

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **May 11, 2021**



CHESAPEAKE ENERGY CORPORATION

(Exact name of Registrant as specified in its Charter)		
Oklahoma	1-13726	73-1395733
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)
6100 North Western Avenue	Oklahoma City OK	73118
(Address of principal executive offices)		(Zip Code)
	(405) 848-8000	
	(Registrant's telephone number, including area code)	

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On May 11, 2021, Chesapeake Energy Corporation (“Chesapeake”) issued a press release reporting financial and operational results for the first quarter of 2021. A copy of the press release, financial information and outlook are attached as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3, respectively, to this Current Report on Form 8-K.

The information in the press release is being furnished, not filed, pursuant to Item 2.02. Accordingly, the information in the press release will not be incorporated by reference into any registration statement filed by Chesapeake under the Securities Act of 1933, as amended, except as set forth by specific reference in such filing.

Item 7.01 Regulation FD Disclosure.

On May 11, 2021, Chesapeake will make a presentation about its financial and operating results for the first quarter of 2021, as noted in the press release described in Item 2.02 above. Chesapeake has made the presentation available on its website at <http://www.chk.com/investors/presentations>.

This information is being furnished, not filed, pursuant to Item 7.01. Accordingly, this information will not be incorporated by reference into any registration statement filed by Chesapeake Energy Corporation under the Securities Act of 1933, as amended, except as set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Document Description
99.1	Chesapeake Energy Corporation press release dated May 11, 2021
99.2	Supplemental Financial Information
99.3	Outlook as of May 11, 2021
104.0	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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 hereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION

By: /s/ JAMES R. WEBB

James R. Webb

Executive Vice President - General Counsel and Corporate
Secretary

Date: May 11, 2021

NEWS RELEASE

FOR IMMEDIATE RELEASE
MAY 11, 2021

CHESAPEAKE ENERGY CORPORATION REPORTS 2021 FIRST QUARTER RESULTS, INITIATES COMMON STOCK DIVIDEND AND ANNOUNCES UPDATED GUIDANCE

OKLAHOMA CITY, May 11, 2021 – Chesapeake Energy Corporation (NASDAQ:CHK) today reported 2021 first quarter results, launched a cash dividend program based on strong operating cash flow performance and announced its updated 2021 guidance. Highlights include:

- **Successor net income totaled \$295 million, or \$2.75 per diluted share**
- **Generated adjusted EBITDAX (a non-GAAP measure) of \$510 million for the combined 2021 Successor and Predecessor Periods (January 1, 2021 - March 31, 2021)**
- **March 31, 2021 unrestricted cash balance of \$340 million; reducing March 31, 2021 net debt (a non-GAAP measure) to adjusted 2021E EBITDAX ratio to 0.6x**
- **Launched sustainable dividend at an initial annual rate of \$1.375 per share to be paid quarterly beginning in the 2021 Second Quarter; base dividend built to withstand commodity price volatility with incremental cash return strategy to be defined by year end 2021**
- **Increased five-year cumulative free cash flow (a non-GAAP measure) outlook to ~\$3 billion**

Mike Wichterich, Chesapeake's Board Chairman and Interim Chief Executive Officer, commented, "Our strong first quarter results demonstrate the significant value creating opportunities that lie ahead for Chesapeake. We are committed to returning meaningful cash to our shareholders and are pleased to announce a highly competitive dividend that is built to withstand commodity price cycles. With our talented employees, pristine balance sheet, operational leadership, and free cash flow outlook, I firmly believe Chesapeake is poised to deliver differential returns to our shareholders."

Dividend Policy and Balance Sheet Update

Following Chesapeake's emergence from Chapter 11 restructuring proceedings, the company generated \$409 million of operating cash flow and ended the quarter with \$340 million of unrestricted cash on hand. As of April 30, 2021, Chesapeake had approximately \$500 million of unrestricted cash on hand. With the company's strong liquidity position and free cash flow generation, Chesapeake's Board of Directors has declared an annual dividend on its common shares of \$1.375 per share. The dividend will be paid quarterly, with the first such payment to be payable on June 10, 2021 to shareholders of record at the close of business on May 24, 2021.

Operations Update

Chesapeake achieved an average net production rate of approximately 436,000 barrels of oil equivalent per day (approximately 77 percent natural gas and 23 percent total liquids) during the 2021 first quarter. Chesapeake is currently operating seven rigs across its portfolio, with three rigs in Appalachia, three rigs in Haynesville and one rig in South Texas.

Fresh Start Accounting and Predecessor and Successor Periods

In connection with our emergence from bankruptcy on February 9, 2021, Chesapeake qualified for and applied fresh start accounting. In applying fresh start accounting, Chesapeake allocated its reorganization value to its individual assets based on their estimated fair values. Accordingly, the consolidated financial statements after February 9, 2021 are not comparable with the consolidated financial statements as of or prior to that date. References to "Successor" refer to the post-emergence reorganized Chesapeake after February 9, 2021, and references to "Predecessor" refer to pre-emergence Chesapeake for periods on or before February 9, 2021.

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CHESAPEAKE ENERGY CORPORATION

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Oklahoma City, OK 73154

Outlook and Guidance Update

Today, Chesapeake released its first complete post-restructuring guidance and outlook for the full year 2021, including full-year cost estimates and projections for production and capital expenditures. In addition, the company announced that it expects total production levels in 2022 to remain flat to 2021, with natural gas increasing to approximately 85% of the total production mix for 2022.

Conference Call Information

Chesapeake will conduct a conference call to discuss these results on Wednesday, May 12, 2021 at 9:00 am EDT. The telephone number to access the conference call is 888-317-6003 or 412-317-6061 for international callers. The passcode for the call is 2667856.

Financial Statements and Guidance Documents

The company's 2021 first quarter financial and operational results, along with non-GAAP measures that adjust for items that are typically excluded by securities analysts, and management's updated guidance for the remainder of 2021 are available on our website at www.chk.com.

Non-GAAP Disclosures

This news release includes non-GAAP financial measures. Such non-GAAP measures should be not considered as an alternative to GAAP measures. Reconciliations of these non-GAAP measures and other disclosures are provided with the supplemental financial tables available on our website at www.chk.com.

Headquartered in Oklahoma City, Chesapeake Energy Corporation's (NASDAQ: CHK) operations are focused on discovering and responsibly developing its large and geographically diverse resource base of unconventional oil and natural gas assets onshore in the United States.

Forward-Looking Statements

This news release and the accompanying outlook include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements other than statements of historical fact. They include statements that give our current expectations, management's outlook guidance or forecasts of future events, expected natural gas and oil growth trajectory, projected cash flow and liquidity, our ability to enhance our cash flow and financial flexibility, dividend plans, future production and commodity mix, plans and objectives for future operations, the ability of our employees, portfolio strength and operational leadership to create long-term value, and the assumptions on which such statements are based. Although we believe the expectations and forecasts reflected in the forward-looking statements are reasonable, we can give no assurance they will prove to have been correct. They can be affected by inaccurate or changed assumptions or by known or unknown risks and uncertainties.

Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors" in Item 1A of our annual report on Form 10-K and any updates to those factors set forth in Chesapeake's subsequent quarterly reports on Form 10-Q or current reports on Form 8-K (available at <http://www.chk.com/investors/sec-filings>). These risk factors include: the impact of the COVID-19 pandemic and its effect on the company's business, financial condition, employees, contractors and vendors, and on the global demand for oil and natural gas and U.S. and world financial markets; the volatility of oil, natural gas and NGL prices; 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, to finance reserve replacement costs or satisfy our debt obligations; write-downs of our oil and natural gas asset carrying values due to low commodity prices; our ability to replace reserves and sustain production; 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 generate profits or achieve targeted results in drilling and well operations; leasehold terms expiring before production can be established; commodity derivative activities resulting in lower prices realized on oil, natural gas and NGL sales; the need to secure derivative liabilities and the inability of counterparties to satisfy their obligations; adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims; charges incurred in response to market conditions; drilling and operating risks and resulting liabilities; effects of environmental protection laws and regulations on our business; legislative and regulatory initiatives further regulating hydraulic fracturing; our need to secure adequate supplies of water for our drilling operations and to dispose of or recycle the water used; impacts of

potential legislative and regulatory actions addressing climate change; federal and state tax proposals affecting our industry; potential OTC derivatives regulation limiting our ability to hedge against commodity price fluctuations; competition in the oil and gas exploration and production industry; a deterioration in general economic, business or industry conditions; negative public perceptions of our industry; limited control over properties we do not operate; pipeline and gathering system capacity constraints and transportation interruptions; terrorist activities and cyber-attacks adversely impacting our operations; and an interruption in operations at our headquarters due to a catastrophic event.

In addition, disclosures concerning the estimated contribution of derivative contracts to our future results of operations are based upon market information as of a specific date. These market prices are subject to significant volatility. Our production forecasts are also dependent upon many assumptions, including estimates of production decline rates from existing wells and the outcome of future drilling activity. We caution you not to place undue reliance on our forward-looking statements that speak only as of the date of this news release, and we undertake no obligation to update any of the information provided in this release, except as required by applicable law. In addition, this news release contains time-sensitive information that reflects management's best judgment only as of the date of this news release.

CHESAPEAKE ENERGY CORPORATION - SUPPLEMENTAL TABLES**Table of Contents:**

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Successor	Predecessor	
	Period from February 10, 2021 through March 31, 2021	Period from January 1, 2021 through February 9, 2021	Three Months Ended March 31, 2020
<i>(\$ in millions except per share data)</i>			
Revenues and other:			
Oil, natural gas and NGL	\$ 553	\$ 398	\$ 894
Marketing	277	239	724
Oil and natural gas derivatives	46	(382)	907
Gains on sales of assets	4	5	—
Total revenues and other	880	260	2,525
Operating expenses:			
Production	40	32	122
Gathering, processing and transportation	111	102	285
Severance and ad valorem taxes	24	18	54
Exploration	1	2	282
Marketing	280	237	746
General and administrative	15	21	65
Separation and other termination costs	—	22	5
Depreciation, depletion and amortization	122	72	603
Impairments	—	—	8,522
Other operating expense (income), net	2	(12)	68
Total operating expenses	595	494	10,752
Income (loss) from operations	285	(234)	(8,227)
Other income (expense):			
Interest expense	(12)	(11)	(145)
Gains on purchases or exchanges of debt	—	—	63
Other income (expense)	22	2	(17)
Reorganization items, net	—	5,569	—
Total other income (expense)	10	5,560	(99)
Income (loss) before income taxes	295	5,326	(8,326)
Income tax benefit	—	(57)	(13)
Net income (loss)	295	5,383	(8,313)
Net loss attributable to noncontrolling interests	—	—	16
Net income (loss) attributable to Chesapeake	295	5,383	(8,297)
Preferred stock dividends	—	—	(22)
Net income (loss) available to common stockholders	\$ 295	\$ 5,383	\$ (8,319)
Earnings (loss) per common share:			
Basic	\$ 3.01	\$ 550.35	\$ (852.97)
Diluted	\$ 2.75	\$ 534.51	\$ (852.97)
Weighted average common shares outstanding (in thousands):			
Basic	97,907	9,781	9,753
Diluted	107,159	10,071	9,753

NDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(\$ in millions)	Successor March 31, 2021	Predecessor December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 340	\$ 279
Restricted cash	68	—
Accounts receivable, net	704	746
Short-term derivative assets	4	19
Other current assets	74	64
Total current assets	1,190	1,108
Property and equipment:		
Oil and natural gas properties, successful efforts method		
Proved oil and natural gas properties	4,748	25,734
Unproved properties	483	1,550
Other property and equipment	491	1,754
Total property and equipment	5,722	29,038
Less: accumulated depreciation, depletion and amortization	(120)	(23,806)
Property and equipment held for sale, net	2	10
Total property and equipment, net	5,604	5,242
Long-term derivative assets	2	—
Other long-term assets	108	234
Total assets	\$ 6,904	\$ 6,584
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 346	\$ 346
Current maturities of long-term debt, net	—	1,929
Accrued interest	11	3
Short-term derivative liabilities	305	93
Other current liabilities	781	723
Total current liabilities	1,443	3,094
Long-term debt, net	1,262	—
Long-term derivative liabilities	76	44
Asset retirement obligations, net of current portion	237	139
Other long-term liabilities	5	5
Liabilities subject to compromise	—	8,643
Total liabilities	3,023	11,925
Contingencies and commitments		
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: 97,907,081 and 0 shares issued	1	—
Successor additional paid-in capital	3,585	—
Retained earnings (accumulated deficit)	295	(23,954)
Total stockholders' equity (deficit)	3,881	(5,341)
Total liabilities and stockholders' equity (deficit)	\$ 6,904	\$ 6,584

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Successor		Predecessor		
	Period from February 10, 2021 through March 31, 2021		Period from January 1, 2021 through February 9, 2021		Three Months Ended March 31, 2020
<i>in millions)</i>					
Cash flows from operating activities:					
Net income (loss)	\$	295	\$	5,383	(8,313)
Adjustments to reconcile net income (loss) to cash provided by operating activities:					
Depreciation, depletion and amortization		122		72	603
Deferred income tax benefit		—		(57)	(10)
Derivative (gains) losses, net		(46)		382	(907)
Cash receipts (payments) on derivative settlements, net		(32)		(17)	89
Stock-based compensation		—		3	5
Gains on sales of assets		(4)		(5)	—
Impairments		—		—	8,522
Non-cash reorganization items, net		—		(6,680)	—
Exploration		—		2	279
Gains on purchases or exchanges of debt		—		—	(63)
Other		4		45	31
Changes in assets and liabilities		70		851	161
Net cash provided by (used in) operating activities		409		(21)	397
Cash flows from investing activities:					
Capital expenditures		(77)		(66)	(518)
Proceeds from divestitures of property and equipment		4		—	7
Net cash used in investing activities		(73)		(66)	(511)
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		—		—	2,331
Payments on pre-petition revolving credit facility borrowings		—		—	(2,021)
Payments on DIP Facility borrowings		—		(1,179)	—
Proceeds from issuance of senior notes, net		—		1,000	—
Proceeds from issuance of common stock		—		600	—
Debt issuance and other financing costs		(3)		(8)	—
Cash paid to purchase debt		—		—	(93)
Cash paid for preferred stock dividends		—		—	(22)
Other		—		(1)	(5)
Net cash provided by (used in) financing activities		(53)		(67)	190
Net increase (decrease) in cash, cash equivalents and restricted cash		283		(154)	76
Cash, cash equivalents and restricted cash, beginning of period		125		279	6
Cash, cash equivalents and restricted cash, end of period	\$	408	\$	125	82
Cash and cash equivalents	\$	340	\$	38	82
Restricted cash		68		86	—
Total cash, cash equivalents and restricted cash	\$	408	\$	125	82

NATURAL GAS AND NGL PRODUCTION AND AVERAGE SALES PRICES (unaudited)

Successor								
Period from February 10, 2021 through March 31, 2021								
Oil		Natural Gas		NGL		Total		
MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe	
Appalachia	—	—	1,283	2.53	—	—	214	15.21
Gulf Coast	—	—	524	2.68	—	—	87	16.09
South Texas	37	62.10	109	5.12	14	28.51	69	47.24
Brazos Valley	29	60.76	34	8.99	4	16.49	38	55.09
Powder River Basin	10	58.95	57	4.82	3	34.75	23	42.57
Total	76	61.19	2,007	2.89	21	27.20	431	25.57
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
Non-GAAP Combined								
Three Months Ended March 31, 2021								
Oil		Natural Gas		NGL		Total		
MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe	
Appalachia	—	—	1,261	2.48	—	—	210	14.90
Gulf Coast	—	—	532	2.57	—	—	89	15.42
South Texas	40	58.30	117	4.09	14	27.39	73	43.44
Brazos Valley	30	56.84	36	5.27	4	16.32	41	49.13
Powder River Basin	10	55.84	59	3.94	4	34.54	23	38.75
Total	80	57.45	2,005	2.69	22	26.62	436	24.25
Average Realized Price		46.23		2.70		26.62		22.20
Predecessor								
Three Months Ended March 31, 2020								
Oil		Natural Gas		NGL		Total		
MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe	
Appalachia	—	—	976	1.97	—	—	163	11.85
Gulf Coast	—	—	556	1.68	—	—	93	10.10
South Texas	63	48.53	159	2.18	19	11.71	108	33.38
Brazos Valley	41	46.30	69	0.60	9	5.26	61	32.55
Powder River Basin	17	43.23	89	1.84	6	13.30	38	26.01
Retained assets	121	46.93	1,849	1.86	34	10.71	463	20.53
Mid-Continent	5	44.75	49	2.24	3	14.06	16	23.38
Total	126	46.93	1,898	1.86	37	10.71	479	20.53
Average Realized Price		57.99		2.15		10.71		24.60

GROSS MARGIN (unaudited)

(\$ in millions, except per unit)	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through March 31, 2021		Period from January 1, 2021 through February 9, 2021		Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
Appalachia								
Oil, natural gas and NGL sales	\$ 163	\$ 15.21	\$ 119	\$ 14.49	\$ 282	\$ 14.90	\$ 175	\$ 11.85
Production expenses	5	\$ 0.50	4	\$ 0.50	9	\$ 0.50	9	\$ 0.58
Gathering, processing and transportation expenses	42	\$ 3.94	34	\$ 4.17	76	\$ 4.04	71	\$ 4.83
Severance and ad valorem taxes	1	\$ 0.09	1	\$ 0.07	2	\$ 0.08	2	\$ 0.12
Gross margin	<u>\$ 115</u>	\$ 10.68	<u>\$ 80</u>	\$ 9.75	<u>\$ 195</u>	\$ 10.28	<u>\$ 93</u>	\$ 6.32
Gulf Coast								
Oil, natural gas and NGL sales	\$ 70	\$ 16.09	\$ 53	\$ 14.62	\$ 123	\$ 15.42	\$ 85	\$ 10.10
Production expenses	6	\$ 1.50	4	\$ 1.12	10	\$ 1.32	11	\$ 1.30
Gathering, processing and transportation expenses	11	\$ 2.45	11	\$ 2.93	22	\$ 2.67	51	\$ 6.10
Severance and ad valorem taxes	2	\$ 0.56	2	\$ 0.54	4	\$ 0.55	6	\$ 0.66
Gross margin	<u>\$ 51</u>	\$ 11.58	<u>\$ 36</u>	\$ 10.03	<u>\$ 87</u>	\$ 10.88	<u>\$ 17</u>	\$ 2.04
South Texas								
Oil, natural gas and NGL sales	\$ 164	\$ 47.24	\$ 122	\$ 39.20	\$ 286	\$ 43.44	\$ 328	\$ 33.38
Production expenses	14	\$ 4.07	12	\$ 3.90	26	\$ 3.99	36	\$ 3.62
Gathering, processing and transportation expenses	42	\$ 11.99	42	\$ 13.35	84	\$ 12.63	109	\$ 11.11
Severance and ad valorem taxes	9	\$ 2.61	8	\$ 2.53	17	\$ 2.57	19	\$ 1.94
Gross margin	<u>\$ 99</u>	\$ 28.57	<u>\$ 60</u>	\$ 19.42	<u>\$ 159</u>	\$ 24.25	<u>\$ 164</u>	\$ 16.71
Brazos Valley								
Oil, natural gas and NGL sales	\$ 108	\$ 55.09	\$ 71	\$ 42.23	\$ 179	\$ 49.13	\$ 180	\$ 32.55
Production expenses	10	\$ 4.99	9	\$ 4.85	19	\$ 4.93	27	\$ 4.98
Gathering, processing and transportation expenses	2	\$ 1.05	3	\$ 1.92	5	\$ 1.45	9	\$ 1.56
Severance and ad valorem taxes	7	\$ 3.71	5	\$ 2.99	12	\$ 3.38	16	\$ 2.99
Gross margin	<u>\$ 89</u>	\$ 45.34	<u>\$ 54</u>	\$ 32.47	<u>\$ 143</u>	\$ 39.37	<u>\$ 128</u>	\$ 23.02
Powder River Basin								
Oil, natural gas and NGL sales	\$ 48	\$ 42.57	\$ 33	\$ 34.25	\$ 81	\$ 38.75	\$ 90	\$ 26.01
Production expenses	5	\$ 4.37	3	\$ 3.37	8	\$ 3.91	18	\$ 5.28
Gathering, processing and transportation expenses	14	\$ 12.65	12	\$ 12.53	26	\$ 12.59	35	\$ 10.02
Severance and ad valorem taxes	5	\$ 3.92	2	\$ 2.88	7	\$ 3.44	9	\$ 2.76
Gross margin	<u>\$ 24</u>	\$ 21.63	<u>\$ 16</u>	\$ 15.47	<u>\$ 40</u>	\$ 18.81	<u>\$ 28</u>	\$ 7.95
Mid-Continent								
Oil, natural gas and NGL sales	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 36	\$ 23.38
Production expenses	—	\$ —	—	\$ —	—	\$ —	21	\$ 13.95
Gathering, processing and transportation expenses	—	\$ —	—	\$ —	—	\$ —	10	\$ 6.45
Severance and ad valorem taxes	—	\$ —	—	\$ —	—	\$ —	2	\$ 1.01
Gross margin	<u>\$ —</u>	\$ —	<u>\$ —</u>	\$ —	<u>\$ —</u>	\$ —	<u>\$ 3</u>	\$ 1.97

PITAL EXPENDITURES ACCRUED (unaudited)

	Successor	Predecessor	Non-GAAP Combined	Predecessor
	Period from February 10, 2021 through March 31, 2021	Period from January 1, 2021 through February 9, 2021	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
<i>(\$ in millions)</i>				
Drilling and completion capital expenditures:				
Appalachia	\$ 39	\$ 30	\$ 69	\$ 63
Gulf Coast	11	22	33	29
South Texas	4	4	8	134
Brazos Valley	4	5	9	154
Powder River Basin	1	—	1	83
Retained assets	59	61	120	463
Mid-Continent	—	—	—	2
Total drilling and completion capital expenditures	59	61	120	465
Leasehold and additions to other PP&E	1	—	1	13
Capitalized interest	1	1	2	6
Total capital expenditures	\$ 61	\$ 62	\$ 123	\$ 484

AND NATURAL GAS HEDGING POSITIONS AS OF APRIL 30, 2021

Crude Oil Swaps

	Volume (MMBbls)		Avg. NYMEX Price of Swaps
Q2 2021 ^(a)	4.8	\$	42.62
Q3 2021	4.6	\$	42.62
Q4 2021	4.3	\$	42.62
Total 2021	13.7	\$	42.62
Total 2022	11.2	\$	44.30
Total 2023	1.9	\$	47.17

Oil Basis Protection Swaps

	Volume (MMBbls)		Avg. NYMEX plus/(minus)
Q2 2021 ^(a)	0.6	\$	1.10
Q3 2021	1.7	\$	0.45
Q4 2021	1.7	\$	0.45
Total 2021	4.0	\$	0.54
Total 2022	2.0	\$	0.09

Natural Gas Swaps

	Volume (Bcf)		Avg. NYMEX Price of Swaps
Q2 2021 ^(a)	135	\$	2.66
Q3 2021	127	\$	2.66
Q4 2021	115	\$	2.67
Total 2021	377	\$	2.66
Total 2022	249	\$	2.55
Total 2023	45	\$	2.75

Natural Gas Two-Way Collars

	Volume (Bcf)		Avg. NYMEX Bought Put Price		Avg. NYMEX Sold Call Price
Q2 2021 ^(a)	8	\$	2.80	\$	3.29
Q3 2021	8	\$	2.80	\$	3.29
Q4 2021	8	\$	2.80	\$	3.29
Total 2021	24	\$	2.80	\$	3.29
Total 2022	96	\$	2.45	\$	2.88

Natural Gas Basis Protection Swaps

	Volume (Bcf)		Avg. NYMEX plus/(minus)
Q2 2021 ^(a)	50	\$	(0.66)
Q3 2021	50	\$	(0.78)
Q4 2021	34	\$	(0.33)
Total 2021	134	\$	(0.62)
Total 2022	65	\$	(0.44)
Total 2023	23	\$	0.76

(a) Includes amounts settled in April and May 2021.

N-GAAP FINANCIAL MEASURES

As a supplement to the financial results prepared in accordance with U.S. GAAP, Chesapeake's quarterly earnings releases contain certain financial measures that are not prepared or presented in accordance with U.S. GAAP. These non-GAAP financial measures include Adjusted Net Income (Loss) Attributable to Chesapeake, Adjusted EBITDAX, Free Cash Flow and Net Debt. A reconciliation of each financial measure to its most directly comparable GAAP financial measure is included in the tables below.

These financial measures are non-GAAP and should not be considered as an alternative to, or more meaningful than, net income (loss), earnings (loss) per common share or cash flow provided by operating activities prepared in accordance with GAAP.

Chesapeake believes that the non-GAAP measures presented, when viewed in combination with its financial measures prepared in accordance with GAAP, provide useful information as they exclude certain items management believes affects the comparability of operating results. Management believes these adjusted financial measures are a meaningful adjunct to earnings and cash flows calculated in accordance with GAAP because (a) management uses these financial measures to evaluate the company's trends and performance relative to other oil and natural gas producing companies, (b) these financial measures are comparable to estimates provided by securities analysts, and (c) items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provide by the company generally excludes information regarding these types of items.

Because not all companies use identical calculations, Chesapeake's non-GAAP measures may not be comparable to similar titled measures of other companies.

CONCILIATION OF ADJUSTED NET INCOME (LOSS) ATTRIBUTABLE TO CHESAPEAKE (unaudited)

	Successor		Predecessor			
	Period from February 10, 2021 through March 31, 2021		Period from January 1, 2021 through February 9, 2021		Three Months Ended March 31, 2020	
	\$	\$/Share	\$	\$/Share	\$	\$/Share
<i>(\$ in millions, except per share data)</i>						
Net income (loss) available to common stockholders (GAAP)	\$ 295	\$ 3.01	\$ 5,383	\$ 550.35	\$ (8,319)	\$ (852.97)
Effect of dilutive securities	—	(0.26)	—	(14.84)	—	—
Diluted income (loss) available to common stockholders (GAAP)	\$ 295	\$ 2.75	\$ 5,383	\$ 534.51	\$ (8,319)	\$ (852.97)
Adjustments:						
Unrealized (gains) losses on oil, natural gas and NGL derivatives	(113)	(1.05)	369	36.64	(729)	(74.75)
Separation and other termination costs	—	—	22	2.18	5	0.51
Gains on sales of assets	(4)	(0.04)	(5)	(0.50)	—	—
Other operating expense (income)	2	0.02	(12)	(1.19)	68	6.97
Impairments	—	—	—	—	8,522	873.78
Exploration expense - impairment of unproved properties	—	—	—	—	272	27.89
Noncontrolling interests - impairment of unproved properties	—	—	—	—	(16)	(1.64)
Gains on purchases or exchanges of debt	—	—	—	—	(63)	(6.46)
Reorganization items, net	—	—	(5,569)	(552.97)	—	—
Other	(21)	(0.20)	—	—	23	2.36
Tax effect of adjustments ^(a)	—	—	(57)	(5.66)	(11)	(1.13)
Adjusted net income (loss) available to common stockholders (Non-GAAP)	159	1.48	131	13.01	(248)	(25.44)
Preferred stock dividends	—	—	—	—	22	2.26
Total adjusted net income (loss) attributable to Chesapeake (Non-GAAP)	\$ 159	\$ 1.48	\$ 131	\$ 13.01	\$ (226)	\$ (23.18)

2021 Predecessor Period includes an income tax benefit of \$57 million attributed to deferred income tax effects associated with predecessor accumulated other comprehensive income, eliminated in fresh start accounting. 2020 Predecessor Period includes a deferred tax benefit attributed to the reconciling adjustments using a 0.14% effective tax rate.

CONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDAX (unaudited)

	Successor	Predecessor	Non-GAAP Combined	Predecessor
	Period from February 10, 2021 through March 31, 2021	Period from January 1, 2021 through February 9, 2021	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
<i>(\$ in millions)</i>				
Net income (loss) (GAAP)	\$ 295	\$ 5,383	\$ 5,678	\$ (8,313)
Adjustments:				
Interest expense	12	11	23	145
Income tax benefit	—	(57)	(57)	(13)
Depreciation, depletion and amortization	122	72	194	603
Exploration	1	2	3	282
Unrealized (gains) losses on oil, natural gas and NGL derivatives	(113)	369	256	(729)
Separation and other termination costs	—	22	22	5
Gains on sales of assets	(4)	(5)	(9)	—
Other operating expense (income)	2	(12)	(10)	68
Impairments	—	—	—	8,522
Gains on purchases or exchanges of debt	—	—	—	(63)
Reorganization items, net	—	(5,569)	(5,569)	—
Other	(21)	—	(21)	23
Adjusted EBITDAX (Non-GAAP)	\$ 294	\$ 216	\$ 510	\$ 530

EE CASH FLOW

	Successor	Predecessor	Non-GAAP Combined	Predecessor
	Period from February 10, 2021 through March 31, 2021	Period from January 1, 2021 through February 9, 2021	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
<i>(\$ in millions)</i>				
Net cash provided by (used in) operating activities (GAAP)	\$ 409	\$ (21)	\$ 388	\$ 397
Cash paid for reorganization items, net	18	66	84	—
Capital expenditures	(77)	(66)	(143)	(518)
Free cash flow (Non-GAAP)	<u>\$ 350</u>	<u>\$ (21)</u>	<u>\$ 329</u>	<u>\$ (121)</u>

T DEBT

	Successor
	March 31, 2021
<i>(\$ in millions)</i>	
Total debt (GAAP)	\$ 1,262
premiums and issuance costs on debt	(41)
Principal amount of debt	<u>1,221</u>
Cash and cash equivalents	(340)
debt (Non-GAAP)	<u>\$ 881</u>

ESAPEAKE ENERGY CORPORATION - MANAGEMENT'S OUTLOOK AS OF MAY 11, 2021

Chesapeake periodically provides guidance on certain factors that affect the company's future financial performance.

	Year Ending 12/31/2021
Total production:	
Oil - mmbbls	23.0 - 25.0
NGL - mmbbls	6.5 - 8.5
Natural gas - bcf	715 - 735
Total daily rate - mboe per day	410 - 420
Estimated basis to NYMEX prices, based on 4/30/21 strip prices:	
Oil - \$/bbl	(\$0.20) - (\$0.60)
Natural gas - \$/mcf	(\$0.40) - (\$0.50)
NGL - realizations as a % of WTI	40% - 45%
Operating costs per boe of projected production:	
Production expense	\$1.85 - \$2.15
Gathering, processing and transportation expenses	\$4.90 - \$5.40
Oil - \$/bbl	\$2.65 - \$2.85
Natural Gas - \$/mcf	\$0.90 - \$1.00
Severance and ad valorem taxes	\$0.90 - \$1.10
General and administrative ^(a)	\$0.85 - \$1.15
Depreciation, depletion and amortization expense	\$5.00 - \$6.00
Marketing net margin and Other (\$ in millions)	\$0 - \$10
Interest expense (\$ in millions) ^(b)	\$70 - \$80
Cash taxes (\$ in millions)	\$0 - \$20
Adjusted EBITDAX, based on 4/30/21 strip prices (\$ in millions) ^(c)	\$1,550 - \$1,650
Total capital expenditures (\$ in millions)	\$670 - \$740

Includes ~\$0.08/boe of expenses associated with stock-based compensation, which are recorded in general and administrative expenses in Chesapeake's Condensed Consolidated Statement of Operations.

Includes ~\$15 million of non-cash interest expense due to timing of interest payments in 2021.

Adjusted EBITDAX is a non-GAAP measure used by management to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies. Adjusted EBITDAX excludes certain items that management believes affect the comparability of operating results. The most directly comparable GAAP measure is net income (loss), but it is not possible, without unreasonable efforts, to identify the amount or significance of events or transactions that may be included in future GAAP net income (loss) but that management does not believe to be representative of underlying business performance. The company further believes that providing estimates of the amounts that would be required to reconcile forecasted adjusted EBITDAX to forecasted GAAP net income (loss) would imply a degree of precision that may be confusing or misleading to investors. Items excluded from net income to arrive at adjusted EBITDAX include interest expense, income taxes, depreciation, depletion and amortization expense, and exploration expense as well as one-time items or items whose timing or amount cannot be reasonably estimated.