CONSOL Energy Inc
Form 10-Q
November 01, 2016

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 September 30, 2016

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" and "smaller reporting 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

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 October 17, 2016

Common stock, $0.01 par value	229,440,368

TABLE OF CONTENTS

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)	Three Months Ended		Nine Months Ended	
(Unaudited)	September 30,		September 30,	
Revenues and Other Income:	2016	2015	2016	2015
Natural Gas, NGLs and Oil Sales	$205,913	$157,538	$555,101	$541,630
Gain on Commodity Derivative Instruments	198,192	143,606	53,872	251,073
Coal Sales	267,685	323,171	744,411	1,026,596
Other Outside Sales	4,714	5,129	20,687	24,596
Purchased Gas Sales	12,086	2,535	28,633	7,649
Freight-Outside Coal	9,392	2,436	33,949	10,204
Miscellaneous Other Income	32,393	38,475	114,159	111,279
Gain on Sale of Assets	15,203	48,043	13,541	54,329
Total Revenue and Other Income	745,578	720,933	1,564,353	2,027,356
Costs and Expenses:				
Exploration and Production Costs				
Lease Operating Expense	22,602	29,452	73,996	96,229
Transportation, Gathering and Compression	94,796	89,965	279,753	248,682
Production, Ad Valorem, and Other Fees	9,027	8,475	23,732	24,605
Depreciation, Depletion and Amortization	101,257	92,083	312,122	269,377
Exploration and Production Related Other Costs	384	3,332	5,036	7,695
Purchased Gas Costs	11,940	1,921	28,692	5,939
Other Corporate Expenses	21,760	20,953	65,980	47,088
Impairment of Exploration and Production Properties	—	—	—	828,905
Selling, General, and Administrative Costs	26,198	23,919	74,067	80,396
Total Exploration and Production Costs	287,964	270,100	863,378	1,608,916
PA Mining Operations Costs				
Operating and Other Costs	182,717	137,759	521,277	564,604
Depreciation, Depletion and Amortization	42,370	43,459	125,334	136,536
Freight Expense	9,392	2,436	33,949	10,204
Selling, General, and Administrative Costs	7,653	9,044	20,207	34,231
Total PA Mining Operations Costs	242,132	192,698	700,767	745,575
Other Costs				
Miscellaneous Operating Expense	40,085	(3,078)	127,531	70,554
Selling, General, and Administrative Costs	4,569	6,173	10,173	9,946
Depreciation, Depletion and Amortization	8,085	11,302	4,463	21,219
Loss on Debt Extinguishment	—	—	—	67,751
Interest Expense	47,317	48,558	144,609	150,185
Total Other Costs	100,056	62,955	286,776	319,655
Total Costs And Expenses	630,152	525,753	1,850,921	2,674,146
Income (Loss) From Continuing Operations Before Income Tax	115,426	195,180	(286,568)	(646,790)
Income Taxes	52,858	65,868	(71,798)	(251,181)
Income (Loss) From Continuing Operations	62,568	129,312	(214,770)	(395,609)
Loss From Discontinued Operations, net	(34,975)	(3,842)	(322,747)	(3,192)
Net Income (Loss)	27,593	125,470	(537,517)	(398,801)

Less: Net Income Attributable to Noncontrolling Interest	2,248	6,490	4,541	6,490
Net Income (Loss) Attributable to CONSOL Energy Shareholders	$25,345	$118,980	$(542,058)	$(405,291)

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 September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Earnings (Loss) Per Share				
Basic				
Income (Loss) from Continuing Operations	$0.26	$0.54	$(0.96)	$(1.75)
Loss from Discontinued Operations	(0.15)	(0.02)	(1.40)	(0.02)
Total Basic Earnings (Loss) Per Share	$0.11	$0.52	$(2.36)	$(1.77)
Dilutive				
Income (Loss) from Continuing Operations	$0.26	$0.54	$(0.96)	$(1.75)
Loss from Discontinued Operations	(0.15)	(0.02)	(1.40)	(0.02)
Total Dilutive Earnings (Loss) Per Share	$0.11	$0.52	$(2.36)	$(1.77)
Dividends Declared Per Share	$—	$0.0100	$0.0100	$0.1350

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands) (Unaudited)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Net Income (Loss)	$27,593	$125,470	$(537,517)	$(398,801)
Other Comprehensive Loss:				
Actuarially Determined Long-Term Liability Adjustments (Net of tax: ($1,043), $29,720, ($5,369), $24,935)	1,305	(49,353)	6,866	(40,036)
Reclassification of Cash Flow Hedges from OCI to Earnings (Net of tax: $7,139, $11,807, $19,284, $35,123)	(12,458)	(20,602)	(33,475)	(60,720)
Other Comprehensive Loss	(11,153)	(69,955)	(26,609)	(100,756)
Comprehensive Income (Loss)	16,440	55,515	(564,126)	(499,557)
Less: Comprehensive Income Attributable to Noncontrolling Interests	2,248	6,490	4,541	6,490
Comprehensive Income (Loss) Attributable to CONSOL Energy Inc. Shareholders	$14,192	$49,025	$(568,667)	$(506,047)

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

4

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	(Unaudited) September 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 80,247	$72,574
Accounts and Notes Receivable:		
Trade	163,955	151,383
Other Receivables	80,490	121,735
Inventories	62,622	66,792
Recoverable Income Taxes	—	13,887
Prepaid Expenses	125,490	297,287
Current Assets of Discontinued Operations	2,111	81,106
Total Current Assets	514,915	804,764
Property, Plant and Equipment:		
Property, Plant and Equipment	13,920,715	13,794,907
Less—Accumulated Depreciation, Depletion and Amortization	5,506,096	5,062,201
Property, Plant and Equipment of Discontinued Operations, Net	—	936,670
Total Property, Plant and Equipment—Net	8,414,619	9,669,376
Other Assets:		
Deferred Income Taxes	149,680	—
Investment in Affiliates	257,423	237,330
Other	228,857	214,388
Other Assets of Discontinued Operations	—	4,044
Total Other Assets	635,960	455,762
TOTAL ASSETS	$ 9,565,494	$10,929,902

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) September 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	$ 197,479	$ 250,609
Current Portion of Long-Term Debt	4,470	4,988
Short-Term Notes Payable	354,000	952,000
Accrued Income Taxes	5,485	—
Other Accrued Liabilities	508,144	421,827
Current Liabilities of Discontinued Operations	664	51,514
Total Current Liabilities	1,070,242	1,680,938
Long-Term Debt:		
Long-Term Debt	2,734,004	2,708,320
Capital Lease Obligations	29,805	34,884
Long-Term Debt of Discontinued Operations	—	5,001
Total Long-Term Debt	2,763,809	2,748,205
Deferred Credits and Other Liabilities:		
Deferred Income Taxes	—	74,629
Postretirement Benefits Other Than Pensions	613,233	630,892
Pneumoconiosis Benefits	117,586	111,903
Mine Closing	216,232	227,339
Gas Well Closing	164,115	163,842
Workers' Compensation	68,587	69,812
Salary Retirement	89,305	91,596
Reclamation	—	25
Other	172,218	166,957
Deferred Credits and Other Liabilities of Discontinued Operations	—	107,988
Total Deferred Credits and Other Liabilities	1,441,276	1,644,983
TOTAL LIABILITIES	5,275,327	6,074,126
Stockholders' Equity:		
Common Stock, $.01 Par Value; 500,000,000 Shares Authorized, 229,438,910 Issued and Outstanding at September 30, 2016; 229,054,236 Issued and Outstanding at December 31, 2015	2,298	2,294
Capital in Excess of Par Value	2,453,275	2,435,497
Preferred Stock, 15,000,000 shares authorized, None issued and outstanding	—	—
Retained Earnings	2,033,849	2,579,834
Accumulated Other Comprehensive Loss	(342,207)	(315,598)
Total CONSOL Energy Inc. Stockholders' Equity	4,147,215	4,702,027
Noncontrolling Interest	142,952	153,749
TOTAL EQUITY	4,290,167	4,855,776
TOTAL LIABILITIES AND EQUITY	$ 9,565,494	$ 10,929,902

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

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	$ 2,294	$2,435,497	$2,579,834	$ (315,598)	$4,702,027	$153,749	$4,855,776
(Unaudited)							
Net (Loss) Income	—	—	(542,058)	—	(542,058)	4,541	(537,517)
Other Comprehensive Loss	—	—	—	(26,609)	(26,609)	—	(26,609)
Comprehensive (Loss) Income	—	—	(542,058)	(26,609)	(568,667)	4,541	(564,126)
Issuance of Common Stock	4	—	—	—	4	—	4
Treasury Stock Activity	—	—	(1,633)	—	(1,633)	—	(1,633)
Tax Cost From Stock-Based Compensation	—	(5,144)	—	—	(5,144)	—	(5,144)
Amortization of Stock-Based Compensation Awards	—	22,922	—	—	22,922	903	23,825
Distributions to Noncontrolling Interest	—	—	—	—	—	(16,241)	(16,241)
Dividends ($0.01 per share)	—	—	(2,294)	—	(2,294)	—	(2,294)
Balance at September 30, 2016	$ 2,298	$2,453,275	$2,033,849	$ (342,207)	$4,147,215	$142,952	$4,290,167

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

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months Ended	
(Unaudited)	September 30,	
Operating Activities:	2016	2015
Net Loss	$(537,517)	$(398,801)
Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities:		
Net Loss from Discontinued Operations	322,747	3,192
Depreciation, Depletion and Amortization	441,919	427,132
Impairment of Exploration and Production Properties	—	828,905
Non-Cash Other Post-Employment Benefits	—	(151,871)
Stock-Based Compensation	23,825	19,849
Gain on Sale of Assets	(13,541)	(54,329)
Loss on Debt Extinguishment	—	67,751
Gain on Commodity Derivative Instruments	(53,872)	(251,073)
Net Cash Received in Settlement of Commodity Derivative Instruments	203,303	116,868
Deferred Income Taxes	(72,866)	(273,497)
Equity in Earnings of Affiliates	(41,239)	(38,838)
Return on Equity Investment	22,268	31,111
Changes in Operating Assets:		
Accounts and Notes Receivable	4,555	119,064
Inventories	4,169	(9,922)
Prepaid Expenses	71,423	103,466
Changes in Other Assets	(14,241)	22,483
Changes in Operating Liabilities:		
Accounts Payable	(12,654)	(123,171)
Accrued Interest	35,985	63,879
Other Operating Liabilities	(21,370)	(105,692)
Changes in Other Liabilities	(2,620)	(12,360)
Other	11,937	9,369
Net Cash Provided by Continuing Operating Activities	372,211	393,515
Net Cash Provided by Discontinued Operating Activities	14,427	10,768
Net Cash Provided by Operating Activities	386,638	404,283
Investing Activities:		
Capital Expenditures	(179,389)	(864,262)
Proceeds from Sales of Assets	38,977	83,044
Net Investments in Equity Affiliates	(4,555)	(70,224)
Net Cash Used in Continuing Investing Activities	(144,967)	(851,442)
Net Cash Provided by (Used in) Discontinued Investing Activities	366,251	(30,894)
Net Cash Provided by (Used in) Investing Activities	221,284	(882,336)
Financing Activities:		
(Payments on) Proceeds from Short-Term Borrowings	(598,000)	945,000
Payments on Miscellaneous Borrowings	(6,222)	(1,523)
Payments on Long-Term Notes, including Redemption Premium	—	(1,263,719)
Net Proceeds from Revolver - CNX Coal Resources LP	23,000	180,000
Proceeds from Sale of MLP Interest	—	148,359
Distributions to Noncontrolling Interest	(16,241)	—
Proceeds from Issuance of Long-Term Notes	—	492,760
Tax Benefit from Stock-Based Compensation	—	208

Dividends Paid	(2,294)	(30,991)
Issuance of Common Stock	4	8,288
Purchases of Treasury Stock	—	(71,674)
Debt Issuance and Financing Fees	(482)	(22,586)
Net Cash (Used in) Provided by Continuing Financing Activities	(600,235)	384,122
Net Cash Used in Discontinued Financing Activities	(14)	(39)
Net Cash (Used in) Provided by Financing Activities	(600,249)	384,083
Net Increase (Decrease) in Cash and Cash Equivalents	7,673	(93,970)
Cash and Cash Equivalents at Beginning of Period	72,574	176,985
Cash and Cash Equivalents at End of Period	$80,247	$83,015

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 nine months ended September 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 nine months ended September 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 and the Fola and Miller Creek Mining Complexes, which are 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 Costs 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.

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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Anti-Dilutive Options	2,989,610	10,650,864	6,230,093	9,650,864
Anti-Dilutive Restricted Stock Units	3,455	785,585	645,302	1,394,115
Anti-Dilutive Performance Share Units	1,659,014	—	2,326,120	—

Anti-Dilutive Performance Stock Options	802,804	802,804	802,804	802,804
	5,454,883	5,239,253	10,004,325	5,547,783

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Options	—	—	—	363,620
Restricted Stock Units	5,920	90,055	574,310	576,562
Performance Share Units	—	—	—	497,134
	5,920	90,055	574,310	1,437,316

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (Loss) from Continuing Operations	$ 62,568	$ 129,312	$ (214,770)	$ (395,609)
Loss from Discontinued Operations	(34,975)	(3,842)	(322,747)	(3,192)
Net Income (Loss)	$ 27,593	$ 125,470	$ (537,517)	$ (398,801)
Net Income Attributable to Noncontrolling Interest	2,248	6,490	4,541	6,490
Net Income (Loss) Attributable to CONSOL Energy Shareholders	$ 25,345	$ 118,980	$ (542,058)	$ (405,291)
Weighted Average Shares of Common Stock Outstanding:				
Basic	229,438,612	229,036,172	229,369,309	229,230,571
Effect of Stock-Based Compensation Awards	2,079,973	315,955	—	—
Dilutive	231,518,585	229,352,127	229,369,309	229,230,571
Income (Loss) per Share:				
Basic (Continuing Operations)	$ 0.26	$ 0.54	$ (0.96)	$ (1.75)
Basic (Discontinued Operations)	(0.15)	(0.02)	(1.40)	(0.02)
Total Basic	$ 0.11	$ 0.52	$ (2.36)	$ (1.77)
Dilutive (Continuing Operations)	$ 0.26	$ 0.54	$ (0.96)	$ (1.75)
Dilutive (Discontinued Operations)	(0.15)	(0.02)	(1.40)	(0.02)
Total Dilutive	$ 0.11	$ 0.52	$ (2.36)	$ (1.77)

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	—	(13,912)	(13,912)
Amounts reclassified from Accumulated Other Comprehensive Loss	(33,475)	20,778	(12,697)
Current period Other Comprehensive (Loss) Income	(33,475)	6,866	(26,609)
Balance at September 30, 2016	$ 9,995	$ (352,202)	$ (342,207)

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Derivative Instruments (Note 14)				
Natural Gas Price Swaps and Options	$ (19,597)	$ (32,409)	$ (52,759)	$ (95,843)
Tax Expense	7,139	11,807	19,284	35,123
Net of Tax	$ (12,458)	$ (20,602)	$ (33,475)	$ (60,720)
Actuarially Determined Long-Term Liability Adjustments* (Note 5 and Note 6)				
Amortization of Prior Service Costs	$ (148)	$ (133,851)	$ (443)	$ (203,159)

Recognized Net Actuarial Loss	6,332	41,755	17,549	80,497
Curtailment Loss	—	5	—	5
Settlement Loss	3,651	3,132	17,347	3,132
Total	9,835	(88,959)	34,453	(119,525)
Tax (Benefit) Expense	(3,664)	33,436	(12,861)	44,923
Net of Tax	$ 6,171	$ (55,523)	$ 21,592	$ (74,602)

*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 nine months ended September 30, 2016.

NOTE 2—DISCONTINUED OPERATIONS:

In August, 2016, CONSOL Energy completed the sale of its Miller Creek Mining Complex and Fola Mining Complex subsidiaries. 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 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 the permits to transfer). These amounts were included in Net Cash Provided by Discontinued Investing Activities on the Consolidated Statements of Cash Flow. In addition, CONSOL Energy will pay a total of $17,200 in installments over the next four years. The net loss on sale of $53,130, excluding the related impairment charge discussed below, was included in Loss from Discontinued Operations, net on the Consolidated Statements of Income. Prior to the closing, the Miller Creek and Fola Mining Complexes were classified as held for sale in discontinued operations and 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 nine months ended September 30, 2016. This impairment is included in the 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 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, BMC along with the various other assets and the Fola and Miller Creek 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 September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Coal Sales	$6,974	$80,432	$102,904	$286,557
Freight-Outside Coal	305	783	1,322	3,791

Miscellaneous Other Income	2,204	3	2,237	33
Gain (Loss) on Sale of Assets	(53,119)	80	(91,372)	274
Total Revenue and Other Income	$(43,636)	$81,298	$15,091	$290,655
Total Costs	11,789	92,865	124,865	302,055
Loss From Operations Before Income Taxes	$(55,425)	$(11,567)	$(109,774)	$(11,400)
Impairment on Assets Held for Sale	—	—	355,681	—
Income Tax Benefit	(20,450)	(7,725)	(142,708)	(8,208)
Loss From Discontinued Operations, net	$(34,975)	$(3,842)	$(322,747)	$(3,192)

The major classes of assets and liabilities of discontinued operations:

	September 30, 2016	December 31, 2015
Assets:		
Accounts Receivable - Trade	$ 2,107	$ 49,125
Inventories	—	30,646
Prepaid Expense	—	970
Other Current Assets	4	365
Total Current Assets	$ 2,111	$ 81,106
Property, Plant and Equipment, Net	—	936,670
Other Assets	—	4,044
Total Assets of Discontinued Operations	$ 2,111	$ 1,021,820
Liabilities:		
Accounts Payable	$ 303	$ 20,786
Other Current Liabilities	361	30,728
Total Current Liabilities	$ 664	$ 51,514
Long Term Debt	—	5,001
Pneumoconiosis Benefits	—	1,129
Mine Closing	—	71,941
Reclamation	—	34,126
Other liabilities	—	792
Total Liabilities of Discontinued Operations	$ 664	$ 164,503

NOTE 3—ACQUISITIONS AND DISPOSITIONS:

In September 2015, CONSOL Energy sold its 49% interest in Western Allegheny Energy (WAE), a joint venture with Rosebud Mining Company engaged in coal mining activities in Pennsylvania. At closing, CONSOL Energy received $76,297 in cash and a $2,136 reduction in certain liabilities. During the quarter, CONSOL Energy also received a cash distribution of $10,780 from WAE. The net gain on the sale was $48,468 and was included in the Gain on Sale of Assets in the Consolidated Statements of Income.

In December 2014, CNX Gas Company LLC (CNX Gas Company), 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 was to be paid by CONSOL Energy over a five year period, as drilling occurs, in addition to royalties. CONSOL Energy made payments of $9,000 to CEVCO in the nine months ended September 30, 2016 while $50,970 of payments were made for the nine months ended September 30, 2015. At September 30, 2016, the amounts recorded in Other Current Liabilities and Other Long-Term Liabilities were $3,947 and $26,461, 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 Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Equity in Earnings of Affiliates - CONE	$14,153	$12,733	$36,709	$29,770
Rental Income	8,983	9,439	27,258	28,437
Gathering Revenue	2,602	1,426	7,998	7,379
Royalty Income - Non-Operated Coal	2,011	4,847	6,664	12,989
Purchased Coal Sales	1,908	—	2,512	1,596
Equity in Earnings of Affiliates - Other	1,202	2,855	4,530	9,068
Interest Income	214	361	975	1,868
Right of Way Issuance	149	5,252	17,952	13,202
Coal Contract Buyout	—	—	6,288	—
Other	1,171	1,562	3,273	6,970
Total Miscellaneous Other Income	$32,393	$38,475	$114,159	$111,279

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 Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015	2016	2015	2016	2015
Service Cost	$482	$2,162	$1,445	$6,862	$—	$—	$—	$—
Interest Cost	5,895	8,042	19,578	25,202	6,060	6,677	18,181	20,561
Expected Return on Plan Assets	(11,195)	(12,903)	(34,933)	(38,282)	—	—	—	—
Amortization of Prior Service Credits	(148)	(166)	(443)	(518)	—	(133,685)	—	(202,641)
Recognized net Actuarial Loss	2,743	5,335	6,975	19,215	4,792	37,713	14,376	65,161
Settlement Loss	3,651	3,132	17,347	3,132	—	—	—	—
Curtailment Loss	—	5	—	5	—	—	—	—
Net Periodic Benefit Cost (Credit)	$1,428	$5,607	$9,969	$15,616	$10,852	$(89,295)	$32,557	$(116,919)

For the nine months ended September 30, 2016 and 2015, $1,964 and $8,366 was paid to the pension trust from operating cash flows, respectively. Additional contributions to the pension trust are not expected to be material for the remainder of 2016.

According to the Defined Benefit Plans Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, if the lump sum distributions made during a plan year, which for CONSOL Energy is January 1 to December 31, exceed the total of the projected service cost and interest cost for the plan year, settlement accounting is required. Lump sum payments exceeded this threshold during the three and nine months ended September 30, 2016. Accordingly, CONSOL Energy recognized settlement expense of $3,651 and $17,347 for the three and nine months ended September 30, 2016, respectively, in Other Costs - Miscellaneous Operating Expense in the Consolidated Statements of Income. The settlement charges resulted in remeasurements of the pension plan at September 30, 2016 and June 30, 2016, which increased the pension liability by $7,486 and $6,203, respectively.

Lump sum payments also exceeded the settlement threshold during the three and nine months ended September 30, 2015. Accordingly, settlement expense of $3,132 was recognized for the three and nine months ended September 30, 2015 in Other Costs - Miscellaneous Operating Expense in the Consolidated Statements of Income. Settlement accounting was triggered in July 2015, resulting in a remeasurement of the pension plan at July 31. This remeasurement reduced the pension liability by $1,328.

On August 31, 2015, the qualified pension plan was remeasured to reflect an announced plan amendment that reduced accruals of pension benefits as of January 1, 2016. The plan amendment called for a hard freeze of the qualified defined benefit

pension plan on January 1, 2016 for all remaining participants in the plan. The modifications to the pension plan resulted in a $26,352 reduction in the pension liability. The amendment resulted in a remeasurement of the qualified pension plan at August 31, 2015. The remeasurement increased the pension liability by $17,793.
In the third quarter of 2015, CONSOL Energy remeasured its pension plan as a result of the previously discussed plan amendment. In conjunction with this remeasurement, the method used to estimate the service and interest components of net periodic benefit cost for pension was changed. This change was also made to other postretirement benefits during the fourth quarter during the annual remeasurement of that plan. This change compared to the previous method resulted in a decrease in the service and interest components for pension cost in the third quarter. Historically, CONSOL Energy estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. CONSOL Energy has elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. This change was made to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of the total benefit obligations or the annual net periodic benefit cost as the change in the service and interest costs is completely offset in the actuarial (gain) loss reported. CONSOL Energy has accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and accordingly has accounted for it prospectively.
On May 31, 2015, the Salaried OPEB and Production and Maintenance (P&M) OPEB plans were remeasured to reflect a plan amendment which eliminated Salaried and P&M OPEB benefits at December 31, 2015. The amendment to the OPEB plan resulted in a $43,598 reduction in the OPEB liability.The amendment resulted in a remeasurement of the OPEB plan at May 31, 2015 which decreased the liability by $1,070.
CONSOL Energy does not expect to contribute to the other post-employment benefit plan in 2016. The Company intends to pay benefit claims as they become due. For the nine months ended September 30, 2016 and 2015, $35,120 and $40,547 of other post-employment benefits have been paid, respectively.

NOTE 6—COMPONENTS OF COAL WORKERS' PNEUMOCONIOSIS (CWP) AND WORKERS' COMPENSATION NET PERIODIC BENEFIT COSTS:
Components of net periodic benefit costs are as follows:

	CWP				Workers' Compensation			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015	2016	2015	2016	2015
Service Cost	$1,041	$1,623	$3,285	$4,868	$1,904	$2,347	$5,713	$7,042
Interest Cost	1,053	1,279	3,230	3,837	638	799	1,913	2,396
Amortization of Actuarial Gain	(1,188)	(1,394)	(3,759)	(4,182)	(101)	(8)	(303)	(23)
State Administrative Fees and Insurance Bond Premiums	—	—	—	—	792	888	2,491	2,764
Curtailment Gain	—	—	(1,307)	—	—	—	—	—
Net Periodic Benefit Cost	$906	$1,508	$1,449	$4,523	$3,233	$4,026	$9,814	$12,179

Expense (income) attributable to discontinued operations included in the CWP net periodic cost above was $74 for the three months ended September 30, 2015, and $(1,290) and $223 for the nine months ended September 30, 2016 and 2015, respectively.
On March 31, 2016, CONSOL Energy completed the sale of its membership interests in BMC (See Note 2 - Discontinued Operations). As a result of the sale, certain obligations of the CWP plan were transferred to the buyer. This transfer triggered a curtailment gain of $1,307. The curtailment resulted in a plan remeasurement increasing plan liabilities by $5,014 at March 31, 2016.

CONSOL Energy does not expect to contribute to the CWP plan in 2016. The Company intends to pay benefit claims as they become due. For the nine months ended September 30, 2016 and 2015, $8,519 and $8,369 of CWP benefit claims have been paid, respectively.

CONSOL Energy does not expect to contribute to the workers' compensation plan in 2016. The Company intends to pay benefit claims as they become due. For the nine months ended September 30, 2016 and 2015, $11,547 and $12,540 of workers' compensation benefits, state administrative fees and surety bond premiums have been paid, respectively.

NOTE 7—INCOME TAXES:

The effective tax rate for the three and nine months ended September 30, 2016 was 46.7% and 24.7%, respectively. The effective tax rate is different from the U.S. federal statutory rate of 35% primarily due to charges to record state valuation allowances and the effects of the 2010-2013 Federal tax audit still in progress, partially offset by a larger anticipated book loss and the income tax benefit for excess percentage depletion.

The effective tax rate for the three and nine months ended September 30, 2015 was 34.9% and 38.4%, respectively. The effective tax rate is different from the U.S. federal statutory rate of 35% primarily due to impairment charges recorded in June 2015. In addition, as the Company's loss for the nine months ended September 30, 2015 exceeded the anticipated ordinary loss for the full year, the tax benefit recognized for the nine months ended September 30, 2015 was limited to the amount that would be recognized if the year-to-date ordinary loss were the anticipated ordinary loss for the full year. Another item contributing to the benefit is the deduction for percentage depletion in excess of cost depletion related to the Company's coal operations.

The total amount of uncertain tax positions at September 30, 2016 and December 31, 2015 were $15,536 and $12,702, respectively. If these uncertain tax positions were recognized, approximately $2,834 would affect CONSOL Energy's effective tax rate at September 30, 2016. There would be no effect on the Company's effective tax rate at December 31, 2015. There was an increase of $2,834 to the liability for unrecognized tax benefits during the nine months ended September 30, 2016.
CONSOL Energy recognizes accrued interest related to uncertain tax positions in interest expense. As of September 30, 2016 and December 31, 2015, the Company reported an accrued interest liability relating to uncertain tax positions of $242 and $53, respectively, in Other Liabilities on the Consolidated Balance Sheets. The accrued interest liability includes $189 of accrued interest expense that is reflected in the Company's Consolidated Statements of Income for the nine months ended September 30, 2016.
CONSOL Energy recognizes penalties accrued related to uncertain tax positions in its income tax expense. As of September 30, 2016 and December 31, 2015, CONSOL Energy had no accrued liabilities for tax penalties related to uncertain tax positions.
CONSOL Energy and its subsidiaries file federal income tax returns with the United States and returns within various states and Canadian jurisdictions. With few exceptions, the Company is no longer subject to United States federal, state, local, or non-U.S. income tax examinations by tax authorities for the years before 2010. The Company expects the Internal Revenue Service to conclude its audit of tax years 2010 through 2013 in the fourth quarter of 2016.

NOTE 8—INVENTORIES:

Inventory components consist of the following:

	September 30, 2016	December 31, 2015
Coal	$ 8,367	$ 4,660
Supplies	54,255	62,132
Total Inventories	$ 62,622	$ 66,792

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

NOTE 9—ACCOUNTS RECEIVABLE SECURITIZATION:

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

CNX Funding Corporation, a wholly owned, special purpose, bankruptcy-remote subsidiary, bought and sold eligible trade receivables generated by certain subsidiaries of CONSOL Energy. Under the receivables facility, CONSOL Energy and certain subsidiaries, irrevocably and without recourse, sold all of their eligible trade accounts receivable to CNX Funding Corporation, who in turn sold these receivables to financial institutions and their affiliates, while maintaining a subordinated interest in a portion of the pool of trade receivables. This retained interest, which was included in Accounts and Notes Receivable-Trade in the Consolidated Balance Sheets, was recorded at fair value. Due to a short average collection cycle for such receivables, CONSOL Energy's collection experience history and the composition of the designated pool of trade accounts receivable that were part of this program, the fair value of its retained interest approximated the total amount of the designated pool of accounts receivable. CONSOL Energy serviced the sold trade receivables for the financial institutions for a fee based upon market rates for similar services.

NOTE 10—PROPERTY, PLANT AND EQUIPMENT:

	September 30, 2016	December 31, 2015
E&P Property, Plant and Equipment		
Intangible drilling cost	$ 3,515,485	$ 3,452,989
Proved gas properties	1,933,211	1,922,602
Unproved gas properties	1,429,905	1,421,083
Gas gathering equipment	1,133,840	1,147,173
Gas wells and related equipment	819,902	785,744
Other gas assets	127,984	125,691
Gas advance royalties	15,265	19,745
Total E&P Property, Plant and Equipment	$ 8,975,592	$ 8,875,027
Less: Accumulated Depreciation, Depletion and Amortization	3,002,288	2,695,674
Total E&P Property, Plant and Equipment - Net	$ 5,973,304	$ 6,179,353
PA Mining Operations Property, Plant and Equipment		
Coal and other plant and equipment	$ 2,300,650	$ 2,284,175
Coal properties and surface lands	457,372	456,044
Airshafts	368,031	351,870
Mine development	326,153	326,153
Coal advance mining royalties	16,294	16,263
Leased coal lands	26,569	26,402
Total PA Mining Operations and Other Property, Plant and Equipment	$ 3,495,069	$ 3,460,907
Less: Accumulated Depreciation, Depletion and Amortization	1,728,423	1,603,642
Total PA Mining Operations and Other Property, Plant and Equipment - Net	$ 1,766,646	$ 1,857,265
Other Property, Plant and Equipment		
Coal and other plant and equipment	561,575	569,261
Coal properties and surface lands	481,371	313,493
Airshafts	10,002	10,002
Mine development	17,987	18,145
Coal advance mining royalties	314,537	312,452
Leased coal lands	64,582	235,620
Total Other Property, Plant and Equipment	$ 1,450,054	$ 1,458,973
Less: Accumulated Depreciation, Depletion and Amortization	775,385	762,885
Total Other Property, Plant and Equipment - Net	$ 674,669	$ 696,088
Total Company Property, Plant and Equipment	$ 13,920,715	$ 13,794,907
Less - Total Company Accumulated Depreciation, Depletion and Amortization	5,506,096	5,062,201
Total Property, Plant and Equipment of Continuing Operations - Net	$ 8,414,619	$ 8,732,706

Impairment of Proved Properties

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

During the quarter ended June 30, 2015, certain of the Company’s proved properties, primarily shallow oil and gas assets, failed the undiscounted cash flow portion of the test. After performing the discounted cash flow portion of the test, CONSOL Energy recorded an impairment of $824,742 in the Impairment of Exploration and Production Properties in the Consolidated Statement of Income. Valuation of the impaired assets is a Level 3 measurement as it incorporates significant unobservable inputs, such as future production levels and operating costs, within the discounted cash flow analysis. The impairment related to approximately 95% of the Company’s shallow oil and gas assets in West Virginia and Pennsylvania. No such impairments were recorded during the three or nine months ended September 30, 2016.

Impairment of Unproved Properties

CONSOL Energy evaluates capitalized costs of unproved gas properties for recoverability on a prospective basis. Indicators of potential impairment include potential shifts in business strategy, overall economic factors and historical experience. For the quarter ended June 30, 2015, unproved property impairments relating to the determination that the properties will not yield proved reserves were $4,163 and are included in the Impairment of Exploration and Production Properties in the Consolidated Statement of Income. Valuation of the impaired assets is a Level 3 measurement as it incorporates significant unobservable inputs, such as future production levels and operating costs, within the discounted cash flow analysis. This impairment primarily related to the court ruling in June 2015 in the state of New York that officially bans hydraulic fracturing. No such impairments were recorded during the three or nine months ended September 30, 2016.

Industry Participation Agreements

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

CNX Gas Company is party to a joint development agreement with Hess Ohio Developments, LLC (Hess) with respect to approximately 155 thousand net Utica Shale acres in Ohio in which each party has a 50% undivided interest. Under the agreement, as amended, Hess is obligated to pay a total of approximately $335,000 in the form of a 50% drilling carry of certain CONSOL Energy working interest obligations as the acreage is developed. As of September 30, 2016, Hess’ remaining carry obligation is $6,193.

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

NOTE 11—SHORT-TERM NOTES PAYABLE:

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

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

The current facility contains a number of affirmative and negative covenants that limit the Company's ability to dispose of assets, make investments, purchase or redeem CONSOL Energy common stock, pay dividends, merge with another corporation and amend, modify or restate the senior unsecured notes. In April 2016, the facility was amended to require that 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 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 September 30, 2016, the interest coverage ratio was 3.99 to 1.00 and the current ratio was 2.73 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 September 30, 2016, the $2,000,000 facility had $354,000 of borrowings outstanding and $323,761 of letters of credit outstanding, leaving $1,322,239 of unused capacity. At December 31, 2015, the $2,000,000 facility had $952,000 of borrowings outstanding and $258,177 of letters of credit outstanding, leaving $789,823 of unused capacity.

NOTE 12—LONG-TERM DEBT:

	September 30, 2016	December 31, 2015
Debt:		
Senior Notes due April 2022 at 5.875% (Principal of $1,850,000 plus Unamortized Premium of $4,953 and $5,617, respectively)	$ 1,854,953	$ 1,855,617
Senior Notes due April 2023 at 8.00% (Principal of $500,000 less Unamortized Discount of $5,882 and $6,561, respectively)	494,118	493,439
Revolving Credit Facility - CNX Coal Resources LP	208,000	185,000
MEDCO Revenue Bonds in Series due September 2025 at 5.75%	102,865	102,865
Senior Notes due April 2020 at 8.25%, Issued at Par Value	74,470	74,470
Senior Notes due March 2021 at 6.375%, Issued at Par Value	20,611	20,611
Advance Royalty Commitments (16.35% Weighted Average Interest Rate)	3,482	3,964
Other Long-Term Note Maturing in 2018 (Principal of $2,146 and $3,096 less Unamortized Discount of $162 and $327, respectively)	1,984	2,769
Less: Unamortized Debt Issuance Costs	29,028	33,017
	2,731,455	2,705,718
Net Amounts Due in One Year and Current Unamortized Debt Issuance Costs*	(2,549)	(2,602)
Long-Term Debt	$ 2,734,004	$ 2,708,320

* Represents $1,873 and $1,820 due in one year, less $4,422 of unamortized debt issuance costs at September 30, 2016 and December 31, 2015, respectively. Excludes current portion of Capital Lease Obligations of $7,019 and

$7,590 at September 30, 2016 and December 31, 2015, respectively.

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

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

In July 2015, CNXC, entered into a Credit Agreement for a $400,000 revolving credit facility. As of September 30, 2016 and December 31, 2015, CNXC had $208,000 and $185,000 of outstanding borrowings on the facility, respectively. CONSOL Energy is not a guarantor of CNXC's revolving credit facility. See Note 18 - Related Party Transactions for more information.

NOTE 13—COMMITMENTS AND CONTINGENT LIABILITIES:
CONSOL Energy and its subsidiaries are subject to various lawsuits and claims with respect to such matters as personal injury, wrongful death, damage to property, exposure to hazardous substances, governmental regulations including environmental remediation, employment and contract disputes and other claims and actions arising out of the normal course of business. CONSOL Energy accrues the estimated loss for these lawsuits and claims when the loss is probable and can be estimated. The Company's current estimated accruals related to these pending claims, individually and in the aggregate, are immaterial to the financial position, results of operations or cash flows of CONSOL Energy. It is possible that the aggregate loss in the future with respect to these lawsuits and claims could ultimately be material to the financial position, results of operations or cash flows of CONSOL Energy; however, such amounts cannot be reasonably estimated. The amount claimed against CONSOL Energy is disclosed below when an amount is expressly stated in the lawsuit or claim, which is not often the case. The maximum aggregate amount claimed in those lawsuits and claims, regardless of probability, where a claim is expressly stated or can be estimated, exceeds the aggregate amounts accrued for all lawsuits and claims by approximately $642,852.

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

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

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

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

Decree naming CONSOL Energy Inc., Consol Pennsylvania Coal Company LLC and CNX Coal Resources LP as defendants. On August 4, 2016, EPA and PA DEP filed a Complaint and Notice of Lodging of the proposed Consent Decree in the U.S. District Court for the Western District of Pennsylvania. No comments were received on the Consent Decree before the public comment period closed. On September 14, 2016, the Court signed the Consent Decree and entered final judgment in this matter. The Consent Decree imposed on defendants a civil penalty of $3,000 and various compliance requirements. The Company has established an accrual to cover its liability in this matter. This accrual is immaterial to the overall financial position of CONSOL Energy and is included in Other Accrued Liabilities on the Consolidated Balance Sheets.

The following royalty and land rights lawsuits and claims include those for which a loss is reasonably possible, but not probable, and accordingly, an accrual may not have been recognized. These claims are influenced by many factors which prevent the estimation of a range of potential loss. These factors include, but are not limited to, generalized allegations of unspecified damages (such as improper deductions), discovery having not commenced or not having been completed, unavailability of expert reports on damages and non-monetary issues being tried. For example, in instances where a gas lease termination is sought, damages would depend on speculation as to if and when the gas production would otherwise have occurred, how many wells would have been drilled on the lease premises, what their production would be, what the cost of production would be, and what the price of gas would be during the production period. An estimate is calculated, if applicable, when sufficient information becomes available.

Virginia Mine Void Litigation: The Company is currently defending three lawsuits naming Consolidation Coal Company (CCC), Island Creek Coal Company (ICCC), CNX Gas Company, and/or CONSOL Energy. The lawsuits were filed in the U.S. District Court for the Western District of Virginia. On October 26, 2015, the trial court granted summary judgment in favor of the defendants in two of the actions upon its finding that plaintiffs' claims are barred by the applicable statutes of limitation. Plaintiffs have appealed both cases to the U.S. Court of Appeals for the Fourth Circuit, where oral argument is scheduled for December 8, 2016. The third case remains pending in the trial court. On January 26, 2016, six mine void lawsuits that have twice before been filed and voluntarily dismissed, were refiled for a third time in state court but have not been served. The Complaints seek damages and injunctive relief in connection with the transfer of water from mining activities at Buchanan Mine into void spaces in inactive ICCC mines adjacent to the Buchanan operations, voids ostensibly underlying plaintiffs’ properties. While some of the plaintiffs have an ownership interest in the coal, others have some interest in one or more of the fee, surface, oil/gas or other mineral estates. The suits allege the water storage precludes access to and has damaged coal, impeded coalbed methane gas production and was made without compensation to the property owners. Plaintiffs seek recovery in tort, contract and trespass assumpsit (quasi-contract). The suits each seek damages between $50,000 and in excess of $100,000 plus punitive damages. The Company intends to vigorously defend these suits.

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

	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less Than 1 Year	1-3 Years	3-5 Years	Beyond 5 Years
Letters of Credit:					
Employee-Related	$82,273	$54,574	$27,699	$—	$—
Environmental	998	998	—	—	—
Other	240,490	37,477	203,013	—	—
Total Letters of Credit	323,761	93,049	230,712	—	—
Surety Bonds:					
Employee-Related	112,810	111,760	1,050	—	—
Environmental	528,430	523,868	4,562	—	—
Other	22,522	21,371	1,149	2	—
Total Surety Bonds	663,762	656,999	6,761	2	—
Guarantees:					
Coal	8,350	8,350	—	—	—
Other	77,622	41,693	18,386	13,860	3,683
Total Guarantees	85,972	50,043	18,386	13,860	3,683
Total Commitments	$1,073,495	$800,091	$255,859	$13,862	$3,683

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 September 30, 2016, and December 31, 2015, the fair value of these guarantees was $1,463 and $1,228, respectively, and are included in Other Accrued Liabilities on the Consolidated Balance Sheets. The fair value of certain of the guarantees was determined using CONSOL Energy's risk-adjusted interest rate. Significant increases or decreases in the risk-adjusted interest rates may result in a significantly higher or lower fair value measurement. Coal sales agreement guarantees were valued based on an evaluation of coal market pricing compared to contracted sales price and includes an adjustment for nonperformance risk. No other amounts related to financial guarantees and letters of credit are recorded as liabilities in the financial statements. Significant judgment is required in determining the fair value of these guarantees. The guarantees of the leases and sales agreements are classified within Level 3 of the fair value hierarchy.

CONSOL Energy regularly evaluates the likelihood of default for all guarantees based on an expected loss analysis and records the fair value, if any, of its guarantees as an obligation in the consolidated financial statements. CONSOL Energy and CNX Gas Company enter into long-term unconditional purchase obligations to procure major equipment purchases, natural gas firm transportation, gas drilling services and other operating goods and services. These purchase obligations are not recorded on the Consolidated Balance Sheets. As of September 30, 2016, the purchase obligations for each of the next five years and beyond were as follows:

Obligations Due	Amount
Less than 1 year	$199,528
1 - 3 years	270,334
3 - 5 years	223,058
More than 5 years	587,331
Total Purchase Obligations	$1,280,251

NOTE 14—DERIVATIVE INSTRUMENTS:

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

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

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

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

CONSOL Energy’s natural gas derivative instruments accounted for a total notional amount of production of 597.1 Bcf at September 30, 2016 and are forecasted to settle through 2020. At December 31, 2015, the natural gas derivative instruments accounted for a total notional amount of production of 456.1 Bcf. At September 30, 2016, the basis only swaps were for notional amounts of 360.6 Bcf and are forecasted to settle through 2020. At December 31, 2015, the basis only swaps were for notional amounts of 124.4 Bcf. CONSOL Energy's NGL derivative instruments accounted for a total notional amount of production of 254.8 Mbbls of propane at September 30, 2016 and are forecasted to settle through 2017. No NGL derivative instruments were outstanding at December 31, 2015.

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

Asset Derivative Instruments			Liability Derivative Instruments		
	September 30, 2016	December 31, 2015		September 30, 2016	December 31, 2015
Commodity Swaps:					
Prepaid Expense	$ 36,686	$ 234,409	Other Accrued Liabilities	$ 51,829	$ —
Other Assets	39,124	44,539	Other Liabilities	40,636	5,137
Total Asset	$ 75,810	$ 278,948	Total Liability	$ 92,465	$ 5,137
Basis Only Swaps:					
Prepaid Expense	$ 55,209	$ 5,429	Other Accrued Liabilities	$ 6,909	$ 12,206
Other Assets	36,998	1,093	Other Liabilities	4,275	1,569
Total Asset	$ 92,207	$ 6,522	Total Liability	$ 11,184	$ 13,775

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Cash Received (Paid) in Settlement of Commodity Derivative Instruments:				
Commodity Swaps:				
Natural Gas	$28,175	$43,169	$201,624	$115,525
Propane	22	—	(92)	—
Natural Gas Basis Swaps	10,440	1,300	1,771	1,343
Total Cash Received in Settlement of Commodity Derivative Instruments	38,637	44,469	203,303	116,868
Unrealized Gain (Loss) on Commodity Derivative Instruments:				
Commodity Swaps:				
Natural Gas	54,676	70,362	(289,722)	41,189
Propane	48	—	(744)	—
Natural Gas Basis Swaps	85,234	(3,634)	88,276	(2,827)
Reclassified from Accumulated OCI	19,597	32,409	52,759	95,843
Total Unrealized Gain (Loss) on Commodity Derivative Instruments	159,555	99,137	(149,431)	134,205
Gain (Loss) on Commodity Derivative Instruments:				
Commodity Swaps:				
Natural Gas	82,851	113,531	(88,098)	156,714
Propane	70	—	(836)	—
Natural Gas Basis Swaps	95,674	(2,334)	90,047	(1,484)
Reclassified from Accumulated OCI	19,597	32,409	52,759	95,843
Total Gain on Commodity Derivative Instruments	$198,192	$143,606	$53,872	$251,073

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Beginning Balance – Accumulated OCI	$22,453	$81,403	$43,470	$121,521
Less: Gain Reclassified from Accumulated OCI (Net of tax: $7,139, $11,807, $19,284, $35,123)	(12,458)	(20,602)	(33,475)	(60,720)
Ending Balance – Accumulated OCI	$9,995	$60,801	$9,995	$60,801

CONSOL Energy expects to reclassify an additional $9,995, net of tax of $5,727, out of Accumulated Other Comprehensive Income prior to December 31, 2016.

NOTE 15—FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below:
Level One - Quoted prices for identical instruments in active markets.
Level Two - The fair value of the assets and liabilities included in Level 2 are based on standard industry income approach models that use significant observable inputs, including NYMEX forward curves, LIBOR-based discount rates and basis forward curves.
Level Three - Unobservable inputs significant to the fair value measurement supported by little or no market activity. The significant unobservable inputs used in the fair value measurement of the Company's third party guarantees are the credit risk of the third party and the third party surety bond markets. A significant increase or decrease in these values, in isolation, would have a directionally similar effect resulting in higher or lower fair value measurement of the Company's Level 3 guarantees.
In those cases when the inputs used to measure fair value meet the definition of more than one level of the fair value hierarchy, the lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.
The financial instruments measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at September 30, 2016			Fair Value Measurements at December 31, 2015		
Description	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
Gas Derivatives	$—	$64,368	$—	$—	$266,558	$—
Murray Energy Guarantees	$—	$—	$(1,463)	$—	$—	$(1,228)

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

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

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

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

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

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	$80,247	$80,247	$72,574	$72,574
Short-Term Notes Payable	$354,000	$354,000	$952,000	$952,000
Long-Term Debt	$2,760,483	$2,563,492	$2,738,735	$1,808,936

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

24

NOTE 16—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, Utica, Coalbed Methane, and Other Gas. The Other Gas segment is primarily related to shallow oil and gas production and the Chattanooga Shale in Tennessee, neither of which are significant to the Company. It also includes the Company's purchased gas activities, selling, general and administrative activities, as well as various other activities assigned to the E&P division but not allocated to each individual strata. 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 coal terminal operations, 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 Fola and Miller Creek 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 Fola and Miller Creek 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 September 30, 2016 are:

	Marcellus Shale	Utica Shale	Coalbed Methane	Other Gas	Total E&P	PA Mining Operations	Other	Adjustments and Eliminations	Consolidated	
Sales—Outside	$107,676	$40,312	$46,917	$11,008	$205,913	$267,685	$—	$—	$473,598	
Gain on Commodity Derivative Instruments	23,548	4,646	8,197	161,801	198,192	—	—	—	198,192	
Other Outside Sales	—	—	—	—	—	—	4,714	—	4,714	
Sales—Purchased Gas	—	—	—	12,086	12,086	—	—	—	12,086	
Freight—Outside	—	—	—	—	—	9,392	—	—	9,392	
Total Sales and Freight	$131,224	$44,958	$55,114	$184,895	$416,191	$277,077	$4,714	$—	$697,982	
Earnings (Loss) Before Income Taxes	$10,465	$4,342	$6,989	$139,279	$161,075	$34,741	$(80,390)	$—	$115,426	(A)
Segment Assets					$6,537,210	$2,007,767	$1,018,406	$2,111	$9,565,494	(B)
Depreciation, Depletion and Amortization					$101,257	$42,370	$8,085	$—	$151,712	
Capital Expenditures					$48,746	$12,292	$3,094	$—	$64,132	

(A) Includes equity in earnings of unconsolidated affiliates of $15,219 and $136 for E&P and Other, respectively.

(B) Includes investments in unconsolidated equity affiliates of $253,637 and $3,786 for E&P and Other, respectively.

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

	Marcellus Shale	Utica Shale	Coalbed Methane	Other Gas	Total E&P	PA Mining Operations	Other	Adjustments and Eliminations	Consolidated	
Sales—Outside	$75,003	$20,617	$48,860	$13,058	$157,538	$323,171	$—	$—	$480,709	(C)
Gain on Commodity Derivative Instruments	24,039	955	14,285	104,327	143,606	—	—	—	143,606	
Other Outside Sales	—	—	—	—	—	—	5,129	—	5,129	
Sales—Purchased Gas	—	—	—	2,535	2,535	—	—	—	2,535	
Freight—Outside	—	—	—	—	—	2,436	—	—	2,436	
Intersegment Transfers	—	—	298	—	298	—	—	(298)	—	
Total Sales and Freight	$99,042	$21,572	$63,443	$119,920	$303,977	$325,607	$5,129	$(298)	$634,415	
(Loss) Earnings Before Income Taxes	$(13,975)	$(10,505)	$11,541	$63,126	$50,187	$132,327	$12,964	$(298)	$195,180	(D)
Segment Assets					$6,843,935	$2,141,700	$1,067,176	$1,028,463	$11,081,274	(E)
Depreciation, Depletion and Amortization					$92,083	$43,459	$11,302	$—	$146,844	
Capital Expenditures					$209,560	$34,978	$3,240	$—	$247,778	

(C) Included in the PA Mining Operations segment are sales of $73,780 to Duke Energy, which comprises over 10% of sales.

(D) Includes equity in earnings of unconsolidated affiliates of $13,467 and $2,121 for E&P and Other, respectively.

(E) Includes investments in unconsolidated equity affiliates of $205,987 and $4,105 for E&P and Other, respectively.

Industry segment results for the nine months ended September 30, 2016 are:

	Marcellus Shale	Utica Shale	Coalbed Methane	Other Gas	Total E&P	PA Mining Operations	Other	Adjustments and Eliminations	Consolidated	
Sales—Outside	$287,465	$115,610	$122,410	$29,616	$555,101	$744,411	$—	$—	$1,299,512	
Gain (Loss) on Commodity Derivative Instruments	120,982	24,674	43,796	(135,580)	53,872	—	—	—	53,872	
Other Outside Sales	—	—	—	—	—	—	20,687	—	20,687	
Sales—Purchased Gas	—	—	—	28,633	28,633	—	—	—	28,633	
Freight—Outside	—	—	—	—	—	33,949	—	—	33,949	
Intersegment Transfers	—	—	424	—	424	—	—	(424)	—	
Total Sales and Freight	$408,447	$140,284	$166,630	$(77,331)	$638,030	$778,360	$20,687	$(424)	$1,436,653	
Earnings (Loss) Before Income Taxes	$43,251	$17,521	$24,813	$(241,971)	$(156,386)	$80,588	$(210,346)	$(424)	$(286,568)	(F)
Segment Assets					$6,537,210	$2,007,767	$1,018,406	$2,111	$9,565,494	(G)
Depreciation, Depletion and Amortization					$312,122	$125,334	$4,463	$—	$441,919	
Capital Expenditures					$134,967	$38,295	$6,127	$—	$179,389	

(F) Includes equity in earnings of unconsolidated affiliates of $39,980 and $1,259 for E&P and Other, respectively.

(G) Includes investments in unconsolidated equity affiliates of $253,637 and $3,786 for E&P and Other, respectively.

Industry segment results for the nine months ended September 30, 2015 are:

	Marcellus Shale	Utica Shale	Coalbed Methane	Other Gas	Total E&P	PA Mining Operations	Other	Adjustments and Eliminations	Consolidated
Sales—Outside	$282,626	$56,880	$156,827	$45,297	$541,630	$1,026,596	$—	$—	$1,568,226
Gain on Commodity Derivative Instruments	55,090	955	46,695	148,333	251,073	—	—	—	251,073
Other Outside Sales	—	—	—	—	—	—	24,596	—	24,596
Sales—Purchased Gas	—	—	—	7,649	7,649	—	—	—	7,649
Freight—Outside	—	—	—	—	—	10,204	—	—	10,204
Intersegment Transfers	—	—	1,194	—	1,194	—	—	(1,194)	—
Total Sales and Freight	$337,716	$57,835	$204,716	$201,279	$801,546	$1,036,800	$24,596	$(1,194)	$1,861,748
Earnings (Loss) Before Income Taxes	$31,674	$(21,336)	$44,106	$(819,637)	$(765,193)	$292,533	$(172,936)	$(1,194)	$(646,790
Segment Assets					$6,843,935	$2,141,700	$1,067,176	$1,028,463	$11,081,274
Depreciation, Depletion and Amortization					$269,377	$136,536	$21,219	$—	$427,132
Capital Expenditures					$749,015	$102,939	$12,308	$—	$864,262

(H) Included in the PA Mining Operations segment are sales of $183,864 to Duke Energy, which comprises over 10% of sales.

(I) Includes equity in earnings of unconsolidated affiliates of $31,877 and $6,961 for E&P and Other, respectively.

(J) Includes investments in unconsolidated equity affiliates of $205,987 and $4,105 for E&P and Other, respectively.

29

Reconciliation of Segment Information to Consolidated Amounts:

Income (Loss) Before Income Taxes:	For the Three Months Ended September 30, 2016	2015	For the Nine Months Ended September 30, 2016	2015
Segment Income (Loss) Before Income Taxes for reportable business segments	$195,816	$182,514	$(75,798)	$(472,660)
Segment (Loss) Income Before Income Taxes for all other business segments	(33,073)	61,522	(65,737)	45,000
Interest expense, net	(47,317)	(48,558)	(144,609)	(150,185)
Eliminations	—	(298)	(424)	(1,194)
Loss on debt extinguishment	—	—	—	(67,751)
Income (Loss) Before Income Taxes	$115,426	$195,180	$(286,568)	$(646,790)

Total Assets:	September 30, 2016	2015
Segment assets for total reportable business segments	$8,544,977	$8,985,635
Segment assets for all other business segments	794,917	914,042
Items excluded from segment assets:		
Cash and other investments	73,809	79,887
Recoverable income taxes	—	64,693
Deferred tax assets	149,680	8,554
Discontinued Operations	2,111	1,028,463
Total Consolidated Assets	$9,565,494	$11,081,274

NOTE 17—GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION:

The payment obligations under the $74,470, 8.250% per annum senior notes due April 1, 2020, the $20,611, 6.375% per annum senior notes due March 1, 2021, the $1,854,953, 5.875% per annum senior notes due April 15, 2022, and the $494,118, 8.000% per annum senior notes due April 1, 2023 issued by CONSOL Energy are jointly and severally, and also fully and unconditionally, guaranteed by certain subsidiaries of CONSOL Energy. In accordance with positions established by the Securities and Exchange Commission (SEC), the following financial information sets forth separate financial information with respect to the parent, CNX Gas, a guarantor subsidiary, CNX Coal Resources LP (CNXC), a non-guarantor subsidiary, and the remaining guarantor and non-guarantor subsidiaries. The principal elimination entries include investments in subsidiaries and certain intercompany balances and transactions. CONSOL Energy, the parent, and a guarantor subsidiary manage several assets and liabilities of all other wholly owned subsidiaries. These include, for example, deferred tax assets, cash and other post-employment liabilities. These assets and liabilities are reflected as parent company or guarantor company amounts for purposes of this presentation.

On September 30, 2016, CNXC acquired an additional 5% undivided interest in the Pennsylvania Mining Complex from CONSOL Energy, increasing their total undivided interest to 25%. To account for the acquisition, CNXC recast its consolidated financial statements to retrospectively reflect the additional 5% interest as if the business was owned for all periods presented. This resulted in corresponding retrospective adjustments between the Other Subsidiary Guarantors and the CNXC Non-Guarantor columns below. See Note 18 - Related Party Transactions of the Notes to the Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q for additional information.

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

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Revenues and Other Income:							
Natural Gas, NGLs and Oil Sales	$—	$205,913	$—	$ —	$—	$—	$205,913
Gain on Commodity Derivative Instruments	—	198,192	—	—	—	—	198,192
Coal Sales	—	—	200,763	66,922	—	—	267,685
Other Outside Sales	—	—	4,714	—	—	—	4,714
Purchased Gas Sales	—	12,086	—	—	—	—	12,086
Freight-Outside Coal	—	—	6,985	2,407	—	—	9,392
Miscellaneous Other Income	56,836	18,175	13,737	483	—	(56,838)	32,393
Gain (Loss) on Sale of Assets	—	15,342	(141)	2	—	—	15,203
Total Revenue and Other Income	56,836	449,708	226,058	69,814	—	(56,838)	745,578
Costs and Expenses:							
Exploration and Production Costs							
Lease Operating Expense	—	22,602	—	—	—	—	22,602
Transportation, Gathering and Compression	—	94,796	—	—	—	—	94,796
Production, Ad Valorem, and Other Fees	—	9,027	—	—	—	—	9,027
Depreciation, Depletion and Amortization	—	101,257	—	—	—	—	101,257
Exploration and Production Related Other Costs	—	384	—	—	—	—	384
Purchased Gas Costs	—	11,940	—	—	—	—	11,940
Other Corporate Expenses	—	21,760	—	—	—	—	21,760
Selling, General, and Administrative Costs	—	26,198	—	—	—	—	26,198
Total Exploration and Production Costs	—	287,964	—	—	—	—	287,964
PA Mining Operations Costs							
Operating and Other Costs	—	—	137,186	45,531	—	—	182,717
Depreciation, Depletion and Amortization	—	—	31,778	10,592	—	—	42,370
Freight Expense	—	—	6,985	2,407	—	—	9,392
Selling, General, and Administrative Costs	—	—	4,993	2,660	—	—	7,653
Total PA Mining Operations Costs	—	—	180,942	61,190	—	—	242,132
Other Costs							
Miscellaneous Operating Expense	7,692	—	32,386	—	7	—	40,085
Selling, General, and Administrative Costs	—	—	4,569	—	—	—	4,569
Depreciation, Depletion and Amortization	150	—	7,935	—	—	—	8,085

Interest Expense	42,812	669	1,613	2,223	—	—	47,317
Total Other Costs	50,654	669	46,503	2,223	7	—	100,056
Total Costs And Expenses	50,654	288,633	227,445	63,413	7	—	630,152
Earnings (Loss) Before Income Tax	6,182	161,075	(1,387)	6,401	(7)	(56,838)	115,426
Income Taxes	(19,163)	64,241	7,783	—	(3)	—	52,858
Income (Loss) From Continuing Operations	25,345	96,834	(9,170)	6,401	(4)	(56,838)	62,568
Loss From Discontinued Operations, net	—	—	—	—	(34,975)	—	(34,975)
Net Income (Loss)	25,345	96,834	(9,170)	6,401	(34,979)	(56,838)	27,593
Less: Net Income Attributable to Noncontrolling Interest	—	—	—	—	—	2,248	2,248
Net Income (Loss) Attributable to CONSOL Energy Shareholders	$25,345	$96,834	$(9,170)	$ 6,401	$(34,979)	$(59,086)	$ 25,345

31

Balance Sheet at September 30, 2016 (unaudited):

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Assets:							
Current Assets:							
Cash and Cash Equivalents	$72,879	$94	$—	$ 6,314	$ 960	$—	$ 80,247
Accounts and Notes Receivable:							
Trade	—	79,276	63,678	21,001	—	—	163,955
Other Receivables	30,046	46,204	4,040	200	—	—	80,490
Inventories	—	12,088	38,954	11,580	—	—	62,622
Prepaid Expenses	10,232	94,009	16,510	4,739	—	—	125,490
Current Assets of Discontinued Operations	—	—	—	—	2,111	—	2,111
Total Current Assets	113,157	231,671	123,182	43,834	3,071	—	514,915
Property, Plant and Equipment:							
Property, Plant and Equipment	139,302	8,975,592	3,932,054	873,767	—	—	13,920,715
Less-Accumulated Depreciation, Depletion and Amortization	104,680	3,002,288	1,967,022	432,106	—	—	5,506,096
Total Property, Plant and Equipment-Net	34,622	5,973,304	1,965,032	441,661	—	—	8,414,619
Other Assets:							
Deferred Income Taxes	265,425	(115,745)	—	—	—	—	149,680
Investment in Affiliates	10,608,821	253,637	20,537	—	—	(10,625,572)	257,423
Other	23,021	78,598	105,936	21,302	—	—	228,857
Total Other Assets	10,897,267	216,490	126,473	21,302	—	(10,625,572)	635,960
Total Assets	$11,045,046	$6,421,465	$2,214,687	$ 506,797	$ 3,071	$(10,625,572)	$9,565,494
Liabilities and Equity:							
Current Liabilities:							
Accounts Payable	$29,313	$85,841	$54,061	$ 18,095	$ —	$10,169	$ 197,479
Accounts Payable (Recoverable)-Related Parties	3,945,832	1,367,030	(5,094,587)	1,320	(209,426)	(10,169)	—
Current Portion of Long-Term Debt	(2,810)	6,288	902	90	—	—	4,470
Short-Term Notes Payable	354,000	—	—	—	—	—	354,000
Accrued Income Taxes	(53,541)	59,026	—	—	—	—	5,485
Other Accrued Liabilities	95,891	147,961	223,196	41,096	—	—	508,144
Current Liabilities of Discontinued Operations	—	—	—	—	664	—	664
Total Current Liabilities	4,368,685	1,666,146	(4,816,428)	60,601	(208,762)	—	1,070,242
Long-Term Debt:	2,425,071	28,473	105,480	204,785	—	—	2,763,809

Deferred Credits and Other Liabilities:							
Postretirement Benefits Other Than Pensions	—	—	613,233	—	—	—	613,233
Pneumoconiosis Benefits	—	—	115,049	2,537	—	—	117,586
Mine Closing	—	—	207,062	9,170	—	—	216,232
Gas Well Closing	—	134,258	29,756	101	—	—	164,115
Workers' Compensation	—	—	65,454	3,133	—	—	68,587
Salary Retirement	89,305	—	—	—	—	—	89,305
Other	14,770	139,046	17,754	648	—	—	172,218
Total Deferred Credits and Other Liabilities	104,075	273,304	1,048,308	15,589	—	—	1,441,276
Total CONSOL Energy Inc. Stockholders' Equity	4,147,215	4,453,542	5,877,327	225,822	211,833	(10,768,524)	4,147,215
Noncontrolling Interest	—	—	—	—	—	142,952	142,952
Total Liabilities and Equity	$11,045,046	$6,421,465	$2,214,687	$ 506,797	$ 3,071	$(10,625,572)	$9,565,494

32

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

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Revenues and Other Income:							
Natural Gas, NGLs and Oil Sales	$—	$ 157,835	$—	$ —	$ —	$ (297)	$ 157,538
Gain on Commodity Derivative Instruments	—	143,606	—	—	—	—	143,606
Coal Sales	—	—	242,378	80,793	—	—	323,171
Other Outside Sales	—	—	5,129	—	—	—	5,129
Purchased Gas Sales	—	2,535	—	—	—	—	2,535
Freight-Outside Coal	—	—	2,134	302	—	—	2,436
Miscellaneous Other Income	156,955	16,122	22,194	330	(171)	(156,955)	38,475
Gain on Sale of Assets	—	890	47,140	13	—	—	48,043
Total Revenue and Other Income	156,955	320,988	318,975	81,438	(171)	(157,252)	720,933
Costs and Expenses:							
Exploration and Production Costs							
Lease Operating Expense	—	29,452	—	—	—	—	29,452
Transportation, Gathering and Compression	—	89,965	—	—	—	—	89,965
Production, Ad Valorem, and Other Fees	—	8,475	—	—	—	—	8,475
Depreciation, Depletion and Amortization	—	92,083	—	—	—	—	92,083
Exploration and Production Related Other Costs	—	3,332	—	—	15	(15)	3,332
Purchased Gas Costs	—	1,921	—	—	—	—	1,921
Other Corporate Expenses	—	20,953	—	—	—	—	20,953
Selling, General, and Administrative Costs	—	23,919	—	—	—	—	23,919
Total Exploration and Production Costs	—	270,100	—	—	15	(15)	270,100
PA Mining Operations Costs							
Operating and Other Costs	—	—	90,823	46,936	—	—	137,759
Depreciation, Depletion and Amortization	—	—	32,671	10,788	—	—	43,459
Freight Expense	—	—	2,134	302	—	—	2,436
Selling, General, and Administrative Costs	—	—	6,428	2,616	—	—	9,044
Total PA Mining Operations Costs	—	—	132,056	60,642	—	—	192,698
Other Costs							
Miscellaneous Operating Expense	16,543	—	(19,665)	—	44	—	(3,078)
	—	—	6,173	—	—	—	6,173

Selling, General, and Administrative Costs							
Depreciation, Depletion and Amortization	154	—	11,148	—	—	—	11,302
Interest Expense	44,385	701	1,600	1,872	—	—	48,558
Total Other Costs	61,082	701	(744)	1,872	44	—	62,955
Total Costs And Expenses	61,082	270,801	131,312	62,514	59	(15)	525,753
Earnings (Loss) Before Income Tax	95,873	50,187	187,663	18,924	(230)	(157,237)	195,180
Income Taxes	(23,107)	19,841	69,222	—	(88)	—	65,868
Income (Loss) From Continuing Operations	118,980	30,346	118,441	18,924	(142)	(157,237)	129,312
Loss From Discontinued Operations, net	—	—	—	—	(3,842)	—	(3,842)
Net Income (Loss)	$ 118,980	$ 30,346	$ 118,441	$ 18,924	$ (3,984)	$ (157,237)	$ 125,470
Less: Net Income Attributable to Noncontrolling Interests	—	—	—	—	—	6,490	6,490
Net Income (Loss) Attributable to CONSOL Energy Shareholders	$ 118,980	$ 30,346	$ 118,441	$ 18,924	$ (3,984)	$ (163,727)	$ 118,980

33

Balance Sheet at December 31, 2015:

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Assets:							
Current Assets:							
Cash and Cash Equivalents	$64,995	$75	$—	$6,534	$970	$—	$72,574
Accounts and Notes Receivable:							
Trade	—	72,664	59,321	19,398	—	—	151,383
Other Receivables	18,933	99,001	3,330	471	—	—	121,735
Inventories	—	13,815	40,739	12,238	—	—	66,792
Recoverable Income Taxes	72,913	(59,026)	—	—	—	—	13,887
Prepaid Expenses	27,245	244,680	20,273	5,089	—	—	297,287
Current Assets of Discontinued Operations	—	—	—	—	81,106	—	81,106
Total Current Assets	184,086	371,209	123,663	43,730	82,076	—	804,764
Property, Plant and Equipment:							
Property, Plant and Equipment	156,348	8,875,027	3,898,005	865,527	—	—	13,794,907
Less-Accumulated Depreciation, Depletion and Amortization	111,367	2,695,674	1,854,249	400,911	—	—	5,062,201
Property, Plant and Equipment of Discontinued Operations	—	—	—	—	936,670	—	936,670
Total Property, Plant and Equipment-Net	44,981	6,179,353	2,043,756	464,616	936,670	—	9,669,376
Other Assets:							
Investment in Affiliates	10,563,985	234,803	6,293	—	—	(10,567,751)	237,330
Other	53,529	47,892	95,369	17,598	—	—	214,388
Other Assets of Discontinued Operations	—	—	—	—	4,044	—	4,044
Total Other Assets	10,617,514	282,695	101,662	17,598	4,044	(10,567,751)	455,762
Total Assets	$10,846,581	$6,833,257	$2,269,081	$525,944	$1,022,790	$(10,567,751)	$10,929,902
Liabilities and Equity:							
Current Liabilities:							
Accounts Payable	$32,245	$149,930	$37,212	$17,405	$—	$13,817	$250,609
Accounts Payable (Recoverable)-Related	2,650,732	1,521,442	(3,953,215)	4,310	(209,452)	(13,817)	—

Parties							
Current Portion of Long-Term Debt	(2,777)	6,798	906	61	—	—	4,988
Short-Term Notes Payable	952,000	—	—	—	—	—	952,000
Other Accrued Liabilities	63,668	102,753	218,186	37,220	—	—	421,827
Current Liabilities of Discontinued Operations	—	—	—	—	51,514	—	51,514
Total Current Liabilities	3,695,868	1,780,923	(3,696,911)	58,996	(157,938)	—	1,680,938
Long-Term Debt:	2,423,247	33,141	105,746	181,070	5,001	—	2,748,205
Deferred Credits and Other Liabilities:							
Deferred Income Taxes	(122,547)	197,176	—	—	—	—	74,629
Postretirement Benefits Other Than Pensions	—	—	630,892	—	—	—	630,892
Pneumoconiosis Benefits	—	—	109,969	1,934	—	—	111,903
Mine Closing	—	—	218,936	8,403	—	—	227,339
Gas Well Closing	—	135,174	28,572	96	—	—	163,842
Workers' Compensation	—	—	66,883	2,929	—	—	69,812
Salary Retirement	91,596	—	—	—	—	—	91,596
Reclamation	—	—	25	—	—	—	25
Other	56,390	105,588	4,266	713	—	—	166,957
Deferred Credits and Other Liabilities of Discontinued Operations	—	—	—	—	107,988	—	107,988
Total Deferred Credits and Other Liabilities	25,439	437,938	1,059,543	14,075	107,988	—	1,644,983
Total CONSOL Energy Inc. Stockholders' Equity	4,702,027	4,581,255	4,800,703	271,803	1,067,739	(10,721,500)	4,702,027
Noncontrolling Interest	—	—	—	—	—	153,749	153,749
Total Liabilities and Equity	$10,846,581	$6,833,257	$2,269,081	$525,944	$1,022,790	$(10,567,751)	$10,929,902

Income Statement for the Nine Months Ended September 30, 2016 (unaudited):

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Revenues and Other Income:							
Natural Gas, NGLs and Oil Sales	$—	$555,526	$—	$ —	$—	$(425)	$555,101
Loss on Commodity Derivative Instruments	—	53,872	—	—	—	—	53,872
Coal Sales	—	—	558,308	186,103	—	—	744,411
Other Outside Sales	—	—	20,687	—	—	—	20,687
Purchased Gas Sales	—	28,633	—	—	—	—	28,633
Freight-Outside Coal	—	—	25,476	8,473	—	—	33,949
Miscellaneous Other Income	(441,368)	60,592	51,304	2,264	—	441,367	114,159
Gain (Loss) on Sale of Assets	—	10,446	3,105	(10)	—	—	13,541
Total Revenue and Other Income	(441,368)	709,069	658,880	196,830	—	440,942	1,564,353
Costs and Expenses:							
Exploration and Production Costs							
Lease Operating Expense	—	73,996	—	—	—	—	73,996
Transportation, Gathering and Compression	—	279,753	—	—	—	—	279,753
Production, Ad Valorem, and Other Fees	—	23,732	—	—	—	—	23,732
Depreciation, Depletion and Amortization	—	312,122	—	—	—	—	312,122
Exploration and Production Related Other Costs	—	5,036	—	—	—	—	5,036
Purchased Gas Costs	—	28,692	—	—	—	—	28,692
Other Corporate Expenses	—	65,980	—	—	—	—	65,980
Selling, General, and Administrative Costs	—	74,067	—	—	—	—	74,067
Total Exploration and Production Costs	—	863,378	—	—	—	—	863,378
PA Mining Operations Costs							
Operating and Other Costs	—	—	391,211	130,066	—	—	521,277
Depreciation, Depletion and Amortization	—	—	94,002	31,332	—	—	125,334
Freight Expense	—	—	25,476	8,473	—	—	33,949
Selling, General, and Administrative Costs	—	—	13,649	6,558	—	—	20,207
Total PA Mining Operations Costs	—	—	524,338	176,429	—	—	700,767
Other Costs							
	30,077	—	97,417	—	37	—	127,531

Miscellaneous Operating Expense							
Selling, General, and Administrative Costs	—	—	10,173	—	—	—	10,173
Depreciation, Depletion and Amortization	452	—	4,011	—	—	—	4,463
Interest Expense	131,431	2,077	4,824	6,277	—	—	144,609
Total Other Costs	161,960	2,077	116,425	6,277	37	—	286,776
Total Costs And Expenses	161,960	865,455	640,763	182,706	37	—	1,850,921
(Loss) Earnings Before Income Tax	(603,328)	(156,386)	18,117	14,124	(37)	440,942	(286,568)
Income Taxes	(61,270)	(62,148)	51,634	—	(14)	—	(71,798)
(Loss) Income From Continuing Operations	(542,058)	(94,238)	(33,517)	14,124	(23)	440,942	(214,770)
Loss From Discontinued Operations, net	—	—	—	—	(322,747)	—	(322,747)
Net (Loss) Income	(542,058)	(94,238)	(33,517)	14,124	(322,770)	440,942	(537,517)
Less: Net Income Attributable to Noncontrolling Interest	—	—	—	—	—	4,541	4,541
Net (Loss) Income Attributable to CONSOL Energy Shareholders	$(542,058)	$(94,238)	$(33,517)	$ 14,124	$(322,770)	$436,401	$(542,058)

35

Income Statement for the Nine Months Ended September 30, 2015 (unaudited):

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Revenues and Other Income:							
Natural Gas, NGLs and Oil Sales	$—	$542,824	$—	$ —	$—	$(1,194)	$541,630
Gain on Commodity Derivative Instruments	—	251,073	—	—	—	—	251,073
Coal Sales	—	—	769,945	256,651	—	—	1,026,596
Other Outside Sales	—	—	24,596	—	—	—	24,596
Purchased Gas Sales	—	7,649	—	—	—	—	7,649
Freight-Outside Coal	—	—	8,633	1,571	—	—	10,204
Miscellaneous Other Income	(246,791)	43,941	68,130	768	4,105	241,126	111,279
Gain on Sale of Assets	—	3,076	51,208	45	—	—	54,329
Total Revenue and Other Income	(246,791)	848,563	922,512	259,035	4,105	239,932	2,027,356
Costs and Expenses:							
Exploration and Production Costs							
Lease Operating Expense	—	96,229	—	—	—	—	96,229
Transportation, Gathering and Compression	—	248,682	—	—	—	—	248,682
Production, Ad Valorem, and Other Fees	—	24,605	—	—	—	—	24,605
Depreciation, Depletion and Amortization	—	269,377	—	—	—	—	269,377
Exploration and Production Related Other Costs	—	7,695	—	—	9	(9)	7,695
Purchased Gas Costs	—	5,939	—	—	—	—	5,939
Other Corporate Expenses	—	47,088	—	—	—	—	47,088
Impairment of Exploration and Production Properties	—	828,905	—	—	—	—	828,905
Selling, General, and Administrative Costs	—	80,396	—	—	—	—	80,396
Total Exploration and Production Costs	—	1,608,916	—	—	9	(9)	1,608,916
PA Mining Operations Costs							
Operating and Other Costs	—	—	410,950	153,654	—	—	564,604
Depreciation, Depletion and Amortization	—	—	102,479	34,057	—	—	136,536
Freight Expense	—	—	8,633	1,571	—	—	10,204
Selling, General, and Administrative Costs	—	—	25,318	8,913	—	—	34,231
Total PA Mining Operations Costs	—	—	547,380	198,195	—	—	745,575

Other Costs							
Miscellaneous Operating Expense	43,343	—	26,715	—	496	—	70,554
Selling, General, and Administrative Costs	—	—	9,946	—	—	—	9,946
Depreciation, Depletion and Amortization	449	—	20,770	—	—	—	21,219
Loss on Debt Extinguishment	67,751	—	—	—	—	—	67,751
Interest Expense	141,493	4,840	4,821	7,758	76	(8,803)	150,185
Total Other Costs	253,036	4,840	62,252	7,758	572	(8,803)	319,655
Total Costs And Expenses	253,036	1,613,756	609,632	205,953	581	(8,812)	2,674,146
(Loss) Earnings Before Income Tax	(499,827)	(765,193)	312,880	53,082	3,524	248,744	(646,790)
Income Taxes	(94,536)	(286,335)	128,357	—	1,333	—	(251,181)
(Loss) Income From Continuing Operations	(405,291)	(478,858)	184,523	53,082	2,191	248,744	(395,609)
Loss From Discontinued Operations, net	—	—	—	—	(3,192)	—	(3,192)
Net (Loss) Income	$(405,291)	$(478,858)	$184,523	$ 53,082	$(1,001)	$248,744	$(398,801)
Less: Net Income Attributable to Noncontrolling Interest	—	—	—	—	—	6,490	6,490
Net (Loss) Income Attributable to CONSOL Energy Shareholders	$(405,291)	$(478,858)	$184,523	$ 53,082	$(1,001)	$242,254	$(405,291)

36

Cash Flow for the Nine Months Ended September 30, 2016 (unaudited):

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Net Cash Provided by (Used in) Continuing Operations	$611,844	$106,017	$32,398	$ 47,324	$ (380,674)	$(44,698)	$372,211
Net Cash Used in Discontinued Operating Activities	—	—	—	—	14,427	—	14,427
Net Cash Provided by (Used in) Operating Activities	$611,844	$106,017	$32,398	$ 47,324	$ (366,247)	$(44,698)	$386,638
Cash Flows from Investing Activities:							
Capital Expenditures	$(2,450)	$(134,967)	$(32,403)	$ (9,569)	$ —	$—	$(179,389)
CNXC Acquisition of 5% Pennsylvania Mining Complex	—	—	—	(21,500)	—	21,500	—
Proceeds From Sales of Assets	—	33,041	5,915	21	—	—	38,977
Net Distributions from (Investments in) Equity Affiliates	—	518	(5,073)	—	—	—	(4,555)
Net Cash (Used in) Provided by Continuing Operations	(2,450)	(101,408)	(31,561)	(31,048)	—	21,500	(144,967)
Net Cash Provided by Discontinued Investing Activities	—	—	—	—	366,251	—	366,251
Net Cash (Used in) Provided by Investing Activities	$(2,450)	$(101,408)	$(31,561)	$ (31,048)	$ 366,251	$21,500	$221,284
Cash Flows from Financing Activities:							
Payments on Short-Term Borrowings	$(598,000)	$—	$—	$ —	$ —	$—	$(598,000)
Payments on Miscellaneous Borrowings	(1,220)	(4,590)	(355)	(57)	—	—	(6,222)
Proceeds from Revolver - MLP	—	—	—	23,000	—	—	23,000
Distributions to Noncontrolling Interest	—	—	—	(30,486)	—	14,245	(16,241)
Pre-Merger Distributions to Parent	—	—	—	(8,953)	—	8,953	—
Dividends Paid	(2,294)	—	—	—	—	—	(2,294)
	4	—	—	—	—	—	4

Proceeds from Issuance of Common Stock							
Debt Issuance and Financing Fees	—	—	(482)	—	—	—	(482)
Net Cash (Used in) Provided by Continuing Operations	(601,510)	(4,590)	(837)	(16,496)	—	23,198	(600,235)
Net Cash Used in Discontinued Financing Activities	—	—	—	—	(14)	—	(14)
Net Cash (Used in) Provided by Financing Activities	$ (601,510)	$ (4,590)	$ (837)	$ (16,496)	$ (14)	$ 23,198	$ (600,249)

37

Cash Flow for the Nine Months Ended September 30, 2015 (unaudited):

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Net Cash (Used in) Provided by Continuing Operations	$(130,726)	$712,504	$(329,261)	$ 47,465	$20,053	$73,480	$393,515
Net Cash Provided by Discontinued Operating Activities	—	—	—	—	10,768	—	10,768
Net Cash (Used in) Provided by Operating Activities	$(130,726)	$712,504	$(329,261)	$ 47,465	$30,821	$73,480	$404,283
Cash Flows from Investing Activities:							
Capital Expenditures	$(8,607)	$(749,015)	$(80,928)	$ (25,712)	$—	$—	$(864,262)
Proceeds From Sales of Assets	47	3,600	79,327	70	—	—	83,044
Net Investments in Equity Affiliates	—	(62,860)	(7,364)	—	—	—	(70,224)
Net Cash Used in Continuing Operations	(8,560)	(808,275)	(8,965)	(25,642)	—	—	(851,442)
Net Cash Used in Discontinued Investing Activities	—	—	—	—	(30,894)	—	(30,894)
Net Cash Used in Investing Activities	$(8,560)	$(808,275)	$(8,965)	$ (25,642)	$(30,894)	$—	$(882,336)
Cash Flows from Financing Activities:							
Proceeds from (Payments on) Short-Term Borrowings	$945,000	$70,000	$—	$ —	$—	$(70,000)	$945,000
(Payments on) Proceeds from Miscellaneous Borrowings	(6,853)	(4,823)	4,148	6,005	—	—	(1,523)
Payments on Long-Term Borrowings	(1,263,719)	—	—	—	—	—	(1,263,719)
Proceeds from Long-Term Borrowings	492,760	—	—	—	—	—	492,760
Proceeds from Revolver - MLP	—	—	200,000	180,000	—	(200,000)	180,000
Proceeds from Sale of MLP Interest	—	—	148,359	148,359	—	(148,359)	148,359
Net Distributions from Offering to Parent	—	—	—	(342,711)	—	342,711	—
Net Change in Parent Advancements	—	—	—	(5,789)	—	5,789	—
	—	—	—	(355)	—	355	—

Pre-Merger Distributions to Parent							
Tax Benefit from Stock-Based Compensation	208	—	—	—	—	—	208
Dividends Paid	(30,991)	—	—	—	—	—	(30,991)
Proceeds from Issuance of Common Stock	8,288	—	—	—	—	—	8,288
Treasury Stock Activity	(71,674)	—	—	—	—	—	(71,674)
Debt Issuance and Financing Fees	—	—	(14,281)	(4,329)	—	(3,976)	(22,586)
Net Cash Provided by (Used in) Continuing Operations	73,019	65,177	338,226	(18,820)	—	(73,480)	384,122
Net Cash Used in Discontinued Financing Activities	—	—	—	—	(39)	—	(39)
Net Cash Provided by (Used in) Financing Activities	$73,019	$65,177	$338,226	$ (18,820)	$(39)	$(73,480)	$384,083

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

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Net Income (Loss)	$25,345	$96,834	$(9,170)	$6,401	$(34,979)	$(56,838)	$27,593
Other Comprehensive (Loss) Income:							
Actuarially Determined Long-Term Liability Adjustments	1,305	—	1,327	(22)	—	(1,305)	1,305
Reclassification of Cash Flow Hedge from OCI to Earnings	(12,458)	(12,458)	—	—	—	12,458	(12,458)
Other Comprehensive (Loss) Income:	(11,153)	(12,458)	1,327	(22)	—	11,153	(11,153)
Comprehensive Income (Loss)	14,192	84,376	(7,843)	6,379	(34,979)	(45,685)	16,440
Less: Net Income Attributable to Noncontrolling Interest	—	—	—	—	—	2,248	2,248
Comprehensive Income (Loss) Attributable to CONSOL Energy Inc. Shareholders	$14,192	$84,376	$(7,843)	$6,379	$(34,979)	$(47,933)	$14,192

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

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Net Income (Loss)	$118,980	$30,346	$118,441	$18,924	$(3,984)	$(157,237)	$125,470
Other Comprehensive (Loss) Income:							
Actuarially Determined Long-Term Liability Adjustments	(49,353)	—	(49,337)	(16)	—	49,353	(49,353)
Reclassification of Cash Flow Hedge from OCI to Earnings	(20,602)	(20,602)	—	—	—	20,602	(20,602)
Other Comprehensive (Loss) Income:	(69,955)	(20,602)	(49,337)	(16)	—	69,955	(69,955)
Comprehensive Income (Loss)	49,025	9,744	69,104	18,908	(3,984)	(87,282)	55,515
Less: Net Income Attributable to Noncontrolling Interest	—	—	—	—	—	6,490	6,490
Comprehensive Income (Loss) Attributable to CONSOL Energy Inc. Shareholders	$49,025	$9,744	$69,104	$18,908	$(3,984)	$(93,772)	$49,025

Statement of Comprehensive Income for the Nine Months Ended September 30, 2016 (unaudited):

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Net (Loss) Income	$(542,058)	$(94,238)	$(33,517)	$14,124	$(322,770)	$440,942	$(537,517)
Other Comprehensive (Loss) Income:							
Actuarially Determined Long-Term Liability Adjustments	6,866	—	6,936	(70)	—	(6,866)	6,866
Reclassification of Cash Flow Hedge from OCI to Earnings	(33,475)	(33,475)	—	—	—	33,475	(33,475)
Other Comprehensive (Loss) Income:	(26,609)	(33,475)	6,936	(70)	—	26,609	(26,609)
Comprehensive (Loss) Income	(568,667)	(127,713)	(26,581)	14,054	(322,770)	467,551	(564,126)
Less: Net Income Attributable to Noncontrolling Interest	—	—	—	—	—	4,541	4,541
Comprehensive (Loss) Income Attributable to CONSOL Energy Inc. Shareholders	$(568,667)	$(127,713)	$(26,581)	$14,054	$(322,770)	$463,010	$(568,667)

Statement of Comprehensive Income for the Nine Months Ended September 30, 2015 (unaudited):

	Parent	CNX Gas Guarantor	Other Subsidiary Guarantors	CNXC Non-Guarantor	Other Subsidiary Non-Guarantors	Elimination	Consolidated
Net (Loss) Income	$(405,291)	$(478,858)	$184,523	$53,082	$(1,001)	$248,744	$(398,801)
Other Comprehensive (Loss) Income:							
Actuarially Determined Long-Term Liability Adjustments	(40,036)	—	(38,284)	(1,752)	—		