CNX Resources Corp
Form 10-Q
May 03, 2018

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended March 31, 2018
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 Resources Corporation
(Exact name of registrant as specified in its charter)

Delaware	51-0337383
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

CNX Center
1000 CONSOL Energy Drive Suite 400
Canonsburg, PA 15317-6506
(724) 485-4000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting Company o
Emerging Growth Company o If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

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

Class	Shares outstanding as of April 16, 2018
Common stock, $0.01 par value	217,910,958

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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.
Bbtu - One billion British Thermal units.
Bcf - One billion cubic feet of natural gas.
Bcfe - One billion cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.
Btu - One British Thermal unit.
Mbbls - One thousand barrels of oil or other liquid hydrocarbons.
Mcf - One thousand cubic feet of natural gas.
Mcfe - One thousand cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.
MMbtu - One million British Thermal units.
MMcfe - One million cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.
NGL - Natural gas liquids - those hydrocarbons in natural gas that are separated from the gas as liquids through the process.
Net - “Net” natural gas or “net” acres are determined by adding the fractional ownership working interests CNX Resources Corporation and its subsidiaries has in gross wells or acres.
Proved reserves - Quantities of oil, natural gas, and NGLs which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.
Proved developed reserves - Proved reserves which can be expected to be recovered through existing wells with existing equipment and operating methods.
Proved undeveloped reserves (PUDs) - Proved reserves that can be estimated with reasonable certainty to be recovered from new wells on undrilled proved acreage or from existing wells where a relatively major expenditure is required for completion.
Reservoir - A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.
Tcfe - One trillion cubic feet of natural gas equivalents, with one barrel of oil being equivalent to 6,000 cubic feet of gas.

PART I : FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

CNX RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)	Three Months Ended	
(Unaudited)	March 31,	
Revenues and Other Operating Income:	2018	2017
Natural Gas, NGLs and Oil Revenue	$405,623	$317,763
Gain (Loss) on Commodity Derivative Instruments	35,087	(22,463)
Purchased Gas Revenue	18,055	8,979
Midstream Revenue	26,254	—
Other Operating Income	10,710	15,650
Total Revenue and Other Operating Income	495,729	319,929
Costs and Expenses:		
Operating Expense		
Lease Operating Expense	36,810	21,633
Transportation, Gathering and Compression	86,261	94,332
Production, Ad Valorem, and Other Fees	9,233	9,329
Depreciation, Depletion and Amortization	124,667	95,678
Exploration and Production Related Other Costs	2,380	9,785
Purchased Gas Costs	17,054	8,895
Impairment of Exploration and Production Properties	—	137,865
Selling, General, and Administrative Costs	31,349	21,802
Other Operating Expense	16,047	18,176
Total Operating Expense	323,801	417,495
Other (Income) Expense		
Other (Income) Expense	(6,493)	4,075
Gain on Asset Sales	(11,342)	(3,996)
Gain on Previously Held Equity Interest	(623,663)	—
Loss (Gain) on Debt Extinguishment	15,635	(822)
Interest Expense	38,551	41,606
Total Other (Income) Expense	(587,312)	40,863
Total Costs And Expenses	(263,511)	458,358
Earnings (Loss) From Continuing Operations Before Income Tax	759,240	(138,429)
Income Tax Expense (Benefit)	213,694	(47,422)
Income (Loss) From Continuing Operations	545,546	(91,007)
Income From Discontinued Operations, net	—	52,041
Net Income (Loss)	545,546	(38,966)
Less: Net Income Attributable to Noncontrolling Interest	17,983	—
Net Income (Loss) Attributable to CNX Resources Shareholders	$527,563	$(38,966)

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

CNX RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(CONTINUED)

(Dollars in thousands, except per share data)	Three Months Ended	
(Unaudited)	March 31,	
Earnings (Loss) Per Share	2018	2017
Basic		
Income (Loss) from Continuing Operations	$2.38	$(0.40)
Income from Discontinued Operations	—	0.23
Total Basic Earnings (Loss) Per Share	$2.38	$(0.17)
Dilutive		
Income (Loss) from Continuing Operations	$2.35	$(0.40)
Income from Discontinued Operations	—	0.23
Total Dilutive Earnings (Loss) Per Share	$2.35	$(0.17)
Dividends Declared Per Share	$—	$—

CNX RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended	
(Dollars in thousands)	March 31,	
(Unaudited)	2018	2017
Net Income (Loss)	$545,546	$(38,966)
Other Comprehensive Income:		
Actuarially Determined Long-Term Liability Adjustments (Net of tax: ($94), ($2,052))	170	3,502
Comprehensive Income (Loss)	545,716	(35,464)
Less: Comprehensive Income Attributable to Noncontrolling Interest	17,983	—
Comprehensive Income (Loss) Attributable to CNX Resources Shareholders	$527,733	$(35,464)

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

CNX RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	(Unaudited) March 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$82,490	$509,167
Accounts and Notes Receivable:		
Trade	157,605	156,817
Other Receivables	43,344	48,908
Supplies Inventories	10,676	10,742
Recoverable Income Taxes	20,178	31,523
Prepaid Expenses	92,651	95,347
Total Current Assets	406,944	852,504
Property, Plant and Equipment:		
Property, Plant and Equipment	9,103,351	9,316,495
Less—Accumulated Depreciation, Depletion and Amortization	2,481,535	3,526,742
Total Property, Plant and Equipment—Net	6,621,816	5,789,753
Other Assets:		
Investment in Affiliates	20,678	197,921
Goodwill	796,359	—
Other Intangible Assets	126,859	—
Other	149,573	91,735
Total Other Assets	1,093,469	289,656
TOTAL ASSETS	$8,122,229	$6,931,913

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

CNX RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	(Unaudited) March 31, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	$193,901	$211,161
Current Portion of Long-Term Debt	6,891	7,111
Other Accrued Liabilities	236,879	223,407
Total Current Liabilities	437,671	441,679
Long-Term Debt:		
Long-Term Debt	2,211,165	2,187,026
Capital Lease Obligations	18,611	20,347
Total Long-Term Debt	2,229,776	2,207,373
Deferred Credits and Other Liabilities:		
Deferred Income Taxes	258,220	44,373
Asset Retirement Obligations	7,985	198,768
Other	120,671	139,821
Total Deferred Credits and Other Liabilities	386,876	382,962
TOTAL LIABILITIES	3,054,323	3,032,014
Stockholders’ Equity:		
Common Stock, $.01 Par Value; 500,000,000 Shares Authorized, 218,639,873 Issued and Outstanding at March 31, 2018; 223,743,322 Issued and Outstanding at December 31, 2017	2,190	2,241
Capital in Excess of Par Value	2,409,475	2,450,323
Preferred Stock, 15,000,000 shares authorized, None issued and outstanding	—	—
Retained Earnings	1,940,882	1,455,811
Accumulated Other Comprehensive Loss	(8,306)	(8,476)
Total CNX Resources Stockholders’ Equity	4,344,241	3,899,899
Noncontrolling Interest	723,665	—
TOTAL STOCKHOLDERS' EQUITY	5,067,906	3,899,899
TOTAL LIABILITIES AND EQUITY	$8,122,229	$6,931,913

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

CNX RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollars in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total CNX Resources Corporation Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
Balance at December 31, 2017	$2,241	$2,450,323	$1,455,811	$ (8,476)	$3,899,899	$—	$3,899,899
(Unaudited)							
Net Income	—	—	527,563	—	527,563	17,983	545,546
Other Comprehensive Income (Net of ($94) Tax)	—	—	—	170	170	—	170
Comprehensive Income	—	—	527,563	170	527,733	17,983	545,716
Issuance of Common Stock	6	1,050	—	—	1,056	—	1,056
Purchase and Retirement of Common Stock (5,785,900 shares)	(57)	(46,229)	(37,677)	—	(83,963)	—	(83,963)
Shares Withheld for Taxes	—	—	(4,815)	—	(4,815)	(347)	(5,162)
Acquisition of CNX Gathering, LLC	—	—	—	—	—	718,577	718,577
Amortization of Stock-Based Compensation Awards	—	4,331	—	—	4,331	579	4,910
Distributions to CNXM Noncontrolling Interest Holders	—	—	—	—	—	(13,127)	(13,127)
Balance at March 31, 2018	$2,190	$2,409,475	$1,940,882	$ (8,306)	$4,344,241	$723,665	$5,067,906

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

CNX RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended	
(Unaudited)	March 31,	
Cash Flows from Operating Activities:	2018	2017
Net Income (Loss)	$545,546	$(38,966)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Operating Activities:		
Net Income from Discontinued Operations	—	(52,041)
Depreciation, Depletion and Amortization	124,667	95,678
Amortization of Deferred Financing Costs	3,043	—
Impairment of Exploration and Production Properties	—	137,865
Stock-Based Compensation	4,910	3,754
Gain on Sale of Assets	(11,342)	(3,996)
Gain on Previously Held Equity Interest	(623,663)	—
Loss (Gain) on Debt Extinguishment	15,635	(822)
(Gain) Loss on Commodity Derivative Instruments	(35,087)	22,463
Net Cash Paid in Settlement of Commodity Derivative Instruments	(16,991)	(47,103)
Deferred Income Taxes	213,694	(24,321)
Equity in Earnings of Affiliates	(1,778)	(12,330)
Changes in Operating Assets:		
Accounts and Notes Receivable	14,505	9,969
Recoverable Income Taxes	11,345	(7,704)
Supplies Inventories	66	592
Prepaid Expenses	(1,055)	437
Changes in Operating Liabilities:		
Accounts Payable	2,152	24,954
Accrued Interest	24,905	35,769
Other Operating Liabilities	(5,251)	11,997
Changes in Other Liabilities	(5,500)	(4,051)
Other	(461)	10,930
Net Cash Provided by Continuing Operating Activities	259,340	163,074
Net Cash Provided by Discontinued Operating Activities	—	48,721
Net Cash Provided by Operating Activities	259,340	211,795
Cash Flows from Investing Activities:		
Capital Expenditures	(232,485)	(103,922)
CNX Gathering, LLC Acquisition, Net of Cash Acquired	(299,272)	—
Proceeds from Asset Sales	101,763	9,868
Net Distributions from Equity Affiliates	3,650	5,909
Net Cash Used in Continuing Investing Activities	(426,344)	(88,145)
Net Cash Provided by Discontinued Investing Activities	—	503
Net Cash Used in Investing Activities	(426,344)	(87,642)
Cash Flows from Financing Activities:		
Payments on Miscellaneous Borrowings	(2,042)	(1,953)
Payments on Long-Term Notes	(405,419)	(98,243)
Net Payments on CNXM Revolving Credit Facility	(129,500)	—
Proceeds from Issuance of CNXM Senior Notes	394,000	—
Distributions to CNXM Noncontrolling Interest Holders	(13,127)	—
Proceeds from Issuance of Common Stock	1,056	494

Shares Withheld for Taxes	(5,162)	(6,278)
Purchases of Common Stock	(80,879)	—
Debt Repurchase and Financing Fees	(18,600)	(250)
Net Cash Used in Continuing Financing Activities	(259,673)	(106,230)
Net Cash Used in Discontinued Financing Activities	—	(10,456)
Net Cash Used in Financing Activities	(259,673)	(116,686)
Net (Decrease) Increase in Cash and Cash Equivalents	(426,677)	7,467
Cash and Cash Equivalents at Beginning of Period	509,167	46,299
Cash and Cash Equivalents at End of Period	$82,490	$53,766

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

CNX RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)

NOTE 1—BASIS OF PRESENTATION:

The accompanying Unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for future periods.

The Consolidated Balance Sheet at December 31, 2017 has been derived from the Audited Consolidated Financial Statements at that date but does not include all the notes required by generally accepted accounting principles for complete financial statements. For further information, refer to the Consolidated Financial Statements and related notes for the year ended December 31, 2017 included in CNX Resources Corporation's ("CNX," the "Company," "we," "us," or "our") Annual Report on Form 10-K.

Certain amounts in prior periods have been reclassified to conform to the current period presentation. On November 28, 2017, the Company spun-off the coal operations previously held by CNX, which were comprised of the Pennsylvania Mining Complex, Baltimore Marine Terminal, its direct and indirect ownership interest in CONSOL Coal Resources LP, formerly known as CNXC Coal Resources LP, and other related coal assets. The financial position, results of operations and cash flows of the coal operations are reflected as discontinued operations for all periods presented through the date of the spin-off. See Note 5 - Discontinued Operations to the Unaudited Consolidated Financial statements for further details regarding the spin-off.

The Consolidated Balance Sheet at March 31, 2018 reflects the full consolidation of CNX Gathering, LLC's assets and liabilities as a result of the purchase of NBL Midstream, LLC's interest on January 3, 2018 (See Note 6 - Acquisitions and Dispositions for more information). The purchase accounting remains preliminary as contemplated by Generally Accepted Accounting Principles and, as a result, there may be upon further review future changes to the value, as well as allocation, of the acquired assets and liabilities, associated amortization expense, goodwill and the gain on the previously held equity interest. These changes may be material.

NOTE 2—EARNINGS PER SHARE:

Basic earnings per share are computed by dividing net income attributable to CNX shareholders by the weighted average shares outstanding during the reporting period. Dilutive earnings per share are computed similarly to basic earnings per share, except that the weighted average shares outstanding are increased to include additional shares from stock options, performance stock options, restricted stock units and performance share units, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and performance share options were exercised, that outstanding restricted stock units and performance share units were released, and that the proceeds from such activities were used to acquire shares of common stock at the average market price during the reporting period. The impact of CNXM's dilutive units did not have a material impact on the Company's earnings per share calculations for the period from January 3, 2018 through March 31, 2018.

The table below sets forth the share-based awards that have been excluded from the computation of diluted earnings per share because their effect would be antidilutive:

	For the Three Months Ended March 31,	
	2018	2017
Antidilutive Options	2,293,506	5,472,165
Antidilutive Restricted Stock Units	11,480	951,320
Antidilutive Performance Share Units	312,296	1,762,690
Antidilutive Performance Stock Options	927,268	802,804
	3,544,550	8,988,979

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

	For the Three Months Ended March 31,	
	2018	2017
Options	153,718	61,624
Restricted Stock Units	171,137	334,040
Performance Share Units	357,596	560,936
	682,451	956,600

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

	For the Three Months Ended March 31,	
	2018	2017
Income (Loss) from Continuing Operations	$545,546	$ (91,007)
Less: Net Income Attributable to Non-Controlling Interest	17,983	—
Net Income (Loss) from Continuing Operations Attributable to CNX Resources Shareholders	$527,563	$ (91,007)
Income from Discontinued Operations	—	52,041
Net Income (Loss) Attributable to CNX Resources Shareholders	$527,563	$ (38,966)
Weighted-average shares of common stock outstanding	221,930,165	229,817,169
Effect of dilutive shares	2,252,371	—
Weighted-average diluted shares of common stock outstanding	224,182,536	229,817,169
Earnings (Loss) per Share:		
Basic (Continuing Operations)	$2.38	$ (0.40)
Basic (Discontinued Operations)	—	0.23
Total Basic	$2.38	$ (0.17)
Dilutive (Continuing Operations)	$2.35	$ (0.40)
Dilutive (Discontinued Operations)	—	0.23
Total Dilutive	$2.35	$ (0.17)

NOTE 3—CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS:

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

	Long-Term Liabilities
Balance at December 31, 2017	$ (8,476)
Amounts Reclassified from Accumulated Other Comprehensive Loss, net of tax	170
Balance at March 31, 2018	$ (8,306)

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

	For the Three Months Ended March 31,	
	2018	2017
Actuarially Determined Long-Term Liability Adjustments		
Amortization of Prior Service Costs	$(90)	$(749)
Recognized Net Actuarial Loss	354	6,303

Total	264	5,554
Less: Tax Benefit	94	2,052
Net of Tax	$170	$3,502

NOTE 4—REVENUE FROM CONTRACTS WITH CUSTOMERS:

On January 1, 2018, the Company adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers and all the related amendments ("new revenue standard") using the modified retrospective method, which did not result in any changes to previously reported financial information. The updates related to the new revenue standard were applied only to contracts that were not complete as of January 1, 2018.

Revenue from Contracts with Customers

Revenues are recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company has elected to exclude all taxes from the measurement of transaction price.

Nature of Performance Obligations

At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promised good or service that is distinct. To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

For natural gas, NGLs and oil, and purchased gas revenue, the Company generally considers the delivery of each unit (MMBtu or Bbl) to be a separate performance obligation that is satisfied upon delivery. Payment terms for these contracts typically require payment within 25 days of the end of the calendar month in which the hydrocarbons are delivered. A significant number of these contracts contain variable consideration because the payment terms refer to market prices at future delivery dates. In these situations, the Company has not identified a standalone selling price because the terms of the variable payments relate specifically to the Company's efforts to satisfy the performance obligations. A portion of the contracts contain fixed consideration (i.e. fixed price contracts or contracts with a fixed differential to NYMEX or index prices). The fixed consideration is allocated to each performance obligation on a relative standalone selling price basis, which requires judgment from management. For these contracts, the Company generally concludes that the fixed price or fixed differentials in the contracts are representative of the standalone selling price. Revenue associated with natural gas, NGLs and oil as presented on the accompanying Consolidated Statement of Income represent the Company's share of revenues net of royalties and excluding revenue interests owned by others. When selling natural gas, NGLs and oil on behalf of royalty owners or working interest owners, the Company is acting as an agent and thus reports the revenue on a net basis.

Midstream revenue consists of revenues generated from natural gas gathering activities. The gas gathering services are interruptible in nature and include charges for the volume of gas actually gathered and do not guarantee access to the system. Volumetric based fees are based on actual volumes gathered. The Company generally considers the interruptible gathering of each unit (MMBtu) of natural gas represents a separate performance obligation. Payment terms for these contracts typically require payment within 25 days of the end of the calendar month in which the hydrocarbons are gathered.

Transaction price allocated to remaining performance obligations

ASC 606 requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied. However, the guidance provides certain practical expedients that limit this requirement, including when variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a series.

A significant portion of or natural gas, NGLs and oil and purchased gas revenue is short-term in nature with a contract term of one year or less. For those contracts, we have utilized the practical expedient in ASC 606-10-50-14 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

For revenue associated with contract terms greater than one year, a significant portion of the consideration in those contracts is variable in nature and the Company allocates the variable consideration in its contract entirely to each specific performance obligation to which it relates. Therefore, any remaining variable consideration in the transaction price is allocated entirely to wholly unsatisfied performance obligations. As such, the Company has not disclosed the value of unsatisfied performance obligations pursuant to the practical expedient.

For revenue associated with contract terms greater than one year with a fixed price component, the aggregate amount of the transaction price allocated to remaining performance obligations was $7,938 as of March 31, 2018. The Company expects to recognize revenue of $2,299 in the next 12 months and $1,847 over the following 12 months, with the remainder recognized thereafter.

For revenue associated with our midstream contracts, which also have terms greater than one year, we have utilized the practical expedient in ASC 606-10-50-14 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under our midstream contracts the interruptible gathering of each unit of natural gas represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required.

Prior-period performance obligations

We record revenue in the month production is delivered to the purchaser. However, settlement statements for certain natural gas and NGL revenue may not be received for 30 to 90 days after the date production is delivered, and as a result, we are required to estimate the amount of production delivered to the purchaser and the price that will be received for the sale of the product. We record the differences between our estimates and the actual amounts received in the month that payment is received from the purchaser. We have existing internal controls for our revenue estimation process and related accruals, and any identified differences between our revenue estimates and actual revenue received historically have not been significant. For the three months ended March 31, 2018 and 2017, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

Disaggregation of Revenue

The following table is a disaggregation of our revenue by major sources:

	For the Three Months Ended March 31,	
	2018	2017
Revenue from Contracts with Customers		
Natural Gas Revenue	$347,348	$273,546
NGLs Revenue	50,884	39,283
Condensate Revenue	6,503	4,305
Oil Revenue	888	629
Total Natural Gas, NGLs and Oil Revenue	405,623	317,763
Purchased Gas Revenue	18,055	8,979
Midstream Revenue	26,254	—
Other Sources of Revenue and Other Operating Income		
Gain (Loss) on Commodity Derivative Instruments	35,087	(22,463)
Other Operating Income	10,710	15,650
Total Revenue and Other Operating Income	$495,729	$319,929

The disaggregated revenue information corresponds with the Company’s segment reporting.

Contract balances

We invoice customers once our performance obligations have been satisfied, at which point payment is unconditional. Accordingly, our contracts with customers do not give rise to contract assets or liabilities under ASC 606. The Company has no contract assets recognized from the costs to obtain or fulfill a contract with a customer.

The opening and closing balances of the Company’s receivables related to contracts with customers were $156,817 and $157,605, respectively. Included in this balance are receivables related to the January 3rd, 2018 acquisition of $9,353 (see Note - 6 for more information).

NOTE 5—DISCONTINUED OPERATIONS:

On November 28, 2017, CNX announced that it had completed the tax-free spin-off of its coal business resulting in two independent, publicly traded companies: (i) a coal company, CONSOL Energy, formerly known as CONSOL Mining Corporation and (ii) CNX, a natural gas exploration and production company. Following the separation, CONSOL Energy and its subsidiaries hold the coal assets previously held by CNX, including its Pennsylvania Mining Complex, Baltimore Marine Terminal, its direct and indirect ownership interest in CONSOL Coal Resources LP, formerly known as CNX Coal Resources LP, and other related coal assets previously held by CNX. As of the close of business on November 28, 2017, CNX's shareholders received one share of CONSOL Energy common stock for every eight shares of CNX's common stock held as of November 15, 2017 (the "Record Date"). The coal company has been reclassified to discontinued operations for all periods presented.

The following table details selected financial information for the divested business included within discontinued operations:

	For the Three Months Ended March 31, 2017
Coal Revenue	$316,448
Other Outside Sales	12,886
Freight-Outside Coal	12,282
Miscellaneous Other Income	17,396
Gain on Sale of Assets	7,955
Total Revenue and Other Income	$366,967
Total Costs	315,829
Income From Operations Before Income Taxes	$51,138
Income Tax Benefit	(6,367)
Less: Net Income Attributable to Noncontrolling Interest	5,464
Income From Discontinued Operations, net	$52,041

There were no remaining major classes of assets or liabilities of discontinued operations at March 31, 2018 and December 31, 2017.

NOTE 6—ACQUISITIONS AND DISPOSITIONS:

On March 30, 2018, CNX Gas Company LLC (CNX Gas), an indirect wholly owned subsidiary of CNX, completed the sale of substantially all of its shallow oil and gas assets and certain CBM assets in Pennsylvania and West Virginia for $87,510 in cash consideration. In connection with the sale, the buyer assumed approximately $196,514 of asset retirement obligations. The net gain on the sale was $4,751 and is included in the Gain on Asset Sales line of the Consolidated Statements of Income.

On December 14, 2017, CNX Gas entered into a purchase agreement with NBL Midstream, LLC (Noble), pursuant to which CNX Gas acquired Noble's 50% membership interest in CONE Gathering LLC (CNX Gathering), for a cash purchase price of $305,000 and the mutual release of all outstanding claims (the "Midstream Acquisition"). CNX Gathering owns a 100% membership interest in CONE Midstream GP LLC (the general partner), which is the general partner of CONE Midstream Partners LP (CNXM or the Partnership), which is a publicly traded master limited partnership formed in May 2014 by CNX Gas and Noble. In conjunction with the Midstream Acquisition, which closed on January 3, 2018, the general partner, the Partnership and CONE Gathering LLC changed their names to CNX Midstream GP LLC, CNX Midstream Partners LP, and CNX Gathering LLC, respectively.

Prior to the Midstream Acquisition, the Company accounted for its 50% interest in CNX Gathering LLC as an equity method investment as the Company had the ability to exercise significant influence, but not control, over the operating and financial policies of the midstream operations. In conjunction with the Midstream Acquisition, the Company obtained a controlling interest in CNX Gathering LLC and, through CNX Gathering's ownership of the general partner, control over the Partnership. Accordingly, the Midstream Acquisition has been accounted for as a business combination using the acquisition method of accounting pursuant to Accounting Standards Codification Topic 805, Business Combinations, or ASC 805. ASC 805 requires that, in such business combination achieved in stages (or step acquisition), previously held equity interests are remeasured at fair value and any difference between the fair value and the carrying value of the equity interest held be recognized as a gain or loss on the statement of income.

The fair value assigned to the previously held equity interest in CNX Gathering and CNXM for purposes of calculating the gain or loss was $799,033 and was determined using the income approach, based on a discounted cash flow methodology. The resulting gain on remeasurement to fair value of the previously held equity interest in the CNX Gathering and CNXM of $623,663 is included in the Gain on Previously Held Equity Interest line of the Consolidated Statements of Income.

The fair values of the previously held equity interests were based on inputs that are not observable in the market and therefore represent Level 3 inputs. These fair values were measured using valuation techniques that convert future cash flows into a single discounted amount. Significant inputs to the valuation included estimates of: (i) gathering volumes; (ii) future operating costs; and (iii) a market-based weighted average cost of capital. These inputs required significant judgments and estimates by management, are still under review, and may be subject to change. These inputs have a significant impact on the valuation of the previously held equity interests and future changes may occur.

The estimated fair value of midstream facilities and equipment, generally consisting of pipeline systems and compression stations, were estimated using the cost approach. Significant unobservable inputs in the estimate of fair value include management's assumptions about the replacement costs for similar assets, the relative age of the acquired assets and any potential economic or functional obsolescence associated with the acquired assets. As a result, the estimated fair value of the midstream facilities and equipment represents a Level 3 fair value measurement.

As part of the preliminary purchase price allocation, the Company identified intangible assets for customer relationships with third party customers. The fair value of the identified intangible assets was determined using the income approach which requires a forecast of the expected future cash flows generated and an estimated market-based weighted average cost of capital. Significant unobservable inputs in the determination of fair value include future revenue estimates, future cost assumptions, and estimated customer retention rates. As a result, the estimated fair value of the identified intangible assets represents a Level 3 fair value measurement. Differences between the preliminary purchase price allocation and the final purchase price allocation may change the amount of intangible assets and goodwill ultimately recognized in conjunction with the Midstream Acquisition.

The noncontrolling interest in the acquired business is comprised of the limited partner units in CNXM which were not acquired by the Company. The CNXM limited partner units are actively traded on the New York Stock Exchange, and were valued based on observable market prices as of the transaction date and therefore represent a Level 1 fair value measurement.

Allocation of Purchase Price

The following table summarizes the purchase price and estimated values of assets and liabilities assumed based on the fair value as of January 3, 2018, with any excess of the purchase price over the estimated fair value of the identified net assets acquired recorded as goodwill. The preliminary purchase price allocation will be subject to further refinement, which may result in material changes.

Estimated Fair Value of Consideration Transferred:	
Cash Consideration	$305,000
CNX Gathering Cash on Hand at January 3, 2018 Distributed to Noble	2,620
Fair Value of Previously Held Equity Interest	799,033
Total Estimated Fair Value of Consideration Transferred	$1,106,653

The following is a summary of the preliminary estimated fair values of the net assets acquired:

Fair Value of Assets Acquired:	
Cash and Cash Equivalents	$8,348
Accounts and Notes Receivable	21,199
Prepaid Expense	2,006
Other Current Assets	163
Property, Plant and Equipment, Net	1,043,340
Intangible Assets	128,781
Other	593
Total Assets Acquired	1,204,430
Fair Value of Liabilities Assumed:	
Accounts Payable	26,059
CNXM Revolving Credit Facility	149,500
Total Liabilities Assumed	175,559
Total Identifiable Net Assets	1,028,871
Fair Value of Noncontrolling Interest in CNXM	(718,577)
Goodwill	796,359
Net Assets Acquired	$1,106,653

Post-Acquisition Operating Results

The acquisition contributed the following to the Company's Midstream segment for the three months ended March 31, 2018.

	Three Months Ended March 31, 2018
Midstream Revenue	$64,178
Earnings From Continuing Operations Before Income Tax	$35,550

Unaudited Pro Forma Information

The following table presents unaudited pro forma combined financial information for the three months ended March 31, 2017, which presents the Company’s results as though the acquisition had been completed at January 1, 2017. The pro forma combined financial information has been included for comparative purposes and is not necessarily indicative of the results that might have actually occurred had the acquisition been completed at January 1, 2017; furthermore, the financial information is not intended to be a projection of future results.

(in thousands, except per share data) (unaudited)	Pro Forma Three Months Ended March 31, 2017
Pro Forma Total Revenue and Other Operating Income	$344,637
Pro Forma Net Loss from Continuing Operations	$(57,810)

Less: Pro Forma Net income Attributable to Noncontrolling Interests	$19,414
Pro Forma Net Loss from Continuing Operations Attributable to CNX	$(77,224)
Pro Forma Loss per Share from Continuing Operations (Basic)	$(0.34)
Pro Forma Loss per Share from Continuing Operations (Diluted)	$(0.34)

NOTE 7—COMPONENTS OF PENSION PLAN NET PERIODIC BENEFIT COST:

Components of Net Periodic Benefit Cost are as follows:

	For the Three Months Ended March 31,	
	2018	2017
Service Cost	$ 96	