

CNX Coal Resources LP
Form 10-Q
July 29, 2016

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 June 30, 2016

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

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

Delaware 47-3445032
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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

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

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

Yes 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

CNX Coal Resources LP had 11,611,067 common units, 11,611,067 subordinated units and a 2% general partner interest outstanding at July 29, 2016.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015	<u>4</u>
Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2016 and 2015	<u>5</u>
Consolidated Balance Sheets at June 30, 2016 and December 31, 2015	<u>6</u>
Consolidated Statement of Partners' Capital for the six months ended June 30, 2016	<u>7</u>
Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015	<u>8</u>
Notes to the Consolidated Financial Statements	<u>9</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
Item 4. <u>Controls and Procedures</u>	<u>29</u>
Part II. Other Information	
Item 1. <u>Legal Proceedings</u>	<u>31</u>
Item 1A. <u>Risk Factors</u>	<u>31</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>31</u>
Item 6. <u>Exhibits</u>	<u>31</u>
<u>Signatures</u>	<u>32</u>

Significant Relationships and Other Terms Referenced in this Quarterly Report

“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; CNX Thermal Holdings owns a 20% undivided interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania mining complex;

“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;

the “Pennsylvania mining complex” refers to 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;

“IPO” refers to the completion of the Partnership's initial public offering on July 7, 2015;

our “general partner” refers to CNX Coal Resources GP LLC, a Delaware limited liability company and our general partner; and

PART I : FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CNX COAL RESOURCES LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except unit data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Coal Revenue	\$50,112	\$63,799	\$95,345	\$140,686
Freight Revenue	2,237	541	4,852	1,015
Other Income	1,424	145	1,415	376
Total Revenue and Other Income	53,773	64,485	101,612	142,077
Operating and Other Costs ¹	36,837	39,256	67,631	85,370
Depreciation, Depletion and Amortization	8,339	9,467	16,592	18,616
Freight Expense	2,237	541	4,852	1,015
Selling, General and Administrative Expenses ²	1,662	2,917	3,346	5,042
Interest Expense ³	2,091	2,328	4,085	4,709
Total Costs	51,166	54,509	96,506	114,752
Net Income	\$2,607	\$9,976	\$5,106	\$27,325
Calculation of Limited Partner Interest in Net Income:				
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Coal Resources ⁴	\$2,607	N/A	\$5,106	N/A
Less: General Partner Interest in Net Income	51	N/A	102	N/A
Limited Partner Interest in Net Income	\$2,556	N/A	\$5,004	N/A
Net Income per Limited Partner Unit - Basic	\$0.11	N/A	\$0.22	N/A
Net Income per Limited Partner Unit - Diluted	\$0.11	N/A	\$0.22	N/A
Limited Partner Units Outstanding - Basic	23,222,134	N/A	23,222,134	N/A
Limited Partner Units Outstanding - Diluted	23,301,391	N/A	23,254,115	N/A
Cash Distributions Declared per Unit ⁵	\$0.2563	N/A	\$0.7688	N/A
Common Unit	\$0.5125	N/A	\$1.0250	N/A
Subordinated Unit	\$—	N/A	\$0.5125	N/A

¹ Related Party of \$1,016 and \$1,155 for the three months ended and \$2,029 and \$1,795 for the six months ended June 30, 2016 and June 30, 2015, respectively.

² Related Party of \$962 and \$1,897 for the three months ended and \$1,896 and \$3,525 for the six months ended June 30, 2016 and June 30, 2015, respectively.

³ Related Party of \$2,433 and \$4,840 for the three months ended and six months ended June 30, 2015, respectively.

⁴ Represents the general and limited partner interest in net income since closing of IPO.

⁵ Represents the cash distributions declared related to the period presented. See Note 13 - Subsequent Events.

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

4
