CNX Coal Resources LP
Form 10-K
February 08, 2017

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

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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

CNX Coal Resources LP
(Exact name of registrant as specified in its charter)

Delaware	47-3445032
(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Units representing limited partner interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 o Accelerated filer o Non-accelerated filer x 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
The aggregate value of the common units held by non-affiliates of the registrant (treating all executive officers and directors of the registrant, for this purpose, as if they may be affiliates of the registrant) was approximately $97,349,982 as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, based on the reported closing price of the common units as reported on The New York Stock Exchange on such date.
CNX Coal Resources LP had 11,717,235 common units, 11,611,067 subordinated units, 3,956,496 Class A Preferred Units and a 1.7% general partner interest outstanding at January 31, 2017.
DOCUMENTS INCORPORATED BY REFERENCE:
None

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PART I

Significant Relationships and Other Important Definitions Referenced in this Annual Report

- "Class A Preferred Units" means the convertible preferred units representing limited partner interests in CNX Coal Resources LP designated as "Class A Preferred Units." The Partnership issued 3,956,496 Class A Preferred Units to CONSOL Energy on September 30, 2016. Key terms of the Class A Preferred Units include the following:
Distributions: Distributions on each outstanding Class A Preferred Unit will be cumulative, and will accumulate at 11% per annum (the "Class A Preferred Unit Distribution Rate") for each calendar quarter beginning with the quarter ending December 31, 2016 until such time as the Partnership pays the full cumulative Class A Preferred Unit distribution in respect of such Class A Preferred Unit with respect to such calendar quarter or such Class A Preferred Unit is converted in accordance with the Partnership Agreement (as defined herein), whether or not such Class A Preferred distributions have been declared. Subject to certain exceptions, a holder of Class A Preferred Units (currently, CONSOL Energy) will be entitled to receive Class A Preferred distributions out of any assets of the Partnership legally available for the payment of distributions at the Class A Preferred Unit Distribution Rate when, as, and if declared by the Board of Directors of CNX Coal Resources GP LLC to be paid by the Partnership in accordance with the Partnership Agreement, will be paid quarterly, in arrears, at the election of the Partnership either in additional Class A Preferred Units or in cash;
Voting: Holders of Class A Preferred Units will have such voting rights as if their Class A Preferred Units were converted, on a one-for-one basis, into common units and will vote together with the holders of common units as a single class. Holders of Class A Preferred Units will be entitled to vote as a separate class on any matter that adversely affects the rights, privileges or preferences of the Class A Preferred Units in any material respect or as required by applicable law or regulation;
Conversion at the Election of the Holder: Class A Units are convertible, at the election of the holder, into common units on a one-for-one basis (i) at any time after September 30, 2017, (ii) with respect to the Partnership's dissolution or liquidation and (iii) with respect to certain change of control events as described in the Partnership Agreement;
Conversion at the Election of the Partnership: All, but not less than all, of the outstanding Class A Preferred Units are convertible, at the election of the Partnership, into common units on a one-for-one basis, on or after September 30, 2019; provided, that (i) no "Class A Preferred Unit Payment Default," arising from the Partnership's failure to pay in full any Class A Preferred Unit distribution, has occurred and is continuing; (ii) the volume-weighted average trading price of the common units over the 15-day trading period ending on the trading day immediately prior to the date of the conversion notice is equal to or greater than 140% of the issue price of the Class A Preferred Units; and (iii) the average trading volume is at least 35,000 common units (subject to customary anti-dilution adjustments) with respect to any 20 trading days within the 30-trading day period ending on the trading day immediately prior to the date of the conversion notice;
Restrictions on Transfer: Prior to September 30, 2017, other than transfers to affiliates, CONSOL Energy may not transfer any Class A Preferred Units without the approval of the Partnership;

- "CNX Coal Resources LP," our "Partnership," "we," "our," "us" and similar terms, when used in a historical context, refer to CNX Coal Resources LP, a Delaware limited partnership, and its subsidiaries;

- "CNX Operating" refers to CNX Operating LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of the Partnership;

- "CNX Thermal Holdings" refers to CNX Thermal Holdings LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of CNX Operating; subsequent to the PA Mining Acquisition, CNX Thermal Holdings owns a 25% undivided interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania Mining Complex;

- the “common units” refer to the limited partner interests in CNX Coal Resources LP. The holders of common units are entitled to participate in partnership distributions and are entitled to exercise the rights or privileges of limited partners under the Partnership Agreement. The common units are listed on the New York Stock Exchange, under the symbol “CNXC”;

- "Concurrent Private Placement” refers to the issuance (concurrent with the IPO) of 5,000,000 common units to Greenlight Capital pursuant to a common unit purchase agreement;

- “CONSOL Energy” and our “sponsor” refer to CONSOL Energy Inc., a Delaware corporation and the parent of our general partner, and its subsidiaries other than our general partner, us and our subsidiaries;
- “CPCC” refers to CONSOL Pennsylvania Coal Company LLC, a Delaware limited liability company and a wholly-owned subsidiary of CONSOL Energy;
- “Conrhein” refers to Conrhein Coal Company, a Pennsylvania general partnership and a wholly-owned subsidiary of CONSOL Energy;
- our “general partner” refers to CNX Coal Resources GP LLC, a Delaware limited liability company and our general partner;
- “Greenlight Capital” refers to certain funds managed by Greenlight Capital, Inc. and its affiliates;
- "IPO" refers to the completion of the Partnership's initial public offering on July 7, 2015;
- “omnibus agreement” refers to the Omnibus Agreement dated July 7, 2015, as replaced as the Amended and Restated Agreement of Limited Partnership of the Partnership dated as of September 30, 2016;
- "PA Mining Acquisition" refers to a transaction which closed on September 30, 2016, where the Partnership and its wholly owned subsidiary, CNX Thermal, entered into a Contribution Agreement with CONSOL Energy, CPCC and Conrhein, under which CNX Thermal Holdings acquired an undivided 6.25% of the contributing parties’ right, title and interest in and to the Pennsylvania Mining Complex (which represents an aggregate 5% undivided interest in and to the Pennsylvania Mining Complex);
- the “Partnership Agreement” refers to the First Amended and Restated Agreement of Limited Partnership of the Partnership, as replaced by the Second Amended and Restated Agreement of Limited Partnership of the Partnership dated as of September 30, 2016;
- the “Pennsylvania Mining Complex” refers to the coal mines, coal reserves and related assets and operations, located primarily in southwestern Pennsylvania, owned 80% by CONSOL Energy and 20% by CNX Thermal Holdings, prior to the PA Mining Acquisition; and subsequent to the PA Mining Acquisition, owned 75% by CONSOL Energy, and its subsidiaries and 25% by CNX Thermal Holdings; and
- the “preferred units” refer to any limited partnership interests, other than the common units and subordinated units, issued in accordance with the Partnership Agreement that, as determined by our general partner, have special voting rights to which our common units are not entitled. As of the date of this Annual Report on Form 10-K, the only outstanding preferred units are the Class A Preferred Units.

FORWARD-LOOKING STATEMENTS

We are including the following cautionary statement in this Annual Report on Form 10-K to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of us. With the exception of historical matters, the matters discussed in this Annual Report on Form 10-K are forward-looking statements (as defined in Section 21E of the Exchange Act) that involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. When we use the words “believe,” “intend,” “expect,” “may,” “should,” “anticipate,” “could,” “estimate,” “plan,” “predict,” “project,” or their negatives, or other expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. The forward-looking statements in this Annual Report on Form 10-K speak only as of the date of this Annual Report on Form 10-K; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

- changes in coal prices or the costs of mining or transporting coal;
- uncertainty in estimating economically recoverable coal reserves and replacement of reserves;
- our ability to develop our existing coal reserves and successfully execute our mining plans;
- changes in general economic conditions, both domestically and globally;
- competitive conditions within the coal industry;
- changes in the consumption patterns of coal-fired power plants and steelmakers and other factors affecting the demand for coal by coal-fired power plants and steelmakers;
- the availability and price of coal to the consumer compared to the price of alternative and competing fuels;
- competition from the same and alternative energy sources;
- energy efficiency and technology trends;
- our ability to successfully implement our business plan;
- the price and availability of debt and equity financing;
- operating hazards and other risks incidental to coal mining;
- major equipment failures and difficulties in obtaining equipment, parts and raw materials;
- availability, reliability and costs of transporting coal;
- adverse or abnormal geologic conditions, which may be unforeseen;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- labor availability, relations and other workforce factors;
- defaults by our sponsor under our operating agreement and employee services agreement;
- changes in availability and cost of capital;
- changes in our tax status;
- delays in the receipt of, failure to receive or revocation of necessary governmental permits;
- defects in title or loss of any leasehold interests with respect to our properties;
- the effect of existing and future laws and government regulations, including the enforcement and interpretation of environmental laws thereof;

- the effect of new or expanded greenhouse gas regulations;
- the effects of litigation; and
- other factors discussed in this 2016 Form 10-K under “Risk Factors,” as updated by any subsequent Forms 10-Q, which are on file at the Securities and Exchange Commission.

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ITEM 1. BUSINESS

General

We are a growth-oriented master limited partnership formed by CONSOL Energy to manage and further develop all of its active coal operations in Pennsylvania. At December 31, 2016, our assets include a 25% undivided interest in, and operational control over, CONSOL Energy's Pennsylvania Mining Complex, which consists of three underground mines and related infrastructure that produce high-Btu bituminous thermal coal that is sold primarily to electric utilities in the eastern United States, our core market. We are a leading producer of high-Btu thermal coal in the Northern Appalachian Basin and the eastern United States due to our ability to efficiently produce and deliver large volumes of high-quality coal at competitive prices, the strategic location of our mines, the industry experience of our management team and our relationship with CONSOL Energy.

The Pennsylvania Mining Complex, which includes the Bailey Mine, the Enlow Fork Mine and the Harvey Mine, has extensive high-quality coal reserves. We mine our reserves from the Pittsburgh No. 8 Coal Seam, which is a large contiguous formation of uniform, high-Btu thermal coal that is ideal for high productivity, low-cost longwall operations. As of December 31, 2016, the Partnership's portion of the Pennsylvania Mining Complex included 191,678 thousand tons of proven and probable coal reserves with an average gross heat content of approximately 12,970 British thermal units ("Btu") per pound and approximately 3.7 pounds sulfur dioxide per million British thermal units ("lb SO2/mmBtu"). Based on our current production capacity, these reserves are sufficient to support approximately 27 years of production. In addition, our reserves currently exhibit thermoplastic behavior suitable for cokemaking and contain an average of approximately 39%-40% volatile matter (on a dry basis), which enables us, if market dynamics are favorable, to capture greater margins from selling our coal as a crossover product in the high-vol metallurgical market to cokemakers and steel manufacturers who utilize modern cokemaking technologies.

The design of the Pennsylvania Mining Complex is optimized to produce large quantities of coal on a cost-efficient basis. We are able to sustain high production volumes at comparatively low operating costs due to, among other things, the technologically advanced longwall mining systems, logistics infrastructure and safety. All of our mines utilize longwall mining, which is a highly automated underground mining technique that produces large volumes of coal at lower costs compared to other underground mining methods. Generally, we operate five longwalls and 15-17 continuous mining sections at the Pennsylvania Mining Complex. The current production capacity of the Partnership's portion of the Pennsylvania Mining Complex's five longwalls is 7,125 thousand tons of coal per year. The preparation plant is connected via conveyor belts to each of our mines, to clean and process up to 8,200 tons of coal per hour. Our onsite logistics infrastructure at the preparation plant includes a dual-batch train loadout facility capable of loading up to 9,000 tons of coal per hour and 19.3 miles of track linked to separate Class I rail lines owned by Norfolk Southern and CSX, which enables us to simultaneously accommodate multiple unit trains and significantly increases our efficiency in meeting our customers' transportation needs. Our ability to accommodate multiple unit trains allows for the seamless transition of locomotives from empty inbound trains to fully loaded outbound trains at our facility.

On July 1, 2015, the Partnership's common units began trading on the New York Stock Exchange under the ticker symbol "CNXC". On July 7, 2015, the Partnership completed the issuance of common units under the IPO, a private placement with Greenlight Capital, and entered into a $400,000 thousand senior secured revolving credit facility. In connection with the IPO CONSOL Energy contributed a 20% undivided interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania Mining Complex.

On September 30, 2016, the Partnership acquired an additional 5% of the Pennsylvania Mining Complex, from CONSOL Energy and its affiliates, for $21,500 thousand in cash and the issuance of 3,956,496 Class A Preferred Units with a value of $67,300 thousand. All information (except distributable cash flow, which reflects the ownership percentage at the time) included within this filing has been recast to reflect the Partnership's current 25% interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania Mining Complex.

Our primary strategy for growing our business and increasing distributions to our unitholders is to make acquisitions that increase our distributable cash flow. The primary component of our growth strategy is based upon our expectation of future divestitures by our sponsor to us of portions of its retained 75% undivided interest in the Pennsylvania Mining Complex. We have a right of first offer pursuant to our omnibus agreement to purchase part or all of the remaining undivided interest in the Pennsylvania Mining Complex retained by our sponsor for so long as our sponsor controls our general partner. CONSOL Energy has stated its desire to divest its retained interest in the Pennsylvania Mining Complex, however the timing and magnitude of such divestitures are dependent upon many market factors.

Organization Structure

The following simplified diagram depicts our organizational structure as of December 31, 2016:

Our Relationship with CONSOL Energy

One of our principal strengths is our relationship with CONSOL Energy. CONSOL Energy is a producer of coal and natural gas headquartered in Canonsburg, Pennsylvania. CONSOL Energy has been mining coal, primarily in the Appalachian Basin, since 1864. CONSOL Energy deploys an organic growth strategy focused on efficiently developing its resource base. CONSOL Energy’s premium coal grades are sold to electricity generators, steel makers, coke producers and industrial consumers, both domestically and internationally. In addition, CONSOL Energy is one of the largest independent natural gas exploration, development and production companies with operations focused on the major shale formations of the Appalachian Basin, including the Marcellus Shale. CONSOL Energy is listed on the NYSE under the symbol “CNX” and had a market capitalization of approximately $4.2 billion as of December 31, 2016.

Our Rights of First Offer

CONSOL Energy granted to us a right of first offer to acquire its retained 75% undivided interest in the Pennsylvania Mining Complex for so long as its affiliates control our general partner. In addition, at December 31, 2016, we also have a right of first offer to acquire two other assets, which will expire in July 2020. CONSOL Energy is under no obligation to sell those assets and we are under no obligation to purchase those assets from CONSOL Energy.

Our Assets

CNX Thermal Holdings, owns a 25% undivided interest in the Pennsylvania Mining Complex. CNX Thermal Holdings entered into an operating agreement with CPCC and Conrhein under which CNX Thermal Holdings is named as operator and assumes management and control over the day-to-day operations of the Pennsylvania Mining Complex for the life of the mines. We are managed by the directors and executive officers of our general partner. As a result, the directors and executive officers of our general partner have the ultimate responsibility for managing and conducting all of our and our subsidiaries' operations, including with respect to CNX Thermal Holdings' rights and obligations under the operating agreement. Based on our current production capacity utilizing five longwall mining systems, our recoverable reserves are sufficient to support approximately 27 years of production.

CONSOL Energy owns a 75% undivided interest in the Pennsylvania Mining Complex, as well as 100% of our general partner and, indirectly through our general partner, our 1.7% general partner interest and incentive distribution rights. In addition, CONSOL Energy owns a 60.1% limited partner interest in us.

Our Operations

Bailey Mine

The Bailey Mine is located in Enon, Pennsylvania. As of December 31, 2016, the Partnership's portion of the Bailey Mine's assigned and accessible reserve base contained an aggregate of 64,921 thousand tons of clean recoverable proven and probable coal. While operating two longwalls, the typical production capacity of our portion of the Bailey Mine is 2,875 thousand tons (11,500 thousand 100% basis) of coal per year. For the years ended December 31, 2016, 2015 and 2014, our portion of the Bailey Mine produced 3,014 thousand tons, 2,547 thousand tons and 3,081 thousand tons of coal, respectively.

Enlow Fork Mine

The Enlow Fork Mine is located directly north of the Bailey Mine. As of December 31, 2016, the Partnership's portion of the Enlow Fork Mine's assigned and accessible reserve base contained an aggregate of 76,629 thousand tons of clean recoverable proven and probable coal. While operating two longwalls, the typical production capacity of our portion of the Enlow Fork Mine is 2,875 thousand tons (11,500 thousand 100% basis) of coal per year. For the years ended December 31, 2016, 2015 and 2014, our portion of the Enlow Fork Mine produced 2,409 thousand tons, 2,250 thousand tons and 2,639 thousand tons of coal, respectively.

Harvey Mine

The Harvey Mine is located directly east of the Bailey and Enlow Fork Mines. As of December 31, 2016, the Partnership's portion of the Harvey Mine's assigned and accessible reserve base contained an aggregate of 50,128 thousand tons of clean recoverable proven and probable coal. While operating one longwall, the typical production capacity of our portion of the Harvey Mine is 1,375 thousand tons (5,500 thousand 100% basis) of coal per year. For the year ended December 31, 2016, 2015 and 2014, our portion of the Harvey Mine produced 743 thousand tons, 901 thousand tons and 796 thousand tons of coal, respectively. Longwall production commenced in March 2014.

Coal Capital

In 2017, the Partnership expects to invest $30-$36 million in maintenance capital expenditures. the Partnership is not expecting to invest in expansion projects in 2017, however, the Partnership continually evaluates potential acquisitions.

Our Customers and Contracts

We sell coal to an established customer base through opportunities as a result of strong business relationships or through a formalized bidding process. We refer to the contracts under which coal produced from the Pennsylvania Mining Complex is sold and which a wholly-owned subsidiary of CONSOL Energy administers under the contract agency agreement at our direction as "our contracts". Our total sold position for 2017 is 6.4 million tons or 98% of the estimated total sales volumes based on the midpoint of our guidance range. In addition to a strong 2017 sold position, we have a solid position of approximately 66% sold for 2018, based on 6.5 million tons of total sales. With our planned coal production in 2017 largely sold out, our focus now has shifted to maximizing realizations for any additional production and booking additional sales for contract years 2018 and 2019. We are currently active in negotiations with several customers to expand our crossover metallurgical coal portfolio, and we continue to pursue select domestic customers that fit with our long-term market strategy.

The sales commitments under contract are our expected sales tons and can fluctuate up or down due to provisions contained within our contracts. The contractual time commitments for customers to nominate future purchase volumes under our contracts are typically sufficient to allow us to balance our sales commitments with prospective production capacity or incremental sales volume. In addition, the commitments can change because of reopener provisions contained in certain of these long-term contracts. For the year ended December 31, 2016 and 2015, approximately 80% and 75%, respectively, of all the coal produced from the Pennsylvania Mining Complex was sold under contracts with terms of one year or more.

The provisions of our contracts are the results of both bidding procedures and extensive negotiations with each customer. As a result, the provisions of our contracts vary significantly in many respects, including, among other factors, price adjustment features, price and contract reopener terms, force majeure provisions, coal qualities and quantities. Our contracts typically stipulate procedures for transportation of coal, quality control, sampling and weighing. Most contain provisions requiring us to deliver coal within stated ranges for specific coal characteristics such as heat, sulfur, ash, moisture, grindability, volatility and other qualities. Failure to meet these specifications can result in economic penalties, rejection or suspension of shipments or termination of the contracts. Although the volume to be delivered pursuant to a long-term contract is stipulated, the customers often have the option to vary the volume within specified limits.

Substantially all of our multi-year sales contracts contain base prices, subject only to pre-established adjustment mechanisms based primarily on (i) variances in the quality characteristics of coal delivered to the customer beyond threshold quality characteristics specified in the applicable sales contract, (ii) the actual calorific value of coal delivered to the customer, and/or (iii) changes in electric power prices in the markets in which our customers operate, as adjusted for any factors set forth in the applicable contract. The electric power price-related adjustments, if any, result only in positive monthly adjustments to the contracted base price that we receive for our coal. Price reopener provisions are present in several of our multi-year sales contracts. These price reopener provisions may automatically set a new price prospectively based on prevailing market price or, in some instances, require the parties to agree on a new price, sometimes within a specified range of prices. In a limited number of agreements, failure of the parties to agree on a price under a price reopener provision can lead to termination of the contract. Under some of our contracts, we have the right to match lower prices offered to our customers by other suppliers. Some of the long-term contracts also permit the contract to be reopened for renegotiation of terms and conditions other than pricing terms, and where a mutually acceptable agreement on terms and conditions cannot be concluded, either party may have the option to terminate the contract.

Of our 2016 sales tons, approximately 75% were sold to U.S. electric generators, 22% were priced on export markets and 3% were sold to other domestic customers. We derive a significant portion of our revenues from two customers: Duke Energy Corporation (“Duke Energy”) and GenOn Energy, Inc. (“GenOn Energy”) from each of whom we derived at least 10% of our total coal sales revenues for the year ended December 31, 2016. As of December 31, 2016, we had approximately nine sales agreements with these customers that expire at various times between 2017 and 2018.

Transportation Logistics and Infrastructure

We have developed a transportation and logistics network with dual rail transportation options that we believe provides us with operational and marketing flexibility, reduces the cost to deliver coal to our core market and allows us to realize higher netback prices. Most of our coal is sold free on board (“FOB”) at the Pennsylvania Mining Complex, which means that our customers bear the transportation costs from the mining complex, and essentially all of our coal transported to our domestic customers or to an export terminal facility originates by rail. We believe our proximity to our core markets, dual rail transportation options, rail-to-barge access and customized on-site logistics infrastructure contribute to lower overall delivered costs for power plants in the eastern United States as a result of shorter transportation distances, access to diversified rail route options, higher rail car utilization, more efficient use of locomotive power and more predictable movement of product between mine and destination. In addition, we have favorable access to international coal markets through coal export terminals located on the U.S. east coast.

Seasonality

Our business has historically experienced limited variability in its results due to the effect of seasonal changes. Demand for coal-fired power can increase due to unusually hot or cold weather as power consumers use more air conditioning or heating, respectively. Conversely, mild weather can result in weaker demand for our coal. Adverse weather conditions, such as blizzards or floods, can impact our ability to transport coal over our overland conveyor systems and to transport our coal by rail.

Competition

The coal industry is highly competitive, with numerous producers selling into all markets that use coal. There are numerous large and small producers in all coal producing basins of the United States, and we compete with many of these producers.

The most important factors on which we compete are coal price, coal quality and characteristics, transportation costs and reliability of supply. Demand for coal and the prices that we will be able to obtain for our coal are closely linked to coal consumption patterns of the domestic electric generation industry and foreign coal consumers. These coal consumption patterns are influenced by many factors that are beyond our control, including demand for electricity, which is significantly dependent upon economic activity and summer and winter temperatures in the United States, government regulation, technological developments and the location, quality, price and availability of competing sources of fuel.

Laws and Regulations

Overview

Our coal mining operations are subject to various federal, state and local environmental, health and safety regulations. Regulations relating to our operations require us to obtain permits and other licenses; reclaim and restore our properties after mining operations have been completed; store, transport and dispose of materials used or generated by our operations; manage surface subsidence from underground mining; control water and air emissions; protect wetlands and endangered plant and wildlife; and to ensure employee health and safety. Furthermore, the electric power generation industry is subject to extensive regulation regarding the environmental impact of its power generation activities, which could affect demand for our coal. Compliance with these laws has substantially increased the cost of coal mining, and the possibility exists that new legislation
or regulations may be adopted which would have a significant impact on our coal mining operations or our customers' ability to use our coal and may require us or our customers to change their operations significantly or incur substantial costs.

The following is a summary of the more significant existing environmental and worker health and safety laws and regulations to which we and our customers' business operations are subject and for which compliance may have a material adverse impact on our capital expenditures, results of operations and financial position.

Environmental Laws

Air Emissions. The Clean Air Act ("CAA") and corresponding state and local laws and regulations affect all aspects of coal mining operations, both directly and indirectly. The CAA directly impacts our coal mining and processing operations by requiring us to obtain pre-approval for the construction or modification of certain facilities or to use specific equipment, technologies or best management practices to control emissions.

The CAA also indirectly and more significantly affects the U.S. coal industry by extensively regulating the air emissions of coal-fired electric power generating plants operated by our customers. Coal contains impurities, such as sulfur, mercury and other constituents, many of which are released into the air when coal is burned. Carbon dioxide ("CO_2"), a regulated greenhouse gas ("GHG"), is also emitted when coal is burned. Environmental regulations governing emissions from coal-fired electric generating plants increase the costs to operate and could affect demand for coal as a fuel source and affect the volume of our sales. Moreover, additional environmental regulations increase the likelihood that existing coal-fired electric generating plants will be decommissioned, including plants to which the Partnership sells coal to, and reduce the likelihood that new coal-fired plants will be built in the future.

In early 2012, the United States Environmental Protection Agency ("EPA") promulgated or finalized several rules for New Source Performance Standards ("NSPS") for coal- and oil- fired power plants which also have a negative effect on coal-generating facilities. The Utility Maximum Control Technology ("UMACT") rule requires more stringent NSPS for particulate matter ("PM"), Sulfur dioxide "SO_2") and nitrogen oxides ("NO_X") and the Mercury and Air Toxics Standards ("MATS") rule requires new mercury and air toxic standards. In November 2012, the EPA published a notice of reconsideration of certain aspects of the UMACT and MATS rules. Following reconsideration in April 2013 and again in April 2014, the EPA promulgated final UMACT and MATS rules in November 2014 at which point the standards became applicable to new power plants. The final rules have higher emission limits, but the standards are still stringent and compliance with the rules is expensive.

The CAA requires the EPA to set National Ambient Air Quality Standards ("NAAQS") for certain pollutants and the CAA identifies two types of NAAQS. Primary standards provide public health protection, including protecting the health of "sensitive" populations such as asthmatics, children, and the elderly. Secondary standards provide public welfare protection, including protection against decreased visibility and damage to animals, crops, vegetation, and buildings. On October 1, 2015, the EPA finalized the NAAQS for ozone pollution and reduced the limit to 70 parts per billion (ppb) from the previous 75 ppb standard. The final rule could have a large impact on both the oil and gas and coal mining industries as states would be required to update their permitting standards to meet these potentially unachievable limits. Six states have now filed a petition for review in the D.C. Circuit of Appeals.

On July 6, 2011, the EPA finalized a rule known as the Cross-State Air Pollution Rule ("CSAPR"). CSAPR regulates cross-border emissions of criteria air pollutants such as SO_2 and NO_X, as well as byproducts, fine particulate matter ("$PM_{2.5}$") and ozone by requiring states to limit emissions from sources that "contribute significantly" to noncompliance with air quality standards for the criteria air pollutants. If the ambient levels of criteria air pollutants are above the thresholds set by the EPA, a region is considered to be in "nonattainment" for that pollutant and the EPA applies more stringent control standards for sources of air emissions located in the region. In April 2014, the Supreme Court reversed a decision of the D.C. Circuit Court of Appeals that vacated the rule. Following remand and briefing the D.C. Circuit Court, in October 2014, granted a motion to lift a stay of the rule and allow the EPA to modify the CSAPR compliance deadline by three-years, setting the stage for issuance of the proposed rule. Implementation of CSAPR Phase 1 began in 2015, with Phase 2 scheduled to begin in 2017. On September 7, 2016, the EPA finalized an update to the CSAPR for the 2008 ozone NAAQS by issuing the final CSAPR Update. Starting in May 2017, this rule will reduce summertime (May - September) NO_X emissions from power plants in 22 states in the eastern United States.

On March 27, 2012, the EPA published its proposed NSPS for CO_2 emissions from new coal-powered electric generating units. The proposed rule would have applied to new power plants and to existing plants that make major modifications. If the rule had been adopted as proposed, only new coal-fired power plants with CO_2 capture and storage ("CCS") could have met the proposed emission limits. Commercial scale CCS is not likely to be available in the near future, and if available, it may make coal-fired electric generation units uneconomical compared to new gas-fired electric generation units. On January 8, 2014, the EPA re-proposed NSPS for CO_2 for new fossil fuel fired power plants and rescinded the rules that were proposed on April 12, 2012.

On September 20, 2013, the EPA issued a new proposal to control carbon emissions from new power plants. Under the Clean Power Plan ("CPP") proposal, the EPA would establish separate NSPS for CO_2 emissions for natural gas-fired turbines and coal-fired units. The proposed “Carbon Pollution Standard for New Power Plants” replaces the earlier proposal released by the EPA in 2012. On August 3, 2015, the EPA finalized the Carbon Pollution Standards to cut carbon emissions from new, modified and reconstructed power plants, which would have become effective on October 23, 2015. On June 2, 2014, the EPA proposed additional CPP legislation to cut carbon emissions from existing power plants. Under this proposed rule, the EPA would create emission guidelines for states to follow in developing plans to address GHG emissions from existing fossil fuel-fired electric generating units. Specifically, the EPA is proposing state-specific rate-based goals for CO_2 emissions from the power sector, as well as guidelines for states to follow in developing plans to achieve the state-specific goals. On August 3, 2015, the EPA finalized the CPP Rule to cut carbon pollution from existing power plants, which would have become effective on December 22, 2015.

States, industry, organizations, and private entities have filed multiple petitions for review of the CPP in the D.C. Circuit of Appeals and requested that the Court stay implementation of the CPP because they will suffer “irreparable harm.” Petitioners also argued that the Final Rule violates the CAA because energy generating units are already subject to hazardous air pollutant limits under Section 112 of the CAA. On November 3, 2015, twenty-three states were involved in filing a Petition for Review in the U.S. Court of Appeals in Washington, D.C., challenging EPA’s Section 111(b) Rule-also called the “NSPS”-which regulates new coal-fired power plants. On February 9, 2016, the U.S. Supreme Court granted a stay, halting implementation of the EPA’s CPP pending the resolution of legal challenges to the program in court.

Clean Water Act. The federal Clean Water Act ("CWA") and corresponding state laws affect our coal operations by regulating discharges into surface waters. Permits requiring regular monitoring and compliance with effluent limitations and reporting requirements govern the discharge of pollutants into regulated waters. The CWA and corresponding state laws include requirements for: improvement of designated "impaired waters" (i.e., not meeting state water quality standards) through the use of effluent limitations; anti-degradation regulations which protect state designated "high quality/exceptional use" streams by restricting or prohibiting discharges; requirements to treat discharges from coal mining properties for non-traditional pollutants, such as chlorides, selenium and dissolved solids; requirements to minimize impacts and compensate for unavoidable impacts resulting from discharges of fill materials to regulated streams and wetlands; and requirements to dispose of produced wastes and other oil and gas wastes at approved disposal facilities. In addition, the Spill Prevention, Control and Countermeasure ("SPCC") requirements of the CWA apply to all CONSOL Energy operations that use or produce fluids and require the implementation of plans to address any spills and the installation of secondary containment around all storage tanks. These requirements may cause us to incur significant additional costs that could adversely affect our operating results, financial condition and cash flows.

However, on June 29, 2015, the EPA issued a final rule effective August 28, 2015, clarifying which waterways are subject to federal jurisdiction under the Clean Water Act, which would impose additional permitting obligations on our operations. On August 27, 2015, the District Court for the District of North Dakota blocked implementation of the rule in 13 states. On October 9, 2015, the U.S. Circuit Court of Appeals for the Sixth Circuit blocked implementation of the rule nationwide. On January 19, 2017 the U.S. Supreme Court agreed to consider whether jurisdiction rests with the federal district or appellate courts to decide this matter.

In order to obtain a permit for surface coal mining activities, including valley fills associated with steep slope mining, an operator must obtain a permit for the discharge of fill material from the ACOE and a discharge permit from the state regulatory authority under the state counterpart to the CWA. Beginning in early 2009, the EPA took a number of initiatives that have resulted in delays and obstruction of the issuance of such permits for surface mining operations in the Appalachian states, including Pennsylvania where the Pennsylvania Mining Complex is located. Increased oversight of delegated state programmatic authority, coupled with individual permit review and additional requirements imposed by the EPA, has resulted in delays in the review and issuance of permits for surface coal mining operations, including applications for surface facilities for underground mines, such as applications for coal refuse disposal areas.

Resource Conservation and Recovery Act. The federal Resource Conservation and Recovery Act ("RCRA") and corresponding state laws and regulations affect coal mining by imposing requirements for the treatment, storage and disposal of hazardous wastes. Facilities at which hazardous wastes have been treated, stored or disposed of are subject to corrective action orders issued by the EPA that could adversely affect our results, financial condition and cash flows. In 2010, the EPA proposed options for the regulation of Coal Combustion Residuals ("CCRs") from the electric power sector as either hazardous waste or non-hazardous waste. On December 19, 2014, the EPA announced the first national regulations for the disposal of CCRs from electric utilities and independent power producers under RCRA. On April 17, 2015, the EPA finalized these regulations under the solid waste provisions (Subtitle D) of RCRA and not the hazardous waste provisions (Subtitle C) which became effective on October 19, 2015. The EPA affirms in the preamble to the final rule that “this rule does not apply to CCR placed in active or abandoned underground or surface mines.” Instead, “the U.S. Department of Interior ("DOI") and the EPA will address the management of CCR in mine fills in a separate regulatory action(s).” On November 3, 2015, the EPA published the final rule Effluent Limitations Guidelines and Standards ("ELG"), revising the regulations for the Steam Electric Power Generating category which became effective on January 4, 2016. The rule sets the first federal limits on the levels of toxic metals in wastewater that can be discharged from power plants, based on technology improvements in the steam electric power industry over the last three decades. The combined effect of the CCR and ELG regulations has forced power generating companies to close existing ash ponds and will likely force the closure of certain older existing coal burning power plants that cannot comply with the new standards.

Surface Mining Control and Reclamation Act. The federal Surface Mining Control and Reclamation Act ("SMCRA") establishes minimum national operational and reclamation standards for all surface mines as well as most aspects of underground mines. SMCRA requires that comprehensive environmental protection and reclamation standards be met during the course of and following completion of mining activities. Permits for all mining operations must be obtained from the U.S. Office of Surface Mining ("OSM") or, where state regulatory agencies have adopted federally approved state programs under SMCRA, the appropriate state regulatory authority. States that operate federally approved state programs may impose standards which are more stringent than the requirements of SMCRA and OSM's regulations and in many instances have done so. The Pennsylvania Mining Complex is located in states which have achieved primary jurisdiction for enforcement of SMCRA through approved state programs. In addition, SMCRA imposes a reclamation fee on all current mining operations, the proceeds of which are deposited in the Abandoned Mine Reclamation Fund, which is used to restore unreclaimed and abandoned mine lands mined before 1977. The current per ton fee is $0.28 per ton for surface mined coal and $0.12 per ton for underground mined coal. These fees are currently scheduled to be in effect until September 30, 2021.

Federal and state laws require bonds to secure our obligations to reclaim lands used for mining and to satisfy other miscellaneous obligations. These bonds are provided by CONSOL Energy and are typically renewable on a yearly basis. Surety bond costs have increased while the market terms of surety bonds have generally become less favorable. It is possible that surety-bond issuers may refuse to renew bonds or may demand additional collateral. Any failure by CONSOL Energy or us to maintain, or our inability to acquire, surety bonds that are required by state and federal laws would have a material adverse effect on our ability to produce coal, which could adversely affect our business, financial condition, liquidity, results of operations and cash flows.

Excess Spoil, Coal Mine Waste, Diversions, and Buffer Zones for Perennial and Intermittent Streams. The OSM has issued final amendments to regulations concerning stream buffer zones, stream channel diversions, excess spoil, and coal mine waste to comply with an order issued by the U.S. District Court for the District of Columbia on February 20, 2014, which vacated the stream buffer zone rule that was published December 12, 2008. On July 27, 2015, OSM published the proposed Stream Protection Rule ("SPR"). After much debate and thousands of comments, the final SPR was published by OSM in the Federal Register on December 20, 2016. The final SPR requires the restoration of the physical form, hydrologic function, and ecological function of the segment of a perennial or intermittent stream that a permittee mines through. Additionally, it requires that the post-mining surface configuration of the reclaimed mine site include a drainage pattern, including ephemeral streams, similar to the pre-mining drainage pattern, with exceptions for stability, topographical changes, fish and wildlife habitat, etc. The rule also, requires the establishment of a 100-foot-wide streamside vegetative corridor of native species (including riparian species, when appropriate) along each bank of any restored or permanently-diverted perennial, intermittent, or ephemeral stream. The congressional majority have vowed to block the SPR through a Congressional Review Act resolution. The Congressional Review Act is a law that allows Congress to overturn rules issued by federal agencies. Once a rule is finalized, Congress has a limited period of time to pass a joint resolution of disapproval preventing it from taking effect. The president-elect has also vowed to overturn the SPR. It remains to be seen if the SPR will be enforced. Many believe the SPR to be an overreach of jurisdiction by the OSM, particularly into areas under the legal jurisdiction of other federal agencies, particularly the EPA, the Corps of Engineers, and the U.S. Fish and Wildlife Service, as well as delegated state programs or state laws (e.g., Clean Water Act authority, PA Clean Streams Law, etc.).

Health and Safety Laws

Mine Safety. Legislative and regulatory changes have required us to purchase additional safety equipment, construct stronger seals to isolate mined out areas, and engage in additional training. We have also experienced more aggressive inspection protocols, and with new regulations the volume of civil penalties have increased. The actions taken thus far by federal and state governments include requiring:

- the caching of additional supplies of self-contained self-rescuer ("SCSR") devices underground;
- the purchase and installation of electronic communication and personal tracking devices underground;
- the purchase and installation of proximity detection devices on continuous miner machines;
- the placement of refuge chambers, which are structures designed to provide refuge for groups of miners during a mine emergency when evacuation from the mine is not possible, which will provide breathable air for 96 hours;
- the purchase of new fire resistant conveyor belting underground;
- additional training and testing that creates the need to hire additional employees;
- more stringent rock dusting requirements; and
- the purchase of personal dust monitors for collecting respirable dust samples from certain miners.

On October 2, 2015, the Mine Safety and Health Administration ("MSHA") published proposed rules for underground coal mining operations concerning proximity detection systems for coal hauling machines and scoops. The rulemaking record for this proposed rule was closed on December 15, 2016, but on January 9, 2017, MSHA published a notice reopening the record and extending the comment period for this proposed rule for 30 days. On January 15, 2015, MSHA published a final rule requiring underground coal mine operations to equip continuous mining machines, except full-face continuous mining machines, with proximity detection systems. The proximity detection system strengthens protection for miners by reducing the potential of pinning, crushing and striking hazards that result in accidents involving life-threatening injuries and death. The final rule became effective March 15, 2015 and included a phased in schedule for newly manufactured and in-service equipment.

In 2010, MSHA rolled out the "End Black Lung, Act Now" initiative. As a result, MSHA implemented a new final rule on August 1, 2014 to lower miners' exposure to respirable coal mine dust including using the new Personal Dust Monitor technology. This final rule was implemented in three phases. The first phase began on August 1, 2014 and utilized the current gravimetric sampling device to take full shift dust samples from the current designated occupations and areas. It also required additional record keeping and immediate corrective action in the event of overexposure. The second phase began on February 1, 2016 and required additional sampling for designated and other occupations using the new continuous personal dust monitor

("CPDM") technology, which provides real time dust exposure information to the miner. CPDM equipment was purchased and was placed into service which was required to meet compliance with the new rule. Dust Coordinators and Dust Technicians were hired in order to meet the staffing demand to manage compliance with the new rule. The final phase of the rule went into effect on August 1, 2016. The current respirable dust standard was reduced from 2.0 to 1.5mg/m3 for designated occupations and from 1.0 to 0.5mg/m3 for Part 90 Miners.

Black Lung Legislation. Under federal black lung benefits legislation, each coal mine operator is required to make payments of black lung benefits or contributions to:

- current and former coal miners totally disabled from black lung disease;
- certain survivors of miners who have died from black lung disease; and
- a trust fund for the payment of benefits and medical expenses to claimants whose last mine employment was before January 1, 1970, where no responsible coal mine operator has been identified for claims (where a miner's last coal employment was after December 31, 1969), or where the responsible coal mine operator has defaulted on the payment of such benefits. The trust fund is funded by an excise tax on U.S. production of up to $1.10 per ton for deep mined coal and up to $0.55 per ton for surface-mined coal, neither amount to exceed 4.4% of the gross sales price.

The Patient Protection and Affordable Care Act ("PPACA") made two changes to the Federal Black Lung Benefits Act. First, it provided changes to the legal criteria used to assess and award claims by creating a legal presumption that miners are entitled to benefits if they have worked at least 15 years in underground coal mines, or in similar conditions, and suffer from a totally disabling lung disease. To rebut this presumption, a coal company would have to prove that a miner did not have black lung or that the disease was not caused by the miner's work. Second, it changed the law so black lung benefits will continue to be paid to dependent survivors when the miner passes away, regardless of the cause of the miner's death. The changes have increased the cost to us of complying with the Federal Black Lung Benefits Act. In addition to the federal legislation, we are also liable under various state statutes for our portion of black lung claims.

Employees

Neither we nor our subsidiaries have any employees. Our general partner has the sole responsibility for providing the employees and other personnel necessary to conduct our operations. The directors and executive officers of our general partner manage our and our subsidiaries’ operations and activities. The executive officers of our general partner are employed and compensated by CONSOL Energy or its affiliates, other than the general partner. Under our omnibus agreement with CONSOL Energy, we reimburse CONSOL Energy for compensation-related expenses (including salary, bonus, incentive compensation and other amounts) attributable to the portion of an executive’s compensation that is allocable to our general partner. Pursuant to the operating agreement with CONSOL Energy, CNX Thermal Holdings, a wholly-owned subsidiary, manages and controls the day-to-day operations of the Pennsylvania Mining Complex. Under our employee services agreement with CONSOL Energy, CONSOL Energy employees continue to mine, process and market coal from the Pennsylvania Mining Complex, subject to our direction and control under the operating agreement. All of the field-level employees required to conduct and support our operations are employed by CONSOL Energy or its subsidiaries and are subject to the employee services agreement that we entered into with CONSOL Energy. As of December 31, 2016, CONSOL Energy employed approximately 1,600 people who provide direct support to our operations pursuant to the employee services agreement. None of the employees who provide direct support to our operations are represented by a labor union or collective bargaining agreement.

Jumpstart Our Business Startups Act ("JOBS Act")

Under the JOBS Act, for as long as the Partnership remains an “emerging growth company” as defined in the JOBS Act, we may take advantage of certain exemptions from the SEC's reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to provide an auditor's attestation report on management's assessment of the effectiveness of its system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and seeking unitholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an emerging growth company.

The Partnership will remain an emerging growth company for up to five years, although we will lose that status sooner if:

- we have more than $1 billion of revenues in a fiscal year;
- limited partner interests held by non-affiliates have a market value of more than $700 million (large accelerated filer); or

- we issue more than $1 billion of non-convertible debt over a three-year period.

The JOBS Act also provides that an emerging growth company can delay adopting new or revised accounting standards until such time as those standards apply to private companies. The Partnership has irrevocably elected to “opt out” of this exemption and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Available Information

CNX Coal Resources LP maintains a website at www.cnxlp.com. CNX Coal Resources LP makes available, free of charge, on this website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the 1934 Act), as soon as reasonably practicable after such reports are available, electronically filed with, or furnished to the SEC, and are also available at the SEC's website www.sec.gov. Apart from SEC filings, we also use our website to publish information which may be important to investors.
ITEM 1A. RISK FACTORS

Risks Related to Our Business

We may not generate sufficient distributable cash flow to support the payment of the minimum quarterly distribution to our common and subordinated unitholders.

In order to support the payment of the minimum quarterly distribution of $0.5125 per unit common and subordinated per quarter, or $2.05 per common and subordinated unit on an annualized basis, we must generate distributable cash flow of approximately $12.1 million per quarter, or approximately $48.6 million per year, based on the number of common units and subordinated units and the general partner interest outstanding (without taking into account the conversion of any preferred units).

Distributions on Class A Preferred Units may be payable either in additional Class A Preferred Units ("PIK Units") or in cash. To be able to pay the Class A Preferred Unit distribution in cash, we must generate additional cash flow of approximately $1.9 million per quarter, or approximately $7.4 million per year, based on the number of Class A Preferred Units outstanding as of December 31, 2016. We may not generate sufficient distributable cash flow to support the payment of the minimum cash quarterly distributions to our holders of preferred units.

The amount of available cash (as defined in the Partnership Agreement. See Item 5 - “Definition of Available Cash”) that we can distribute on our common units (and, as permitted under our Partnership Agreement, on our Class A Preferred Units) principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the amount of coal we are able to produce from our mines and the efficiency of our mining, preparation and transportation of coal, which could be adversely affected by, among other things, operating difficulties, unfavorable geologic conditions, inclement or hazardous weather conditions and natural disasters or other force majeure events;
- the levels of our operating expenses, general and administrative expenses and capital expenditures;
- the fees and expenses of our general partner and its affiliates (including our sponsor) that we are required to reimburse;
- the amount of cash reserves established by our general partner;
- restrictions on distributions contained in our debt agreements;
- our ability to borrow under our debt agreements and/or to access the capital markets to fund our capital expenditures and operating expenditures and to pay distributions;

- our debt service requirements and other liabilities;
- the loss of, or significant reduction in, purchases by our largest customers;
- the level and timing of our capital expenditures;
- fluctuations in our working capital needs;
- the cost of acquisitions, if any; and
- other business risks affecting our cash levels.

In addition, the actual amount of distributable cash flow that we generate will also depend on other factors, some of which are beyond our control, including:

- overall domestic and global economic and industry conditions, including the market price of, supply of and demand for domestic and foreign coal;
- the consumption pattern of industrial consumers, electricity generators and residential users;
- the price and availability of alternative fuels for electricity generation, especially natural gas;
- competition from other coal suppliers;
- the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry and coal-fired power plants, and delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits;
- the costs associated with our compliance with domestic and foreign governmental laws and regulations, including environmental and climate change regulations;
- technological advances affecting energy consumption;
- the costs, availability and capacity of transportation infrastructure;
- the cost and availability of skilled labor (including miners), the effects of new or expanded health and safety regulations and work stoppages and other labor difficulties; and
- changes in tax laws.

Our growth strategy primarily depends on us acquiring additional undivided interests in the Pennsylvania Mining Complex from our sponsor.

Our primary strategy for growing our business and increasing distributions to our unitholders is to make acquisitions that increase our distributable cash flow. The primary component of our growth strategy is based upon our expectation of future divestitures by our sponsor to us of portions of its currently retained 75% undivided interest in the Pennsylvania Mining Complex. We have a right of first offer pursuant to our omnibus agreement to purchase part or all of the undivided interest in the Pennsylvania Mining Complex retained by our sponsor for so long as CONSOL Energy controls our general partner. However, our sponsor is under no obligation to sell us additional undivided interests in the Pennsylvania Mining Complex and we are under no obligation to purchase additional undivided interests in the Pennsylvania Mining Complex from our sponsor. We may never purchase additional undivided interests in the Pennsylvania Mining Complex for several reasons, including the following:

- our sponsor may choose not to sell any portion of its undivided interests in the Pennsylvania Mining Complex;
- we may not make offers to buy any additional interests in the Pennsylvania Mining Complex;
- we and our sponsor may be unable to agree to terms acceptable to both parties;
- we may be unable to obtain financing to purchase additional undivided interests in the Pennsylvania Mining Complex on acceptable terms or at all; or
- we may be prohibited by the terms of our debt agreements (including our revolving credit facility) or other contracts from purchasing additional undivided interests in the Pennsylvania Mining Complex, and our sponsor may be prohibited by the terms of its debt agreements or other contracts from selling all or any portion of it. If we or our sponsor must seek waivers of such provisions or refinance debt governed by such provisions in order to consummate a sale of our sponsor's undivided interests in the Pennsylvania Mining Complex, we or our sponsor may be unable to do so in a timely manner or at all.

We can provide no assurance that we will be able to successfully consummate any future acquisition of all or any portion of CONSOL Energy's retained 75% undivided interest in the Pennsylvania Mining Complex. In addition, our right of first offer will terminate upon the date that CONSOL Energy no longer controls our general partner. Our general partner may not transfer all or any part of its general partner interest to another person prior to June 30, 2025, without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by our general partner and its affiliates (subject to certain exceptions included in the Partnership Agreement). For additional information regarding our right of first offer and its terms and conditions, please read: Item 13 - Omnibus Agreement - Right of first offer.

Furthermore, if our sponsor reduces its ownership interest in us, it may be less willing to sell to us additional undivided interests in the Pennsylvania Mining Complex. Except for our right of first offer, there are no restrictions on our sponsor’s ability to transfer the assets covered by our right of first offer to a third party. If we do not acquire all or a significant portion of CONSOL Energy's retained 75% undivided interest in the Pennsylvania Mining Complex, our ability to grow our business and increase our cash distributions to our unitholders may be significantly limited.

We face uncertainties in estimating our economically recoverable coal reserves, and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs and decreased profitability.

Coal is economically recoverable when the price at which coal can be sold exceeds the costs and expenses of mining and selling the coal. Forecasts of our future performance are based on, among other things, estimates of our recoverable coal reserves. We base our reserve information on geologic data, coal ownership information and current and proposed mine plans. These estimates are periodically updated to reflect past coal production, new drilling information and other geologic or mining data. There are numerous uncertainties inherent in estimating quantities and qualities of coal and costs to mine recoverable reserves, including many factors beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Some of the factors and assumptions which impact economically recoverable coal reserve estimates include:

- geological and mining conditions;
- historical production from the area compared with production from other producing areas;
- the assumed effects of regulations and taxes by governmental agencies;
- our ability to obtain, maintain and renew all required permits;
- future improvements in mining technology;
- assumptions related to future prices; and
- future operating costs, including the cost of materials, and capital expenditures.

Each of the factors that impacts reserve estimation may vary considerably from the assumptions used in estimating the reserves. For these reasons, estimates of coal reserves may vary substantially. Actual production, revenues and expenditures with respect to our coal reserves will likely vary from estimates, and these variances may be material. As a result, our estimates may not accurately reflect our actual coal reserves.

Our inability to acquire additional coal reserves that are economically recoverable may have a material adverse effect on our future profitability.

Our profitability depends substantially on our ability to mine, in a cost-effective manner, coal reserves that possess the quality characteristics our customers desire. Because our reserves decline as we mine our coal, our future profitability depends upon our ability to acquire additional coal reserves that are economically recoverable to replace the reserves we produce. If we fail to acquire or develop sufficient additional reserves over the long term to replace the reserves depleted by our production, our existing reserves will eventually be depleted.

Deterioration in the global economic conditions in any of the industries in which our customers operate, a worldwide financial downturn, or negative credit market conditions could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions.

Economic conditions in a number of industries in which our customers operate, such as electric power generation and steelmaking, substantially deteriorated in recent years and reduced the demand for coal. The general economic challenges for some of our customers continued in 2016 and the outlook is uncertain. In addition, liquidity is essential to our Partnership and developing our assets. Renewed or continued weakness in the economic conditions of any of the industries served by our customers could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions. For example:

- demand for electricity in the United States is impacted by levels of industrial activity, which if weakened would negatively impact our revenues, margins and profitability;
-

demand for metallurgical coal depends on steel demand in the United States and globally, which if weakened would negatively impact the revenues, margins and profitability of our metallurgical coal business including our ability to sell our thermal coal as higher-priced high volatile metallurgical coal;

- the tightening of credit or lack of credit availability to our customers could adversely affect our ability to collect our trade receivables; and
- our ability to access the capital markets may be restricted at a time when we intend to raise capital for our business, including for exploration and/or development of coal reserves, or for strategic acquisitions of assets, including from our sponsor.

Decreases in demand for electricity and changes in coal consumption patterns of U.S. electric power generators could adversely affect our business.

Our business is closely linked to domestic demand for electricity, and any changes in coal consumption by U.S. electric power generators would likely impact our business over the long term. According to the EIA, in 2016, the domestic electric power sector accounted for approximately 92% of total U.S. coal consumption. In 2016, the Pennsylvania Mining Complex sold approximately 76% of its coal to U.S. electric power generators, and we have multi-year contracts in place with these electric power generators for a significant portion of our future production. The amount of coal consumed by the electric power generation industry is affected by, among other things:

- general economic conditions, particularly those affecting industrial electric power demand, such as a downturn in the U.S. economy and financial markets;
- overall demand for electricity;
- indirect competition from alternative fuel sources for power generation, such as natural gas, fuel oil, nuclear, hydroelectric, wind and solar power, and the location, availability, quality and price of those alternative fuel sources;
- environmental and other governmental regulations, including those impacting coal-fired power plants; and
- energy conservation efforts and related governmental policies.

For example, the relatively recent low price of natural gas has resulted, in some instances, in domestic electric power generators increasing natural gas consumption while decreasing coal consumption. Federal and state mandates for increased use of electricity derived from renewable energy sources could affect demand for our coal. Such mandates, combined with other incentives to use renewable energy sources, such as tax credits, could make alternative fuel sources more competitive with coal. A decrease in coal consumption by the electric power generation industry could adversely affect the price of coal, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions.

According to the EIA, although electricity demand fell in only three years between 1950 and 2007, it declined in five of the eight years between 2008 and 2015. The largest drop in electricity demand occurred in 2009, primarily as the result of the steep economic downturn from late 2007 through 2009, which led to a large drop in electricity sales in the industrial sector. Other factors, such as efficiency improvements associated with new appliance standards in the buildings sectors and overall improvement in the efficiency of technologies powered by electricity, have slowed electricity demand growth and may contribute to slower growth in the future, even as the U.S. economy continues its recovery. Further decreases in the demand for electricity, such as decreases that could be caused by a worsening of current economic conditions, a prolonged economic recession or other similar events, could have a material adverse effect on the demand for coal and on our business over the long term.

Changes in the coal industry that affect our customers, such as those caused by decreased electricity demand and increased competition, could also adversely affect our business. Indirect competition from natural gas-fired plants that are relatively less expensive to construct and less difficult to permit has the most potential to displace a significant amount of coal-fired electric power generation in the near term, particularly from older, less efficient coal-fired powered generators. For example, according to the EIA, installed U.S. natural gas-fired net summer generating capacity increased by about 7 gigawatt from 2014-2015, while installed coal-fired net summer generating capacity decreased by about 19 gigawatt over the same period. In addition, uncertainty caused by federal and state regulations could cause coal customers to be uncertain of their coal requirements in future years, which could adversely affect our ability to sell coal to our customers under multi-year sales contracts.

Prices for coal are volatile and can fluctuate widely based upon a number of factors beyond our control, including oversupply relative to the demand available for our coal, weather and the price and availability of alternative fuels. A substantial or extended decline in the prices we receive for our coal could adversely affect our business, results of operations, financial condition, cash flows and ability to make cash distributions to our unitholders.

Our financial results are significantly affected by the prices we receive for our coal and depend, in part, on the margins that we receive on sales of our coal. Our margins reflect the price we receive for our coal over our cost of producing and transporting our coal. Prices and quantities under our multi-year sales contracts are generally based on expectations of future coal prices at the time the contract is entered into, renewed, extended or re-opened. The expectation of future prices for coal depends upon many factors beyond our control, including the following:

- the market price for coal;
- overall domestic and global economic conditions, including the supply of and demand for domestic and foreign coal;

- changes in the consumption pattern of electricity generators, industrial consumers, electricity generators and residential end-users of electricity;
- weather conditions in our markets which affect the demand for thermal coal;
- competition from other coal suppliers;
- the price and availability of alternative fuels and sources for electricity generation, especially natural gas and renewable energy sources;
- technological advances affecting energy consumption;
- the costs, availability and capacity of transportation infrastructure; and
- the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry and coal-fired power plants, and delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits.

The coal industry also faces concerns with respect to oversupply from time to time. For example, the unusually warm 2015-16 winter left utilities with large coal stockpiles and depressed the demand for thermal coal. Also, China, a key participant in the seaborne market, has experienced highly volatile swings in seaborne coal demand which can adversely affect the supply/demand balance. Our average sales price per ton sold in 2016 declined 23% from 2015 due to imbalanced supply and demand. A substantial or extended decline in the prices we receive for our coal could adversely affect our business, results of operations, financial condition, cash flows and ability to make cash distributions to our unitholders.

Competition within the coal industry may adversely affect our ability to sell coal. Increased competition or a loss of our competitive position could adversely affect our sales of, or our prices for, our coal, which could impair our profitability. In addition, foreign currency fluctuations could adversely affect the competitiveness of our coal abroad.

We compete with other producers primarily on the basis of price, coal quality, transportation costs and reliability of delivery. We compete with coal producers in various regions of the United States and with some foreign coal producers for domestic sales primarily to electric power generators. We also compete with both domestic and foreign coal producers for sales in international markets. Demand for our coal by our principal customers is affected by the delivered price of competing coals, other fuel supplies and alternative generating sources, including nuclear, natural gas, oil and renewable energy sources, such as hydroelectric, wind and solar power.

We sell coal to foreign electricity generators and to the more specialized metallurgical coal market, both of which are significantly affected by international demand and competition. Competition from other producers may or may not adversely affect us in the future. The coal industry has experienced consolidation in recent years, including consolidation among some of our major competitors. As a result, a substantial portion of coal production is from companies that have significantly greater resources than we do. Current or further consolidation in the coal industry or current or future bankruptcy proceedings of coal competitors may or may not adversely affect us. In addition, increases in coal prices could encourage existing producers to expand capacity or could encourage new producers to enter the market. If overcapacity results, the prices of and demand for our coal could significantly decline, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions.

In addition, we face competition from foreign producers that sell their coal in the export market. Potential changes to international trade agreements, trade concessions or other political and economic arrangements may benefit coal producers operating in countries other than the United States. We may be adversely impacted on the basis of price or other factors with companies that in the future may benefit from favorable foreign trade policies or other arrangements. In addition, coal is sold internationally in U.S. dollars and, as a result, general economic conditions in foreign markets and changes in foreign currency exchange rates may provide our foreign competitors with a competitive advantage. If our competitors' currencies decline against the U.S. dollar or against our foreign customers' local currencies, those competitors may be able to offer lower prices for coal to our customers. Furthermore, if the currencies of our overseas customers were to significantly decline in value in comparison to the U.S. dollar, those customers may seek decreased prices for the coal we sell to them. Consequently, currency fluctuations could adversely affect the competitiveness of our coal in international markets, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions.

Our business involves many hazards and operating risks, some of which may not be fully covered by insurance. The occurrence of a significant accident or other event that is not fully insured could curtail our operations and have a material adverse effect on our results of operations, financial condition, cash flows and ability to make cash distributions to our unitholders.

Our mining operations, including our transportation infrastructure, are subject to many hazards and operating risks. In particular, underground mining and related processing activities present inherent risks of injury to persons and damage to property and equipment. Our mines are subject to a number of operating risks that could disrupt operations, decrease production and increase the cost of mining for varying lengths of time, thereby adversely affecting our operating results. In addition, if coal production declines, we may not be able to produce sufficient amounts of coal to deliver under our multi-year sales contracts. Our inability to satisfy contractual obligations could result in our customers initiating claims against us. The operating risks that may have a significant impact on our coal operations include:

- variations in thickness of the layer, or seam, of coal;
- adverse geologic conditions, including amounts of rock and other natural materials intruding into the coal seam, that could affect the stability of the roof and the side walls of the mine;
- environmental hazards;
- mining and processing equipment failures and unexpected maintenance problems;
- fires or explosions, including as a result of methane, coal, coal dust or other explosive materials, and/or other accidents;
- inclement or hazardous weather conditions and natural disasters or other force majeure events;
- seismic activities, ground failures, rock bursts or structural cave-ins or slides;
- delays in moving our longwall equipment;
- railroad derailments;
- security breaches or terroristic acts; and
- other hazards that could also result in personal injury and loss of life, pollution and suspension of operations.

Any of these risks could adversely affect our ability to conduct operations or result in substantial loss to us as a result of claims for:

- personal injury or loss of life;
- damage to and destruction of property, natural resources and equipment, including our coal properties and our coal production or transportation facilities;
- pollution and other environmental damage to our properties or the properties of others;
- potential legal liability and monetary losses;
- regulatory investigations and penalties;
- suspension of our operations; and
- repair and remediation costs.

In addition, the total cost of coal sold and overall coal production may be adversely affected by various factors. For example, unit costs were negatively impacted in 2016 due to adverse geological conditions at the Enlow Fork mine, primarily related to sandstone intrusions, which reduced its coal production. Although we, through CONSOL Energy, maintain insurance for a number of risks and hazards, we may not be insured or fully insured against the losses or liabilities that could arise from a significant accident in our coal operations. We or CONSOL Energy may elect not to obtain insurance for any or all of these risks if we or CONSOL Energy believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. Moreover, a significant mine accident could potentially cause a mine shutdown. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions.

In addition, if any of the foregoing changes, conditions or events occurs and is not excusable as a force majeure event, any resulting failure on our part to deliver coal to the purchaser under our contracts could result in economic penalties, suspension or cancellation of shipments or ultimately termination of the agreement, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions.

All of our mines are part of a single mining complex and are exclusively located in the Northern Appalachian Basin, making us vulnerable to risks associated with operating in a single geographic area.

All of our operations are conducted at a single mining complex located in the Northern Appalachian Basin in southwestern Pennsylvania. The geographic concentration of our operations at the Pennsylvania Mining Complex may disproportionately expose us to disruptions in our operations if the region experiences adverse conditions or events, including severe weather, transportation capacity constraints, constraints on the availability of required equipment, facilities, personnel or services, significant governmental regulation or natural disasters. If any of these factors were to impact the Northern Appalachian Basin more than other coal producing regions, our business, financial condition, results of operations and ability to make cash distributions will be adversely affected relative to other mining companies that have a more geographically diversified asset portfolio.

The availability and reliability of transportation facilities and fluctuations in transportation costs could affect the demand for our coal or impair our ability to supply coal to our customers.

Transportation logistics play an important role in allowing us to supply coal to our customers. Any significant delays, interruptions or other limitations on the ability to transport our coal could negatively affect our operations. Currently, all of our coal is transported from the Pennsylvania Mining Complex by rail. Delays and interruptions of rail services because of accidents, infrastructure damage, lack of rail or port capacity, weather related problems, governmental regulation, terrorism, strikes, lock-outs, third-party actions or other events could temporarily impair our ability to supply coal to customers and adversely affect our profitability. In addition, transportation costs represent a significant portion of the delivered cost of coal and, as a result, the cost of delivery is a critical factor in a customer's purchasing decision. Increases in transportation costs, including increases resulting from emission control requirements and fluctuations in the price of locomotive diesel fuel and
demurrage, could make our coal less competitive, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions.

Any significant downtime of our major pieces of mining equipment, including our preparation plant, could impair our ability to supply coal to our customers and materially and adversely affect our results of operations.

We depend on several major pieces of mining equipment to produce and transport our coal, including, but not limited to, longwall mining systems, continuous mining units, our preparation plant and related facilities, conveyors and transloading facilities. If any of these pieces of equipment or facilities suffered major damage or were destroyed by fire, abnormal wear, flooding, incorrect operation or otherwise, we may be unable to replace or repair them in a timely manner or at a reasonable cost, which would impact our ability to produce and transport coal and materially and adversely affect our business, results of operations, financial condition, cash flows and ability to make cash distributions to our unitholders.

All of the coal from our mines is processed at a single preparation plant and loaded on to rail cars using a single train loadout facility. If either of our preparation plant or train loadout facility suffers extended downtime, including from major damage, or is destroyed, our ability to process and deliver coal to our customers would be materially impacted, which would materially adversely affect our business, results of operations, financial condition, cash flows and ability to make cash distributions to our unitholders.

If our customers do not extend existing contracts or do not enter into new multi-year sales contracts on favorable terms, our profitability could be adversely affected.

During the year ended December 31, 2016, approximately 65% of the coal we produced was sold under multi-year sales contracts. If a substantial portion of our contracts are modified or terminated (or if force majeure is exercised) and we are unable to replace the contracts (or if new contracts are priced at lower levels), our profitability would be adversely affected. In addition, if customers refuse to accept shipments of our coal for which they have existing contractual obligation, our revenues will decrease and we may have to reduce production at our mines until our customer's contractual obligations are honored.

The profitability of our multi-year sales contracts depends on a variety of factors, which vary from contract to contract and fluctuate during the contract term, including our production costs and other factors. Price changes, if any, provided in multi-year sales contracts may not reflect our cost increases and, therefore, increases in our costs may reduce our profit margins. In addition, during periods of declining market prices, provisions in our multi-year sales contracts for adjustment or renegotiation of prices and other provisions may increase our exposure to short-term coal price and electric power price volatility. As a result, we may not be able to obtain multi-year agreements at favorable prices compared to either market conditions, as they may change from time to time, or our cost structure, which may reduce our profitability.

The loss of, or significant reduction in, purchases by our largest customers could adversely affect our business, financial condition, results of operations, cash flows and ability to make cash distributions.

We derive a significant portion of our revenues from two customers: Duke Energy Corporation ("Duke Energy") and GenOn Energy, Inc. ("GenOn Energy"), from each of whom we derived at least 10% of our total coal sales revenues for the year ended December 31, 2016. There are inherent risks whenever a significant percentage of total revenues are concentrated with a limited number of customers. Revenues from our largest customers may fluctuate from time to time based on numerous factors, including market conditions, which may be outside of our control. As of December 31, 2016, we had approximately nine sales agreements with these customers that expire at various times between 2017 and 2018. If any of our largest customers experience declining revenues due to market, economic or competitive conditions, we could be pressured to reduce the prices that we charge for our coal, which could have an adverse effect on our margins, profitability, cash flows and financial position. In addition, if any of our largest customers were to significantly reduce their purchases of coal from us, including by failing to buy and pay for coal they committed to purchase in sales contracts, our business, financial condition, results of operations, cash flows and ability to make cash distributions could be adversely affected.

Certain provisions in our multi-year sales contracts may provide limited protection during adverse economic conditions, may result in economic penalties to us or permit the customer to terminate the contract.

Price adjustment, “price reopener” and other similar provisions in our multi-year sales contracts may reduce the protection from short-term coal price volatility traditionally provided by such contracts