

CONSOL Energy Inc
Form 10-Q
July 29, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended 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

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)

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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GLOSSARY OF CERTAIN OIL AND GAS MEASUREMENT TERMS	

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.

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) (Unaudited)	Three Months Ended		Six Months Ended	
	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) (Unaudited)	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 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) (Unaudited)	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 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, 2016	December 31, 2015
ASSETS		
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
TOTAL ASSETS	\$9,784,757	\$10,929,902

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

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CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
(Dollars in thousands, except per share data)	June 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
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
TOTAL LIABILITIES	5,513,327	6,074,126
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
TOTAL EQUITY	4,271,430	4,855,776
TOTAL LIABILITIES AND EQUITY	\$9,784,757	\$10,929,902

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, except per share data)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total CONSOL Energy Inc. Stockholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2015 (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) Income	—	—	(567,405)	(15,456)	(582,861)	2,293	(580,568)
Issuance of Common Stock	4	—	—	—	4	—	4
Treasury Stock Activity	—	—	(1,621)	—	(1,621)	—	(1,621)
Tax Cost From Stock-Based Compensation	—	(5,096)	—	—	(5,096)	—	(5,096)
Amortization of Stock-Based Compensation Awards	—	15,439	—	—	15,439	615	16,054
Distributions to Noncontrolling Interest	—	—	—	—	—	(10,825)	(10,825)
Dividends (\$0.01 per 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 Months Ended June 30, 2016		For the Six Months Ended June 30, 2015	
Anti-Dilutive Options	6,348,667	6,348,667	6,348,667	6,348,667
Anti-Dilutive Restricted Stock Units	742,868	742,868	742,868	742,868
Anti-Dilutive Performance Share Units	951,541	951,541	951,541	951,541
Anti-Dilutive Performance Stock Options	802,804	802,804	802,804	802,804
	8,845,878	8,845,878	8,845,878	8,845,878

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

	For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2016	
Options	—	287,592	—	363,620
Restricted Stock Units	83,710	7,149	568,390	6,507
Performance Share Units	—	—	—	497,134
	83,710	7,149	568,390	7,261

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 June 30, 2016		For the Six Months Ended June 30, 2016	
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 Shareholders	\$ (469,828)	\$ (603,301)	\$ (567,405)	\$ (524,271)
Weighted Average Shares of Common Stock Outstanding:				
Basic	229,409,325	228,928,803	229,334,277	229,329,382
Effect of Stock-Based Compensation Awards Dilutive	—	—	—	—
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 Cash Flow Hedges	Postretirement 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 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		For the Six Months	
	Ended June 30, 2016	2015	Ended June 30, 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 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 Ended		Months Ended		Months		Months	
	June 30,		June 30,		Ended June		Ended June	
	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	12,123	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	8,522	9,582	17,448
Settlement Loss	13,696	—	13,696	—	—	—	—	—