

CONSOL Energy Inc
Form 10-Q
May 06, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 001-14901

CONSOL Energy Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1000 CONSOL Energy Drive

Canonsburg, PA 15317-6506

(724) 485-4000

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Shares outstanding as of April 18, 2014

Edgar Filing: CONSOL Energy Inc - Form 10-Q

Common stock, \$0.01 par value

229,907,689

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
ITEM 1. Condensed Financial Statements	
<u>Consolidated Statements of Income for the three months ended March 31, 2014 and 2013.</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013.</u>	<u>4</u>
<u>Consolidated Balance Sheets at March 31, 2014 and December 31, 2013.</u>	<u>5</u>
<u>Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2014.</u>	<u>7</u>
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013.</u>	<u>8</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>9</u>
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>59</u>
ITEM 4. <u>Controls and Procedures</u>	<u>60</u>
PART II OTHER INFORMATION	
ITEM 1. <u>Legal Proceedings</u>	<u>60</u>
ITEM 1A. <u>Risk Factors</u>	<u>60</u>
ITEM 4. <u>Mine Safety Disclosures</u>	<u>65</u>
ITEM 6. <u>Exhibits</u>	<u>66</u>

GLOSSARY OF CERTAIN OIL AND GAS MEASUREMENT TERMS

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

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

Bcf - One billion cubic feet of natural gas.

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

Btu - One British thermal unit.

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

Mcf - One thousand cubic feet of natural gas.

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

MMbtu - One million British Thermal units.

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

NGL - Natural gas liquids.

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

PART I : FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2014	2013
Revenues and Other Income:		
Natural Gas, NGLs and Oil Sales	\$266,298	\$167,842
Coal Sales	534,681	547,909
Other Outside Sales	69,287	68,684
Gas Royalty Interests and Purchased Gas Sales	30,219	15,562
Freight-Outside Coal	9,945	12,253
Miscellaneous Other Income	55,054	28,387
Gain on Sale of Assets	3,669	2,306
Total Revenue and Other Income	969,153	842,943
Costs and Expenses:		
Exploration and Production Costs		
Lease Operating Expense	29,243	22,014
Transportation, Gathering and Compression	53,782	48,433
Production, Ad Valorem, and Other Fees	10,187	4,569
Direct Administrative and Selling	11,653	11,086
Depreciation, Depletion and Amortization	71,729	52,988
Exploration and Production Related Other Costs	3,099	10,489
Production Royalty Interests and Purchased Gas Costs	26,096	12,765
Other Corporate Expenses	26,164	25,393
General and Administrative	17,364	8,590
Total Exploration and Production Costs	249,317	196,327
Coal Costs		
Operating and Other Costs	326,849	335,015
Royalties and Production Taxes	26,488	28,439
Direct Administrative and Selling	11,294	10,884
Depreciation, Depletion and Amortization	56,063	57,190
Freight Expense	9,945	12,253
General and Administrative Costs	12,513	9,301
Other Corporate Expenses	19,295	19,915
Total Coal Costs	462,447	472,997
Other Costs		
Miscellaneous Operating Expense	74,549	123,035
General and Administrative Costs	406	423
Depreciation, Depletion and Amortization	1,324	1,400
Interest Expense	50,931	53,377
Total Other Costs	127,210	178,235
Total Costs And Expenses	838,974	847,559
Earnings (Loss) Before Income Tax	130,179	(4,616)
Income Taxes	8,489	(892)
Income (Loss) From Continuing Operations	121,690	(3,724)
(Loss) Income From Discontinued Operations, net	(5,687)	1,903)

Edgar Filing: CONSOL Energy Inc - Form 10-Q

Net Income (Loss)	116,003	(1,821)
Less: Net Income Attributable to Noncontrolling Interests	—	257	
Net Income (Loss) Attributable to CONSOL Energy Shareholders	\$116,003	\$(1,564)

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

3

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

(Dollars in thousands, except per share data) (Unaudited)	Three Months Ended March 31,	
	2014	2013
Earnings (Loss) Per Share		
Basic		
Income (Loss) from Continuing Operations	\$0.53	\$ (0.02)
(Loss) Income from Discontinued Operations	(0.02	) 0.01
Total Basic Earnings (Loss) Per Share	\$0.51	\$ (0.01)
Dilutive		
Income (Loss) from Continuing Operations	\$0.53	\$ (0.02)
(Loss) Income from Discontinued Operations	(0.03	) 0.01
Total Dilutive Earnings (Loss) Per Share	\$0.50	\$ (0.01)
Dividends Paid Per Share	\$0.0625	\$—

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands) (Unaudited)	Three Months Ended March 31,	
	2014	2013
Net Income (Loss)	\$ 116,003	\$ (1,821)
Other Comprehensive Income (Loss):		
Actuarially Determined Long-Term Liability Adjustments (Net of tax: (\$2,985), (\$28,250))	5,119	45,757
Net Decrease in the Value of Cash Flow Hedges (Net of tax: \$30,856, \$11,984)	(46,965	) (18,595)
Reclassification of Cash Flow Hedges from OCI to Earnings (Net of tax: (\$10,951), \$13,966)	16,313	(22,713)
Other Comprehensive (Loss) Income	(25,533	) 4,449
Comprehensive Income	90,470	2,628
Add: Comprehensive Loss Attributable to Noncontrolling Interest	—	257
Comprehensive Income Attributable to CONSOL Energy Inc. Shareholders	\$ 90,470	\$ 2,885

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

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	(Unaudited)	
	March 31, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$314,087	\$327,420
Accounts and Notes Receivable:		
Trade	355,606	332,574
Notes Receivable	25,909	25,861
Other Receivables	239,848	243,973
Inventories	156,185	157,914
Deferred Income Taxes	265,226	211,303
Recoverable Income Taxes	4,434	10,705
Prepaid Expenses	97,541	135,842
Total Current Assets	1,458,836	1,445,592
Property, Plant and Equipment:		
Property, Plant and Equipment	13,850,618	13,578,509
Less—Accumulated Depreciation, Depletion and Amortization	4,245,627	4,136,247
Total Property, Plant and Equipment—Net	9,604,991	9,442,262
Other Assets:		
Investment in Affiliates	309,125	291,675
Notes Receivable	95	125
Other	211,428	214,013
Total Other Assets	520,648	505,813
TOTAL ASSETS	\$11,584,475	\$11,393,667

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

5

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	(Unaudited) March 31, 2014	December 31, 2013
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	\$506,584	\$514,580
Current Portion of Long-Term Debt	12,058	11,455
Other Accrued Liabilities	637,305	565,697
Current Liabilities of Discontinued Operations	14,400	28,239
Total Current Liabilities	1,170,347	1,119,971
Long-Term Debt:		
Long-Term Debt	3,115,175	3,115,963
Capital Lease Obligations	46,166	47,596
Total Long-Term Debt	3,161,341	3,163,559
Deferred Credits and Other Liabilities:		
Deferred Income Taxes	304,404	242,643
Postretirement Benefits Other Than Pensions	960,197	961,127
Pneumoconiosis Benefits	111,566	111,971
Mine Closing	320,270	320,723
Gas Well Closing	177,576	175,603
Workers' Compensation	71,358	71,468
Salary Retirement	42,506	48,252
Reclamation	39,587	40,706
Other	133,036	131,355
Total Deferred Credits and Other Liabilities	2,160,500	2,103,848
TOTAL LIABILITIES	6,492,188	6,387,378
Stockholders' Equity:		
Common Stock, \$.01 Par Value; 500,000,000 Shares Authorized, 229,829,983 Issued and Outstanding at March 31, 2014; 229,145,736 Issued and Outstanding at December 31, 2013	2,301	2,294
Capital in Excess of Par Value	2,385,545	2,364,592
Preferred Stock, 15,000,000 shares authorized, None issued and outstanding	—	—
Retained Earnings	3,055,091	2,964,520
Accumulated Other Comprehensive Loss	(350,650)	(325,117)
Total CONSOL Energy Inc. Stockholders' Equity	5,092,287	5,006,289
TOTAL LIABILITIES AND EQUITY	\$11,584,475	\$11,393,667

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

6

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

(Dollars in thousands, except per share data)	Common Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total CONSOL Energy Inc. Stockholders' Equity
December 31, 2013 (Unaudited)	\$2,294	\$2,364,592	\$2,964,520	\$ (325,117)	\$5,006,289
Net Income	—	—	116,003	—	116,003
Other Comprehensive Loss	—	—	—	(25,533)	(25,533)
Comprehensive Income (Loss)	—	—	116,003	(25,533)	90,470
Issuance of Common Stock	7	4,969	—	—	4,976
Treasury Stock Activity	—	—	(11,081)	—	(11,081)
Tax Cost From Stock-Based Compensation	—	92	—	—	92
Amortization of Stock-Based Compensation Awards	—	15,892	—	—	15,892
Dividends (\$0.0625 per share)	—	—	(14,351)	—	(14,351)
Balance at March 31, 2014	\$2,301	\$2,385,545	\$3,055,091	\$ (350,650)	\$5,092,287

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

7

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Three Months Ended		
	March 31,		
	2014	2013	
Operating Activities:			
Net Income (Loss)	\$ 116,003	\$(1,821))
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Continuing Operating Activities:			
Net Loss (Income) from Discontinued Operations	5,687	(1,903))
Depreciation, Depletion and Amortization	129,116	111,578	
Stock-Based Compensation	15,892	26,069	
Gain on Sale of Assets	(3,669)	(2,176))
Deferred Income Taxes	8,149	305	
Equity in Earnings of Affiliates	(7,450)	(4,797))
Changes in Operating Assets:			
Accounts and Notes Receivable	(22,231)	) 27,137	
Inventories	1,729	30,732	
Prepaid Expenses	15,493	8,676	
Changes in Other Assets	354	10,858	
Changes in Operating Liabilities:			
Accounts Payable	16,595	(26,474))
Accrued Interest	51,233	50,307	
Other Operating Liabilities	18,260	(27,755))
Changes in Other Liabilities	3,655	6,236	
Other	1,125	6,706	
Net Cash Provided by Continuing Operations	349,941	213,678	
Net Cash (Used in) Provided by Discontinued Operating Activities	(13,839)	) 54,603	
Net Cash Provided by Operating Activities	336,102	268,281	
Cash Flows from Investing Activities:			
Capital Expenditures	(451,009)	) (349,817))
Change in Restricted Cash	—	48,294	
Proceeds from Sales of Assets	125,528	74,623	
Net Investments In Equity Affiliates	(10,000)	) (12,500))
Net Cash Used in Investing Activities in Continuing Operations	(335,481)	) (239,400))
Net Cash Used in Investing Activities in Discontinued Operations	—	7,858	
Net Cash Used in Investing Activities	(335,481)	) (231,542))
Cash Flows from Financing Activities:			
Payments on Miscellaneous Borrowings	(4,670)	) (27,451))
Proceeds from Securitization Facility	—	(7,727))
Tax Benefit from Stock-Based Compensation	92	730	
Dividends Paid	(14,351))	
Issuance of Common Stock	4,976	909	
Treasury Stock Activity	(1))	
Debt Issuance and Financing Fees	—	131	
Net Cash Used in Financing Activities in Continuing Operations	(13,954)	) (33,408))
Net Cash Used in Financing Activities in Discontinued Operations	—	(150))
Net Cash Used in Financing Activities	(13,954)	) (33,558))
Net (Decrease) Increase in Cash and Cash Equivalents	(13,333)	) 3,181	
Cash and Cash Equivalents at Beginning of Period	327,420	21,861	

Cash and Cash Equivalents at End of Period	\$314,087	\$25,042
--	-----------	----------

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

8

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 months ended March 31, 2014 are not necessarily indicative of the results that may be expected for future periods.

The balance sheet at December 31, 2013 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, 2013 included in CONSOL Energy Inc.'s Form 10-K.

Certain amounts in prior periods have been reclassified to conform with the report classifications of the year ended December 31, 2013, with no effect on previously reported net income or stockholders' equity.

Basic earnings per share are computed by dividing net income (loss) attributable to 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 the assumed exercise of stock options, performance stock options, and CONSOL stock units, and the assumed vesting of restricted and performance share units, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, performance share options, and CONSOL stock units 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 Inc. (CONSOL Energy or the Company) 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:

	Three Months Ended March 31,	
	2014	2013
Anti-Dilutive Options	359,488	5,011,771
Anti-Dilutive Restricted Stock Units	—	1,459,228
Anti-Dilutive Performance Share Units	—	700,040
Anti-Dilutive Performance Share Options	—	602,101
Anti-Dilutive CONSOL Stock Units	—	891,921
	359,488	8,665,061

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

	Three Months Ended March 31,	
	2014	2013
Options	265,339	84,994
Restricted Stock Units	334,399	478,509
Performance Share Units	378,971	159,228

978,709

722,731

The weighted average exercise price per share of the options exercised during the three months ended March 31, 2014 and 2013 was \$18.74 and \$10.65, respectively.

9

Edgar Filing: CONSOL Energy Inc - Form 10-Q

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

	Three Months Ended March 31,		
	2014	2013	
Income (Loss) from Continuing Operations	\$ 121,690	\$(3,724)
(Loss) Income from Discontinuing Operations	(5,687	) 1,903)
Less: Net Income Attributable to Noncontrolling Interest	—	257)
Net Income (Loss) Attributable to CONSOL Energy Inc. Shareholders	\$ 116,003	\$(1,564)
Weighted average shares of common stock outstanding:			
Basic	229,526,033	228,318,123	
Effect of stock-based compensation awards	1,341,493	—	
Dilutive	230,867,526	228,318,123	
Earnings per share:			
Basic (Continuing Operations)	\$0.53	\$(0.02)
Basic (Discontinuing Operations)	(0.02	) 0.01)
Total Basic	\$0.51	\$(0.01)
Dilutive (Continuing Operations)	\$0.53	\$(0.02)
Dilutive (Discontinuing Operations)	(0.03	) 0.01)
Total Dilutive	\$0.50	\$(0.01)

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

	Gains and Losses on Cash Flow Hedges	Postretirement Benefits	Total	
Balance at December 31, 2013	\$ 42,493	\$ (367,610	) \$(325,117)
Other comprehensive income before reclassifications	(46,965	) —	(46,965)
Amounts reclassified from accumulated other comprehensive income	16,313	5,119	21,432	
Current period other comprehensive income	(30,652	) 5,119	(25,533)
Balance at March 31, 2014	\$ 11,841	\$ (362,491	) \$(350,650)

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

	Three Months Ended March 31,		
	2014	2013	
Derivative Instruments (Note 12)			
Natural gas price swaps and options	\$ 27,264	\$(36,679)
Tax (expense) benefit	(10,951	) 13,966)
Net of tax	\$ 16,313	\$(22,713)
Actuarially Determined Long-Term Liability Adjustments*(Note 3 and Note 4)			
Amortization of prior service costs	\$(2,542	) \$(8,212)
Recognized net actuarial loss	10,646	25,188	
Settlement loss	—	27,115	
Total	8,104	44,091	
Tax expense	(2,985	) (16,831)
Net of tax	\$ 5,119	\$ 27,260	

*Excludes \$18,497, net of tax, related to the remeasurement of the Actuarially Determined Long-Term Liabilities for the three months ended March 31, 2013.

NOTE 2—ACQUISITIONS AND DISPOSITIONS:

In March 2014, CONSOL Energy completed a sale-leaseback of longwall shields for the BMX Mine. Cash proceeds for the sale offset the basis of \$75,357; therefore, no gain or loss was recognized on the sale. The lease has been accounted for as an operating lease. The lease term is five years.

In December 2013, CONSOL Energy completed the sale of its Consolidation Coal Company (CCC) subsidiary, which includes all five of its longwall coal mines in West Virginia, to a subsidiary of Murray Energy Corporation (Murray Energy). CONSOL Energy retained overriding royalty interests in certain reserves sold in the agreement. Murray Energy also assumed \$2,050,656 of CONSOL Energy's employee benefit obligations valued as of December 5, 2013 and its UMWA 1974 Pension Trust obligations. Murray Energy is primarily liable for all 1993 Coal Act liabilities. Cash proceeds of \$825,285 were received related to this transaction, which were net of \$24,715 in transaction fees. Proceeds are subject to adjustments related to working capital. A pre-tax gain of \$1,035,346 was included in Income from Discontinued Operations on the Consolidated Statement of Income. In the first quarter of 2014, there was a pre-tax reduction in gain on sale of \$7,044 related to the estimated working capital adjustment and various other miscellaneous items. Final settlement of working capital adjustments are currently being evaluated and are not expected to be material.

For all periods presented in the accompanying Consolidated Statements of Income, the sale of CCC was classified as discontinued operations. There were no other active businesses classified as discontinued operations in the presented periods.

In December 2013, CONSOL Energy acquired the gas drilling rights to approximately 90,000 contiguous acres from Dominion Transmission, a unit of Dominion Resources. The acreage, which is associated with Dominion's Fink-Kennedy, Lost Creek, and Racket Newberne gas storage fields in West Virginia, lies in the northern portion of Lewis County and the southern portion of Harrison County. CONSOL Energy anticipates that over one-half of the acres will have wet gas. CONSOL Energy has acquired the gas rights to both the Marcellus Shale and the Upper Devonian formations in the storage fields. Consideration of up to \$190,000 will be paid by CONSOL Energy in two installments: 50% was paid at closing and the balance is due over time as the acres are drilled. In addition, CONSOL Energy will pay an overriding royalty to Dominion Resources based on a sliding scale. Finally, CONSOL Energy has committed to be an anchor shipper on Dominion's transmission system, with the specific terms to be negotiated at a future date. CONSOL Energy paid \$91,243 in 2013 related to this transaction. In the first quarter of 2014, CONSOL Energy made an additional bonus payment of \$12,000 to Dominion Transmission. Noble Energy, our joint venture partner, acquired 50% of the acres and will reimburse CONSOL Energy for 50% of the associated costs.

During the three months ended March 31, 2013, CNX Gas Company LLC (CNX Gas Company), a wholly owned subsidiary of CONSOL Energy, completed negotiations with the Allegheny County Airport Authority, which operates the Pittsburgh International Airport and the Allegheny County Airport, for the lease of the oil and gas rights on approximately 9.3 thousand acres. A majority of these contiguous acres are in the liquids area of the Marcellus Shale play. CNX Gas Company paid \$46,315 as an up-front bonus payment at closing. Approximately 7.6% of the bonus payment was placed into escrow while negotiations continue for a portion of the acres associated with the Allegheny County Airport and other acres that have potentially defective title. CNX Gas Company must spud a well by February 21, 2015 and proceed with due diligence to complete the well or the lease terminates and CNX Gas Company foregoes the bonus. Our joint venture partner, Noble Energy, has reimbursed CNX Gas Company for 50% of the associated costs during the year ended December 31, 2013.

In January 2013, CONSOL Energy completed a sale-leaseback of longwall shields for the Bailey Mine. Cash proceeds for the sale were \$71,166. A loss of \$358 was recognized due to transaction fees and is included in Other Income in the Consolidated Statement of Income. The lease has been accounted for as an operating lease. The lease term is five

years.

11

NOTE 3—COMPONENTS OF PENSION AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS NET PERIODIC BENEFIT COSTS:

Components of net periodic costs (benefits) for the three months ended March 31 are as follows:

	Pension Benefits		Other Post-Employment Benefits	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Service cost	\$4,308	\$5,706	\$2,331	\$4,849
Interest cost	9,151	8,843	12,097	29,619
Expected return on plan assets	(12,747	) (12,144) —	—
Amortization of prior service credits	(346	) (408	) (2,196	) (7,804
Recognized net actuarial loss	5,891	12,175	6,369	17,595
Settlement loss	—	27,115	—	—
Net periodic benefit cost	\$6,257	\$41,287	\$18,601	\$44,259

Expenses attributable to discontinued operations included in net periodic cost above were \$2,862 and \$25,394 for the three months ended March 31, 2013 for the Pension Plans and the Other Post-Employment Benefit Plan, respectively.

For the three months ended March 31, 2014, \$6,197 was paid to the pension trust from operating cash flows. Currently, depending upon asset values and asset returns held in the trust, we expect to contribute \$24,000 to the pension trust in 2014. Net periodic benefit costs are allocated to Exploration and Production Costs - Direct Administrative and Selling Expenses and Coal Costs - Operating and Other Costs in the Consolidated Statements of Income.

According to the Defined Benefit Plans Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, if the lump sum distributions made for the 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 months ended March 31, 2013. Accordingly, CONSOL Energy recognized expense of \$27,115 for the three months ended March 31, 2013 in Other Costs - Miscellaneous Operating Expense in the Consolidated Statements of Income. The settlement charges represented a pro rata portion of the net unrecognized loss based on the percentage reduction in the projected benefit obligation due to the lump sum payments. The settlement charges noted above also resulted in a remeasurement of the pension plan at March 31, 2013. The March 31, 2013 remeasurement resulted in a change to the discount rate to 4.12% at March 31, 2013 from 4.00% at December 31, 2012. The remeasurement reduced the pension liability by \$29,916. The settlement and corresponding remeasurement of the pension plan resulted in an adjustment of \$35,261 in Other Comprehensive Income, net of \$21,770 in deferred taxes. It is reasonably possible that CONSOL Energy will incur settlement charges in 2014, which would require the pension plan to be remeasured using updated assumptions.

CONSOL Energy does not expect to contribute to the other post-employment benefit plan in 2014. We intend to pay benefit claims as they become due. For the three months ended March 31, 2014, \$14,842 of other post-employment benefits have been paid.

NOTE 4—COMPONENTS OF COAL WORKERS' PNEUMOCONIOSIS (CWP) AND WORKERS' COMPENSATION NET PERIODIC BENEFIT COSTS:

Components of net periodic costs (benefits) for the three months ended March 31, are as follows:

	CWP		Workers' Compensation	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Service cost	\$1,419	\$2,135	\$2,445	\$3,533
Interest cost	1,384	1,808	894	1,655
Amortization of actuarial gain	(1,549	) (4,213	) (95	) (699
State administrative fees and insurance bond premiums	—	—	1,111	1,659
Legal and administrative costs	—	—	—	591
Net periodic cost (benefit)	\$1,254	\$(270	) \$4,355	\$6,739

Expenses (income) attributable to discontinued operations included in the net periodic cost (benefit) above were \$(164) and \$2,535 for the three months ended March 31, 2013 for CWP and Workers' Compensation, respectively. CONSOL Energy does not expect to contribute to the CWP plan in 2014. We intend to pay benefit claims as they become due. For the three months ended March 31, 2014, \$3,210 of CWP benefit claims have been paid.

CONSOL Energy does not expect to contribute to the workers' compensation plan in 2014. We intend to pay benefit claims as they become due. For the three months ended March 31, 2014, \$4,627 of workers' compensation benefits, state administrative fees and surety bond premiums have been paid.

NOTE 5—INCOME TAXES:

The effective tax rate for the three months ended March 31, 2014 and 2013 was 6.5% and 19.3%, respectively.

The effective rate for the three months ended March 31, 2014 differs from the U.S. federal statutory rate of 35% primarily due to a \$27,422 income tax benefit for excess percentage depletion, a \$8,820 discrete income tax benefit related to the completion of the Internal Revenue Service audit of tax years 2008 and 2009, and a \$7,766 discrete income tax benefit as a result of changes in estimates of excess percentage depletion and Domestic Production Activities Deduction related to the prior-year tax provision.

For the three months ended March 31, 2014, CONSOL Energy recognized certain tax benefits as a result of changes in estimates related to a prior-year tax provision. The tax benefit of \$8,351 related to increased percentage depletion deductions offset by \$585 of tax expense related to changes in the Domestic Production Activities Deduction and various other estimates.

The effective rate for the three months ended March 31, 2013 differs from the U.S. federal statutory rate of 35% primarily due to a \$1,343 income tax charge for the effect of excess percentage depletion on annual profitability.

The total amounts of uncertain tax positions at March 31, 2014 and 2013 were \$2,540 and \$22,770, respectively. If these uncertain tax positions were recognized, approximately \$1,651 and \$2,071, respectively, would affect CONSOL Energy's effective tax rate. There were no additions to the liability for unrecognized tax benefits during the three months ended March 31, 2014 and 2013. The reduction in uncertain tax positions was due to the completion of the Internal Revenue Service audit of the 2008 and 2009 tax years.

CONSOL Energy recognizes interest accrued related to uncertain tax positions in its interest expense. As of March 31, 2014 and 2013, the Company reported an accrued interest liability relating to uncertain tax positions of \$1,351 and

\$5,165, respectively. The accrued interest liability includes \$4,849 of interest income and \$335 of interest expense that is reflected in the Company's Consolidated Statements of Income for the three months ended March 31, 2014 and 2013, respectively.

CONSOL Energy recognizes penalties accrued related to uncertain tax positions in its income tax expense. As of March 31, 2014 and 2013, CONSOL Energy had no accrued liability for tax penalties.

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 Internal Revenue Service has issued its audit report related to the examination of CONSOL Energy's 2008 and 2009 U.S. income tax returns during the three months ended March 31, 2014. As a result of these findings, CONSOL Energy paid federal income tax deficiencies of \$4,464 and \$1,001, respectively. The deficiencies were the result of changes in the timing of certain tax deductions. The changes in timing of these tax deductions increased the tax benefit of percentage depletion by \$2,925 and \$4,493 in tax years 2008 and 2009, respectively. The Company also recognized additional tax benefits of \$1,402 primarily related to an increase in the Domestic Production Activities Deduction for the audited periods.

NOTE 6—INVENTORIES:

Inventory components consist of the following:

	March 31, 2014	December 31, 2013
Coal	\$32,099	\$31,944
Merchandise for resale	36,069	38,263
Supplies	88,017	87,707
Total Inventories	\$156,185	\$157,914

Inventories are stated at the lower of cost or market. 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.

Merchandise for resale is valued using the last-in, first-out (LIFO) cost method. The excess of replacement cost of merchandise for resale inventories over carrying LIFO value was \$19,424 and \$18,836 at March 31, 2014 and December 31, 2013, respectively.

NOTE 7—ACCOUNTS RECEIVABLE SECURITIZATION:

CONSOL Energy and certain of our U.S. subsidiaries are party to a trade accounts receivable facility with financial institutions for the sale on a continuous basis of eligible trade accounts receivable. The facility allows CONSOL Energy to receive on a revolving basis up to \$125,000. The facility also allows for the issuance of letters of credit against the \$125,000 capacity which was reduced from \$200,000 on March 28, 2014. At March 31, 2014, there were letters of credit outstanding against the facility of \$61,930. CONSOL Energy management believes that these letters of credit will expire without being funded, and therefore the commitments will not have a material adverse effect on the Company's financial condition. No amounts related to these financial guarantees and letters of credit are recorded as liabilities on the financial statements.

CNX Funding Corporation, a wholly owned, special purpose, bankruptcy-remote subsidiary, buys and sells eligible trade receivables generated by certain subsidiaries of CONSOL Energy. Under the receivables facility, CONSOL Energy and certain subsidiaries, irrevocably and without recourse, sell all of their eligible trade accounts receivable to CNX Funding Corporation, who in turn sells 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 is included in Accounts and Notes Receivable Trade in the Consolidated Balance Sheets, is recorded at fair value. Due to a short average collection cycle for such receivables, our collection experience history and the composition of the designated pool of trade accounts receivable that are part of this program, the fair value of our retained interest approximates the total amount of the designated pool of accounts receivable. CONSOL Energy will continue to service the sold trade receivables for the financial institutions for a fee based upon market rates for similar services.

In accordance with the Transfers and Servicing Topics of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, CONSOL Energy records transactions under the securitization facility as secured borrowings on the Consolidated Balance Sheets. The pledge of collateral is reported as Accounts Receivable - Securitized and the borrowings are classified as debt in Borrowings under Securitization Facility.

The cost of funds under this facility is based upon commercial paper rates or LIBOR, plus a charge for administrative services paid to the financial institutions. Costs associated with the receivables facility totaled \$279 and \$472 for the three months ended March 31, 2014 and 2013, respectively. These costs have been recorded as financing fees which are included in

in the Miscellaneous Operating Expense in the Other Cost line in the Consolidated Statements of Income. No servicing asset or liability has been recorded. The receivables facility expires in March 2015.

At March 31, 2014 and December 31, 2013, eligible accounts receivable totaled \$98,500 and \$115,000, respectively. There was \$36,570 subordinated retained interest at March 31, 2014 and \$48,945 subordinated retained interest at December 31, 2013. There were no borrowings under the Securitization Facility recorded on the Consolidated Balance Sheet as of March 31, 2014 and no borrowings at December 31, 2013. The accounts receivable securitization program had no change in the three months ended March 31, 2014 and decreased by \$7,727 in the three months ended March 31, 2013. The decrease is reflected in the Net Cash Used in Financing Activities in the Consolidated Statement of Cash Flows. In accordance with the facility agreement, the Company is able to receive proceeds based upon the eligible accounts receivable at the previous month end.

NOTE 8—PROPERTY, PLANT AND EQUIPMENT:

	March 31, 2014	December 31, 2013
Coal and other plant and equipment	\$3,695,573	\$3,681,051
Intangible drilling cost	2,044,717	1,937,336
Proven gas properties	1,673,555	1,670,404
Unproven gas properties	1,483,016	1,463,406
Coal properties and surface lands	1,404,043	1,409,408
Gas gathering equipment	1,082,873	1,058,008
Gas wells and related equipment	718,653	688,548
Airshafts	414,181	397,466
Mine development	411,432	354,607
Leased coal lands	388,033	388,020
Coal advance mining royalties	385,197	381,348
Other gas assets	127,019	126,239
Gas advance royalties	22,326	22,668
Total Property Plant and Equipment	13,850,618	13,578,509
Less: Accumulated DD&A	4,245,627	4,136,247
Total Net PP&E	\$9,604,991	\$9,442,262

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 our retained interests.

CNX Gas Company LLC (CNX Gas Company), a wholly owned subsidiary of CONSOL Energy, is party to a joint development agreement with Hess Ohio Developments, LLC (Hess) with respect to approximately 109 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 March 31, 2014, Hess' remaining carry obligation is \$208,127.

CNX Gas Company is party to a joint development agreement with Noble Energy, Inc. (Noble) with respect to approximately 437 thousand net Marcellus Shale oil and gas 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 \$1,884,000 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. Due to the increase in average natural gas prices, the carry is in effect beginning March 1, 2014, and will remain effective until average natural gas prices are below \$4.00/MMbtu for three consecutive months. Restrictions also include a \$400,000 annual maximum on Noble Energy's carried cost obligation. As of March 31, 2014, Noble Energy's remaining carry obligation is \$1,859,978.

NOTE 9—SHORT-TERM NOTES PAYABLE:

CONSOL Energy's \$1,000,000 Senior Secured Credit Agreement, as amended, expires April 12, 2016. The amendment reduced the availability from \$1,500,000 to \$1,000,000 resulting in an acceleration of previously deferred financing charges of \$3,195 during the year ended December 31, 2013. The facility is secured by substantially all of the assets of CONSOL Energy and certain of its subsidiaries. CONSOL Energy's credit facility allows for up to \$1,000,000 of borrowings and letters of credit. CONSOL Energy can request an additional \$250,000 increase in the aggregate borrowing limit amount. Fees and interest rate spreads are based on a ratio of financial covenant debt to twelve-month trailing earnings before interest, taxes, depreciation, depletion and amortization (Adjusted EBITDA), measured quarterly. The facility includes a minimum interest coverage ratio covenant of no less than 1.50 to 1.00, measured quarterly through March 30, 2015 and 2.00 to 1.00 thereafter. The interest coverage ratio was 2.52 to 1.00 at March 31, 2014. The facility also includes a senior secured leverage ratio covenant of not more than 2.00 to 1.00, measured quarterly. The senior secured leverage ratio was 0.00 to 1.00 at March 31, 2014. Affirmative and negative covenants in the facility limit our 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. At March 31, 2014, the \$1,000,000 facility had no borrowings outstanding and \$167,941 of letters of credit outstanding, leaving \$832,059 of unused capacity. At December 31, 2013, the \$1,000,000 facility had no borrowings outstanding and \$206,988 of letters of credit outstanding, leaving \$793,012 of unused capacity.

CNX Gas Corporation's (CNX Gas) \$1,000,000 Senior Secured Credit Agreement expires April 12, 2016. The facility is secured by substantially all of the assets of CNX Gas and its subsidiaries. CNX Gas' credit facility allows for up to \$1,000,000 for borrowings and letters of credit. CNX Gas can request an additional \$250,000 increase in the aggregate borrowing limit amount. Fees and interest rate spreads are based on the percentage of facility utilization, measured quarterly. Covenants in the facility limit CNX Gas' ability to dispose of assets, make investments, pay dividends and merge with another corporation. The credit facility allows unlimited investments in joint ventures for the development and operation of gas gathering systems and provides for \$600,000 of loans, advances and dividends from CNX Gas to CONSOL Energy. Investments in CONE Gathering, LLC (CONE) are unrestricted. The facility includes a maximum leverage ratio covenant of not more than 3.50 to 1.00, measured quarterly. The leverage ratio was 0.42 to 1.00 at March 31, 2014. The facility also includes a minimum interest coverage ratio covenant of no less than 3.00 to 1.00, measured quarterly. This ratio was 35.48 to 1.00 at March 31, 2014. At March 31, 2014, the \$1,000,000 facility had no borrowings outstanding and \$94,703 of letters of credit outstanding, leaving \$905,297 of unused capacity. At December 31, 2013, the \$1,000,000 facility had no borrowings outstanding and \$87,643 of letters of credit outstanding, leaving \$912,357 of unused capacity.

NOTE 10—LONG-TERM DEBT:

	March 31, 2014	December 31, 2013
Debt:		
Senior notes due April 2017 at 8.00%, issued at par value	\$1,500,000	\$1,500,000
Senior notes due April 2020 at 8.25%, issued at par value	1,250,000	1,250,000
Senior notes due March 2021 at 6.375%, issued at par value	250,000	250,000
MEDCO revenue bonds in series due September 2025 at 5.75%	102,865	102,865
Advance royalty commitments (7.93% weighted average interest rate for March 31, 2014 and December 31, 2013)	11,182	11,182
Other long-term notes maturing at various dates through 2031 (total value of \$5,580 and \$5,923 less unamortized discount of \$940 and \$1,050 at March 31, 2014 and December 31, 2013, respectively).	4,640	4,873
	3,118,687	3,118,920
Less amounts due in one year *	3,512	2,957
Long-Term Debt	\$3,115,175	\$3,115,963

Edgar Filing: CONSOL Energy Inc - Form 10-Q

* Excludes current portion of Capital Lease Obligations of \$8,546 and \$8,498 at March 31, 2014 and December 31, 2013, respectively.

Accrued interest related to Long-Term Debt of \$113,593 and \$63,272 was included in Other Accrued Liabilities in the Consolidated Balance Sheets at March 31, 2014 and December 31, 2013, respectively.

NOTE 11—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. We accrue the estimated loss for these lawsuits and claims when the loss is probable and can be estimated. Our 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 \$390,121.

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

Asbestos-Related Litigation: One of our subsidiaries, Fairmont Supply Company (Fairmont), which distributes industrial supplies, currently is named as a defendant in approximately 6,900 asbestos-related claims in state courts in Pennsylvania, Ohio, West Virginia, Maryland, Texas and Illinois. Because a very small percentage of products manufactured by third parties and supplied by Fairmont in the past may have contained asbestos and many of the pending claims are part of mass complaints filed by hundreds of plaintiffs against a hundred or more defendants, it has been difficult for Fairmont to determine how many of the cases actually involve valid claims or plaintiffs who were actually exposed to asbestos-containing products supplied by Fairmont. In addition, while Fairmont may be entitled to indemnity or contribution in certain jurisdictions from manufacturers of identified products, the availability of such indemnity or contribution is unclear at this time, and in recent years, some of the manufacturers named as defendants in these actions have sought protection from these claims under bankruptcy laws. Fairmont has no insurance coverage with respect to these asbestos cases. Based on over 15 years of experience with this litigation, we have established an accrual to cover our estimated liability for these cases. This accrual is immaterial to the overall financial position of CONSOL Energy and was included in Other Accrued Liabilities on the Consolidated Balance Sheets. Past payments by Fairmont with respect to asbestos cases have not been material.

Hale Litigation: A purported class action lawsuit was filed on September 23, 2010 in the U.S. District Court in Abingdon, Virginia styled Hale v. CNX Gas Company, et. al. The lawsuit alleges that the plaintiff class consists of forced-pooled unleased gas owners whose gas ownership is in conflict, the Virginia Supreme Court and General Assembly have decided that coalbed methane (CBM) belongs to the owner of the gas estate, the Virginia Gas and Oil Act of 1990 unconstitutionally provides only a 1/8 net proceeds royalty to CBM owners for gas produced under the forced-pooled orders, and CNX Gas Company relied upon control of only the coal estate in force pooling the CBM notwithstanding decisions by the Virginia Supreme Court. The lawsuit seeks a judicial declaration of ownership of the CBM and that the entire net proceeds of CBM production (that is, the 1/8 royalty and the 7/8 of net revenues since production began) be distributed to the class members. The lawsuit also alleges 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. In ruling on our Motion to Dismiss, the District Judge decided that the deemed lease provision of the Gas and Oil Act is constitutional as is the 1/8 royalty. An amended complaint was filed, which added additional allegations that include gas hedging receipts should have been used as the basis for royalty payments, severance tax should not be allowed as a post-production deduction from royalties, and damages incurred because gas was produced prior to the entry of pooling orders. A motion to dismiss the Amended Complaint was filed and denied. The Magistrate Judge issued a Report & Recommendation on June 5, 2013, recommending that the District Judge grant plaintiffs' Motion for Class Certification. On September 30, 2013, the District Judge entered an Order overruling CNX Gas Company's Objections,

adopting the Report & Recommendation and certifying the class with a modified class definition. CONSOL Energy believes this case cannot properly proceed as a class action and filed a Petition asking the U.S. Court of Appeals for the Fourth Circuit to review the class certification Order. On November 13, 2013, the Fourth Circuit entered an Order deferring a ruling on the Petition but assigning the case to a merits panel. Now fully briefed, oral argument is scheduled before the Fourth Circuit on May 13, 2014. Plaintiffs filed Motions for Summary Judgment on the issue of ownership of the gas royalty escrow accounts and seeking an accounting. The Fourth Circuit denied a Motion to Stay the trial court proceedings while it considers the class certification issues, and the District Judge heard argument on the summary judgment motions on January 6, 2014. CONSOL Energy believes that the case has meritorious defenses and intends to defend it vigorously. We have established an accrual to cover our 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: A purported class action lawsuit was filed on April 28, 2010 in the United States District Court in Abingdon, Virginia styled Addison v. CNX Gas Company, et al. The lawsuit alleges that the plaintiff class consists of gas lessors

whose gas ownership is in conflict. The lawsuit alleges that the Virginia Supreme Court and General Assembly have decided that the plaintiff owns the gas and is entitled to royalties held in escrow by the Commonwealth of Virginia or CNX Gas Company. The lawsuit also alleges CNX Gas Company failed to either pay royalties due 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. Plaintiff seeks a declaratory judgment regarding ownership, an accounting and compensatory and punitive damages for breach of contract; conversion; negligence (voluntary undertaking) for improperly asserting that conflicting ownership exists, negligence (breach of duties as an operator); breach of fiduciary duties; and unjust enrichment. The District Judge granted, in part, CNX Gas Company's Motion to Dismiss. An Amended Complaint was filed which added an additional allegation that gas hedging receipts should have been used as the basis for royalty payments. A motion to dismiss those claims was filed and was denied. The Magistrate Judge issued a Report & Recommendation on June 5, 2013, recommending that the District Judge grant plaintiffs' Motion for Class Certification. On September 30, 2013, the District Judge entered an Order overruling CNX Gas Company's Objections, adopting the Report & Recommendation and certifying the class with a modified class definition. CNX Gas believes this case cannot properly proceed as a class action and filed a Petition asking the U.S. Court of Appeals for the Fourth Circuit to review the class certification Order. On November 13, 2013, the Fourth Circuit entered an Order deferring a ruling on the Petition but assigning the case to a merits panel. Now fully briefed, the Fourth Circuit has scheduled oral argument for May 13, 2014. Plaintiffs have filed Motions for Summary Judgment on the issue of ownership of the gas royalty escrow accounts and seeking an accounting. The Fourth Circuit denied a Motion to Stay the trial court proceedings while it considers the class certification issues, and the District Judge heard argument on the summary judgment motions on January 6, 2014. CONSOL Energy believes that the case has meritorious defenses and intends to defend it vigorously. We have established an accrual to cover our estimated liability for this case. This accrual is immaterial to the overall financial position of CONSOL Energy and was included in Other Accrued Liabilities on the Consolidated Balance Sheets.

The following royalty and land right lawsuits and claims include those for which a loss is reasonably possible, but not probable, and accordingly, no accrual has 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 are 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.

Ratliff Litigation: On January 30, 2013, the Company was served with a complaint filed on behalf of four individuals against Consolidation Coal Company (CCC), Island Creek Coal Company (ICCC), CNX Gas Company, as well as CONSOL Energy itself in the United States District Court for the Western District of Virginia. The complaint seeks damages and injunctive relief in connection with the deposit of water from mining activities at the Buchanan Mine (formerly owned by CCC) into nearby void spaces at some of the mines of ICCC, voids ostensibly underlying their property. The suit alleges damage to coal and coalbed methane and seek recovery in tort, contract and assumpsit (quasi-contract). The suit seeks damages of approximately \$50,000 plus punitive damages. The defendants have asserted Virginia's Mine Void Statute as a defense to plaintiffs' claims and the plaintiffs have challenged the constitutionality of that statute. On March 18, 2014, the District Court concluded, in ruling on Defendants' Motion to Dismiss, it could not resolve either the constitutionality or the applicability of the Mine Void Statute on the current record. Discovery is ongoing. CONSOL Energy intends to vigorously defend the suit.

Kennedy Litigation: The Company is a party to a case filed on March 26, 2008 captioned Earl Kennedy (and others) v. CNX Gas Company and CONSOL Energy in the Court of Common Pleas of Greene County, Pennsylvania. The lawsuit alleges that CNX Gas Company and CONSOL Energy trespassed and converted gas and other minerals

allegedly belonging to the plaintiffs in connection with wells drilled by CNX Gas Company. The complaint, as amended, seeks injunctive relief, including removing CNX Gas Company from the property, and compensatory damages of \$20,000. The suit also sought to overturn existing law as to the ownership of coalbed methane in Pennsylvania, but that claim was dismissed by the court. The suit further sought a determination that the Pittsburgh 8 coal seam does not include the “roof/rider” coal. The court held a bench trial on the “roof/rider” coal issue in November 2011 and ruled in favor of CNX Gas Company and CONSOL Energy. On March 3, 2014, the Company won summary judgment on Counts 1 through 10 of the Amended Complaint, each relating to the alleged trespass of horizontal CBM wells into strata other than the Pittsburgh 8 Seam. The Court rejected each of those claims, essentially holding that if CNX Gas Company went out of the coal seam, it had no intention to do so and, in any event, the plaintiff could not prove any damages as a result. The last remaining Count, seeking to quiet title to approximately 40 acres of Pittsburgh Seam coal, was nonsuited by Plaintiffs, without prejudice, on March 26, 2014. On March 28, 2014, Plaintiffs filed Notices of Appeal with the Pennsylvania Superior Court on all issues decided in CONSOL Energy’s favor.

Rowland Litigation: Rowland Land Company filed a complaint in May 2011 against CONSOL Energy, CNX Gas Company, Dominion Resources Inc., and EQT Production Company (EQT) in Raleigh County Circuit Court, West Virginia. Rowland is the lessor on a 33,000 acre oil and gas lease in southern West Virginia. EQT was the original lessee, but farmed out the development of the lease to Dominion Resources in exchange for an overriding royalty. Dominion Resources sold the indirect subsidiary that held the lease to a subsidiary of CONSOL Energy on April 30, 2010. Subsequent to that acquisition, the subsidiary that held the lease was merged into CNX Gas Company as part of an internal reorganization. Rowland alleges that (i) Dominion Resources' sale of the subsidiary to CONSOL Energy was a change in control that required its consent under the terms of the farmout agreement and lease, and/or (ii) the subsequent merger of the subsidiary into CNX Gas Company was an assignment that required its consent under the lease. Rowland has recently been permitted to file its Third Amended Complaint to include additional allegations that CONSOL Energy has slandered Rowland's title. A motion to dismiss will be filed. Initial mediation efforts have been unsuccessful, but another mediation session is scheduled for May 27, 2014. CONSOL Energy believes that the case is without merit and intends to defend it vigorously. Consequently, we have not recognized any liability related to these actions.

At March 31, 2014, 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 total of future payments that we 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 on 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	\$ 151,311	\$ 87,507	\$ 63,804	\$—	\$—
Environmental	56,293	34,346	21,947	—	—
Other	117,041	80,095	36,946	—	—
Total Letters of Credit	324,645	201,948	122,697	—	—
Surety Bonds:					
Employee-Related	204,884	198,504	6,380	—	—
Environmental	653,395	643,531	9,864	—	—
Other	22,893	22,887	5	—	1
Total Surety Bonds	881,172	864,922	16,249	—	1
Guarantees:					
Coal	283,360	175,350	108,010	—	—
Other	69,120	35,611	10,658	12,090	10,761
Total Guarantees	352,480	210,961	118,668	12,090	10,761
Total Commitments	\$ 1,558,297	\$ 1,277,831	\$ 257,614	\$ 12,090	\$ 10,762

Included in the above table are commitments and guarantees entered into in conjunction with the sale of Consolidation Coal Company (CCC) 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 March 31, 2014, the fair

value of these guarantees was \$3,000 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 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 March 31, 2014, the purchase obligations for each of the next five years and beyond were as follows:

Obligations Due	Amount
Less than 1 year	\$ 181,821
1 - 3 years	330,612
3 - 5 years	260,249
More than 5 years	787,443
Total Purchase Obligations	\$ 1,560,125

Costs related to these purchase obligations include:

	Three Months Ended	
	March 31,	
	2014	2013
Major equipment purchases	\$77,635	\$3,092
Firm transportation expense	36,930	28,525
Gas drilling obligations	24,164	28,863
Total costs related to purchase obligations	\$ 138,729	\$ 60,480

NOTE 12—DERIVATIVE INSTRUMENTS:

CONSOL Energy enters into financial derivative instruments to manage our exposure to commodity price volatility. The fair value of CONSOL Energy's derivatives (natural gas price swaps and options) are based on pricing models which utilize inputs that are either readily available in the public market, such as natural gas forward curves, or can be corroborated from active markets or broker quotes. These values are then compared to the values given by our counterparties for reasonableness. Changes in the fair value of the derivatives are recorded currently in earnings unless special hedge accounting criteria are met. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivatives are reported in Other Comprehensive Income or Loss (OCI) on the Consolidated Balance Sheets and reclassified into Natural Gas, NGL's and Oil Sales on the Consolidated Statements of Income in the same period or periods which the forecasted transaction affects earnings. The ineffective portions of hedges are recognized in earnings in the current period. CONSOL Energy currently utilizes only cash flow hedges that are considered highly effective.

CONSOL Energy formally assesses both at inception of the hedge and on an ongoing basis whether each derivative is highly effective in offsetting changes in the fair values or the cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, CONSOL Energy will discontinue hedge accounting prospectively.

CONSOL Energy is exposed to credit risk in the event of nonperformance 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 our counterparty master agreements currently require CONSOL Energy to post collateral for any of its hedges. 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 hedges in a liabilities position in excess of defined thresholds. All of our 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 has entered into swap and option contracts for natural gas to manage the price risk associated with the forecasted natural gas sales. The objective of these hedges is to reduce the variability of the cash flows associated with the forecasted sales from the underlying commodity. As of March 31, 2014, the total notional amount of the Company's outstanding derivative instruments was 276.2 billion cubic feet. These derivative instruments are forecasted to settle through December 31, 2016 and meet the criteria for cash flow hedge accounting. As these contracts settle, the cash received and/or paid will be shown on the Consolidated Statements of Cash Flows as Changes in Prepaid Expenses, Changes in Other Assets, Changes in Other Operating Liabilities and/or Changes in Other Liabilities. Assuming no changes in price during the next twelve months, \$1,633 of unrealized gain is expected to be reclassified from Other Comprehensive Income on the Consolidated Balance Sheets and into Natural Gas, NGL's and Oil Sales on the Consolidated Statements of Income, as a result of the gross settlements of cash flow hedges. No gains or losses have been reclassified into earnings as a result of the discontinuance of cash flow hedges.

The gross fair value at March 31, 2014 of CONSOL Energy's derivative instruments, which all qualify as cash flow hedges, was an asset of \$58,947 and a liability of \$43,700. The total asset is comprised of \$37,152 and \$21,795 which were included in Prepaid Expense and Other Assets, respectively, on the Consolidated Balance Sheets. The total liability is comprised of \$38,679 and \$5,021 which were included in Other Accrued Liabilities and Other Liabilities, respectively, on the Consolidated Balance Sheets.

The gross fair value at December 31, 2013 of CONSOL Energy's derivative instruments, which all qualify as cash flow hedges, was an asset of \$83,661 and a liability of \$18,212. The total asset is comprised of \$59,605 and \$24,056 which were included in Prepaid Expense and Other Assets, respectively, on the Consolidated Balance Sheets. The total liability is comprised of \$12,327 and \$5,885 which were included in Other Accrued Liabilities and Other Liabilities, respectively, on the Consolidated Balance Sheets.

The effect of derivative instruments in cash flow hedging relationships on the Consolidated Statements of Income and the Consolidated Statements of Stockholders' Equity net of tax were as follows:

	For the Three Months Ended March	
	31,	
	2014	2013
Natural Gas Price Swaps and Options		
Beginning Balance – Accumulated OCI	\$ 42,493	\$ 76,761
Gain/(Loss) recognized in Accumulated OCI	\$ (46,965	) \$(18,595
Less: Gain/(Loss) reclassified from Accumulated OCI into Natural Gas, NGL's and Oil Sales	\$ (16,313	) \$ 22,713
Ending Balance – Accumulated OCI	\$ 11,841	\$ 35,453
Gain/(Loss) recognized in Natural Gas, NGL's and Oil Sales for ineffectiveness	\$ 355	\$ 1,041

There were no amounts excluded from the assessment of hedge effectiveness in 2014 or 2013.

NOTE 13—FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

Edgar Filing: CONSOL Energy Inc - Form 10-Q

Description	Fair Value Measurements at March 31, 2014			Fair Value Measurements at December 31, 2013		
	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Gas Cash Flow Hedges	\$—	\$ 15,247	\$—	\$—	\$65,449	\$—

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 balance sheets for cash and cash equivalents approximates its fair value due to the short-term maturity of these instruments.

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

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

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	\$314,087	\$314,087	\$327,420	\$327,420
Long-Term Debt	\$(3,118,687)	\$(3,314,396)	\$(3,118,920)	\$(3,299,875)

NOTE 14—SEGMENT INFORMATION:

CONSOL Energy has two principal business divisions: Exploration and Production (E&P) and Coal. The principal activity of the E&P division is to produce pipeline quality natural gas for sale primarily to gas wholesalers. The E&P division includes four reportable segments. These reportable segments are Marcellus, Coalbed Methane, Shallow Oil and Gas and Other Gas. The Other Gas segment includes our purchased gas activities, general and administrative activities as well as various other activities assigned to the E&P division but not allocated to each individual well type. The principal activities of the Coal division are mining, preparation and marketing of thermal coal, sold primarily to power generators, and metallurgical coal, sold to metal and coke producers. The Coal division includes four reportable segments. These reportable segments are Thermal, Low Volatile Metallurgical, High Volatile Metallurgical and Other Coal. Each of these reportable segments includes a number of operating segments (mines or type of coal sold). For the three months ended March 31, 2014, the Thermal aggregated segment includes the following mines: Bailey Complex, Enlow Fork, and Miller Creek Complex. For the three months ended March 31, 2014, the Low Volatile Metallurgical aggregated segment includes the Buchanan Mine. For the three months ended March 31, 2014, the High Volatile Metallurgical aggregated segment includes: Bailey Complex and Enlow Fork coal sales. The Other Coal segment includes our purchased coal activities, idled mine activities, general and administrative activities as well as various other activities assigned to the Coal division but not allocated to each individual mine. CONSOL Energy's All Other segment includes industrial supplies, coal terminal operations and various other corporate activities that are not allocated to the E&P or coal segment. 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 only (E&P, coal, and other) and are not allocated between each individual segment. This presentation is consistent with the information regularly reviewed by the chief operating decision maker. The assets are not allocated to each individual segment due to the diverse asset base controlled by CONSOL Energy where 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 March 31, 2014 are:

	Marcellus Shale	Coalbed Methane	Shallow Oil and Gas	Other Gas	Total E&P	Thermal	Low Volatile Metallurgical Coal	High Volatile Metallurgical Coal	Other Coal	Total Coal	All Other
Sales—outside	\$124,957	\$96,071	\$32,345	\$12,925	\$266,298	\$416,969	\$84,541	\$28,932	\$4,239	\$534,681	\$69,374
Sales—purchased gas	—	—	—	3,574	3,574	—	—	—	—	—	—
Sales—gas royalty interests	—	—	—	26,645	26,645	—	—	—	—	—	—
Freight—outside	—	—	—	—	—	—	—	—	9,945	9,945	—
Intersegment transfers	—	—	—	897	897	—	—	—	—	—	19,374
Total Sales and Freight	\$124,957	\$96,071	\$32,345	\$44,041	\$297,414	\$416,969	\$84,541	\$28,932	\$14,184	\$544,626	\$88,748
Earnings (Loss) Before Income Taxes	\$59,105	\$33,619	\$(1,757)	\$(11,223)	\$79,744	\$148,568	\$11,430	\$9,104	\$(61,937)	\$107,165	\$1,437
Segment assets					\$6,521,994					\$4,168,372	\$29,124
Depreciation, depletion and amortization					\$71,729					\$56,063	\$1,377
Capital expenditures					\$265,970					\$184,508	\$53,462

(A) Included in the Coal segment are sales of \$118,884 to Xcoal Energy & Resources, which comprises over 10% of sales.

(B) Includes equity in earnings of unconsolidated affiliates of \$5,814, \$2,860 and \$(1,224) for E&P, Coal and All Other, respectively.

(C) Includes investments in unconsolidated equity affiliates of \$223,875, \$23,923 and \$61,327 for E&P, Coal and All Other, respectively.

Edgar Filing: CONSOL Energy Inc - Form 10-Q

Industry segment results for the three months ended March 31, 2013 are:

	Marcellus Shale	Coalbed Methane	Shallow Oil and Gas	Other Gas	Total E&P	Thermal	Low Volatile Metallurgical	High Volatile Metallurgical	Other Coal	Total Coal	All Other
Sales—outside	\$48,411	\$83,640	\$32,436	\$3,355	\$167,842	\$345,940	\$146,828	\$49,478	\$5,663	\$547,909	\$6
Sales—purchased gas	—	—	—	1,358	1,358	—	—	—	—	—	—
Sales—gas royalty interests	—	—	—	14,204	14,204	—	—	—	—	—	—
Freight—outside	—	—	—	—	—	—	—	—	12,253	12,253	—
Intersegment transfers	—	—	—	836	836	—	—	—	—	—	35
Total Sales and Freight	\$48,411	\$83,640	\$32,436	\$19,753	\$184,240	\$345,940	\$146,828	\$49,478	\$17,916	\$560,162	\$1
Earnings (Loss) Before Income Taxes	\$13,768	\$21,180	\$(4,037)	\$(31,554)	\$(643)	\$93,459	\$54,717	\$10,737	\$(59,256)	\$99,657	\$2
Segment assets					\$5,879,988					\$4,058,992	\$3
Depreciation, depletion and amortization					\$52,988					\$57,190	\$1
Capital expenditures					\$207,129					\$141,251	\$1

(D) Included in the Coal segment are sales of \$157,604 to Xcoal Energy & Resources, which comprises over 10% of sales.

(E) Includes equity in earnings of unconsolidated affiliates of \$3,181, \$1,532 and \$84 for E&P, Coal and All Other, respectively.

(F) Includes investments in unconsolidated equity affiliates of \$167,058, \$22,635 and \$58,434 for E&P, Coal and All Other, respectively.

Reconciliation of Segment Information to Consolidated Amounts:
Earnings Before Income Taxes:

	For the Three Months Ended March 31,	
	2014	2013
Segment Earnings Before Income Taxes for total reportable business segments	\$ 186,909	\$ 99,014
Segment Earnings Before Income Taxes for all other businesses	1,497	2,575
Interest expense, net and other non-operating activity (G)	(53,943)	(52,660)
Other Corporate Items (G)	(4,284)	(53,545)
Earnings Before Income Taxes	\$ 130,179	\$ (4,616)
	March 31,	
	2014	2013
Total Assets:		
Segment assets for total reportable business segments	\$ 10,690,366	\$ 9,938,980
Segment assets for all other businesses	291,767	358,663
Items excluded from segment assets:		
Cash and other investments (G)	300,090	23,652
Recoverable income taxes	4,434	6,602
Deferred tax assets	265,226	99,785
Bond issuance costs	32,592	39,939
Discontinued Operations	—	2,125,573
Total Consolidated Assets	\$ 11,584,475	\$ 12,593,194

(G) Excludes amounts specifically related to the E&P segment.

NOTE 15—GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION:

The payment obligations under the \$1,500,000, 8.000% per annum senior notes due April 1, 2017, the \$1,250,000, 8.250% per annum senior notes due April 1, 2020, and the \$250,000, 6.375% per annum senior notes due March 1, 2021 issued by CONSOL Energy are jointly and severally, and also fully and unconditionally guaranteed by substantially all 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, the remaining guarantor subsidiaries and the 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.

Edgar Filing: CONSOL Energy Inc - Form 10-Q

Income Statement for the Three Months Ended March 31, 2014 (unaudited):

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	Non- Guarantors	Elimination	Consolidated
Revenues and Other Income:						
Natural Gas, NGLs and Oil Sales	\$—	\$267,194	\$—	\$—	\$(896)	\$266,298
Coal Sales	—	—	534,681	—	—	534,681
Other Outside Sales	—	—	10,483	58,804	—	69,287
Gas Royalty Interests and Purchased Gas Sales	—	30,219	—	—	—	30,219
Freight-Outside Coal	—	—	9,945	—	—	9,945
Miscellaneous Other Income	173,103	27,720	54,778	22,271	(222,818)	55,054
Gain (Loss) on Sale of Assets	—	3,152	514	3	—	3,669
Total Revenue and Other Income	173,103	328,285	610,401	81,078	(223,714)	969,153
Costs and Expenses:						
Exploration and Production Costs						
Lease Operating Expense	—	29,243	—	—	—	29,243
Transportation, Gathering and Compression	—	53,782	—	—	—	53,782
Production, Ad Valorem, and Other Fees	—	10,187	—	—	—	10,187
Direct Administrative and Selling	—	11,653	—	—	—	11,653
Depreciation, Depletion and Amortization	—	71,729	—	—	—	71,729
Exploration and Production Related Other Costs	—	2,662	—	31	406	3,099
Production Royalty Interests and Purchased Gas Costs	—	26,108	—	—	(12)	26,096
Other Corporate Expenses	—	25,719	—	—	445	26,164
General and Administrative	—	17,809	—	—	(445)	17,364
Total Exploration and Production Costs	—	248,892	—	31	394	249,317
Coal Costs						
Operating and Other Costs	14,291	—	313,454	—	(896)	326,849
Royalties and Production Taxes	—	—	45,197	—	(18,709)	26,488
Direct Administrative and Selling	150	—	11,144	—	—	11,294
Depreciation, Depletion and Amortization	—	—	56,063	—	—	56,063
Freight Expense	—	—	9,945	—	—	9,945
General and Administrative Costs	2,434	—	10,079	—	—	12,513
Other Corporate Expenses	19,295	—	—	—	—	19,295
Total Coal Costs	36,170	—	445,882	—	(19,605)	462,447
Other Costs						
Miscellaneous Operating Expense	7,027	—	7,707	78,203	(18,388)	74,549
General and Administrative Costs	210	—	196	—	—	406
Depreciation, Depletion and Amortization	6	—	845	473	—	1,324
Interest Expense	48,433	1,809	13,222	73	(12,606)	50,931

Edgar Filing: CONSOL Energy Inc - Form 10-Q

Total Other Costs	55,676	1,809	21,970	78,749	(30,994)	127,210
Total Costs And Expenses	91,846	250,701	467,852	78,780	(50,205)	838,974
Earnings Before Income Tax	81,257	77,584	142,549	2,298	(173,509)	130,179
Income Taxes	(34,746)	30,714	11,651	870	—	8,489
Income From Continuing Operations	116,003	46,870	130,898	1,428	(173,509)	121,690
Income From Discontinued Operations, net	—	—	—	(5,687)	—	(5,687)
Net Income Attributable to CONSOL Energy Shareholders	\$116,003	\$46,870	\$130,898	\$(4,259)	\$(173,509)	\$116,003

Edgar Filing: CONSOL Energy Inc - Form 10-Q

Balance Sheet at March 31, 2014 (unaudited):

	Parent Issuer	CNX Gas Guarantor	Other Subsidiary Guarantors	Non- Guarantors	Elimination	Consolidated
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$298,452	\$14,830	\$—	\$805	\$—	\$314,087
Accounts and Notes Receivable:						
Trade	—	90,369	—	265,237	—	355,606
Notes Receivable	1,283	—	24,626	—	—	25,909
Other Receivables	11,367	204,786	20,345	3,350	—	239,848
Inventories	—	15,465	104,999	35,721	—	156,185
Deferred Income Taxes	254,138	11,088	—	—	—	265,226
Recoverable Income Taxes	(8,706	) 13,140	—	—	—	4,434
Prepaid Expenses	31,386	42,059	22,290	1,806	—	97,541
Total Current Assets	587,920	391,737	172,260	306,919	—	1,458,836
Property, Plant and Equipment:						
Property, Plant and Equipment	156,226	7,162,125	6,506,116	26,151	—	13,850,618
Less-Accumulated Depreciation, Depletion and Amortization	140,487	1,259,469	2,826,369	19,302	—	4,245,627
Total Property, Plant and Equipment-Net	15,739	5,902,656	3,679,747	6,849	—	9,604,991
Other Assets:						
Investment in Affiliates	12,105,348	223,874	107,608	—	(12,127,705)	309,125
Notes Receivable	95	—	—	—	—	95
Other	136,391	27,947	38,185	8,905	—	211,428
Total Other Assets	12,241,834	251,821	145,793	8,905	(12,127,705)	520,648
Total Assets	\$12,845,493	\$6,546,214	\$3,997,800	\$322,673	\$(12,127,705)	\$11,584,475
Liabilities and Equity:						
Current Liabilities:						
Accounts Payable	\$117,351	\$354,262	\$20,137	\$14,834	\$—	\$506,584
Accounts Payable (Recoverable)—Related Parties	4,549,533	78,880	(5,112,248)	131,948	351,887	—
Current Portion Long-Term Debt	1,523	6,434	3,322	779	—	12,058
Short-Term Notes Payable	—	351,887	—	—	(351,887)	—
Other Accrued Liabilities	167,178	139,320	322,471	8,336	—	637,305
Current Liabilities of Discontinued Operations	—	—	—	14,400	—	14,400
Total Current Liabilities	4,835,585	930,783	(4,766,318)	170,297	—	1,170,347
Long-Term Debt:	3,004,520	41,727	113,164	1,930	—	3,161,341
Deferred Credits and Other Liabilities:						