,179,353          |
| <br>  |                  |                      |
| Coal and Other Property, Plant and Equipment - Continuing Operations:     |                  |                      |
| Coal and other plant and equipment  | \$2,856,928      | \$2,853,436          |
| Coal properties and surface lands   | 805,011          | 769,537              |
| Airshafts   | 371,064          | 361,872              |
| Mine development  | 344,138          | 344,298              |
| Coal advance mining royalties   | 330,738          | 328,715              |
| Leased coal lands   | 224,304          | 262,022              |
| Total Coal and Other Property, Plant and Equipment                        | \$4,932,183      | \$4,919,880          |
| Less: Accumulated Depreciation, Depletion and Amortization                | 2,457,576        | 2,366,527            |
| Total Coal and Other Property, Plant and Equipment - Net                  | \$2,474,607      | \$2,553,353          |
| <br>  |                  |                      |
| Total Company Property, Plant and Equipment                               | \$13,866,137     | \$13,794,907         |
| Less - Total Company Accumulated Depreciation, Depletion and Amortization | 5,360,046        | 5,062,201            |
| Total Property, Plant and Equipment of Continuing Operations - Net        | \$8,506,091      | \$8,732,706          |

## Impairment of Proved Properties

CONSOL Energy performs a quantitative annual impairment test, during the fourth quarter of each year, over proved properties using the published NYMEX forward prices, timing, methods and other assumptions consistent with historical periods. During interim periods, management updates these annual tests whenever events or changes in circumstances indicate that a property's carrying amount may not be recoverable. Throughout the first six months of 2015, spot prices and forward curves for natural gas continued to decline from December 31, 2014 prices, which together with other macro-economic factors in the exploration and production industry were deemed indicators of impairment for all of the Company's natural gas assets. Impairment tests require that the Company first compare future undiscounted cash flows by asset group to their respective carrying values. If the carrying amount exceeds the estimated undiscounted future cash flows, a reduction of the carrying amount of the natural gas properties to their estimated fair values is required, which is determined based on discounted cash flow techniques using a market-specific weighted average cost of capital.

During the quarter ended June 30, 2015, certain of the Company's producing gas properties, primarily shallow oil and gas assets, failed the undiscounted cash flow portion of the test. After performing the discounted cash flow portion of the test, CONSOL Energy recorded an impairment of \$824,742 in the Impairment of Exploration and Production Properties in the Consolidated Statement of Income. Valuation of the impaired assets is a Level 3 measurement as it incorporates significant unobservable inputs, such as future production levels and operating costs, within the

discounted cash flow analysis. The impairment related to approximately 95% of the Company's shallow oil and gas assets in West Virginia and Pennsylvania. No such impairments were recorded during the three or six months ended June 30, 2016.

#### Impairment of Unproved Properties

CONSOL Energy evaluates capitalized costs of unproved gas properties for recoverability on a prospective basis. Indicators of potential impairment include potential shifts in business strategy, overall economic factors and historical experience. If it is determined that the properties will not yield proven reserves, the related costs are expensed in the period the determination is

made. For the quarter ended June 30, 2015, unproved property impairments relating to the determination that the properties will not yield proved reserves were \$4,163 and are included in the Impairment of Exploration and Production Properties in the Consolidated Statement of Income. Valuation of the impaired assets is a Level 3 measurement as it incorporates significant unobservable inputs, such as future production levels and operating costs, within the discounted cash flow analysis. This impairment primarily related to the court ruling in June 2015 in the state of New York that officially bans hydraulic fracturing. No such impairments were recorded during the three or six months ended June 30, 2016.

#### Industry Participation Agreements

CONSOL Energy has two significant industry participation agreements (referred to as "joint ventures" or "JVs") that provided drilling and completion carries for the Company's retained interests.

CNX Gas Company is party to a joint development agreement with Hess Ohio Developments, LLC (Hess) with respect to approximately 155 thousand net Utica Shale acres in Ohio in which each party has a 50% undivided interest. Under the agreement, as amended, Hess is obligated to pay a total of approximately \$335,000 in the form of a 50% drilling carry of certain CONSOL Energy working interest obligations as the acreage is developed. As of June 30, 2016, Hess' remaining carry obligation is \$6,616.

CNX Gas Company is party to a joint development agreement with Noble Energy, Inc. (Noble) with respect to approximately 700 thousand net Marcellus Shale natural gas and oil acres in West Virginia and Pennsylvania, in which each party owns a 50% undivided interest. Under the agreement, as amended, Noble Energy is obligated to pay a total of approximately \$1,846,000 in the form of a one-third drilling carry of certain of CONSOL Energy's working interest obligations as the property is developed, subject to certain limitations. These limitations include the suspension of the carry if average Henry Hub natural gas prices are below \$4.00 per million British thermal units (MMbtu) for three consecutive months. The carry was in effect from March 1, 2014, until November 1, 2014 at which time natural gas prices had fallen below \$4.00/MMbtu for three consecutive months. The carry remains suspended. Limitations also include a \$400,000 annual maximum on Noble Energy's carried cost obligation. As of June 30, 2016, Noble Energy's remaining carry obligation is \$1,624,448.

#### NOTE 11—SHORT-TERM NOTES PAYABLE:

CONSOL Energy's current senior secured credit agreement expires on June 18, 2019. The credit facility allows for up to \$2,000,000 of borrowings, which includes a \$750,000 letters of credit sub-limit. CONSOL Energy can request an additional \$500,000 increase in the aggregate borrowing limit amount.

The current facility is secured by substantially all of the assets of CONSOL Energy and certain of its subsidiaries. Fees and interest rate spreads are based on the percentage of facility utilization, measured quarterly. Availability under the facility is limited to a borrowing base, which is determined by the lenders syndication agent and approved by the required number of lenders in good faith by calculating a value of CONSOL Energy's proved natural gas reserves.

The current facility contains a number of affirmative and negative covenants that limit the Company's ability to dispose of assets, make investments, purchase or redeem CONSOL Energy common stock, pay dividends, merge with another corporation and amend, modify or restate the senior unsecured notes. In April 2016, the facility was amended to require that: (i) the Company must prepay outstanding loans under the revolving credit facility to the extent that cash on hand exceeds \$150 million for two consecutive business days; (ii) mortgage 85% of its proved reserves and 80% of its proved developed producing reserves, in each case, which are included in the borrowing base; (iii) maintain applicable deposit, securities and commodities accounts with the lenders or affiliates thereof; and (iv) enter into control agreements with respect to such applicable accounts. In addition, the Company pledged the equity interest it holds in CONE Gathering, LLC, and CONE Midstream Partners, LP as collateral to secure loans under the credit



agreement.

The facility also requires that CONSOL Energy maintain a minimum interest coverage ratio of 2.50 to 1.00, which is calculated as the ratio of Adjusted EBITDA to cash interest expense of CONSOL Energy and certain of its subsidiaries, measured quarterly. CONSOL Energy must also maintain a minimum current ratio of no less than 1.00 to 1.00, which is calculated as the ratio of current assets, plus revolver availability, to current liabilities, excluding borrowings under the revolver, measured quarterly. At June 30, 2016, the interest coverage ratio was 4.79 to 1.00 and the current ratio was 2.75 to 1.00. Further, the credit facility allows unlimited investments in joint ventures for the development and operation of natural gas gathering systems and permits CONSOL Energy to separate its E&P and coal businesses if the leverage ratio (which is, essentially, the ratio of debt to EBITDA) of the E&P business immediately after the separation would not be greater than 2.75 to 1.00. The calculation of all of the ratios exclude CNX Coal Resources LP ("CNXC").

At June 30, 2016, the \$2,000,000 facility had \$466,000 of borrowings outstanding and \$309,011 of letters of credit outstanding, leaving \$1,224,989 of unused capacity. At December 31, 2015, the \$2,000,000 facility had \$952,000 of borrowings outstanding and \$258,177 of letters of credit outstanding, leaving \$789,823 of unused capacity.

NOTE 12—LONG-TERM DEBT:

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| Debt:   |                  |                      |
| Senior Notes due April 2022 at 5.875% (Principal of \$1,850,000 plus Unamortized Premium of \$5,175 and \$5,617, respectively)      | \$1,855,175      | \$1,855,617          |
| Senior Notes due April 2023 at 8.00% (Principal of \$500,000 less Unamortized Discount of \$6,109 and \$6,561, respectively)        | 493,891          | 493,439              |
| Revolving Credit Facility - CNX Coal Resources LP   | 198,000          | 185,000              |
| MEDCO Revenue Bonds in Series due September 2025 at 5.75%   | 102,865          | 102,865              |
| Senior Notes due April 2020 at 8.25%, Issued at Par Value   | 74,470           | 74,470               |
| Senior Notes due March 2021 at 6.375%, Issued at Par Value  | 20,611           | 20,611               |
| Advance Royalty Commitments (16.35% Weighted Average Interest Rate)   | 3,482            | 3,964                |
| Other Long-Term Note Maturing in 2018 (Principal of \$2,504 and \$3,096 less Unamortized Discount of \$215 and \$327, respectively) | 2,289            | 2,769                |
| Less: Unamortized Debt Issuance Costs   | 30,357           | 33,017               |
|   | 2,720,426        | 2,705,718            |
| Net Amounts Due in One Year and Current Unamortized Debt Issuance Costs*  | (2,578 )         | (2,602 )             |
| Long-Term Debt  | \$2,723,004      | \$2,708,320          |

\* Represents \$1,844 and \$1,820 due in one year, less \$4,422 of unamortized debt issuance costs at June 30, 2016 and December 31, 2015, respectively. Excludes current portion of Capital Lease Obligations of \$6,946 and \$7,590 at June 30, 2016 and December 31, 2015, respectively.

In March 2015, CONSOL Energy closed on the private placement of \$500,000 of 8.00% senior notes due in 2023 (the "Notes") less \$7,240 of unamortized bond discount. The Notes are guaranteed by substantially all of CONSOL Energy's wholly-owned domestic restricted subsidiaries. CONSOL Energy used the net proceeds of the sale of the Notes, together with borrowings under its revolving credit facility, to purchase \$937,822 of its outstanding 8.25% senior notes due in 2020 and \$229,176 of its outstanding 6.375% senior notes due in 2021. As part of this transaction, \$67,734 was included in Loss on Debt Extinguishment on the Consolidated Statements of Income.

In April 2015, FASB issued Update 2015-03 - Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. To simplify the presentation of debt issuance costs, the amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. This guidance is effective for fiscal years beginning after December 15, 2015 and is required to be applied retrospectively to all prior periods presented. As permitted by the Update, CONSOL Energy elected to early adopt this guidance beginning in the fourth quarter of fiscal year 2015. The resulting reclassification of unamortized debt issuance costs from Other Assets to Long-Term Debt, net of the current portion, in the Consolidated Balance Sheets was \$25,935 and \$28,595 as of June 30, 2016 and December 31, 2015, respectively.

Also in April, 2015, CONSOL Energy purchased \$2,508 of its outstanding 8.25% senior notes due in 2020 and \$213 of its outstanding 6.375% senior notes due in 2021. As part of this transaction, \$17 was included in Loss on Debt Extinguishment on the Consolidated Statements of Income.

In July 2015, CNXC, entered into a Credit Agreement for a \$400,000 revolving credit facility. As of June 30, 2016 and December 31, 2015, CNXC had \$198,000 and \$185,000 of outstanding borrowings on the facility, respectively. CONSOL Energy is not a guarantor of CNXC's revolving credit facility. See Note 18 - Related Party Transactions for more information.

**NOTE 13—COMMITMENTS AND CONTINGENT LIABILITIES:**

CONSOL Energy and its subsidiaries are subject to various lawsuits and claims with respect to such matters as personal injury, wrongful death, damage to property, exposure to hazardous substances, governmental regulations including environmental remediation, employment and contract disputes and other claims and actions arising out of the normal course of business. CONSOL

Energy accrues the estimated loss for these lawsuits and claims when the loss is probable and can be estimated. The Company's current estimated accruals related to these pending claims, individually and in the aggregate, are immaterial to the financial position, results of operations or cash flows of CONSOL Energy. It is possible that the aggregate loss in the future with respect to these lawsuits and claims could ultimately be material to the financial position, results of operations or cash flows of CONSOL Energy; however, such amounts cannot be reasonably estimated. The amount claimed against CONSOL Energy is disclosed below when an amount is expressly stated in the lawsuit or claim, which is not often the case. The maximum aggregate amount claimed in those lawsuits and claims, regardless of probability, where a claim is expressly stated or can be estimated, exceeds the aggregate amounts accrued for all lawsuits and claims by approximately \$613,344.

The following lawsuits and claims include those for which a loss is probable and an accrual has been recognized:

**Hale Litigation:** This class action lawsuit was filed on September 23, 2010 in the U.S. District Court in Abingdon, Virginia. The putative class consists of forced-pooled unleased gas owners whose ownership of the coalbed methane (CBM) gas was declared to be in conflict with rights of others. The lawsuit seeks a judicial declaration of ownership of the CBM and damages based on allegations CNX Gas Company failed to either pay royalties due to conflicting claimants or deemed lessors or paid them less than required because of the alleged practice of improper below market sales and/or taking alleged improper post-production deductions. On September 30, 2013, the District Judge entered an Order certifying the class, and CNX Gas Company appealed the Order to the U.S. Fourth Circuit Court of Appeals. On August 19, 2014, the Fourth Circuit agreed with CNX Gas Company, reversed the Order certifying the class and remanded the case to the trial court for further proceedings consistent with the decision. On April 23, 2015, Plaintiffs filed a Renewed Motion for Class Certification, and on June 23, 2015 CNX Gas Company filed its Opposition to same. The Court held a hearing on the Motion on September 18, 2015 and has not yet ruled. CONSOL Energy continues to believe this action cannot properly proceed as a class action in any form, believes the case has meritorious defenses, and intends to defend it vigorously. The Company has established an accrual to cover its estimated liability for this case. This accrual is immaterial to the overall financial position of CONSOL Energy and is included in Other Accrued Liabilities on the Consolidated Balance Sheets.

**Addison Litigation:** This class action lawsuit was filed on April 28, 2010 in the U.S. District Court in Abingdon, Virginia. The putative class consists of gas lessors whose gas ownership is in conflict. The lawsuit seeks a judicial declaration of ownership of the CBM and damages based on the allegations that CNX Gas Company failed to either pay royalties due to these conflicting claimant lessors or paid them less than required because of the alleged practice of improper below market sales and/or taking alleged improper post-production deductions. On September 30, 2013, the District Judge entered an Order certifying the class, and CNX Gas Company appealed the Order to the U.S. Court of Appeals for the Fourth Circuit. On August 19, 2014, the Fourth Circuit agreed with CNX Gas Company, reversed the Order certifying the class and remanded the case to the trial court for further proceedings consistent with the decision. On April 23, 2015, Plaintiffs filed a Renewed Motion for Class Certification, and on June 23, 2015 CNX Gas Company filed its Opposition to same. The Court held a hearing on the Motion on September 18, 2015 and has not yet ruled. CONSOL Energy continues to believe this action cannot properly proceed as a class action in any form, believes the case has meritorious defenses, and intends to defend it vigorously. The Company has established an accrual to cover its estimated liability for this case. This accrual is immaterial to the overall financial position of CONSOL Energy and is included in Other Accrued Liabilities on the Consolidated Balance Sheets.

**Clean Water Act - Bailey Mine:** The Company received from the U.S. EPA on April 8, 2011, a request for information relating to National Pollutant Discharge Elimination System (NPDES) Permit compliance at the Company's Bailey and Enlow Fork Mines. In response, CONSOL Pennsylvania Coal Company submitted water discharge monitoring and other data to the EPA. In early 2013, the case was referred to the U.S. Department of Justice (DOJ), and the Pennsylvania Department of Environmental Protection (PA DEP) also became involved. On December 18, 2014, the DOJ provided the Company a proposed Consent Decree to resolve certain Clean Water Act and Clean

Streams Law claims against CONSOL Energy, Inc. and CONSOL Pennsylvania Coal Company with respect to the Bailey Mine Complex. After negotiations, the parties reached an agreement in principle on the terms of a Consent Decree naming CONSOL Energy Inc., Consol Pennsylvania Coal Company LLC and CNX Coal Resources LP as defendants. The draft Consent Decree is awaiting senior-level approval at DOJ, U.S. EPA and PA DEP. Subject to receipt of that approval, a proposed Consent Decree executed by all of the parties would be filed with the United States District Court for the Western District of Pennsylvania and noticed for public comment. Subject to the resolution of any public comments, the governments would file a joint motion seeking entry of the proposed Consent Decree by the court. The Company has established an accrual to cover its liability in this matter. This accrual is immaterial to the overall financial position of CONSOL Energy and is included in Other Accrued Liabilities on the Consolidated Balance Sheets.

The following royalty and land rights lawsuits and claims include those for which a loss is reasonably possible, but not probable, and accordingly, an accrual may not have been recognized. These claims are influenced by many factors which prevent the estimation of a range of potential loss. These factors include, but are not limited to, generalized allegations of unspecified damages (such as improper deductions), discovery having not commenced or not having been completed, unavailability of expert reports on damages and non-monetary issues being tried. For example, in instances where a gas lease termination is sought, damages would depend on

speculation as to if and when the gas production would otherwise have occurred, how many wells would have been drilled on the lease premises, what their production would be, what the cost of production would be, and what the price of gas would be during the production period. An estimate is calculated, if applicable, when sufficient information becomes available.

Virginia Mine Void Litigation: The Company is currently defending three lawsuits naming Consolidation Coal Company (CCC), Island Creek Coal Company (ICCC), CNX Gas Company, and/or CONSOL Energy. The lawsuits were filed in the U.S. District Court for the Western District of Virginia. On October 26, 2015, the trial court granted summary judgment in favor of the defendants in two of the actions upon its finding that plaintiffs' claims are barred by the applicable statutes of limitation. Plaintiffs have appealed both cases to the U.S. Court of Appeals for the Fourth Circuit. The third case remains pending in the trial court. On January 26, 2016, six mine void lawsuits that have twice before been filed and voluntarily dismissed, were refiled for a third time in state court but have not been served. The Complaints seek damages and injunctive relief in connection with the transfer of water from mining activities at Buchanan Mine into void spaces in inactive ICCC mines adjacent to the Buchanan operations, voids ostensibly underlying plaintiffs' properties. While some of the plaintiffs have an ownership interest in the coal, others have some interest in one or more of the fee, surface, oil/gas or other mineral estates. The suits allege the water storage precludes access to and has damaged coal, impeded coalbed methane gas production and was made without compensation to the property owners. Plaintiffs seek recovery in tort, contract and trespass assumpsit (quasi-contract). The suits each seek damages between \$50,000 and in excess of \$100,000 plus punitive damages. The Company intends to vigorously defend these suits.

At June 30, 2016, CONSOL Energy has provided the following financial guarantees, unconditional purchase obligations and letters of credit to certain third parties, as described by major category in the following table. These amounts represent the maximum potential of total future payments that the Company could be required to make under these instruments. These amounts have not been reduced for potential recoveries under recourse or collateralization provisions. Generally, recoveries under reclamation bonds would be limited to the extent of the work performed at the time of the default. No amounts related to these financial guarantees and letters of credit are recorded as liabilities in the financial statements. CONSOL Energy management believes that these guarantees will expire without being funded, and therefore the commitments will not have a material adverse effect on financial condition.

|                         | Amount of Commitment Expiration Per Period |                     |           |           |                      |
|-------------------------|--|---------------------|-----------|-----------|----------------------|
|                         | Total<br>Amounts<br>Committed              | Less Than<br>1 Year | 1-3 Years | 3-5 Years | Beyond<br>5<br>Years |
| Letters of Credit:      |  |                     |           |           |                      |
| Employee-Related        | \$67,523                                   | \$39,934            | \$27,589  | \$—       | \$—                  |
| Environmental           | 998  | 998                 | —         | —         | —                    |
| Other                   | 240,490                                    | 204,593             | 35,897    | —         | —                    |
| Total Letters of Credit | 309,011                                    | 245,525             | 63,486    | —         | —                    |
| Surety Bonds:           |  |                     |           |           |                      |
| Employee-Related        | 115,352                                    | 115,352             | —         | —         | —                    |
| Environmental           | 551,830                                    | 542,859             | 8,971     | —         | —                    |
| Other                   | 26,167                                     | 23,952              | 2,213     | 2         | —                    |
| Total Surety Bonds      | 693,349                                    | 682,163             | 11,184    | 2         | —                    |
| Guarantees:             |  |                     |           |           |                      |
| Coal                    | 16,700                                     | 16,700              | —         | —         | —                    |
| Other                   | 80,556                                     | 42,183              | 18,990    | 14,397    | 4,986                |
| Total Guarantees        | 97,256                                     | 58,883              | 18,990    | 14,397    | 4,986                |
| Total Commitments       | \$1,099,616                                | \$986,571           | \$93,660  | \$14,399  | \$4,986              |

Included in the above table are commitments and guarantees entered into in conjunction with the sale of Consolidation Coal Company and certain of its subsidiaries, which contain all five of its longwall coal mines in West Virginia, and its river operations to a subsidiary of Murray Energy Corporation (Murray Energy). As part of the sales agreement, CONSOL Energy has guaranteed certain equipment lease obligations and coal sales agreements that were assumed by Murray Energy. In the event that Murray Energy would default on the obligations defined in the agreements, CONSOL Energy would be required to perform under the guarantees. If CONSOL Energy would be required to perform, the stock purchase agreement provides various recourse actions. At June 30, 2016, and December 31, 2015, the fair value of these guarantees was \$1,463 and \$1,228, respectively, and are included in Other Accrued Liabilities on the Consolidated Balance Sheets. The fair value of certain of the guarantees was determined using CONSOL Energy's risk-adjusted interest rate. Significant increases or decreases in the risk-adjusted interest rates may result in a significantly higher or lower fair value measurement. Coal sales agreement guarantees were valued based on an evaluation of coal market pricing compared to contracted sales price and includes an adjustment for nonperformance risk. No other amounts related to financial guarantees and

letters of credit are recorded as liabilities in the financial statements. Significant judgment is required in determining the fair value of these guarantees. The guarantees of the leases and sales agreements are classified within Level 3 of the fair value hierarchy.

CONSOL Energy regularly evaluates the likelihood of default for all guarantees based on an expected loss analysis and records the fair value, if any, of its guarantees as an obligation in the consolidated financial statements.

CONSOL Energy and CNX Gas Company enter into long-term unconditional purchase obligations to procure major equipment purchases, natural gas firm transportation, gas drilling services and other operating goods and services. These purchase obligations are not recorded on the Consolidated Balance Sheets. As of June 30, 2016, the purchase obligations for each of the next five years and beyond were as follows:

| Obligations Due            | Amount       |
|----------------------------|--------------|
| Less than 1 year           | \$ 193,389   |
| 1 - 3 years                | 278,664      |
| 3 - 5 years                | 224,537      |
| More than 5 years          | 608,816      |
| Total Purchase Obligations | \$ 1,305,406 |

#### NOTE 14—DERIVATIVE INSTRUMENTS:

CONSOL Energy enters into financial derivative instruments to manage its exposure to commodity price volatility. CONSOL Energy de-designated all of its cash flow hedges on December 31, 2014 and accounts for all existing and future gas and NGL commodity hedges on a mark-to-market basis with changes in fair value recorded in current period earnings. In connection with this de-designation, CONSOL Energy froze the balances recorded in Accumulated Other Comprehensive Income at December 31, 2014 and will reclassify balances to earnings as the underlying physical transactions occur, unless it is no longer probable that the physical transaction will occur at which time the related gains deferred in Other Comprehensive Income (OCI) will be immediately recorded in earnings.

CONSOL Energy is exposed to credit risk in the event of non-performance by counterparties. The creditworthiness of counterparties is subject to continuing review. The Company has not experienced any issues of non-performance by derivative counterparties.

None of the Company's counterparty master agreements currently require CONSOL Energy to post collateral for any of its positions. However, as stated in the counterparty master agreements, if CONSOL Energy's obligations with one of its counterparties cease to be secured on the same basis as similar obligations with the other lenders under the credit facility, CONSOL Energy would have to post collateral for instruments in a liability position in excess of defined thresholds. All of the Company's derivative instruments are subject to master netting arrangements with our counterparties. CONSOL Energy recognizes all financial derivative instruments as either assets or liabilities at fair value on the Consolidated Balance Sheets on a gross basis.

Each of CONSOL Energy's counterparty master agreements allows, in the event of default, the ability to elect early termination of outstanding contracts. If early termination is elected, CONSOL Energy and the applicable counterparty would net settle all open hedge positions.

CONSOL Energy's natural gas derivative instruments accounted for a total notional amount of production of 615.3 Bcf at June 30, 2016 and are forecasted to settle through 2020. At December 31, 2015, the natural gas derivative instruments accounted for a total notional amount of production of 456.1 Bcf. At June 30, 2016, the basis only swaps were for notional amounts of 283.8 Bcf and are forecasted to settle through 2020. At December 31, 2015, the basis only swaps were for notional amounts of 124.4 Bcf. CONSOL Energy's NGL derivative instruments accounted for a



total notional amount of production of 246.6 Mbbls of propane at June 30, 2016 and are forecasted to settle through 2017. No NGL derivative instruments were outstanding at December 31, 2015.

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The gross fair value of CONSOL Energy's derivative instruments at June 30, 2016 and December 31, 2015 were as follows:

| Asset Derivative Instruments | December 31,  |           | Liability Derivative Instruments | December 31,  |         |
|------------------------------|---------------|-----------|----------------------------------|---------------|---------|
|                              | June 30, 2016 | 2015      |                                  | June 30, 2016 | 2015    |
| Commodity Swaps:             |               |           |                                  |               |         |
| Prepaid Expense              | \$58,057      | \$234,409 | Other Accrued Liabilities        | \$66,104      | \$—     |
| Other Assets                 | 13,126        | 44,539    | Other Liabilities                | 76,458        | 5,137   |
| Total Asset                  | \$71,183      | \$278,948 | Total Liability                  | \$142,562     | \$5,137 |

|                   |          |         |                           |          |          |
|-------------------|----------|---------|---------------------------|----------|----------|
| Basis Only Swaps: |          |         |                           |          |          |
| Prepaid Expense   | \$9,188  | \$5,429 | Other Accrued Liabilities | \$12,704 | \$12,206 |
| Other Assets      | 6,999    | 1,093   | Other Liabilities         | 7,693    | 1,569    |
| Total Asset       | \$16,187 | \$6,522 | Total Liability           | \$20,397 | \$13,775 |

The effect of derivative instruments on CONSOL Energy's Consolidated Statements of Income was as follows:

|   | For the Three Months Ended |          | For the Six Months Ended |           |
|---|----------------------------|----------|--------------------------|-----------|
|   | June 30, 2016              | 2015     | June 30, 2016            | 2015      |
| Cash Received (Paid) in Settlement of Commodity Derivative Instruments:   |                            |          |                          |           |
| Commodity Swaps:  |                            |          |                          |           |
| Natural Gas   | \$91,302                   | \$42,097 | \$173,449                | \$72,356  |
| Propane   | (114)                      | —        | (114)                    | —         |
| Natural Gas Basis Swaps   | (10,853)                   | 161      | (8,669)                  | 43        |
| Total Cash Received in Settlement of Commodity Derivative Instruments     | 80,335                     | 42,258   | 164,666                  | 72,399    |
| Non-Cash Portion of (Loss) Gain on Commodity Derivative Instruments:      |                            |          |                          |           |
| Commodity Swaps:  |                            |          |                          |           |
| Natural Gas   | (306,376)                  | (60,277) | (344,398)                | (29,173)  |
| Propane   | (526)                      | —        | (792)                    | —         |
| Natural Gas Basis Swaps   | 9,463                      | 2,434    | 3,042                    | 807       |
| Reclassified from Accumulated OCI   | 17,724                     | 32,907   | 33,162                   | 63,434    |
| Total Non-Cash Portion of (Loss) Gain on Commodity Derivative Instruments | (279,715)                  | (24,936) | (308,986)                | 35,068    |
| (Loss) Gain on Commodity Derivative Instruments:                          |                            |          |                          |           |
| Commodity Swaps:  |                            |          |                          |           |
| Natural Gas   | (215,074)                  | (18,180) | (170,949)                | 43,183    |
| Propane   | (640)                      | —        | (906)                    | —         |
| Natural Gas Basis Swaps   | (1,390)                    | 2,595    | (5,627)                  | 850       |
| Reclassified from Accumulated OCI   | 17,724                     | 32,907   | 33,162                   | 63,434    |
| Total (Loss) Gain on Commodity Derivative Instruments                     | \$(199,380)                | \$17,322 | \$(144,320)              | \$107,467 |



Changes in Accumulated OCI, net of tax, attributable to cash flow hedges that were de-designated December 31, 2014 were as follows:

|  | For the Three<br>Months Ended<br>June 30, |           | For the Six Months<br>Ended<br>June 30, |           |
|--|---|-----------|---|-----------|
|  | 2016                                      | 2015      | 2016                                    | 2015      |
| Beginning Balance – Accumulated OCI  | \$33,656                                  | \$102,207 | \$43,470                                | \$121,521 |
| Gain Reclassified from Accumulated OCI (Net of tax: \$6,521, \$12,103, \$12,145, \$23,316) | (11,203 )                                 | (20,804 ) | (21,017 )                               | (40,118 ) |
| Ending Balance – Accumulated OCI   | \$22,453                                  | \$81,403  | \$22,453                                | \$81,403  |

CONSOL Energy expects to reclassify an additional \$22,453, net of tax of \$12,866, out of Accumulated Other Comprehensive Income over the remaining period ended December 31, 2016.

NOTE 15—FAIR VALUE OF FINANCIAL INSTRUMENTS:

CONSOL Energy determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The fair value hierarchy is based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources (including NYMEX forward curves, LIBOR-based discount rates and basis forward curves), while unobservable inputs reflect the Company's own assumptions of what market participants would use.

The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below:

Level One - Quoted prices for identical instruments in active markets.

Level Two - The fair value of the assets and liabilities included in Level 2 are based on standard industry income approach models that use significant observable inputs, including NYMEX forward curves, LIBOR-based discount rates and basis forward curves.

Level Three - Unobservable inputs significant to the fair value measurement supported by little or no market activity. The significant unobservable inputs used in the fair value measurement of the Company's third party guarantees are the credit risk of the third party and the third party surety bond markets. A significant increase or decrease in these values, in isolation, would have a directionally similar effect resulting in higher or lower fair value measurement of the Company's Level 3 guarantees.

In those cases when the inputs used to measure fair value meet the definition of more than one level of the fair value hierarchy, the lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.

The financial instruments measured at fair value on a recurring basis are summarized below:

| Description              | Fair Value<br>Measurements at June<br>30, 2016 |           | Fair Value<br>Measurements at<br>December 31, 2015 |           |
|--------------------------|--|-----------|--|-----------|
|                          | (Level 1)<br>(Level 2)                         | (Level 3) | (Level 1)<br>(Level 2)                             | (Level 3) |
| Gas Derivatives          | \$-(75,589)                                    | \$—       | \$-266,558   | \$—       |
| Murray Energy Guarantees | \$—  | \$(1,463) | \$—  | \$(1,228) |

The following methods and assumptions were used to estimate the fair value for which the fair value option was not elected:

Cash and cash equivalents: The carrying amount reported in the Consolidated Balance Sheets for cash and cash equivalents approximates its fair value due to the short-term maturity of these instruments.

Short-term notes payable: The carrying amount reported in the Consolidated Balance Sheets for short-term notes payable approximates its fair value due to the short-term maturity of these instruments.

Long-term debt: The fair value of long-term debt is measured using unadjusted quoted market prices or estimated using discounted cash flow analyses. The discounted cash flow analyses are based on current market rates for instruments with similar cash flows.

The carrying amounts and fair values of financial instruments for which the fair value option was not elected are as follows:

|                           | June 30, 2016   |               | December 31, 2015 |               |
|---------------------------|-----------------|---------------|-------------------|---------------|
|                           | Carrying Amount | Fair Value    | Carrying Amount   | Fair Value    |
| Cash and Cash Equivalents | \$97,626        | \$97,626      | \$72,574          | \$72,574      |
| Short-Term Notes Payable  | \$(466,000 )    | \$(466,000 )  | \$(952,000 )      | \$(952,000 )  |
| Long-Term Debt            | \$(2,750,784)   | \$(2,374,724) | \$(2,738,735)     | \$(1,808,936) |

Cash and cash equivalents represent highly liquid instruments and constitute Level 1 fair value measurements. Certain of the Company's debt is actively traded on a public market and, as a result, constitutes Level 1 fair value measurement. The portion of the Company's debt obligations that are not actively traded are valued through reference to the applicable underlying benchmark rate and, as a result, constitutes Level 2 fair value measurement.

**NOTE 16—SEGMENT INFORMATION:**

CONSOL Energy consists of two principal business divisions: Exploration and Production (E&P) and Coal. The principal activity of the E&P division, which includes four reportable segments, is to produce pipeline quality natural gas for sale primarily to gas wholesalers. The E&P division's reportable segments are Marcellus, Utica, Coalbed Methane, and Other Gas. The Other Gas segment is primarily related to shallow oil and gas production and the Chattanooga Shale in Tennessee. It also includes the Company's purchased gas activities, selling, general and administrative activities, as well as various other activities assigned to the E&P division but not allocated to each individual well type.

The principal activities of the Coal division are mining, preparation and marketing of thermal coal, sold primarily to power generators. The Coal division's reportable segments are Pennsylvania (PA) Operations and Other Coal. For the six months ended June 30, 2016, the PA Operations aggregated segment includes the following mines: Bailey Mine, Enlow Fork Mine, Harvey Mine and the corresponding preparation plant facilities. For the six months ended June 30, 2016, the Other Coal segment includes coal terminal operations, closed and idle mine activities, the Company's purchased coal activities and selling, general and administrative activities, as well as various other activities assigned to the Coal division.

CONSOL Energy's All Other division includes expenses from various other corporate activities that are not allocated to the E&P or Coal divisions.

Prior to classifying the Miller Creek Complex as held for sale in discontinued operations on June 30, 2016, the Other Coal Segment contained thermal coal sales geographically separated from PA Operations. See Note 2 - Discontinued Operations for more information.

Prior to the sale of the Buchanan Mine on March 31, 2016, CONSOL Energy had a third reportable segment in the Coal division, Virginia (VA) Operations. See Note 2 - Discontinued Operations for more information relating to the sale.

In the preparation of the following information, intersegment sales have been recorded at amounts approximating market. Operating profit for each segment is based on sales less identifiable operating and non-operating expenses. Assets are reflected at the division level for E&P and are not allocated between each individual E&P segment. These assets are not allocated to each individual segment due to the diverse asset base controlled by CONSOL Energy, whereby each individual asset may service more than one segment within the division. An allocation of such asset base would not be meaningful or representative on a segment by segment basis.



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Industry segment results for the three months ended June 30, 2016 are:

|  | Marcellus<br>Shale | Utica<br>Shale | Coalbed<br>Methane | Other<br>Gas | Total<br>E&P | PA<br>Operations | Other<br>Coal | Total Coal  | Other       | Adjust<br>and<br>Elimina |
|--|--------------------|----------------|--------------------|--------------|--------------|------------------|---------------|-------------|-------------|--------------------------|
| Sales—Outside  | \$83,651           | \$41,037       | \$33,574           | \$9,671      | \$167,933    | \$250,562        | \$604         | \$251,166   | \$—         | \$—                      |
| Gain (Loss) on<br>Commodity<br>Derivative<br>Instruments | 48,870             | 10,019         | 16,478             | (274,747 )   | (199,380 )   | —                | —             | —           | —           | —                        |
| Other Outside<br>Sales                                   | —                  | —              | —                  | —            | —            | —                | 8,059         | 8,059       | —           | —                        |
| Sales—Purchased<br>Gas                                   | —                  | —              | —                  | 7,929        | 7,929        | —                | —             | —           | —           | —                        |
| Freight—Outside  | —                  | —              | —                  | —            | —            | 11,186           | 261           | 11,447      | —           | —                        |
| Total Sales and<br>Freight                               | \$132,521          | \$51,056       | \$50,052           | \$(257,147)  | \$(23,518 )  | \$261,748        | \$8,924       | \$270,672   | \$—         | \$—                      |
| Earnings<br>(Loss) Before<br>Income Taxes                | \$13,304           | \$9,923        | \$5,218            | \$(322,944)  | \$(294,499 ) | \$22,773         | \$642         | \$23,415    | \$(62,280 ) | \$—                      |
| Segment<br>Assets  |                    |                |                    |              | \$6,511,352  | \$2,029,307      | \$650,870     | \$2,680,177 | \$470,809   | \$122,4                  |
| Depreciation,<br>Depletion and<br>Amortization           |                    |                |                    |              | \$105,151    | \$41,698         | \$(11,629 )   | \$30,069    | \$1         | \$—                      |
| Capital<br>Expenditures                                  |                    |                |                    |              | \$23,452     | \$13,099         | \$424         | \$13,523    | \$618       | \$—                      |

(A) Includes equity in earnings of unconsolidated affiliates of \$9,163 and \$56 for E&P and Coal, respectively.

(B) Includes investments in unconsolidated equity affiliates of \$252,517 and \$3,650 for E&P and Coal, respectively.



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Industry segment results for the three months ended June 30, 2015 are:

|   | Marcellus Shale | Utica Shale | Coalbed Methane | Other Gas   | Total E&P   | PA Operations | Other Coal | Total Coal  | Other      | Adjustment and Elimination |
|---|-----------------|-------------|-----------------|-------------|-------------|---------------|------------|-------------|------------|----------------------------|
| Sales—Outside                                   | \$81,321        | \$17,661    | \$46,640        | \$14,032    | \$159,654   | \$318,995     | \$—        | \$318,995   | \$—        | \$—                        |
| Gain (Loss) on Commodity Derivative Instruments | 18,260          | —           | 18,752          | (19,690)    | 17,322      | —             | —          | —           | —          | —                          |
| Other Outside Sales                             | —               | —           | —               | —           | —           | —             | 6,337      | 6,337       | —          | —                          |
| Sales—Purchased Gas                             | —               | —           | —               | 1,517       | 1,517       | —             | —          | —           | —          | —                          |
| Freight—Outside Intersegment Transfers          | —               | —           | 349             | —           | 349         | 2,706         | 44         | 2,750       | —          | —                          |
| Total Sales and Freight (Loss)                  | \$99,581        | \$17,661    | \$65,741        | \$(4,141)   | \$178,842   | \$321,701     | \$6,381    | \$328,082   | \$—        | \$(349)                    |
| Earnings Before Income Taxes                    | \$(1,528)       | \$(6,710)   | \$13,997        | \$(897,131) | \$(891,372) | \$61,804      | \$9,635    | \$71,439    | \$(58,610) | \$(349)                    |
| Segment Assets                                  |                 |             |                 |             | \$6,761,700 | \$2,090,674   | \$934,115  | \$3,024,789 | \$180,931  | \$998,400                  |
| Depreciation, Depletion and Amortization        |                 |             |                 |             | \$89,850    | \$47,335      | \$945      | \$48,280    | \$5        | \$—                        |
| Capital Expenditures                            |                 |             |                 |             | \$289,152   | \$35,415      | \$1,489    | \$36,904    | \$3,822    | \$—                        |

(C) Included in the Coal segment are sales of \$51,676 to Duke Energy, which comprises over 10% of sales.

(D) Includes equity in earnings of unconsolidated affiliates of \$10,032 and \$1,895 for E&P and Coal, respectively.

(E) Includes investments in unconsolidated equity affiliates of \$181,106 and \$35,477 for E&P and Coal, respectively.



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Industry segment results for the six months ended June 30, 2016 are:

|  | Marcellus<br>Shale | Utica<br>Shale | Coalbed<br>Methane | Other<br>Gas | Total<br>E&P | PA<br>Operations | Other<br>Coal | Total Coal  | Other       | Adju<br>and<br>Elim |
|--|--------------------|----------------|--------------------|--------------|--------------|------------------|---------------|-------------|-------------|---------------------|
| Sales—Outside  | \$179,789          | \$75,298       | \$75,493           | \$18,608     | \$349,188    | \$476,726        | \$604         | \$477,330   | \$—         | \$—                 |
| Gain (Loss) on<br>Commodity<br>Derivative<br>Instruments | 97,434             | 20,028         | 35,599             | (297,381 )   | (144,320 )   | —                | —             | —           | —           | —                   |
| Other Outside<br>Sales                                   | —                  | —              | —                  | —            | —            | —                | 15,768        | 15,768      | —           | —                   |
| Sales—Purchased<br>Gas                                   | —                  | —              | —                  | 16,547       | 16,547       | —                | —             | —           | —           | —                   |
| Freight—Outside<br>Intersegment<br>Transfers             | —                  | —              | 424                | —            | 424          | 24,262           | 295           | 24,557      | —           | —                   |
| Total Sales and<br>Freight<br>Earnings                   | \$277,223          | \$95,326       | \$111,516          | \$(262,226)  | \$221,839    | \$500,988        | \$16,667      | \$517,655   | \$—         | \$(42               |
| (Loss) Before<br>Income Taxes                            | \$32,786           | \$13,179       | \$17,824           | \$(381,829)  | \$(318,040 ) | \$45,847         | \$(14,398 )   | \$31,449    | \$(112,277) | \$(42               |
| Segment<br>Assets  |                    |                |                    |              | \$6,511,352  | \$2,029,307      | \$650,870     | \$2,680,177 | \$470,809   | \$122               |
| Depreciation,<br>Depletion and<br>Amortization           |                    |                |                    |              | \$210,866    | \$82,964         | \$(3,622 )    | \$79,342    | \$1         | \$—                 |
| Capital<br>Expenditures                                  |                    |                |                    |              | \$86,314     | \$26,003         | \$1,041       | \$27,044    | \$1,899     | \$—                 |

(F) Includes equity in earnings of unconsolidated affiliates of \$24,761 and \$1,123 for E&P and Coal, respectively.

(G) Includes investments in unconsolidated equity affiliates of \$252,517 and \$3,650 for E&P and Coal, respectively.



Industry segment results for the six months ended June 30, 2015 are:

|  | Marcellus Shale | Utica Shale | Coalbed Methane | Other Gas   | Total E&P   | PA Operations | Other Coal | Total Coal  | Other       | Adjusted and Eliminated |
|--|-----------------|-------------|-----------------|-------------|-------------|---------------|------------|-------------|-------------|-------------------------|
| Sales—Outside                            | \$207,622       | \$36,264    | \$107,967       | \$32,239    | \$384,092   | \$703,432     | \$1,589    | \$705,021   | \$—         | \$—                     |
| Gain on Commodity Derivative Instruments | 31,051          | —           | 32,410          | 44,006      | 107,467     | —             | —          | —           | —           | —                       |
| Other Outside Sales                      | —               | —           | —               | —           | —           | —             | 19,467     | 19,467      | —           | —                       |
| Sales—Purchased Gas                      | —               | —           | —               | 5,114       | 5,114       | —             | —          | —           | —           | —                       |
| Freight—Outside Intersegment Transfers   | —               | —           | 896             | —           | 896         | 5,075         | 2,693      | 7,768       | —           | —                       |
| Total Sales and Freight                  | \$238,673       | \$36,264    | \$141,273       | \$81,359    | \$497,569   | \$708,507     | \$23,749   | \$732,256   | \$—         | \$896                   |
| Earnings (Loss) Before Income Taxes      | \$45,649        | \$(10,831)  | \$32,566        | \$(882,765) | \$(815,381) | \$160,205     | \$3,533    | \$163,738   | \$(188,140) | \$(896)                 |
| Segment Assets                           |                 |             |                 |             | \$6,761,700 | \$2,090,674   | \$934,115  | \$3,024,789 | \$180,931   | \$990,000               |
| Depreciation, Depletion and Amortization |                 |             |                 |             | \$177,294   | \$93,079      | \$9,903    | \$102,982   | \$12        | \$—                     |
| Capital Expenditures                     |                 |             |                 |             | \$539,455   | \$67,961      | \$2,310    | \$70,271    | \$6,758     | \$—                     |

(H) Includes equity in earnings of unconsolidated affiliates of \$18,410 and \$4,840 for E&P and Coal, respectively.

(I) Includes investments in unconsolidated equity affiliates of \$181,106 and \$35,477 for E&P and Coal, respectively.

Reconciliation of Segment Information to Consolidated Amounts:

|   | For the Three Months |             | For the Six Months |             |
|---|----------------------|-------------|--------------------|-------------|
|   | Ended June 30,       |             | Ended June 30,     |             |
|   | 2016                 | 2015        | 2016               | 2015        |
| Loss Before Income Taxes:   |                      |             |                    |             |
| Segment Loss Before Income Taxes for reportable business segments | \$(271,084)          | \$(819,933) | \$(286,591)        | \$(651,643) |
| Segment Loss Before Income Taxes for all other business segments  | (14,853 )            | (12,087 )   | (14,985 )          | (18,762 )   |
| Interest expense, net   | (47,427 )            | (46,506 )   | (97,292 )          | (101,627 )  |
| Eliminations  | —                    | (349 )      | (424 )             | (896 )      |
| Loss on debt extinguishment                                       | —                    | (17 )       | —                  | (67,751 )   |
| Loss Before Income Taxes  | \$(333,364)          | \$(878,892) | \$(399,292)        | \$(840,679) |

| Total Assets:   | June 30,    |              |
|---|-------------|--------------|
|   | 2016        | 2015         |
| Segment assets for total reportable business segments | \$9,191,529 | \$9,786,489  |
| Segment assets for all other business segments        | 197,333     | 80,358       |
| Items excluded from segment assets:                   |             |              |
| Cash and other investments                            | 97,547      | 9,942        |
| Recoverable income taxes                              | —           | 21,211       |
| Deferred tax assets                                   | 175,929     | 69,420       |
| Discontinued Operations                               | 122,419     | 998,441      |
| Total Consolidated Assets                             | \$9,784,757 | \$10,965,861 |

NOTE 17—GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION:

The payment obligations under the \$74,470, 8.250% per annum senior notes due April 1, 2020, the \$20,611, 6.375% per annum senior notes due March 1, 2021, the \$1,855,175, 5.875% per annum senior notes due April 15, 2022, and the \$493,891, 8.000% per annum senior notes due April 1, 2023 issued by CONSOL Energy are jointly and severally, and also fully and unconditionally, guaranteed by certain subsidiaries of CONSOL Energy. In accordance with positions established by the Securities and Exchange Commission (SEC), the following financial information sets forth separate financial information with respect to the parent, CNX Gas, a guarantor subsidiary, CNX Coal Resources LP (CNXC), a non-guarantor subsidiary, and the remaining guarantor and non-guarantor subsidiaries. The principal elimination entries include investments in subsidiaries and certain intercompany balances and transactions. CONSOL Energy, the parent, and a guarantor subsidiary manage several assets and liabilities of all other wholly owned subsidiaries. These include, for example, deferred tax assets, cash and other post-employment liabilities. These assets and liabilities are reflected as parent company or guarantor company amounts for purposes of this presentation.

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Income Statement for the Three Months Ended June 30, 2016 (unaudited):

|  | Parent<br>Issuer | CNX Gas<br>Guarantor | Other<br>Subsidiary<br>Guarantors | CNXC<br>Non-Guarantor | Other<br>Subsidiary<br>Non-<br>Guarantors | Elimination | Consolidated |
|--|------------------|----------------------|-----------------------------------|-----------------------|---|-------------|--------------|
| Revenues and Other Income:                     |                  |                      |                                   |                       |   |             |              |
| Natural Gas, NGLs and Oil Sales                | \$—              | \$167,933            | \$—                               | \$ —                  | \$—                                       | \$—         | \$167,933    |
| Loss on Commodity Derivative Instruments       | —                | (199,380 )           | —                                 | —                     | —   | —           | (199,380 )   |
| Coal Sales                                     | —                | —                    | 201,054                           | 50,112                | —   | —           | 251,166      |
| Other Outside Sales                            | —                | —                    | 8,059                             | —                     | —   | —           | 8,059        |
| Purchased Gas Sales                            | —                | 7,929                | —                                 | —                     | —   | —           | 7,929        |
| Freight-Outside Coal                           | —                | —                    | 9,210                             | 2,237                 | —   | —           | 11,447       |
| Miscellaneous Other Income                     | (431,586 )       | 12,256               | 19,352                            | 1,423                 | —   | 431,587     | 33,032       |
| Gain on Sale of Assets                         | —                | 2,247                | 3,366                             | 1                     | —   | —           | 5,614        |
| Total Revenue and Other Income                 | (431,586 )       | (9,015 )             | 241,041                           | 53,773                | —   | 431,587     | 285,800      |
| Costs and Expenses:                            |                  |                      |                                   |                       |   |             |              |
| Exploration and Production Costs               |                  |                      |                                   |                       |   |             |              |
| Lease Operating Expense                        | —                | 23,655               | —                                 | —                     | —   | —           | 23,655       |
| Transportation, Gathering and Compression      | —                | 90,983               | —                                 | —                     | —   | —           | 90,983       |
| Production, Ad Valorem, and Other Fees         | —                | 6,402                | —                                 | —                     | —   | —           | 6,402        |
| Depreciation, Depletion and Amortization       | —                | 105,151              | —                                 | —                     | —   | —           | 105,151      |
| Exploration and Production Related Other Costs | —                | 2,823                | —                                 | —                     | —   | —           | 2,823        |
| Purchased Gas Costs                            | —                | 8,884                | —                                 | —                     | —   | —           | 8,884        |
| Other Corporate Expenses                       | —                | 30,656               | —                                 | —                     | —   | —           | 30,656       |
| Selling, General, and Administrative Costs     | —                | 16,175               | —                                 | —                     | —   | —           | 16,175       |
| Total Exploration and Production Costs         | —                | 284,729              | —                                 | —                     | —   | —           | 284,729      |
| Coal Costs                                     |                  |                      |                                   |                       |   |             |              |
| Operating and Other Costs                      | 932              | —                    | 179,696                           | 36,837                | —   | —           | 217,465      |
| Depreciation, Depletion and Amortization       | 149              | —                    | 21,581                            | 8,339                 | —   | —           | 30,069       |
| Freight Expense                                | —                | —                    | 9,210                             | 2,237                 | —   | —           | 11,447       |
| Selling, General, and Administrative Costs     | —                | —                    | 4,975                             | 1,199                 | —   | —           | 6,174        |
| Other Corporate Expenses                       | —                | —                    | 3,892                             | 463                   | —   | —           | 4,355        |
| Total Coal Costs                               | 1,081            | —                    | 219,354                           | 49,075                | —   | —           | 269,510      |
| Other Costs                                    | 17,442           | —                    | 47                                | —                     | 8   | —           | 17,497       |

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|  |             |             |            |          |             |            |             |
|--|-------------|-------------|------------|----------|-------------|------------|-------------|
| Miscellaneous Operating Expense                              |             |             |            |          |             |            |             |
| Depreciation, Depletion and Amortization                     | —           | —           | 1          | —        | —           | —          | 1           |
| Interest Expense   | 42,991      | 755         | 1,590      | 2,091    | —           | —          | 47,427      |
| Total Other Costs  | 60,433      | 755         | 1,638      | 2,091    | 8           | —          | 64,925      |
| Total Costs And Expenses                                     | 61,514      | 285,484     | 220,992    | 51,166   | 8           | —          | 619,164     |
| (Loss) Earnings Before Income Tax                            | (493,100 )  | (294,499 )  | 20,049     | 2,607    | (8 )        | 431,587    | (333,364 )  |
| Income Taxes   | (23,272 )   | (117,034 )  | 39,955     | —        | (3 )        | —          | (100,354 )  |
| (Loss) Income From Continuing Operations                     | (469,828 )  | (177,465 )  | (19,906 )  | 2,607    | (5 )        | 431,587    | (233,010 )  |
| Loss From Discontinued Operations, net                       | —           | —           | —          | —        | (235,639 )  | —          | (235,639 )  |
| Net (Loss) Income  | (469,828 )  | (177,465 )  | (19,906 )  | 2,607    | (235,644 )  | 431,587    | (468,649 )  |
| Less: Net Income Attributable to Noncontrolling Interest     | —           | —           | —          | —        | —           | 1,179      | 1,179       |
| Net (Loss) Income Attributable to CONSOL Energy Shareholders | \$(469,828) | \$(177,465) | \$(19,906) | \$ 2,607 | \$(235,644) | \$ 430,408 | \$(469,828) |



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Balance Sheet at June 30, 2016 (unaudited):

|   | Parent<br>Issuer | CNX Gas<br>Guarantor | Other<br>Subsidiary<br>Guarantors | CNXC<br>Non-Guarantor | Other<br>Subsidiary<br>Non-Guarantors | Elimination   | Consolidated |
|---|------------------|----------------------|-----------------------------------|-----------------------|---------------------------------------|---------------|--------------|
| Assets:   |                  |                      |                                   |                       |                                       |               |              |
| Current Assets:   |                  |                      |                                   |                       |                                       |               |              |
| Cash and Cash<br>Equivalents                                      | \$87,638         | \$75                 | \$137                             | \$8,961               | \$815                                 | \$—           | \$97,626     |
| Accounts and Notes<br>Receivable:                                 |                  |                      |                                   |                       |                                       |               |              |
| Trade   | —                | 65,067               | 70,762                            | 18,148                | —                                     | —             | 153,977      |
| Other Receivables   | 35,224           | 54,548               | 4,261                             | 92                    | —                                     | —             | 94,125       |
| Inventories   | —                | 12,079               | 39,846                            | 8,893                 | —                                     | —             | 60,818       |
| Prepaid Expenses  | 16,398           | 70,994               | 13,452                            | 2,682                 | —                                     | —             | 103,526      |
| Current Assets of<br>Discontinued<br>Operations                   | —                | —                    | —                                 | —                     | 16,168                                | —             | 16,168       |
| Total Current Assets  | 139,260          | 202,763              | 128,458                           | 38,776                | 16,983                                | —             | 526,240      |
| Property, Plant and<br>Equipment:                                 |                  |                      |                                   |                       |                                       |               |              |
| Property, Plant and<br>Equipment                                  | 143,526          | 8,933,954            | 4,092,675                         | 695,982               | —                                     | —             | 13,866,137   |
| Less-Accumulated<br>Depreciation, Depletion<br>and Amortization   | 105,447          | 2,902,470            | 2,015,107                         | 337,022               | —                                     | —             | 5,360,046    |
| Property, Plant and<br>Equipment of<br>Discontinued<br>Operations | —                | —                    | —                                 | —                     | 103,085                               | —             | 103,085      |
| Total Property, Plant<br>and Equipment-Net                        | 38,079           | 6,031,484            | 2,077,568                         | 358,960               | 103,085                               | —             | 8,609,176    |
| Other Assets:   |                  |                      |                                   |                       |                                       |               |              |
| Deferred Income Taxes   | 234,572          | (58,643 )            | —                                 | —                     | —                                     | —             | 175,929      |
| Investment in Affiliates  | 9,883,209        | 252,517              | 19,757                            | —                     | —                                     | (9,899,316 )  | 256,167      |
| Other   | 63,051           | 24,588               | 109,255                           | 17,185                | —                                     | —             | 214,079      |
| Other Assets of<br>Discontinued<br>Operations                     | —                | —                    | —                                 | —                     | 3,166                                 | —             | 3,166        |
| Total Other Assets  | 10,180,832       | 218,462              | 129,012                           | 17,185                | 3,166                                 | (9,899,316 )  | 649,341      |
| Total Assets  | \$10,358,171     | \$6,452,709          | \$2,335,038                       | \$414,921             | \$123,234                             | \$(9,899,316) | \$9,784,757  |
| Liabilities and Equity:   |                  |                      |                                   |                       |                                       |               |              |
| Current Liabilities:  |                  |                      |                                   |                       |                                       |               |              |
| Accounts Payable  | \$19,794         | \$85,410             | \$45,968                          | \$11,240              | \$—                                   | \$8,947       | \$171,359    |
| Accounts Payable<br>(Recoverable)-Related<br>Parties              | 3,175,959        | 1,426,279            | (4,384,694 )                      | 981                   | (209,578 )                            | (8,947 )      | —            |
| Current Portion of<br>Long-Term Debt                              | (2,732 )         | 6,244                | 797                               | 59                    | —                                     | —             | 4,368        |
|   | 466,000          | —                    | —                                 | —                     | —                                     | —             | 466,000      |

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|   |               |              |              |            |            |                |              |
|---|---------------|--------------|--------------|------------|------------|----------------|--------------|
| Short-Term Notes Payable  |               |              |              |            |            |                |              |
| Accrued Income Taxes  | (53,567       | ) 59,026     | —            | —          | —          | —              | 5,459        |
| Other Accrued Liabilities   | 57,701        | 160,024      | 229,257      | 32,273     | —          | —              | 479,255      |
| Current Liabilities of Discontinued Operations                    |               |              |              |            |            |                |              |
| Total Current Liabilities   | 3,663,155     | 1,736,983    | (4,108,672 ) | 44,553     | (184,640 ) | —              | 1,151,379    |
| Long-Term Debt:   | 2,424,590     | 30,110       | 105,293      | 194,505    | 1,254      | —              | 2,755,752    |
| Deferred Credits and Other Liabilities:                           |               |              |              |            |            |                |              |
| Postretirement Benefits Other Than Pensions                       |               |              |              |            |            |                |              |
| Pneumoconiosis Benefits   | —             | —            | 619,220      | —          | —          | —              | 619,220      |
| Mine Closing  | —             | —            | 207,148      | 7,196      | —          | —              | 214,344      |
| Gas Well Closing  | —             | 134,790      | 29,326       | 79         | —          | —              | 164,195      |
| Workers' Compensation Salary Retirement                           | —             | —            | 66,267       | 2,420      | —          | —              | 68,687       |
| Reclamation   | 87,321        | —            | —            | —          | —          | —              | 87,321       |
| Other   | —             | —            | 246          | —          | —          | —              | 246          |
| Deferred Credits and Other Liabilities of Discontinued Operations | 57,507        | 182,240      | 4,071        | 536        | —          | —              | 244,354      |
| Total Deferred Credits and Other Liabilities                      | —             | —            | —            | —          | 89,845     | —              | 89,845       |
| Total CONSOL Energy Inc. Stockholders' Equity                     | 144,828       | 317,030      | 1,042,396    | 12,097     | 89,845     | —              | 1,606,196    |
| Noncontrolling Interest   | 4,125,598     | 4,368,586    | 5,296,021    | 163,766    | 216,775    | (10,045,148 )  | 4,125,598    |
| Total Liabilities and Equity                                      | —             | —            | —            | —          | —          | 145,832        | 145,832      |
|   | \$ 10,358,171 | \$ 6,452,709 | \$ 2,335,038 | \$ 414,921 | \$ 123,234 | \$ (9,899,316) | \$ 9,784,757 |

## Income Statement for the Three Months Ended June 30, 2015 (unaudited):

|   | Parent<br>Issuer | CNX Gas<br>Guarantor | Other<br>Subsidiary<br>Guarantors | CNXC<br>Non-Guarantor | Other<br>Subsidiary<br>Non-Guarantors | Elimination | Consolidated |
|---|------------------|----------------------|-----------------------------------|-----------------------|---------------------------------------|-------------|--------------|
| Revenues and Other Income:                          |                  |                      |                                   |                       |                                       |             |              |
| Natural Gas, NGLs and Oil Sales                     | \$—              | \$160,004            | \$—                               | \$—                   | \$—                                   | \$(350)     | \$159,654    |
| Gain on Commodity Derivative Instruments            | —                | 17,322               | —                                 | —                     | —                                     | —           | 17,322       |
| Coal Sales  | —                | —                    | 255,196                           | 63,799                | —                                     | —           | 318,995      |
| Other Outside Sales                                 | —                | —                    | 6,337                             | —                     | —                                     | —           | 6,337        |
| Purchased Gas Sales                                 | —                | 1,517                | —                                 | —                     | —                                     | —           | 1,517        |
| Freight-Outside Coal                                | —                | —                    | 2,209                             | 541                   | —                                     | —           | 2,750        |
| Miscellaneous Other Income                          | (565,923)        | 13,214               | 21,588                            | 135                   | 1,976                                 | 563,697     | 34,687       |
| Gain on Sale of Assets                              | —                | 1,545                | 2,757                             | 10                    | —                                     | —           | 4,312        |
| Total Revenue and Other Income                      | (565,923)        | 193,602              | 288,087                           | 64,485                | 1,976                                 | 563,347     | 545,574      |
| Costs and Expenses:                                 |                  |                      |                                   |                       |                                       |             |              |
| Exploration and Production Costs                    |                  |                      |                                   |                       |                                       |             |              |
| Lease Operating Expense                             | —                | 29,521               | —                                 | —                     | —                                     | —           | 29,521       |
| Transportation, Gathering and Compression           | —                | 83,196               | —                                 | —                     | —                                     | —           | 83,196       |
| Production, Ad Valorem, and Other Fees              | —                | 6,938                | —                                 | —                     | —                                     | —           | 6,938        |
| Depreciation, Depletion and Amortization            | —                | 89,850               | —                                 | —                     | —                                     | —           | 89,850       |
| Exploration and Production Related Other Costs      | —                | 2,324                | —                                 | —                     | (11)                                  | 11          | 2,324        |
| Purchased Gas Costs                                 | —                | 1,061                | —                                 | —                     | —                                     | —           | 1,061        |
| Other Corporate Expenses                            | —                | 20,622               | —                                 | —                     | —                                     | —           | 20,622       |
| Impairment of Exploration and Production Properties | —                | 828,905              | —                                 | —                     | —                                     | —           | 828,905      |
| Selling, General, and Administrative Costs          | —                | 21,070               | —                                 | —                     | —                                     | —           | 21,070       |
| Total Exploration and Production Costs              | —                | 1,083,487            | —                                 | —                     | (11)                                  | 11          | 1,083,487    |
| Coal Costs  |                  |                      |                                   |                       |                                       |             |              |
| Operating and Other Costs                           | 1,946            | —                    | 171,820                           | 39,256                | —                                     | —           | 213,022      |
| Depreciation, Depletion and Amortization            | 147              | —                    | 38,666                            | 9,467                 | —                                     | —           | 48,280       |
| Freight Expense                                     | —                | —                    | 2,209                             | 541                   | —                                     | —           | 2,750        |
| Selling, General, and Administrative Costs          | —                | —                    | 5,002                             | 1,145                 | —                                     | —           | 6,147        |
| Other Corporate Expenses                            | —                | —                    | 8,435                             | 1,772                 | —                                     | —           | 10,207       |
| Total Coal Costs                                    | 2,093            | —                    | 226,132                           | 52,181                | —                                     | —           | 280,406      |
| Other Costs   |                  |                      |                                   |                       |                                       |             |              |

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|  |              |              |             |          |              |            |              |
|--|--------------|--------------|-------------|----------|--------------|------------|--------------|
| Miscellaneous Operating Expense          | 13,140       | —            | 680         | —        | 225          | —          | 14,045       |
| Depreciation, Depletion and Amortization | —            | —            | 5           | —        | —            | —          | 5            |
| Loss on Debt Extinguishment              | 17           | —            | —           | —        | —            | —          | 17           |
| Interest Expense                         | 44,264       | 1,484        | 1,626       | 2,328    | 30           | (3,226)    | 46,506       |
| Total Other Costs                        | 57,421       | 1,484        | 2,311       | 2,328    | 255          | (3,226)    | 60,573       |
| Total Costs And Expenses                 | 59,514       | 1,084,971    | 228,443     | 54,509   | 244          | (3,215)    | 1,424,466    |
| (Loss) Earnings Before Income Tax        | (625,437 )   | (891,369 )   | 59,644      | 9,976    | 1,732        | 566,562    | (878,892 )   |
| Income Taxes                             | (22,136 )    | (351,270 )   | 71,081      | —        | 656          | —          | (301,669 )   |
| (Loss) Income From Continuing Operations | (603,301 )   | (540,099 )   | (11,437 )   | 9,976    | 1,076        | 566,562    | (577,223 )   |
| Loss From Discontinued Operations, net   | —            | —            | —           | —        | (26,078 )    | —          | (26,078 )    |
| Net (Loss) Income                        | \$(603,301 ) | \$(540,099 ) | \$(11,437 ) | \$ 9,976 | \$ (25,002 ) | \$ 566,562 | \$(603,301 ) |

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Balance Sheet at December 31, 2015:

|   | Parent Issuer | CNX Gas Guarantor | Other Subsidiary Guarantors | CNXC Non-Guarantor | Other Subsidiary Non-Guarantors | Elimination    | Consolidated |
|---|---------------|-------------------|-----------------------------|--------------------|---------------------------------|----------------|--------------|
| Assets:   |               |                   |                             |                    |                                 |                |              |
| Current Assets:   |               |                   |                             |                    |                                 |                |              |
| Cash and Cash Equivalents                                 | \$64,995      | \$75              | \$—                         | \$ 6,531           | \$973                           | \$—            | \$72,574     |
| Accounts and Notes Receivable:                            |               |                   |                             |                    |                                 |                |              |
| Trade   | —             | 72,664            | 63,201                      | 15,518             | —                               | —              | 151,383      |
| Other Receivables   | 18,933        | 99,001            | 3,424                       | 377                | —                               | —              | 121,735      |
| Inventories   | —             | 13,815            | 43,186                      | 9,791              | —                               | —              | 66,792       |
| Recoverable Income Taxes                                  | 72,913        | (59,026 )         | —                           | —                  | —                               | —              | 13,887       |
| Prepaid Expenses  | 27,245        | 244,680           | 21,282                      | 4,080              | —                               | —              | 297,287      |
| Current Assets of Discontinued Operations                 | —             | —                 | —                           | —                  | 81,106                          | —              | 81,106       |
| Total Current Assets                                      | 184,086       | 371,209           | 131,093                     | 36,297             | 82,079                          | —              | 804,764      |
| Property, Plant and Equipment:                            |               |                   |                             |                    |                                 |                |              |
| Property, Plant and Equipment                             | 156,348       | 8,875,027         | 4,071,050                   | 692,482            | —                               | —              | 13,794,907   |
| Less-Accumulated Depreciation, Depletion and Amortization | 111,367       | 2,695,674         | 1,934,431                   | 320,729            | —                               | —              | 5,062,201    |
| Property, Plant and Equipment of Discontinued Operations  | —             | —                 | —                           | —                  | 936,670                         | —              | 936,670      |
| Total Property, Plant and Equipment-Net                   | 44,981        | 6,179,353         | 2,136,619                   | 371,753            | 936,670                         | —              | 9,669,376    |
| Other Assets:   |               |                   |                             |                    |                                 |                |              |
| Investment in Affiliates                                  | 9,701,145     | 234,803           | 6,293                       | —                  | —                               | (9,704,911 )   | 237,330      |
| Other   | 53,529        | 47,892            | 98,888                      | 14,079             | —                               | —              | 214,388      |
| Other Assets of Discontinued Operations                   | —             | —                 | —                           | —                  | 4,044                           | —              | 4,044        |
| Total Other Assets  | 9,754,674     | 282,695           | 105,181                     | 14,079             | 4,044                           | (9,704,911 )   | 455,762      |
| Total Assets  | \$9,983,741   | \$6,833,257       | \$2,372,893                 | \$ 422,129         | \$1,022,793                     | \$(9,704,911 ) | \$10,929,902 |
| Liabilities and Equity:                                   |               |                   |                             |                    |                                 |                |              |
| Current Liabilities:                                      |               |                   |                             |                    |                                 |                |              |
| Accounts Payable  | \$33,427      | \$149,930         | \$39,412                    | \$ 14,023          | \$—                             | \$13,817       | \$250,609    |
| Accounts Payable (Recoverable)-Related Parties            | 1,786,710     | 1,521,444         | (3,088,340 )                | 3,452              | (209,449 )                      | (13,817 )      | —            |
|   | (2,777 )      | 6,798             | 918                         | 49                 | —                               | —              | 4,988        |

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|   |             |             |              |           |             |               |              |
|---|-------------|-------------|--------------|-----------|-------------|---------------|--------------|
| Current Portion of Long-Term Debt                                 |             |             |              |           |             |               |              |
| Short-Term Notes Payable  | 952,000     | —           | —            | —         | —           | —             | 952,000      |
| Other Accrued Liabilities   | 63,668      | 102,753     | 225,477      | 29,929    | —           | —             | 421,827      |
| Current Liabilities of Discontinued Operations                    | —           | —           | —            | —         | 51,514      | —             | 51,514       |
| Total Current Liabilities   | 2,833,028   | 1,780,925   | (2,822,533 ) | 47,453    | (157,935 )  | —             | 1,680,938    |
| Long-Term Debt:   | 2,423,247   | 33,141      | 105,770      | 181,046   | 5,001       | —             | 2,748,205    |
| Deferred Credits and Other Liabilities:                           |             |             |              |           |             |               |              |
| Deferred Income Taxes   | (122,547 )  | 197,176     | —            | —         | —           | —             | 74,629       |
| Postretirement Benefits Other Than Pensions                       | —           | —           | 630,892      | —         | —           | —             | 630,892      |
| Pneumoconiosis Benefits   | —           | —           | 110,356      | 1,547     | —           | —             | 111,903      |
| Mine Closing  | —           | —           | 220,617      | 6,722     | —           | —             | 227,339      |
| Gas Well Closing  | —           | 135,174     | 28,591       | 77        | —           | —             | 163,842      |
| Workers' Compensation   | —           | —           | 67,469       | 2,343     | —           | —             | 69,812       |
| Salary Retirement   | 91,596      | —           | —            | —         | —           | —             | 91,596       |
| Reclamation   | —           | —           | 25           | —         | —           | —             | 25           |
| Other   | 56,390      | 105,588     | 4,408        | 571       | —           | —             | 166,957      |
| Deferred Credits and Other Liabilities of Discontinued Operations | —           | —           | —            | —         | 107,988     | —             | 107,988      |
| Total Deferred Credits and Other Liabilities                      | 25,439      | 437,938     | 1,062,358    | 11,260    | 107,988     | —             | 1,644,983    |
| Total CONSOL Energy Inc. Stockholders' Equity                     | 4,702,027   | 4,581,253   | 4,027,298    | 182,370   | 1,067,739   | (9,858,660 )  | 4,702,027    |
| Noncontrolling Interest   | —           | —           | —            | —         | —           | 153,749       | 153,749      |
| Total Liabilities and Equity                                      | \$9,983,741 | \$6,833,257 | \$2,372,893  | \$422,129 | \$1,022,793 | \$(9,704,911) | \$10,929,902 |

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Income Statement for the Six Months Ended June 30, 2016 (unaudited):

|  | Parent<br>Issuer | CNX Gas<br>Guarantor | Other<br>Subsidiary<br>Guarantors | CNXC<br>Non-Guarantor | Other<br>Subsidiary<br>Non-<br>Guarantors | Elimination | Consolidated |
|--|------------------|----------------------|-----------------------------------|-----------------------|---|-------------|--------------|
| Revenues and Other Income:                     |                  |                      |                                   |                       |   |             |              |
| Natural Gas, NGLs and Oil Sales                | \$—              | \$349,611            | \$—                               | \$ —                  | \$—                                       | \$(423 )    | \$ 349,188   |
| Loss on Commodity Derivative Instruments       | —                | (144,320 )           | —                                 | —                     | —   | —           | (144,320 )   |
| Coal Sales                                     | —                | —                    | 381,985                           | 95,345                | —   | —           | 477,330      |
| Other Outside Sales                            | —                | —                    | 15,768                            | —                     | —   | —           | 15,768       |
| Purchased Gas Sales                            | —                | 16,547               | —                                 | —                     | —   | —           | 16,547       |
| Freight-Outside Coal                           | —                | —                    | 19,705                            | 4,852                 | —   | —           | 24,557       |
| Miscellaneous Other Income                     | (498,206 )       | 42,419               | 37,321                            | 1,424                 | —   | 498,205     | 81,163       |
| (Loss) Gain on Sale of Assets                  | —                | (4,896 )             | 3,243                             | (9 )                  | —   | —           | (1,662 )     |
| Total Revenue and Other Income                 | (498,206 )       | 259,361              | 458,022                           | 101,612               | —   | 497,782     | 818,571      |
| Costs and Expenses:                            |                  |                      |                                   |                       |   |             |              |
| Exploration and Production Costs               |                  |                      |                                   |                       |   |             |              |
| Lease Operating Expense                        | —                | 51,394               | —                                 | —                     | —   | —           | 51,394       |
| Transportation, Gathering and Compression      | —                | 184,957              | —                                 | —                     | —   | —           | 184,957      |
| Production, Ad Valorem, and Other Fees         | —                | 14,705               | —                                 | —                     | —   | —           | 14,705       |
| Depreciation, Depletion and Amortization       | —                | 210,866              | —                                 | —                     | —   | —           | 210,866      |
| Exploration and Production Related Other Costs | —                | 5,231                | —                                 | —                     | —   | —           | 5,231        |
| Purchased Gas Costs                            | —                | 16,752               | —                                 | —                     | —   | —           | 16,752       |
| Other Corporate Expenses                       | —                | 58,350               | —                                 | —                     | —   | —           | 58,350       |
| Selling, General, and Administrative Costs     | —                | 33,738               | —                                 | —                     | —   | —           | 33,738       |
| Total Exploration and Production Costs         | —                | 575,993              | —                                 | —                     | —   | —           | 575,993      |
| Coal Costs                                     |                  |                      |                                   |                       |   |             |              |
| Operating and Other Costs                      | 1,935            | —                    | 332,268                           | 67,631                | —   | —           | 401,834      |
| Depreciation, Depletion and Amortization       | 302              | —                    | 62,448                            | 16,592                | —   | —           | 79,342       |
| Freight Expense                                | —                | —                    | 19,705                            | 4,852                 | —   | —           | 24,557       |
| Selling, General, and Administrative Costs     | —                | —                    | 8,229                             | 2,431                 | —   | —           | 10,660       |
| Other Corporate Expenses                       | —                | —                    | 6,583                             | 915                   | —   | —           | 7,498        |
| Total Coal Costs                               | 2,237            | —                    | 429,233                           | 92,421                | —   | —           | 523,891      |
| Other Costs                                    |                  |                      |                                   |                       |   |             |              |

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|  |             |             |            |          |             |           |             |
|--|-------------|-------------|------------|----------|-------------|-----------|-------------|
| Miscellaneous Operating Expense                              | 20,450      | —           | 206        | —        | 30          | —         | 20,686      |
| Depreciation, Depletion and Amortization                     | —           | —           | 1          | —        | —           | —         | 1           |
| Interest Expense   | 88,619      | 1,408       | 3,180      | 4,085    | —           | —         | 97,292      |
| Total Other Costs  | 109,069     | 1,408       | 3,387      | 4,085    | 30          | —         | 117,979     |
| Total Costs And Expenses                                     | 111,306     | 577,401     | 432,620    | 96,506   | 30          | —         | 1,217,863   |
| (Loss) Earnings Before Income Tax                            | (609,512 )  | (318,040 )  | 25,402     | 5,106    | (30 )       | 497,782   | (399,292 )  |
| Income Taxes   | (42,107 )   | (126,389 )  | 44,936     | —        | (11 )       | —         | (123,571 )  |
| (Loss) Income From Continuing Operations                     | (567,405 )  | (191,651 )  | (19,534 )  | 5,106    | (19 )       | 497,782   | (275,721 )  |
| Loss From Discontinued Operations, net                       | —           | —           | —          | —        | (289,391 )  | —         | (289,391 )  |
| Net (Loss) Income  | (567,405 )  | (191,651 )  | (19,534 )  | 5,106    | (289,410 )  | 497,782   | (565,112 )  |
| Less: Net Income Attributable to Noncontrolling Interest     | —           | —           | —          | —        | —           | 2,293     | 2,293       |
| Net (Loss) Income Attributable to CONSOL Energy Shareholders | \$(567,405) | \$(191,651) | \$(19,534) | \$ 5,106 | \$(289,410) | \$495,489 | \$(567,405) |



## Income Statement for the Six Months Ended June 30, 2015 (unaudited):

|   | Parent<br>Issuer | CNX Gas<br>Guarantor | Other<br>Subsidiary<br>Guarantors | CNXC<br>Non-Guarantor | Other<br>Subsidiary<br>Non-<br>Guarantors | Elimination | Consolidated |
|---|------------------|----------------------|-----------------------------------|-----------------------|---|-------------|--------------|
| Revenues and Other Income:                          |                  |                      |                                   |                       |   |             |              |
| Natural Gas, NGLs and Oil Sales                     | \$—              | \$384,989            | \$—                               | \$—                   | \$—                                       | \$(897)     | \$384,092    |
| Gain on Commodity Derivative Instruments            | —                | 107,467              | —                                 | —                     | —   | —           | 107,467      |
| Coal Sales  | —                | —                    | 564,335                           | 140,686               | —   | —           | 705,021      |
| Other Outside Sales                                 | —                | —                    | 19,467                            | —                     | —   | —           | 19,467       |
| Purchased Gas Sales                                 | —                | 5,114                | —                                 | —                     | —   | —           | 5,114        |
| Freight-Outside Coal                                | —                | —                    | 6,753                             | 1,015                 | —   | —           | 7,768        |
| Miscellaneous Other Income                          | (403,747)        | 27,820               | 43,217                            | 351                   | 4,276                                     | 399,291     | 71,208       |
| Gain on Sale of Assets                              | —                | 2,186                | 4,075                             | 25                    | —   | —           | 6,286        |
| Total Revenue and Other Income                      | (403,747)        | 527,576              | 637,847                           | 142,077               | 4,276                                     | 398,394     | 1,306,423    |
| Costs and Expenses:                                 |                  |                      |                                   |                       |   |             |              |
| Exploration and Production Costs                    |                  |                      |                                   |                       |   |             |              |
| Lease Operating Expense                             | —                | 66,777               | —                                 | —                     | —   | —           | 66,777       |
| Transportation, Gathering and Compression           | —                | 158,717              | —                                 | —                     | —   | —           | 158,717      |
| Production, Ad Valorem, and Other Fees              | —                | 16,130               | —                                 | —                     | —   | —           | 16,130       |
| Depreciation, Depletion and Amortization            | —                | 177,294              | —                                 | —                     | —   | —           | 177,294      |
| Exploration and Production Related Other Costs      | —                | 4,364                | —                                 | —                     | (6)                                       | 6           | 4,364        |
| Purchased Gas Costs                                 | —                | 4,018                | —                                 | —                     | —   | —           | 4,018        |
| Other Corporate Expenses                            | —                | 39,718               | —                                 | —                     | —   | —           | 39,718       |
| Impairment of Exploration and Production Properties | —                | 828,905              | —                                 | —                     | —   | —           | 828,905      |
| Selling, General, and Administrative Costs          | —                | 42,894               | —                                 | —                     | —   | —           | 42,894       |
| Total Exploration and Production Costs              | —                | 1,338,817            | —                                 | —                     | (6)                                       | 6           | 1,338,817    |
| Coal Costs  |                  |                      |                                   |                       |   |             |              |
| Operating and Other Costs                           | 3,594            | —                    | 385,801                           | 85,370                | —   | —           | 474,765      |
| Depreciation, Depletion and Amortization            | 293              | —                    | 84,073                            | 18,616                | —   | —           | 102,982      |
| Freight Expense                                     | —                | —                    | 6,753                             | 1,015                 | —   | —           | 7,768        |
| Selling, General, and Administrative Costs          | —                | —                    | 10,334                            | 2,344                 | —   | —           | 12,678       |
| Other Corporate Expenses                            | —                | —                    | 13,584                            | 2,698                 | —   | —           | 16,282       |

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|  |             |             |           |           |          |            |             |
|--|-------------|-------------|-----------|-----------|----------|------------|-------------|
| Total Coal Costs                         | 3,887       | —           | 500,545   | 110,043   | —        | —          | 614,475     |
| Other Costs                              |             |             |           |           |          |            |             |
| Miscellaneous Operating Expense          | 23,202      | —           | 766       | —         | 452      | —          | 24,420      |
| Depreciation, Depletion and Amortization | 2           | —           | 10        | —         | —        | —          | 12          |
| Loss on Debt Extinguishment              | 67,751      | —           | —         | —         | —        | —          | 67,751      |
| Interest Expense                         | 97,110      | 4,139       | 3,186     | 4,709     | 76       | (7,593)    | 101,627     |
| Total Other Costs                        | 188,065     | 4,139       | 3,962     | 4,709     | 528      | (7,593)    | 193,810     |
| Total Costs And Expenses                 | 191,952     | 1,342,956   | 504,507   | 114,752   | 522      | (7,587)    | 2,147,102   |
| (Loss) Earnings Before Income Tax        | (595,699)   | (815,380)   | 133,340   | 27,325    | 3,754    | 405,981    | (840,679)   |
| Income Taxes                             | (71,428)    | (306,176)   | 59,531    | —         | 1,421    | —          | (316,652)   |
| (Loss) Income From Continuing Operations | (524,271)   | (509,204)   | 73,809    | 27,325    | 2,333    | 405,981    | (524,027)   |
| Loss From Discontinued Operations, net   | —           | —           | —         | —         | (244)    | —          | (244)       |
| Net (Loss) Income                        | \$(524,271) | \$(509,204) | \$ 73,809 | \$ 27,325 | \$ 2,089 | \$ 405,981 | \$(524,271) |

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Cash Flow for the Six Months Ended June 30, 2016 (unaudited):

|  | Parent      | CNX Gas Guarantor | Other Subsidiary Guarantors | CNXC Non-Guarantor | Other Subsidiary Non-Guarantors | Elimination  | Consolidated |
|--|-------------|-------------------|-----------------------------|--------------------|---------------------------------|--------------|--------------|
| Net Cash Provided by (Used in) Continuing Operations           | \$513,635   | \$77,812          | \$21,417                    | \$ 18,934          | \$ (412,027 )                   | \$ (13,463 ) | \$ 206,308   |
| Net Cash Provided by Discontinued Operating Activities         | —           | —                 | —                           | —                  | 17,433                          | —            | 17,433       |
| Net Cash Provided by (Used in) Operating Activities            | \$513,635   | \$77,812          | \$21,417                    | \$ 18,934          | \$ (394,594 )                   | \$ (13,463 ) | \$ 223,741   |
| Cash Flows from Investing Activities:                          |             |                   |                             |                    |                                 |              |              |
| Capital Expenditures   | \$(1,899 )  | \$(86,314)        | \$(21,842 )                 | \$( 5,202 )        | \$ —                            | \$ —         | \$(115,257 ) |
| Proceeds From Sales of Assets                                  | —           | 13,700            | 4,569                       | 15                 | —                               | —            | 18,284       |
| (Investments in), net of Distributions from, Equity Affiliates | —           | (2,145 )          | (3,433 )                    | —                  | —                               | —            | (5,578 )     |
| Net Cash Used in Continuing Operations                         | (1,899 )    | (74,759 )         | (20,706 )                   | (5,187 )           | —                               | —            | (102,551 )   |
| Net Cash Provided by Discontinued Investing Activities         | —           | —                 | —                           | —                  | 394,511                         | —            | 394,511      |
| Net Cash (Used in) Provided by Investing Activities            | \$(1,899 )  | \$(74,759)        | \$(20,706 )                 | \$( 5,187 )        | \$ 394,511                      | \$ —         | \$ 291,960   |
| Cash Flows from Financing Activities:                          |             |                   |                             |                    |                                 |              |              |
| Payments on Short-Term Borrowings                              | \$(486,000) | \$ —              | \$ —                        | \$ —               | \$ —                            | \$ —         | \$(486,000 ) |
| Payments on Miscellaneous Borrowings                           | (803 )      | (3,053 )          | (574 )                      | (29 )              | —                               | —            | (4,459 )     |
| Proceeds from Revolver - MLP                                   | —           | —                 | —                           | 13,000             | —                               | —            | 13,000       |
| Distributions to Noncontrolling Interest                       | —           | —                 | —                           | (24,288 )          | —                               | 13,463       | (10,825 )    |
| Dividends Paid   | (2,294 )    | —                 | —                           | —                  | —                               | —            | (2,294 )     |
| Proceeds from Issuance of Common Stock                         | 4           | —                 | —                           | —                  | —                               | —            | 4            |
| Net Cash (Used in) Provided by Continuing Operations           | (489,093 )  | (3,053 )          | (574 )                      | (11,317 )          | —                               | 13,463       | (490,574 )   |
| Net Cash Used in Discontinued Financing                        | —           | —                 | —                           | —                  | (75 )                           | —            | (75 )        |

Activities

Net Cash (Used in)

Provided by Financing      \$(489,093) \$(3,053 ) \$(574    ) \$(11,317    ) \$(75            ) \$13,463    \$(490,649 )  
Activities

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Cash Flow for the Six Months Ended June 30, 2015 (unaudited):

|  | Parent       | CNX Gas Guarantor | Other Subsidiary Guarantors | CNXC Non-Guarantor | Other Subsidiary Non-Guarantors | Elimination | Consolidated |
|--|--------------|-------------------|-----------------------------|--------------------|---------------------------------|-------------|--------------|
| Net Cash (Used in) Provided by Continuing Operations           | \$(362,496 ) | \$475,631         | \$83,091                    | \$38,538           | \$(27,257 )                     | \$40,196    | \$247,703    |
| Net Cash Provided by Discontinued Operating Activities         | —            | —                 | —                           | —                  | 46,512                          | —           | 46,512       |
| Net Cash (Used in) Provided by Operating Activities            | \$(362,496 ) | \$475,631         | \$83,091                    | \$38,538           | \$19,255                        | \$40,196    | \$294,215    |
| Cash Flows from Investing Activities:                          |              |                   |                             |                    |                                 |             |              |
| Capital Expenditures   | \$(6,758 )   | \$(539,455)       | \$(56,678 )                 | \$(13,593 )        | \$—                             | \$—         | \$(616,484 ) |
| Proceeds From Sales of Assets                                  | —            | 2,607             | 4,279                       | 45                 | —                               | —           | 6,931        |
| (Investments in), net of Distributions from, Equity Affiliates | —            | (36,201 )         | (7,560 )                    | —                  | —                               | —           | (43,761 )    |
| Net Cash Used in Continuing Operations                         | (6,758 )     | (573,049 )        | (59,959 )                   | (13,548 )          | —                               | —           | (653,314 )   |
| Net Cash Used in Discontinued Investing Activities             | —            | —                 | —                           | —                  | (19,301 )                       | —           | (19,301 )    |
| Net Cash Used in Investing Activities                          | \$(6,758 )   | \$(573,049)       | \$(59,959 )                 | \$(13,548 )        | \$(19,301 )                     | \$—         | \$(672,615 ) |
| Cash Flows from Financing Activities:                          |              |                   |                             |                    |                                 |             |              |
| Proceeds from (Payments on) Short-Term Borrowings              | \$1,058,000  | \$70,000          | \$—                         | \$—                | \$—                             | \$(70,000 ) | \$1,058,000  |
| (Payments on) Proceeds from Miscellaneous Borrowings           | (788 )       | (3,180 )          | (4,875 )                    | 4,814              | —                               | —           | (4,029 )     |
| Payments on Long-Term Borrowings                               | (1,263,719 ) | —                 | —                           | —                  | —                               | —           | (1,263,719 ) |
| Proceeds from Long-Term Borrowings                             | 492,760      | —                 | —                           | —                  | —                               | —           | 492,760      |
| Proceeds from Securitization Facility                          | 38,669       | —                 | —                           | —                  | —                               | —           | 38,669       |
| Net Change in Parent Advancements                              | —            | —                 | —                           | (29,804 )          | —                               | 29,804      | —            |
| Tax Benefit from Stock-Based Compensation                      | 198          | —                 | —                           | —                  | —                               | —           | 198          |

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|  |           |          |             |             |         |             |           |
|--|-----------|----------|-------------|-------------|---------|-------------|-----------|
| Dividends Paid   | (28,711 ) | —        | —           | —           | —       | —           | (28,711 ) |
| Proceeds from Issuance of<br>Common Stock                  | 8,288     | —        | —           | —           | —       | —           | 8,288     |
| Treasury Stock Activity                                    | (71,674 ) | —        | —           | —           | —       | —           | (71,674 ) |
| Debt Issuance and<br>Financing Fees                        | —         | —        | (18,257 )   | —           | —       | —           | (18,257 ) |
| Net Cash Provided by<br>(Used in) Continuing<br>Operations | 233,023   | 66,820   | (23,132 )   | (24,990 )   | —       | (40,196 )   | 211,525   |
| Net Cash Used in<br>Discontinued Financing<br>Activities   | —         | —        | —           | —           | (83 )   | —           | (83 )     |
| Net Cash Provided by<br>(Used in) Financing<br>Activities  | \$233,023 | \$66,820 | \$(23,132 ) | \$(24,990 ) | \$(83 ) | \$(40,196 ) | \$211,442 |

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Statement of Comprehensive Income for the Three Months Ended June 30, 2016 (unaudited):

|   | Parent      | CNX Gas<br>Guarantor | Other<br>Subsidiary<br>Guarantors | CNXC<br>Non-<br>Guarantor | Other<br>Subsidiary<br>Non-<br>Guarantors | Elimination | Consolidated |
|---|-------------|----------------------|-----------------------------------|---------------------------|---|-------------|--------------|
| Net (Loss) Income   | \$(469,828) | \$(177,465)          | \$(19,906 )                       | \$ 2,607                  | \$(235,644)                               | \$ 431,587  | \$(468,649 ) |
| Other Comprehensive (Loss)<br>Income:   |             |                      |                                   |                           |   |             |              |
| Actuarially Determined<br>Long-Term Liability                                     | 8,045       | —                    | 8,062                             | (17 )                     | —   | (8,045 )    | 8,045        |
| Adjustments   |             |                      |                                   |                           |   |             |              |
| Reclassification of Cash Flow<br>Hedge from OCI to Earnings                       | (11,203 )   | (11,203 )            | —                                 | —                         | —   | 11,203      | (11,203 )    |
| Other Comprehensive (Loss)<br>Income:   | (3,158 )    | (11,203 )            | 8,062                             | (17 )                     | —   | 3,158       | (3,158 )     |
| Comprehensive (Loss) Income   | (472,986 )  | (188,668 )           | (11,844 )                         | 2,590                     | (235,644 )                                | 434,745     | (471,807 )   |
| Less: Net Income Attributable<br>to Noncontrolling Interest                       | —           | —                    | —                                 | —                         | —   | 1,179       | 1,179        |
| Comprehensive (Loss) Income<br>Attributable to CONSOL<br>Energy Inc. Shareholders | \$(472,986) | \$(188,668)          | \$(11,844 )                       | \$ 2,590                  | \$(235,644)                               | \$ 433,566  | \$(472,986 ) |

Statement of Comprehensive Income for the Three Months Ended June 30, 2015 (unaudited):

|   | Parent      | CNX Gas<br>Guarantor | Other<br>Subsidiary<br>Guarantors | CNXC<br>Non-<br>Guarantor | Other<br>Subsidiary<br>Non-<br>Guarantors | Elimination | Consolidated |
|---|-------------|----------------------|-----------------------------------|---------------------------|---|-------------|--------------|
| Net (Loss) Income   | \$(603,301) | \$(540,099)          | \$(11,437 )                       | \$ 9,976                  | \$(25,002 )                               | \$ 566,562  | \$(603,301 ) |
| Other Comprehensive (Loss)<br>Income:                       |             |                      |                                   |                           |   |             |              |
| Actuarially Determined<br>Long-Term Liability               | 9,467       | —                    | 9,854                             | (387 )                    | —   | (9,467 )    | 9,467        |
| Adjustments   |             |                      |                                   |                           |   |             |              |
| Reclassification of Cash Flow<br>Hedge from OCI to Earnings | (20,804 )   | (20,804 )            | —                                 | —                         | —   | 20,804      | (20,804 )    |
| Other Comprehensive (Loss)<br>Income:                       | (11,337 )   | (20,804 )            | 9,854                             | (387 )                    | —   | 11,337      | (11,337 )    |
| Comprehensive (Loss) Income                                 | \$(614,638) | \$(560,903)          | \$(1,583 )                        | \$ 9,589                  | \$(25,002 )                               | \$ 577,899  | \$(614,638 ) |

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Statement of Comprehensive Income for the Six Months Ended June 30, 2016 (unaudited):

|   | Parent      | CNX Gas Guarantor | Other Subsidiary Guarantors | CNXC Non-Guarantor | Other Subsidiary Non-Guarantors | Elimination | Consolidated |
|---|-------------|-------------------|-----------------------------|--------------------|---------------------------------|-------------|--------------|
| Net (Loss) Income   | \$(567,405) | \$(191,651)       | \$(19,534 )                 | \$ 5,106           | \$(289,410)                     | \$ 497,782  | \$(565,112 ) |
| Other Comprehensive (Loss) Income:  |             |                   |                             |                    |                                 |             |              |
| Actuarially Determined Long-Term Liability Adjustments                      | 5,561       | —                 | 5,598                       | (37 )              | —                               | (5,561 )    | 5,561        |
| Reclassification of Cash Flow Hedge from OCI to Earnings                    | (21,017 )   | (21,017 )         | —                           | —                  | —                               | 21,017      | (21,017 )    |
| Other Comprehensive (Loss) Income:  | (15,456 )   | (21,017 )         | 5,598                       | (37 )              | —                               | 15,456      | (15,456 )    |
| Comprehensive (Loss) Income   | (582,861 )  | (212,668 )        | (13,936 )                   | 5,069              | (289,410 )                      | 513,238     | (580,568 )   |
| Less: Net Income Attributable to Noncontrolling Interest                    | —           | —                 | —                           | —                  | —                               | 2,293       | 2,293        |
| Comprehensive (Loss) Income Attributable to CONSOL Energy Inc. Shareholders | \$(582,861) | \$(212,668)       | \$(13,936 )                 | \$ 5,069           | \$(289,410)                     | \$ 510,945  | \$(582,861 ) |

Statement of Comprehensive Income for the Six Months Ended June 30, 2015 (unaudited):

|  | Parent      | CNX Gas Guarantor | Other Subsidiary Guarantors | CNXC Non-Guarantor | Other Subsidiary Non-Guarantors | Elimination | Consolidated |
|--|-------------|-------------------|-----------------------------|--------------------|---------------------------------|-------------|--------------|
| Net (Loss) Income  | \$(524,271) | \$(509,204)       | \$ 73,809                   | \$ 27,325          | \$ 2,089                        | \$ 405,981  | \$(524,271 ) |
| Other Comprehensive (Loss) Income:                       |             |                   |                             |                    |                                 |             |              |
| Actuarially Determined Long-Term Liability Adjustments   | 9,318       | —                 | 10,707                      | (1,389 )           | —                               | (9,318 )    | 9,318        |
| Reclassification of Cash Flow Hedge from OCI to Earnings | (40,118 )   | (40,118 )         | —                           | —                  | —                               | 40,118      | (40,118 )    |
| Other Comprehensive (Loss) Income:                       | (30,800 )   | (40,118 )         | 10,707                      | (1,389 )           | —                               | 30,800      | (30,800 )    |
| Comprehensive (Loss) Income                              | \$(555,071) | \$(549,322)       | \$ 84,516                   | \$ 25,936          | \$ 2,089                        | \$ 436,781  | \$(555,071 ) |



NOTE 18—RELATED PARTY TRANSACTIONS:

CONE Gathering LLC (CONE) and CONE Midstream Partners LP (the Partnership)

During the six months ended June 30, 2016, additional capital contributions of \$94 were made to CONE and additional capital contributions of \$2,051 were made to the Partnership. The capital contributions were offset by \$9,192 of distributions from the Partnership. During the six months ended June 30, 2015, additional capital contributions of \$8,387 were made to CONE, and additional capital contributions of \$42,750 were made to the Partnership, offset in part, by \$8,162 of distributions from the Partnership.

Following the Partnership IPO in September 2014, CONE has a 2% general partner interest in the Partnership, while each sponsor has a 32.1% limited partner interest. CNX Gas Company accounts for its portion of the earnings in the Partnership under the equity method of accounting. At June 30, 2016, CNX Gas Company and Noble Energy each continue to own a 50% interest in the assets of CONE that were not contributed to the Partnership. Equity in earnings of affiliates during the three months ended June 30, 2016 and 2015 related to CONE was \$753 and \$4,538, respectively. Equity in earnings of affiliates during the three months ended June 30, 2016 and 2015 related to the Partnership was \$7,452 and \$4,843, respectively. For the six months ended June 30, 2016 and 2015, equity in earnings of affiliates related to CONE was \$7,146 and \$7,676, respectively. For the six months ended June 30, 2016 and 2015, equity in earnings affiliates related to the Partnership was \$15,410 and \$9,361, respectively.

During the six months ended June 30, 2016 and 2015, CONE and the Partnership provided gathering services to CNX Gas Company in the ordinary course of business. Gathering services provided were \$29,976 and \$24,926 for the three months ended June 30, 2016 and 2015, respectively. For the six months ended June 30, 2016 and 2015, gathering services were \$61,993 and \$47,286, respectively. These costs were included in Transportation, Gathering and Compression Costs on CONSOL Energy's accompanying Consolidated Statements of Income. At June 30, 2016 and December 31, 2015, CONSOL Energy had a net payable of \$7,542 and \$12,216 respectively, due to both the Partnership and CONE primarily for accrued but unpaid gathering services. The net payable for both periods is included in Accounts Payable on CONSOL Energy's accompanying Consolidated Balance Sheets.

During the three months ended June 30, 2016 and 2015, CONSOL Energy purchased no supply inventory from the Partnership. During the six months ended June 30, 2016 and 2015, CONSOL Energy purchased no supply inventory and \$2,239 of supply inventory from the Partnership, respectively.

CNX Coal Resources LP

On July 7, 2015, CNXC closed its initial public offering of 5,000,000 common units representing limited partnership interests at a price to the public of \$15.00 per unit. Additionally, Greenlight Capital entered into a common unit purchase agreement with CNXC pursuant to which Greenlight Capital agreed to purchase, and CNXC agreed to sell, 5,000,000 common units at a price per unit equal to \$15.00, which equates to \$75,000 in net proceeds. CNXC's general partner is CNX Coal Resources GP, a wholly owned subsidiary of CONSOL Energy. The underwriters of the IPO filing exercised an over-allotment option of 561,067 common units to the public at \$15.00 per unit.

In connection with the IPO offering, CNXC entered into a \$400,000 senior secured revolving credit facility with certain lenders and PNC Bank, National Association (PNC), as administrative agent. Obligations under the revolving credit facility are guaranteed by CNXC's subsidiaries (the "guarantor subsidiaries") and are secured by substantially all of CNXC's and CNXC's subsidiaries' assets pursuant to a security agreement and various mortgages. Under the new revolving credit facility, CNXC made an initial draw of \$200,000, and after origination fees of \$3,000, the net proceeds were \$197,000.

The total net proceeds related to these transactions that were distributed to CONSOL Energy were \$342,711.

Charges for services from CONSOL Energy include the following:

|  | For the Three |         | For the Six  |         |
|--|---------------|---------|--------------|---------|
|  | Months Ended  |         | Months Ended |         |
|  | June 30,      |         | June 30,     |         |
|  | 2016          | 2015    | 2016         | 2015    |
| Operating and Other Costs                    | \$1,016       | \$1,155 | \$2,029      | \$1,795 |
| Selling, General and Administrative Expenses | 962           | 1,897   | 1,896        | 3,525   |
| Total Services from CONSOL Energy            | \$1,978       | \$3,052 | \$3,925      | \$5,320 |

At June 30, 2016 and December 31, 2015, CNXC had a net payable to CONSOL Energy in the amount of \$981 and \$3,452, respectively. This payable includes reimbursements for business expenses, executive fees, stock-based compensation and other items under the omnibus agreement.

**NOTE 19—STOCK REPURCHASE:**

In December 2014, CONSOL Energy's Board of Directors approved a stock repurchase program under which CONSOL Energy may purchase from time to time up to \$250,000 of its common stock over the next two years. Under the terms of the program, CONSOL Energy may make repurchases in the open market, in privately negotiated transactions, accelerated repurchase programs or in structured share repurchase programs. Any repurchases of common stock will be funded from available cash on hand or short-term borrowings. The program does not obligate CONSOL Energy to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. The program will be conducted in compliance with applicable legal requirements and within the limits imposed by any credit agreement, receivables purchase agreement or indenture and shall be subject to market conditions and other factors. During the three and six months ended June 30, 2016, and during the three months ended June 30, 2015, no shares were repurchased. During the six months ended June 30, 2015, 2,213,100 shares were repurchased and retired at an average price of \$32.37 per share.

**NOTE 20—RECENT ACCOUNTING PRONOUNCEMENTS:**

In June 2016, the FASB issued Update 2016-13 - Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this, the amendments in this Update replace the incurred loss impairment methodology in current Generally Accepted Accounting Principals ("GAAP") with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The measurement of expected credit losses will be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The amendments in this Update will be applied using a modified-retrospective approach and, for public entities, are effective for fiscal years beginning after December 15, 2019 and interim periods within those annual periods. Early adoption is permitted for fiscal years beginning after December 15, 2018 and interim periods within those annual periods. The Company is currently evaluating the impact this guidance may have on CONSOL Energy's financial statements.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The objective of the amendments in this update is to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and should disclose sufficient information, both qualitative and quantitative, to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The following updates to Topic 606 were made during 2016:

- In March 2016, the FASB updated Topic 606 by issuing ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies how an entity determines whether it is a principal or an agent for goods or services promised to a customer as well as the nature of the goods or services promised to their customers.
- In April 2016, the FASB issued Update 2016-10 - Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which seeks to address implementation issues in the areas of identifying

performance obligations and licensing.

•In May 2016, the FASB issued Update 2016-12 - Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients. The update, which was issued in response to feedback received by the FASB-IASB joint revenue recognition transition resource group (TRG), seeks to address implementation issues in the areas of collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition.

After considering the FASB's issuance of a standard that delayed application of Topic 606 by one year, the new standards are effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the method of adoption as it relates to ASU 2014-09 and the impacts that these standards will have on our financial statements.

In March 2016, the FASB issued Update 2016-09 - Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on

the statement of cash flows. Specifically, this Update states that: all excess tax benefits and tax deficiencies should be recognized as income tax expense or benefit in the income statement; excess tax benefits should be classified along with other income tax cash flows as an operating activity; an entity can make an accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur; the threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates in the applicable jurisdictions; and cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity. For public entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact this guidance may have on CONSOL Energy's financial statements. In February 2016, the FASB issued Update 2016-02 - Leases (Topic 842), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Update 2016-02 does retain a distinction between finance leases and operating leases, which is substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. Retaining this distinction allows the recognition, measurement and presentation of expenses and cash flows arising from a lease to not significantly change from previous GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities, but to recognize lease expense on a straight-line basis over the lease term. For both financing and operating leases, the right-to-use asset and lease liability will be initially measured at the present value of the lease payments in the statement of financial position. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact this guidance may have on CONSOL Energy's financial statements.

NOTE 21—SUBSEQUENT EVENTS:

On July 19, 2016, certain subsidiaries of CONSOL Energy entered into two related purchase agreements with Southeastern Land, LLC, related to the sale of the Miller Creek Mining Complex and Fola Mining Complex Central Appalachia mining operations. The Miller Creek Complex, located in West Virginia, has an active surface mining operation, which produced 2.1 million tons in 2015, and two underground mines, which are idle. Fola is a closed surface mining operation in West Virginia, which CONSOL Energy acquired as part of the AMVEST acquisition in 2007. The Miller Creek and Fola Mining Complexes each have approximately 114,000 million tons of owned and leased coal reserves and they have a total of \$102,803 of mine closing and reclamation liabilities on CONSOL Energy's Consolidated Balance Sheets. Closing of the transaction is subject to a number of conditions, but the transaction is expected to close in the third quarter. In the transaction, the buyer will acquire the Miller Creek and Fola assets and will assume the Miller Creek and Fola mine closing and reclamation liabilities; in order to equalize the value exchange, CONSOL Energy will pay the buyer approximately \$27,000 cash at the closing (a portion of which will be held in escrow for purposes of obtaining the surety bonds required for the permits to transfer) and an additional \$17,200 in installments over the next four years. These payments will result in an additional loss of \$44,200 being recorded upon the closing of the transaction.

Also on July 19, 2016, the Board of Directors of CNX Coal Resources GP LLC, the general partner of CNX Coal Resources LP, declared a cash distribution to the Partnership's common unitholders for the second quarter of 2016 of \$0.5125 and the general partner interest for the second quarter of 2016. The cash distribution will be paid on August 15, 2016 to the common unitholders of record at the close of business on August 8, 2016. The general partner elected not to pay a distribution to holders of subordinated units, which are held in their entirety by CONSOL Energy, in respect of the period ended June 30, 2016.



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

CONSOL Energy's E&P production increased by 32% in the just-ended quarter, compared to the year-earlier quarter. Despite increased production, the E&P Division had a loss before income tax of \$294 million in the second quarter of 2016 due primarily to an unrealized loss on commodity derivative instruments, related to changes in the fair market value of existing hedges on a mark-to-market basis, as well as, lower commodity prices in the current period.

For the second quarter of 2016, CONSOL Energy's average sales price for natural gas, natural gas liquids (NGLs), oil, and condensate was \$2.50 per Mcfe. CONSOL Energy's average price for natural gas was \$1.58 per Mcf for the quarter and, including cash settlements from hedging, was \$2.49 per Mcf. The average realized price for all liquids for the second quarter of 2016 was \$15.73 per barrel.

During the second quarter of 2016, CONSOL Energy's E&P Division achieved record production of 99.3 Bcfe, or an increase of 32% from the 75.5 Bcfe produced in the year-earlier quarter. The E&P Division's total unit cash costs declined during the quarter to \$1.23 per Mcfe, compared to \$1.58 per Mcfe during the year-earlier quarter, or an improvement of approximately 22%, driven by reductions to lease operating and gathering, transportation, and compression expenses.

In April, CONSOL Energy began recovering and selling ethane primarily via the Sunoco Logistics' Mariner East project, which ships ethane to the Marcus Hook Industrial Complex for export. These ethane sales are expected to improve NGL netbacks. On an equivalent basis, during the second quarter of 2016 these ethane sales yielded a significantly higher price than the Texas Eastern M2 market where sales would generally have occurred had the volumes been rejected into the natural gas stream. CONSOL Energy expects further revenue enhancement in 2016 and beyond as its recovered ethane volumes grow and as the Mariner East project expands in 2017.

Also during the second quarter of 2016, the Coal Division's total unit costs were \$34.46 per ton, compared to \$44.15 per ton in the year-earlier quarter.

CONSOL Energy's Board of Directors approved the sale of the Fola and Miller Creek Mines in the second quarter. The Company was actively marketing these mines for sale, and believed the transaction would close within twelve months. As such, the expected sale causes the Company to classify these assets as held for sale in discontinued operations on CONSOL Energy's Consolidated Balance Sheets, include the results of operations in discontinued operations on the Consolidated Statements of Income and cash flows from discontinued operations in the Consolidated Statements of Cash Flow.

CONSOL Energy 2016 - 2017 Guidance

E&P DIVISION GUIDANCE

CONSOL Energy plans to add back two horizontal rigs to resume drilling starting in August 2016. The Company expects to drill eight dry Utica Shale wells, located in Monroe County, Ohio, where CONSOL Energy maintains a 100% working interest, and two Marcellus Shale wells, located in Washington County, Pennsylvania, which fall within the joint venture where CONSOL Energy maintains a 50% working interest. Despite the planned increase in drilling activity and due to continued capital efficiency improvements, the Company expects its E&P Division capital budget for 2016 to be between \$190 million and \$205 million which is lower than the previous quarter's guidance.

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CONSOL Energy increased its annual 2016 E&P Division production to 380-385 Bcfe, compared to previous quarter's guidance of approximately 378 Bcfe.

Total hedged natural gas production in the 2016 third quarter is 75.6 Bcf. The annual gas hedge position is shown in the table below:

|                                     | 2016    | 2017  |
|-------------------------------------|---------|-------|
| Total Yearly Production (Bcfe)      | 380-385 | TBD*  |
| Volumes Hedged (Bcf), as of 7/13/16 | 268.5** | 224.2 |

\* 2017 production will be a function of the second half of 2016 capital program, continued debottlenecking initiatives, and the company's drilled but uncompleted (DUC) well inventory.

\*\* Includes actual settlements of 128.1 Bcf.



CONSOL Energy's hedged gas volumes include a combination of NYMEX financial hedges and index financial hedges (NYMEX plus basis). In addition, to protect the NYMEX hedge volumes from basis exposure, CONSOL enters into basis-only financial hedges and physical sales with fixed basis at certain sales points. CONSOL Energy's gas hedge position is shown in the table below:

## GAS HEDGES

|  | Q3<br>2016 | 2016     | 2017   |
|--|------------|----------|--------|
| Total NYMEX + Basis* (Bcf)                             | 72.1       | 263.6    | 187.1  |
| Average Hedge Price (\$/Mcf)                           | \$2.79     | \$3.04   | \$2.61 |
| NYMEX Only Hedges Exposed to Basis (Bcf)               | -          | -        | 37.1   |
| Average Hedge Price (\$/Mcf)                           | -          | -        | \$3.01 |
| Physical Sales With Fixed Basis Exposed to NYMEX (Bcf) | 3.5        | 4.9      | -      |
| Average Hedge Basis Value (\$/Mcf)                     | \$(0.29)   | \$(0.09) | -      |

\* Includes physical sales with fixed basis in Q3 2016, 2016, and 2017 of 18.3 Bcf, 77.0 Bcf, and 28.3 Bcf, respectively.

During the second quarter of 2016, CONSOL Energy added additional NYMEX natural gas hedges of 17.6 Bcf for 2016 and 14.0 Bcf for 2017. In addition, to help mitigate basis exposure on NYMEX hedges, in the second quarter, CONSOL added 18.8 Bcf and 70.6 Bcf of basis hedges for 2016 and 2017, respectively. CONSOL also has hedges in place for a portion of its 2018, 2019, and 2020 production.

CONSOL Energy's 2016 NYMEX plus basis natural gas hedge position has increased to 263.6 Bcf at an average hedge price of \$3.04 per Mcf. NYMEX plus basis hedge volumes are not exposed to basis differentials but instead have protected revenue. As a result, in 2016, NYMEX plus basis gas hedges should lock in revenue of approximately \$800 million.

During the second quarter of 2016, CONSOL Energy continued to add NGL (propane) hedges, along with direct sales contracts to counterparties. Excluding actual 2016 settlements of 2.3 million gallons, CONSOL currently has 10.4 million gallons of propane directly hedged through March of 2017 at an average price of \$0.48 per gallon.

## COAL DIVISION GUIDANCE

CONSOL Energy expects annual 2016 Pennsylvania Operations sales to be approximately 24.0-25.5 million tons.

CONSOL Energy expects 2016 total Coal Division capital expenditures to be between \$105-\$125 million, which includes Pennsylvania Operations capital expenditures of \$90-\$100 million. On a normalized basis, the Coal Division expects maintenance of production capital of \$5-\$6 per ton.

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Results of Operations - Three Months Ended June 30, 2016 Compared with Three Months Ended June 30, 2015

Net Loss Attributable to CONSOL Energy Shareholders

CONSOL Energy reported a net loss attributable to CONSOL Energy shareholders of \$470 million, or a dilutive loss per share of \$2.05, for the three months ended June 30, 2016, compared to a net loss attributable to CONSOL Energy shareholders of \$603 million, or a dilutive loss per of \$2.64, for the three months ended June 30, 2015. The breakdown of the net loss is as follows:

| (Dollars in thousands)                                   | For the Three Months Ended June 30, |             |            |
|--|-------------------------------------|-------------|------------|
|  | 2016                                | 2015        | Variance   |
| Loss from Continuing Operations                          | \$(233,010)                         | \$(577,223) | \$344,213  |
| Loss from Discontinued Operations                        | (235,639 )                          | (26,078 )   | (209,561 ) |
| Net Loss   | \$(468,649)                         | \$(603,301) | \$134,652  |
| Less: Net Income Attributable to Noncontrolling Interest | 1,179                               | —           | 1,179      |
| Net Loss Attributable to CONSOL Energy Shareholders      | \$(469,828)                         | \$(603,301) | \$133,473  |

CONSOL Energy consists of two principal business divisions: Exploration and Production (E&P) and Coal. The total E&P division includes four segments: Marcellus, Utica, Coalbed Methane (CBM), and Other Gas. The Coal division includes two segments: Pennsylvania (PA) Operations and Other Coal.

The total E&P division contributed a loss before income tax of \$294 million for the three months ended June 30, 2016 compared to a loss before income tax of \$891 million for the three months ended June 30, 2015.

The following table presents a breakout of net liquid and natural gas sales information to assist in the understanding of the Company's natural gas production and sales portfolio:

| in thousands (unless noted) | For the Three Months Ended June 30, |           |            |                |
|-----------------------------|-------------------------------------|-----------|------------|----------------|
|                             | 2016                                | 2015      | Variance   | Percent Change |
| <b>LIQUIDS</b>              |                                     |           |            |                |
| <b>NGLs:</b>                |                                     |           |            |                |
| Sales Volume (MMcfe)        | 8,958                               | 7,235     | 1,723      | 23.8 %         |
| Sales Volume (Mbbbls)       | 1,493                               | 1,206     | 287        | 23.8 %         |
| Gross Price (\$/Bbl)        | \$12.84                             | \$12.48   | \$0.36     | 2.9 %          |
| Gross Revenue               | \$19,207                            | \$15,021  | \$4,186    | 27.9 %         |
| <b>Oil:</b>                 |                                     |           |            |                |
| Sales Volume (MMcfe)        | 114                                 | 162       | (48 )      | (29.6)%        |
| Sales Volume (Mbbbls)       | 19                                  | 27        | (8 )       | (29.6)%        |
| Gross Price (\$/Bbl)        | \$33.72                             | \$46.14   | \$(12.42 ) | (26.9)%        |
| Gross Revenue               | \$643                               | \$1,243   | \$(600 )   | (48.3)%        |
| <b>Condensate:</b>          |                                     |           |            |                |
| Sales Volume (MMcfe)        | 1,478                               | 1,668     | (190 )     | (11.4)%        |
| Sales Volume (Mbbbls)       | 246                                 | 278       | (32 )      | (11.5)%        |
| Gross Price (\$/Bbl)        | \$31.68                             | \$31.26   | \$0.42     | 1.3 %          |
| Gross Revenue               | \$7,803                             | \$8,690   | \$(887 )   | (10.2)%        |
| <b>GAS</b>                  |                                     |           |            |                |
| Sales Volume (MMcf)         | 88,718                              | 66,426    | 22,292     | 33.6 %         |
| Sales Price (\$/Mcf)        | \$1.58                              | \$2.03    | \$(0.45 )  | (22.2)%        |
| Gross Revenue               | \$140,280                           | \$135,048 | \$5,232    | 3.9 %          |

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|  |          |          |          |        |
|--|----------|----------|----------|--------|
| Hedging Impact (\$/Mcf)                                    | \$0.91   | \$0.64   | \$0.27   | 42.2 % |
| Gain on Commodity Derivative Instruments - Cash Settlement | \$80,334 | \$42,257 | \$38,077 | 90.1 % |

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Total gas production was 99.3 Bcfe for the three months ended June 30, 2016, compared to 75.5 Bcfe for the three months ended June 30, 2015.

The average sales price, including the effects of derivative instruments, and average costs for all active E&P operations were as follows:

|                                | For the Three Months Ended June 30, |          |          |                |
|--------------------------------|-------------------------------------|----------|----------|----------------|
|                                | 2016                                | 2015     | Variance | Percent Change |
| Average Sales Price (per Mcfe) | \$2.50                              | \$2.68   | \$(0.18) | (6.7)%         |
| Average Costs (per Mcfe)       | 2.27                                | 2.76     | 0.49     | 17.8%          |
| Margin                         | \$0.23                              | \$(0.08) | \$0.31   | 387.5%         |

Total E&P division Natural Gas, NGLs, and Oil sales were \$168 million for the three months ended June 30, 2016, compared to \$160 million for the three months ended June 30, 2015. The increase was primarily due to the 31.5% increase in total volumes sold, offset in part, by the 6.7% decrease in average sales price per Mcfe. The decrease in average sales price was the result of the overall decrease in general market prices. The decrease in general market prices was offset, in part, by various gas swap transactions that occurred throughout both periods.

Changes in the average costs per Mcfe were primarily related to the following items:

The improvement in unit costs is primarily due to the continuing shift towards lower cost Marcellus and Utica Shale production and the 31.5% increase in total volumes sold in the period-to-period comparison. Marcellus production made up 53.5% of natural gas and liquid sales volumes for the three months ended June 30, 2016, compared to 52.9% for the three months ended June 30, 2015. Utica production made up 23.5% of natural gas and liquid sales volumes in the three months ended June 30, 2016, compared to 14.1% in the three months ended June 30, 2015.

Gathering expenses decreased on a per unit basis in the period-to-period comparison due to the overall increase in natural gas sales volumes. The decrease in unit costs was partially offset by an increase in total dollars related to an increase in utilized firm transportation costs, increased processing fees associated with NGLs, and an increase in CONE gathering expense directly related to the increase in Marcellus production. See Note 18 - Related Party Transactions of the Notes to the Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q for additional information.

Depreciation, depletion and amortization decreased on a per unit basis primarily due to the adjustment to our shallow oil and gas rates following impairment in the carrying value that was recognized in the second quarter of 2015, as well as the increase in natural gas sales volumes from our lower cost Marcellus and Utica production. The decrease was offset, in part, by an overall increase in rates due to the reduction in the 2015 year-end reserves.

Lifting costs also decreased on a per unit basis in the period-to-period comparison due to a decrease in well tending costs, employee related costs and due to the overall increase in natural gas sales volumes. The decrease in unit costs was partially offset by an increase in salt water disposal costs.

The total Coal division had earnings before income taxes from continuing operations of \$23 million for the three months ended June 30, 2016, compared to earnings before income tax from continuing operations of \$71 million for the three months ended June 30, 2015. The total coal division sold 6.2 million tons of coal produced from CONSOL Energy mines for the three months ended June 30, 2016, compared to 5.7 million tons for the three months ended June 30, 2015.

The average sales price and average cost of goods sold per ton for continuing coal operations were as follows:

|                                  | For the Three Months Ended June 30, |         |           |                |
|----------------------------------|-------------------------------------|---------|-----------|----------------|
|                                  | 2016                                | 2015    | Variance  | Percent Change |
| Average Sales Price per ton sold | \$40.61                             | \$56.21 | \$(15.60) | (27.8)%        |

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|                                    |        |         |          |        |   |
|------------------------------------|--------|---------|----------|--------|---|
| Average Cost of Goods Sold per ton | 34.46  | 44.15   | 9.69     | 21.9   | % |
| Margin                             | \$6.15 | \$12.06 | \$(5.91) | (49.0) | % |

The lower average coal sales price per ton sold in the 2016 period was primarily the result of the overall decline in both the domestic and global thermal coal markets. The coal division priced 2.2 million tons on the export market for the three months ended June 30, 2016, compared to 1.0 million tons for the three months ended June 30, 2015. All other tons were sold on the domestic market.

Changes in the average cost of goods sold per ton were driven by the reduction of staffing levels and a realignment of employee benefits. All of the above steps resulted in more consistent operating schedules, reduced labor costs and improved productivity.

The Other division includes other business activities not assigned to the E&P or Coal divisions and income taxes. The Other division had net income of \$39 million for the three months ended June 30, 2016, compared to net income of \$243 million for the three months ended June 30, 2015.

Selling, general and administrative (SG&A) costs are allocated between divisions (E&P, Coal and Other) based primarily on a percentage of total revenue and a percentage of total projected capital expenditures. Upon execution of the CNX Coal Resources LP (CNXC) initial public offering (IPO), CNXC entered into a service agreement with CONSOL Energy to provide certain selling, general and administrative services. These services are paid for monthly based on an agreed upon fixed fee that is reset annually, at a minimum. See Note 18 - Related Party Transactions of the Notes to the Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q for additional information.

SG&A costs are excluded from the E&P and Coal unit costs above. SG&A costs were \$22 million for the three months ended June 30, 2016, compared to \$27 million for the three months ended June 30, 2015. SG&A costs decreased due to the following items:

| (in millions)   | For the Three Months Ended |       |          |                |
|---|----------------------------|-------|----------|----------------|
|   | June 30,                   |       | Variance | Percent Change |
|   | 2016                       | 2015  |          |                |
| Employee Wages and Related Expenses                       | \$ 11                      | \$ 15 | \$ (4 )  | (26.7)%        |
| Consulting and Professional Services                      | 4                          | 4     | —        | — %            |
| Rent  | 2                          | 2     | —        | — %            |
| Advertising and Promotion                                 | 2                          | 2     | —        | — %            |
| Miscellaneous   | 3                          | 4     | (1 )     | (25.0)%        |
| Total Company Selling, General and Administrative Expense | \$ 22                      | \$ 27 | \$ (5 )  | (18.5)%        |

Employee Wages and Related Expenses decreased \$4 million primarily due to the Company reorganization that occurred during the second half of 2015 and the first quarter of 2016.

Miscellaneous items decreased \$1 million in the period-to-period comparison due to various transactions that occurred throughout both periods, none of which were individually material.

Total Company long-term liabilities, such as OPEB, the salary retirement plan, workers' compensation, Coal Workers' Pneumoconiosis (CWP), and long-term disability are actuarially calculated for the Company as a whole. In general, the expenses are then allocated to operational units based upon criteria specific to each liability. Total CONSOL Energy continuing operations expense related to actuarial liabilities was \$25 million for the three months ended June 30, 2016, compared to income of \$19 million for the three months ended June 30, 2015. The increase of \$44 million is primarily due to modifications made to the OPEB and Pension plans in May 2015. See Note 16 - Pension and Other Postretirement Benefits Plans and Note 17 - Coal Workers' Pneumoconiosis (CWP) and Workers' Compensation in the Notes to the Audited Financial Statements in our December 31, 2015 Form 10-K and Note 5 - Components of Pension and OPEB Plans Net Periodic Benefit Costs in the Notes to the Unaudited Consolidated Financial Statements of this Form 10-Q for additional details.

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TOTAL E&P DIVISION ANALYSIS for the three months ended June 30, 2016 compared to the three months ended June 30, 2015:

The E&P division had a loss before income tax of \$294 million for the three months ended June 30, 2016 compared to a loss before income tax of \$891 million for the three months ended June 30, 2015. Variances by individual E&P segment are discussed below.

| (in millions)                                   | For the Three Months Ended |       |     |           |           | Difference to Three Months Ended |       |       |           |           |
|---|----------------------------|-------|-----|-----------|-----------|----------------------------------|-------|-------|-----------|-----------|
|   | June 30, 2016              |       |     |           |           | June 30, 2015                    |       |       |           |           |
|   | Marcellus                  | Utica | CBM | Other Gas | Total E&P | Marcellus                        | Utica | CBM   | Other Gas | Total E&P |
| Natural Gas, NGLs and Oil Sales                 | 84                         | 41    | 34  | 9         | 168       | 2                                | 23    | (13)  | (4)       | 8         |
| Gain (Loss) on Commodity Derivative Instruments | 49                         | 10    | 16  | (274)     | (199)     | 31                               | 10    | (3)   | (254)     | (216)     |
| Purchased Gas Sales                             | —                          | —     | —   | 8         | 8         | —                                | —     | —     | 6         | 6         |
| Miscellaneous Other Income                      | —                          | —     | —   | 13        | 13        | —                                | —     | —     | —         | —         |
| Gain on Sale of Assets                          | —                          | —     | —   | 2         | 2         | —                                | —     | —     | —         | —         |
| Total Revenue and Other Income                  | 133                        | 51    | 50  | (242)     | (8)       | 33                               | 33    | (16)  | (252)     | (202)     |
| Lease Operating Expense                         | 10                         | 5     | 4   | 5         | 24        | (1)                              | 1     | (4)   | (2)       | (6)       |
| Production, Ad Valorem, and Other Fees          | 3                          | 1     | 1   | 1         | 6         | (1)                              | 1     | (1)   | —         | (1)       |
| Transportation, Gathering and Compression       | 54                         | 13    | 18  | 6         | 91        | 6                                | 4     | (2)   | —         | 8         |
| Depreciation, Depletion and Amortization        | 53                         | 22    | 22  | 8         | 105       | 14                               | 10    | —     | (9)       | 15        |
| Selling, General, and Administrative Costs      | —                          | —     | —   | 16        | 16        | —                                | —     | —     | (5)       | (5)       |
| Purchased Gas Costs                             | —                          | —     | —   | 9         | 9         | —                                | —     | —     | 8         | 8         |
| Exploration and Production Related Other Costs  | —                          | —     | —   | 3         | 3         | —                                | —     | —     | 1         | 1         |
| Other Corporate Expenses                        | —                          | —     | —   | 31        | 31        | —                                | —     | —     | (819)     | (819)     |
| Total Exploration and Production Costs          | 120                        | 41    | 45  | 79        | 285       | 18                               | 16    | (7)   | (826)     | (799)     |
| Interest Expense                                | —                          | —     | —   | 1         | 1         | —                                | —     | —     | —         | —         |
| Total E&P Division Costs                        | 120                        | 41    | 45  | 80        | 286       | 18                               | 16    | (7)   | (826)     | (799)     |
| Earnings (Loss) Before Income Tax               | \$13                       | \$10  | \$5 | \$(322)   | \$(294)   | \$15                             | \$17  | \$(9) | \$574     | \$597     |

## MARCELLUS GAS SEGMENT

The Marcellus segment had earnings before income tax of \$13 million for the three months ended June 30, 2016 compared to a loss before income tax of \$2 million for the three months ended June 30, 2015.

|  | For the Three Months Ended June 30, |          |           |                |
|--|-------------------------------------|----------|-----------|----------------|
|  | 2016                                | 2015     | Variance  | Percent Change |
| Marcellus Gas Sales Volumes (Bcf)  | 47.3                                | 34.5     | 12.8      | 37.1 %         |
| NGLs Sales Volumes (Bcfe)*   | 5.2                                 | 4.6      | 0.6       | 13.0 %         |
| Condensate Sales Volumes (Bcfe)*   | 0.6                                 | 0.8      | (0.2 )    | (25.0)%        |
| Total Marcellus Sales Volumes (Bcfe)*  | 53.1                                | 39.9     | 13.2      | 33.1 %         |
| Average Sales Price - Gas (Mcf)  | \$1.50                              | \$1.88   | \$(0.38 ) | (20.2)%        |
| Gain on Commodity Derivative Instruments - Cash Settlement- Gas (Mcf)        | \$1.03                              | \$0.53   | \$0.50    | 94.3 %         |
| Average Sales Price - NGLs (Mcf)*  | \$1.84                              | \$2.65   | \$(0.81 ) | (30.6)%        |
| Average Sales Price - Condensate (Mcf)*                                      | \$5.03                              | \$5.37   | \$(0.34 ) | (6.3)%         |
| Total Average Marcellus Sales Price (per Mcfe)                               | \$2.50                              | \$2.49   | \$0.01    | 0.4 %          |
| Average Marcellus Lease Operating Expenses (per Mcfe)                        | 0.19                                | 0.28     | (0.09 )   | (32.1)%        |
| Average Marcellus Production, Ad Valorem, and Other Fees (per Mcfe)          | 0.05                                | 0.10     | (0.05 )   | (50.0)%        |
| Average Marcellus Transportation, Gathering and Compression costs (per Mcfe) | 1.03                                | 1.20     | (0.17 )   | (14.2)%        |
| Average Marcellus Depreciation, Depletion and Amortization costs (per Mcfe)  | 0.98                                | 0.95     | 0.03      | 3.2 %          |
| Total Average Marcellus Costs (per Mcfe)                                     | \$2.25                              | \$2.53   | \$(0.28 ) | (11.1)%        |
| Average Margin for Marcellus (per Mcfe)                                      | \$0.25                              | \$(0.04) | \$0.29    | 725.0 %        |

\* NGLs and Condensate are converted to Mcfe at the rate of one barrel equals six Mcf based upon the approximate relative energy content of oil and natural gas, which is not indicative of the relationship of oil, NGLs, condensate, and natural gas prices.

The Marcellus segment had natural gas, NGLs and oil sales of \$84 million for the three months ended June 30, 2016 compared to \$82 million for the three months ended June 30, 2015. The \$2 million increase was primarily due to the 33.1% increase in total Marcellus sales volumes and due to additional wells coming on-line in the current period, partially offset by a 20.2% decrease in average gas sales price.

The increase in Marcellus total average sales price was primarily the result of a \$0.50 per Mcf increase resulting from various transactions from our hedging program. The hedging gains were offset partially by the \$0.38 per Mcf decrease in gas market prices, along with a \$0.08 per Mcfe decrease in the uplift from natural gas liquids and condensate sales volumes when excluding the impact of hedging. Financial hedges represented approximately 41.8 Bcf of our produced Marcellus sales volumes for the three months ended June 30, 2016 at an average gain of \$1.17 per Mcf. For the three months ended June 30, 2015, these financial hedges represented approximately 14.1 Bcf at an average gain of \$1.26 per Mcf.

Total costs for the Marcellus segment were \$120 million for the three months ended June 30, 2016 compared to \$102 million for the three months ended June 30, 2015. The increase in total dollars and decrease in unit costs for the Marcellus segment are due to the following items:

- Marcellus lease operating expenses were \$10 million for the three months ended June 30, 2016 compared to \$11 million for the three months ended June 30, 2015. The decrease in total dollars was primarily due to lower employee related costs and repairs and maintenance in the current period. The decrease in employee related costs was primarily the result of the company reorganization that occurred in the second half of 2015 and the first quarter of 2016. The decrease in unit costs was primarily due to the 33.1% increase in total Marcellus sales volumes, along with the



decreased total dollars described above. The decreases were offset, in part, by an increase in salt water disposal costs.

- Marcellus production, ad valorem, and other fees were \$3 million for the three months ended June 30, 2016 compared to \$4 million for the three months ended June 30, 2015. The decrease in total dollars was primarily due to the decrease in average gas sales price, offset, in part, by the increase in total Marcellus sales volumes.

•Marcellus transportation, gathering and compression costs were \$54 million for the three months ended June 30, 2016 compared to \$48 million for the three months ended June 30, 2015. The increase in total dollars primarily relates to an increase in CONE gathering fees due to the 37.1% increase in Marcellus gas sales volumes (See Note 18 - Related Party Transactions of the Notes to the Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q for additional information), an increase in processing fees associated with NGLs primarily due to the 13.0% increase in NGLs sales volumes, and an increase in utilized firm transportation expense. The decrease in unit costs was due to the increase in Marcellus sales volumes, offset, in part, by the increase in total dollars.

•Depreciation, depletion and amortization costs were \$53 million for the three months ended June 30, 2016 compared to \$39 million for the three months ended June 30, 2015. These amounts included depreciation on a per unit basis of \$0.96 per Mcf and \$0.92 per Mcf, respectively. The increase in unit costs in the period-to-period comparison was primarily due to the decrease in the year-end 2015 reserves. The remaining depreciation, depletion and amortization costs were either recorded on a straight-line basis or related to gas well closing.

#### UTICA GAS SEGMENT

The Utica segment had earnings before income tax of \$10 million for the three months ended June 30, 2016 compared to a loss before income tax of \$7 million for the three months ended June 30, 2015.

|  | For the Three Months Ended June 30, |          |          |                |
|--|-------------------------------------|----------|----------|----------------|
|  | 2016                                | 2015     | Variance | Percent Change |
| Utica Gas Sales Volumes (Bcf)  | 18.7                                | 7.2      | 11.5     | 159.7 %        |
| NGLs Sales Volumes (Bcfe)*   | 3.7                                 | 2.7      | 1.0      | 37.0 %         |
| Condensate Sales Volumes (Bcfe)*   | 0.9                                 | 0.8      | 0.1      | 12.5 %         |
| Total Utica Sales Volumes (Bcfe)*  | 23.3                                | 10.7     | 12.6     | 117.8 %        |
| Average Sales Price - Gas (Mcf)  | \$1.43                              | \$1.45   | \$(0.02) | (1.4)%         |
| Gain on Commodity Derivative Instruments - Cash Settlement- Gas (Mcf)    | \$0.54                              | \$—      | \$0.54   | 100.0 %        |
| Average Sales Price - NGLs (Mcf)*  | \$2.57                              | \$1.10   | \$1.47   | 133.6 %        |
| Average Sales Price - Condensate (Mcf)*                                  | \$5.47                              | \$5.05   | \$0.42   | 8.3 %          |
| Total Average Utica Sales Price (per Mcfe)                               | \$2.19                              | \$1.66   | \$0.53   | 31.9 %         |
| Average Utica Lease Operating Expenses (per Mcfe)                        | 0.22                                | 0.37     | (0.15)   | (40.5)%        |
| Average Utica Production, Ad Valorem, and Other Fees (per Mcfe)          | 0.06                                | —        | 0.06     | 100.0 %        |
| Average Utica Transportation, Gathering and Compression Costs (per Mcfe) | 0.55                                | 0.85     | (0.30)   | (35.3)%        |
| Average Utica Depreciation, Depletion and Amortization Costs (per Mcfe)  | 0.93                                | 1.07     | (0.14)   | (13.1)%        |
| Total Average Utica Costs (per Mcfe)                                     | \$1.76                              | \$2.29   | \$(0.53) | (23.1)%        |
| Average Margin for Utica (per Mcfe)                                      | \$0.43                              | \$(0.63) | \$1.06   | 168.3 %        |

\*NGLs and Condensate are converted to Mcfe at the rate of one barrel equals six Mcf based upon the approximate relative energy content of oil and natural gas, which is not indicative of the relationship of oil, NGLs, condensate, and natural gas prices.

The Utica segment had natural gas, NGLs and oil sales of \$41 million for the three months ended June 30, 2016 compared to \$18 million for the three months ended June 30, 2015. The \$23 million increase was primarily due to the 117.8% increase in total Utica volumes sold. The 12.6 Bcfe increase in total Utica sales volumes was due to additional

wells coming on-line, primarily in dry Utica areas, in the current period.

The increase in Utica total average sales price was primarily due to the \$0.54 per Mcf increase in gain on commodity derivative instruments in the current period, offset, in part by the \$0.02 per Mcf decrease in average gas sales price. Financial hedges represented approximately 8.7 Bcf of our produced Utica sales volumes for the three months ended June 30, 2016 at an average gain of \$1.16 per Mcf. None of our produced Utica sales volumes were hedged for the three months ended June 30, 2015.

Total costs for the Utica segment were \$41 million for the three months ended June 30, 2016 compared to \$25 million for the three months ended June 30, 2015. The increase in total dollars and decrease in unit costs for the Utica segment are due to the following items:

- Utica lease operating expenses were \$5 million for the three months ended June 30, 2016 compared to \$4 million for the three months ended June 30, 2015. The increase in total dollars was primarily due to the increase in production which resulted in increased repair and maintenance costs, as well as increased saltwater disposal costs. The decrease in unit costs was primarily due to the 117.8% increase in total Utica sales volumes.
- Utica production, ad valorem, and other fees were \$1 million for the three months ended June 30, 2016 and were immaterial for the three months ended June 30, 2015. The increase in total dollars was primarily due to the 117.8% increase in total Utica sales volumes. The increase in unit costs was also due to a credit received from a joint venture partner in the 2015 period, related to an over-billing in ad valorem taxes.
- Utica transportation, gathering and compression costs were \$13 million for the three months ended June 30, 2016 compared to \$9 million for the three months ended June 30, 2015. The \$4 million increase in total dollars was primarily related to an increase in processing fees associated with NGLs, as well as, increased gathering and processing fees associated with the overall increase in Utica sales volumes. The decrease in unit costs was due to the increase in Utica sales volumes, predominantly dry Utica, which was offset, in part, by the increase in total dollars.
- Depreciation, depletion and amortization costs attributable to the Utica segment were \$22 million for the three months ended June 30, 2016 compared to \$12 million for the three months ended June 30, 2015. These amounts included depreciation on a per unit basis of \$0.93 per Mcf and \$1.06 per Mcf, respectively. The decrease in unit costs in the period-to-period comparison was primarily due an increase in Utica reserves. The remaining depreciation, depletion and amortization costs were either recorded on a straight-line basis or related to gas well closing.

#### COALBED METHANE (CBM) GAS SEGMENT

The CBM segment had earnings before income tax of \$5 million for the three months ended June 30, 2016 compared to earnings before income tax of \$14 million for the three months ended June 30, 2015.

|   | For the Three Months Ended<br>June 30, |        |           |                   |
|---|--|--------|-----------|-------------------|
|   | 2016                                   | 2015   | Variance  | Percent<br>Change |
| CBM Gas Sales Volumes (Bcf)   | 17.1                                   | 18.8   | (1.7 )    | (9.0 )%           |
| Average Sales Price - Gas (Mcf)                                       | \$1.97                                 | \$2.50 | \$(0.53 ) | (21.2)%           |
| Gain on Commodity Derivative Instruments - Cash Settlement- Gas (Mcf) | \$0.97                                 | \$1.00 | \$(0.03 ) | (3.0 )%           |
| Total Average CBM Sales Price (per Mcf)                               | \$2.93                                 | \$3.49 | \$(0.56 ) | (16.0)%           |
| Average CBM Lease Operating Expenses (per Mcf)                        | 0.26                                   | 0.45   | (0.19 )   | (42.2)%           |
| Average CBM Production, Ad Valorem, and Other Fees (per Mcf)          | 0.07                                   | 0.10   | (0.03 )   | (30.0)%           |
| Average CBM Transportation, Gathering and Compression Costs (per Mcf) | 1.04                                   | 1.08   | (0.04 )   | (3.7 )%           |
| Average CBM Depreciation, Depletion and Amortization Costs (per Mcf)  | 1.25                                   | 1.12   | 0.13      | 11.6 %            |
| Total Average CBM Costs (per Mcf)                                     | \$2.62                                 | \$2.75 | \$(0.13 ) | (4.7 )%           |
| Average Margin for CBM (per Mcf)                                      | \$0.31                                 | \$0.74 | \$(0.43 ) | (58.1)%           |

The CBM segment had natural gas, NGLs and oil sales of \$34 million in the three months ended June 30, 2016 compared to \$47 million for the three months ended June 30, 2015. The \$13 million decrease was primarily due to a 21.2% decrease in the average gas sales price per Mcf, as well as a 9.0% decrease in total CBM volumes sold. The

decrease in CBM volumes sold was primarily due to normal well declines and a decrease in CBM drilling activity.

The CBM total average sales price decreased \$0.56 per Mcf due to a \$0.53 per Mcf decrease in gas market prices, as well as a \$0.03 per Mcf decrease due to various transactions from our hedging program. Financial hedges represented approximately 14.2 Bcf of our produced CBM sales volumes for the three months ended June 30, 2016 at an average gain of \$1.16 per Mcf. For

the three months ended June 30, 2015, these financial hedges represented approximately 13.7 Bcf at an average gain of \$1.37 per Mcf.

Total costs for the CBM segment were \$45 million for the three months ended June 30, 2016 compared to \$52 million for the three months ended June 30, 2015. The decrease in total dollars and decrease in unit costs for the CBM segment were due to the following items:

- CBM lease operating expenses were \$4 million for the three months ended June 30, 2016 compared to \$8 million for the three months ended June 30, 2015. The decrease in total dollars was primarily related to a decrease in contractual services related to well tending, a decrease in water disposal costs and a decrease in repairs and maintenance expense. The decrease in unit costs was primarily due to the decrease in total dollars, partially offset by the decrease in CBM sales volumes.
- CBM production, ad valorem, and other fees were \$1 million for the three months ended June 30, 2016 compared to \$2 million for the three months ended June 30, 2015. The decrease in total dollars was primarily caused by the decrease in average sales price, as well as the decrease in total sales volumes. Unit costs were positively impacted by the decrease in average sales price which was offset, in part, by the decrease in CBM sales volumes.
- CBM transportation, gathering and compression costs were \$18 million for the three months ended June 30, 2016 compared to \$20 million for the three months ended June 30, 2015. The decrease of \$2 million was primarily related to a decrease in repairs and maintenance, a decrease in power, and a decrease in utilized firm transportation expense resulting from the decrease in CBM sales volumes. Unit costs were also positively impacted by the decrease in total dollars which was offset, in part, by the decrease in CBM sales volumes.
- Depreciation, depletion and amortization attributable to the CBM segment were \$22 million for the three months ended June 30, 2016 and June 30, 2015. These amounts included depreciation on a per unit basis of \$0.82 per Mcf and \$0.73 per Mcf, respectively. The increase in unit costs in the period-to-period comparison was primarily due to the decrease in the year-end 2015 reserves. The remaining depreciation, depletion and amortization costs were either recorded on a straight-line basis or related to gas well closing.

#### OTHER GAS SEGMENT

The Other Gas segment had a loss before income tax of \$322 million for the three months ended June 30, 2016 compared to a loss before income tax of \$896 million for the three months ended June 30, 2015.

|   | For the Three Months Ended June 30, |        |            |                |
|---|-------------------------------------|--------|------------|----------------|
|   | 2016                                | 2015   | Variance   | Percent Change |
| Other Gas Sales Volumes (Bcf)   | 5.7                                 | 6.0    | (0.3 )     | (5.0 )%        |
| Oil Sales Volumes (Bcfe)*   | 0.1                                 | 0.1    | —          | — %            |
| Total Other Sales Volumes (Bcfe)*                                     | 5.8                                 | 6.1    | (0.3 )     | (4.9 )%        |
| Average Sales Price - Gas (Mcf)                                       | \$1.58                              | \$2.18 | \$ (0.60 ) | (27.5)%        |
| Gain on Commodity Derivative Instruments - Cash Settlement- Gas (Mcf) | \$0.87                              | \$0.88 | \$ (0.01 ) | (1.1 )%        |
| Average Sales Price - Oil (Mcfe)*                                     | \$5.68                              | \$7.89 | \$ (2.21 ) | (28.0)%        |
| Total Average Other Sales Price (per Mcfe)                            | \$2.52                              | \$3.17 | \$ (0.65 ) | (20.5)%        |
| Average Other Lease Operating Expenses (per Mcfe)                     | 0.68                                | 0.98   | (0.30 )    | (30.6)%        |

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|  |          |          |           |         |
|--|----------|----------|-----------|---------|
| Average Other Production, Ad Valorem, and Other Fees (per Mcfe)          | 0.13     | 0.15     | (0.02 )   | (13.3)% |
| Average Other Transportation, Gathering and Compression Costs (per Mcfe) | 1.05     | 1.00     | 0.05      | 5.0 %   |
| Average Other Depreciation, Depletion and Amortization Costs (per Mcfe)  | 1.64     | 3.02     | (1.38 )   | (45.7)% |
| Total Average Other Costs (per Mcfe)                                     | \$3.50   | \$5.15   | \$(1.65 ) | (32.0)% |
| Average Margin for Other (per Mcfe)                                      | \$(0.98) | \$(1.98) | \$1.00    | 50.5 %  |

\*Oil is converted to Mcfe at the rate of one barrel equals six Mcf based upon the approximate relative energy content of oil and natural gas, which is not indicative of the relationship of oil and natural gas prices.

The Other Gas segment includes activity not assigned to the Marcellus, Utica, or CBM segments. This segment also includes purchased gas activity, unrealized gain or loss on commodity derivative instruments, exploration and production related other costs, other corporate expenses and miscellaneous operational activity not assigned to a specific E&P segment.

Other Gas sales volumes are primarily related to shallow oil and gas production, as well as the Chattanooga shale in Tennessee. Natural gas, NGLs and oil sales related to the Other Gas segment were approximately \$9 million for the three months ended June 30, 2016 compared to \$13 million for the three months ended June 30, 2015. The decrease in natural gas, NGLs and oil sales primarily related to the \$0.65 per Mcfe decrease in total average sales price. Total costs related to these other sales were \$20 million for the three months ended June 30, 2016 compared to \$31 million for the three months ended June 30, 2015. The decrease was primarily due to a decrease in depreciation, depletion and amortization related to the adjustment to our shallow oil and gas rates after the impairment in the carrying value that was recognized in the second quarter of 2015.

There was an unrealized loss on commodity derivative instruments of \$280 million offset, in part, by cash settlements of \$6 million related to the Other Gas segment for the three months ended June 30, 2016 compared to an unrealized loss of \$25 million offset, in part, by cash settlements of \$5 million related to the Other Gas segment for the three months ended June 30, 2015. The unrealized loss represents changes in the fair value of all of the Company's existing commodity hedges on a mark-to-market basis. The unrealized loss on commodity derivative instruments is a result of the December 31, 2014 de-designation of all derivative positions as cash flow hedges. Changes in fair value were recorded in Accumulated Other Comprehensive Income prior to de-designation.

Purchased gas sales volumes represent volumes of gas sold at market prices that were purchased from third parties in order to fulfill contracts with certain customers. Purchased gas sales revenues were \$8 million for the three months ended June 30, 2016 compared to \$2 million for the three months ended June 30, 2015. The period-to-period increase in purchased gas sales revenue was primarily due to the increase in purchased gas sales volumes, offset, in part, by the decrease in average sales price.

|   | For the Three Months Ended |        |           |                |
|---|----------------------------|--------|-----------|----------------|
|   | June 30,                   |        |           |                |
|   | 2016                       | 2015   | Variance  | Percent Change |
| Purchased Gas Sales Volumes (in billion cubic feet) | 5.3                        | 0.7    | 4.6       | 657.1 %        |
| Average Sales Price Per thousand cubic feet         | \$1.50                     | \$2.16 | \$(0.66 ) | (30.6 )%       |

Miscellaneous other income was \$13 million for the three months ended June 30, 2016 and June 30, 2015. Each component of Miscellaneous other income is shown in the following table:

| (in millions)                           | For the Three Months Ended |      |          |                |
|---|----------------------------|------|----------|----------------|
|   | June 30,                   |      |          |                |
|   | 2016                       | 2015 | Variance | Percent Change |
| Gathering Revenue                       | \$3                        | \$1  | \$2      | 200.0 %        |
| Equity in Earnings of Affiliates - CONE | 9                          | 10   | (1 )     | (10.0 )%       |
| Right of Way Sales                      | —                          | 1    | (1 )     | (100.0)%       |
| Other                                   | 1                          | 1    | —        | — %            |
| Total Miscellaneous Other Income        | \$13                       | \$13 | \$ —     | — %            |

Gathering revenue primarily relates to the release (sale) of unutilized firm transportation capacity when possible and when beneficial in order to minimize unutilized firm transportation expense. Gathering revenue increased by \$2 million in the period-to-period comparison, due to various transactions that occurred throughout both periods, none of which were individually material.



Equity in Earnings of Affiliates - CONE decreased \$1 million due to a decrease in earnings from CONE Midstream Partners, LP. and CONE Gathering, LLC. See Note 18 - Related Party Transactions of the Notes to the Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q for additional information.

- Right of Way Sales totaled \$1 million in the three months ended June 30, 2015. No material sales occurred in the current period.

Selling, general and administrative costs are allocated to the total E&P segment based on percentage of total revenue and percentage of total projected capital expenditures. Costs were \$16 million for the three months ended June 30, 2016 compared to \$21 million for the three months ended June 30, 2015. Refer to the discussion of total company selling, general and administrative costs contained in the section "Net Loss attributable to CONSOL Energy Shareholders" of this quarterly report for a detailed cost explanation.

Purchased gas volumes represent volumes of gas purchased from third parties that CONSOL Energy sells. The higher average cost per thousand cubic feet is due to overall price changes and contractual differences among customers in the period-to-period comparison. Purchased gas costs were \$9 million for the three months ended June 30, 2016 and \$1 million for the three months ended June 30, 2015.

|   | For the Three Months Ended<br>June 30, |         |          |                   |
|---|--|---------|----------|-------------------|
|   | 2016                                   | 2015    | Variance | Percent<br>Change |
| Purchased Gas Volumes (in billion cubic feet) | 5.3                                    | 0.7     | 4.6      | 657.1 %           |
| Average Cost Per thousand cubic feet sold     | \$ 1.68                                | \$ 1.51 | \$ 0.17  | 11.3 %            |

Exploration and other costs were \$3 million for the three months ended June 30, 2016 compared to \$2 million for the three months ended June 30, 2015. The \$1 million increase is due to the following items:

| (in millions)                     | For the Three Months Ended<br>June 30, |      |          |                   |
|-----------------------------------|--|------|----------|-------------------|
|                                   | 2016                                   | 2015 | Variance | Percent<br>Change |
| Land Rentals                      | \$ 2                                   | \$ 1 | \$ 1     | 100.0 %           |
| Lease Expiration Costs            | —                                      | 1    | (1)      | (100.0)%          |
| Other                             | 1                                      | —    | 1        | 100.0 %           |
| Total Exploration and Other Costs | \$ 3                                   | \$ 2 | \$ 1     | 50.0 %            |

Total exploration and other costs increased \$1 million due to various transactions that occurred throughout both periods, none of which were individually material.

Other corporate expenses were \$31 million for the three months ended June 30, 2016 compared to \$850 million for the three months ended June 30, 2015. The \$819 million decrease in the period-to-period comparison was made up of the following items:

| (in millions)                                       | For the Three Months Ended<br>June 30, |        |          |                   |
|---|--|--------|----------|-------------------|
|   | 2016                                   | 2015   | Variance | Percent<br>Change |
| Impairment of Exploration and Production Properties | \$ —                                   | \$ 829 | \$ (829) | (100.0)%          |
| Short-Term Incentive Compensation                   | 2                                      | 4      | (2)      | (50.0) %          |
| Unutilized Firm Transportation and Processing Fees  | 8                                      | 7      | 1        | 14.3 %            |
| Stock-Based Compensation                            | 7                                      | 4      | 3        | 75.0 %            |
| Idle Rig Fees                                       | 10                                     | 3      | 7        | 233.3 %           |
| Other   | 4                                      | 3      | 1        | 33.3 %            |
| Total Other Corporate Expenses                      | \$ 31                                  | \$ 850 | \$ (819) | (96.4) %          |

Impairment of Exploration and Production properties primarily related to the write down of the Company's shallow oil and gas asset values in June 2015. See Note 10 - Property, Plant, And Equipment, in the Notes to the Unaudited Consolidated Financial Statements included in this Form 10-Q for more information. No such impairment was recorded in the current period.

Short-term incentive compensation expense decreased \$2 million in the period-to-period comparison due to decreased payouts in the current period.

Unutilized firm transportation costs represent pipeline transportation capacity that the E&P division has obtained to enable gas production to flow uninterrupted as sales volumes increase, as well as additional processing capacity for natural gas liquids. Unutilized firm transportation increased \$1 million in the period-to-period comparison due to an increase in overall capacity. The Company attempts to minimize this expense by releasing (selling) unutilized firm transportation capacity to other parties when possible and when beneficial. During the three months ended June 30,

2016 and 2015 the Company recognized approximately \$2 million and \$1 million, respectively, of revenue in connection with such releases. This revenue is included in Miscellaneous other income (Gathering Revenue) of the Other Gas Segment.

Stock-based compensation increased \$3 million in the period-to-period comparison primarily due to additional non-cash amortization expense and accelerated non-cash amortization recorded in the current period for employees who received awards under the Performance Share Unit (PSU) program.

Idle rig fees are fees related to the temporary idling of some of the Company's natural gas rigs. The total idle rig expense incurred by the Company has increased by \$7 million for the current quarter as compared to the prior year quarter.

Other corporate related expenses increased \$1 million due to various transactions that occurred throughout both periods, none of which were individually material.

Interest expense related to the E&P division remained consistent at \$1 million for the three months ended June 30, 2016 and June 30, 2015. Interest expense was incurred by the Other gas segment on interest allocated to the E&P segment under CONSOL Energy's credit facility.

TOTAL COAL DIVISION ANALYSIS for the three months ended June 30, 2016 compared to the three months ended June 30, 2015:

The coal division had earnings before income taxes of \$23 million for the three months ended June 30, 2016, compared to earnings before income taxes of