

CONSOL Energy Inc
Form 10-Q
November 04, 2014

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from _____ to _____

Commission file number: 001-14901

CONSOL Energy Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1000 CONSOL Energy Drive
Canonsburg, PA 15317-6506
(724) 485-4000

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

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

Yes No

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

Yes No

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

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

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

Yes No

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

Class	Shares outstanding as of October 17, 2014
Common stock, \$0.01 par value	230,179,532

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GLOSSARY OF CERTAIN OIL AND GAS MEASUREMENT TERMS

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

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

Bcf - One billion cubic feet of natural gas.

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

Btu - One British thermal unit.

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

Mcf - One thousand cubic feet of natural gas.

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

MMbtu - One million British Thermal units.

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

NGL - Natural gas liquids.

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

Dth/d- Decatherms per day, with one decatherm being equivalent to one million British Thermal units.

PART I : FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues and Other Income:				
Natural Gas, NGLs and Oil Sales	\$257,358	\$192,781	\$753,399	\$531,859
Coal Sales	483,960	479,311	1,554,939	1,532,280
Other Outside Sales	73,673	63,876	213,047	197,778
Gas Royalty Interests and Purchased Gas Sales	18,815	17,113	68,773	51,109
Freight-Outside Coal	2,497	9,579	22,551	31,492
Miscellaneous Other Income	40,784	20,822	165,815	77,729
Gain on Sale of Assets	7,529	19,863	12,615	52,208
Total Revenue and Other Income	884,616	803,345	2,791,139	2,474,455
Costs and Expenses:				
Exploration and Production Costs				
Lease Operating Expense	30,005	23,600	85,622	70,835
Transportation, Gathering and Compression	68,234	46,699	179,813	144,002
Production, Ad Valorem, and Other Fees	8,486	8,033	28,817	20,011
Direct Administrative and Selling	14,060	11,725	39,216	34,615
Depreciation, Depletion and Amortization	82,538	58,998	225,766	164,832
Exploration and Production Related Other Costs	8,042	22,771	15,765	43,666
Production Royalty Interests and Purchased Gas Costs	15,751	13,805	58,519	41,165
Other Corporate Expenses	13,700	26,289	60,876	74,239
General and Administrative	14,874	10,177	47,755	29,239
Total Exploration and Production Costs	255,690	222,097	742,149	622,604
Coal Costs				
Operating and Other Costs	339,216	328,393	1,013,606	993,342
Royalties and Production Taxes	23,306	24,380	77,397	79,257
Direct Administrative and Selling	10,479	11,608	33,589	34,744
Depreciation, Depletion and Amortization	64,880	57,265	186,029	169,702
Freight Expense	2,497	9,579	22,551	31,492
General and Administrative Costs	10,434	8,607	33,397	27,946
Other Corporate Expenses	10,114	11,145	41,444	43,056
Total Coal Costs	460,926	450,977	1,408,013	1,379,539
Other Costs				
Miscellaneous Operating Expense	92,974	75,439	266,601	272,346
General and Administrative Costs	425	376	1,259	1,269
Depreciation, Depletion and Amortization	1,247	1,467	3,885	4,303
Loss on Debt Extinguishment	20,990	—	95,267	—
Interest Expense	55,397	56,300	170,539	164,194
Total Other Costs	171,033	133,582	537,551	442,112
Total Costs And Expenses	887,649	806,656	2,687,713	2,444,255
(Loss) Earnings Before Income Tax	(3,033)	(3,311)	103,426	30,200

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Income Taxes	(1,388)	68,858	8,315	97,531
(Loss) Income From Continuing Operations	(1,645)	(72,169)	95,111	(67,331)
Income (Loss) From Discontinued Operations, net	—	8,120	(5,687)	(11,352)
Net (Loss) Income	(1,645)	(64,049)	89,424	(78,683)
Less: Net Loss Attributable to Noncontrolling Interests	—	(398)	—	(942)
Net (Loss) Income Attributable to CONSOL Energy Shareholders	\$(1,645)	\$(63,651)	\$89,424	\$(77,741)

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

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

(Dollars in thousands, except per share data) (Unaudited)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
(Loss) Earnings Per Share				
Basic				
(Loss) Income from Continuing Operations	\$(0.01)	\$(0.31)	\$0.41	\$(0.29)
Income (Loss) from Discontinued Operations	—	0.03	(0.02)	(0.05)
Total Basic (Loss) Earnings Per Share	\$(0.01)	\$(0.28)	\$0.39	\$(0.34)
Dilutive				
(Loss) Income from Continuing Operations	\$(0.01)	\$(0.31)	\$0.41	\$(0.29)
Income (Loss) from Discontinued Operations	—	0.03	(0.02)	(0.05)
Total Dilutive (Loss) Earnings Per Share	\$(0.01)	\$(0.28)	\$0.39	\$(0.34)
Dividends Paid Per Share	\$0.0625	\$0.125	\$0.1875	\$0.25

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands) (Unaudited)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net (Loss) Income	\$(1,645)	\$(64,049)	\$89,424	\$(78,683)
Other Comprehensive Income (Loss):				
Actuarially Determined Long-Term Liability Adjustments (Net of tax: (\$107,383), (\$15,422), (\$108,154), (\$70,161))	184,154	24,980	185,475	113,641
Net Increase (Decrease) in the Value of Cash Flow Hedges (Net of tax: (\$25,722), (\$8,536), \$13,161, (\$26,036))	39,151	13,246	(20,032)	40,400
Reclassification of Cash Flow Hedges from OCI to Earnings (Net of tax: \$12,084, \$14,025, (\$5,509), \$36,551)	(19,510)	(24,354)	3,754	(56,595)
Other Comprehensive Income	203,795	13,872	169,197	97,446
Comprehensive Income (Loss)	202,150	(50,177)	258,621	18,763
Less: Comprehensive Loss Attributable to Noncontrolling Interest	—	(398)	—	(942)
Comprehensive Income (Loss) Attributable to CONSOL Energy Inc. Shareholders	\$202,150	\$(49,779)	\$258,621	\$19,705

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

CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	(Unaudited) September 30, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$225,563	\$327,420
Accounts and Notes Receivable:		
Trade	299,939	332,574
Notes Receivable	—	25,861
Other Receivables	382,652	243,973
Inventories	145,372	157,914
Deferred Income Taxes	127,731	211,303
Recoverable Income Taxes	41,971	10,705
Prepaid Expenses	101,867	135,842
Total Current Assets	1,325,095	1,445,592
Property, Plant and Equipment:		
Property, Plant and Equipment	14,463,328	13,578,509
Less—Accumulated Depreciation, Depletion and Amortization	4,499,344	4,136,247
Total Property, Plant and Equipment—Net	9,963,984	9,442,262
Other Assets:		
Investment in Affiliates	185,509	291,675
Notes Receivable	—	125
Other	244,347	214,013
Total Other Assets	429,856	505,813
TOTAL ASSETS	\$11,718,935	\$11,393,667

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

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CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
(Dollars in thousands, except per share data)	September 30, 2014	December 31, 2013
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	\$610,725	\$514,580
Current Portion of Long-Term Debt	12,225	11,455
Other Accrued Liabilities	610,704	565,697
Current Liabilities of Discontinued Operations	12,992	28,239
Total Current Liabilities	1,246,646	1,119,971
Long-Term Debt:		
Long-Term Debt	3,236,172	3,115,963
Capital Lease Obligations	43,150	47,596
Total Long-Term Debt	3,279,322	3,163,559
Deferred Credits and Other Liabilities:		
Deferred Income Taxes	395,025	242,643
Postretirement Benefits Other Than Pensions	652,050	961,127
Pneumoconiosis Benefits	111,514	111,971
Mine Closing	321,776	320,723
Gas Well Closing	180,520	175,603
Workers' Compensation	73,398	71,468
Salary Retirement	48,231	48,252
Reclamation	34,499	40,706
Other	121,355	131,355
Total Deferred Credits and Other Liabilities	1,938,368	2,103,848
TOTAL LIABILITIES	6,464,336	6,387,378
Stockholders' Equity:		
Common Stock, \$.01 Par Value; 500,000,000 Shares Authorized, 230,177,923 Issued and Outstanding at September 30, 2014; 229,145,736 Issued and Outstanding at December 31, 2013	2,305	2,294
Capital in Excess of Par Value	2,412,976	2,364,592
Preferred Stock, 15,000,000 shares authorized, None issued and outstanding	—	—
Retained Earnings	2,995,238	2,964,520
Accumulated Other Comprehensive Loss	(155,920)	(325,117)
Total CONSOL Energy Inc. Stockholders' Equity	5,254,599	5,006,289
TOTAL LIABILITIES AND EQUITY	\$11,718,935	\$11,393,667

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

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

(Dollars in thousands, except per share data)	Common Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Total CONSOL Energy Inc. Stockholders' Equity
December 31, 2013 (Unaudited)	\$2,294	\$2,364,592	\$2,964,520	\$(325,117)	\$5,006,289
Net Income	—	—	89,424	—	89,424
Other Comprehensive Income	—	—	—	169,197	169,197
Comprehensive Income	—	—	89,424	169,197	258,621
Issuance of Common Stock	11	13,392	—	—	13,403
Treasury Stock Activity	—	—	(15,587)	—	(15,587)
Tax Benefit From Stock-Based Compensation	—	2,478	—	—	2,478
Amortization of Stock-Based Compensation Awards	—	32,514	—	—	32,514
Dividends (\$0.1875 per share)	—	—	(43,119)	—	(43,119)
September 30, 2014	\$2,305	\$2,412,976	\$2,995,238	\$(155,920)	\$5,254,599

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

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CONSOL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

Operating Activities:

Net Income (Loss)

Nine Months Ended
September 30,

2014 2013

\$89,424 \$(78,683)

Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Continuing Operating
Activities:

Net Loss from Discontinued Operations

5,687 11,352

Depreciation, Depletion and Amortization

415,680 338,837

Stock-Based Compensation

32,514 44,026

Gain on Sale of Assets

(12,615) (52,208)

Loss on Debt Extinguishment

95,267 —

Deferred Income Taxes

6,540 (23,335)

Equity in Earnings of Affiliates

(38,477)