CONSOL Energy Inc
Form 10-Q
August 01, 2017

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended June 30, 2017
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-14901

CONSOL Energy Inc.
(Exact name of registrant as specified in its charter)

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

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 x No o
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 x No o
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,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting Company o
Emerging Growth Company o If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
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 17, 2017
Common stock, $0.01 par value	230,069,268

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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 - those hydrocarbons in natural gas that are separated from the gas as liquids through the process.
Net - “Net” natural gas or “net” acres are determined by adding the fractional ownership working interests the Company has in gross wells or acres.
Proved reserves - Quantities of oil, natural gas, and NGLs which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.
Proved developed reserves - Proved reserves which can be expected to be recovered through existing wells with existing equipment and operating methods.
Proved undeveloped reserves (PUDs) - Proved reserves that can be estimated with reasonable certainty to be recovered from new wells on undrilled proved acreage or from existing wells where a relatively major expenditure is required for completion.
Reservoir - A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.
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)	Three Months Ended		Six Months Ended	
(Unaudited)	June 30,		June 30,	
Revenues and Other Income:	2017	2016	2017	2016
Natural Gas, NGLs and Oil Sales	$260,305	$167,931	$578,068	$349,188
Gain (Loss) on Commodity Derivative Instruments	83,788	(199,380)	61,325	(144,320)
Coal Sales	303,707	250,562	620,155	476,726
Other Outside Sales	15,974	8,207	29,027	15,973
Purchased Gas Sales	10,316	7,929	19,294	16,547
Freight-Outside Coal	17,763	11,447	30,045	24,557
Miscellaneous Other Income	33,937	33,636	74,633	81,766
Gain (Loss) on Sale of Assets	140,162	5,614	152,113	(1,662)
Total Revenue and Other Income	865,952	285,946	1,564,660	818,775
Costs and Expenses:				
Exploration and Production Costs				
Lease Operating Expense	21,072	23,655	42,705	51,394
Transportation, Gathering and Compression	86,599	90,983	180,931	184,957
Production, Ad Valorem, and Other Fees	4,606	6,402	13,935	14,705
Depreciation, Depletion and Amortization	91,287	105,151	186,635	210,866
Exploration and Production Related Other Costs	19,715	2,905	29,501	4,652
Purchased Gas Costs	10,194	8,884	19,089	16,752
Other Corporate Expenses	23,398	21,422	41,328	44,220
Impairment of Exploration and Production Properties	—	—	137,865	—
Selling, General, and Administrative Costs	20,672	25,411	42,162	47,869
Total Exploration and Production Costs	277,543	284,813	694,151	575,415
PA Mining Operations Costs				
Operating and Other Costs	201,091	184,459	400,905	338,560
Depreciation, Depletion and Amortization	41,402	41,698	83,703	82,964
Freight Expense	17,763	11,447	30,045	24,557
Selling, General, and Administrative Costs	17,104	6,779	31,972	12,554
Total PA Mining Operations Costs	277,360	244,383	546,625	458,635
Other Costs				
Miscellaneous Operating Expense	38,731	51,776	81,493	86,923
Selling, General, and Administrative Costs	3,654	4,075	6,286	6,128
Depreciation, Depletion and Amortization (See Note 1)	(15,620)	(11,629)	(4,499)	(3,622)
Loss (Gain) on Debt Extinguishment	36	—	(786)	—
Interest Expense	43,432	47,428	87,865	97,292
Total Other Costs	70,233	91,650	170,359	186,721
Total Costs And Expenses	625,136	620,846	1,411,135	1,220,771
Earnings (Loss) From Continuing Operations Before Income Tax	240,816	(334,900)	153,525	(401,996)
Income Tax Expense (Benefit)	66,993	(100,856)	13,204	(124,656)
Income (Loss) From Continuing Operations	173,823	(234,044)	140,321	(277,340)
Loss From Discontinued Operations, net	—	(234,605)	—	(287,772)
Net Income (Loss)	173,823	(468,649)	140,321	(565,112)

Less: Net Income Attributable to Noncontrolling Interest	4,313	1,179	9,777	2,293
Net Income (Loss) Attributable to CONSOL Energy Shareholders	$169,510	$(469,828)	$130,544	$(567,405)

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

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

(Dollars in thousands, except per share data) (Unaudited)	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Earnings (Loss) Per Share				
Basic				
Income (Loss) from Continuing Operations	$0.74	$(1.03)	$0.57	$(1.22)
Loss from Discontinued Operations	—	(1.02)	—	(1.25)
Total Basic Earnings (Loss) Per Share	$0.74	$(2.05)	$0.57	$(2.47)
Dilutive				
Income (Loss) from Continuing Operations	$0.73	$(1.03)	$0.56	$(1.22)
Loss from Discontinued Operations	—	(1.02)	—	(1.25)
Total Dilutive Earnings (Loss) Per Share	$0.73	$(2.05)	$0.56	$(2.47)
Dividends Declared Per Share	$—	$—	$—	$0.01

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands) (Unaudited)	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Net Income (Loss)	$173,823	$(468,649)	$140,321	$(565,112)
Other Comprehensive Income (Loss):				
Actuarially Determined Long-Term Liability Adjustments (Net of tax: ($2,034), ($5,008), ($4,086), ($4,326))	3,464	8,045	6,966	5,561
Reclassification of Cash Flow Hedges from OCI to Earnings (Net of tax: $6,521, $12,145)	—	(11,203)	—	(21,017)
Other Comprehensive Income (Loss)	3,464	(3,158)	6,966	(15,456)
Comprehensive Income (Loss)	177,287	(471,807)	147,287	(580,568)
Less: Comprehensive Income Attributable to Noncontrolling Interest	4,302	1,179	9,754	2,293
Comprehensive Income (Loss) Attributable to CONSOL Energy Inc. Shareholders	$172,985	$(472,986)	$137,533	$(582,861)

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)	(Unaudited) June 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$299,135	$60,475
Accounts and Notes Receivable:		
Trade	215,650	220,222
Other Receivables	77,609	69,901
Inventories	74,965	65,461
Recoverable Income Taxes	115,558	116,851
Prepaid Expenses	64,177	93,146
Current Assets of Discontinued Operations	—	83
Total Current Assets	847,094	626,139
Property, Plant and Equipment:		
Property, Plant and Equipment	13,619,819	13,771,388
Less—Accumulated Depreciation, Depletion and Amortization	5,825,601	5,630,949
Total Property, Plant and Equipment—Net	7,794,218	8,140,439
Other Assets:		
Deferred Income Taxes	—	4,290
Investment in Affiliates	188,649	190,964
Other	195,231	222,149
Total Other Assets	383,880	417,403
TOTAL ASSETS	$9,025,192	$9,183,981

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

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	(Unaudited) June 30, 2017	December 31, 2016
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	$265,125	$241,616
Current Portion of Long-Term Debt	11,385	12,000
Other Accrued Liabilities	543,511	680,348
Current Liabilities of Discontinued Operations	5,692	6,050
Total Current Liabilities	825,713	940,014
Long-Term Debt:		
Long-Term Debt	2,596,055	2,722,995
Capital Lease Obligations	34,053	39,074
Total Long-Term Debt	2,630,108	2,762,069
Deferred Credits and Other Liabilities:		
Deferred Income Taxes	17,084	—
Postretirement Benefits Other Than Pensions	652,206	659,474
Pneumoconiosis Benefits	107,321	108,073
Mine Closing	200,132	218,631
Gas Well Closing	224,327	223,352
Workers' Compensation	66,009	67,277
Salary Retirement	104,463	112,543
Other	110,282	151,660
Total Deferred Credits and Other Liabilities	1,481,824	1,541,010
TOTAL LIABILITIES	4,937,645	5,243,093
Stockholders' Equity:		
Common Stock, $.01 Par Value; 500,000,000 Shares Authorized, 230,067,466 Issued and Outstanding at June 30, 2017; 229,443,008 Issued and Outstanding at December 31, 2016	2,304	2,298
Capital in Excess of Par Value	2,476,552	2,460,864
Preferred Stock, 15,000,000 shares authorized, None issued and outstanding	—	—
Retained Earnings	1,852,048	1,727,789
Accumulated Other Comprehensive Loss	(385,567)	(392,556)
Total CONSOL Energy Inc. Stockholders' Equity	3,945,337	3,798,395
Noncontrolling Interest	142,210	142,493
TOTAL EQUITY	4,087,547	3,940,888
TOTAL LIABILITIES AND EQUITY	$9,025,192	$9,183,981

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

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

(Dollars in thousands)	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, 2016	$ 2,298	$2,460,864	$1,727,789	$ (392,556)	$3,798,395	$142,493	$3,940,888
(Unaudited)							
Net Income	—	—	130,544	—	130,544	9,777	140,321
Other Comprehensive Income (Loss) (Net of ($4,086) Tax)	—	—	—	6,989	6,989	(23)	6,966
Comprehensive Income	—	—	130,544	6,989	137,533	9,754	147,287
Issuance of Common Stock	6	717	—	—	723	—	723
Treasury Stock Activity	—	—	(6,285)	—	(6,285)	(808)	(7,093)
Amortization of Stock-Based Compensation Awards	—	14,971	—	—	14,971	1,706	16,677
Distributions to Noncontrolling Interest	—	—	—	—	—	(10,935)	(10,935)
Balance at June 30, 2017	$ 2,304	$2,476,552	$1,852,048	$ (385,567)	$3,945,337	$142,210	$4,087,547

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

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Six Months Ended	
(Unaudited)	June 30,	
Cash Flows from Operating Activities:	2017	2016
Net Income (Loss)	$140,321	$(565,112)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Operating Activities:		
Net Loss from Discontinued Operations	—	287,772
Depreciation, Depletion and Amortization	265,839	290,208
Impairment of Exploration and Production Properties	137,865	—
Stock-Based Compensation	16,677	16,054
(Gain) Loss on Sale of Assets	(152,113)	1,662
Gain on Debt Extinguishment	(786)	—
(Gain) Loss on Commodity Derivative Instruments	(61,325)	144,320
Net Cash (Paid) Received in Settlement of Commodity Derivative Instruments	(79,388)	164,666
Deferred Income Taxes	17,288	(124,516)
Equity in Earnings of Affiliates	(22,385)	(25,884)
Return on Equity Investment	—	9,192
Changes in Operating Assets:		
Accounts and Notes Receivable	(4,103)	18,101
Inventories	(9,798)	(7,947)
Prepaid Expenses	11,515	47,136
Changes in Other Assets	25,652	(15,298)
Changes in Operating Liabilities:		
Accounts Payable	2,524	(44,124)
Accrued Interest	(1,444)	(807)
Other Operating Liabilities	(8,029)	(14,069)
Changes in Other Liabilities	(21,331)	15,343
Other	37,192	9,648
Net Cash Provided by Continuing Operating Activities	294,171	206,345
Net Cash (Used in) Provided by Discontinued Operating Activities	(275)	19,053
Net Cash Provided by Operating Activities	293,896	225,398
Cash Flows from Investing Activities:		
Capital Expenditures	(273,326)	(115,257)
Proceeds from Sales of Assets	345,151	18,284
Net Distributions from (Investments in) Equity Affiliates	24,700	(5,578)
Net Cash Provided by (Used in) Continuing Investing Activities	96,525	(102,551)
Net Cash Provided by Discontinued Investing Activities	—	394,511
Net Cash Provided by Investing Activities	96,525	291,960
Cash Flows from Financing Activities:		
Payments on Short-Term Borrowings	—	(486,000)
Payments on Miscellaneous Borrowings	(5,973)	(4,459)
Payments on Long-Term Notes	(117,185)	—
Net (Payments on) Proceeds from Revolver - CNX Coal Resources LP	(11,000)	13,000
Distributions to Noncontrolling Interest	(10,935)	(10,825)
Dividends Paid	—	(2,294)
Issuance of Common Stock	723	4
Treasury Stock Activity	(7,093)	(1,657)
Debt Repurchase and Financing Fees	(298)	—

Net Cash Used in Continuing Financing Activities	(151,761)	(492,231)
Net Cash Used in Discontinued Financing Activities	—	(75)
Net Cash Used in Financing Activities	(151,761)	(492,306)
Net Increase in Cash and Cash Equivalents	238,660	25,052
Cash and Cash Equivalents at Beginning of Period	60,475	72,574
Cash and Cash Equivalents at End of Period	$299,135	$97,626

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, 2017 are not necessarily indicative of the results that may be expected for future periods.

The Consolidated Balance Sheet at December 31, 2016 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, 2016 included in CONSOL Energy Inc.'s Annual Report on Form 10-K.

Certain amounts in prior periods, primarily relating to discontinued operations, have been reclassified to conform with the report classifications of the year ended December 31, 2016, with no effect on previously reported net income or stockholders' equity.

In March 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update on stock compensation that intends to simplify and improve the accounting and statement of cash flow presentation for income taxes at settlement, forfeitures, and net settlements for withholding tax. The guidance is effective for public entities for fiscal years beginning after December 15, 2016. In accordance with this Update, $(44) and $4,565 of additional income tax (benefit) expense was recognized in the Consolidated Statements of Income for the three and six months ended June 30, 2017, respectively. Also in accordance with this Update, the value of shares withheld for employee tax withholding purposes of $7,093 and $1,657 for the six months ended June 30, 2017 and 2016, respectively, were reclassified between Net Cash Provided by Operating Activities and Net Cash Used in Financing Activities of the Consolidated Statements of Cash Flows. As permitted by this Update, the Company has elected to account for forfeitures of stock compensation as they occur. The cumulative effect of the policy election to recognize forfeitures as they occur was immaterial.

Basic earnings per share are computed by dividing net income attributable to CONSOL Energy Inc. ("CONSOL Energy" or the "Company") 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.

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:

	For the Three Months Ended June 30,	For the Six Months Ended June 30,

	2017	2016	2017	2016
Anti-Dilutive Options	2,360,193	6,748,665	2,360,193	6,748,665
Anti-Dilutive Restricted Stock Units	194,077	742,868	190,657	742,868
Anti-Dilutive Performance Share Units	1,284,924	951,541	1,284,924	951,541
Anti-Dilutive Performance Stock Options	802,804	402,804	802,804	402,804
	4,641,998	8,845,878	4,638,578	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,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Options	28,838	—	90,462	—
Restricted Stock Units	221	83,710	334,231	568,590
Performance Share Units	—	—	560,936	—
	29,059	83,710	985,629	568,590

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator:				
Income (Loss) from Continuing Operations	$ 173,823	$ (234,044)	$ 140,321	$ (277,340)
Less: Net Income Attributable to Non-Controlling Interest	4,313	1,179	9,777	2,293
Net Income (Loss) from Continuing Operations Attributable to CONSOL Energy Shareholders	$ 169,510	$ (235,223)	$ 130,544	$ (279,633)
Loss from Discontinued Operations	—	(234,605)	—	(287,772)
Net Income (Loss) Attributable to CONSOL Energy Shareholders	$ 169,510	$ (469,828)	$ 130,544	$ (567,405)
Denominator:				
Weighted-average shares of common stock outstanding	230,058,422	229,409,325	229,938,462	229,334,277
Effect of dilutive shares	2,139,974	—	2,286,571	—
Weighted-average diluted shares of common stock outstanding	232,198,396	229,409,325	232,225,033	229,334,277
Earnings (Loss) per Share:				
Basic (Continuing Operations)	$ 0.74	$ (1.03)	$ 0.57	$ (1.22)
Basic (Discontinued Operations)	—	(1.02)	—	(1.25)
Total Basic	$ 0.74	$ (2.05)	$ 0.57	$ (2.47)
Dilutive (Continuing Operations)	$ 0.73	$ (1.03)	$ 0.56	$ (1.22)
Dilutive (Discontinued Operations)	—	(1.02)	—	(1.25)
Total Dilutive	$ 0.73	$ (2.05)	$ 0.56	$ (2.47)

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

	Long-Term Liabilities
Balance at December 31, 2016	$ (392,556)
Amounts Reclassified from Accumulated Other Comprehensive Loss	6,966
Add: Other Comprehensive Loss Attributable to Non-Controlling Interest	23
Balance at June 30, 2017	$ (385,567)

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Derivative Instruments (Note 13)				
Natural Gas Price Swaps and Options	$ —	$ (17,724)	$—	$(33,162)
Tax Expense	—	6,521	—	12,145
Net of Tax	$ —	$ (11,203)	$—	$(21,017)
Actuarially Determined Long-Term Liability Adjustments* (Note 5 and Note 6)				
Amortization of Prior Service Costs	$ (749)	$ (148)	$(1,498)	$(295)
Recognized Net Actuarial Loss	6,247	5,706	12,550	11,217
Settlement Loss	—	13,696	—	13,696
Total	5,498	19,254	11,052	24,618
Tax Benefit	(2,034)	(7,178)	(4,086)	(9,196)
Net of Tax	$ 3,464	$ 12,076	$6,966	$15,422

*Excludes amounts related to the remeasurement of the Actuarially Determined Long-Term Liabilities for the six months ended June 30, 2016.

Depreciation, Depletion, and Amortization in the Total Other Costs section of the Consolidated Statements of Income includes reductions of $22,479 and $20,639 for the three months ended June 30, 2017 and 2016, respectively, related to changes in the Company's Mine Closing liability at several closed mine locations. For the six months ended June 30, 2017 and 2016, the reductions related to the Mine Closing liability were $19,220 and $21,210, respectively.

NOTE 2—DISCONTINUED OPERATIONS:

In August 2016, CONSOL Energy completed the sale of the Miller Creek and Fola Mining Complexes. In the transaction, the buyer acquired the Miller Creek and Fola assets and assumed the Miller Creek and Fola mine closing and reclamation liabilities. In order to equalize the value exchange, CONSOL Energy paid $28,271 of cash at closing, which included property taxes associated with the properties sold and other closing costs (a portion of which will be held in escrow for purposes of obtaining the surety bonds required for the permits to transfer). CONSOL Energy will also pay a total of $13,700 in remaining installments over the next three years ending in January 2020.

In March 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. Total royalty income recognized under this agreement was $1,162 and $6,424 for the three and six months ended June 30, 2017, respectively, and was included in Miscellaneous Other Income on the Consolidated Statements of Income. 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 Flows for the six months ended June 30, 2016. 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 the six months ended June 30, 2016.

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

The following table details selected financial information for the divested business included within discontinued operations:

	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
Coal Sales	$19,411	$95,930
Freight-Outside Coal	5	1,017
Miscellaneous Other Income	2	33
Gain (Loss) on Sale of Assets	100	(38,253)
Total Revenue and Other Income	$19,518	$58,727
Total Costs	25,010	113,076
Loss From Operations Before Income Taxes	$(5,492)	$(54,349)
Impairment on Assets Held for Sale	355,681	355,681
Income Tax Benefit	(126,568)	(122,258)
Loss From Discontinued Operations, net	$(234,605)	$(287,772)

The following table details the major classes of assets and liabilities of discontinued operations:

	June 30, 2017	December 31, 2016
Assets:		
Accounts Receivable - Trade	$—	$ 83
Total Current Assets	$—	$ 83
Total Assets of Discontinued Operations	$—	$ 83
Liabilities:		
Accounts Payable	$—	$ 36
Other Current Liabilities	5,692	6,014
Total Current Liabilities	$ 5,692	$ 6,050
Total Liabilities of Discontinued Operations	$ 5,692	$ 6,050

NOTE 3—ACQUISITIONS AND DISPOSITIONS:

In June 2017, CONSOL Energy closed on the sale of approximately 11,100 net undeveloped acres of the Marcellus and Utica Shale in Allegheny, Washington, and Westmoreland counties, Pennsylvania. CONSOL Energy received total cash proceeds of $83,500 which is included in cash flows from investing activities. The net gain on the sale of these assets was $58,541 and was included in the Gain on Sale of Assets in the Consolidated Statements of Income.

In June 2017, the Company finalized the sale of 12 producing wells, 15 drilled but uncompleted wells (DUCs), and approximately 11,000 net developed and undeveloped Marcellus and Utica acres in Doddridge and Wetzel Counties in West Virginia that were previously classified as Held for Sale. CONSOL Energy received total cash proceeds of $129,651 which is included in cash flows from investing activities, as well as undeveloped acreage. The net loss on the sale was $4,897 and was included in the Gain on Sale of Assets in the Consolidated Statements of Income.

In May 2017, CONSOL Energy finalized the sale of approximately 6,300 net undeveloped acres of the Utica-Point Pleasant Shale in Jefferson, Belmont and Guernsey counties, Ohio that were previously classified as Held for Sale. CONSOL Energy received total cash proceeds of $76,696 which is included in cash flows from investing activities. The net gain on the sale of these assets was $72,457 and was included in the Gain on Sale of Assets in the

Consolidated Statements of Income.

In April 2017, CONSOL Energy finalized the sale of its Knox Energy LLC and Coalfield Pipeline Company subsidiaries that were previously classified as Held for Sale. At closing, CONSOL Energy received net cash proceeds of $18,944 which is included in cash flows from investing activities. Due to various post closing adjustments, the net gain on the sale of these assets was $606 and was included in the Gain on Sale of Assets in the Consolidated Statements on Income.

NOTE 4—MISCELLANEOUS OTHER INCOME:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Equity in Earnings of Affiliates - CONE	$9,996	$8,205	$21,934	$22,556
Interest Income	6,533	547	8,076	761
Royalty Income - Non-Operated Coal	3,498	2,423	12,283	4,653
Rental Income	2,833	9,079	11,675	18,275
Purchased Coal Sales	2,558	604	6,099	604
Gathering Revenue	2,548	2,648	5,701	5,396
Right of Way Issuance	771	2,070	1,772	17,803
Equity in Earnings of Affiliates - Other	59	1,014	451	3,328
Coal Contract Buyout	—	6,288	—	6,288
Other	5,141	758	6,642	2,102
Miscellaneous Other Income	$33,937	$33,636	$74,633	$81,766

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

Components of Net Periodic Benefit (Credit) Cost are as follows:

	Pension Benefits				Other Post-Employment Benefits			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016
Service Cost	$846	$482	$1,691	$963	$—	$—	$—	$—
Interest Cost	6,428	6,841	12,856	13,683	5,986	6,060	11,972	12,121
Expected Return on Plan Assets	(10,596)	(11,869)	(21,191)	(23,738)	—	—	—	—
Amortization of Prior Service Credits	(148)	(148)	(295)	(295)	(601)	—	(1,203)	—
Recognized Net Actuarial Loss	2,351	2,116	4,701	4,232	5,778	4,792	11,556	9,584
Settlement Loss	—	13,696	—	13,696	—	—	—	—
Net Periodic Benefit (Credit) Cost	$(1,119)	$11,118	$(2,238)	$8,541	$11,163	$10,852	$22,325	$21,705

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

Components of Net Periodic Benefit Cost are as follows:

	CWP				Workers' Compensation			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016
Service Cost	$1,129	$1,041	$2,259	$2,244	$1,463	$1,904	$2,926	$3,809
Interest Cost	1,013	1,053	2,025	2,176	592	638	1,184	1,275
Amortization of Actuarial Gain	(1,908)	(1,188)	(3,816)	(2,571)	(153)	(101)	(305)	(202)
Administrative Fees	151	—	303	—	138	—	275	—
State Administrative Fees and Insurance Bond Premiums	—	—	—	—	590	968	1,388	1,699
Curtailment Gain	—	—	—	(1,307)	—	—	—	—

Net Periodic Benefit Cost	$385	$906	$771	$542	$2,630	$3,409	$5,468	$6,581

Income attributable to discontinued operations included in the CWP net periodic cost above was $1,290 for the six months ended June 30, 2016 and was included in Loss from Discontinued Operations, net on the Consolidated Statements of Income.

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 to the buyer. This transfer triggered a curtailment gain of $1,307 which was included in Loss from Discontinued Operations, net on the Consolidated Statements of Income. The curtailment resulted in a plan remeasurement which increased the plan liabilities by $7,713 at March 31, 2016.

NOTE 7—INCOME TAXES:

The effective tax rate for the three and six months ended June 30, 2017 was 28.3% and 9.2%, respectively. The effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to the income tax benefit for excess percentage depletion.

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 differs 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 in 2016, partially offset by a larger anticipated book loss and the income tax benefit for excess percentage depletion.

The total amount of uncertain tax positions at June 30, 2017 and December 31, 2016 was $8,437 and $9,103, respectively. If these uncertain tax positions were recognized, there would be no effect on CONSOL Energy's effective tax rate at June 30, 2017 and December 31, 2016.

CONSOL Energy recognizes accrued interest related to uncertain tax positions in interest expense. As of June 30, 2017 and December 31, 2016, the Company reported an accrued interest liability relating to uncertain tax positions of $461 and $305, respectively, in Other Liabilities on the Consolidated Balance Sheets. The accrued interest liability includes $156 of accrued interest expense that is reflected in the Company's Consolidated Statements of Income for the six months ended June 30, 2017.

CONSOL Energy recognizes penalties accrued related to uncertain tax positions in its income tax expense. As of June 30, 2017 and December 31, 2016, 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 tax 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 Joint Committee on Taxation to conclude its review of the audit of tax years 2010 through 2014 in the third quarter of 2017.

NOTE 8—INVENTORIES:

Inventory components consist of the following:

	June 30, 2017	December 31, 2016
Coal	$17,170	$ 7,800
Supplies	57,795	57,661
Total Inventories	$74,965	$ 65,461

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 the Company's E&P and coal operations.

NOTE 9—PROPERTY, PLANT AND EQUIPMENT:

	June 30, 2017	December 31, 2016
E&P Property, Plant and Equipment		
Intangible drilling cost	$3,552,047	$3,583,565
Proved gas properties	1,967,327	2,016,916
Unproved gas properties	1,031,106	1,116,282
Gas gathering equipment	1,133,382	1,138,299
Gas wells and related equipment	790,635	791,996
Other gas assets	189,783	190,406
Gas advance royalties	13,353	13,762
Total E&P Property, Plant and Equipment	$8,677,633	$8,851,226
Less: Accumulated Depreciation, Depletion and Amortization	3,216,357	3,106,296
Total E&P Property, Plant and Equipment - Net	$5,461,276	$5,744,930
PA Mining Operations Property, Plant and Equipment		
Coal and other plant and equipment	$2,330,678	$2,307,668
Coal properties and surface lands	458,788	458,398
Airshafts	374,956	371,752
Mine development	326,152	326,152
Coal advance mining royalties	16,240	16,224
Leased coal lands	26,556	26,566
Total PA Mining Operations and Other Property, Plant and Equipment	$3,533,370	$3,506,760
Less: Accumulated Depreciation, Depletion and Amortization	1,850,348	1,768,712
Total PA Mining Operations and Other Property, Plant and Equipment - Net	$1,683,022	$1,738,048
Other Property, Plant and Equipment		
Coal and other plant and equipment	528,397	532,919
Coal properties and surface lands	480,307	481,126
Airshafts	10,003	10,003
Mine development	17,988	17,988
Coal advance mining royalties	311,285	310,530
Leased coal lands	60,836	60,836
Total Other Property, Plant and Equipment	$1,408,816	$1,413,402
Less: Accumulated Depreciation, Depletion and Amortization	758,896	755,941
Total Other Property, Plant and Equipment - Net	$649,920	$657,461
Total Company Property, Plant and Equipment - Continuing Operations	$13,619,819	$13,771,388
Less - Total Company Accumulated Depreciation, Depletion and Amortization	5,825,601	5,630,949
Total Property, Plant and Equipment of Continuing Operations - Net	$7,794,218	$8,140,439

Impairment of Long-Lived Assets

In February 2017, the Company approved a plan to sell subsidiaries Knox Energy LLC and Coalfield Pipeline Company (collectively, “Knox”). Knox met all of the criteria to be classified as held for sale in February 2017. The potential disposal of Knox did not represent a strategic shift that will have a major effect on the Company’s operations and financial results and is, therefore, not classified as discontinued operations in accordance with ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360). As part of the required evaluation under the held for sale guidance, the asset’s book value is to be evaluated and adjusted to the lower of its carrying amount or fair value less cost to sell. The Company determined that the approximate fair value less costs to sell Knox was less than the carrying value of the net assets which resulted in an impairment of $137,865 in the six months ended June 30, 2017, included in Impairment of Exploration and Production Properties within the Other Gas segment of the Consolidated Statements of Income. The sale of Knox closed in the second quarter of 2017 (See Note 3 - Acquisitions and Dispositions for more information).

Industry Participation Agreements

CONSOL Energy had 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 was 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 December 31, 2016, Hess' entire carry obligation has been met.

CNX Gas Company was party to a joint development agreement with Noble Energy, Inc. (Noble) with respect to approximately 700 thousand net Marcellus Shale oil and gas acres in West Virginia and Pennsylvania, in which each party owned a 50% undivided interest. On October 29, 2016, CNX Gas entered into an Exchange Agreement with Noble Energy, which terminated the joint development agreement related to the jointly owned gas assets held in connection with the joint venture with Noble and divided such jointly owned gas assets among CNX Gas and Noble Energy. The transactions contemplated by the Exchange Agreement were closed on December 1, 2016 with an effective date of October 1, 2016. As part of the exchange: each party now owns and operates a 100% interest in properties and wells in two separate operating areas; each party has independent control and flexibility with respect to the scope and timing of future development over its operating area; and all acreage operated by CONSOL Energy and Noble Energy, Inc. in their respective operating areas will remain fully dedicated to CONE Midstream Partners LP. The exchange was accounted for as a mineral conveyance, thus no gain or loss was recorded in connection with the transaction. On June 28, 2017, Noble Energy announced that it has closed on a transaction divesting its upstream assets in northern West Virginia and southern Pennsylvania to HG Energy II Appalachia, LLC, a portfolio company of Quantum Energy Partners.

NOTE 10—SHORT-TERM NOTES PAYABLE:
CONSOL Energy's 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 also request an additional $500,000 increase in the aggregate borrowing limit amount.

The 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 the Company must: (i) prepay outstanding loans under the revolving credit facility to the extent that cash on hand exceeds $150,000 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 no less than 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, 2017, the interest coverage ratio was 5.00 to 1.00 and the current ratio was 3.28 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, 2017, the $2,000,000 facility had no borrowings outstanding and $313,760 of letters of credit outstanding, leaving $1,686,240 of unused capacity. At December 31, 2016, the $2,000,000 facility had no borrowings outstanding and $325,676 of letters of credit outstanding, leaving $1,674,324 of unused capacity.

NOTE 11—LONG-TERM DEBT:

	June 30, 2017	December 31, 2016
Debt:		
Senior Notes due April 2022 at 5.875% (Principal of $1,730,975 and $1,850,000 plus Unamortized Premium of $4,012 and $4,731, respectively)	$1,734,987	$ 1,854,731
Senior Notes due April 2023 at 8.00% (Principal of $500,000 less Unamortized Discount of $5,204 and $5,656, respectively)	494,796	494,344
Revolving Credit Facility - CNX Coal Resources LP	190,000	201,000
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 (7.73% Weighted Average Interest Rate)	2,678	2,678
Other Long-Term Note Maturing in 2018 (Principal of $1,073 and $1,789 less Unamortized Discount of $47 and $117, respectively)	1,026	1,672
Less: Unamortized Debt Issuance Costs	24,054	27,699
	2,597,379	2,724,672
Less: Amounts Due in One Year*	1,324	1,677
Long-Term Debt	$2,596,055	$ 2,722,995

* Excludes current portion of Capital Lease Obligations of $10,061 and $10,323 at June 30, 2017 and December 31, 2016, respectively.

During the three and six months ended June 30, 2017, CONSOL Energy purchased $19,069 and $119,025, respectively, of its outstanding 5.875% senior notes due in 2022. As part of this transaction, $36 and $(786), respectively, was included in Loss (Gain) on Debt Extinguishment on the Consolidated Statements of Income.

NOTE 12—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 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 force-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, which CNX opposed. On March 29, 2017, the Court issued an Order certifying four issues for class treatment: (1) allegedly excessive deductions; (2) royalties based on purported improperly low prices; (3) deduction of severance taxes; and (4) Plaintiffs' request for an accounting. On April 13, 2017, CNX filed a Petition for Allowance of Appeal with the Fourth Circuit, and on May 22, 2017 the Petition was denied. The case is now back in the trial court for further proceedings. 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. 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, which CNX opposed. On March 29, 2017, the Court issued an Order denying class certification in this matter. CONSOL Energy 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.

The following royalty, land rights and other lawsuits and claims include those for which a loss is reasonably possible, but not probable, and accordingly, an accrual has not 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.

Fitzwater Litigation: Three nonunion retired coal miners have sued CONSOL Energy Inc., Fola Coal Company (AMVEST), Consolidation Coal Company and CONSOL of Kentucky Inc. (COK) in West Virginia Federal Court alleging ERISA violations in the termination of retiree health care benefits. The Plaintiffs contend they relied to their detriment on oral statements and promises of "lifetime health benefits" allegedly made by various members of management during Plaintiffs' employment and that they were allegedly denied access to Summary Plan Documents that clearly reserved to the Company the right to modify or terminate the CONSOL Energy Inc. Retiree Health and Welfare Plan. Pursuant to plaintiffs amended complaint filed on April 24, 2017, plaintiffs request that retiree health benefits be reinstated and seek to represent a class of all nonunion retirees who were associated with AMVEST and COK areas of operation.The Company believes it has meritorious defense and intends to vigorously defend this suit.

At June 30, 2017, 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 Amounts Committed	Less Than 1 Year	1-3 Years	3-5 Years	Beyond 5 Years
Letters of Credit:					
Employee-Related	$83,836	$39,934	$43,902	$—	$ —
Environmental	998	998	—	—	—
Other	228,926	195,113	33,813	—	—
Total Letters of Credit	313,760	236,045	77,715	—	—
Surety Bonds:					
Employee-Related	112,460	112,460	—	—	—
Environmental	511,621	505,923	5,698	—	—
Other	21,658	19,624	2,033	1	—
Total Surety Bonds	645,739	638,007	7,731	1	—
Guarantees:					
Other	38,373	10,227	16,426	10,840	880
Total Guarantees	38,373	10,227	16,426	10,840	880
Total Commitments	$997,872	$884,279	$101,872	$ 10,841	$ 880

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, 2017 and December 31, 2016, the fair value of these guarantees was $1,285 and $1,362, respectively, and is 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.

As part of the sale of the Buchanan Mine (See Note 2 - Discontinued Operations), CONSOL Energy has guaranteed certain equipment lease obligations that were assumed by Coronado. In the event that Coronado would default on the obligations defined in the agreements, CONSOL Energy would be required to perform under the guarantees. 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, 2017, the purchase obligations for each of the next five years and beyond were as follows:

Obligations Due	Amount
Less than 1 year	$197,860
1 - 3 years	276,358
3 - 5 years	247,277

More than 5 years	569,703
Total Purchase Obligations	$1,291,198

NOTE 13—DERIVATIVE INSTRUMENTS:

CONSOL Energy enters into financial derivative instruments to manage its exposure to commodity price volatility. These natural gas and NGL commodity hedges are accounted for on a mark-to-market basis with changes in fair value recorded in current period 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.

The total notional amounts of production of CONSOL Energy's derivative instruments at June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017	December 31, 2016	Forecasted to Settle Through
Natural Gas Commodity Swaps (Bcf)	840.9	744.7	2021
Natural Gas Basis Swaps (Bcf)	506.2	482.0	2021
Propane Commodity Swaps (Mbbls)	—	126.0	—

The gross fair value of CONSOL Energy's derivative instruments at June 30, 2017 and December 31, 2016 was as follows:

Asset Derivative Instruments			Liability Derivative Instruments		
	June 30, 2017	December 31, 2016		June 30, 2017	December 31, 2016
Commodity Swaps:					
Prepaid Expense	$26,606	$ 16	Other Accrued Liabilities	$61,803	$209,980
Other Assets	50,897	29,596	Other Liabilities	29,172	67,139
Total Asset	$77,503	$ 29,612	Total Liability	$90,975	$277,119
Basis Only Swaps:					
Prepaid Expense	$12,871	$ 56,916	Other Accrued Liabilities	$39,853	$21,593
Other Assets	11,811	35,603	Other Liabilities	18,799	11,575
Total Asset	$24,682	$ 92,519	Total Liability	$58,652	$33,168

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Cash (Paid) Received in Settlement of Commodity Derivative Instruments:				
Commodity Swaps:				
Natural Gas	$(15,509)	$91,302	$(40,116)	$173,449
Propane	—	(114)	(1,216)	(114)
Natural Gas Basis Swaps	(16,776)	(10,853)	(38,056)	(8,669)
Total Cash (Paid) Received in Settlement of Commodity Derivative Instruments	(32,285)	80,335	(79,388)	164,666
Unrealized Gain (Loss) on Commodity Derivative Instruments:				
Commodity Swaps:				
Natural Gas	70,282	(306,376)	232,886	(344,398)
Propane	—	(526)	1,147	(792)
Natural Gas Basis Swaps	45,791	9,463	(93,320)	3,042
Reclassified from Accumulated OCI	—	17,724	—	33,162
Total Unrealized Gain (Loss) on Commodity Derivative Instruments	116,073	(279,715)	140,713	(308,986)
Gain (Loss) on Commodity Derivative Instruments:				
Commodity Swaps:				
Natural Gas	54,773	(215,074)	192,770	(170,949)
Propane	—	(640)	(69)	(906)
Natural Gas Basis Swaps	29,015	(1,390)	(131,376)	(5,627)
Reclassified from Accumulated OCI	—	17,724	—	33,162
Total Gain (Loss) on Commodity Derivative Instruments	$83,788	$(199,380)	$61,325	$(144,320)

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

	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
Beginning Balance – Accumulated OCI	$33,656	$43,470
Less: Gain Reclassified from Accumulated OCI (Net of tax: $6,521, $12,145)	11,203	21,017
Ending Balance – Accumulated OCI	$22,453	$22,453

The Company also enters into fixed price natural gas sales agreements that are satisfied by physical delivery. These physical commodity contracts qualify for the normal purchases and sales exception and are not subject to derivative instrument accounting.

NOTE 14—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:

	Fair Value Measurements at June 30, 2017			Fair Value Measurements at December 31, 2016		
Description	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
Gas Derivatives	$—	$(47,442)	$—	$—	$(188,156)	$—
Murray Energy Guarantees	$—	$—	$(1,285)	$—	$—	$(1,362)

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.

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, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	$299,135	$299,135	$60,475	$60,475

Long-Term Debt	$2,621,433	$2,610,785	$2,752,371	$2,717,582

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, constitute Level 1 fair value measurements. 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, constitute Level 2 fair value measurements.

NOTE 15—SEGMENT INFORMATION:

CONSOL Energy consists of two principal business divisions: Exploration and Production (E&P) and Pennsylvania (PA) Mining Operations. 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 Shale, Utica Shale, Coalbed Methane, and Other Gas. The Other Gas segment is primarily related to shallow oil and gas production which is not significant to the Company. It also includes the Company's purchased gas activities, unrealized gain or loss on commodity derivative instruments, exploration and production related other costs, other corporate expenses, selling, general and administrative activities, as well as various other activities assigned to the E&P division but not allocated to each individual segment. The principal activities of the PA Mining Operations division are mining, preparation and marketing of thermal coal, sold primarily to power generators. It also includes selling, general and administrative activities, as well as various other activities assigned to the PA Mining Operations division.

CONSOL Energy’s Other division includes expenses from various corporate and diversified business activities that are not allocated to the E&P or PA Mining Operations divisions. The diversified business activities include CNX Marine Terminal, closed and idle mine activities, water operations, selling, general and administrative activities, as well as various other non-operated activities, none of which are individually significant to the Company.

Prior to the sale of the Buchanan Mine on March 31, 2016 and the Miller Creek and Fola Complexes on August 1, 2016 (see Note 2 - Discontinued Operations), CONSOL Energy had a Coal division. The Coal division had three reportable segments; PA Operations, Virginia (VA) Operations and Other Coal. The VA Operations segment included the Buchanan Mine and the Other Coal segment was primarily comprised of the assets and operations of the Miller Creek and Fola Complexes, as well as coal terminal operations, closed and idle mine activities, selling, general and administrative activities and various other non-operated activities. PA Operations now constitutes its own division and reportable segment, and the remaining activity in the Other Coal segment became part of CONSOL Energy's diversified business activities in the Other division.

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.

Industry segment results for the three months ended June 30, 2017:

	Marcellus Shale	Utica Shale	Coalbed Methane	Other Gas	Total E&P	PA Mining Operations	Other	Adjustments and Eliminations	Consolidated	
Sales—Outside	$154,424	$39,450	$51,974	$14,457	$260,305	$303,707	$—	$—	$564,012	
(Loss) Gain on Commodity Derivative Instruments	(21,545)	(2,063)	(6,789)	114,185	83,788	—	—	—	83,788	
Other Outside Sales	—	—	—	—	—	—	15,974	—	15,974	
Sales—Purchased Gas	—	—	—	10,316	10,316	—	—	—	10,316	
Freight—Outside	—	—	—	—	—	17,763	—	—	17,763	
Intersegment Transfers	—	—	—	—	—	—	1,711	(1,711)	—	
Total Sales and Freight	$132,879	$37,387	$45,185	$138,958	$354,409	$321,470	$17,685	$(1,711)	$691,853	
Earnings (Loss) From Continuing Operations Before Income Tax	$16,411	$9,063	$(36)	$201,975	$227,413	$49,643	$(34,529)	$(1,711)	$240,816	(A)
Segment Assets					$5,924,105	$1,931,502	$1,163,299	$6,286	$9,025,192	(B)
Depreciation, Depletion and Amortization					$91,287	$41,402	$(15,620)	$—	$117,069	
Capital Expenditures					$142,304	$13,770	$4,274	$—	$160,348	

(A) Includes equity in earnings of unconsolidated affiliates of $10,055 for Total E&P.
(B) Includes investments in unconsolidated equity affiliates of $185,871 and $2,778 for Total E&P and Other, respectively.

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

	Marcellus Shale	Utica Shale	Coalbed Methane	Other Gas	Total E&P	PA Mining Operations	Other	Adjustments and Eliminations	Consolidated
Sales—Outside	$83,651	$41,037	$33,574	$9,669	$167,931	$250,562	$—	$—	$418,493
Gain (Loss) on Commodity Derivative Instruments	48,870	10,019	16,478	(274,747)	(199,380)	—	—	—	(199,380)
	—	—	—	—	—	—	8,207	—	8,207

Other Outside Sales										
Sales—Purchased Gas	—	—	—	7,929	7,929	—	—	—	7,929	
Freight—Outside	—	—	—	—	—	11,447	—	—	11,447	
Intersegment Transfers	—	—	—	—	—	—	—	—	—	
Total Sales and Freight	$132,521	$51,056	$50,052	$(257,149)	$(23,520)	$262,009	$8,207	$—	$246,696	
Earnings (Loss) From Continuing Operations Before Income Tax	$13,304	$9,923	$5,218	$(323,028)	$(294,583)	$22,773	$(63,090)	$—	$(334,900)	(C)
Segment Assets					$6,507,684	$2,029,307	$1,125,351	$122,419	$9,784,761	(D)
Depreciation, Depletion and Amortization					$105,151	$41,698	$(11,629)	$—	$135,220	
Capital Expenditures					$23,360	$13,099	$1,142	$—	$37,601	

(C) Includes equity in earnings of unconsolidated affiliates of $9,163 and $56 for Total E&P and Other, respectively.

(D) Includes investments in unconsolidated equity affiliates of $252,517 and $3,650 for Total E&P and Other, respectively.

Industry segment results for the six months ended June 30, 2017:

Marcellus