

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2021

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-13726



CHESAPEAKE ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Oklahoma

73-1395733

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**6100 North Western
Avenue,**

**Oklahoma
City,**

Oklahoma

73118

(Address of principal executive offices)

(Zip Code)

(405) 848-8000

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value per share	CHK	The Nasdaq Stock Market LLC
Class A Warrants to purchase Common Stock	CHKEW	The Nasdaq Stock Market LLC
Class B Warrants to purchase Common Stock	CHKEZ	The Nasdaq Stock Market LLC
Class C Warrants to purchase Common Stock	CHKEL	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes No

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.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Smaller Reporting Company Emerging Growth Company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of August 5, 2021, there were 98,280,695 shares of our \$0.01 par value common stock outstanding.

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Definitions

Unless the context otherwise indicates, references to “us,” “we,” “our,” “ours,” “Chesapeake,” the “Company” and “Registrant” refer to Chesapeake Energy Corporation and its consolidated subsidiaries. All monetary values, other than per unit and per share amounts, are stated in millions of U.S. dollars unless otherwise specified. In addition, the following are other abbreviations and definitions of certain terms used within this Quarterly Report on Form 10-Q:

“ASC” means Accounting Standards Codification.

“Backstop Commitment Agreement” means that certain Backstop Commitment Agreement, dated as of June 28, 2020, by and between Chesapeake and the Backstop Parties, as may be further amended, modified, or supplemented from time to time, in accordance with its terms.

“Backstop Parties” means the members of the FLLO Ad Hoc Group that are signatories to the Backstop Commitment Agreement and Franklin Advisers, Inc., as investment manager on behalf of certain funds and accounts.

“Bankruptcy Code” means Title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as amended.

“Bankruptcy Court” means the United States Bankruptcy Court for the Southern District of Texas.

“Bbl” or “Bbls” means barrel or barrels.

“Bcf” means billion cubic feet.

“Boe” means barrel of oil equivalent. Natural gas proved reserves and production are converted to Boe, at the pressure and temperature base standard of each respective state in which the natural gas is produced, at the rate of six Mcf of gas per Bbl of oil, based upon the approximate relative energy content of natural gas and oil. NGL proved reserves and production are converted to Boe on a one-to-one basis with oil.

“Chapter 11 Cases” means, when used with reference to a particular Debtor, the case pending for that Debtor under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, and when used with reference to all the Debtors, the procedurally consolidated Chapter 11 cases pending for the Debtors in the Bankruptcy Court.

“Class A Warrants” means warrants to purchase 10 percent of the New Common Stock (after giving effect to the Rights Offering, but subject to dilution by the Management Incentive Plan, the Class B Warrants, and the Class C Warrants), at an initial exercise price per share of \$27.63. The Class A Warrants are exercisable from the Effective Date until February 9, 2026.

“Class B Warrants” means warrants to purchase 10 percent of the New Common Stock (after giving effect to the Rights Offering, but subject to dilution by the Management Incentive Plan and the Class C Warrants), at an initial exercise price per share of \$32.13. The Class B Warrants are exercisable from the Effective Date until February 9, 2026.

“Class C Warrants” means warrants to purchase 10 percent of the New Common Stock (after giving effect to the Rights Offering, but subject to dilution by the Management Incentive Plan), at an initial exercise price per share of \$36.18. The Class C Warrants are exercisable from the Effective Date until February 9, 2026.

“Confirmation Order” means the order confirming the Fifth Amended Joint Chapter 11 Plan of Reorganization of Chesapeake Energy Corporation and its Debtor Affiliates, Docket No. 2915, entered by the Bankruptcy Court on January 16, 2021.

“Debtors” means the Company, together with all of its direct and indirect subsidiaries that have filed the Chapter 11 Cases.

“DIP Facility” means that certain debtor-in-possession financing facility documented pursuant to the DIP Documents and DIP Order.

“Effective Date” means February 9, 2021.

“Exit Credit Facility” means the reserve-based revolving credit facility available upon emergence from bankruptcy.

“FLO Term Loan Facility” means the facility outstanding under the FLO Term Loan Facility Credit Agreement.

“FLO Term Loan Facility Credit Agreement” means that certain Term Loan Agreement, dated as of December 19, 2019 ((i) as supplemented by that certain Class A Term Loan Supplement, dated as of December 19, 2019 (as amended, restated or otherwise modified from time to time), by and among Chesapeake, as borrower, the Debtor guarantors party thereto, GLAS USA LLC, as administrative agent, and the lenders party thereto, and (ii) as further amended, restated, or otherwise modified from time to time), by and among Chesapeake, the Debtor guarantors party thereto, GLAS USA LLC, as administrative agent, and the lenders party thereto.

“GAAP” means U.S. generally accepted accounting principles.

“General Unsecured Claim” means any Claim against any Debtor that is not otherwise paid in full during the Chapter 11 Cases pursuant to an order of the Bankruptcy Court and is not an Administrative Claim, a Priority Tax Claim, an Other Priority Claim, an Other Secured Claim, a Revolving Credit Facility Claim, a FLO Term Loan Facility Claim, a Second Lien Notes Claim, an Unsecured Notes Claim, and Intercompany Claim, or a Section 510(b) Claim.

“MBbls” means thousand barrels.

“MMBbls” means million barrels.

“MBoe” means thousand Boe.

“Mcf” means one thousand cubic feet.

“MMBoe” means million Boe.

“MMcf” means million cubic feet.

“New Common Stock” means the single class of common stock issued by Reorganized Chesapeake on the Effective Date.

“NGL” means natural gas liquids.

“NYMEX” means New York Mercantile Exchange.

“OPEC” means Organization of the Petroleum Exporting Countries.

“Petition Date” means June 28, 2020, the date on which the Debtors commenced the Chapter 11 cases.

“Plan” means the Fifth Amended Joint Chapter 11 Plan of Reorganization of Chesapeake Energy Corporation and its Debtor Affiliates, attached as Exhibit A to the Confirmation Order.

“Put Option Premium” means a nonrefundable aggregate fee of \$60 million, which represents 10 percent of the Rights Offering Amount, payable to the Backstop Parties in accordance with, and subject to the terms of the Backstop Commitment Agreement based on their respective Backstop commitment percentages at the time such payment is made.

“Rights Offering” means the New Common Stock rights offering for the Rights Offering Amount consummated by the Debtors on the Effective Date.

“SEC” means United States Securities and Exchange Commission.

“Second Lien Notes” means the 11.500% senior notes due 2025 issued by Chesapeake pursuant to the Second Lien Notes Indenture.

“Second Lien Notes Claim” means any Claim on account of the Second Lien Notes.

“Tranche A Loans” means the fully revolving loans made under and on the terms set forth under the Exit Credit Facility which will be partially funded on the Effective Date, will have a scheduled maturity of 3 years from the Effective Date, and shall at all times be repaid prior to the repayment of the Tranche B Loans.

“Tranche B Loans” means term loans made under and on the terms set forth under the Exit Credit Facility which will be fully funded on the Effective Date, will have a scheduled maturity of 4 years from the Effective Date, will be repaid or prepaid only after there are no Tranche A Loans outstanding, and once so prepaid or repaid, may not be reborrowed.

“Warrants” means collectively, the Class A Warrants, Class B Warrants and Class C Warrants.

“WTI” means West Texas Intermediate.

“/Bbl” means per barrel.

“/Boe” means per Boe.

“/Mcf” means per Mcf.

ITEM 1. Condensed Consolidated Financial Statements

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	Successor June 30, 2021	Predecessor December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 612	\$ 279
Restricted cash	10	—
Accounts receivable, net	674	746
Short-term derivative assets	—	19
Other current assets	58	64
Total current assets	1,354	1,108
Property and equipment:		
Oil and natural gas properties, successful efforts method		
Proved oil and natural gas properties	4,960	25,734
Unproved properties	442	1,550
Other property and equipment	491	1,754
Total property and equipment	5,893	29,038
Less: accumulated depreciation, depletion and amortization	(346)	(23,806)
Property and equipment held for sale, net	3	10
Total property and equipment, net	5,550	5,242
Other long-term assets	95	234
Total assets	\$ 6,999	\$ 6,584

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS – (Continued)
(Unaudited)

	Successor June 30, 2021	Predecessor December 31, 2020
Liabilities and equity (deficit)		
Current liabilities:		
Accounts payable	\$ 281	\$ 346
Current maturities of long-term debt	—	1,929
Accrued interest	24	3
Short-term derivative liabilities	780	93
Other current liabilities	781	723
Total current liabilities	1,866	3,094
Long-term debt, net	1,261	—
Long-term derivative liabilities	211	44
Asset retirement obligations, net of current portion	241	139
Other long-term liabilities	7	5
Liabilities subject to compromise	—	8,643
Total liabilities	3,586	11,925
Contingencies and commitments (Note 6)		
Stockholders' equity (deficit):		
Predecessor preferred stock, \$0.01 par value, 20,000,000 shares authorized: 0 and 5,563,458 shares outstanding	—	1,631
Predecessor common stock, \$0.01 par value, 22,500,000 shares authorized: 0 and 9,780,547 shares issued	—	—
Predecessor additional paid-in capital	—	16,937
Predecessor accumulated other comprehensive income	—	45
Successor common stock, \$0.01 par value, 450,000,000 shares authorized: 97,954,037 and 0 shares issued	1	—
Successor additional paid-in capital	3,590	—
Accumulated deficit	(178)	(23,954)
Total stockholders' equity (deficit)	3,413	(5,341)
Total liabilities and stockholders' equity (deficit)	\$ 6,999	\$ 6,584

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Successor</u> <u>Three Months</u> <u>Ended</u> <u>June 30, 2021</u>	<u>Predecessor</u> <u>Three Months</u> <u>Ended</u> <u>June 30, 2020</u>
Revenues and other:		
Oil, natural gas and NGL	\$ 892	\$ 440
Marketing	539	240
Oil and natural gas derivatives	(740)	(173)
Gains on sales of assets	2	—
Total revenues and other	<u>693</u>	<u>507</u>
Operating expenses:		
Production	74	91
Gathering, processing and transportation	211	270
Severance and ad valorem taxes	41	25
Exploration	1	130
Marketing	535	242
General and administrative	24	112
Separation and other termination costs	11	22
Depreciation, depletion and amortization	229	158
Impairments	1	—
Other operating income, net	(4)	(2)
Total operating expenses	<u>1,123</u>	<u>1,048</u>
Loss from operations	<u>(430)</u>	<u>(541)</u>
Other income (expense):		
Interest expense	(18)	(137)
Gains on purchases or exchanges of debt	—	2
Other income	9	6
Reorganization items, net	—	394
Total other income (expense)	<u>(9)</u>	<u>265</u>
Loss before income taxes	<u>(439)</u>	<u>(276)</u>
Income tax benefit	—	—
Net loss	<u>(439)</u>	<u>(276)</u>
Net loss attributable to noncontrolling interests	—	—
Net loss attributable to Chesapeake	<u>(439)</u>	<u>(276)</u>
Preferred stock dividends	—	—
Net loss available to common stockholders	<u>\$ (439)</u>	<u>\$ (276)</u>
Loss per common share:		
Basic	\$ (4.48)	\$ (28.22)
Diluted	\$ (4.48)	\$ (28.22)
Weighted average common shares outstanding (in thousands):		
Basic	97,931	9,779
Diluted	97,931	9,779

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Continued)
(Unaudited)

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Revenues and other:			
Oil, natural gas and NGL	\$ 1,445	\$ 398	\$ 1,334
Marketing	816	239	964
Oil and natural gas derivatives	(694)	(382)	734
Gains on sales of assets	6	5	—
Total revenues and other	1,573	260	3,032
Operating expenses:			
Production	114	32	213
Gathering, processing and transportation	322	102	555
Severance and ad valorem taxes	65	18	79
Exploration	2	2	412
Marketing	815	237	988
General and administrative	39	21	177
Separation and other termination costs	11	22	27
Depreciation, depletion and amortization	351	72	761
Impairments	1	—	8,522
Other operating expense (income), net	(2)	(12)	66
Total operating expenses	1,718	494	11,800
Loss from operations	(145)	(234)	(8,768)
Other income (expense):			
Interest expense	(30)	(11)	(282)
Gains on purchases or exchanges of debt	—	—	65
Other income (expense)	31	2	(11)
Reorganization items, net	—	5,569	394
Total other income	1	5,560	166
Income (loss) before income taxes	(144)	5,326	(8,602)
Income tax benefit	—	(57)	(13)
Net income (loss)	(144)	5,383	(8,589)
Net loss attributable to noncontrolling interests	—	—	16
Net income (loss) attributable to Chesapeake	(144)	5,383	(8,573)
Preferred stock dividends	—	—	(22)
Net income (loss) available to common stockholders	\$ (144)	\$ 5,383	\$ (8,595)
Earnings (loss) per common share:			
Basic	\$ (1.47)	\$ 550.35	\$ (880.18)
Diluted	\$ (1.47)	\$ 534.51	\$ (880.18)
Weighted average common shares outstanding (in thousands):			
Basic	97,922	9,781	9,765
Diluted	97,922	10,071	9,765

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	<u>Successor</u> <u>Three Months</u> <u>Ended</u> <u>June 30, 2021</u>	<u>Predecessor</u> <u>Three Months</u> <u>Ended</u> <u>June 30, 2020</u>
Net loss	\$ (439)	\$ (276)
Other comprehensive income, net of income tax:		
Reclassification of losses on settled derivative instruments	—	8
Other comprehensive income	—	8
Comprehensive loss	(439)	(268)
Comprehensive loss attributable to noncontrolling interests	—	—
Comprehensive loss attributable to Chesapeake	<u>\$ (439)</u>	<u>\$ (268)</u>

	<u>Successor</u>	<u>Predecessor</u>	
	<u>Period from</u> <u>February 10,</u> <u>2021 through</u> <u>June 30, 2021</u>	<u>Period from</u> <u>January 1, 2021</u> <u>through</u> <u>February 9,</u> <u>2021</u>	<u>Six Months</u> <u>Ended</u> <u>June 30, 2020</u>
Net income (loss)	\$ (144)	\$ 5,383	\$ (8,589)
Other comprehensive income, net of income tax:			
Reclassification of losses on settled derivative instruments	—	3	17
Other comprehensive income	—	3	17
Comprehensive income (loss)	(144)	5,386	(8,572)
Comprehensive loss attributable to noncontrolling interests	—	—	16
Comprehensive income (loss) attributable to Chesapeake	<u>\$ (144)</u>	<u>\$ 5,386</u>	<u>\$ (8,556)</u>

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:			
Net income (loss)	\$ (144)	\$ 5,383	\$ (8,589)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation, depletion and amortization	351	72	761
Deferred income tax benefit	—	(57)	(10)
Derivative (gains) losses, net	694	382	(734)
Cash receipts (payments) on derivative settlements, net	(145)	(17)	880
Stock-based compensation	3	3	9
Gains on sales of assets	(6)	(5)	—
Impairments	1	—	8,522
Non-cash reorganization items, net	—	(6,680)	(449)
Exploration	1	2	406
Gains on purchases or exchanges of debt	—	—	(65)
Other	(3)	45	1
Changes in assets and liabilities	51	851	41
Net cash provided by (used in) operating activities	803	(21)	773
Cash flows from investing activities:			
Capital expenditures	(226)	(66)	(867)
Proceeds from divestitures of property and equipment	6	—	11
Net cash used in investing activities	(220)	(66)	(856)
Cash flows from financing activities:			
Proceeds from Exit Credit Facility - Tranche A Loans	30	—	—
Payments on Exit Credit Facility - Tranche A Loans	(80)	(479)	—
Proceeds from pre-petition revolving credit facility borrowings	—	—	3,806
Payments on pre-petition revolving credit facility borrowings	—	—	(3,467)
Payments on DIP Facility borrowings	—	(1,179)	—
Proceeds from issuance of senior notes, net	—	1,000	—
Proceeds from issuance of common stock	—	600	—
Proceeds from warrant exercise	2	—	—
Debt issuance and other financing costs	(3)	(8)	(55)
Cash paid to purchase debt	—	—	(95)
Cash paid for common stock dividends	(34)	—	—
Cash paid for preferred stock dividends	—	—	(22)
Other	(2)	—	(8)
Net cash provided by (used in) financing activities	(87)	(66)	159
Net increase (decrease) in cash, cash equivalents and restricted cash	496	(153)	76
Cash, cash equivalents and restricted cash, beginning of period	126	279	6
Cash, cash equivalents and restricted cash, end of period	\$ 622	\$ 126	\$ 82
Cash and cash equivalents	\$ 612	\$ 40	\$ 82
Restricted cash	10	86	—
Total cash, cash equivalents and restricted cash	\$ 622	\$ 126	\$ 82

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
(Unaudited)

Supplemental disclosures to the condensed consolidated statements of cash flows are presented below:

	<u>Successor</u>	<u>Predecessor</u>	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Supplemental cash flow information:			
Cash paid for reorganization items, net	\$ 65	\$ 66	\$ 55
Interest paid, net of capitalized interest	\$ 3	\$ 13	\$ 177
Income taxes paid, net of refunds received	\$ (3)	\$ —	\$ (2)
Supplemental disclosure of significant non-cash investing and financing activities:			
Change in accrued drilling and completion costs	\$ 14	\$ (5)	\$ (223)
Put option premium on equity backstop agreement	\$ —	\$ 60	\$ —

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Attributable to Chesapeake									
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance as of March 31, 2021 (Successor)	—	\$ —	97,907,081	\$ 1	\$ 3,585	\$ 295	\$ —	\$ —	\$ —	\$ 3,881
Stock-based compensation	—	—	921	—	3	—	—	—	—	3
Issuance of common stock for warrant exercise	—	—	46,035	—	2	—	—	—	—	2
Net loss	—	—	—	—	—	(439)	—	—	—	(439)
Dividends on common stock	—	—	—	—	—	(34)	—	—	—	(34)
Balance as of June 30, 2021 (Successor)	—	\$ —	97,954,037	\$ 1	\$ 3,590	\$ (178)	\$ —	\$ —	\$ —	\$ 3,413

	Attributable to Chesapeake									
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Non-controlling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount						
Balance as of March 31, 2020 (Predecessor)	5,563,458	\$ 1,631	9,783,773	\$ —	\$ 16,920	\$ (22,517)	\$ 21	\$ —	\$ 21	\$ (3,924)
Stock-based compensation	—	—	(3,571)	—	4	—	—	—	—	4
Net loss attributable to Chesapeake	—	—	—	—	—	(276)	—	—	—	(276)
Hedging activity	—	—	—	—	—	—	8	—	—	8
Balance as of June 30, 2020 (Predecessor)	5,563,458	\$ 1,631	9,780,202	\$ —	\$ 16,924	\$ (22,793)	\$ 29	\$ —	\$ 21	\$ (4,188)

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (Continued)
(Unaudited)

	Attributable to Chesapeake										Total Stockholders' Equity (Deficit)
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Non- controlling Interest		
	Shares	Amount	Shares	Amount							
Balance as of December 31, 2020 (Predecessor)	5,563,358	\$ 1,631	9,780,547	\$ —	\$ 16,937	\$ (23,954)	\$ 45	\$ —	\$ —	\$ —	\$ (5,341)
Stock-based compensation	—	—	67	—	3	—	—	—	—	—	3
Hedging activity	—	—	—	—	—	—	3	—	—	—	3
Net income	—	—	—	—	—	5,383	—	—	—	—	5,383
Cancellation of Predecessor Equity	(5,563,358)	(1,631)	(9,780,614)	—	(16,940)	18,571	(48)	—	—	—	(48)
Issuance of Successor common stock	—	—	97,907,081	1	3,330	—	—	—	—	—	3,331
Issuance of Successor Class A warrants	—	—	—	—	93	—	—	—	—	—	93
Issuance of Successor Class B warrants	—	—	—	—	94	—	—	—	—	—	94
Issuance of Successor Class C warrants	—	—	—	—	68	—	—	—	—	—	68
Balance as of February 9, 2021 (Predecessor)	<u>—</u>	<u>\$ —</u>	<u>97,907,081</u>	<u>\$ 1</u>	<u>\$ 3,585</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,586</u>
Balance as of February 10, 2021 (Successor)	—	\$ —	97,907,081	\$ 1	\$ 3,585	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,586
Stock-based compensation	—	—	921	—	3	—	—	—	—	—	3
Issuance of common stock for warrant exercise	—	—	46,035	—	2	—	—	—	—	—	2
Net loss	—	—	—	—	—	(144)	—	—	—	—	(144)
Dividends on common stock	—	—	—	—	—	(34)	—	—	—	—	(34)
Balance as of June 30, 2021 (Successor)	<u>—</u>	<u>\$ —</u>	<u>97,954,037</u>	<u>\$ 1</u>	<u>\$ 3,590</u>	<u>\$ (178)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,413</u>

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (Continued)
(Unaudited)

	Attributable to Chesapeake										Total Stockholders' Equity (Deficit)
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Non- controlling Interest		
	Shares	Amount	Shares	Amount							
Balance as of December 31, 2019 (Predecessor)	5,563,458	\$ 1,631	9,772,793	\$ —	\$ 16,973	\$ (14,220)	\$ 12	\$ (32)	\$ 37	\$ 4,401	
Stock-based compensation	—	—	7,409	—	(27)	—	—	—	—	(27)	
Dividends on preferred stock	—	—	—	—	(22)	—	—	—	—	(22)	
Hedging activity	—	—	—	—	—	—	17	—	—	17	
Net loss attributable to Chesapeake	—	—	—	—	—	(8,573)	—	—	—	(8,573)	
Purchase of shares for company benefit plans	—	—	—	—	—	—	—	(2)	—	(2)	
Release of shares for company benefit plans	—	—	—	—	—	—	—	34	—	34	
Net loss attributable to noncontrolling interests	—	—	—	—	—	—	—	—	(16)	(16)	
Balance as of June 30, 2020 (Predecessor)	<u>5,563,458</u>	<u>\$ 1,631</u>	<u>9,780,202</u>	<u>\$ —</u>	<u>16,924</u>	<u>\$ (22,793)</u>	<u>\$ 29</u>	<u>\$ —</u>	<u>\$ 21</u>	<u>\$ (4,188)</u>	

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Description of Company

Chesapeake Energy Corporation (“Chesapeake”, “we,” “our”, “us” or the “Company”) is an oil and natural gas exploration and production company engaged in the acquisition, exploration and development of properties for the production of oil, natural gas and NGL from underground reservoirs. Our operations are located onshore in the United States. As discussed in [Note 2](#) below, we filed the Chapter 11 Cases on the Petition Date and subsequently operated as a debtor-in-possession, in accordance with applicable provisions of the Bankruptcy Code, until emergence on February 9, 2021. To facilitate our financial statement presentations, we refer to the post-emergence reorganized Company in these condensed consolidated financial statements and footnotes as the “Successor” for periods subsequent to February 9, 2021, and to the pre-emergence company as “Predecessor” for periods on or prior to February 9, 2021.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Chesapeake were prepared in accordance with GAAP and the rules and regulations of the SEC. Pursuant to such rules and regulations, certain disclosures have been condensed or omitted.

This Quarterly Report on Form 10-Q (this “Form 10-Q”) relates to the financial position and periods of February 10, 2021 through June 30, 2021 (“2021 Successor Period”), and January 1, 2021 through February 9, 2021 (“2021 Predecessor Period”), the three months ended June 30, 2021 (“2021 Successor Quarter”), and the three and six months ended June 30, 2020 (“2020 Predecessor Quarter” and “2020 Predecessor Period”, respectively). Our [annual report on Form 10-K](#) for the year ended December 31, 2020 (“2020 Form 10-K”) should be read in conjunction with this Form 10-Q. Except as disclosed herein, and with the exception of information in this report related to our emergence from Chapter 11 and fresh start accounting, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the 2020 Form 10-K. The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments which, in the opinion of management, are necessary for a fair statement of our condensed consolidated financial statements and accompanying notes and include the accounts of our direct and indirect wholly-owned subsidiaries and entities in which we have a controlling financial interest. Intercompany accounts and balances have been eliminated. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern.

Segments

Operating segments are defined as components of an enterprise that engage in activities from which it may earn revenues and incur expenses for which separate operational financial information is available and is regularly evaluated by the chief operating decision maker for the purpose of allocating an enterprise’s resources and assessing its operating performance. We have concluded that we have only one reportable operating segment due to the similar nature of the exploration and production business across Chesapeake and its consolidated subsidiaries and the fact that our marketing activities are ancillary to our operations.

Restricted Cash

As of June 30, 2021, we had restricted cash of \$10 million. The restricted funds are maintained primarily to pay certain convenience class unsecured claims following our emergence from bankruptcy.

Voluntary Filing under Chapter 11 Bankruptcy

On the Petition Date the Debtors filed the Chapter 11 Cases under the Bankruptcy Code in the Bankruptcy Court. On June 29, 2020, the Bankruptcy Court entered an order authorizing the joint administration of the Chapter 11 Cases under the caption *In re Chesapeake Energy Corporation*, Case No. 20-33233. Subsidiaries with noncontrolling interests, consolidated variable interest entities and certain de minimis subsidiaries (collectively, the “Non-Filing Entities”) were not part of the Bankruptcy Filing. The Non-Filing Entities have continued to operate in the ordinary course of business.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

The Bankruptcy Court confirmed the Plan and entered the Confirmation Order on January 16, 2021. The Debtors emerged from the Chapter 11 Cases on the Effective Date. The Company's bankruptcy proceedings and related matters have been summarized below.

During the pendency of the Chapter 11 Cases, we continued to operate our business in the ordinary course as debtors-in-possession in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court granted the first day relief we requested that was designed primarily to mitigate the impact of the Chapter 11 Cases on our operations, vendors, suppliers, customers and employees. As a result, we were able to conduct normal business activities and satisfy all associated obligations for the period following the Petition Date and were also authorized to pay mineral interest owner royalties, employee wages and benefits, and certain vendors and suppliers in the ordinary course for goods and services provided prior to the Petition Date. During the pendency of the Chapter 11 Cases, all transactions outside the ordinary course of business required the prior approval of the Bankruptcy Court.

Subject to certain specific exceptions under the Bankruptcy Code, the filing of the Chapter 11 Cases automatically stayed all judicial or administrative actions against us and efforts by creditors to collect on or otherwise exercise rights or remedies with respect to pre-petition claims. Absent an order from the Bankruptcy Court, substantially all of the Debtors' pre-petition liabilities were subject to compromise and discharge under the Bankruptcy Code. The automatic stay was lifted on the Effective Date.

We have applied ASC 852, *Reorganizations*, in preparing the unaudited condensed consolidated financial statements for the period ended February 9, 2021. ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 Cases, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that were realized or incurred during the bankruptcy proceedings, including gain on settlement of liabilities subject to compromise, losses related to executory contracts that have been approved for rejection by the Bankruptcy Court, and unamortized debt issuance costs, premiums and discounts associated with debt classified as liabilities subject to compromise, were recorded as reorganization items, net. In addition, pre-petition obligations that may be impacted by the Chapter 11 process have been classified on the condensed consolidated balance sheet as of December 31, 2020 as liabilities subject to compromise. See [Note 3](#) for more information regarding reorganization items.

2. Chapter 11 Emergence

As described in [Note 1](#), on June 28, 2020, the Debtors filed the Chapter 11 Cases and on September 11, 2020, the Debtors filed the Plan, which was subsequently amended, and entered the Confirmation Order on January 16, 2021. The Debtors then emerged from bankruptcy upon effectiveness of the Plan on February 9, 2021. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

Plan of Reorganization

In accordance with the Plan confirmed by the Bankruptcy Court, the following significant transactions occurred upon the Company's emergence from bankruptcy on February 9, 2021:

- On the Effective Date, we issued approximately 97,907,081 shares of New Common Stock, reserved 2,092,918 shares of New Common Stock for future issuance to eligible holders of Allowed Unsecured Notes Claims and Allowed General Unsecured Claims and reserved 37,174,210 shares of New Common Stock for issuance upon exercise of the Warrants, which were the result of the transactions described below. We also entered into a registration rights agreement, warrant agreements and amended our articles of incorporation and bylaws for the authorization of the New Common Stock among other corporate governance actions. See [Note 10](#) for further discussion of our post-emergence equity.
- Each holder of an equity interest in the Predecessor, including Predecessor's common and preferred stock, had such interest canceled, released, and extinguished without any distribution.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

- Each holder of obligations under the pre-petition revolving credit facility received, at such holder's prior determined allocation, its pro rata share of either Tranche A Loans or Tranche B Loans, on a dollar for dollar basis.
- Each holder of obligations under the FLLO Term Loan Facility received its pro rata share of 23,022,420 shares of New Common Stock.
- Each holder of an Allowed Second Lien Notes Claim received its pro rata share of 3,635,118 shares of New Common Stock, 11,111,111 Class A Warrants to purchase 11,111,111 shares of New Common Stock, 12,345,679 Class B Warrants to purchase 12,345,679 shares of New Common Stock, and 6,858,710 Class C Warrants to purchase 6,858,710 shares of New Common Stock.
- Each holder of an Allowed Unsecured Notes Claim received its pro rata share of 1,311,089 shares of New Common Stock and 2,473,757 Class C Warrants to purchase 2,473,757 shares of New Common Stock.
- Each holder of an Allowed General Unsecured Claim received its pro rata share of 231,112 shares of New Common Stock and 436,060 Class C Warrants to purchase 436,060 shares of New Common Stock; provided that to the extent such Allowed General Unsecured Claim is a Convenience Claim, such holder instead received its pro rata share of \$10 million, which pro rata share shall not exceed five percent of such Convenience Claim.
- Participants in the Rights Offering extending to the applicable classes under the Plan received 62,927,320 shares of New Common Stock.
- In connection with the Rights Offering described above, the Backstop Parties under the Backstop Commitment Agreement received 6,337,031 shares of New Common Stock in respect to the Put Option Premium, and 442,991 shares of New Common Stock were issued in connection with the backstop obligation thereunder to purchase unsubscribed shares of the New Common Stock.
- 2,092,918 shares of New Common Stock and 3,948,893 Class C Warrants were reserved for future issuance to eligible holders of Allowed Unsecured Notes Claims and Allowed General Unsecured Claims. The reserved New Common Stock and Class C Warrants will be issued on a pro rata basis upon the determination of the allowed portion of all disputed General Unsecured Claims and Unsecured Notes Claims.
- The 2021 Long Term Incentive Plan (the "LTIP") was approved with a share reserve equal to 6,800,000 shares of New Company Stock.
- Each holder of an Allowed Other Secured Claim will receive, at the Company's option and in consultation with the Required Consenting Stakeholders (as defined in the Plan): (a) payment in full in cash; (b) the collateral securing its secured claim; (c) reinstatement of its secured claim; or (d) such other treatment that renders its secured claim unimpaired in accordance with Section 1124 of the Bankruptcy Code.
- Each holder of an Allowed Other Priority Claim will receive cash up to the allowed amount of its claim.

Additionally, pursuant to the Plan confirmed by the Bankruptcy Court, the Company's post-emergence Board of Directors is comprised of six directors, including the Company's Interim Chief Executive Officer, Michael Wichterich, and five non-employee directors, Timothy S. Duncan, Benjamin C. Duster, IV, Sarah Emerson, Matthew M. Gallagher and Brian Steck.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

3. Fresh Start Accounting

Fresh Start Accounting

In connection with our emergence from bankruptcy and in accordance with ASC 852, we qualified for and applied fresh start accounting on the Effective Date. We were required to apply fresh start accounting because (i) the holders of existing voting shares of the Company prior to its emergence received less than 50% of the voting shares of the Company outstanding following its emergence from bankruptcy and (ii) the reorganization value of our assets immediately prior to confirmation of the Plan of approximately \$6.8 billion was less than the post-petition liabilities and allowed claims of \$13.2 billion.

In accordance with ASC 852, with the application of fresh start accounting, the Company allocated its reorganization value to its individual assets based on their estimated fair value in conformity with FASB ASC Topic 820 - *Fair Value Measurements* and FASB ASC Topic 805 - *Business Combinations*. Accordingly, the consolidated financial statements after February 9, 2021 are not comparable with the consolidated financial statements as of or prior to that date. The Effective Date fair values of the Successor's assets and liabilities differ materially from their recorded values as reflected on the historical balance sheet of the Predecessor.

Reorganization Value

Reorganization value is derived from an estimate of enterprise value, or fair value of the Company's interest-bearing debt and stockholders' equity. Under ASC 852, reorganization value generally approximates fair value of the entity before considering liabilities and is intended to approximate the amount a willing buyer would pay for the assets immediately after the effects of a restructuring. As set forth in the disclosure statement, amended for updated pricing, and approved by the Bankruptcy Court, the enterprise value of the Successor was estimated to be between \$3.5 billion and \$4.9 billion. With the assistance of third-party valuation advisors, we determined the enterprise value and corresponding implied equity value of the Successor using various valuation approaches and methods, including: (i) income approach using a calculation of present value of future cash flows based on our financial projections, (ii) the market approach using selling prices of similar assets and (iii) the cost approach. For GAAP purposes, the Company valued the Successor's individual assets, liabilities and equity instruments and determined an estimate of the enterprise value within the estimated range. Management concluded that the best estimate of enterprise value was \$4.85 billion. Specific valuation approaches and key assumptions used to arrive at reorganization value, and the value of discrete assets and liabilities resulting from the application of fresh start accounting, are described below in greater detail within the valuation process.

The enterprise value and corresponding implied equity value are dependent upon achieving the future financial results set forth in our valuation using an asset-based methodology of estimated proved reserves, undeveloped properties, and other financial information, considerations and projections, applying a combination of the income, cost and market approaches as of the fresh start reporting date of February 9, 2021. All estimates, assumptions, valuations and financial projections, including the fair value adjustments, the financial projections, the enterprise value and equity value projections, are inherently subject to significant uncertainties and the resolution of contingencies beyond our control. Accordingly, there is no assurance that the estimates, assumptions, valuations or financial projections will be realized, and actual results could vary materially.

The following table reconciles the enterprise value to the implied fair value of the Successor's equity as of the Effective Date:

	February 9, 2021
Enterprise Value	\$ 4,851
Plus: Cash and cash equivalents ^(a)	48
Less: Fair value of debt	(1,313)
Successor equity value	<u>\$ 3,586</u>

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

- (a) Cash and cash equivalents includes \$8 million that was initially classified as restricted cash as of the Effective Date but subsequently released from escrow and returned to the Successor. Restricted cash exclusive of the \$8 million is not included in the table above.

The following table reconciles the enterprise value to the reorganization value as of the Effective Date:

	February 9, 2021
Enterprise Value	\$ 4,851
Plus: Cash and cash equivalents ^(a)	48
Plus: Current liabilities	1,582
Plus: Asset retirement obligations (non-current portion)	236
Plus: Other non-current liabilities	97
Reorganization value of Successor assets	<u>\$ 6,814</u>

- (a) Cash and cash equivalents includes \$8 million that was initially classified as restricted cash as of the Effective Date but subsequently released from escrow and returned to the Successor. Restricted cash exclusive of the \$8 million is not included in the table above.

Valuation Process

The fair values of our oil and natural gas properties, other property and equipment, other long-term assets, long-term debt, asset retirement obligations and warrants were estimated as of the Effective Date.

Oil and natural gas properties. The Company's principal assets are its oil and natural gas properties, which are accounted for under the successful efforts accounting method. The Company determined the fair value of its oil and natural gas properties based on the discounted future net cash flows expected to be generated from these assets. Discounted cash flow models by operating area were prepared using the estimated future revenues and operating costs for all developed wells and undeveloped properties comprising the proved and unproved reserves. Significant inputs associated with the calculation of discounted future net cash flows include estimates of (i) recoverable reserves, (ii) production rates, (iii) future operating and development costs, (iv) future commodity prices escalated by an inflationary rate after five years, adjusted for differentials, and (v) a market-based weighted average cost of capital by operating area. The Company utilized NYMEX strip pricing, adjusted for differentials, to value the reserves. The NYMEX strip pricing inputs used are classified as Level 1 fair value assumptions and all other inputs are classified as Level 3 fair value assumptions. The discount rates utilized were derived using a weighted average cost of capital computation, which included an estimated cost of debt and equity for market participants with similar geographies and asset development type by operating area.

Other property and equipment. The fair value of other property and equipment such as buildings, land, computer equipment, and other equipment was determined using replacement cost method under the cost approach which considers historical acquisition costs for the assets adjusted for inflation, as well as factors in any potential obsolescence based on the current condition of the assets and the ability of those assets to generate cash flow.

Long-term debt. A market approach, based upon quotes from major financial institutions, was used to measure the fair value of the \$500 million aggregate principal amount of 5.5% Senior Notes due 2026 (the "2026 Notes") and \$500 million aggregate principal amount of 5.875% Senior Notes due 2029 (the "2029 Notes" and, together with the 2026 Notes, the "Notes"). The carrying value of borrowings under our Exit Credit Facility approximated fair value as the terms and interest rates are based on prevailing market rates.

Asset retirement obligations. The fair value of the Company's asset retirement obligations was revalued based upon estimated current reclamation costs for our assets with reclamation obligations, an appropriate long-term inflation adjustment, and our revised credit adjusted risk-free rate. The credit adjusted risk-free rate was based on an evaluation of an interest rate that equates to a risk-free interest rate adjusted for the effect of our credit standing.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

Warrants. The fair values of the Warrants issued upon the Effective Date were estimated using a Black-Scholes model, a commonly used option-pricing model. The Black-Scholes model was used to estimate the fair value of the warrants with an implied stock price of \$20.52; initial exercise price per share of \$27.63, \$32.13 and \$36.18 for Class A, Class B and Class C Warrants, respectively; expected volatility of 58% estimated using volatilities of similar entities; risk-free rate using a 5-year Treasury bond rate; and an expected annual dividend yield which was estimated to be zero.

Condensed Consolidated Balance Sheet

The following consolidated balance sheet is as of February 9, 2021. This consolidated balance sheet includes adjustments that reflect the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments") as well as fair value adjustments as a result of the adoption of fresh start accounting (reflected in the column "Fresh Start Adjustments") as of the Effective Date. The explanatory notes following the table below provide further details on the adjustments, including the assumptions and methods used to determine fair value for its assets, liabilities and warrants.

	<u>Predecessor</u>	<u>Reorganization Adjustments</u>	<u>Fresh Start Adjustments</u>	<u>Successor</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 243	\$ (203) (a)	\$ —	\$ 40
Restricted cash	—	86 (b)	—	86
Accounts receivable, net	861	(18) (c)	—	843
Short-term derivative assets	—	—	—	—
Other current assets	66	(5) (d)	—	61
Total current assets	1,170	(140)	—	1,030
Property and equipment:				
Oil and natural gas properties, successful efforts method				
Proved oil and natural gas properties	25,794	—	(21,108) (o)	4,686
Unproved properties	1,546	—	(1,063) (o)	483
Other property and equipment	1,755	—	(1,256) (o)	499
Total property and equipment	29,095	—	(23,427) (o)	5,668
Less: accumulated depreciation, depletion and amortization	(23,877)	—	23,877 (o)	—
Property and equipment held for sale, net	9	—	(7) (o)	2
Total property and equipment, net	5,227	—	443 (o)	5,670
Other long-term assets	198	—	(84) (p)	114
Total assets	\$ 6,595	\$ (140)	\$ 359	\$ 6,814

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

	<u>Predecessor</u>	<u>Reorganization Adjustments</u>	<u>Fresh Start Adjustments</u>	<u>Successor</u>
Liabilities and stockholders' equity (deficit)				
Current liabilities:				
Accounts payable	\$ 391	\$ 24 (e)	\$ —	\$ 415
Current maturities of long-term debt, net	1,929	(1,929) (f)	—	—
Accrued interest	4	(4) (g)	—	—
Short-term derivative liabilities	398	—	—	398
Other current liabilities	645	124 (h)	—	769
Total current liabilities	3,367	(1,785)	—	1,582
Long-term debt, net	—	1,261 (i)	52 (q)	1,313
Long-term derivative liabilities	90	—	—	90
Asset retirement obligations, net of current portion	139	—	97 (r)	236
Other long-term liabilities	5	2 (j)	—	7
Liabilities subject to compromise	9,574	(9,574) (k)	—	—
Total liabilities	13,175	(10,096)	149	3,228
Contingencies and commitments (Note 6)				
Stockholders' equity (deficit):				
Predecessor preferred stock	1,631	(1,631) (l)	—	—
Predecessor common stock	—	—	—	—
Predecessor additional paid-in capital	16,940	(16,940) (l)	—	—
Successor common stock	—	1 (m)	—	1
Successor additional paid-in-capital	—	3,585 (m)	—	3,585
Accumulated other comprehensive income	48	—	(48) (s)	—
Accumulated deficit	(25,199)	24,941 (n)	258 (t)	—
Total stockholders' equity (deficit)	(6,580)	9,956	210	3,586
Total liabilities and stockholders' equity (deficit)	\$ 6,595	\$ (140)	\$ 359	\$ 6,814

Reorganization Adjustments

(a) The table below reflects the sources and uses of cash on the Effective Date from implementation of the Plan:

Sources:	
Proceeds from issuance of the Notes	\$ 1,000
Proceeds from Rights Offering	600
Proceeds from refunds of interest deposit for the Notes	5
Total sources of cash	\$ 1,605
Uses:	
Payment of roll-up of DIP Facility balance	\$ (1,179)
Payment of Exit Credit Facility - Tranche A Loan	(479)
Transfers to restricted cash for professional fee reserve	(76)
Transfers to restricted cash for convenience claim distribution reserve	(10)
Payment of professional fees	(31)
Payment of DIP Facility interest and fees	(12)
Payment of FLLO alternative transaction fee	(12)
Payment of the Notes fees funded out of escrow	(8)
Payment of RBL interest and fees	(1)
Total uses of cash	\$ (1,808)
Net cash used	\$ (203)

(b) Represents the transfer of funds to a restricted cash account for purposes of funding the professional fee reserve and the convenience claim distribution reserve.

(c) Reflects the removal of an insurance receivable associated with a discharged legal liability.

(d) Reflects the collection of an interest deposit for the senior unsecured notes.

(e) Changes in accounts payable include the following:

Accrual of professional service provider success fees	\$ 38
Accrual of convenience claim distribution reserve	10
Accrual of professional service provider fees	5
Reinstatement of accounts payable from liabilities subject to compromise	2
Payment of professional fees	(31)
Net impact to accounts payable	\$ 24

(f) Reflects payment of the pre-petition credit facility for \$1.179 billion and transfer of the Tranche A and Tranche B Loans to long-term debt for \$750 million.

(g) Reflect payments of accrued interest and fees on the DIP Facility.

(h) Changes in other current liabilities include the following:

Reinstatement of other current liabilities from liabilities subject to compromise	\$	191
Accrual of the Notes fees		2
Settlement of Put Option Premium through issuance of Successor Common Stock		(60)
Payment of DIP Facility fees		(9)
Net impact to other current liabilities	\$	<u>124</u>

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

(i) Change in long-term debt include the following:

Issuance of the Notes	\$	1,000
Issuance of Tranche A and Tranche B Loans		750
Payments on Tranche A Loans		(479)
Debt issuance costs for the Notes		(10)
Net impact to long-term debt, net	\$	<u>1,261</u>

(j) Reflects reinstatement of a long-term lease liability.

(k) On the Effective Date, liabilities subject to compromise were settled in accordance with the Plan as follows:

Liabilities subject to compromise pre-emergence	\$	9,574
To be reinstated on the Effective Date:		
Accounts payable	\$	(2)
Other current liabilities		(191)
Other long-term liabilities		(2)
Total liabilities reinstated	\$	(195)
Consideration provided to settle amounts per the Plan or Reorganization:		
Issuance of Successor common stock associated with the Rights Offering and Backstop Commitment and settlement of the Put Option Premium	\$	(2,311)
Proceeds from issuance of Successor common stock associated with the Rights Offering and Backstop Commitment		600
Issuance of Successor common stock to FLLO Term Loan holders, incremental to the Rights Offering and Backstop Commitment		(783)
Issuance of Successor common stock to second lien note holders, incremental to the Rights Offering and Backstop Commitment		(124)
Issuance of Successor common stock to unsecured note holders		(45)
Issuance of Successor common stock to general unsecured claims		(8)
Fair value of Class A Warrants		(93)
Fair value of Class B Warrants		(94)
Fair value of Class C Warrants		(68)
Proceeds to holders of general unsecured claims		(10)
Total consideration provided to settle amounts per the Plan	\$	(2,936)
Gain on settlement of liabilities subject to compromise	\$	<u>6,443</u>

(l) Pursuant to the Plan, as of the Effective Date, all equity interests in Predecessor, including Predecessor's common and preferred stock, were cancelled without any distribution.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

(m) Reflects the Successor equity including the issuance of 97,907,081 shares of New Common Stock, 11,111,111 shares of Class A Warrants, 12,345,679 shares of Class B Warrants and 9,768,527 shares of Class C Warrants pursuant to the Plan.

Issuance of Successor equity associated with the Rights Offering and Backstop Commitment	\$	2,371
Issuance of Successor equity to holders of the FLLO Term Loan, incremental to the Rights Offering and Backstop Commitment		783
Issuance of Successor equity to holders of the Second Lien Notes, incremental to the Rights Offering and Backstop Commitment		124
Issuance of Successor equity to holders of the unsecured senior notes		45
Issuance of Successor equity to holders of allowed general unsecured claims		8
Fair value of Class A warrants		93
Fair value of Class B warrants		94
Fair value of Class C warrants		68
Total change in Successor common stock and additional paid-in capital		3,586
Less: par value of Successor common stock		(1)
Change in Successor additional paid-in capital	\$	<u>3,585</u>

(n) Reflects the cumulative net impact of the effects on accumulated deficit as follows:

Gain on settlement of liabilities subject to compromise	\$	6,443
Accrual of professional service provider success fees		(38)
Accrual of professional service provider fees		(5)
Surrender of other receivable		(18)
Payment of FLLO alternative transaction fee		(12)
Total reorganization items, net		6,370
Cancellation of predecessor equity		18,571
Net impact on accumulated deficit	\$	<u>24,941</u>

Fresh Start Adjustments

(o) Reflects fair value adjustments to our (i) proved oil and natural gas properties, (ii) unproved properties, (iii) other property and equipment (iv) property and equipment held for sale, and the elimination of accumulated depletion, depreciation and amortization.

(p) Reflects the fair value adjustment to record historical contracts at their fair values.

(q) Reflects the fair value adjustments to the 2026 Notes and 2029 Notes for \$22 million and \$30 million, respectively.

(r) Reflects the adjustment to our asset retirement obligations using assumptions as of the Effective Date, including an inflation factor of 2% and an average credit-adjusted risk-free rate of 5.18%.

(s) Reflects the fair value adjustment to eliminate the accumulated other comprehensive income of \$9 million related to hedging settlements offset by the elimination of \$57 million of income tax effects which has resulted in the recording of an income tax benefit of \$57 million. See [Note 9](#) for a discussion of income taxes.

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(t) Reflects the net cumulative impact of the fresh start adjustments on accumulated deficit as follows:

Fresh start adjustments to property and equipment	\$	443
Fresh start adjustments to other long-term assets		(84)
Fresh start adjustments to long-term debt		(52)
Fresh start adjustments to long-term asset retirement obligations		(97)
Fresh start adjustments to accumulated other comprehensive income		(9)
Total fresh start adjustments impacting reorganizations items, net		201
Income tax effects on accumulated other comprehensive income		57
Net impact to accumulated deficit	\$	258

Reorganization Items, Net

We have incurred significant expenses, gains and losses associated with the reorganization, primarily the gain on settlement of liabilities subject to compromise, write-off of unamortized debt issuance costs and related unamortized premiums and discounts, debt and equity financing fees, provision for allowed claims and legal and professional fees incurred subsequent to the Chapter 11 filings for the restructuring process. The accrual for allowed claims primarily represents damages from contract rejections and settlements attributable to the midstream savings requirement as stipulated in the Plan. While the claims reconciliation process is ongoing, we do not believe any existing unresolved claims will result in a material adjustment to the financial statements. The amount of these items, which were incurred in reorganization items, net within our accompanying unaudited condensed consolidated statements of operations, have significantly affected our statements of operations.

The following table summarizes the components in reorganization items, net included in our unaudited condensed consolidated statements of operations:

	Successor	Predecessor
	Three Months	Three Months
	Ended	Ended
	June 30, 2021	June 30, 2020
Write off of unamortized debt premiums (discounts) on Predecessor debt	\$ —	\$ 518
Write off of unamortized debt issuance costs on Predecessor debt	—	(61)
DIP Facility financing costs	—	(63)
Total reorganization items, net	\$ —	\$ 394

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	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Gains on the settlement of liabilities subject to compromise	\$ —	\$ 6,443	\$ —
Accrual for allowed claims	—	(1,002)	—
Write off of unamortized debt premiums (discounts) on Predecessor debt	—	—	518
Write off of unamortized debt issuance costs on Predecessor debt	—	—	(61)
Gain on fresh start adjustments	—	201	—
Gain from release of commitment liabilities	—	55	—
DIP Facility financing costs	—	—	(63)
Professional service provider fees and other	—	(60)	—
Success fees for professional service providers	—	(38)	—
Surrender of other receivable	—	(18)	—
FLLO alternative transaction fee	—	(12)	—
Total reorganization items, net	<u>\$ —</u>	<u>\$ 5,569</u>	<u>\$ 394</u>

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4. Earnings Per Share

Basic net income (loss) per common share is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is calculated in the same manner, but includes the impact of potentially dilutive securities. Potentially dilutive securities during the Successor Period consist of issuable shares related to warrants and unvested restricted stock and during the Predecessor Period have historically consisted of unvested restricted stock, contingently issuable shares related to preferred stock and convertible senior notes unless their effect was antidilutive.

The reconciliations between basic and diluted earnings (loss) per share are as follows:

	<u>Successor</u> <u>Three Months</u> <u>Ended June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>Three Months</u> <u>Ended</u> <u>June 30, 2020</u>
Numerator		
Net loss, basic and diluted	\$ (439)	\$ (276)
Denominator (in thousands)		
Weighted average common shares outstanding, basic	97,931	9,779
Effect of potentially dilutive securities		
Preferred stock	—	—
Warrants	—	—
Restricted stock	—	—
Weighted average common shares outstanding, diluted	<u>97,931</u>	<u>9,779</u>
Loss per common share		
Loss per common share, basic	\$ (4.48)	\$ (28.22)
Loss per common share, diluted	\$ (4.48)	\$ (28.22)

Successor

During the 2021 Successor Quarter, the diluted earnings (loss) per share calculation excludes the effect of 2,092,918 reserved shares of common stock and 3,948,893 reserved Class C warrants related to the settlement of general unsecured claims associated with the Chapter 11 Cases as all necessary conditions had not been met to be considered dilutive shares as of the 2021 Successor Quarter. Additionally, the 2021 Successor Quarter had a net loss and therefore the diluted earnings (loss) per share calculation excludes the antidilutive effect of 12,186,128 issuable shares related to warrants and 121,348 shares of restricted stock.

Predecessor

The diluted earnings (loss) per share calculation for the 2020 Predecessor Quarter excludes the antidilutive effect of 290,716 shares of common stock equivalent of our preferred stock.

We had the option to settle conversions of the 5.5% convertible senior notes due 2026 with cash, shares or common stock or any combination thereof. As the price of our common stock was below the conversion threshold level for any time during the conversion period, there was no impact to diluted earnings (loss) per share.

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	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Numerator			
Net income (loss), basic and diluted	\$ (144)	\$ 5,383	\$ (8,595)
Denominator (in thousands)			
Weighted average common shares outstanding, basic	97,922	9,781	9,765
Effect of potentially dilutive securities			
Preferred stock	—	290	—
Warrants	—	—	—
Restricted stock	—	—	—
Weighted average common shares outstanding, diluted	97,922	10,071	9,765
Earnings (loss) per common share			
Earnings (loss) per common share, basic	\$ (1.47)	\$ 550.35	\$ (880.18)
Earnings (loss) per common share, diluted	\$ (1.47)	\$ 534.51	\$ (880.18)

Successor

During the 2021 Successor Period, the diluted earnings (loss) per share calculation excludes the effect of 2,092,918 reserved shares of common stock and 3,948,893 reserved Class C warrants related to the settlement of general unsecured claims associated with the Chapter 11 Cases as all necessary conditions had not been met to be considered dilutive shares as of the 2021 Successor Period. Additionally, the 2021 Successor Period had a net loss and therefore the diluted earnings (loss) per share calculation excludes the antidilutive effect of 11,275,229 issuable shares related to warrants and 66,817 shares of restricted stock.

Predecessor

The diluted earnings (loss) per share calculation for the 2020 Predecessor Period excludes the antidilutive effect of 290,716 shares of common stock equivalent of our preferred stock.

We had the option to settle conversions of the 5.5% convertible senior notes due 2026 with cash, shares or common stock or any combination thereof. As the price of our common stock was below the conversion threshold level for any time during the conversion period, there was no impact to diluted earnings (loss) per share.

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5. Debt

Our long-term debt consisted of the following as of June 30, 2021 and December 31, 2020:

	Successor		Predecessor	
	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value^(a)	Carrying Amount	Fair Value^(a)
Exit Credit Facility - Tranche A Loans	\$ —	\$ —	\$ —	\$ —
Exit Credit Facility - Tranche B Loans	221	221	—	—
5.5% senior notes due 2026	500	527	—	—
5.875% senior notes due 2029	500	541	—	—
DIP Facility	—	—	—	—
Pre-petition revolving credit facility	—	—	1,929	1,929
Term loan due 2024	—	—	1,500	1,220
11.5% senior secured second lien notes due 2025	—	—	2,330	373
6.625% senior notes due 2020	—	—	176	8
6.875% senior notes due 2020	—	—	73	3
6.125% senior notes due 2021	—	—	167	7
5.375% senior notes due 2021	—	—	127	5
4.875% senior notes due 2022	—	—	272	12
5.75% senior notes due 2023	—	—	167	8
7.00% senior notes due 2024	—	—	624	29
6.875% senior notes due 2025	—	—	2	2
8.00% senior notes due 2025	—	—	246	10
5.5% convertible senior notes due 2026	—	—	1,064	42
7.5% senior notes due 2026	—	—	119	5
8.00% senior notes due 2026	—	—	46	2
8.00% senior notes due 2027	—	—	253	11
Premiums on senior notes	50	—	—	—
Debt issuance costs	(10)	—	—	—
Total debt, net	1,261	1,289	9,095	3,666
Less current maturities of long-term debt	—	—	(1,929)	(1,929)
Less amounts reclassified to liabilities subject to compromise	—	—	(7,166)	(1,737)
Total long-term debt, net	\$ 1,261	\$ 1,289	\$ —	\$ —

(a) The carrying value of borrowings under our Exit Credit Facility approximate fair value as the interest rates are based on prevailing market rates; therefore, they are a Level 1 fair value measurement. For all other debt, a market approach, based upon quotes from major financial institutions, which are Level 2 inputs, is used to measure the fair value.

Successor Debt

Our post-emergence exit financing consists of the Exit Credit Facility, which includes a reserve-based revolving credit facility and a non-revolving loan facility, and the Notes.

Exit Credit Facility. On the Effective Date, pursuant to the terms of the Plan, the Company, as borrower, entered into a reserve-based credit agreement (the "Credit Agreement") providing for a reserve-based credit facility

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with an initial borrowing base of \$2.5 billion. The borrowing base will be redetermined semiannually on or around May 1 and November 1 of each year and the next scheduled redetermination will be on or about October 1, 2021. The aggregate initial elected commitments of the lenders under the Exit Credit Facility will be \$1.75 billion of Tranche A Loans and \$221 million of fully funded Tranche B Loans.

The Exit Credit Facility provides for a \$200 million sublimit of the aggregate commitments that are available for the issuance of letters of credit. The Exit Credit Facility bears interest at the ABR (alternate base rate) or LIBOR, at our election, plus an applicable margin (ranging from 2.25–3.25% per annum for ABR loans and 3.25–4.25% per annum for LIBOR loans, subject to a 1.00% LIBOR floor), depending on the percentage of the borrowing base then being utilized. The Tranche A Loans mature three years after the Effective Date and the Tranche B Loans mature four years after the Effective Date. The Tranche B Loans can be repaid if no Tranche A Loans are outstanding.

The Credit Agreement contains financial covenants that require the Company and its Guarantors, on a consolidated basis, to maintain (i) a first lien leverage ratio of not more than 2.75 to 1:00, (ii) a total leverage ratio of not more than 3.50 to 1:00, (iii) a current ratio of not less than 1.00 to 1:00 and (iv) at any time additional secured debt is outstanding, an asset coverage ratio of not less than 1.50 to 1:00, defined as PV10 of PDP reserves to total secured debt. The Company had no additional secured debt outstanding at emergence.

The Credit Agreement also contains customary affirmative and negative covenants, including, among other things, as to compliance with laws (including environmental laws and anti-corruption laws), delivery of quarterly and annual financial statements, conduct of business, maintenance of property, maintenance of insurance, restrictions on the incurrence of liens, indebtedness, asset dispositions, fundamental changes, restricted payments, and other customary covenants.

The Company is required to pay a commitment fee of 0.50% per annum on the average daily unused portion of the current aggregate commitments under the Tranche A Loans. The Company is also required to pay customary letter of credit and fronting fees.

Outstanding Senior Notes. On February 2, 2021, Chesapeake Escrow Issuer LLC (the “Escrow Issuer”) then an indirect wholly-owned subsidiary of the Company, issued \$500 million aggregate principal amount of its 2026 Notes and \$500 million aggregate principal amount of its 2029 Notes. The Notes included a \$52 million premium to reflect fair value adjustments at the date of emergence.

The Notes are guaranteed on a senior unsecured basis by each of the Company’s subsidiaries that guarantee the Exit Credit Facility.

The Notes were issued pursuant to an indenture, dated as of February 5, 2021 (the “Indenture”), among the Issuer, the Guarantors and Deutsche Bank Trust Company Americas, as trustee.

Interest on the Notes is payable semi-annually, on February 1 and August 1 of each year, commencing on August 1, 2021, to holders of record on the immediately preceding January 15 and July 15.

The Notes are the Company’s senior unsecured obligations. Accordingly, they rank (i) equal in right of payment to all existing and future senior indebtedness, including borrowings under the Exit Credit Facility, (ii) effectively subordinate in right of payment to all of existing and future secured indebtedness, including indebtedness under the Exit Credit Facility, to the extent of the value of the collateral securing such indebtedness, (iii) structurally subordinate in right of payment to all existing and future indebtedness and other liabilities of any future subsidiaries that do not guarantee the Notes and any entity that is not a subsidiary that does not guarantee the Notes and (iv) senior in right of payment to all future subordinated indebtedness. Each guarantee of the Notes by a guarantor is a general, unsecured, senior obligation of such guarantor. Accordingly, the guarantees (i) rank equally in right of payment with all existing and future senior indebtedness of such guarantor (including such guarantor’s guarantee of indebtedness under the Exit Credit Facility), (ii) are subordinated to all existing and future secured indebtedness of such guarantor, including such guarantor’s guarantee of indebtedness under our Exit Credit Facility, to the extent of the value of the collateral of such guarantor securing such secured indebtedness, (iii) are structurally subordinated to all indebtedness and other liabilities of any future subsidiaries of such guarantor that do not guarantee the notes and (iv) rank senior in right of payment to all future subordinated indebtedness of such guarantor.

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Phase-Out of LIBOR

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. The purpose of ASU 2020-04 is to provide optional guidance to ease the potential effects on financial reporting of the market-wide migration away from Interbank Offered Rates such as LIBOR, which is expected to be phased out at the end of calendar year 2021, to alternative reference rates. ASU 2020-04 applies only to contracts, hedging relationships, debt arrangements and other transactions that reference a benchmark reference rate expected to be discontinued because of reference rate reform. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

Chapter 11 Proceedings - Predecessor Debt

Filing of the Chapter 11 Cases constituted an event of default with respect to certain of our previous secured and unsecured debt obligations. As a result of the Chapter 11 Cases, the principal and interest due under these debt instruments became immediately due and payable. However, Section 362 of the Bankruptcy Code stayed the creditors from taking any action as a result of the default.

The principal amounts outstanding under the FLLO Term Loan, Second Lien Notes and all of our other unsecured senior and convertible senior notes were reclassified as liabilities subject to compromise on the accompanying condensed consolidated balance sheet as of December 31, 2020.

The agreements for our FLLO Term Loan, Second Lien Notes, and unsecured senior and convertible senior notes contain provisions regarding the calculation of interest upon default. Upon default, the interest rate on the FLLO Term Loan increased from LIBOR plus 8.00% to alternative base rate (ABR) (3.25% during the 2021 Predecessor Period) plus Applicable Margin (7.00% during the 2021 Predecessor Period) plus 2.00%. For the Second Lien Notes and all of our other unsecured senior and convertible senior notes, the interest rate remained the same upon default. However, interest accrued on the amount of unpaid interest in addition to the principal balance. We did not pay or recognize interest on the FLLO Term Loan, Second Lien Notes, or unsecured senior and convertible senior notes during the Chapter 11 process.

Debtor-in-Possession Credit Agreement

On June 28, 2020, prior to the commencement of Chapter 11 Cases, the Company entered into a commitment letter with certain of the lenders ("New Money Lenders") under the pre-petition revolving credit facility and/or their affiliates to provide the Debtors with a debtor-in-possession credit agreement in an aggregate principal amount of up to approximately \$2.104 billion in commitments and loans from the New Money Lenders. The DIP Facility consisted of a revolving loan facility of new money in an aggregate principal amount of up to \$925 million, which included a sub-facility of up to \$200 million for the issuance of letters of credit, and a \$1.179 billion term loan that reflected the roll-up of a portion of outstanding borrowings under the pre-petition revolving credit facility: (i) a \$925 million term loan reflected the roll-up of a portion of outstanding existing borrowings made by the New Money Lenders under the existing revolving credit agreement and (ii) an up to approximately \$254 million term loan reflected the roll-up or a portion of outstanding existing borrowings made by certain other lenders under the pre-petition revolving credit facility agreement. The \$750 million of outstanding borrowings under the pre-petition revolving credit facility that were not rolled up remained outstanding throughout the Chapter 11 Cases but accrued interest at a lower rate than the rolled-up loans. The proceeds of the DIP Facility were used for, among other things, post-petition working capital, permitted capital investments, general corporate purposes, letters of credit, administrative costs, premiums, expenses and fees for the transactions contemplated by the Chapter 11 Cases, payment of court approved adequate protection obligations and other such purposes consistent with the DIP Facility. On the Effective Date, the DIP Facility was terminated and the holders of obligations under the DIP Facility received payment in full in cash; provided that to the extent such lender under the DIP Facility was also a lender under the Exit Credit Facility, such lender's allowed DIP claims were first reduced dollar-for-dollar and satisfied by the amount of its Exit RBL Loans provided as of the Effective Date.

Predecessor Senior Notes

In the 2020 Predecessor Period, we repurchased approximately \$160 million aggregate principal amount of certain senior notes for \$95 million and recorded an aggregate gain of approximately \$65 million.

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6. Contingencies and Commitments

There have been no material developments in previously reported legal or environmental contingencies or commitments other than the items discussed below.

Contingencies

Chapter 11 Proceedings

Commencement of the Chapter 11 Cases automatically stayed the proceedings and actions against us that are described below, in addition to actions seeking to collect pre-petition indebtedness or to exercise control over the property of the Company's bankruptcy estates. The Plan in the Chapter 11 Cases, which became effective on February 9, 2021, provided for the treatment of claims against the Company's bankruptcy estates, including pre-petition liabilities that had not been satisfied or addressed during the Chapter 11 Cases. See [Note 2](#) for additional information.

Litigation and Regulatory Proceedings

We were involved in a number of litigation and regulatory proceedings as of the Petition Date. Many of these proceedings were in early stages, and many of them sought damages and penalties, the amount of which is indeterminate. Our total accrued liability in respect of litigation and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case or proceeding, our experience and the experience of others in similar cases or proceedings, and the opinions and views of legal counsel. Significant judgment is required in making these estimates and our final liabilities may ultimately be materially different.

We are involved in, and expect to continue to be involved in, various lawsuits and disputes incidental to our business operations, including commercial disputes, personal injury claims, royalty claims, property damage claims and contract actions. The majority of the prepetition legal proceedings have been settled during the Chapter 11 Cases or will be resolved in connection with the claims reconciliation process before the Bankruptcy Court. Any allowed claim related to such prepetition litigation will be treated in accordance with the Plan.

Environmental Contingencies

The nature of the oil and gas business carries with it certain environmental risks for us and our subsidiaries. We have implemented various policies, programs, procedures, training and audits to reduce and mitigate such environmental risks. We conduct periodic reviews, on a company-wide basis, to assess changes in our environmental risk profile. Environmental reserves are established for environmental liabilities for which economic losses are probable and reasonably estimable. We manage our exposure to environmental liabilities in acquisitions by using an evaluation process that seeks to identify pre-existing contamination or compliance concerns and addressing the potential liability. Depending on the extent of an identified environmental concern, we may, among other things, exclude a property from the transaction, require the seller to remediate the property to our satisfaction in an acquisition or agree to assume liability for the remediation of the property.

We were recently dismissed as a defendant from numerous lawsuits in Oklahoma alleging that we and other companies engaged in activities that have caused earthquakes. The lawsuits sought compensation for injury to real and personal property, diminution of property value, economic losses due to business interruption, interference with the use and enjoyment of property, annoyance and inconvenience, personal injury and emotional distress. In addition, they sought the reimbursement of insurance premiums and the award of punitive damages, attorneys' fees, costs, expenses and interest. Any allowed claim related to such prepetition litigation will be treated in accordance with the Plan.

We settled outstanding violations with the Pennsylvania Department of Environmental Protection ("PADEP") regarding gas migration in the vicinity of certain of our wells in Wyoming County, Pennsylvania. The resolution of the matter resulted in monetary sanctions of more than \$300,000, which were assessed pursuant to a Proof of Claim filed by PADEP in the Chapter 11 proceedings. Chesapeake will allow the Proof of Claim as a General Unsecured Claim in accordance with the Consent Order and Agreement executed by the parties and Chesapeake's approved Plan of Reorganization.

Other Matters

Based on management's current assessment, we are of the opinion that no pending or threatened lawsuit or dispute relating to our business operations is likely to have a material adverse effect on our future consolidated financial position, results of operations or cash flows. The final resolution of such matters could exceed amounts accrued, however, and actual results could differ materially from management's estimates.

Commitments

Gathering, Processing and Transportation Agreements

We have contractual commitments with midstream service companies and pipeline carriers for future gathering, processing and transportation of oil, natural gas and NGL to move certain of our production to market. Working interest owners and royalty interest owners, where appropriate, will be responsible for their proportionate share of these costs. Commitments related to gathering, processing and transportation agreements are not recorded as obligations in the accompanying condensed consolidated balance sheets; however, they are reflected in our estimates of proved reserves.

The aggregate undiscounted commitments under our gathering, processing and transportation agreements, excluding any reimbursement from working interest and royalty interest owners, credits for third-party volumes or future costs under cost-of-service agreements, are presented below:

	Successor	
	June 30,	
	2021	
Remainder of 2021	\$	330
2022		569
2023		458
2024		390
2025		310
2026 – 2033		1,539
Total	\$	<u>3,596</u>

In addition, we have entered into long-term agreements for certain natural gas gathering and related services within specified acreage dedication areas in exchange for cost-of-service based fees redetermined annually, or tiered fees based on volumes delivered relative to scheduled volumes. Future gathering fees may vary with the applicable agreement.

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7. Other Current Liabilities

Other current liabilities as of June 30, 2021 and December 31, 2020 are detailed below:

	<u>Successor</u> <u>June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>December 31,</u> <u>2020</u>
Revenues and royalties due others	\$ 404	\$ 236
Accrued drilling and production costs	91	104
Other accrued taxes	62	82
Accrued compensation and benefits	48	59
Hedging	45	7
Operating leases	18	24
Debt and equity financing fees	—	69
Joint interest prepayments received	13	8
Other	100	134
Total other current liabilities	<u>\$ 781</u>	<u>\$ 723</u>

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8. Revenue

The following table shows revenue disaggregated by operating area and product type:

	Successor			
	Three months ended June 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 226	\$ —	\$ 226
Gulf Coast	—	124	—	124
South Texas	224	25	36	285
Brazos Valley	162	6	5	173
Powder River Basin	58	16	10	84
Oil, natural gas and NGL revenue	<u>\$ 444</u>	<u>\$ 397</u>	<u>\$ 51</u>	<u>\$ 892</u>
Marketing revenue	<u>\$ 340</u>	<u>\$ 146</u>	<u>\$ 53</u>	<u>\$ 539</u>
	Predecessor			
	Three months ended June 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 131	\$ —	\$ 131
Gulf Coast	—	67	—	67
South Texas	73	21	14	108
Brazos Valley	76	3	1	80
Powder River Basin	29	7	3	39
Mid-Continent	8	5	2	15
Oil, natural gas and NGL revenue	<u>\$ 186</u>	<u>\$ 234</u>	<u>\$ 20</u>	<u>\$ 440</u>
Marketing revenue from contracts with customers	\$ 121	\$ 96	\$ 15	\$ 232
Other marketing revenue	6	2	—	8
Marketing revenue	<u>\$ 127</u>	<u>\$ 98</u>	<u>\$ 15</u>	<u>\$ 240</u>

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	Successor			
	Period from			
	February 10, 2021 through June 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 389	\$ —	\$ 389
Gulf Coast	—	194	—	194
South Texas	341	53	55	449
Brazos Valley	251	21	9	281
Powder River Basin	86	30	16	132
Oil, natural gas and NGL revenue	<u>\$ 678</u>	<u>\$ 687</u>	<u>\$ 80</u>	<u>\$ 1,445</u>
Marketing revenue	<u>\$ 502</u>	<u>\$ 243</u>	<u>\$ 71</u>	<u>\$ 816</u>

	Predecessor			
	Period from			
	January 1, 2021 through February 9, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 119	\$ —	\$ 119
Gulf Coast	—	53	—	53
South Texas	92	15	15	122
Brazos Valley	67	2	2	71
Powder River Basin	20	7	6	33
Oil, natural gas and NGL revenue	<u>\$ 179</u>	<u>\$ 196</u>	<u>\$ 23</u>	<u>\$ 398</u>
Marketing revenue	<u>\$ 141</u>	<u>\$ 78</u>	<u>\$ 20</u>	<u>\$ 239</u>

	Predecessor			
	Six Months Ended June 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 306	\$ —	\$ 306
Gulf Coast	—	151	—	151
South Texas	350	52	34	436
Brazos Valley	248	7	5	260
Powder River Basin	97	23	10	130
Mid-Continent	30	15	6	51
Oil, natural gas and NGL revenue	<u>\$ 725</u>	<u>\$ 554</u>	<u>\$ 55</u>	<u>\$ 1,334</u>
Marketing revenue from contracts with customers	\$ 629	\$ 220	\$ 45	\$ 894
Other marketing revenue	67	3	—	70
Marketing revenue	<u>\$ 696</u>	<u>\$ 223</u>	<u>\$ 45</u>	<u>\$ 964</u>

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Accounts Receivable

Our accounts receivable are primarily from purchasers of oil, natural gas and NGL and from exploration and production companies that own interests in properties we operate. This industry concentration could affect our overall exposure to credit risk, either positively or negatively, because our purchasers and joint working interest owners may be similarly affected by changes in economic, industry or other conditions. We monitor the creditworthiness of all our counterparties and we generally require letters of credit or parent guarantees for receivables from parties deemed to have sub-standard credit, unless the credit risk can otherwise be mitigated. We estimate expected credit losses using forecasts based on historical information and current information, in addition to specifically identifying receivables that may be uncollectible.

Accounts receivable as of June 30, 2021 and December 31, 2020 are detailed below:

	Successor	Predecessor
	June 30, 2021	December 31, 2020
Oil, natural gas and NGL sales	\$ 531	\$ 589
Joint interest	117	119
Other	27	68
Allowance for doubtful accounts	(1)	(30)
Total accounts receivable, net	<u>\$ 674</u>	<u>\$ 746</u>

9. Income Taxes

We estimate our annual effective tax rate ("AETR") for continuing operations in recording our interim quarterly income tax provision for the various jurisdictions in which we operate. The tax effects of statutory rate changes, significant unusual or infrequently occurring items, and certain changes in the assessment of the realizability of deferred tax assets are excluded from the determination of our estimated AETR as such items are recognized as discrete items in the quarter in which they occur. Our estimated AETR for the 2021 Successor Period is 0.0% as a result of projecting a full valuation allowance against our anticipated net deferred asset position at December 31, 2021.

The income tax provision for the 2021 Predecessor Period was determined based on actual results for the period ended February 9, 2021, including those resulting from fresh start accounting. The effective tax rate for the 2021 Predecessor Period was (1.1%) which results from the elimination of the income tax effects associated with hedging settlements from accumulated other comprehensive income as part of fresh start accounting. We recorded an income tax benefit of \$57 million in the 2021 Predecessor Period for the elimination of such income tax effects. Any changes to our deferred tax assets and liabilities for the 2021 Predecessor Period (whether resulting from Reorganization Adjustments, Fresh Start Adjustments or otherwise) were completely offset with a corresponding adjustment to our valuation allowance which results in the low effective tax rate. Accordingly, there are no balances shown for deferred tax assets or liabilities in the condensed consolidated balance sheet table shown in [Note 3](#).

For the 2020 Predecessor Period, we recorded an income tax benefit of \$13 million, which included the reversal of substantially all of the deferred tax liability associated with Texas through the application of the estimated AETR as well as recording a receivable for amounts previously sequestered from refunds of corporate alternative minimum tax credits. This resulted in a 0.2% effective tax rate for the 2020 Predecessor Period.

As of the Effective Date, we were in a net deferred tax asset position and anticipate being in a net deferred tax asset position as of December 31, 2021. Based on all available positive and negative evidence, including projections of future taxable income, we believe it is more likely than not that some or all of our deferred tax assets will not be realized. Our deferred tax assets relate primarily to the excess tax basis over post emergence book value of oil and natural gas properties along with federal and state net operating loss ("NOL") carryforwards. A significant piece of objectively verifiable negative evidence evaluated is the cumulative loss incurred over the rolling thirty-six-month period ended June 30, 2021. Such evidence limits our ability to consider various forms of subjective positive evidence, such as any projections of future growth and earnings. However, should we begin to achieve a level of sustained profitability as a restructured entity, increased consideration will need to be given to projections of future taxable income to determine whether such projections provide an adequate source of taxable income for the

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realization of our deferred tax assets. A full valuation allowance was recorded against our net deferred tax asset position for federal and state purposes as of June 30, 2021 and December 31, 2020.

We have evaluated the income tax impact of the Plan, including the ownership change under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of emergence from bankruptcy. Section 382(b) of the Code provides an annual limitation with respect to the ability of a corporation to utilize its tax attributes existing at the time of an ownership change against future taxable income. We did not qualify for the exception under Section 382(l)(5) of the Code, and therefore an annual limitation was determined under Section 382(l)(6) of the Code, which is based on the post-emergence value of the taxpayer's equity multiplied by the adjusted federal long-term rate in effect for the month in which the ownership change occurred. The amount of the annual limitation has been computed to be \$54 million and will be prorated for the current year based on the number of days attributable to the post-Effective Date portion of the year. The limitation applies to our NOL carryforwards, disallowed business interest carryforwards and general business credits until such attributes expire or are fully utilized. As we believe we were in an overall net unrealized built-in loss position at the Effective Date, the limitation also applies to any recognized built-in losses incurred for a period of five years but only to the extent of the overall net unrealized built-in loss. We estimate that this will occur during the current year such that no further limitation for recognized built-in losses will occur in subsequent years. Some states impose similar limitations on tax attribute utilization upon experiencing an ownership change.

In Chapter 11 bankruptcy cases, the cancellation of debt income ("CODI") realized upon emergence from bankruptcy is excludible from taxable income but results in a reduction of tax attributes in accordance with the attribute reduction and ordering rules of Section 108 of the Code. The amount of our CODI is estimated to be \$5 billion and will be taken completely against, and therefore will reduce, our NOL carryforwards. After taking into account the CODI and the impact of Section 382 of the Code, the remaining federal NOL carryforwards are estimated to be in the range of \$2.5 billion to \$3.0 billion. Approximately \$900 million are NOL carryforwards which expire in 2037 and \$1.6 billion to \$2.1 billion are NOL carryforwards which do not expire. The reductions in NOL carryforwards for the CODI and expiring NOL carryforwards are expected to be fully offset by a corresponding decrease to our valuation allowance at December 31, 2021. Some states have similar rules for attribute reduction which will result in the reduction of certain of our state NOL carryforwards.

10. Equity

New Common Stock. As discussed in [Note 2](#), on the Effective Date, we issued an aggregate of approximately 97,907,081 shares of New Common Stock, par value \$0.01 per share, to the holders of allowed claims, and approximately 2,092,918 shares of New Common Stock were reserved for future distributions under the Plan.

On August 10, 2021 we declared a quarterly dividend payable of \$0.34375 per share, which will be paid on September 9, 2021 to stockholders of record at the close of business on August 24, 2021.

Warrants. As discussed in [Note 2](#), on the Effective Date, we issued 11,111,111 Class A Warrants, 12,345,679 Class B Warrants and 9,768,527 Class C Warrants, that are initially exercisable for one share of New Common Stock per Warrant at initial exercise prices of \$27.63, \$32.13 and \$36.18 per share, respectively, subject to adjustments pursuant to the terms of the Warrants. Additionally, 3,948,893 Class C Warrants were reserved for future issuance. The Warrants are exercisable from the Effective Date until February 9, 2026. The Warrants contain customary anti-dilution adjustments in the event of any stock split, reverse stock split, reclassification, stock dividend or other distributions. The initial exercise prices of the Warrants were adjusted to prevent the dilution of rights for the effects of the quarterly dividend distribution on June 10, 2021, and the adjusted exercise prices are \$27.44, \$31.91, and \$35.93 per share for the Class A, Class B and Class C Warrants, respectively. During the Successor Period, 9,068 Class A, 32,221 Class B, and 5,702 Class C Warrants were converted into 46,035 common shares.

Chapter 11 Proceedings

Upon emergence from Chapter 11 on February 9, 2021, as discussed in [Note 2](#), Predecessor common stock and preferred stock were canceled and released under the Plan without receiving any recovery on account thereof.

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11. Share-Based Compensation

As discussed in [Note 2](#), on the Effective Date, our Predecessor common stock was canceled and New Common Stock was issued. Accordingly, our then existing share-based compensation awards were also canceled, which resulted in the recognition of any previously unamortized expense related to the canceled awards on the date of cancellation. Share-based compensation for the Predecessor and Successor Periods is not comparable.

Successor Share-Based Compensation

As of the Effective Date, the Board of Directors adopted the LTIP with a share reserve equal to 6,800,000 shares of New Common Stock. The LTIP provides for the grant of restricted stock units, restricted stock awards, stock options, stock appreciation rights, performance awards and other stock awards to the Company's employees and non-employee directors.

Successor Restricted Stock

In the 2021 Successor Period, we granted restricted stock awards to employees and non-employee directors under the LTIP, which will vest over a three-year and one-year period, respectively. The fair value of restricted stock awards is based on the closing sales price of our common stock on the date of grant, and compensation expense is recognized ratably over the requisite service period. A summary of the changes in unvested restricted stock is presented below:

	Shares of Unvested Restricted Stock		Weighted Average Grant Date Fair Value Per Share
	(in thousands)		
Unvested as of February 10, 2021	—	\$	—
Granted	727	\$	44.28
Vested	(1)	\$	44.30
Forfeited/canceled	(18)	\$	44.30
Unvested as of June 30, 2021	<u>708</u>	<u>\$</u>	<u>44.28</u>

The aggregate intrinsic value of restricted stock that vested during the 2021 Successor Period was approximately \$0.1 million based on the stock price at the time of vesting.

As of June 30, 2021, there was approximately \$28 million of total unrecognized compensation expense related to unvested restricted stock. The expense is expected to be recognized over a weighted average period of approximately 2.67 years.

Successor Performance Share Units

In the 2021 Successor Period, we granted performance share units ("PSUs") to senior management under the LTIP, which will generally vest over a three-year period and will be settled in shares. The performance criteria include share price hurdles, total shareholder return ("TSR"), and relative TSR ("rTSR"). The share price hurdle award could result in a payout between 0% - 100% of the target units, and the TSR and relative TSR awards could result in a total payout between 0% - 200% of the target units. The fair value of the PSUs was measured on the grant date using a Monte Carlo simulation and compensation expense is recognized ratably over the requisite service period because these awards depend on a combination of service and market criteria.

The following table presents the assumptions used in the valuation of the PSUs granted in 2021.

Assumption	Share Price Hurdle	TSR, rTSR
Risk-free interest rate	0.30 %	0.23 %
Volatility	68.4 %	71.4 %

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A summary of the changes in unvested PSUs is presented below:

	Unvested Performance Share Units		Weighted Average Grant Date Fair Value Per Share
	(in thousands)		
Unvested as of February 10, 2021	—	\$	—
Granted	142	\$	54.23
Vested	—	\$	—
Forfeited/canceled	—	\$	—
Unvested as of June 30, 2021	<u>142</u>	\$	<u>54.23</u>

As of June 30, 2021, there was approximately \$7 million of total unrecognized compensation expense related to unvested PSU awards. The expense is expected to be recognized over a weighted average period of approximately 2.87 years.

Predecessor Share-Based Compensation

Our Predecessor share-based compensation program consisted of restricted stock, stock options, PSUs and cash restricted stock units (“CRSUs”) granted to employees and restricted stock granted to non-employee directors under our long-term incentive plans. The restricted stock and stock options were equity-classified awards and the PSUs and CRSUs were liability-classified awards.

Restricted Stock. We granted restricted stock units to employees and non-employee directors. A summary of the changes in unvested restricted stock is presented below:

	Shares of Unvested Restricted Stock		Weighted Average Grant Date Fair Value Per Share
	(in thousands)		
Unvested as of January 1, 2021	1	\$	616.57
Granted	—	\$	—
Vested	—	\$	—
Forfeited/canceled	(1)	\$	611.47
Unvested as of February 9, 2021	<u>—</u>	\$	<u>—</u>

Stock Options. In the 2020 Predecessor Period, we granted members of management stock options that vested ratably over a three-year period. Each stock option award had an exercise price equal to the closing price of our common stock on the grant date. Outstanding options expired seven years to ten years from the date of grant.

We utilized the Black-Scholes option-pricing model to measure the fair value of stock options. The expected life of an option was determined using the simplified method. Volatility assumptions were estimated based on the average historical volatility of Chesapeake stock over the expected life of an option. The risk-free interest rate was based on the U.S. Treasury rate in effect at the time of the grant over the expected life of the option. The dividend yield was based on an annual dividend yield, taking into account our dividend policy, over the expected life of the option.

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The following table provides information related to stock option activity:

	Number of Shares Underlying Options (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Contract Life in Years	Aggregate Intrinsic Value ^(a)
Outstanding as of January 1, 2021	20	\$ 1,429	4.27	\$ —
Granted	—	\$ —		
Exercised	—	\$ —		\$ —
Expired	(1)	\$ 742		
Forfeited/canceled	(19)	\$ 1,452		
Outstanding as of February 9, 2021	—	\$ —	—	\$ —
Exercisable as of February 9, 2021	—	\$ —	—	\$ —

(a) The intrinsic value of a stock option is the amount by which the current market value or the market value upon exercise of the underlying stock exceeds the exercise price of the option.

Restricted Stock, Stock Option, and PSU Compensation. We recognized the following compensation costs, net of actual forfeitures, related to restricted stock, stock options, and PSUs for the Successor and Predecessor Periods:

	Successor Three Months Ended June 30, 2021	Predecessor Three Months Ended June 30, 2020
General and administrative expenses	\$ 2	\$ 4
Oil and natural gas properties	1	—
Total restricted stock, stock option, and PSU compensation	\$ 3	\$ 4

	Successor Period from February 10, 2021 through June 30, 2021	Predecessor Period from January 1, 2021 through February 9, 2021		Six Months Ended June 30, 2020
General and administrative expenses	\$ 2	\$ 3	\$ 3	\$ 8
Oil and natural gas properties	1	—	—	1
Oil, natural gas and NGL production expenses	—	—	—	1
Total restricted stock, stock option, and PSU compensation	\$ 3	\$ 3	\$ 3	\$ 10

12. Derivative and Hedging Activities

We use derivative instruments to reduce our exposure to fluctuations in future commodity prices and to protect our expected operating cash flow against significant market movements or volatility. These commodity derivative financial instruments include financial price swaps, basis protection swaps, and collars. All of our oil and natural gas derivative instruments are net settled based on the difference between the fixed-price payment and the floating-price payment, resulting in a net amount due to or from the counterparty.

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The estimated fair values of our oil, natural gas and NGL derivative instrument assets (liabilities) as of June 30, 2021 and December 31, 2020 are provided below:

	Successor		Predecessor	
	June 30, 2021		December 31, 2020	
	Notional Volume	Fair Value	Notional Volume	Fair Value
Oil (MMBbl):				
Fixed-price swaps	22	\$ (524)	27	\$ (136)
Basis protection swaps	13	(5)	7	(1)
Total oil	35	(529)	34	(137)
Natural gas (Bcf):				
Fixed-price swaps	536	(410)	728	10
Collars	113	(46)	53	8
Basis protection swaps	179	(6)	66	1
Total natural gas	828	(462)	847	19
Total estimated fair value		\$ (991)		\$ (118)

We have terminated certain commodity derivative contracts that were previously designated as cash flow hedges for which the original contract months are yet to occur. See further discussion below under *Effect of Derivative Instruments – Accumulated Other Comprehensive Income (Loss)*.

Effect of Derivative Instruments – Condensed Consolidated Balance Sheets

The following table presents the fair value and location of each classification of derivative instrument included in the condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020 on a gross basis and after same-counterparty netting:

	Gross Fair Value	Amounts Netted in the Consolidated Balance Sheets	Net Fair Value Presented in the Consolidated Balance Sheets
Successor			
As of June 30, 2021			
Commodity Contracts:			
Short-term derivative asset	\$ 23	\$ (23)	\$ —
Long-term derivative asset	6	(6)	—
Short-term derivative liability	(803)	23	(780)
Long-term derivative liability	(217)	6	(211)
Total derivatives	\$ (991)	\$ —	\$ (991)
Predecessor			
As of December 31, 2020			
Commodity Contracts:			
Short-term derivative asset	\$ 84	\$ (65)	\$ 19
Long-term derivative asset	5	(5)	—
Short-term derivative liability	(158)	65	(93)
Long-term derivative liability	(49)	5	(44)
Total derivatives	\$ (118)	\$ —	\$ (118)

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Effect of Derivative Instruments – Condensed Consolidated Statements of Operations

The components of oil and natural gas derivatives are presented below:

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Losses on undesignated oil and natural gas derivatives	\$ (740)	\$ (165)
Losses on terminated cash flow hedges	—	(8)
Total oil and natural gas derivatives	\$ (740)	\$ (173)

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Gains (losses) on undesignated oil and natural gas derivatives	\$ (694)	\$ (379)	\$ 751
Losses on terminated cash flow hedges	—	(3)	(17)
Total oil and natural gas derivatives	\$ (694)	\$ (382)	\$ 734

Effect of Derivative Instruments – Accumulated Other Comprehensive Income (Loss)

A reconciliation of the changes in accumulated other comprehensive income (loss) in our condensed consolidated statements of stockholders' equity related to our cash flow hedges is presented below:

	Successor		Predecessor	
	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	Before Tax	After Tax	Before Tax	After Tax
Balance, beginning of period	\$ —	\$ —	\$ (36)	\$ 21
Losses reclassified to income	—	—	8	8
Balance, end of period	\$ —	\$ —	\$ (28)	\$ 29

	Successor		Predecessor			
	Period from February 10, 2021 through June 30, 2021		Period from January 1, 2021 through February 9, 2021		Six Months Ended June 30, 2020	
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
Balance, beginning of period	\$ —	\$ —	\$ (12)	\$ 45	\$ (45)	\$ 12
Losses reclassified to income	—	—	3	3	17	17
Fresh start adjustments	—	—	9	9	—	—
Elimination of tax effects	—	—	—	(57)	—	—
Balance, end of period	\$ —	\$ —	\$ —	\$ —	\$ (28)	\$ 29

Our accumulated other comprehensive loss balance represented the net deferred loss associated with commodity derivative contracts that were previously designated as cash flow hedges for which the original contract months were yet to occur. The remaining deferred gain or loss amounts were to be recognized in earnings in the

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month for which the original contract months were to occur. In connection with our adoption of fresh start accounting we recorded a fair value adjustment to eliminate the accumulated other comprehensive income related to hedging settlements including the elimination of tax effects. See [Note 3](#) for a discussion of fresh start accounting adjustments.

Credit Risk Considerations

Our derivative instruments expose us to our counterparties' credit risk. To mitigate this risk, we enter into derivative contracts only with counterparties that are highly rated or are deemed by us to have acceptable credit strength and deemed by management to be competent and competitive market-makers, and we attempt to limit our exposure to non-performance by any single counterparty. As of June 30, 2021, our oil and natural gas derivative instruments were spread among eight counterparties.

Hedging Arrangements

Certain of our hedging arrangements are with counterparties that are also lenders (or affiliates of lenders) under our Exit Credit Facility. The contracts entered into with these counterparties are secured by the same collateral that secures the Exit Credit Facility. The counterparties' obligations must be secured by cash or letters of credit to the extent that any mark-to-market amounts owed to us exceed defined thresholds. As of June 30, 2021, we did not have any cash or letters of credit posted as collateral for our commodity derivatives.

Fair Value

The fair value of our derivatives is based on third-party pricing models, which utilize inputs that are either readily available in the public market, such as oil, natural gas and NGL forward curves and discount rates, or can be corroborated from active markets or broker quotes. These values are compared to the values given by our counterparties for reasonableness. As our oil, natural gas and NGL derivatives do not include optionality and therefore generally have no unobservable inputs, they are classified as Level 2. Derivatives are also subject to the risk that either party to a contract will be unable to meet its obligations. We factor non-performance risk into the valuation of our derivatives using current published credit default swap rates. To date, this has not had a material impact on the values of our derivatives.

The following table provides information for financial assets (liabilities) measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020:

Significant Other Observable Inputs (Level 2)	Successor June 30, 2021	Predecessor December 31, 2020
Derivative Assets (Liabilities):		
Commodity assets	\$ 29	\$ 88
Commodity liabilities	(1,020)	(206)
Total derivatives	<u>\$ (991)</u>	<u>\$ (118)</u>

13. [Exploration Expense](#)

A summary of our exploration expense is as follows:

	Successor Three Months Ended June 30, 2021	Predecessor Three Months Ended June 30, 2020
Impairments of unproved properties	\$ —	\$ 127
Geological and geophysical expense and other	1	3
Exploration expense	<u>\$ 1</u>	<u>\$ 130</u>

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	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Impairments of unproved properties	\$ —	\$ 2	\$ 399
Dry hole expense	—	—	7
Geological and geophysical expense and other	2	—	6
Exploration expense	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 412</u>

Unproved oil and natural gas properties are periodically assessed for impairment by considering future drilling and exploration plans, results of exploration activities, commodity price outlooks, planned future sales and expiration of all or a portion of the projects. The exploration expense charges during the 2020 Predecessor Quarter are the result of non-cash impairment charges in unproved properties, primarily in our Gulf Coast operating area. The exploration expense charges during the 2020 Predecessor Period are primarily the result of non-cash impairment charges in unproved properties, primarily in our Brazos Valley, Gulf Coast, Powder River Basin and Mid-Continent operating areas.

14. Impairments

During the 2020 Predecessor Period, the decrease in demand for crude oil primarily due to the combined impacts of COVID-19 and the OPEC+ production increases resulted in decreases in current and expected long-term crude oil and NGL sale prices. These conditions resulted in reductions to the market capitalization of peer companies in the energy industry. We determined these adverse market conditions represented a triggering event to perform an impairment assessment of our long-lived assets used in, and in support of, our operations, including proved oil and gas properties, and our sand mine assets.

Proved Oil and Gas Properties

Our impairment test involved a Step 1 assessment to determine if the net book value of our proved oil and natural gas properties is expected to be recovered from the estimated undiscounted future cash flows.

- We calculated the expected undiscounted future net cash flows of our long-lived assets using management's assumptions and expectations of (i) commodity prices, which are based on the NYMEX strip pricing escalated by an inflationary rate, (ii) pricing adjustments for differentials, (iii) operating costs, (iv) capital investment plans, (v) future production volumes, and (vi) estimated proved reserves.
- Unprecedented volatility in the price of oil due to the decrease in demand has led us to rely on NYMEX strip pricing, which represents a Level 1 input.

Certain oil and gas properties in our South Texas, Brazos Valley, Powder River Basin, and Mid-Continent and other non-core operating areas failed the Step 1 assessment. For these assets, we used a discounted cash flow analysis to estimate fair value. The expected future net cash flows were discounted using a rate of 11%, which we believe represents the estimated weighted average cost of capital of a theoretical market participant. Based on Step 2 of our long-lived assets impairment test, we recognized an \$8.446 billion impairment because the carrying value exceeded estimated fair market value as of March 31, 2020.

- Significant inputs associated with the calculation of discounted future net cash flows include estimates of (i) recoverable reserves, (ii) production rates, (iii) future operating and development costs, (iv) future commodity prices escalated by an inflationary rate, adjusted for differentials, and (v) a market-based weighted average cost of capital. We utilized NYMEX strip pricing, adjusted for differentials, to value the reserves. The NYMEX strip pricing inputs used are classified as Level 1 fair value assumptions and all other inputs are classified as Level 3 fair value assumptions.

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Sand Mine

Our in-field sand mine assets predominately service the oil and gas properties in our Brazos Valley operating area. Based on management's assumptions and expectations of (i) future commodity prices, (ii) capital investment plans in the Brazos Valley operating area, and (iii) future operating cost of the sand mine, management expects the market for sand to significantly decrease for the foreseeable future. As a result, we recognized a \$76 million impairment related to our sand mine assets for the difference between fair value and the carrying value as of March 31, 2020. The inputs used are classified as Level 3 fair value assumptions.

15. Other Operating Expense (Income), Net

In the 2020 Predecessor Period, we terminated certain gathering, processing and transportation contracts and recognized a non-recurring \$80 million expense related to the contract terminations. The contract terminations removed approximately \$169 million of future commitments related to gathering, processing and transportation agreements. See [Note 6](#) for further discussion of contingencies and commitments. The 2020 Predecessor Period contract termination expense is partially offset by \$28 million of income from the amortization of volumetric production payment deferred revenue.

16. Separation and Other Termination Costs

In the 2021 Successor Period, 2021 Predecessor Period and the 2020 Predecessor Period, we incurred charges of approximately \$11 million, \$22 million and \$27 million, respectively, related to one-time termination benefits for certain employees.

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Oil, Natural Gas and NGL Reserve Quantities

Presented below is a summary of changes in estimated reserves through March 31, 2021:

	Oil (MMBbl)	Natural Gas (Bcf)	NGL (MMBbl)	Total (MMBoe)
March 31, 2021				
Proved reserves, beginning of period	161	3,530	52	802
Extensions, discoveries and other additions	5	1,691	6	292
Revisions of previous estimates	10	160	7	44
Production	(7)	(180)	(2)	(39)
Proved reserves, end of period	<u>169</u>	<u>5,201</u>	<u>63</u>	<u>1,099</u>
Proved developed reserves:				
Beginning of period	<u>158</u>	<u>3,196</u>	<u>51</u>	<u>742</u>
End of period	<u>164</u>	<u>3,373</u>	<u>57</u>	<u>783</u>
Proved undeveloped reserves:				
Beginning of period	<u>3</u>	<u>334</u>	<u>1</u>	<u>60</u>
End of period	<u>5</u>	<u>1,828</u>	<u>6</u>	<u>316</u>

Reflected above represents material changes to estimated reserves from December 31, 2020 through March 31, 2021. There were no material changes to estimated reserves in the 2021 Successor Quarter. During the quarter ended March 31, 2021, extensions, discoveries and other additions increased primarily due to updates to our five-year development plan in contemplation of emergence from bankruptcy on February 9, 2021 and certainty regarding our ability to finance the development of our proved reserves over a five-year period.

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION**

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion should be read together with the condensed consolidated financial statements included in [Item 1 of Part I](#) of this report and in Item 8 of our [2020 Form 10-K](#).

We are an independent exploration and production company engaged in the acquisition, exploration and development of properties to produce oil, natural gas and NGL from underground reservoirs. We own a large and geographically diverse portfolio of onshore U.S. unconventional natural gas and liquids assets, including interests in approximately 7,500 gross oil and natural gas wells. Our natural gas resource plays are the Marcellus Shale in the northern Appalachian Basin in Pennsylvania ("Appalachia") and the Haynesville/Bossier Shales in northwestern Louisiana ("Gulf Coast"). Our liquids-rich resource plays are the Eagle Ford Shale in South Texas ("South Texas" and "Brazos Valley") and the stacked pay in the Powder River Basin in Wyoming ("Powder River Basin").

Our strategy is to create shareholder value by generating sustainable free cash flow from our oil and natural gas development and production activities. We continue to focus on improving margins through operating efficiencies and financial discipline and improving our Environmental and Social Governance (ESG) performance. To accomplish these goals, we intend to allocate our human resources and capital expenditures to projects we believe offer the highest cash return on capital invested, to deploy leading drilling and completion technology throughout our portfolio, and to take advantage of acquisition and divestiture opportunities to strengthen our portfolio. We also intend to continue to dedicate capital to projects that reduce the environmental impact of our oil and natural gas producing activities. We continue to seek opportunities to reduce cash costs (production, gathering, processing and transportation and general and administrative) per barrel of oil equivalent production through operational efficiencies by, among other things, improving our production volumes from existing wells.

Leading a responsible energy future is foundational to Chesapeake's success. Our core values and culture demand we continuously evaluate the environmental impact of our operations and work diligently to improve our ESG performance across all facets of our company. Our path to leading a responsible energy future begins with our initiative to achieve net-zero direct greenhouse gas emissions by 2035, which we announced in February 2021. To meet this challenge, we have set meaningful initial goals including:

- Eliminate routine flaring from all new wells completed from 2021 forward, and enterprise-wide by 2025;
- Reduce our methane intensity to 0.09% by 2025; and
- Reduce our GHG intensity to 5.5 by 2025.

In July 2021, we announced our plan to receive independent certification of our natural gas production under the MiQ methane standard and EO100 Standard for Responsible Energy Development. We anticipate that certified natural gas will be available in our Gulf Coast basin by the end of 2021 and in our Appalachia basin by the second quarter of 2022. The MiQ certification will provide a verified approach to tracking our commitment to reduce our methane intensity to 0.09% by 2025, as well as support our overall objective of achieving net-zero direct greenhouse gas emissions by 2035.

Our results of operations as reported in our condensed consolidated financial statements for the 2021 Successor, 2021 Predecessor and 2020 Predecessor Periods are in accordance with GAAP. Although GAAP requires that we report on our results for the periods January 1, 2021 through February 9, 2021 and February 10, 2021 through June 30, 2021 separately, management views our operating results for the six months ended June 30, 2021 by combining the results of the 2021 Predecessor and 2021 Successor Periods because management believes such presentation provides the most meaningful comparison of our results to prior periods. We are not able to compare the 40 days from January 1, 2021 through February 9, 2021 operating results to any of the previous periods reported in the condensed consolidated financial statements and do not believe reviewing this period in isolation would be useful in identifying any trends in or reaching any conclusions regarding our overall operating performance. We believe the key performance indicators such as operating revenues and expenses for the 2021 Successor Period combined with the 2021 Predecessor Period provide more meaningful comparisons to other periods and are useful in understanding operational trends. Additionally, there were no changes in policies between the periods and any material impacts as a result of fresh start accounting were included within the discussion of these changes. These combined results do not comply with GAAP and have not been prepared as pro forma results

under applicable regulations, but are presented because we believe they provide the most meaningful comparison of our results to prior periods.

Recent Developments

Emergence from Bankruptcy

On the Petition Date the Debtors filed the Chapter 11 Cases under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On June 29, 2020, the Bankruptcy Court entered an order authorizing the joint administration of the Chapter 11 Cases under the caption *In re Chesapeake Energy Corporation*, Case No. 20-33233. Subsidiaries with noncontrolling interests, consolidated variable interest entities and certain de minimis subsidiaries (collectively, the “Non-Filing Entities”) were not part of the Bankruptcy Filing. The Non-Filing Entities have continued to operate in the ordinary course of business.

The Bankruptcy Court confirmed the Plan and the Debtors entered the Confirmation Order on January 16, 2021. The Debtors emerged from bankruptcy on the Effective Date. In connection with our exit from bankruptcy, we filed a registration statement with the SEC to facilitate future sales of our equity by certain holders of our New Common Stock and warrants. Sales of a substantial number of the New Common Stock in the public markets, or the perception that these sales might occur, could reduce the value of our equity and impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity. See [Note 2](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a complete discussion of the Chapter 11 Cases.

Chief Executive Officer

On April 27, 2021, we announced the departure of Doug Lawler from his positions as Chief Executive Officer and Director of Chesapeake, effective April 30, 2021. Michael Wichterich, the Chairman of our Board of Directors, serves as Interim Chief Executive Officer while the Board of Directors conducts a search for a new Chief Executive Officer, which it expects to complete over the coming months.

Mr. Wichterich intends to continue in his role as Chair of the Board of Directors following the appointment of Chesapeake's new Chief Executive Officer. During the period that Mr. Wichterich is both the Chair of the Board of Directors and Interim Chief Executive Officer, Matt Gallagher, the Chair of Chesapeake's Nominating and Governance Committee, will serve as Lead Independent Director.

COVID-19 Pandemic and Impact on Global Demand for Oil and Natural Gas

The global spread of COVID-19 created significant volatility, uncertainty, and economic disruption during 2020 and into 2021. The pandemic has reached more than 200 countries and territories and has resulted in widespread adverse impacts on the global economy and on our customers and other parties with whom we have business relations. To date, we have experienced limited operational impacts as a result of COVID-19 or related governmental restrictions. While we cannot predict the full impact that COVID-19 or the current significant disruption and volatility in the oil and natural gas markets will have on our business, cash flows, liquidity, financial condition and results of operations, we believe demand is recovering and prices will continue to be positively impacted. For additional discussion regarding risks associated with the COVID-19 pandemic, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2020 Form 10-K and Item 1A “Risk Factors” in our 2020 Form 10-K.

Liquidity and Capital Resources

Liquidity Overview

For the 2021 Successor Period, our primary sources of capital resources and liquidity have consisted of internally generated cash flows from operations, and our primary uses of cash have been for the development of our oil and gas properties and return of value to shareholders through our dividend. Historically, our primary sources of capital resources and liquidity have consisted of internally generated cash flows from operations, borrowings under certain credit agreements and dispositions of non-core assets. Our ability to issue additional indebtedness, dispose of assets or access the capital markets was substantially limited during the Chapter 11 Cases and required court approval in most instances. Accordingly, our liquidity in the Predecessor Periods depended mainly on cash

generated from operations and available funds under certain credit agreements including the DIP Facility in the 2021 Predecessor Period and revolving credit facility in the 2020 Predecessor Period.

We believe we have emerged from the Chapter 11 Cases as a fundamentally stronger company, built to generate sustainable free cash flow with a strengthened balance sheet, geographically diverse asset base and continuously improving ESG performance. As a result of the Chapter 11 Cases, we reduced our total indebtedness by \$9.4 billion by issuing equity in a reorganized entity to the holders of our FLO Term Loan, Second Lien Notes, unsecured notes and allowed general unsecured claimants.

We believe our cash flow from operations, cash on hand and borrowing capacity under the Exit Credit Facility, as discussed below, will provide sufficient liquidity during the next 12 months and the foreseeable future. As of June 30, 2021, we had \$2.346 billion of liquidity available, including \$612 million of cash on hand and \$1.734 billion of aggregate unused borrowing capacity available under the Exit Credit Facility. As of June 30, 2021, we had no outstanding borrowings under our Exit Credit Facility – Tranche A Loans and \$221 million in borrowings under our Exit Credit Facility – Tranche B Loans. See [Note 5](#) of the notes to our condensed consolidated financial statements included in Item 1 of this report for further discussion of our debt obligations, including carrying and fair value of our senior notes.

Dividend

With our strong liquidity position, we initiated a new dividend strategy. We expect the annual dividend on our common shares of \$1.375 per share will be paid quarterly and made the first payment on June 10, 2021 to stockholders of record at the close of business on May 24, 2021. The second payment will be payable on September 9, 2021 to stockholders of record at the close of business on August 24, 2021.

Derivative and Hedging Activities

Our results of operations and cash flows are impacted by changes in market prices for oil and natural gas. We enter into various derivative instruments to mitigate a portion of our exposure to oil and natural gas price declines, but these transactions may also limit our cash flows in periods of rising oil and natural gas prices. Our oil, natural gas and NGL derivative activities, when combined with our sales of oil, natural gas and NGL, allow us to better predict the total revenue we expect to receive. See [Item 3](#), Quantitative and Qualitative Disclosures About Market Risk included in Item 1 of the report for further discussion on the impact of commodity price risk on our financial position.

Contractual Obligations and Off-Balance Sheet Arrangements

As of June 30, 2021, our material contractual obligations included repayment of senior notes, outstanding borrowings and interest payment obligations under the Exit Credit Facility, asset retirement obligations, lease obligations, undrawn letters of credit and various other commitments we enter into in the ordinary course of business that could result in future cash obligations. In addition, we have contractual commitments with midstream companies and pipeline carriers for future gathering, processing and transportation of oil, natural gas and NGL to move certain of our production to market. The estimated gross undiscounted future commitments under these agreements were approximately \$3.6 billion as of June 30, 2021. As discussed above, we estimate the sources of our capital will continue to be adequate to fund our near and long-term contractual obligations.

Post-Emergence Debt

On the Effective Date, pursuant to the terms of the Plan, the Company, as borrower, entered into a reserve-based credit agreement (the "Credit Agreement") providing for the Exit Credit Facility which features an initial borrowing base of \$2.5 billion. The borrowing base will be redetermined semiannually on or around May 1 and November 1 of each year and the next scheduled redetermination will be on or about October 1, 2021. The aggregate initial elected commitments of the lenders under the Exit Credit Facility will be \$1.75 billion of revolving Tranche A Loans and \$221 million of fully funded Tranche B Loans.

The Exit Credit Facility provides for a \$200 million sublimit of the aggregate commitments that are available for the issuance of letters of credit. The Exit Credit Facility bears interest at the ABR (alternate base rate) or LIBOR, at our election, plus an applicable margin (ranging from 2.25–3.25% per annum for ABR loans and 3.25–4.25% per annum for LIBOR loans, subject to a 1.00% LIBOR floor), depending on the percentage of the borrowing base then being utilized. The Tranche A Loans mature 3 years after the Effective Date and the Tranche B Loans mature 4 years after the Effective Date. The Tranche B Loans can be repaid if no Tranche A Loans are outstanding

On February 2, 2021, the Company issued \$500 million aggregate principal amount of its 2026 Notes and \$500 million aggregate principal amount of its 2029 Notes. The offering of the Notes was part of a series of exit financing transactions being undertaken in connection with the Debtors' Chapter 11 Cases and meant to provide the exit financing originally intended to be provided by the Exit Term Loan Facility pursuant to the Commitment Letter.

Based upon the business plan approved by the Court and our hedging activities we expect to generate adequate cash flows from operating activities to fully fund all investing activities without incremental borrowings under our Exit Credit Facility.

Capital Expenditures

For the year ending December 31, 2021, we currently expect to bring or have online approximately 120 to 135 gross wells by investing approximately \$670 – \$740 million in capital expenditures while operating five to seven rigs. We expect that approximately 80% of our 2021 capital expenditures will be directed toward our natural gas assets. We currently plan to fund our 2021 capital program through cash on hand and expected cash flow from our operations. We may alter or change our plans with respect to our capital program and expected capital expenditures based on developments in our business, our financial position, our industry or any of the markets in which we operate.

Sources of Funds

The following table presents the sources of our cash and cash equivalents for the Successor and Predecessor periods.

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Cash provided by (used in) operating activities	\$ 803	\$ (21)	\$ 773
Proceeds from issuance of senior notes	—	1,000	—
Proceeds from issuance of common stock	—	600	—
Proceeds from warrant exercise	2	—	—
Proceeds from divestitures of property and equipment	6	—	11
Proceeds from revolving pre-petition credit facility borrowings, net	—	—	339
Total sources of cash and cash equivalents	\$ 811	\$ 1,579	\$ 1,123

Cash Flows from Operating Activities

Cash provided by operating activities was \$803 million in the 2021 Successor Period, cash used in operating activities was \$21 million in the 2021 Predecessor Period, and cash provided by operating activities was \$773 million in the 2020 Predecessor Period. The increase in the 2021 Successor Period is primarily due to higher prices for the oil, natural gas and NGL we sold partially offset by lower volumes of oil, natural gas and NGL sold. The cash used in the 2021 Predecessor Period was primarily due to payment of professional fees related to the Chapter 11 Cases. Cash flows from operations are largely affected by the same factors that affect our net income, excluding various non-cash items, such as depreciation, depletion and amortization, certain impairments, gains or losses on sales of assets, deferred income taxes and mark-to-market changes in our open derivative instruments. See further discussion below under *Results of Operations*.

Proceeds from Issuance of Common Stock and Senior Notes

In the 2021 Predecessor Period, we issued \$500 million aggregate principal amount of 5.5% 2026 Notes and \$500 million aggregate principal amount of 5.875% 2029 Notes for total proceeds of \$1.0 billion. Additionally, upon emergence from Chapter 11 we issued 62,927,320 shares of New Common Stock in exchange for \$600 million of cash as agreed upon in the Plan.

Uses of Funds

The following table presents the uses of our cash and cash equivalents for the Successor and Predecessor periods:

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Oil and Natural Gas Expenditures:			
Capital expenditures	\$ 226	\$ 66	\$ 867
Other Uses of Cash and Cash Equivalents:			
Payments on Exit Credit Facility - Tranche A Loans, net	50	479	—
Payments on DIP Facility borrowings	—	1,179	—
Cash paid to purchase debt	—	—	95
Debt issuance and other financing costs	3	8	55
Common stock dividends paid	34	—	—
Preferred stock dividends paid	—	—	22
Other	2	—	8
Total other uses of cash and cash equivalents	89	1,666	180
Total uses of cash and cash equivalents	\$ 315	\$ 1,732	\$ 1,047

Capital Expenditures

Our capital expenditures significantly decreased in the combined 2021 Successor and Predecessor Periods primarily as a result of decreased drilling and completion activity mainly in our liquids-rich plays.

Payments on DIP Facility Borrowings

On the Effective Date, the DIP Facility was terminated and the holders of obligations under the DIP Facility received payment in full in cash; provided that to the extent such lender under the DIP Facility was also a lender under the Exit Credit Facility, such lender's allowed DIP claims were first reduced dollar-for-dollar and satisfied by the amount of its Exit RBL Loans provided as of the Effective Date.

Cash Paid to Purchase Debt

In the 2020 Predecessor Period, we repurchased approximately \$160 million aggregate principal amount of our senior notes for \$95 million.

Common Stock Dividends

As part of our dividend program, we paid dividends of \$34 million on our common stock in the 2021 Successor Period.

Preferred Stock Dividends

We paid dividends of \$22 million on our preferred stock in the 2020 Predecessor Period. On April 17, 2020, we announced that we were suspending payment of dividends on each series of our outstanding convertible preferred stock. On the Effective Date of the Chapter 11 Cases, each holder of an equity interest in Chesapeake had their interest canceled, released, and extinguished without any distribution. See [Note 2](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for additional information about the Chapter 11 Cases.

Results of Operations

Oil, Natural Gas and NGL Production and Average Sales Prices

	Successor							
	Three Months Ended June 30, 2021							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe
Appalachia	—	—	1,279	1.94	—	—	213	11.67
Gulf Coast	—	—	531	2.57	—	—	88	15.40
South Texas	37	66.13	108	2.55	16	23.86	72	43.73
Brazos Valley	27	64.83	35	1.81	4	17.95	37	51.63
Powder River Basin	10	64.27	57	3.10	3	30.39	23	40.13
Total	74	65.41	2,010	2.17	23	23.90	433	22.64

	Predecessor							
	Three Months Ended June 30, 2020							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe
Appalachia	—	—	1,051	1.38	—	—	175	8.26
Gulf Coast	—	—	502	1.46	—	—	84	8.75
South Texas	40	20.15	117	1.95	16	9.68	75	15.76
Brazos Valley	36	23.42	49	0.69	6	1.93	50	17.58
Powder River Basin	13	23.80	52	1.44	3	10.59	25	16.96
Mid-Continent	4	24.41	35	1.50	3	8.03	12	13.39
Total	93	22.06	1,806	1.42	28	7.86	421	11.46

	Successor							
	Period from February 10, 2021 through June 30, 2021							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe
Appalachia	—	—	1,280	2.15	—	—	213	12.93
Gulf Coast	—	—	529	2.61	—	—	88	15.65
South Texas	37	64.70	108	3.46	15	25.29	71	44.93
Brazos Valley	28	63.32	35	4.32	4	17.44	37	52.92
Powder River Basin	10	62.42	57	3.71	4	31.98	23	41.00
Total	75	63.89	2,009	2.43	23	24.99	432	23.68

	Predecessor							
	Period from January 1, 2021 through February 9, 2021							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe
Appalachia	—	—	1,233	2.42	—	—	206	14.49
Gulf Coast	—	—	543	2.44	—	—	90	14.62
South Texas	42	54.12	127	3.00	14	26.04	78	39.20
Brazos Valley	32	52.37	38	1.14	4	16.09	42	42.23
Powder River Basin	10	51.96	61	2.92	4	34.31	24	34.25
Total	84	53.21	2,002	2.45	22	25.92	440	22.63

	Predecessor							
	Six Months Ended June 30, 2020							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe
Appalachia	—	—	1,013	1.66	—	—	168	9.99
Gulf Coast	—	—	529	1.58	—	—	88	9.46
South Texas	52	37.49	138	2.08	18	10.79	92	26.17
Brazos Valley	38	35.62	59	0.63	7	3.82	56	25.77
Powder River Basin	15	34.71	71	1.69	4	12.37	32	22.40
Mid-Continent	4	36.35	42	1.93	3	11.37	14	19.14
Total	109	36.39	1,852	1.64	32	9.48	450	16.28

Oil, Natural Gas and NGL Sales

	Successor			
	Three months ended June 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 226	\$ —	\$ 226
Gulf Coast	—	124	—	124
South Texas	224	25	36	285
Brazos Valley	162	6	5	173
Powder River Basin	58	16	10	84
Oil, natural gas and NGL revenue	<u>\$ 444</u>	<u>\$ 397</u>	<u>\$ 51</u>	<u>\$ 892</u>

	Predecessor			
	Three months ended June 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 131	\$ —	\$ 131
Gulf Coast	—	67	—	67
South Texas	73	21	14	108
Brazos Valley	76	3	1	80
Powder River Basin	29	7	3	39
Mid-Continent	8	5	2	15
Oil, natural gas and NGL revenue	<u>\$ 186</u>	<u>\$ 234</u>	<u>\$ 20</u>	<u>\$ 440</u>

	Successor			
	Period from February 10, 2021 through June 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 389	\$ —	\$ 389
Gulf Coast	—	194	—	194
South Texas	341	53	55	449
Brazos Valley	251	21	9	281
Powder River Basin	86	30	16	132
Total oil, natural gas and NGL sales	<u>\$ 678</u>	<u>\$ 687</u>	<u>\$ 80</u>	<u>\$ 1,445</u>

	Predecessor			
	Period from January 1, 2021 through February 9, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 119	\$ —	\$ 119
Gulf Coast	—	53	—	53
South Texas	92	15	15	122
Brazos Valley	67	2	2	71
Powder River Basin	20	7	6	33
Total oil, natural gas and NGL sales	<u>\$ 179</u>	<u>\$ 196</u>	<u>\$ 23</u>	<u>\$ 398</u>

	Non-GAAP Combined			
	Six Months Ended June 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 508	\$ —	\$ 508
Gulf Coast	—	247	—	247
South Texas	433	68	70	571
Brazos Valley	318	23	11	352
Powder River Basin	106	37	22	165
Total oil, natural gas and NGL sales	<u>\$ 857</u>	<u>\$ 883</u>	<u>\$ 103</u>	<u>\$ 1,843</u>

	Predecessor			
	Six Months Ended June 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	\$ —	\$ 306	\$ —	\$ 306
Gulf Coast	—	151	—	151
South Texas	350	52	34	436
Brazos Valley	248	7	5	260
Powder River Basin	97	23	10	130
Mid-Continent	30	15	6	51
Total oil, natural gas and NGL sales	<u>\$ 725</u>	<u>\$ 554</u>	<u>\$ 55</u>	<u>\$ 1,334</u>

Oil, natural gas and NGL sales in the 2021 Successor Quarter increased \$452 million compared to the 2020 Predecessor Quarter. The increase is primarily attributable to a \$440 million increase in revenues from higher average prices received coupled with a \$12 million increase in revenues due to slightly higher sales volumes. The higher average prices received are consistent with the upward trend in index prices for all products seen throughout the 2021 Successor Quarter.

Oil, natural gas and NGL sales in the combined 2021 Successor and Predecessor Periods increased \$509 million compared to the 2020 Predecessor Period. The increase is primarily attributable to a \$562 million increase in revenues from higher average prices received, partially offset by a \$53 million decrease in revenues due to lower sales volumes from reduced capital allocation, temporary well shut-ins, and the sale of Mid-Continent properties in 2020. Average daily production sold decreased in the combined 2021 Successor and Predecessor Periods as compared to the 2020 Predecessor Period due to a reduction in South Texas, Brazos Valley, and Powder River Basin wells turned-in-line, partially offset by an increase in new well completions in Appalachia.

Production Expenses

	Successor		Predecessor	
	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	\$/Boe		\$/Boe	
Appalachia	\$ 9	0.44	\$ 7	0.46
Gulf Coast	11	1.30	11	1.41
South Texas	29	4.46	25	3.72
Brazos Valley	18	5.41	22	4.91
Powder River Basin	7	3.61	10	4.13
Mid-Continent	—	—	16	13.94
Total production expenses	\$ 74	1.87	\$ 91	2.37

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through June 30, 2021		Period from January 1, 2021 through February 9, 2021		Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	\$/Boe		\$/Boe		\$/Boe		\$/Boe	
Appalachia	\$ 14	0.46	\$ 4	0.50	\$ 18	0.47	\$ 16	0.52
Gulf Coast	17	1.37	4	1.12	21	1.31	22	1.36
South Texas	43	4.32	12	3.90	55	4.22	61	3.66
Brazos Valley	28	5.26	9	4.85	37	5.16	50	4.95
Powder River Basin	12	3.88	3	3.37	15	3.76	28	4.81
Mid-Continent	—	—	—	—	—	—	36	13.94
Total production expenses	\$ 114	1.88	\$ 32	1.80	\$ 146	1.86	\$ 213	2.60

Production expenses in the 2021 Successor Quarter decreased \$17 million as compared to the 2020 Predecessor Quarter. The decrease was primarily due to a \$16 million reduction from the sale of Mid-Continent properties in 2020.

Production expenses in the combined 2021 Successor and Predecessor Periods decreased \$67 million as compared to the 2020 Predecessor Period. The decrease was primarily due to a \$36 million reduction from the sale of Mid-Continent properties in 2020 and \$31 million reduction in variable expense categories in our liquids-rich operating areas due to lower production volumes from reduced capital allocation.

Gathering, Processing and Transportation Expenses

	Successor		Predecessor	
	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	\$/Boe		\$/Boe	
Appalachia	\$ 79	4.07	\$ 73	4.61
Gulf Coast	25	3.15	40	5.20
South Texas	79	12.11	123	17.94
Brazos Valley	3	1.06	5	1.13
Powder River Basin	25	11.69	23	10.05
Mid-Continent	—	—	6	5.70
Total gathering, processing and transportation expenses	<u>\$ 211</u>	<u>5.36</u>	<u>\$ 270</u>	<u>7.04</u>

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through June 30, 2021		Period from January 1, 2021 through February 9, 2021		Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	\$/Boe		\$/Boe		\$/Boe		\$/Boe	
Appalachia	\$ 121	4.02	\$ 34	4.17	\$ 155	4.06	\$ 144	4.72
Gulf Coast	36	2.90	11	2.93	47	2.91	91	5.68
South Texas	121	12.06	42	13.35	163	12.37	232	13.90
Brazos Valley	5	1.06	3	1.92	8	1.26	14	1.37
Powder River Basin	39	12.03	12	12.53	51	12.15	58	10.05
Mid-Continent	—	—	—	—	—	—	16	6.14
Total gathering, processing and transportation expenses	<u>\$ 322</u>	<u>5.28</u>	<u>\$ 102</u>	<u>5.78</u>	<u>\$ 424</u>	<u>5.39</u>	<u>\$ 555</u>	<u>6.78</u>

Gathering, processing and transportation expenses in the 2021 Successor Quarter decreased \$59 million as compared to the 2020 Predecessor Quarter. Gulf Coast and South Texas decreased \$15 million and \$44 million, respectively, as a result of contract negotiations in the Chapter 11 Cases. Additionally, the sale of Mid-Continent properties in 2020 resulted in a \$6 million reduction. These decreases were partially offset by a \$6 million increase in Appalachia as a result of increased production.

Gathering, processing and transportation expenses in the combined 2021 Successor and Predecessor Periods decreased \$131 million as compared to the 2020 Predecessor Period. Gulf Coast and South Texas decreased \$44 million and \$69 million, respectively, as a result of contract negotiations in the Chapter 11 Cases. Additionally, the sale of Mid-Continent properties in 2020 resulted in a \$16 million reduction.

Severance and Ad Valorem Taxes

	Successor		Predecessor	
	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
		\$/Boe		\$/Boe
Appalachia	\$ 3	0.14	\$ 1	0.07
Gulf Coast	5	0.54	4	0.63
South Texas	16	2.38	8	1.15
Brazos Valley	10	3.01	7	1.49
Powder River Basin	7	3.86	4	1.56
Mid-Continent	—	—	1	1.10
Total severance and ad valorem taxes	<u>\$ 41</u>	1.03	<u>\$ 25</u>	0.66

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through June 30, 2021		Period from January 1, 2021 through February 9, 2021		Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
		\$/Boe		\$/Boe		\$/Boe		\$/Boe
Appalachia	\$ 4	0.12	\$ 1	0.07	\$ 5	0.11	\$ 3	0.09
Gulf Coast	7	0.55	2	0.54	9	0.54	10	0.65
South Texas	25	2.46	8	2.53	33	2.48	27	1.61
Brazos Valley	17	3.27	5	2.99	22	3.20	23	2.31
Powder River Basin	12	3.88	2	2.88	14	3.64	13	2.27
Mid-Continent	—	—	—	—	—	—	3	1.06
Total severance and ad valorem taxes	<u>\$ 65</u>	1.06	<u>\$ 18</u>	1.03	<u>\$ 83</u>	1.06	<u>\$ 79</u>	0.97

Severance and ad valorem taxes in the 2021 Successor Quarter increased \$16 million as compared to the 2020 Predecessor Quarter. The severance tax increase of \$14 million was primarily driven by increased revenue as a result of improved pricing.

Severance and ad valorem taxes in the combined 2021 Successor and Predecessor Periods increased \$4 million as compared to the 2020 Predecessor Period. The severance tax increase of \$8 million was primarily driven by increased revenue as a result of improved pricing. The ad valorem decrease of \$4 million was primarily driven by lower assessed property values in the 2021 Predecessor Period for Brazos Valley and South Texas.

Gross Margin by Operating Area

The table below presents the gross margin for each of our operating areas. Gross margin by operating area is defined as oil, natural gas and NGL sales less production expenses, gathering, processing and transportation expenses, and severance and ad valorem taxes.

	Successor		Predecessor	
	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
		\$/Boe		\$/Boe
Appalachia	\$ 135	7.02	\$ 50	3.12
Gulf Coast	83	10.41	12	1.51
South Texas	161	24.78	(48)	(7.04)
Brazos Valley	142	42.15	46	9.98
Powder River Basin	45	20.97	2	1.17
Mid-Continent	—	—	(8)	(7.39)
Gross margin by operating area	\$ 566	14.38	\$ 54	1.39

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through June 30, 2021		Period from January 1, 2021 through February 9, 2021		Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
		\$/Boe		\$/Boe		\$/Boe		\$/Boe
Appalachia	\$ 250	8.33	\$ 80	9.75	\$ 330	8.62	\$ 143	4.66
Gulf Coast	134	10.83	36	10.03	170	10.65	28	1.77
South Texas	260	26.09	60	19.42	320	24.50	116	7.00
Brazos Valley	231	43.33	54	32.47	285	40.71	173	17.11
Powder River Basin	69	21.21	16	15.47	85	19.89	31	5.25
Mid-Continent	—	—	—	—	—	—	(4)	(1.87)
Gross margin by operating area	\$ 944	15.46	\$ 246	14.02	\$ 1,190	15.13	\$ 487	5.93

Oil and Natural Gas Derivatives

	Successor		Predecessor	
	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
Oil derivatives – realized gains (losses)	\$	(113)	\$	569
Oil derivatives – unrealized losses		(194)		(717)
Total losses on oil derivatives		(307)		(148)
Natural gas derivatives – realized gains (losses)		(11)		123
Natural gas derivatives – unrealized losses		(422)		(148)
Total losses on natural gas derivatives		(433)		(25)
Total losses on oil and natural gas derivatives	\$	(740)	\$	(173)

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Oil derivatives – realized gains (losses)	\$ (174)	\$ (19)	\$ 696
Oil derivatives – unrealized losses	(200)	(190)	(5)
Total gains (losses) on oil derivatives	(374)	(209)	691
Natural gas derivatives – realized gains (losses)	(16)	6	174
Natural gas derivatives – unrealized losses	(304)	(179)	(131)
Total gains (losses) on natural gas derivatives	(320)	(173)	43
Total gains (losses) on oil and natural gas derivatives	\$ (694)	\$ (382)	\$ 734

See [Note 12](#) of the notes to our condensed consolidated financial statements included in Item 1 of this report for a discussion of our derivative activity.

Marketing Revenues and Expenses

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Marketing revenues	\$ 539	\$ 240
Marketing expenses	535	242
Marketing margin	\$ 4	\$ (2)

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Marketing revenues	\$ 816	\$ 239	\$ 964
Marketing expenses	815	237	988
Marketing margin	\$ 1	\$ 2	\$ (24)

Marketing margin increased in the 2021 Successor Quarter primarily due to increased profit on third-party marketing as a result of improved pricing.

Marketing margin increased in the 2021 Successor Period primarily due to the significant drop in oil prices during the 2020 Predecessor Period that resulted in an unfavorable inventory valuation adjustment.

Exploration Expense

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Impairments of unproved properties	\$ —	\$ 127
Geological and geophysical expense and other	1	3
Total exploration expense	\$ 1	\$ 130

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Impairments of unproved properties	\$ —	\$ 2	\$ 399
Dry hole expense	—	—	7
Geological and geophysical expense and other	2	—	6
Total exploration expense	\$ 2	\$ 2	\$ 412

The 2020 Predecessor Quarter exploration expense is the result of non-cash impairment charges in unproved properties, primarily in our Gulf Coast operating area. The 2020 Predecessor Period exploration expense is the result of non-cash impairment charges in unproved properties, primarily in our Brazos Valley, Gulf Coast, Powder River Basin and Mid-Continent operating areas. See [Note 13](#) of the notes to our condensed consolidated financial statements included in Item 1 of this report for further discussion.

General and Administrative Expenses

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Gross compensation and benefits	\$ 59	\$ 104
Non-labor	24	85
Allocations and reimbursements	(59)	(77)
Total general and administrative expenses, net	\$ 24	\$ 112
General and administrative expenses, net per Boe	\$ 0.61	\$ 2.91

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Gross compensation and benefits	\$ 94	\$ 32	\$ 212
Non-labor	36	12	138
Allocations and reimbursements	(91)	(23)	(173)
Total general and administrative expenses, net	\$ 39	\$ 21	\$ 177
General and administrative expenses, net per Boe	\$ 0.98	\$ 1.19	\$ 2.16

Compensation and benefits before reimbursements and allocations during the 2021 Successor Quarter decreased \$45 million compared to the 2020 Predecessor Quarter due to reductions in workforce in the Predecessor Periods. Non-labor before reimbursements and allocations during the 2021 Successor Quarter decreased \$61 million compared to the 2020 Predecessor Quarter due to cost reduction initiatives for professional services as well as \$42 million in fees for legal, financial and restructuring advisors incurred in preparation for the Chapter 11 cases in the 2020 Predecessor Quarter. The decrease in allocations and reimbursements was the result of reduced drilling, staffing reductions and the 2020 Mid-Continent divestiture.

Compensation and benefits before reimbursements and allocations during the 2021 Predecessor and Successor Periods decreased \$86 million compared to the 2020 Predecessor Period due to reductions in workforce in the Predecessor Periods. Non-labor before reimbursements and allocations during the 2021 Predecessor and Successor Periods decreased \$90 million compared to the 2020 Predecessor Period due to cost reduction initiatives for professional services as well as \$42 million in fees for legal, financial and restructuring advisors incurred in preparation for the Chapter 11 cases in the 2020 Predecessor Period. The decrease in allocations and reimbursements was the result of reduced drilling, staffing reductions and the 2020 Mid-Continent divestiture.

Separation and Other Termination Costs

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Separation and other termination costs	\$ 11	\$ 22

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Separation and other termination costs	\$ 11	\$ 22	\$ 27

Separation and other termination costs relate to one-time termination benefits for certain employees.

Depreciation, Depletion and Amortization

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Depreciation, depletion and amortization	\$ 229	\$ 158
Depreciation, depletion and amortization per Boe	\$ 5.81	\$ 4.12

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Depreciation, depletion and amortization	\$ 351	\$ 72	\$ 761
Depreciation, depletion and amortization per Boe	\$ 5.75	\$ 4.11	\$ 9.28

The absolute and per unit increase in depreciation, depletion and amortization for the 2021 Successor Quarter compared to the 2020 Predecessor Quarter was primarily the result of the revaluation of the depletable asset base occurring in connection with our emergence from bankruptcy. Fresh start accounting requires that new fair values be established for our assets as of the emergence date. See [Note 3](#) for additional information on revaluation of oil and gas properties.

The per unit decrease in the 2021 Predecessor Period compared to the 2020 Predecessor Period was attributable to an \$8.4 billion impairment to the Predecessor's proved oil and natural gas properties recognized at March 31, 2020.

Impairments

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Impairments of proved oil and natural gas properties	\$ —	\$ —
Impairments of other fixed assets and other	1	—
Total impairments	\$ 1	\$ —

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Impairments of proved oil and natural gas properties	\$ —	\$ —	\$ 8,446
Impairments of other fixed assets and other	1	—	76
Total impairments	\$ 1	\$ —	\$ 8,522

In the 2020 Predecessor Period, we recorded impairments of proved oil and natural gas properties related to South Texas, Brazos Valley, Powder River Basin, Mid-Continent and other non-core assets, all of which were due to lower forecasted commodity prices. Additionally, in the 2020 Predecessor Period, we recorded a \$76 million impairment of our sand mine assets that support our Brazos Valley operating area for the difference between fair value and the carrying value of the assets. See [Note 14](#) of the notes to our condensed consolidated financial statements included in Item 1 of this report for further discussion.

Other Operating Expense (Income), Net

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Other operating income, net	\$ (4)	\$ (2)

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Other operating expense (income), net	\$ (2)	\$ (12)	\$ 66

In the 2020 Predecessor Period, we terminated certain gathering, processing and transportation contracts and recognized a non-recurring \$80 million expense related to the contract terminations as well as \$14 million of other operating expense offset by \$28 million of income from the amortization of volumetric production payment deferred revenue.

Interest Expense

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Interest expense on debt	\$ 19	\$ 170
Amortization of premium, discount, issuance costs and other	2	(29)
Capitalized interest	(3)	(4)
Total interest expense	<u>\$ 18</u>	<u>\$ 137</u>

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Interest expense on debt	\$ 31	\$ 11	\$ 352
Amortization of premium, discount, issuance costs and other	3	—	(59)
Capitalized interest	(4)	—	(11)
Total interest expense	<u>\$ 30</u>	<u>\$ 11</u>	<u>\$ 282</u>

The decrease in total interest expense in the 2021 Successor Quarter and 2021 Successor Period compared to the 2020 Predecessor Quarter and 2020 Predecessor Period resulted from the decrease in outstanding debt obligations between periods. Upon emergence from the Chapter 11 Cases, all outstanding obligations under our predecessor senior notes and term loan were cancelled in exchange for shares of Successor common stock and warrants. See [Note 3](#) and [Note 5](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of the Chapter 11 Cases.

Gains on Purchases or Exchanges of Debt

In the 2020 Predecessor Period, we repurchased approximately \$160 million aggregate principal amount of senior notes for \$95 million and recorded an aggregate gain of approximately \$65 million.

Other Income (Expense)

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Other income	\$ 9	\$ 6

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Other income (expense)	\$ 31	\$ 2	\$ (11)

In the 2021 Successor Period, we recorded a gain of \$22 million for a refund from a midstream provider. In the 2020 Predecessor Period, the hydraulic fracturing industry experienced challenging operating conditions resulting in the current fair value of our investment in FTS International, Inc. ("FTSI") falling below book value of \$23 million and remaining below that value as of the end of the 2020 Predecessor period. Based on FTSI's operating results, we determined that the reduction in fair value was other-than-temporary and recognized an impairment of our entire investment in FTSI of \$23 million.

Reorganization Items, Net

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Write off of unamortized debt premiums (discounts) on Predecessor debt	\$ —	\$ 518
Write off of unamortized debt issuance costs on Predecessor debt	—	(61)
DIP Facility financing costs	—	(63)
Total reorganization items, net	<u>\$ —</u>	<u>\$ 394</u>

	Successor	Predecessor	
	Period from February 10, 2021 through June 30, 2021	Period from January 1, 2021 through February 9, 2021	Six Months Ended June 30, 2020
Gains on the settlement of liabilities subject to compromise	\$ —	\$ 6,443	\$ —
Accrual for allowed claims	—	(1,002)	—
Write off of unamortized debt premiums (discounts) on Predecessor debt	—	—	518
Write off of unamortized debt issuance costs on Predecessor debt	—	—	(61)
Gain on fresh start adjustments	—	201	—
Gain from release of commitment liabilities	—	55	—
DIP Facility financing costs	—	—	(63)
Professional service provider fees and other	—	(60)	—
Success fees for professional service providers	—	(38)	—
Surrender of other receivable	—	(18)	—
FLLO alternative transaction fee	—	(12)	—
Total reorganization items, net	<u>\$ —</u>	<u>\$ 5,569</u>	<u>\$ 394</u>

In the 2021 and 2020 Predecessor Periods, we recorded net gains of \$5.569 billion and \$394 million, respectively, in reorganization items, net related to the Chapter 11 Cases. See [Note 2](#) and [Note 3](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of the Chapter 11 Cases and for discussion of adoption of fresh start accounting.

Income Taxes

An income tax benefit of \$57 million was recorded for the 2021 Predecessor Period and a \$13 million income tax benefit was recorded for the 2020 Predecessor Period. No income tax was recorded for the 2021 Successor Period as a result of projecting a full valuation allowance against our anticipated net deferred asset position as of December 31, 2021. Our effective income tax rate was (1.1%) for the 2021 Predecessor Period and 0.2% for the 2020 Predecessor Period. Our effective tax rate can fluctuate as a result of the impact of discrete items, state income taxes and permanent differences. See [Note 9](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of income taxes.

Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. Forward-looking statements include our current expectations or forecasts of future events, including matters relating to the continuing effects of the COVID-19 pandemic and the impact thereof on our business, financial condition, results of operations and cash flows, the potential effects of the Restructuring on our operations, management, and employees, actions by, or disputes among or between, members of OPEC+ and other foreign oil-exporting countries, market factors, market prices, our ability to meet debt service requirements, our ability to continue to pay cash dividends, and the amount and timing of any cash dividends, and our ESG initiatives. In this context, forward-looking statements often address our expected future business, financial performance and financial condition, and often contain words such as “expect,” “could,” “may,” “anticipate,” “intend,” “plan,” “ability,” “believe,” “seek,” “see,” “will,” “would,” “estimate,” “forecast,” “target,” “guidance,” “outlook,” “opportunity” or “strategy.”

Although we believe the expectations and forecasts reflected in our forward-looking statements are reasonable, they are inherently subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. No assurance can be given that such forward-looking statements will be correct or achieved or that the assumptions are accurate or will not change over time. Particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include:

- the ability to execute on our business strategy following emergence from bankruptcy;
- the impact of the COVID-19 pandemic and its effect on our business, financial condition, employees, contractors, vendors and the global demand for oil and natural gas and U.S. and world financial markets;
- our ability to comply with the covenants under our Exit Credit Facility and other indebtedness;
- our ability to realize anticipated cash cost reductions;
- the volatility of oil, natural gas and NGL prices, which are affected by general economic and business conditions, as well as increased demand for (and availability of) alternative fuels and electric vehicles;
- uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and projecting future rates of production and the amount and timing of development expenditures;
- our ability to replace reserves and sustain production;
- drilling and operating risks and resulting liabilities;
- our ability to generate profits or achieve targeted results in drilling and well operations;
- the limitations our level of indebtedness may have on our financial flexibility;
- our inability to access the capital markets on favorable terms;
- the availability of cash flows from operations and other funds to fund cash dividends, finance reserve replacement costs or satisfy our debt obligations;
- adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims;
- legislative, regulatory and ESG initiatives, including as a result of the change in the U.S. presidential administration, addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal;
- terrorist activities and/or cyber-attacks adversely impacting our operations;
- effects of purchase price adjustments and indemnity obligations; and
- other factors that are described under *Risk Factors* in Item 1A of our [2020 Form 10-K](#).

We caution you not to place undue reliance on the forward-looking statements contained in this report, which speak only as of the filing date, and we undertake no obligation to update this information. We urge you to carefully review and consider the disclosures in this report and our other filings with the SEC that attempt to advise interested parties of the risks and factors that may affect our business.

Information About Us

Investors should note that we make available, free of charge on our website at chk.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also furnish quarterly, annual, and current reports for certain of our subsidiaries free of charge on our website at chk.com. We also post announcements, updates, events, investor information and presentations on our website in addition to copies of all recent news releases. We may use the Investors section of our website to communicate with investors. It is possible that the financial and other information posted there could be deemed to be material information. Documents and information on our website are not incorporated by reference herein.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers, including Chesapeake, that file electronically with the SEC.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our exposure to market risk. The term market risk relates to our risk of loss arising from adverse changes in oil, natural gas, and NGL prices and interest rates. These disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. The forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

Commodity Price Risk

Our results of operations and cash flows are impacted by changes in market prices for oil, natural gas and NGL, which have been historically volatile. To mitigate a portion of our exposure to adverse price changes, we enter into various derivative instruments. Our oil, natural gas and NGL derivative activities, when combined with our sales of oil, natural gas and NGL, allow us to predict with greater certainty the revenue we will receive. We believe our derivative instruments continue to be highly effective in achieving our risk management objectives.

We determine the fair value of our derivative instruments utilizing established index prices, volatility curves and discount factors. These estimates are compared to counterparty valuations for reasonableness. Derivative transactions are also subject to the risk that counterparties will be unable to meet their obligations. This non-performance risk is considered in the valuation of our derivative instruments, but to date has not had a material impact on the values of our derivatives. Future risk related to counterparties not being able to meet their obligations has been partially mitigated under our commodity hedging arrangements that require counterparties to post collateral if their obligations to us are in excess of defined thresholds. The values we report in our financial statements are as of a point in time and subsequently change as these estimates are revised to reflect actual results, changes in market conditions and other factors. See [Note 12](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion of the fair value measurements associated with our derivatives.

For the combined 2021 Successor and Predecessor Periods, oil, natural gas, and NGL revenue, excluding any effect of our derivative instruments, were \$857 million, \$883 million and \$103 million, respectively. Based on production, oil, natural gas, and NGL revenue for the 2021 Successor and Predecessor Periods would have increased or decreased by approximately \$85 million, \$89 million, and \$11 million, respectively, for each 10% increase or decrease in prices. As of June 30, 2021, the fair values of our oil and natural gas derivatives were net liabilities of \$529 million and \$462 million, respectively. A 10% increase or decrease in forward oil prices would decrease or increase the valuation of oil derivatives by approximately \$150 million. A 10% increase in forward natural gas prices would decrease the valuation of natural gas derivatives by approximately \$197 million. A 10% decrease in forward natural gas prices would increase the valuation of natural gas derivatives by approximately \$195 million. See [Note 12](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further information on our open derivative positions.

Interest Rate Risk

Our exposure to interest rate changes relates primarily to borrowings under our Exit Credit Facility for the 2021 Successor Period and pre-petition revolving credit facility and DIP Facility for the Predecessor Periods. Interest is payable on borrowings under the Exit Credit Facility, pre-petition revolving credit facility and DIP Facility based on floating rates. See [Note 5](#) for additional information. As of June 30, 2021, we had no outstanding borrowings under our Exit Credit Facility - Tranche A Loans and \$221 million under our Exit Credit Facility - Tranche B Loans. A 1.0% increase in interest rates based on the variable borrowings as of June 30, 2021 would result in an increase in our interest expense of approximately \$2 million per year.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of June 30, 2021 that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM

1. Legal Proceedings

Chapter 11 Proceedings

Commencement of the Chapter 11 Cases automatically stayed the proceedings and actions against us that are described below, in addition to actions seeking to collect pre-petition indebtedness or to exercise control over the property of the Company's bankruptcy estates. The Plan in the Chapter 11 Cases, which became effective on February 9, 2021, provided for the treatment of claims against the Company's bankruptcy estates, including pre-petition liabilities that had not been satisfied or addressed during the Chapter 11 Cases. See [Note 2](#) of the notes to our condensed consolidated financial statements included in Item 1 of this report for additional information.

Litigation and Regulatory Proceedings

We were involved in a number of litigation and regulatory proceedings as of the Petition Date. Many of these proceedings were in early stages, and many of them sought damages and penalties, the amount of which is currently indeterminate. See [Note 6](#) of the notes to our condensed consolidated financial statements included in Item 1 of this report for information regarding our estimation and provision for potential losses related to litigation and regulatory proceedings.

Business Operations. We are involved in various lawsuits and disputes incidental to our business operations, including commercial disputes, personal injury claims, royalty claims, property damage claims and contract actions. The majority of these prepetition legal proceedings, including the matters below, have been settled during the Chapter 11 Cases or will be resolved in connection with the claims reconciliation process before the Bankruptcy Court. Any allowed claim related to such prepetition litigation will be treated in accordance with the Plan.

Environmental Contingencies

The nature of the oil and gas business carries with it certain environmental risks for us and our subsidiaries. We have implemented various policies, programs, procedures, training and audits to reduce and mitigate such environmental risks. We conduct periodic reviews, on a company-wide basis, to assess changes in our environmental risk profile. Environmental reserves are established for environmental liabilities for which economic losses are probable and reasonably estimable. We manage our exposure to environmental liabilities in acquisitions by using an evaluation process that seeks to identify pre-existing contamination or compliance concerns and addressing the potential liability. Depending on the extent of an identified environmental concern, we may, among other things, exclude a property from the transaction, require the seller to remediate the property to our satisfaction in an acquisition or agree to assume liability for the remediation of the property.

We were recently dismissed as a defendant from numerous lawsuits in Oklahoma alleging that we and other companies engaged in activities that have caused earthquakes. The lawsuits sought compensation for injury to real and personal property, diminution of property value, economic losses due to business interruption, interference with the use and enjoyment of property, annoyance and inconvenience, personal injury and emotional distress. In addition, they sought the reimbursement of insurance premiums and the award of punitive damages, attorneys' fees, costs, expenses and interest. Any allowed claim related to such prepetition litigation will be treated in accordance with the Plan.

We settled outstanding violations with the Pennsylvania Department of Environmental Protection ("PADEP") regarding gas migration in the vicinity of certain of our wells in Wyoming County, Pennsylvania. The resolution of the matter resulted in monetary sanctions of more than \$300,000, which were assessed pursuant to a Proof of Claim filed by PADEP in the Chapter 11 proceedings. Chesapeake will allow the Proof of Claim as a General Unsecured Claim in accordance with the Consent Order and Agreement executed by the parties and Chesapeake's approved Plan of Reorganization.

Other Matters

Based on management's current assessment, we are of the opinion that no pending or threatened lawsuit or dispute relating to our business operations is likely to have a material adverse effect on our future consolidated financial position, results of operations or cash flows. The final resolution of such matters could exceed amounts accrued, however, and actual results could differ materially from management's estimates.

ITEM

1A. Risk Factors

Our business has many risks. Factors that could materially adversely affect our business, financial condition, operating results or liquidity and the trading price of our common stock are described under "Risk Factors" in Item 1A of our [2020 Form 10-K](#). This information should be considered carefully, together with other information in this report and other reports and materials we file with the SEC.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no repurchases of our common stock during the quarter ended June 30, 2021.

ITEM 3. Defaults Upon Senior Securities

Our Bankruptcy Filing described above constituted an event of default that accelerated our obligations under our senior credit facility, our senior secured notes and our unsecured notes. Under the Bankruptcy Code, the creditors under these debt agreements were stayed from taking any action against us as a result of an event of default. See [Note 5](#) and [Note 2](#) to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for additional details about the principal and interest amounts of debt included in liabilities subject to compromise on the accompanying unaudited condensed consolidated balance sheet as of December 31, 2020 and our Bankruptcy Filing and the Chapter 11 Cases.

Under the terms of our 5.75% Cumulative Convertible Preferred Stock, 5.75% Cumulative Convertible Preferred Stock (Series A), 4.50% Cumulative Convertible Preferred Stock and 5.00% (Series 2005B) Cumulative Convertible Preferred Stock, we may suspend payments of our cumulative quarterly dividends. We exercised our contractual right to suspend regularly scheduled quarterly payments of dividends on each series of our preferred stock beginning with the quarterly dividend payment for the second quarter of 2020, and were therefore in arrears with the dividend payments. No dividends were accrued on our convertible preferred stock subsequent to the Petition Date. Pursuant to the Plan, each holder of an equity interest in Chesapeake had such interest canceled, released, and extinguished without any distribution. See [Note 2](#) of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for additional information about the Chapter 11 Cases.

ITEM 4. Mine Safety Disclosures

The information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17CFR 229.104) is included in Exhibit 95.1 to this Form 10-Q.

ITEM

5. Other Information

Not applicable.

ITEM 6. Exhibits

The exhibits listed below in the Index of Exhibits are filed, furnished or incorporated by reference pursuant to the requirements of Item 601 of Regulation S-K.

INDEX OF EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	SEC File Number	Exhibit	Filing Date	
2.1	Fifth Amended Joint Plan of Reorganization of Chesapeake Energy Corporation and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (Exhibit A of the Confirmation Order).	8-K	001-13726	2.1	1/19/2021	
3.1	Second Amended and Restated Certificate of Incorporation of Chesapeake Energy Corporation.	8-K	001-13726	3.1	2/9/2021	
3.2	Second Amended and Restated Bylaws of Chesapeake Energy Corporation.	8-K	001-13726	3.2	2/9/2021	
3.3	Certificate of Elimination of Series B Preferred Stock of Chesapeake Energy.	10-K	001-13726	3.3	3/1/2021	
10.1†	Amendment to the Chesapeake Energy Corporation 2021 Long Term Incentive Plan.	8-K	001-13726	10.3	4/27/2021	
10.2†	Form of Non-Employee Director Restricted Stock Unit Award Agreement for 2021 Long Term Incentive Plan.	10-Q	001-13726	10.9	5/13/2021	
10.3†	Agreement by and between Robert D. Lawler and Chesapeake Energy Corporation, dated April 27, 2021.	8-K	001-13726	10.1	4/27/2021	
10.4†	Interim CEO Agreement by and between Michael Wichterich and Chesapeake Energy Corporation, dated April 27, 2021.	8-K	001-13726	10.2	4/27/2021	
10.5†	Performance Share Unit Award Agreement with Michael A. Wichterich, Interim Chief Executive Officer, dated April 30, 2021.					X
10.6†	Agreement by and between Frank J. Patterson and the Company, dated June 11, 2021.	8-K	001-13726	10.1	6/11/2021	
10.7†	Agreement by and between James R. Webb and the Company, dated June 11, 2021.	8-K	001-13726	10.2	6/11/2021	
10.8†	Agreement by and between William M. Buergler and the Company, dated June 11, 2021.	8-K	001-13726	10.3	6/11/2021	
10.9	First Amendment to Credit Agreement, dated as of June 11, 2021, among Chesapeake Energy Corporation, as borrower, MUFG Bank, Ltd., as administrative agent, MUFG Union Bank, N.A., as collateral agent, and the lenders and other parties party thereto.	8-K	001-13726	10.1	6/14/2021	
10.10†	Form of Performance Share Unit Award (Absolute TSR) for 2021 Long Term Incentive Plan					X
10.11†	Form of Performance Share Unit Award (Relative TSR) for 2021 Long Term Incentive Plan					X
31.1	Michael Wichterich, Interim Chief Executive Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	SEC File Number	Exhibit	Filing Date	
31.2	Domenic J. Dell'Ossso, Jr., Executive Vice President and Chief Financial Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Michael Wichterich, Interim Chief Executive Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Domenic J. Dell'Ossso, Jr., Executive Vice President and Chief Financial Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
95.1	Mine Safety Disclosure					X
101 INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101 SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101 LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					X
†	Management contract or compensatory plan or arrangement					

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION

Date: August 10, 2021

By: /s/ MICHAEL WICHTERICH
Michael Wichterich
Interim Chief Executive Officer

Date: August 10, 2021

By: /s/ DOMENIC J. DELL'OSSO, JR.
Domenic J. Dell'Oso, Jr.
Executive Vice President and
Chief Financial Officer

**PERFORMANCE SHARE UNIT AWARD AGREEMENT FOR
CHESAPEAKE ENERGY CORPORATION
LONG TERM INCENTIVE PLAN**

THIS PERFORMANCE UNIT AWARD AGREEMENT (the "Agreement") entered into as of the grant date set forth on the attached Notice of Grant of Performance Share Units and Award Agreement (the "Notice"), by and between Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), and the participant named on the Notice (the "Participant");

WITNESSETH:

WHEREAS, the Participant is receiving the Performance Share Units in respect of the Participant's services as an Employee, and it is important to the Company that the Participant be encouraged to remain an Employee and to incentivize the Participant to promote the long-term success of the Company;

WHEREAS, the Company has previously adopted the Chesapeake Energy Corporation 2021 Long Term Incentive Plan effective as of February 9, 2021, as amended, restated or otherwise modified from time to time (the "Plan"); and

WHEREAS, the Company has awarded the Participant Performance Share Units under the Plan (which are a subcategory of Performance Shares under the Plan), as set forth on the Notice, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants herein contained, the Participant and the Company agree as follows:

1. The Plan. The Plan, a copy of which has been made available to the Participant, is hereby incorporated by reference herein and made a part hereof for all purposes, and when taken with this Agreement shall govern the rights of the Participant and the Company with respect to the Award (as defined below). Any capitalized terms used but not defined in this Agreement have the same meanings given to them in the Plan.

2. Grant of Award. The Company hereby awards to the Participant the number of Performance Share Units set forth in the Notice, on the terms and conditions set forth herein and in the Plan (the "Award"). Each Performance Share Unit granted pursuant to this Award gives the Participant the right to receive payment, following the satisfaction of the vesting conditions set forth in the Notice and this Agreement, of one share of Common Stock in the manner set forth in Section 5 below.

3. Vesting and Forfeiture.

(a) Vesting. The Performance Share Units will vest as set forth in the Notice based on the Company's achievement of the performance goal set forth in the Notice.

(b) Forfeiture. In the event the Participant ceases to be an Employee (other than due to a termination of the Participant's employment for Cause) prior to July 31, 2021, then a pro rata portion of the Performance Share Units, whether vested or unvested, shall be immediately forfeited without consideration, with such pro rata portion to be equal to (i) the number of Performance Share Units granted hereunder, *multiplied by* (ii) a fraction, the numerator of which is the number of days between the day the Participant ceases to be an Employee and the denominator of which is 92. In the event the Participant ceases to be an Employee to due a termination of the Participant's employment for Cause, then all of the Performance Share Units, whether vested or unvested, shall be immediately forfeited without consideration.

4. Nontransferability of Award. A Performance Share Unit is not transferable other than by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, a Performance Share Unit contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Performance Share Unit(s) involved in such attempt.

5. Payment. Payment shall be made in the form of an issuance to the Participant of shares of Common Stock equal to the number of vested Performance Share Units on the earlier of (i) March 1, 2024 and (ii) the consummation of a Change of Control.

6. Dividends Equivalents. In the event that the Company declares and pays a dividend in respect of its outstanding shares of Common Stock and, on the record date for such dividend, the Participant holds Performance Share Units granted pursuant to this Agreement that have not been settled, the Company shall record the amount of such dividend in a bookkeeping account and pay to the Participant an amount in cash equal to the cash dividends the Participant would have received if the Participant was the holder of record, as of such record date, of a number of shares of Common Stock equal to the number of Performance Share Units held by the Participant that have not been settled as of such record date, such payment to be made on the date that shares of Common Stock are issued to the Participant in respect of the Performance Share Units in accordance with Section 5 (the "Dividend Equivalents"). For purposes of clarity, if the Performance Share Units (or any portion thereof) are forfeited by the Participant pursuant to the terms of this Agreement, then the Participant shall also forfeit the Dividend Equivalents, if any, accrued with respect to such forfeited Performance Share Units. No interest will accrue on the Dividend Equivalents between

the declaration and payment of the applicable dividends and the settlement of the Dividend Equivalents.

7. Withholding. The Company may make such provision as it may deem appropriate for the withholding of any applicable federal, state or local taxes that it determines it may be obligated to withhold or pay in connection with the Performance Share Units. Required withholding taxes as determined by the Company associated with this Award must be paid in cash. Provided, however, the Committee may require the Participant to pay such withholding taxes by directing the Company to withhold from the Award the number of shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of required withholding taxes. The Company in its sole discretion may also withhold any required taxes from Dividend Equivalents paid on the Performance Share Units.

8. Amendments. This Award Agreement may be amended by a written agreement signed by the Company and the Participant; provided that the Committee may modify the terms of this Award Agreement without the consent of the Participant in any manner that is not adverse to the Participant.

9. Securities Law Restrictions. Payment of this Award shall not be made in shares of Common Stock unless such issuance is in compliance with the Securities Act of 1933, as amended (the "Act"), and any other applicable securities law, or pursuant to an exemption therefrom. If deemed necessary by the Company to comply with the Act or any applicable laws or regulations relating to the sale of securities, the Participant at the time of payment and as a condition imposed by the Company, shall represent, warrant and agree that the shares of Common Stock subject to the Award are being acquired for investment and not with any present intention to resell the same and without a view to distribution, and the Participant shall, upon the request of the Company, execute and deliver to the Company an agreement to such a fact. The Participant acknowledges that any stock certificate representing Common Stock acquired under such circumstances will be issued with a restricted securities legend.

10. Non-Disclosure of Confidential and Proprietary Information. The Participant recognizes that, as a result of his/her employment, he/she will have access to confidential information, trade secrets, proprietary methods and other data which is the property of and integral to the operation and success of the Company and therefore agrees to be bound by the provisions of this Agreement, which the parties agree and acknowledge to be reasonable. The Participant acknowledges that he/she will obtain unique benefits from his/her employment and the provisions contained in this Agreement are reasonably necessary to protect the Company's legitimate business interests, which include, among other things, the substantial relationships between the Company and its clients, referral sources, employees, customers and vendors as well as the goodwill established with these parties over a protracted period of time. The Participant agrees that he/she will not divulge to any person; use to the detriment of the Company; or use in any business competitive with or similar to any business of the

Company, any of the Company's trade secrets and/or the Company's confidential and proprietary information at any time during the term of the Participant's employment or thereafter. A trade secret shall include any formula, pattern, device or compilation of information used by the Company in its business. Trade secrets as well as confidential and proprietary information shall also include, without limitation, internal well valuations, compilation of documents necessary to prepare well valuations, geological data and interpretation of geological data obtained, expectations concerning well profitability, production information, test results, economic projections, financial reports, income statements, balance sheets, general ledgers, accounts receivable, business plans, contracts with customers, suppliers and affiliated companies, the identity of customers and suppliers, and information reflecting their interests, preferences, credit-worthiness, risk characteristics, likely receptivity to solicitation for participation in various transactions, as well as any other business information obtained by the Participant, during the course of employment.

Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict the Participant from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to the Participant from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires the Participant to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that the Participant has engaged in any such conduct.

11. Participant Misconduct; Compensation Recovery.

(a) Notwithstanding anything in the Plan or this Agreement to the contrary, the Committee shall have the authority to determine that in the event of serious misconduct by the Participant (including violations of this Agreement, employment agreements, confidentiality or other proprietary matters) or any activity of the Participant in competition with the business of the Company or any Subsidiary or Affiliated Entity, the Award may be cancelled, in whole or in part, whether or not vested. The determination of whether the Participant has engaged in a serious breach of conduct or any activity in competition with the business of the Company or any

Subsidiary or Affiliated Entity shall be determined by the Committee in good faith and in its sole discretion.

(b) The Award made pursuant to this Agreement is subject to recovery pursuant to the Company's compensation recovery policy then in effect. To the extent required by applicable laws, rules, regulations or securities exchange listing requirements and the Company's compensation recovery policy then in effect, the Company shall have the right, and shall take all actions necessary, to recover cash or shares of Common Stock paid to the Participant pursuant to this Award.

12. Notices. All notices or other communications relating to the Plan and this Agreement as it relates to the Participant shall be in electronic or written form. If in writing, such notices shall be deemed to have been made (a) if personally delivered in return for a receipt, (b) if mailed, by regular U.S. mail, postage prepaid, by the Company to the Participant at his last known address evidenced on the payroll records of the Company or (c) if provided electronically, provided to the Participant at his/her e-mail address specified in the Company's or its Affiliated Entity's records or as otherwise specified pursuant to and in accordance with the Committee's applicable administrative procedures.

13. Binding Effect and Governing Law. This Agreement shall be (i) binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns except as may be limited by the Plan and (ii) governed and construed under the laws of the State of Oklahoma.

14. Captions. The captions of specific provisions of this Agreement are for convenience and reference only, and in no way define, describe, extend or limit the scope of this Agreement or the intent of any provision hereof.

15. Counterparts. This Agreement may be executed in any number of identical counterparts, each of which shall be deemed an original for all purposes, but all of which taken together shall form but one agreement.

16. Code Section 409A.

(a) General. This Agreement and the Performance Share Units granted hereunder are intended to comply with Code Section 409A. The Agreement and the Performance Share Units shall be administered, interpreted, and construed in a manner consistent with Code Section 409A. Should any provision of the Plan or the Agreement be found not to comply with, or otherwise be exempt from, the provisions of Code Section 409A, such provision shall be modified and given effect (retroactively if necessary), in the sole discretion of the Committee, and without the consent of the Participant, in such manner as the Committee determines to be necessary or appropriate to comply with Code Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under the Plan or this Agreement comply with Code Section 409A and in no event shall the

Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Code Section 409A. The Participant acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Performance Share Units or the disposition of the underlying shares of Common Stock and that the Participant has been advised, and hereby is advised, to consult a tax advisor prior to such vesting, settlement or disposition.

(b) Other Restrictions. Other provisions of this Agreement notwithstanding, the following restrictions shall apply:

(i) *Separation from Service*. Any payment in settlement of the Performance Share Units that is triggered by a termination of employment hereunder will occur only at such time as the Participant has had a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h).

(ii) *Six-Month Delay Rule*. The "six-month delay rule" will apply to the Performance Share Units if the following four conditions exist:

1. The Participant has a separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h));
2. A payment is triggered by the separation from service (but not due to death);
3. The Participant is a "specified employee" under Code Section 409A; and
4. The payment in settlement of the Performance Share Units would otherwise occur within six months after the separation from service.

If the six-month delay rule applies, payment in settlement of the Performance Share Units shall instead occur on the first business day after the date that is six months following the Participant's separation from service (or death, if earlier), with interest from the date such payment would otherwise have been made at the short-term applicable federal rate, compounded semi-annually, as determined under Section 1274 of the Code, for the month in which payment would have been made but for the delay in payment. During the six-month delay period, accelerated payment will be permitted in the event of the Participant's death and for no other reason (including no acceleration upon a Change of Control) except to the extent permitted under Code Section 409A.

(iii) *Change of Control Rule*. Any payment in settlement of the Performance Share Units triggered by a Change of Control will be made only if, in connection with the Change of Control, there occurs a change in the ownership of the Company, a change in the effective control of the Company, or a change in ownership of a substantial portion of the assets of the Company as all such terms are defined in

Treasury Regulation Section 1.409A-3(i)(5). In the event payment in settlement of the Performance Share Units is not allowed by operation of this subparagraph (iii), the payment in settlement of the Performance Share Units will be made within sixty (60) days of the earlier to occur of (A) the applicable vesting date set forth in the Notice regardless of the fact that vesting has been accelerated under the Agreement as a result of the Change of Control, or (B) the occurrence of a permissible time or event that could trigger a payment without violating Code Section 409A.

(c) Other Compliance Provisions. The following provisions apply to Performance Share Units:

(i) The settlement of the Performance Share Units may not be accelerated by the Company except to the extent permitted under Code Section 409A.

(ii) If any mandatory term required for the Performance Share Units to avoid tax penalties under Code Section 409A is not otherwise explicitly provided under this document or other applicable documents, such term is hereby incorporated by reference and fully applicable as though set forth at length herein.

Notice of Grant of Performance Share Units and Award Agreement

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, OK 73118
ID: 73-1395733

Name: Michael A. Wichterich	Award Number:	20211032
	Plan:	2021 LTIP
	ID:	452569

Effective April 30, 2021, you have been granted an award of 9,204 Performance Share Units. These Performance Share Units will vest as follows:

Subject to earlier forfeiture in Section 3(b) of the Award Agreement, the Performance Share Units will vest (i) on any date on or prior to March 1, 2024 on which the 60-Day VWAP (as defined below) or equals or exceeds the price per share of Common Stock of \$55.00 or (ii) upon the consummation of a Change of Control, if the price per share of Common Stock paid to the holders of the Common Stock upon the consummation of such Change of Control equals or exceeds \$55.00; provided, however, that in each case, the price per share of Common Stock of \$55.00 may be adjusted by the Committee in accordance with Section 9.1 of the Plan in the event of changes to the Company's capital structure and similar events.

As used herein, "60-Day VWAP" means, as of any date of determination, the volume-weighted average price of a share of Common Stock as displayed under the heading "Bloomberg VWAP" on Bloomberg page "CHK<equity>VWAP" (or its equivalent successor if such page is not available) for the 60 consecutive Trading Days immediately preceding such date of determination (or if such volume-weighted average price is unavailable, the market value of a share of Common Stock during such period, determined using a volume-weighted average method by a nationally recognized independent investment banking firm retained for this purpose by the Company).

As used herein, "Trading Day" means a day on which (a) trading in the Common Stock generally occurs on NASDAQ or, if the Common Stock is not then listed on NASDAQ, on the principal securities exchange on which the Common Stock is then listed or, if the Common Stock is not then listed on a securities exchange, on the principal other market on which the Common Stock is then traded; and (b) a 60-Day VWAP for the Common Stock is available on such securities exchange or market, but if the Common Stock is not so listed or traded, "Trading Day" means mean any day except a Saturday, Sunday

or other day on which commercial banks in Oklahoma City, Oklahoma are authorized or required by law to be closed.

Acceptance. You are required to accept the terms and conditions set forth in this Notice, the Agreement and the Plan, all of which are made a part of this document in order for you to receive the Award granted to you hereunder. Any capitalized terms used but not defined in this Notice have the same meanings given to them in the Agreement or the Plan. By your signature and the Company's signature below, you and the Company agree that this award is granted under and governed by the terms and conditions of the Plan and the Agreement, all of which are attached and made a part of this document.

/s/ James R. Webb
Chesapeake Energy Corporation

April 30, 2021
Date

/s/ Michael A. Wichterich
Michael A. Wichterich

April 30, 2021
Date

**PERFORMANCE SHARE UNIT AWARD AGREEMENT FOR
CHESAPEAKE ENERGY CORPORATION
LONG TERM INCENTIVE PLAN
(Absolute TSR)**

THIS PERFORMANCE UNIT AWARD AGREEMENT (the "Agreement") entered into as of the grant date set forth on the attached Notice of Grant of Performance Share Units and Award Agreement (the "Notice"), by and between Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), and the participant named on the Notice (the "Participant");

WITNESSETH:

WHEREAS, the Participant is receiving the Performance Share Units in respect of the Participant's services as an Employee, and it is important to the Company that the Participant be encouraged to remain an Employee and to incentivize the Participant to promote the long-term success of the Company;

WHEREAS, the Company has previously adopted the Chesapeake Energy Corporation 2021 Long Term Incentive Plan effective as of February 9, 2021, as amended, restated or otherwise modified from time to time (the "Plan"); and

WHEREAS, the Company has awarded the Participant Performance Share Units under the Plan (which are a subcategory of Performance Shares under the Plan), as set forth on the Notice, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants herein contained, the Participant and the Company agree as follows:

1. The Plan. The Plan, a copy of which has been made available to the Participant, is hereby incorporated by reference herein and made a part hereof for all purposes, and when taken with this Agreement shall govern the rights of the Participant and the Company with respect to the Award (as defined below). Any capitalized terms used but not defined in this Agreement have the same meanings given to them in the Plan.

2. Grant of Award. The Company hereby awards to the Participant the number of Performance Share Units set forth in the Notice, on the terms and conditions set forth herein and in the Plan (the "Award"). Each Performance Share Unit granted pursuant to this Award gives the Participant the right to receive payment, following the satisfaction of the vesting conditions set forth in the Notice and this Agreement, of one share of Common Stock in the manner set forth in Section 5 below.

3. Earning, Vesting and Forfeiture.

(a) Earning and Vesting. The Performance Share Units will become earned and vested as set forth in the Notice based on the Company's achievement of the performance goal set forth in the Notice and the Participant's continued employment through the third anniversary of the Grant Date.

(b) Forfeiture. Except as otherwise provided in this Section 3, in the event the Participant ceases to be an Employee prior to the third anniversary of the Grant Date, then all of the Performance Share Units, regardless of whether they have become earned, and any Dividend Equivalents related thereto, shall be immediately forfeited without consideration.

(c) Acceleration on Death, Disability, Retirement or Involuntary Termination. This Award shall become vested upon the termination of the Participant's employment due to the Participant's death as follows: (i) if such death occurs prior to the end of the Performance Period, then the target number of Performance Share Units shall vest or (ii) if such death occurs after the end of the Performance Period, then the number of Performance Share Units earned based on actual performance shall vest. The Committee may also, in its discretion, waive the service-based vesting requirements or permit continued vesting of the Performance Share Units in the event of the Participant's Disability or termination of service due to retirement or involuntary termination (as determined by the Committee in its sole discretion).

(d) Acceleration on Termination Without Cause or for Good Reason Following a Change of Control. This Award shall become fully vested based on actual performance measured as provided in the Notice if the Participant's service is terminated by the Company without Cause or by the Participant for Good Reason, in each case, within the 12-month period following the effective date of a Change of Control. For purposes of this Agreement, "Good Reason" shall have the meaning ascribed to such term in any employment, service or similar agreement between the Company, a Subsidiary or an Affiliated Entity and the Participant; provided, that, if there is no such agreement or the agreement does not provide for a definition of "Good Reason", "Good Reason" shall mean the occurrence of one of the following events: (i) elimination of the Participant's job position or material reduction in duties and/or reassignment of the Participant to a new position of materially less authority; (ii) a material reduction in the Participant's base salary; or (iii) a requirement that the Participant relocate to a location outside of a fifty (50) mile radius of the location of the Participant's office or principal base of operation immediately prior to the effective date of a Change of Control. Notwithstanding the foregoing, the Participant will not be deemed to have terminated for Good Reason unless (A) the Participant provides written notice to the Company of the existence of one of the conditions described above within ninety (90) days after the Participant has knowledge of the initial existence of the condition, (B) the Company fails to remedy the condition so identified within thirty (30) days after receipt of such notice (if capable of correction), (C) the Participant provides a

notice of termination to the Company within thirty (30) days of the expiration of the Company's period to remedy the condition specifying an effective date for the Participant's termination, and (D) the effective date of the Participant's termination of employment is within ninety (90) days after the Participant provides written notice to the Company of the existence of the condition referred to in clause (A).

4. Nontransferability of Award. A Performance Share Unit is not transferable other than by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, a Performance Share Unit contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Performance Share Unit(s) involved in such attempt.

5. Payment. Payment shall be made in the form of an issuance to the Participant of shares of Common Stock equal to the number of vested Performance Share Units within sixty (60) days following the vesting date of such Performance Share Unit.

6. Dividends Equivalents. In the event that the Company declares and pays a dividend in respect of its outstanding shares of Common Stock and, on the record date for such dividend, the Participant holds Performance Share Units granted pursuant to this Agreement that have not been settled, the Company shall record the amount of such dividend in a bookkeeping account and pay to the Participant an amount in cash equal to the cash dividends the Participant would have received if the Participant was the holder of record, as of such record date, of a number of shares of Common Stock equal to the number of Performance Share Units held by the Participant that have not been settled as of such record date, such payment to be made on the date that shares of Common Stock are issued to the Participant in respect of the Performance Share Units in accordance with Section 5 (the "Dividend Equivalents"). For purposes of clarity, if the Performance Share Units (or any portion thereof) are forfeited by the Participant pursuant to the terms of this Agreement, then the Participant shall also forfeit the Dividend Equivalents, if any, accrued with respect to such forfeited Performance Share Units. No interest will accrue on the Dividend Equivalents between the declaration and payment of the applicable dividends and the settlement of the Dividend Equivalents.

7. Withholding. The Company may make such provision as it may deem appropriate for the withholding of any applicable federal, state or local taxes that it determines it may be obligated to withhold or pay in connection with the Performance Share Units. Required withholding taxes as determined by the Company associated with this Award must be paid in cash. Provided, however, the Committee may require the Participant to pay such withholding taxes by directing the Company to withhold from the Award the number of shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of required withholding taxes. The Company in its

sole discretion may also withhold any required taxes from Dividend Equivalents paid on the Performance Share Units.

8. Amendments. This Award Agreement may be amended by a written agreement signed by the Company and the Participant; provided that the Committee may modify the terms of this Award Agreement without the consent of the Participant in any manner that is not adverse to the Participant.

9. Securities Law Restrictions. Payment of this Award shall not be made in shares of Common Stock unless such issuance is in compliance with the Securities Act of 1933, as amended (the "Act"), and any other applicable securities law, or pursuant to an exemption therefrom. If deemed necessary by the Company to comply with the Act or any applicable laws or regulations relating to the sale of securities, the Participant at the time of payment and as a condition imposed by the Company, shall represent, warrant and agree that the shares of Common Stock subject to the Award are being acquired for investment and not with any present intention to resell the same and without a view to distribution, and the Participant shall, upon the request of the Company, execute and deliver to the Company an agreement to such a fact. The Participant acknowledges that any stock certificate representing Common Stock acquired under such circumstances will be issued with a restricted securities legend.

10. Non-Disclosure of Confidential and Proprietary Information. The Participant recognizes that, as a result of his/her employment, he/she will have access to confidential information, trade secrets, proprietary methods and other data which is the property of and integral to the operation and success of the Company and therefore agrees to be bound by the provisions of this Agreement, which the parties agree and acknowledge to be reasonable. The Participant acknowledges that he/she will obtain unique benefits from his/her employment and the provisions contained in this Agreement are reasonably necessary to protect the Company's legitimate business interests, which include, among other things, the substantial relationships between the Company and its clients, referral sources, employees, customers and vendors as well as the goodwill established with these parties over a protracted period of time. The Participant agrees that he/she will not divulge to any person; use to the detriment of the Company; or use in any business competitive with or similar to any business of the Company, any of the Company's trade secrets and/or the Company's confidential and proprietary information at any time during the term of the Participant's employment or thereafter. A trade secret shall include any formula, pattern, device or compilation of information used by the Company in its business. Trade secrets as well as confidential and proprietary information shall also include, without limitation, internal well valuations, compilation of documents necessary to prepare well valuations, geological data and interpretation of geological data obtained, expectations concerning well profitability, production information, test results, economic projections, financial reports, income statements, balance sheets, general ledgers, accounts receivable, business plans, contracts with customers, suppliers and affiliated companies, the identity of customers and suppliers, and information reflecting their interests, preferences, credit-worthiness,

risk characteristics, likely receptivity to solicitation for participation in various transactions, as well as any other business information obtained by the Participant, during the course of employment.

Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict the Participant from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to the Participant from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires the Participant to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that the Participant has engaged in any such conduct.

11. Participant Misconduct; Compensation Recovery.

(a) Notwithstanding anything in the Plan or this Agreement to the contrary, the Committee shall have the authority to determine that in the event of serious misconduct by the Participant (including violations of this Agreement, employment agreements, confidentiality or other proprietary matters) or any activity of the Participant in competition with the business of the Company or any Subsidiary or Affiliated Entity, the Award may be cancelled, in whole or in part, whether or not vested. The determination of whether the Participant has engaged in a serious breach of conduct or any activity in competition with the business of the Company or any Subsidiary or Affiliated Entity shall be determined by the Committee in good faith and in its sole discretion.

(b) The Award made pursuant to this Agreement is subject to recovery pursuant to the Company's compensation recovery policy then in effect. To the extent required by applicable laws, rules, regulations or securities exchange listing requirements and the Company's compensation recovery policy then in effect, the Company shall have the right, and shall take all actions necessary, to recover cash or shares of Common Stock paid to the Participant pursuant to this Award.

12. Notices. All notices or other communications relating to the Plan and this Agreement as it relates to the Participant shall be in electronic or written form. If in writing, such notices shall be deemed to have been made (a) if personally delivered in return for a receipt, (b) if mailed, by regular U.S. mail, postage prepaid, by the Company to the Participant at his last known address evidenced on the payroll records of the Company or (c) if provided electronically, provided to the Participant at his/her e-mail address specified in the Company's or its Affiliated Entity's records or as other specified pursuant to and in accordance with the Committee's applicable administrative procedures.

13. Binding Effect and Governing Law. This Agreement shall be (i) binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns except as may be limited by the Plan and (ii) governed and construed under the laws of the State of Oklahoma.

14. Captions. The captions of specific provisions of this Agreement are for convenience and reference only, and in no way define, describe, extend or limit the scope of this Agreement or the intent of any provision hereof.

15. Counterparts. This Agreement may be executed in any number of identical counterparts, each of which shall be deemed an original for all purposes, but all of which taken together shall form but one agreement.

16. Code Section 409A. This Agreement and the Award are intended to comply with, or otherwise be exempt from, Section 409A of the Code ("Section 409A"). This Agreement and the Award shall be administered, interpreted, and construed in a manner consistent with Section 409A or an exemption therefrom. Should any provision of this Agreement or the Award be found not to comply with, or otherwise be exempt from, the provisions of Section 409A, such provision shall be modified and given effect (retroactively if necessary), in the sole discretion of the Committee, and without the consent of the Participant, in such manner as the Committee determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation, additional taxes or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following the Participant's separation from service shall instead be paid on the first business day after the date that is six months following the Participant's termination date (or death, if earlier), with interest from the date such amounts would otherwise have been paid at the short-term applicable federal rate, compounded semi-annually, as determined under Section 1274 of the Code, for the month in which payment would have been made but for the delay in payment required to avoid the imposition of accelerated taxation, additional taxes or tax penalties on the Participant under Section 409A. In the event the Award under this Agreement is determined to be subject to Section 409A, any payment triggered by a Change of

Control will be made only if, in connection with the Change of Control, there occurs a change in the ownership of the Company, a change in the effective control of the Company, or a change in ownership of a substantial portion of the assets of the Company as all such terms are defined in Treasury Regulation Section 1.409A-3(i)(5). In the event payment is not allowed by operation of the immediately preceding sentence, payment will be made within sixty (60) days of the earlier to occur of (A) the applicable payment date set forth in the Notice or (B) the occurrence of a permissible time or event that could trigger a payment without violating Section 409A. Any payments to be made under this Agreement upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company or any of its Affiliated Entities be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

Notice of Grant of Performance Share Units and Award Agreement

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, OK 73118
ID: 73-1395733

Name: _____

Award Number: _____

Plan: 2021 LTIP

ID:

Effective _____, 2021 (the "Grant Date"), you have been granted a target number of _____ Performance Share Units. These Performance Share Units will become earned and vested as follows:

Determination of Earned Performance Share Units:

Subject to earlier forfeiture in Section 3(b) of the Award Agreement, the number of your Performance Share Units that become earned shall be determined based on the annualized absolute total stockholder return ("ATSR") during the period beginning on February 10, 2021 and ending on December 29, 2023 (the "Performance Period").

The Company's ATSR, as set forth below, shall determine the percentage of your target number of Performance Share Units that are earned. For ATSR performance between the values listed in the table below, the number of Performance Share Units that become earned shall be determined by straight-line interpolation. The Committee will review, analyze and certify the achievement of the Company's performance under the ATSR goal for the Performance Period, and will determine whether the ATSR performance requirement for your Performance Share Units has been satisfied in accordance with the terms of this Agreement.

Company ATSR Performance and Payout Schedule

ATSR	Percentage of Target Performance-Share Units Earned
Less than 0%	0%
0%	40%
5%	80%
10%	120%
15%	160%
20% or greater	200%

All unearned Performance Share Units that are outstanding as of the date immediately following the last day of the Performance Period shall be forfeited and cancelled for no consideration if they do not become earned as set forth above.

Vesting of Performance Share Units:

The earned Performance Share Units will vest upon the third anniversary of the Grant Date provided that you remain an Employee through such date, except as otherwise provided in Section 3 of the Agreement.

Determination of ATSR

The ATSR for the Performance Period is determined as follows:

$$\text{ATSR} = (((\text{EP} + \text{CD} - \text{BP}) / \text{BP}) / 3) \times 100, \text{ where}$$

Ending Price (EP) – equals the Company's 30-Day VWAP for the period ending on December 29, 2023. In the event that a Change of Control occurs during the Performance Period, the Ending Price shall be determined by the Committee.

Beginning Price (BP) – equals the Company's 30-Day VWAP for the period beginning on February 10, 2021.

Cash Dividends (CD) – equals the total of all cash dividends paid on a share of Common Stock during the Performance Period.

As used herein, "30-Day VWAP" means, as of any date of determination, the volume-weighted average price of a share of Common Stock as displayed under the heading "Bloomberg VWAP" on Bloomberg page "CHK<equity>VWAP" (or its equivalent successor if such page is not available) for the 30 consecutive Trading Days immediately preceding such date of determination (or if such volume-weighted average

price is unavailable, the market value of a share of Common Stock during such period, determined using a volume-weighted average method by a nationally recognized independent investment banking firm retained for this purpose by the Company).

As used herein, "Trading Day" means a day on which (a) trading in the Common Stock generally occurs on NASDAQ or, if the Common Stock is not then listed on NASDAQ, on the principal securities exchange on which the Common Stock is then listed or, if the Common Stock is not then listed on a securities exchange, on the principal other market on which the Common Stock is then traded; and (b) a 30-Day VWAP for the Common Stock is available on such securities exchange or market, but if the Common Stock is not so listed or traded, "Trading Day" means mean any day except a Saturday, Sunday or other day on which commercial banks in Oklahoma City, Oklahoma are authorized or required by law to be closed.

Acceptance. You are required to accept the terms and conditions set forth in this Notice, the Agreement and the Plan, all of which are made a part of this document in order for you to receive the Award granted to you hereunder. Any capitalized terms used but not defined in this Notice have the same meanings given to them in the Agreement or the Plan. By your signature and the Company's signature below, you and the Company agree that this award is granted under and governed by the terms and conditions of the Plan and the Agreement, all of which are attached and made a part of this document.

Chesapeake Energy Corporation

Date

Name

Date

**PERFORMANCE SHARE UNIT AWARD AGREEMENT FOR
CHESAPEAKE ENERGY CORPORATION
LONG TERM INCENTIVE PLAN
(Relative TSR)**

THIS PERFORMANCE UNIT AWARD AGREEMENT (the "Agreement") entered into as of the grant date set forth on the attached Notice of Grant of Performance Share Units and Award Agreement (the "Notice"), by and between Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), and the participant named on the Notice (the "Participant");

W I T N E S S E T H:

WHEREAS, the Participant is receiving the Performance Share Units in respect of the Participant's services as an Employee, and it is important to the Company that the Participant be encouraged to remain an Employee and to incentivize the Participant to promote the long-term success of the Company;

WHEREAS, the Company has previously adopted the Chesapeake Energy Corporation 2021 Long Term Incentive Plan effective as of February 9, 2021, as amended, restated or otherwise modified from time to time (the "Plan"); and

WHEREAS, the Company has awarded the Participant Performance Share Units under the Plan (which are a subcategory of Performance Shares under the Plan), as set forth on the Notice, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants herein contained, the Participant and the Company agree as follows:

1. The Plan. The Plan, a copy of which has been made available to the Participant, is hereby incorporated by reference herein and made a part hereof for all purposes, and when taken with this Agreement shall govern the rights of the Participant and the Company with respect to the Award (as defined below). Any capitalized terms used but not defined in this Agreement have the same meanings given to them in the Plan.

2. Grant of Award. The Company hereby awards to the Participant the number of Performance Share Units set forth in the Notice, on the terms and conditions set forth herein and in the Plan (the "Award"). Each Performance Share Unit granted pursuant to this Award gives the Participant the right to receive payment, following the satisfaction of the vesting conditions set forth in the Notice and this Agreement, of one share of Common Stock in the manner set forth in Section 5 below.

3. Earning, Vesting and Forfeiture.

(a) Earning and Vesting. The Performance Share Units will become earned and vested as set forth in the Notice based on the Company's achievement of the performance goal set forth in the Notice and the Participant's continued employment through the third anniversary of the Grant Date.

(b) Forfeiture. Except as otherwise provided in this Section 3, in the event the Participant ceases to be an Employee prior to the third anniversary of the Grant Date, then all of the Performance Share Units, regardless of whether they have become earned, and any Dividend Equivalents related thereto, shall be immediately forfeited without consideration.

(c) Acceleration on Death, Disability, Retirement or Involuntary Termination. This Award shall become vested upon the termination of the Participant's employment due to the Participant's death as follows: (i) if such death occurs prior to the end of the Performance Period, then the target number of Performance Share Units shall vest or (ii) if such death occurs after the end of the Performance Period, then the number of Performance Share Units earned based on actual performance shall vest. The Committee may also, in its discretion, waive the service-based vesting requirements or permit continued vesting of the Performance Share Units in the event of the Participant's Disability or termination of service due to retirement or involuntary termination (as determined by the Committee in its sole discretion).

(d) Acceleration on Termination Without Cause or for Good Reason Following a Change of Control. This Award shall become fully vested based on actual performance measured through the date of the Participant's termination if the Participant's service is terminated by the Company without Cause or by the Participant for Good Reason, in each case, within the 12-month period following the effective date of a Change of Control. For purposes of this Agreement, "Good Reason" shall have the meaning ascribed to such term in any employment, service or similar agreement between the Company, a Subsidiary or an Affiliated Entity and the Participant; provided, that, if there is no such agreement or the agreement does not provide for a definition of "Good Reason", "Good Reason" shall mean the occurrence of one of the following events: (i) elimination of the Participant's job position or material reduction in duties and/or reassignment of the Participant to a new position of materially less authority; (ii) a material reduction in the Participant's base salary; or (iii) a requirement that the Participant relocate to a location outside of a fifty (50) mile radius of the location of the Participant's office or principal base of operation immediately prior to the effective date of a Change of Control. Notwithstanding the foregoing, the Participant will not be deemed to have terminated for Good Reason unless (A) the Participant provides written notice to the Company of the existence of one of the conditions described above within ninety (90) days after the Participant has knowledge of the initial existence of the condition, (B) the Company fails to remedy the condition so identified within thirty (30) days after receipt of such notice (if capable of correction), (C) the Participant provides a

notice of termination to the Company within thirty (30) days of the expiration of the Company's period to remedy the condition specifying an effective date for the Participant's termination, and (D) the effective date of the Participant's termination of employment is within ninety (90) days after the Participant provides written notice to the Company of the existence of the condition referred to in clause (A).

4. Nontransferability of Award. A Performance Share Unit is not transferable other than by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, a Performance Share Unit contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Performance Share Unit(s) involved in such attempt.

5. Payment. Payment shall be made in the form of an issuance to the Participant of shares of Common Stock equal to the number of vested Performance Share Units within sixty (60) days following the vesting date of such Performance Share Unit.

6. Dividends Equivalents. In the event that the Company declares and pays a dividend in respect of its outstanding shares of Common Stock and, on the record date for such dividend, the Participant holds Performance Share Units granted pursuant to this Agreement that have not been settled, the Company shall record the amount of such dividend in a bookkeeping account and pay to the Participant an amount in cash equal to the cash dividends the Participant would have received if the Participant was the holder of record, as of such record date, of a number of shares of Common Stock equal to the number of Performance Share Units held by the Participant that have not been settled as of such record date, such payment to be made on the date that shares of Common Stock are issued to the Participant in respect of the Performance Share Units in accordance with Section 5 (the "Dividend Equivalents"). For purposes of clarity, if the Performance Share Units (or any portion thereof) are forfeited by the Participant pursuant to the terms of this Agreement, then the Participant shall also forfeit the Dividend Equivalents, if any, accrued with respect to such forfeited Performance Share Units. No interest will accrue on the Dividend Equivalents between the declaration and payment of the applicable dividends and the settlement of the Dividend Equivalents.

7. Withholding. The Company may make such provision as it may deem appropriate for the withholding of any applicable federal, state or local taxes that it determines it may be obligated to withhold or pay in connection with the Performance Share Units. Required withholding taxes as determined by the Company associated with this Award must be paid in cash. Provided, however, the Committee may require the Participant to pay such withholding taxes by directing the Company to withhold from the Award the number of shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of required withholding taxes. The Company in its

sole discretion may also withhold any required taxes from Dividend Equivalents paid on the Performance Share Units.

8. Amendments. This Award Agreement may be amended by a written agreement signed by the Company and the Participant; provided that the Committee may modify the terms of this Award Agreement without the consent of the Participant in any manner that is not adverse to the Participant.

9. Securities Law Restrictions. Payment of this Award shall not be made in shares of Common Stock unless such issuance is in compliance with the Securities Act of 1933, as amended (the "Act"), and any other applicable securities law, or pursuant to an exemption therefrom. If deemed necessary by the Company to comply with the Act or any applicable laws or regulations relating to the sale of securities, the Participant at the time of payment and as a condition imposed by the Company, shall represent, warrant and agree that the shares of Common Stock subject to the Award are being acquired for investment and not with any present intention to resell the same and without a view to distribution, and the Participant shall, upon the request of the Company, execute and deliver to the Company an agreement to such a fact. The Participant acknowledges that any stock certificate representing Common Stock acquired under such circumstances will be issued with a restricted securities legend.

10. Non-Disclosure of Confidential and Proprietary Information. The Participant recognizes that, as a result of his/her employment, he/she will have access to confidential information, trade secrets, proprietary methods and other data which is the property of and integral to the operation and success of the Company and therefore agrees to be bound by the provisions of this Agreement, which the parties agree and acknowledge to be reasonable. The Participant acknowledges that he/she will obtain unique benefits from his/her employment and the provisions contained in this Agreement are reasonably necessary to protect the Company's legitimate business interests, which include, among other things, the substantial relationships between the Company and its clients, referral sources, employees, customers and vendors as well as the goodwill established with these parties over a protracted period of time. The Participant agrees that he/she will not divulge to any person; use to the detriment of the Company; or use in any business competitive with or similar to any business of the Company, any of the Company's trade secrets and/or the Company's confidential and proprietary information at any time during the term of the Participant's employment or thereafter. A trade secret shall include any formula, pattern, device or compilation of information used by the Company in its business. Trade secrets as well as confidential and proprietary information shall also include, without limitation, internal well valuations, compilation of documents necessary to prepare well valuations, geological data and interpretation of geological data obtained, expectations concerning well profitability, production information, test results, economic projections, financial reports, income statements, balance sheets, general ledgers, accounts receivable, business plans, contracts with customers, suppliers and affiliated companies, the identity of customers and suppliers, and information reflecting their interests, preferences, credit-worthiness,

risk characteristics, likely receptivity to solicitation for participation in various transactions, as well as any other business information obtained by the Participant, during the course of employment.

Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict the Participant from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to the Participant from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires the Participant to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that the Participant has engaged in any such conduct.

11. Participant Misconduct; Compensation Recovery.

(a) Notwithstanding anything in the Plan or this Agreement to the contrary, the Committee shall have the authority to determine that in the event of serious misconduct by the Participant (including violations of this Agreement, employment agreements, confidentiality or other proprietary matters) or any activity of the Participant in competition with the business of the Company or any Subsidiary or Affiliated Entity, the Award may be cancelled, in whole or in part, whether or not vested. The determination of whether the Participant has engaged in a serious breach of conduct or any activity in competition with the business of the Company or any Subsidiary or Affiliated Entity shall be determined by the Committee in good faith and in its sole discretion.

(b) The Award made pursuant to this Agreement is subject to recovery pursuant to the Company's compensation recovery policy then in effect. To the extent required by applicable laws, rules, regulations or securities exchange listing requirements and the Company's compensation recovery policy then in effect, the Company shall have the right, and shall take all actions necessary, to recover cash or shares of Common Stock paid to the Participant pursuant to this Award.

12. Notices. All notices or other communications relating to the Plan and this Agreement as it relates to the Participant shall be in electronic or written form. If in writing, such notices shall be deemed to have been made (a) if personally delivered in return for a receipt, (b) if mailed, by regular U.S. mail, postage prepaid, by the Company to the Participant at his last known address evidenced on the payroll records of the Company or (c) if provided electronically, provided to the Participant at his/her e-mail address specified in the Company's or its Affiliated Entity's records or as other specified pursuant to and in accordance with the Committee's applicable administrative procedures.

13. Binding Effect and Governing Law. This Agreement shall be (i) binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns except as may be limited by the Plan and (ii) governed and construed under the laws of the State of Oklahoma.

14. Captions. The captions of specific provisions of this Agreement are for convenience and reference only, and in no way define, describe, extend or limit the scope of this Agreement or the intent of any provision hereof.

15. Counterparts. This Agreement may be executed in any number of identical counterparts, each of which shall be deemed an original for all purposes, but all of which taken together shall form but one agreement.

16. Code Section 409A. This Agreement and the Award are intended to comply with, or otherwise be exempt from, Section 409A of the Code ("Section 409A"). This Agreement and the Award shall be administered, interpreted, and construed in a manner consistent with Section 409A or an exemption therefrom. Should any provision of this Agreement or the Award be found not to comply with, or otherwise be exempt from, the provisions of Section 409A, such provision shall be modified and given effect (retroactively if necessary), in the sole discretion of the Committee, and without the consent of the Participant, in such manner as the Committee determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation, additional taxes or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following the Participant's separation from service shall instead be paid on the first business day after the date that is six months following the Participant's termination date (or death, if earlier), with interest from the date such amounts would otherwise have been paid at the short-term applicable federal rate, compounded semi-annually, as determined under Section 1274 of the Code, for the month in which payment would have been made but for the delay in payment required to avoid the imposition of accelerated taxation, additional taxes or tax penalties on the Participant under Section 409A. In the event the Award under this Agreement is determined to be subject to Section 409A, any payment triggered by a Change of

Control will be made only if, in connection with the Change of Control, there occurs a change in the ownership of the Company, a change in the effective control of the Company, or a change in ownership of a substantial portion of the assets of the Company as all such terms are defined in Treasury Regulation Section 1.409A-3(i)(5). In the event payment is not allowed by operation of the immediately preceding sentence, payment will be made within sixty (60) days of the earlier to occur of (A) the applicable payment date set forth in the Notice or (B) the occurrence of a permissible time or event that could trigger a payment without violating Section 409A. Any payments to be made under this Agreement upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company or any of its Affiliated Entities be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

Notice of Grant of Performance Share Units and Award Agreement

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, OK 73118
ID: 73-1395733

Name: _____

Award Number: _____

Plan: 2021 LTIP

ID:

Effective _____, 2021 (the "Grant Date"), you have been granted a target number of _____ Performance Share Units. These Performance Share Units will become earned and vested as follows:

Determination of Earned Performance Share Units:

Subject to earlier forfeiture in Section 3(b) of the Award Agreement, the number of your Performance Share Units that become earned shall be determined based on the Company's relative total stockholder return ("rTSR"), which measures the Company's TSR (as defined below) as compared to the TSR of the entities or indices in the Company's performance peer group, as listed in Exhibit A to this Notice (the "Peer Group" and each member thereof a "Peer Group Member"), during the period beginning on February 10, 2021 and ending on December 29, 2023 (the "Performance Period").

The Company's rTSR, as set forth below, shall determine the percentage of your target number of Performance Share Units that are earned. For rTSR performance between the values listed in the table below, the number of Performance Share Units that become earned shall be determined by straight-line interpolation. The Committee will review, analyze and certify the achievement of the Company's performance under the rTSR goal for the Performance Period, and will determine whether the rTSR performance requirement for your Performance Share Units has been satisfied in accordance with the terms of this Agreement.

Company rTSR Performance and Payout Schedule

rTSR	Percentage of Target Performance Share Units Earned
Less than 30%	0%
30%	30%
40%	60%
50%	80%
60%	100%
70%	125%
80%	160%
90% or greater	200%

All unearned Performance Share Units that are outstanding as of the date immediately following the last day of the Performance Period shall be forfeited and cancelled for no consideration if they do not become earned as set forth above.

Vesting of Performance Share Units:

The earned Performance Share Units will vest upon the third anniversary of the Grant Date provided that you remain an Employee through such date, except as otherwise provided in Section 3 of the Agreement.

Determination of TSR

The TSR for each Peer Group Member for the Performance Period is determined as follows:

$$\text{TSR} = (((\text{EP} + \text{CD} - \text{BP}) / \text{BP}) / 3) \times 100, \text{ where:}$$

Ending Price (EP) – equals the relevant company or index's 30-Day VWAP for the period ending on December 29, 2023. In the event that a Change of Control occurs during the Performance Period, the Ending Price of the Company shall be determined by the Committee.

Beginning Price (BP) – equals the relevant company or index's 30-Day VWAP for the period beginning on February 10, 2021.

Cash Dividends (CD) – equals the total of all cash dividends paid on a share of the relevant company or index's common stock during the Performance Period.

For the avoidance of doubt, the TSR calculation for Peer Group Members that are indices will be based on the composite index return for such index.

As used herein, "30-Day VWAP" means, as of any date of determination, the volume-weighted average price of a share of the relevant company's common stock or index's composite index return as displayed under the heading "Bloomberg VWAP" on Bloomberg page for the relevant company or index for the 30 consecutive Trading Days immediately preceding such date of determination (or if such volume-weighted average price is unavailable, the market value of a share of relevant company's common stock or index's composite index return during such period, determined using a volume-weighted average method by a nationally recognized independent investment banking firm retained for this purpose by the Company).

As used herein, "Trading Day" means a day on which (a) trading in the relevant company or index's common stock generally occurs on the principal securities exchange or other market on which the relevant company or index's common stock is then traded; and (b) a 30-Day VWAP for the relevant company or index's common stock is available on such securities exchange or market.

Acceptance. You are required to accept the terms and conditions set forth in this Notice, the Agreement and the Plan, all of which are made a part of this document in order for you to receive the Award granted to you hereunder. Any capitalized terms used but not defined in this Notice have the same meanings given to them in the Agreement or the Plan. By your signature and the Company's signature below, you and the Company agree that this award is granted under and governed by the terms and conditions of the Plan and the Agreement, all of which are attached and made a part of this document.

Chesapeake Energy Corporation

Date

Name

Date

Exhibit A

Peer Group

Antero Resources Corporation	Range Resources Corporation
Alerian MLP	Southwestern Energy Company
Cabot Oil & Gas Corporation	Vine Energy Inc.*
CNX Resources Corporation	S&P 500 Utilities Sector
Comstock Resources, Inc.	S&P 500 Industrials Sector
EQT Corporation	S&P Oil & Gas EP Select Industry Index

* The Beginning Price for Vine Energy Inc. will be equal to the 30-Day VWAP for Vine Energy Inc.'s common stock for the period beginning on March 18, 2021. Vine Energy Inc. will move to the top or the bottom of the ranking, based on whether its TSR is greater or less than the Company's TSR. For purposes of determining the Company's TSR relative to Vine Energy Inc., the Beginning Price will be equal to the 30-Day VWAP for the Company's common stock for the period beginning on March 18, 2021.

Replacement List

1. Ovintiv Inc.
2. Continental Resources, Inc.
3. Matador Resources Company
4. Cimarex Energy Co.
5. PDC Energy, Inc.
6. SM Energy Company
7. Murphy Oil Corporation

If, during the first 18 months of the Performance Period, any Peer Group Member is acquired, then the first company on the replacement list, in accordance with the order in the table above, that remains publicly traded as of such date shall replace the Peer Group Member.

If, during the Performance Period, a Peer Group Member declares bankruptcy or is no longer publicly traded at the end of the Performance Period, the TSR of such Peer Group Member shall be deemed to be the lowest ranked TSR in the Peer Group (and, if multiple Peer Group Members are no longer publicly traded at the end of the Performance Period or declare bankruptcy during the Performance Period, such Peer Group Members shall be ranked in order of when such delisting or bankruptcy occurs, with earlier bankruptcies and de-listings ranking lower than later bankruptcies, and de-listings). If, during the last 18 months of the Performance Period, any Peer Group Member is involved in a merger or acquisition, then such Peer Group Member will move to the top or the bottom of the ranking, based on whether the applicable Peer Group Member's TSR is greater or less than that for the Company, in each case measured as of the date of the announcement of such merger/acquisition.

CERTIFICATION

I, Michael Wichterich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chesapeake Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 10, 2021

By: /s/ MICHAEL WICHTERICH
 Michael Wichterich
Interim Chief Executive Officer

CERTIFICATION

I, Domenic J. Dell'Osso, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chesapeake Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 10, 2021

By: /s/ DOMENIC J. DELL'OSSO, JR.

Domenic J. Dell'Osso, Jr.

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Chesapeake Energy Corporation (the "Company") on Form 10-Q for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Wichterich, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 10, 2021

By: /s/ MICHAEL WICHTERICH
Michael Wichterich
Interim Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Chesapeake Energy Corporation (the "Company") on Form 10-Q for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Domenic J. Dell'Osso, Jr., Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 10, 2021

By: /s/ DOMENIC J. DELL'OSSO, JR.
Domenic J. Dell'Osso, Jr.
*Executive Vice President and
Chief Financial Officer*

Mine Safety Disclosures

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") and Item 104 of Regulation S-K (17 CFR 229.104) require certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (as amended by the Mine Improvement and New Emergency Response Act of 2006, the "Mine Act").

Burleson Sand LLC ("Burleson Sand") is a wholly owned subsidiary of Brazos Valley Longhorn, L.L.C. (successor in interest to WildHorse Resource Development Corporation) ("WildHorse"), which is a wholly owned subsidiary of Chesapeake Energy Corporation. On January 4, 2018, Burleson Sand acquired surface and sand rights on approximately 727 acres in Burleson County, Texas to construct and operate an in-field sand mine to support WildHorse's exploration and development operations. Burleson Sand began operations in September 2018 and is subject to regulation by the federal Mine Safety and Health Administration ("MSHA") under the Mine Act. The MSHA inspects mining facilities on a regular basis and issues citations and orders when it believes a violation has occurred under the Mine Act.

The MSHA, upon determination that a violation of the Mine Act has occurred, may issue a citation or an order which generally proposes civil penalties or fines upon the mine operator. Citations and orders may be appealed with the potential of reduced or dismissed penalties.

The table below reflects citations, orders, violations and proposed assessments issued to Burleson Sand by MSHA during the three-month period ended June 30, 2021. Due to timing and other factors, the data may not agree with the mine data retrieval systems maintained by MSHA at www.MSHA.gov.

	Burleson Sand Mine 41-05369
Section 104 significant and substantial citations	—
Section 104(b) orders	—
Section 104(d) citations and orders	—
Section 110(b)(2) violations	—
Section 107(a) orders	—
Total dollar value of MSHA assessments proposed ^(a)	\$ —
Total number of mining related fatalities	—
Received notice of pattern of violations under section 104(e)	No
Received notice of potential to have pattern under section 104(e)	No
Legal actions pending as of last day of period	—
Legal actions initiated during period	—
Legal actions resolved during period	1

a) Represents the total dollar value of all proposed or outstanding assessments, regardless of classification, received from MSHA on or before June 30, 2021, regardless of whether the assessment has been challenged or appealed.